KITE REALTY GROUP TRUST
Form 424B5
December 02, 2010

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-155729

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 10, 2008)

2,600,000 Shares

8.250% Series A Cumulative Redeemable Perpetual Preferred Shares (Liquidation Preference $25 Per Share)

We are offering 2,600,000 of our 8.250% Series A Cumulative Redeemable Perpetual Preferred Shares, par value $0.01 per share, which we refer to as our Series A Preferred Shares. This is our original issuance of our Series A Preferred Shares, and we have no other preferred shares outstanding as of the date hereof.

Dividends on our Series A Preferred Shares will be cumulative from the date of original issue and payable quarterly in arrears on or about the 1st day of each March, June, September and December, beginning on March 1, 2011, at the rate of 8.250% per annum of their liquidation preference, which is equivalent to $2.0625 per annum per share. If following a change of control of our company, either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not listed on the New York Stock Exchange, or NYSE, or quoted on the NASDAQ Stock Market, or NASDAQ (or listed or quoted on a successor exchange or quotation system), holders of our Series A Preferred Shares will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control occurred and either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted, at the increased rate of 12.250% per annum of the liquidation preference of our Series A Preferred Shares (equivalent to $3.0625 per annum per share) for as long as either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted. The first dividend on our Series A Preferred Shares sold in this offering is payable on March 1, 2011 (in the amount of $0.48697917 per share).

Except in instances relating to preservation of our qualification as a real estate investment trust, or REIT, or in connection with a change of control of our company, our Series A Preferred Shares are not redeemable prior to December 7, 2015. On and after December 7, 2015, we may, at our option, redeem our Series A Preferred Shares in whole, at any time, or in part, from time to time, for cash at a redemption price of $25 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If at any time following a change of control, either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our Series A Preferred Shares, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted, for cash at $25 per share, plus accrued and unpaid dividends (whether or not declared) to, but not including, the redemption date. Our Series A Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us, and they are not subject to any sinking fund or mandatory redemption and are not convertible into any of our other securities.

We have filed an application to list our Series A Preferred Shares on the NYSE under the symbol "KRGPrA." If this application is approved, trading of our Series A Preferred Shares on the NYSE is expected to begin within 30 days following initial delivery of our Series A Preferred Shares.

There are restrictions on ownership of our Series A Preferred Shares intended to preserve our qualification as a REIT. See "Restrictions on Ownership" in the accompanying prospectus. In addition, except under limited circumstances as described in this prospectus supplement, holders of our Series A Preferred Shares generally do not have any voting rights.

Investing in our Series A Preferred Shares involves risks. See "Risk Factors" beginning on page S-6 of this prospectus supplement and page 2 of the accompanying prospectus, and the risks set forth under the caption "Item 1A. Risk Factors" included in our most recent Annual Report on Form 10-K.

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

	Per Share	Total
Public Offering Price	$ 25.00	$ 65,000,000
Underwriting Discount	$ 0.7875	$ 2,047,500
Proceeds to Kite Realty Group Trust (before expenses)	$ 24.2125	$ 62,952,500

We have granted the underwriters the option to purchase up to 390,000 additional Series A Preferred Shares on the same terms and conditions set forth above within 30 days of the date of this prospectus supplement.

The underwriters expect to deliver the shares on or about December 7, 2010.

Joint Book-Running Managers

Citi **Raymond James**

Joint Lead Managers

KeyBanc Capital Markets **RBC Capital Markets**

Co-Managers

BMO Capital Markets **RBS** **Janney Montgomery Scott**

Prospectus Supplement dated November 30, 2010

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement shall control. In addition, any statement in a filing we make with the Securities and Exchange Commission, or SEC, that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

You should read this document together with additional information described under the heading "Where You Can Find More Information and Incorporation by Reference" in this prospectus supplement. You should rely only on the information contained or incorporated by reference in this document. Neither we nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus supplement and the accompanying prospectus, as well as the information we have previously filed with the SEC and incorporated by reference in this document, is accurate only as of its date or the date which is specified in those documents.

References in this prospectus supplement to "Kite," "the Company," "we," "us," "our" or "our company" are to Kite Realty Group Trust and its subsidiaries, including Kite Realty Group, L.P., which we refer to as our "operating partnership." The term "you" refers to a prospective investor.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents that we incorporate by reference into these documents contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange of 1934, as amended, or the Exchange Act. We caution investors that any forward-looking statements presented in this prospectus supplement, the accompanying prospectus and the documents that we incorporate by reference into these documents are based on management's beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result" and similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. All forward-looking statements included in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference into these documents are based on information available at the time the statement is made. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

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Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- national and local economic, business, real estate and other market conditions, particularly in light of the current economic challenges;
- financing risks, including the availability of and costs associated with sources of liquidity;
- our ability to refinance, or extend the maturity dates of, our indebtedness (particularly our debt maturities coming due in 2011);
- the level and volatility of interest rates;
- the financial stability of tenants, including their ability to pay rent and the risk of tenant bankruptcies;
- the competitive environment in which we operate;
- acquisition, disposition, development and joint venture risks;
- property ownership and management risks;
- our ability to maintain our status as a REIT for federal income tax purposes;
- potential environmental and other liabilities;
- impairment in the value of real estate property the we own;
- risks related to the geographical concentration of our properties in Indiana, Florida and Texas;
- other factors affecting the real estate industry generally; and
- other risks identified in this prospectus supplement, the accompanying prospectus and other documents incorporated by reference herein, and, from time to time, in other reports we file with the SEC or in other documents that we publicly disseminate, including, in particular, the section titled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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PROSPECTUS SUMMARY

This summary description of us and our business highlights selected information about us contained elsewhere in this prospectus supplement or the accompanying prospectus or the documents incorporated by reference herein or therein. This summary may not contain all of the information about us that you should consider before buying securities in this offering. You should carefully read this entire prospectus supplement and the accompanying prospectus, including each of the documents incorporated herein and therein by reference, before making an investment decision.

Our Company

We are engaged in the ownership, operation, management, leasing, acquisition, construction, redevelopment and development of neighborhood and community shopping centers and certain commercial real estate properties in selected markets in the United States. We derive revenues primarily from rents and reimbursement payments received from tenants under existing leases at each of our properties. We also derive revenues from providing management, leasing, real estate development, construction and real estate advisory services through our taxable REIT subsidiary.

As of September 30, 2010, we owned interests in a portfolio of 60 properties including 51 retail operating properties totaling 7.9 million square feet of gross leasable area (including non-owned anchor space), five retail properties under redevelopment totaling 0.5 million square feet of gross leasable area and four operating commercial properties totaling 0.5 million square feet of net rentable area. Also, as of September 30, 2010, we had an interest in two in-process development properties which, upon completion, are anticipated to have 0.6 million square feet of gross leasable area (including non-owned anchor space).

In addition to our in-process developments and redevelopments, we have future developments which consist of land parcels that are undergoing pre-development activity and are in various stages of preparation for construction to commence, including pre-leasing activity and negotiations for third party financing. As of September 30, 2010, these future developments consisted of six projects that are expected to contain 2.8 million square feet of total gross leasable area upon completion.

Finally, as of September 30, 2010, we also owned interests in other land parcels comprising approximately 93 acres that may be used for future expansion of existing properties, development of new retail or commercial properties or sold to third parties.

We conduct all of our business through our operating partnership, of which we are the sole general partner, and its subsidiaries. As of September 30, 2010, we held an approximate 89% interest in our operating partnership.

Our principal executive office is located at 30 S. Meridian Street, Suite 1100, Indianapolis, Indiana 46204 and our telephone number is (317) 577-5600. We maintain a website at *www.kiterealty.com*. The information contained on or connected to our website is not incorporated by reference into, and you must not consider the information to be a part of, this prospectus supplement or the accompanying prospectus.

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The Offering

Issuer	Kite Realty Group Trust
Securities Offered	2,600,000 Series A Cumulative Redeemable Perpetual Preferred Shares, $0.01 par value per share. We have granted the underwriters an option to purchase up to an additional 390,000 Series A Preferred Shares.
Dividends	Dividends on our Series A Preferred Shares will be cumulative from the date of original issue and are payable quarterly in arrears on or about the 1st day of each March, June, September and December, commencing on March 1, 2011, at the rate of 8.250% per annum of their liquidation preference, or $2.0625 per annum per share. The first dividend on our Series A Preferred Shares sold in this offering is payable on March 1, 2011 (in the amount of $0.48697917 per share). If following a change of control of our company, either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), holders will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control has occurred and either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted at the increased rate of 12.250% per annum of the liquidation preference of our Series A Preferred Shares (equivalent to $3.0625 per annum per share) for as long as either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted. To see how we define change of control for this purpose, see "Description of our Series A Preferred Shares Dividends" below.
Liquidation Preference	If we liquidate, dissolve or windup, holders of our Series A Preferred Shares will have the right to receive $25 per share, plus an amount per share equal to accrued and unpaid dividends (whether or not earned or declared) to, but not including, the date of payment, before any payments are made to holders of our common shares or other junior securities.
Maturity	Our Series A Preferred Shares have no maturity date and we are not required to redeem our Series A Preferred Shares. Accordingly, our Series A Preferred Shares will remain outstanding indefinitely, unless we decide to redeem them. We are not required to set aside funds to redeem our Series A Preferred Shares.

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Ranking	Our Series A Preferred Shares will rank senior to our common shares and any other junior shares that we may issue in the future, on parity with any other parity shares that we may issue in the future, and junior to all of our existing and future indebtedness, in each case with respect to payment of dividends and distribution of assets upon liquidation, dissolution or winding up.
Conversion	Our Series A Preferred Shares are not convertible into or exchangeable for any property or any other securities.
Optional Redemption	Except in instances relating to preservation of our qualification as a REIT or pursuant to our special optional redemption right discussed below, our Series A Preferred Shares are not redeemable prior to December 7, 2015. On and after December 7, 2015, we may, at our option, redeem our Series A Preferred Shares, in whole, at any time, or in part, from time to time, for cash at a redemption price of $25 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption.
Special Optional Redemption	If at any time following a change of control of our company, either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our Series A Preferred Shares, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted, for cash at $25 per share, plus accrued and unpaid dividends (whether or not declared) to, but not including, the redemption date. To see how we define change of control for this purpose, see "Description of our Series A Preferred Shares Dividends" below.

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Voting Rights	Holders of our Series A Preferred Shares will generally have no voting rights. However, if dividends on our Series A Preferred Shares are in arrears for six quarterly dividend periods (whether or not consecutive), the holders of our Series A Preferred Shares (voting separately as a class with the holders of any other series of parity shares upon which like voting rights have been conferred and are exercisable) will have the right to elect two members to serve on our Board of Trustees until we pay (or declare and set aside for payment) all dividends that are then in arrears. In addition, certain changes that would be material and adverse to the rights of holders of our Series A Preferred Shares cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding Series A Preferred Shares, voting as a single class.
Information Rights	During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any Series A Preferred Shares are outstanding, we will (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series A Preferred Shares, as their names and addresses appear in our record books and without cost to such holders, copies of the annual reports and quarterly reports that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series A Preferred Shares. We will mail (or otherwise provide) the information to the holders of Series A Preferred Shares within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act.
Listing	We have filed an application to list our Series A Preferred Shares on the NYSE under the symbol "KRGPrA." We expect trading of the Series A Preferred Shares on the NYSE, if listing is approved, to commence within 30 days after the date of the initial delivery of the shares.
Use of Proceeds	We intend to use a portion of the net proceeds from this offering to repay in full our unsecured Term Loan. We intend to use the remaining net proceeds initially to repay borrowings under our revolving credit facility, which funds ultimately may be used for working capital and general corporate purposes, including, without limitation, the acquisition of properties. As of the date hereof, no such acquisitions are probable.

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Restrictions on Ownership	To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Internal Revenue Code, our declaration of trust contains ownership and transfer restrictions relating to our shares. See "Restrictions on Ownership" in the accompanying prospectus for additional information about these restrictions.
Settlement Date	Delivery of the Series A Preferred Shares will be made against payment therefor on or about December 7, 2010.
Form	Our Series A Preferred Shares will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except in limited circumstances.
Risk Factors	Investing in our Series A Preferred Shares involves a high degree of risk and the purchasers of our Series A Preferred Shares may lose their entire investment. See "Risk Factors" on page S-6 and the other information included and incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of risk factors you should carefully consider before deciding to invest in our Series A Preferred Shares.

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RISK FACTORS

Investing in our Series A Preferred Shares will provide you with an equity ownership in our company. As one of our shareholders, you will be subject to risks inherent in our business. The trading price of our Series A Preferred Shares will be affected by the performance of our business relative to, among other things, competition, market conditions and general economic and industry conditions. The value of your investment may decrease, resulting in a loss. You should carefully consider the following factors as well as the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2009 (which is incorporated by reference into this prospectus supplement) before deciding to invest in our Series A Preferred Shares.

Risks Relating to this Offering

Our Series A Preferred Shares are subordinate to our debt, and your interests could be diluted by the issuance of additional preferred shares, including additional Series A Preferred Shares, and by other transactions.

Our Series A Preferred Shares are subordinate to all of our existing and future debt. As described below, our existing debt restricts, and our future debt may include restrictions on, our ability to pay dividends to preferred shareholders. Our declaration of trust currently authorizes the issuance of up to 40,000,000 preferred shares in one or more series. The issuance of additional preferred shares on parity with or senior to our Series A Preferred Shares would dilute the interests of the holders of our Series A Preferred Shares, and any issuance of preferred shares senior to our Series A Preferred Shares or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series A Preferred Shares. Other than the increase in the dividend that may occur in circumstances described under "Description of our Series A Preferred Shares Dividends" below, none of the provisions relating to our Series A Preferred Shares contain any provisions affording the holders of our Series A Preferred Shares protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of our Series A Preferred Shares, so long as the rights of the holders of our Series A Preferred Shares are not materially and adversely affected.

We have significant outstanding indebtedness that exposes us to the risk of default under our debt obligations, which could adversely impact our ability to meet our obligations under our Series A Preferred Shares.

As of September 30, 2010, we had approximately $669.0 million of outstanding consolidated indebtedness, or $614.0 million after giving effect to the repayment in full of our unsecured Term Loan using a portion of the net proceeds of this offering. We may incur additional debt for various purposes, including, without limitation, to fund future acquisitions, development activities and operational needs. Our outstanding indebtedness, and the limitations imposed on us by our debt agreements, could have significant adverse consequences, including making it more difficult for us to satisfy our obligations with respect to our Series A Preferred Shares, including paying quarterly dividends.

Our outstanding debt obligations restrict our ability to pay dividends on our Series A Preferred Shares.

We and our subsidiaries, including our operating partnership, are, and may in the future become, parties to agreements and instruments, which, among other things, restrict or prevent the payment of dividends on our classes and series of shares. For example, under the terms of our revolving credit facility, we are required to satisfy certain financial covenants, including among others, a maximum leverage ratio of 65% (or 70% in certain circumstances); an adjusted EBITDA to fixed charges coverage ratio of at least 1.50 to 1; and a minimum tangible net worth (as defined as total asset value less total indebtedness) of $300 million (plus 75% of the net proceeds of future equity issuances). We are permitted to make distributions to our shareholders of up to 95% of our funds from operations provided that no event of default under our revolving credit facility exists. If an event of default exists, we may only make distributions sufficient to maintain our qualification as a REIT. However, we may not make any distributions if an event of default resulting from nonpayment or bankruptcy exists, or if our obligations under our revolving credit facility are accelerated. Our inability to meet the various financial and operating covenants contained in our debt instruments, including those discussed above, could result in us being limited in the amount of dividends we would be permitted to pay on our Series A Preferred Shares.

As a holder of Series A Preferred Shares you have extremely limited voting rights.

Your voting rights as a holder of Series A Preferred Shares will be extremely limited. Our common shares are the only class carrying full voting rights. Voting rights for holders of Series A Preferred Shares exist primarily with respect to the ability to appoint additional trustees to our Board of Trustees in the event that six quarterly dividends (whether or not consecutive) payable on our Series A Preferred Shares are in arrears, and with respect to voting on amendments to our declaration of trust or our Series A Preferred Shares Articles Supplementary that materially and adversely affect the rights of Series A Preferred Shares holders or create additional classes or series of preferred shares that are senior to our Series A Preferred Shares. See "Description of our Series A Preferred Shares Voting Rights" below. Other than the limited circumstances described in this prospectus supplement, holders of Series A Preferred Shares will not have voting rights.

There is no established trading market for our Series A Preferred Shares and its market value could be materially adversely affected by various factors.

Our Series A Preferred Shares are a new issue of securities with no established trading market. We have filed an application to list our Series A Preferred Shares on the NYSE, but there can be no assurance that the NYSE will accept the shares for listing. Even if the Series A Preferred Shares were to be listed, an active trading market on the NYSE for our Series A Preferred Shares may not develop or, if it does develop, may not last, in which case the trading price of our Series A Preferred Shares could be adversely affected. If an active trading market does develop on the NYSE, our Series A Preferred Shares may trade at prices lower than the initial offering price. The trading price of our Series A Preferred Shares would depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic and financial market conditions;
- our issuance of debt or preferred equity securities; and
- our financial condition, results of operations and prospects.

We have been advised by the underwriters that they intend to make a market in our Series A Preferred Shares, but they are not obligated to do so and may discontinue market-making at any time without notice.

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USE OF PROCEEDS

We estimate the net proceeds we will receive from this offering will be approximately $62.7 million ($72.1 million in the event that the underwriters exercise in full their option to purchase additional Series A Preferred Shares), after deducting the underwriters' discount and estimated offering expenses. We intend to contribute to our operating partnership the net proceeds from this offering. Our operating partnership intends to use a portion of the net proceeds from this offering to repay in full our unsecured Term Loan. Our operating partnership intends to use the remaining net proceeds initially to repay borrowings under our revolving credit facility, which funds ultimately may be used for working capital and general corporate purposes, including, without limitation, the acquisition of properties. As of the date hereof, no such acquisitions are probable.

As of September 30, 2010, our unsecured Term Loan had an outstanding balance of $55 million and bore interest at an annual rate of 2.91% (based on a floating interest rate of LIBOR plus 265 basis points). The interest rate on our unsecured Term Loan is fixed at 5.92% per annum by an interest rate swap agreement. Our unsecured Term Loan matures on July 15, 2011. As of September 30, 2010, our revolving credit facility had a balance of approximately $105 million and bore interest at an annual rate of LIBOR plus 135 basis points. Factoring in our hedge agreements, at September 30, 2010, our weighted average interest rate on our revolving credit facility was 5.02% per annum. Our revolving credit facility matures on February 20, 2012.

Affiliates of Raymond James & Associates, Inc., KeyBanc Capital Markets Inc. and RBC Capital Markets, LLC, which are underwriters of this offering, act as lenders under our unsecured Term Loan and, as described above, we intend to use a portion of the net proceeds of this offering to repay in full our unsecured Term Loan. In addition, affiliates of Citigroup Global Markets Inc., Raymond James & Associates, Inc., KeyBanc Capital Markets Inc. and BMO Capital Markets Corp. act as lenders under our revolving credit facility and, as described above, we intend to use the remaining net proceeds to repay borrowings under our revolving credit facility. These affiliates therefore may receive a portion of the proceeds from this offering through the repayment of our unsecured Term Loan and our revolving credit facility.

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RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

The following table sets forth our ratio of earnings to combined fixed charges and preferred dividends for us for the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, 2006 and 2005. For the purpose of computing the ratio of earnings to combined fixed charges and preferred dividends, and the amount of coverage deficiency, earnings have been calculated by adding fixed charges (excluding capitalized interest), to pre-tax income (loss) from continuing operations before noncontrolling interest in our operating partnership, distributions of income from equity investees, noncontrolling interest and income from majority-owned unconsolidated entities and deducting income from unconsolidated entities. Fixed charges consist of interest costs, whether expensed or capitalized, amortization of debt issuance costs, fixed charges of majority-owned unconsolidated entities and estimated interest within rental expense. This information below is given on an unaudited historical basis.

	For the nine months ended September 30, 2010	For the year ended December 31, 2009	For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006	For the year ended December 31, 2005
Ratio of earnings to combined fixed charges(1)	(A)	(B)	1.05x	1.05x	1.07x	1.40x

(1) The terms of our revolving credit facility require us to comply with various financial covenants, including that we maintain an Adjusted EBITDA to fixed charges ratio of at least 1.50 to 1.0 (the "Adjusted EBITDA Ratio"). As of September 30, 2010, our Adjusted EBITDA to fixed charges ratio under our revolving credit facility was 1.74. The Amended and Restated Credit Agreement relating to our revolving credit facility is attached as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on November 9, 2010.

The revolving credit facility requires us to calculate Adjusted EBITDA, which represents earnings or net income (before noncontrolling interest) as adjusted, to *exclude* (a) depreciation and amortization expense; (b) interest expense (generally defined as our total interest expense excluding any non-cash interest expense incurred for the two most recently completed fiscal quarters on a consolidated basis, plus our pro rata share of the interest expense of our unconsolidated affiliates for the same period); (c) income tax expense; and (d) extraordinary non-recurring gains and losses, and is then further adjusted to add back our pro rata share of EBITDA (calculated in the same manner as (a) through (d) above) of our unconsolidated affiliates and to remove any impact from straight line rent leveling adjustments required by GAAP and the amortization of intangibles pursuant to Accounting Standards Codification 805. This amount is further adjusted to exclude capital reserves (generally defined as, for any period with respect to our properties, an amount equal to (i) $0.15 per square foot *multiplied by* (ii) a fraction, the numerator of which is the number of days in such period and the denominator of which is 365) for the two fiscal quarters most recently ended. The calculation of "capital reserves" does not include any portion of properties leased under a ground lease to a third party that owns the improvements on such portion of the property, and the definition of "properties" means all of our properties leased or intended to be leased to tenants primarily for retail use plus a proportionate share of such properties of our unconsolidated affiliates.

In addition, the fixed charges component of the Adjusted EBITDA Ratio excludes capitalized interest pursuant to the terms of the revolving credit facility. In contrast, the fixed charges component of the Ratio of Earnings to Combined Fixed Charges and Preferred Dividends contained in the table above includes capitalized interest in accordance with SEC rules.

We have presented the Adjusted EBITDA Ratio only to facilitate a clear understanding of our ability to comply with the Adjusted EBITDA covenant under our revolving credit facility, and it should not be considered as an alternative to the Ratio of Earnings to Combined Fixed Charges and Preferred Dividends set forth above. In addition, Adjusted EBITDA should not be considered in isolation or construed as an alternative to earnings, or net income, which is calculated in accordance with GAAP. Further, other companies in our industry or across different industries may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

(A) The amount of coverage deficiency for the nine months ended September 30, 2010 was $14,579,297.

(B) The amount of coverage deficiency for the fiscal year ended December 31, 2009 was $3,819,673.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2010 (1) on an actual basis and (2) as adjusted to reflect the offering of our Series A Preferred Shares, after deducting the underwriters' discount and our estimated offering expenses, and the application of the net proceeds as described in "Use of Proceeds," including the repayment in full of our unsecured Term Loan. You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and our audited financial statements and related notes for the fiscal year ended December 31, 2009 included therein, and in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, including the unaudited financial statements and related notes for the quarter ended September 30, 2010 included therein.

	As of September 30, 2010	
	Actual (unaudited)	As Adjusted (unaudited)
	(amounts in thousands)	
Debt obligations:		
Unsecured revolving credit facility	$ 104,800	$ 97,150
Unsecured term loan	55,000	
Mortgage loans	435,873	435,873
Construction loans	73,330	73,330
Total debt	669,003	606,353
Redeemable noncontrolling interests in operating partnership	44,490	44,490
Total debt and redeemable noncontrolling interests	$ 713,493	$ 650,843
Shareholders' equity:		
Series A Cumulative Redeemable Perpetual Preferred Shares, $0.01 par value, 40,000,000 shares authorized, no shares issued or outstanding at September 30, 2010 and 2,600,000 shares issued and outstanding as adjusted		65,000
Common shares, par value $0.01, 200,000,000 shares authorized, 63,332,646 shares issued and outstanding at September 30, 2010 and as adjusted	633	633
Additional paid in capital and other	451,045	448,695
Accumulated other comprehensive loss	(4,866)	(4,866)
Accumulated deficit(1)	(88,484)	(88,723)
Total shareholders' equity	358,328	420,739
Noncontrolling interests	6,973	6,973
Total equity	365,301	427,712
Total capitalization	$ 1,078,794	$ 1,078,555

(1) As adjusted includes an estimated write-off of unamortized Term Loan costs.

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DESCRIPTION OF OUR SERIES A PREFERRED SHARES

The description of certain terms and provisions of our Series A Preferred Shares contained in this prospectus supplement does not purport to be complete and is in all respects subject to, and qualified in its entirety by reference to, our Articles of Amendment and Restatement of Declaration of Trust, including the Articles Supplementary setting forth the terms of the Series A Preferred Shares, our bylaws and Maryland law. The following description of the terms of our Series A Preferred Shares supplements, and to the extent inconsistent with, replaces, the description of the general terms and provisions of our preferred shares set forth in the accompanying prospectus.

For purposes of this section, references to "we," "our" and "our company" refer only to Kite Realty Group Trust and not to any of its subsidiaries.

General

Our declaration of trust provides that we may issue up to 40,000,000 preferred shares, $0.01 par value per share. Our declaration of trust authorizes our Board of Trustees to increase or decrease the number of authorized shares without shareholder approval. Prior to the completion of this offering, we had not issued any preferred shares.

Subject to the limitations prescribed by Maryland law and our declaration of trust and bylaws, our Board of Trustees is authorized to establish the number of shares constituting each series of preferred shares and to fix the designations and powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution of the Board of Trustees or a duly authorized committee thereof.

Prior to the closing of this offering, we will supplement our declaration of trust to classify 2,990,000 authorized preferred shares as Series A Preferred Shares and authorize the issuance thereof. When issued, our Series A Preferred Shares will be validly issued, fully paid and nonassessable. The holders of Series A Preferred Shares will have no preemptive rights with respect to any of our shares or any of our other securities convertible into or carrying rights or options to purchase any of our shares.

Our Series A Preferred Shares will not be subject to any sinking fund and we will have no obligation to redeem or retire our Series A Preferred Shares. Unless redeemed by us, our Series A Preferred Shares will have a perpetual term, with no maturity.

The Articles Supplementary establishing our Series A Preferred Shares permit us to "reopen" this series, without the consent of the holders of our Series A Preferred Shares, in order to issue additional Series A Preferred Shares from time to time. Thus, we may in the future issue additional Series A Preferred Shares without your consent. Any additional Series A Preferred Shares will have the same terms as the Series A Preferred Shares being issued in this offering. These additional Series A Preferred Shares will, together with the Series A Preferred Shares being issued in this offering, constitute a single series of securities.

Ranking

Our Series A Preferred Shares will rank senior to the Junior Shares (as defined under " Dividends" below), including our common shares, with respect to payment of dividends and amounts upon liquidation, dissolution or winding up. While any of our Series A Preferred Shares are outstanding, we may not authorize or create any class or series of shares of beneficial interest that ranks senior to our Series A Preferred Shares with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up without the consent of the holders of two-thirds of the

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outstanding Series A Preferred Shares voting as a single class. However, we may create additional classes or series of shares, amend our declaration of trust to increase the authorized number of preferred shares or issue series of preferred shares ranking on parity with the Series A Preferred Shares with respect, in each case, to the payment of dividends and amounts upon liquidation, dissolution or winding up, or Parity Shares, without the consent of any holder of Series A Preferred Shares. See " Voting Rights" below for a discussion of the voting rights applicable if we seek to create any class or series of preferred shares senior to our Series A Preferred Shares.

Dividends

Holders of Series A Preferred Shares will be entitled to receive, when, as and if authorized by our Board of Trustees, out of funds legally available for payment, and declared by us, cumulative cash dividends at the rate of 8.250% per annum per share of their liquidation preference (equivalent to $2.0625 per annum per Series A Preferred Share). However, if following a change of control of our company (as defined below), either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), holders of our Series A Preferred Shares will be entitled to receive, when and as authorized by our Board of Trustees and declared by us, out of funds legally available for payment, cumulative cash dividends from, and including, the first date on which both the change of control has occurred and either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted at the increased rate of 12.250% per annum of the liquidation preference of our Series A Preferred Shares, equivalent to $3.0625 per annum per Series A Preferred Share for as long as either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted. The first dividend on our Series A Preferred Shares sold in this offering is payable on March 1, 2011 (in the amount of $0.48697917 per share).

Dividends on each Series A Preferred Share will be cumulative from the date of original issue and are payable quarterly in arrears on or about the 1st day of each March, June, September and December; provided, however, that if any dividend payment date falls on any day other than a business day, as defined in the Series A Preferred Shares Articles Supplementary, the dividend due on such dividend payment date shall be paid on the first business day immediately following such dividend payment date. Each dividend is payable to holders of record as they appear on our share records at the close of business on the record date, not exceeding 30 days preceding the corresponding payment dates thereof as fixed by our Board of Trustees. Dividends are cumulative from the date of original issue or the most recent dividend payment date to which dividends have been paid, whether or not in any dividend period or periods we shall have funds legally available for the payment of such dividends. Accumulations of dividends on our Series A Preferred Shares will not bear interest and holders of our Series A Preferred Shares will not be entitled to any dividends in excess of full cumulative dividends. Dividends payable on our Series A Preferred Shares for any period greater or less than a full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on our Series A Preferred Shares for each full dividend period will be computed by dividing the annual dividend rate by four.

No dividend will be declared or paid on any Parity Shares unless full cumulative dividends have been declared and paid or are contemporaneously declared and funds sufficient for payment set aside on our Series A Preferred Shares for all prior dividend periods; provided, however, that if accrued dividends on our Series A Preferred Shares for all prior dividend periods have not been paid in full or a sum sufficient for such payment is not set apart, then any dividend declared on our Series A

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Preferred Shares for any dividend period and on any Parity Shares will be declared ratably in proportion to accrued and unpaid dividends on our Series A Preferred Shares and such Parity Shares. All of our dividends on our Series A Preferred Shares, including any capital gain dividends, will be credited first to the earliest accrued and unpaid dividend.

Our Board of Trustees will not authorize and we will not (i) declare, pay or set apart funds for the payment of any dividend or other distribution with respect to any Junior Shares (other than in Junior Shares) or (ii) redeem, purchase or otherwise acquire for consideration any Junior Shares through a sinking fund or otherwise (other than a redemption or purchase or other acquisition of our common shares made for purposes of an employee incentive or benefit plan of our company or any subsidiary, or a conversion into or exchange for Junior Shares or redemptions for the purpose of preserving our qualification as a REIT), unless all cumulative dividends with respect to our Series A Preferred Shares and any Parity Shares at the time such dividends are payable have been paid or funds have been set apart for payment of such dividends.

As used herein, (i) the term "dividend" does not include dividends payable solely in Junior Shares on Junior Shares, or in options, warrants or rights to holders of Junior Shares to subscribe for or purchase any Junior Shares, and (ii) the term "Junior Shares" means our common shares, and any other class of our shares of beneficial interest now or hereafter issued and outstanding that ranks junior as to the payment of dividends or amounts upon liquidation, dissolution and winding up to our Series A Preferred Shares.

A "change of control" shall be deemed to have occurred at such time as (i) the date a "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Exchange Act) becomes the ultimate "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all voting shares that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of voting shares representing more than 50% of the total voting power of our total voting shares; (ii) the date we sell, transfer or otherwise dispose of all or substantially all of our assets; or (iii) the date of the consummation of a merger or share exchange of our company with another entity where (A) our shareholders immediately prior to the merger or share exchange would not beneficially own, immediately after the merger or share exchange, shares representing 50% or more of all votes (without consideration of the rights of any class of shares to elect trustees by a separate group vote) to which all shareholders of the corporation issuing cash or securities in the merger or share exchange would be entitled in the election of trustees, or where (B) members of our Board of Trustees immediately prior to the merger or share exchange would not immediately after the merger or share exchange constitute a majority of the Board of Trustees of the corporation issuing cash or securities in the merger or share exchange. "Voting shares" shall mean shares of any class or kind having the power to vote generally in the election of trustees.

Optional Redemption

We may not redeem our Series A Preferred Shares prior to December 7, 2015, except in certain limited circumstances relating to the ownership limitation necessary to preserve our qualification as a REIT or at any time either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system) following a change of control. For further information regarding these exceptions, see " Special Optional Redemption" below and "Restrictions on Ownership" in the accompanying prospectus. On or after December 7, 2015, we, at our option upon not less than 30 nor more than 60 days written notice, may redeem our Series A Preferred Shares, in whole, at any time, or in part, from time to time, for cash at a redemption price of $25 per share, plus all accrued and unpaid dividends thereon to, but not including, the date fixed for redemption.

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A notice of optional redemption (which may be contingent on the occurrence of a future event) will be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of our Series A Preferred Shares at their addresses as they appear on our share transfer records. A failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the redemption of any Series A Preferred Shares except as to the holder to whom notice was defective or not given. Each notice will state:

- the redemption date;
- the redemption price;
- the number of Series A Preferred Shares to be redeemed;
- the place or places where the certificates evidencing the Series A Preferred Shares are to be surrendered for payment; and
- that dividends on the shares to be redeemed will cease to accrue on such redemption date.

If fewer than all the Series A Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder will also specify the number of Series A Preferred Shares to be redeemed from such holder. If fewer than all of the outstanding Series A Preferred Shares are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata or by any other equitable method we may choose.

Special Optional Redemption

If at any time following a change of control (as defined under " Dividends" above), either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our Series A Preferred Shares, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our Series A Preferred Shares (or any preferred shares of the surviving entity that are issued in exchange for our Series A Preferred Shares) or the common shares of the surviving entity, as applicable, are not so listed or quoted, for cash at $25 per share plus accrued and unpaid dividends (whether or not declared) to, but not including, the date of redemption.

A notice of special optional redemption will be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of our Series A Preferred Shares at their addresses as they appear on our share transfer records. A failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the special optional redemption of the Series A Preferred Shares except as to the holder to whom notice was defective or not given. Each notice will state:

- the redemption date;
- the redemption price;
- the place or places where the certificates evidencing the Series A Preferred Shares are to be surrendered for payment; and
- that dividends on the shares will cease to accrue on such redemption date.

General Provisions Applicable to Redemptions

On the redemption date, we must pay on each Series A Preferred Share to be redeemed any accrued and unpaid dividends, in arrears, for any dividend period ending on or prior to the redemption

date. In the case of a redemption date falling after a dividend payment record date and prior to the related payment date, the holders of Series A Preferred Shares at the close of business on such record date will be entitled to receive the dividend payable on such shares on the corresponding dividend payment date, notwithstanding the redemption of such shares prior to such dividend payment date. Except as provided for in the two preceding sentences, no payment or allowance will be made for unpaid dividends, whether or not in arrears, on any Series A Preferred Shares called for redemption.

If full cumulative dividends on our Series A Preferred Shares and any Parity Shares have not been paid or declared and set apart for payment, we may not purchase, redeem or otherwise acquire Series A Preferred Shares in part or any Parity Shares other than in exchange for Junior Shares; provided, however, that the foregoing shall not prevent the purchase by us of shares held in excess of the limits in our declaration of trust in order to ensure that we continue to meet the requirements for qualification as a REIT. See "Restrictions on Ownership" in the accompanying prospectus.

On and after the date fixed for redemption, provided that we have made available at the office of the registrar and transfer agent a sufficient amount of cash to effect the redemption, dividends will cease to accrue on the Series A Preferred Shares called for redemption (except that, in the case of a redemption date after a dividend payment record date and prior to the related payment date, holders of Series A Preferred Shares on the dividend payment record date will be entitled on such dividend payment date to receive the dividend payable on such shares on the corresponding dividend payment date), such shares shall no longer be deemed to be outstanding and all rights of the holders of such shares as holders of Series A Preferred Shares shall cease except the right to receive the cash payable upon such redemption, without interest from the date of such redemption.

Liquidation Preference

The holders of Series A Preferred Shares will be entitled to receive in the event of any liquidation, dissolution or winding up of our company, whether voluntary or involuntary, $25 per Series A Preferred Share, which we refer to in this prospectus supplement as the "Liquidation Preference," plus an amount per Series A Preferred Share equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to, but not including, the date of final distribution to such holders.

Until the holders of Series A Preferred Shares have been paid the Liquidation Preference and all accrued and unpaid dividends in full, no payment will be made to any holder of Junior Shares upon the liquidation, dissolution or winding up of our company. If, upon any liquidation, dissolution or winding up of our company, our assets, or proceeds thereof, distributable among the holders of our Series A Preferred Shares are insufficient to pay in full the Liquidation Preference and all accrued and unpaid dividends and the liquidation preference and all accrued and unpaid dividends with respect to any other Parity Shares, then such assets, or the proceeds thereof, will be distributed among the holders of Series A Preferred Shares and any such Parity Shares ratably in accordance with the respective amounts which would be payable on such Series A Preferred Shares and any such Parity Shares if all amounts payable thereon were paid in full. None of (i) a consolidation or merger of our company with one or more entities, (ii) a statutory share exchange by our company or (iii) a sale or transfer of all or substantially all of our assets will be considered a liquidation, dissolution or winding up, voluntary or involuntary, of our company.

Voting Rights

Except as indicated below, the holders of Series A Preferred Shares will have no voting rights.

If and whenever six quarterly dividends (whether or not consecutive) payable on our Series A Preferred Shares are in arrears, whether or not earned or declared, the number of members then constituting our Board of Trustees will be increased by two and the holders of Series A Preferred

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Shares, voting together as a class with the holders of any other series of Parity Shares upon which like voting rights have been conferred and are exercisable (we refer to any such other series as Voting Preferred Shares), will have the right to elect two additional board members at an annual meeting of shareholders or a properly called special meeting of the holders of our Series A Preferred Shares (to be called upon the written request of shareholders entitled to cast at least a majority of all votes entitled to be cast at such meeting) and such Voting Preferred Shares and at each subsequent annual meeting of shareholders until all such dividends and dividends for the then current quarterly period on our Series A Preferred Shares and such other Voting Preferred Shares have been paid or declared and set aside for payment. Whenever all arrears in dividends on our Series A Preferred Shares and the Voting Preferred Shares then outstanding have been paid and full dividends on our Series A Preferred Shares and the Voting Preferred Shares for the then current quarterly dividend period have been paid in full or declared and set apart for payment in full, then the right of the holders of our Series A Preferred Shares and the Voting Preferred Shares to elect two additional board members will cease, the terms of office of the board members will forthwith terminate and the number of members of the Board of Trustees will be reduced accordingly. However, the right of the holders of our Series A Preferred Shares and the Voting Preferred Shares to elect the additional board members will again vest if and whenever six quarterly dividends are in arrears, as described above. In no event shall the holders of Series A Preferred Shares be entitled pursuant to these voting rights to elect a trustee that would cause us to fail to satisfy a requirement relating to trustee independence of any national securities exchange on which any class or series of our shares are listed. In class votes with other Voting Preferred Shares, preferred shares of different series shall vote in proportion to the liquidation preference of the preferred shares.

In addition, the approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series A Preferred Shares, voting separately as a class, either at a meeting of shareholders or by written consent, is required (i) to amend, alter or repeal any provisions of our declaration of trust or the Series A Preferred Shares Articles Supplementary, whether by merger, consolidation or otherwise, to affect materially and adversely the voting powers, rights or preferences of the holders of our Series A Preferred Shares, unless in connection with any such amendment, alteration or repeal, our Series A Preferred Shares remain outstanding without the terms thereof being materially changed in any respect adverse to the holders thereof or are converted into or exchanged for preferred shares of the surviving entity having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to those of our Series A Preferred Shares, or (ii) to authorize, create, or increase the authorized amount of any class or series of shares of beneficial interest having rights senior to our Series A Preferred Shares with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up (provided that if such amendment affects materially and adversely the rights, preferences, privileges or voting powers of one or more but not all of the other series of Voting Preferred Shares, the consent of the holders of at least two-thirds of the outstanding shares of each such series so affected is required). However, we may create additional classes of Parity Shares and Junior Shares, amend our declaration of trust to increase the authorized number of Parity Shares (including our Series A Preferred Shares) and Junior Shares and issue additional series of Parity Shares and Junior Shares without the consent of any holder of Series A Preferred Shares.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any Series A Preferred Shares are outstanding, we will (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series A Preferred Shares, as their names and addresses appear in our record books and without cost to such holders, copies of the annual reports and quarterly reports that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series A Preferred Shares. We will mail (or otherwise provide) the information to the holders of Series A Preferred Shares within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act.

Conversion Rights

Our Series A Preferred Shares are not convertible into or exchangeable for any other property or any other securities.

Restrictions on Ownership

Holders of Series A Preferred Shares will be subject to the ownership restrictions of our declaration of trust. See "Restrictions on Ownership" in the accompanying prospectus. As discussed in "Restrictions on Ownership" in the accompanying prospectus, our declaration of trust generally prohibits any person (other than a designated investment entity or an excepted holder) from actually or constructively owning more than 7% in value or number of shares, whichever is more restrictive, of our issued and outstanding common shares. No person may actually or constructively own more than 9.8% in value or number of shares, whichever is more restrictive, of any class or series of preferred shares.

Listing

We have filed an application to list our Series A Preferred Shares on the NYSE under the symbol "KRGPrA." We expect trading of the Series A Preferred Shares on the NYSE, if listing is approved, to commence within 30 days after the date of initial delivery of the shares. See "Underwriting" for a discussion of the expected trading of our Series A Preferred Shares on the NYSE.

Book-Entry Procedures

The Depository Trust Company, which we refer to herein as DTC, will act as securities depositary for our Series A Preferred Shares. We will issue one or more fully registered global securities certificates in the name of DTC's nominee, Cede & Co. These certificates will represent the total aggregate number of Series A Preferred Shares. We will deposit these certificates with DTC or a custodian appointed by DTC. We will not issue certificates to you for our Series A Preferred Shares that you purchase, unless DTC's services are discontinued as described below.

Title to book-entry interests in our Series A Preferred Shares will pass by book-entry registration of the transfer within the records of DTC in accordance with their respective procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC.

Each person owning a beneficial interest in our Series A Preferred Shares must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of our Series A Preferred Shares.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants, referred to as Direct Participants, deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, referred to as Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

When you purchase our Series A Preferred Shares within the DTC system, the purchase must be by or through a Direct Participant. The Direct Participant will receive a credit for our Series A Preferred Shares on DTC's records. You, as the actual owner of our Series A Preferred Shares, are the "beneficial owner." Your beneficial ownership interest will be recorded on the Direct and Indirect Participants' records, but DTC will have no knowledge of your individual ownership. DTC's records reflect only the identity of the Direct Participants to whose accounts Series A Preferred Shares are credited.

You will not receive written confirmation from DTC of your purchase. The Direct or Indirect Participants through whom you purchased our Series A Preferred Shares should send you written confirmations providing details of your transactions, as well as periodic statements of your holdings. The Direct and Indirect Participants are responsible for keeping an accurate account of the holdings of their customers like you.

Transfers of ownership interests held through Direct and Indirect Participants will be accomplished by entries on the books of Direct and Indirect Participants acting on behalf of the beneficial owners.

The laws of some states may require that specified purchasers of securities take physical delivery of our Series A Preferred Shares in definitive form. These laws may impair the ability to transfer beneficial interests in the global certificates representing our Series A Preferred Shares.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We understand that, under DTC's existing practices, in the event that we request any action of holders, or an owner of a beneficial interest in a global security such as you desires to take any action which a holder is entitled to take under our declaration of trust, DTC would authorize the Direct Participants holding the relevant shares to take such action, and those Direct Participants and any Indirect Participants would authorize beneficial owners owning through those Direct and Indirect Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Redemption notices will be sent to Cede & Co. If less than all of the Series A Preferred Shares are being redeemed, DTC will reduce each Direct Participant's holdings of Series A Preferred Shares in accordance with its procedures.

In those instances where a vote is required, neither DTC nor Cede & Co. itself will consent or vote with respect to our Series A Preferred Shares. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts our Series A Preferred Shares are credited on the record date, which are identified in a listing attached to the omnibus proxy.

Dividend payments on our Series A Preferred Shares will be made directly to the nominee (or its successor, if applicable). DTC's practice is to credit participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the participant and not of DTC, us or any agent of ours.

DTC may discontinue providing its services as securities depositary with respect to our Series A Preferred Shares at any time by giving reasonable notice to us. Additionally, we may decide to discontinue the book-entry only system of transfers with respect to our Series A Preferred Shares. In that event, we will print and deliver certificates in fully registered form for our Series A Preferred Shares. If DTC notifies us that it is unwilling to continue as securities depositary, or it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, we will issue our Series A Preferred Shares in definitive form, at our expense, upon registration of transfer of, or in exchange for, such global security.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Global Clearance and Settlement Procedures. Initial settlement for our Series A Preferred Shares will be made in immediately available funds. Secondary market trading between DTC's Participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

Transfer Agent, Registrar, Dividend Disbursing Agent and Redemption Agent

The transfer agent, registrar, dividend disbursing agent and redemption agent for our Series A Preferred Shares is currently the Bank of New York Mellon. On or about December 13, 2010, we anticipate changing our transfer agent, registrar, dividend disbursing agent and redemption agent for our Series A Preferred Shares to StockTrans, Inc.

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ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion supplements the discussion under the heading "United States Federal Income Tax Considerations" in the Current Report on Form 8-K, filed with the SEC on November 29, 2010 (as amended or supplemented from time to time), and incorporated by reference in the accompanying prospectus. The following is a summary of certain additional federal income tax consequences with respect to the ownership of our Series A Preferred Shares.

The U.S. federal income tax treatment of holders of our Series A Preferred Shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences to any particular shareholder of holding our Series A Preferred Shares will depend on the shareholder's particular tax circumstances. You are urged to consult your tax advisor regarding the U.S. federal, state, local, and foreign income and other tax consequences to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging, or otherwise disposing of our Series A Preferred Shares.

Redemption of Preferred Shares.

Whenever we redeem any preferred shares, the treatment accorded to any redemption by us for cash (as distinguished from a sale, exchange or other disposition) of our preferred shares to a holder of such preferred shares can only be determined on the basis of the particular facts as to each holder at the time of redemption. In general, a holder of our preferred shares will recognize capital gain or loss measured by the difference between the amount received by the holder of such shares upon the redemption and such holder's adjusted tax basis in the preferred shares redeemed (provided the preferred shares are held as a capital asset) if such redemption (i) results in a "complete termination" of the holder's interest in all classes of our shares under Section 302(b)(3) of the Code, or (ii) is "not essentially equivalent to a dividend" with respect to the holder of the preferred shares under Section 302(b)(1) of the Code. In applying these tests, there must be taken into account not only any series or class of the preferred shares being redeemed, but also such holder's ownership of other classes of our shares and any options (including stock purchase rights) to acquire any of the foregoing. The holder of our preferred shares also must take into account any such securities (including options) which are considered to be owned by such holder by reason of the constructive ownership rules set forth in Sections 318 and 302(c) of the Code.

If the holder of preferred shares owns (actually or constructively) none of our voting shares, or owns an insubstantial amount of our voting shares, based upon current law, it is probable that the redemption of preferred shares from such a holder would be considered to be "not essentially equivalent to a dividend." However, whether a distribution is "not essentially equivalent to a dividend" depends on all of the facts and circumstances, and a holder of our preferred shares intending to rely on any of these tests at the time of redemption should consult its tax advisor to determine their application to its particular situation.

If the redemption does not meet any of the tests under Section 302 of the Code, then the redemption proceeds received from our preferred shares will be treated as a distribution on our shares as described under "Taxation of U.S. Shareholders Taxation of Taxable U.S. Shareholders Distributions Generally," and "Taxation of Non-U.S. Shareholders Distributions Generally," in the Current Report on Form 8-K, filed with the SEC on November 29, 2010 (as amended or supplemented from time to time). If the redemption of a holder's preferred shares is taxed as a dividend, the adjusted basis of such holder's redeemed preferred shares will be transferred to any other shares held by the holder. If the holder owns no other shares, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

With respect to a redemption of our Series A Preferred Shares that is treated as a distribution with respect to our shares, which is not otherwise taxable as a dividend, the IRS has proposed Treasury regulations that would require any basis reduction associated with such a redemption to be applied on a share-by-share basis which could result in taxable gain with respect to some shares, even though the holder's aggregate basis for the shares would be sufficient to absorb the entire amount of the redemption distribution (in excess of any amount of such distribution treated as a dividend). Additionally, these proposed Treasury regulations would not permit the transfer of basis in the redeemed shares of the Series A Preferred Shares to the remaining shares held (directly or indirectly) by the redeemed holder. Instead, the unrecovered basis in our Series A Preferred Shares would be treated as a deferred loss to be recognized when certain conditions are satisfied. These proposed Treasury regulations would be effective for transactions that occur after the date the regulations are published as final Treasury regulations. There can, however, be no assurance as to whether, when, and in what particular form such proposed Treasury regulations will ultimately be finalized.

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UNDERWRITING

Citigroup Global Markets Inc. and Raymond James & Associates, Inc. are acting as joint book-running managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the number of Series A Preferred Shares set forth opposite the underwriter's name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	858,000
Raymond James & Associates, Inc.	754,000
KeyBanc Capital Markets Inc.	286,000
RBC Capital Markets, LLC	286,000
BMO Capital Markets Corp.	156,000
RBS Securities, Inc.	156,000
Janney Montgomery Scott LLC	104,000
Total	2,600,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed $0.50 per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $0.45 per share on sales to other dealers. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms.

If the underwriters sell more shares than the total number set forth in the table above, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 390,000 additional Series A Preferred Shares at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We have agreed not to, directly or indirectly (i) offer for sale, sell, contract to sell, pledge or otherwise dispose of any of our preferred securities or securities convertible or exchangeable for our preferred securities, or sell or grant options, rights or warrants with respect to any preferred securities or securities convertible or exchangeable for preferred securities, (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such preferred securities, (iii) file or cause to be filed a registration statement with respect to the registration of any of our preferred securities or securities convertible, exercisable or exchangeable into any of our preferred securities or (iv) publicly disclose the intention to do any of the foregoing for a period of 60 days after the date of this prospectus supplement without the prior written consent of the representatives, subject to certain limited exceptions.

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Notwithstanding the foregoing, if, subject to certain exceptions, (i) during the last 17 days of the 60-day restricted period we issue an earnings release or material news or a material event relating to us occurs, or (ii) prior to the expiration of the 60-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 60-day period, the above restrictions continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or event.

We have filed an application to list our Series A Preferred Shares on the NYSE under the symbol "KRGPrA." If this application is approved, trading of our Series A Preferred Shares on the NYSE is expected to begin within 30 days following initial delivery of our Series A Preferred Shares. The underwriters have advised us that they intend to make a market in our Series A Preferred Shares prior to the commencement of trading on the NYSE. The underwriters will have no obligation to make a market in the shares, however, and may cease market making activities, if commenced, at any time.

The following table shows the underwriting discounts that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option.

	No Exercise	**Full Exercise**
Per share	$ 0.7875	$ 0.7875
Total	$ 2,047,500	$ 2,354,625

The expenses of the offering that are payable by us are estimated to be $300,000 (excluding underwriting discounts).

In connection with the offering, the underwriters may purchase and sell Series A Preferred Shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the over-allotment option, and stabilizing purchases.

- Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering.
  - "Covered" short sales are sales of shares in an amount up to the number of shares represented by the underwriters' over-allotment option.
  - "Naked" short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters' over-allotment option.
- Covering transactions involve purchases of shares either pursuant to the over-allotment option or in the open market after the distribution has been completed in order to cover short positions.
  - To close a naked short position, the underwriters must purchase shares in the open market after the distribution has been completed. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
  - To close a covered short position, the underwriters must purchase shares in the open market after the distribution has been completed or must exercise the over-allotment option. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

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Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

The underwriters have performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In addition, affiliates of Raymond James & Associates, Inc., KeyBanc Capital Markets Inc. and RBC Capital Markets, LLC act as lenders under our unsecured Term Loan, and affiliates of Citigroup Global Markets Inc., Raymond James & Associates, Inc., KeyBanc Capital Markets Inc. and BMO Capital Markets Corp. act as lenders under our revolving credit facility. As such, to the extent that we use the net proceeds of this offering to repay borrowings under our unsecured Term Loan and revolving credit facility, these affiliates will receive a portion of the proceeds from this offering through the repayment of such loan and credit facility.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

We expect that delivery of the Series A Preferred Shares will be made against payment therefor on or about the closing date specified on the cover page of this prospectus supplement, which is expected to be on December 7, 2010.

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LEGAL MATTERS

Hogan Lovells US LLP has passed upon the validity of the issuance of our Series A Preferred Shares offered by this prospectus supplement on behalf of the issuer. Certain legal matters for the underwriters will be passed upon by Clifford Chance US LLP, New York, New York.

EXPERTS

The consolidated financial statements and schedule of Kite Realty Group Trust appearing in Kite Realty Group Trust's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and the effectiveness of Kite Realty Group Trust's internal control over financial reporting as of December 31, 2009 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and schedule are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION AND INCORPORATION BY REFERENCE

We have filed a registration statement on Form S-3 with the SEC in connection with this offering. In addition, we file annual, quarterly, and current reports, proxy statements and other information with the SEC. You may read and copy the registration statement and any other documents filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public at the SEC's Internet site at *http://www.sec.gov*. Our reference to the SEC's Internet site is intended to be an inactive textual reference only.

This prospectus supplement and the accompanying prospectus do not contain all of the information included in the registration statement. If a reference is made in this prospectus supplement or the accompanying prospectus to any of our contracts or other documents filed or incorporated by reference as an exhibit to the registration statement, the reference may not be complete and you should refer to the filed copy of the contract or document.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Information incorporated by reference is part of this prospectus supplement. Later information filed with the SEC will update and supersede this information.

This prospectus supplement incorporates by reference the documents listed below, all of which have been previously filed with the SEC:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2009;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010;
- our Definitive Proxy Statement filed with the SEC on April 9, 2010 (but only with respect to information required by Part III of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009); and
- our Current Reports on Form 8-K filed with the SEC on May 5, 2010 (with respect to Item 5.07 only) and November 29, 2010.

We also incorporate by reference into this prospectus supplement additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 from the date of this prospectus supplement until we have sold all of the securities to which this prospectus supplement relates or the offering is otherwise terminated; provided, however, that we are

not incorporating any information furnished under either Item 2.02 or Item 7.01 of any Current Report on Form 8-K.

You may request a copy of these filings, at no cost, by contacting Adam Chavers, Vice President of Investor Relations, Kite Realty Group, 30 S. Meridian Street, Suite 1100, Indianapolis, IN 46204, by telephone at 317-577-5600, by e-mail at achavers@kiterealty.com, or by visiting our website, *www.kiterealty.com*. The information contained on our website is not part of this prospectus supplement or the accompanying prospectus. Our reference to our website is intended to be an inactive textual reference only.

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PROSPECTUS

$500,000,000

Common Shares, Preferred Shares, Depositary Shares, Warrants and Rights

We may offer, from time to time, one or more series or classes of common shares, preferred shares, depositary shares representing our preferred shares, warrants exercisable for our common shares, preferred shares or depositary shares representing preferred shares, and rights to purchase common shares. We refer to our common shares, preferred shares, depositary shares, warrants and rights collectively as the "securities."

We may offer these securities with an aggregate initial public offering price of up to $500,000,000, or its equivalent in a foreign currency based on the exchange rate at the time of sale, in amounts, at initial prices and on terms determined at the time of the offering. We may offer the securities separately or together, in separate series or classes and in amounts, at prices and on terms described in one or more supplements to this prospectus.

We will deliver this prospectus together with a prospectus supplement setting forth the specific terms of the securities we are offering. The applicable prospectus supplement also will contain information, where applicable, about U.S. federal income tax considerations relating to, and any listing on a securities exchange of, the securities covered by the prospectus supplement.

We may offer the securities directly to investors, through agents designated from time to time by them or us, or to or through underwriters or dealers. If any agents, underwriters, or dealers are involved in the sale of any of the securities, their names, and any applicable purchase price, fee, commission or discount arrangement with, between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying prospectus supplement. For more detailed information, see "Plan of Distribution" beginning on page 21. No securities may be sold without delivery of a prospectus supplement describing the method and terms of the offering of those securities.

Our common shares are listed on the New York Stock Exchange under the symbol "KRG."

You should read this entire prospectus, the documents that are incorporated by reference in this prospectus and any prospectus supplement carefully before you invest in any of these securities.

Investing in our securities involves risks. See "Risk Factors" beginning on page 11 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for risks relating to an investment in our securities, which is incorporated herein by reference.

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

This prospectus is dated December 10, 2008

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You should rely only on the information provided or incorporated by reference in this prospectus or any applicable prospectus supplement. We have not authorized anyone to provide you with different or additional information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should not assume that the information appearing in this prospectus, any applicable prospectus supplement or the documents incorporated by reference herein or therein is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

You should read carefully the entire prospectus, as well as the documents incorporated by reference in the prospectus, before making an investment decision.

When used in this prospectus, except where the context otherwise requires, the terms "we," "us," "our" and "the Company" refer to Kite Realty Group Trust and its subsidiaries and all references to the "Operating Partnership" refer to Kite Realty Group, L.P.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, which we refer to as the SEC, utilizing a "shelf" registration process. This prospectus provides you with a general description of the securities we may offer. Each time we offer securities, we will provide a prospectus supplement and attach it to this prospectus. The prospectus supplement will contain specific information about the terms of the securities being offered at that time. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with any additional information you may need to make your investment decision.

FORWARD-LOOKING STATEMENTS

This prospectus, and the documents incorporated by reference herein, together with other statements and information publicly disseminated by Kite Realty Group Trust, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, performance, transactions or achievements, financial or otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to:

- national and local economic, business, real estate and other market conditions;
- the ability of tenants to pay rent;
- the competitive environment in which we operate;
- financing risks, including access to capital on desirable terms;
- property ownership and management risks;
- the level and volatility of interest rates;
- the financial stability of tenants;
- our ability to maintain our status as a real estate investment trust, or REIT, for federal income tax purposes;
- acquisition, disposition, development and joint venture risks;
- potential environmental and other liabilities;
- other factors affecting the real estate industry generally; and

other risks identified in this prospectus, any applicable prospectus supplement and, from time to time, in other reports we file with the Securities and Exchange Commission, or the SEC, or in other documents that we publicly disseminate.

We undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

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OUR COMPANY

We are a full-service, vertically integrated REIT engaged in the ownership, operation, management, leasing, acquisition, construction, expansion and development of neighborhood and community shopping centers and certain commercial real estate properties in selected growth markets in the United States. We also provide real estate facility management, construction, development and other advisory services to third parties. As of September 30, 2008, our investment in real estate included the following:

- interests in a portfolio of 52 operating retail properties totaling approximately 8.5 million square feet of gross leasable area (including non-owned anchor space);

- interests in four operating commercial properties totaling approximately 563,000 square feet of net rentable area and an associated parking garage; and

- interests in 10 properties in our development and redevelopment pipelines, which are anticipated to have approximately 1.3 million square feet of total gross leasable area.

Our primary business objectives are to generate increasing cash flow, achieve sustainable long-term growth and maximize shareholder value primarily through the development, acquisition and operation of well-located community and neighborhood shopping centers. We focus on a dual growth strategy to grow our business. The first part of this growth strategy is to focus on increasing our internal growth by leveraging our existing tenant relationships to improve the performance of our existing operating property portfolio. The second part of this strategy is to focus on achieving external growth through the expansion of our portfolio.

We were formed in March 2004 as a Maryland REIT and commenced operations on August 16, 2004 following the completion of our initial public offering. Our founders and predecessors have been in the real estate and construction business since 1960. We conduct all of our business through our Operating Partnership, of which we are the sole general partner, and its subsidiaries. As of September 30, 2008, we held an approximate 78.1% interest in our Operating Partnership.

Our executive offices are located at 30 S. Meridian Street, Suite 1100, Indianapolis, Indiana 46204 and our telephone number is (317) 577-5600. We maintain a website at *www.kiterealty.com*. The information contained on or connected to our website is not incorporated by reference into, and you must not consider the information to be a part of, this prospectus or any applicable prospectus supplement.

RISK FACTORS

You should consider carefully the risks incorporated in this prospectus by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and the other information contained in this prospectus before deciding to invest in our securities.

USE OF PROCEEDS

Unless otherwise described in the applicable prospectus supplement to this prospectus used to offer specific securities, we intend to use the net proceeds from the sale of securities under this prospectus for general corporate purposes, which may include the future development of properties, acquisitions of additional properties, the repayment of outstanding indebtedness, capital expenditures, the expansion, redevelopment and/or improvement of properties in our portfolio, working capital and other general purposes.

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EARNINGS RATIOS

The following table sets forth our ratios of earnings to combined fixed charges and preferred dividends for the nine months ended September 30, 2008 and for each of the last three fiscal years and the period from August 16, 2004 to December 31, 2004. For the purpose of computing the ratio of earnings to combined fixed charges and preferred dividends, and the amount of coverage deficiency, earnings have been calculated by adding fixed charges, (excluding capitalized interest), to pre-tax income (loss) from continuing operations before Limited Partners' interests in the Operating Partnership, distributions of income from equity investees, minority interest and income from majority-owned unconsolidated entities and deducting income from unconsolidated entities. Fixed charges consist of interest costs, whether expensed or capitalized, amortization of debt issuance costs, fixed charges of majority-owned unconsolidated entities and estimated interest within rental expense. This information below is given on an unaudited historical basis.

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	August 16, 2004 to December 31, 2004
Ratio of earnings to combined fixed charges and preferred dividends	1.17	1.10	1.11	1.44	(A)

(A) The amount of coverage deficiency for the period from August 16, 2004 to December 31, 2004 was $1,582,284.

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DESCRIPTION OF COMMON SHARES

General

Our declaration of trust provides that we may issue up to 200,000,000 common shares of beneficial interest, par value $.01 per share, and 40,000,000 preferred shares of beneficial interest, par value $.01 per share. As of November 24, 2008, 34,017,345 common shares were issued and outstanding and no preferred shares were issued and outstanding.

Maryland law provides and our declaration of trust provides that none of our shareholders is personally liable for any of our obligations solely as a result of that shareholder's status as a shareholder.

Voting Rights of Common Shares

Subject to the provisions of our declaration of trust regarding restrictions on the transfer and ownership of shares of beneficial interest, each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of trustees, and, except as provided with respect to any other class or series of shares of beneficial interest, the holders of such common shares will possess the exclusive voting power. There is no cumulative voting in the election of trustees, which means that the holders of a plurality of the outstanding common shares, voting as a single class, can elect all of the trustees then standing for election.

Under the Maryland statute governing real estate investment trusts formed under the laws of that state, which we refer to as the Maryland REIT law, a Maryland REIT generally cannot amend its declaration of trust or merge unless recommended by its board of trustees and approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all the votes entitled to be cast on the matter) is set forth in the REIT's declaration of trust. Our declaration of trust provides for approval by a majority of all votes entitled to be cast on all other matters in all situations permitting or requiring action by shareholders except with respect to the election of trustees (which requires a plurality of all the votes cast at a meeting of our shareholders at which a quorum is present), dissolution (which requires two-thirds of all the votes entitled to be cast) and removal of trustees (which requires two-thirds of all the votes entitled to be cast). Our declaration of trust permits the trustees to amend the declaration of trust from time to time to qualify as a REIT under the Internal Revenue Code or the Maryland REIT law, without the affirmative vote or written consent of the shareholders.

Dividends, Liquidation and Other Rights

All common shares offered by this prospectus will be duly authorized, fully paid and nonassessable. Holders of our common shares will be entitled to receive dividends when, as and if declared by our board of trustees out of assets legally available for the payment of dividends. They also will be entitled to share ratably in our assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights will be subject to the preferential rights of any other class or series of our shares and to the provisions of our declaration of trust regarding restrictions on transfer of our shares.

Holders of our common shares will have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and will have no preemptive rights to subscribe for any of our securities. Subject to the restrictions on transfer of shares contained in our declaration of trust and to the ability of the board of trustees to create common shares with differing voting rights, all common shares will have equal dividend, liquidation and other rights.

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Power to Classify and Reclassify Shares and Issue Additional Common Shares or Preferred Shares

Our declaration of trust authorizes our board of trustees to classify any unissued preferred shares and to reclassify any previously classified but unissued common shares and preferred shares of any series from time to time in one or more series, as authorized by the board of trustees. Prior to issuance of shares of each class or series, the board of trustees is required by the Maryland REIT law and our declaration of trust to set for each such class or series, subject to the provisions of our declaration of trust regarding the restrictions on transfer of shares of beneficial interest, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series. As a result, our board of trustees could authorize the issuance of preferred shares that have priority over the common shares with respect to dividends and rights upon liquidation and with other terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control that might involve a premium price for holders of common shares or otherwise might be in their best interest. As of November 24, 2008, no preferred shares were outstanding.

To permit us increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise, our declaration of trust allows us to issue additional common shares or preferred shares and to classify or reclassify unissued common shares or preferred shares and thereafter to issue the classified or reclassified shares without shareholder approval, unless shareholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although we have no present intention of doing so, we could issue a class or series of shares that could delay, deter or prevent a transaction or a change in control that might involve a premium price for holders of common shares or might otherwise be in their best interests.

Holders of our common shares do not have preemptive rights, which means they have no right to acquire any additional shares that we may issue at a subsequent date.

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is Mellon Investor Services LLC.

Certain Provisions of Maryland Law and Our Declaration of Trust and Bylaws

The following description of certain provisions of Maryland law and of our declaration of trust and bylaws is only a summary. For a complete description, we refer you to the applicable Maryland law, our declaration of trust and bylaws.

Number of Trustees; Vacancies

Our declaration of trust and bylaws provide that the number of our trustees will be established by a vote of a majority of the members of our board of trustees. We currently have seven trustees. Our bylaws provide that any vacancy, including a vacancy created by an increase in the number of trustees, may be filled only by a majority of the remaining trustees, even if the remaining trustees do not constitute a quorum. Pursuant to our declaration of trust, each of our trustees is elected by our shareholders to serve until the next annual meeting and until their successors are duly elected and qualify. Under Maryland law, our board may elect to create staggered terms for its members.

Our bylaws provide that at least a majority of our trustees will be "independent," with independence being defined in the manner established by our board of trustees and in a manner consistent with listing standards established by the New York Stock Exchange.

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Removal of Trustees

Our declaration of trust provides that a trustee may be removed only with cause and only upon the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of trustees. Absent removal of all of our trustees, this provision, when coupled with the provision in our bylaws authorizing our board of trustees to fill vacant trusteeships, may preclude shareholders from removing incumbent trustees and filling the vacancies created by such removal with their own nominees.

Business Combinations

Our board has approved a resolution that exempts us from the provisions of the Maryland business combination statute described below but may opt to make these provisions applicable to us in the future. Maryland law prohibits "business combinations" between us and an interested shareholder or an affiliate of an interested shareholder for five years after the most recent date on which the interested shareholder becomes an interested shareholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. Maryland law defines an interested shareholder as:

- any person who beneficially owns 10% or more of the voting power of our shares; or

- an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding voting shares.

A person is not an interested shareholder if our board of trustees approves in advance the transaction by which the person otherwise would have become an interested shareholder. However, in approving a transaction, our board of trustees may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our board of trustees.

After the five-year prohibition, any business combination between us and an interested shareholder generally must be recommended by our board of trustees and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of our then outstanding shares of beneficial interest; and

- two-thirds of the votes entitled to be cast by holders of our voting shares other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or shares held by an affiliate or associate of the interested shareholder.

These super-majority vote requirements do not apply if our common shareholders receive a minimum price, as described under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are approved by our board of trustees before the time that the interested shareholder becomes an interested shareholder.

Control Share Acquisitions

Our bylaws contain a provision exempting any and all acquisitions of our common shares from the control shares provisions of Maryland law. However, our board of trustees may opt to make these provisions applicable to us at any time by amending or repealing this provision in the future, and may do so on a retroactive basis. Maryland law provides that "control shares" of a Maryland REIT acquired in a "control share acquisition" have no voting rights unless approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror or by officers or trustees who are our employees are excluded from the shares entitled to vote on the matter. "Control shares" are issued and outstanding voting shares that, if aggregated with all other shares previously acquired by the

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acquiring person, or in respect of which the acquiring person is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiring person to exercise or direct the exercise of the voting power in electing trustees within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A "control share acquisition" means the acquisition of control shares subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel our board of trustees to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the special meeting. If no request for a special meeting is made, we may present the question at any shareholders' meeting.

If voting rights are not approved at the shareholders' meeting or if the acquiring person does not deliver the statement required by Maryland law, then, subject to certain conditions and limitations, we may redeem any or all of the control shares, except those for which voting rights have previously been approved, for fair value. Fair value is determined without regard to the absence of voting rights for the control shares and as of the date of the last control share acquisition or of any meeting of shareholders at which the voting rights of the shares were considered and not approved. If voting rights for control shares are approved at a shareholders' meeting, the acquiror may then vote a majority of the shares entitled to vote, and all other shareholders may exercise appraisal rights. The fair value of the shares for purposes of these appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition. The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if we are a party to the transaction, nor does it apply to acquisitions approved by or exempted by our declaration of trust or bylaws.

Merger, Amendment of Declaration of Trust

Under Maryland REIT law, a Maryland REIT generally cannot dissolve, amend its declaration of trust or merge with another entity unless recommended by the board of trustees and approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage, but not less than a majority of all the votes entitled to be cast on the matter, is set forth in the REIT's declaration of trust. Under our declaration of trust, we cannot dissolve or merge with another entity without the affirmative vote of the holders of two-thirds of the votes entitled to be cast on the matter. Our declaration of trust, including its provisions on removal of trustees, may be amended only by the affirmative vote of the holders of two-thirds of the votes entitled to be cast on the matter. Under the Maryland REIT law and our declaration of trust, our trustees are permitted, without any action by our shareholders, to amend the declaration of trust from time to time to qualify as a REIT under the Internal Revenue Code or the Maryland REIT law without the affirmative vote or written consent of the shareholders.

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Limitation of Liability and Indemnification

Our declaration of trust limits the liability of our trustees and officers for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the trustee that was material to the cause of action adjudicated.

Our declaration of trust authorizes us, to the maximum extent permitted by Maryland law, to indemnify, and to pay or reimburse reasonable expenses to, any of our present or former trustees or officers or any individual who, while a trustee or officer and at our request, serves or has served another entity, employee benefit plan or any other enterprise as a trustee, director, officer, partner or otherwise. The indemnification covers any claim or liability against the person. Our declaration of trust and bylaws require us, to the maximum extent permitted by Maryland law, to indemnify each present or former trustee or officer who is made a party to a proceeding by reason of his or her service to us.

Maryland law will permit us to indemnify our present and former trustees and officers against liabilities and reasonable expenses actually incurred by them in any proceeding unless:

- the act or omission of the trustee or officer was material to the matter giving rise to the proceeding; and was committed in bad faith; or
- was the result of active and deliberate dishonesty;
- the trustee or officer actually received an improper personal benefit in money, property or services; or
- in a criminal proceeding, the trustee or officer had reasonable cause to believe that the act or omission was unlawful.

In addition, Maryland law will prohibit us from indemnifying our present and former trustees and officers for an adverse judgment in an action by us or in a derivative action or if the trustee or officer was adjudged to be liable for an improper personal benefit. Our bylaws and Maryland law require us, as a condition to advancing expenses in certain circumstances, to obtain:

- a written affirmation by the trustee or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification; and
- a written undertaking to repay the amount reimbursed if the standard of conduct is not met.

Operations

We generally are prohibited from engaging in certain activities, including acquiring or holding property or engaging in any activity that would cause us to fail to qualify as a REIT.

Term and Termination

Our declaration of trust provides for us to have a perpetual existence. Pursuant to our declaration of trust, and subject to the provisions of any of our classes or series of shares of beneficial interest then outstanding and the approval by a majority of the entire board of trustees, our shareholders, at any meeting thereof, by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, may approve a plan of liquidation and dissolution.

Meetings of Shareholders

Under our bylaws, annual meetings of shareholders are to be held each year between April 15 and May 15 at a date and time as determined by our board of trustees. Special meetings of shareholders may be called only by a majority of the trustees then in office, by the Chairman of our board of

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trustees, our President or our Chief Executive Officer. Only matters set forth in the notice of the special meeting may be considered and acted upon at such a meeting. Our bylaws provide that any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting by unanimous written consent, if that consent sets forth that action and is signed by each shareholder entitled to vote on the matter.

Advance Notice of Trustee Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of shareholders, nominations of persons for election to our board of trustees and the proposal of business to be considered by shareholders at the annual meeting may be made only:

- pursuant to our notice of the meeting;
- by our board of trustees; or
- by a shareholder who was a shareholder of record both at the time of the provision of notice and at the time of the meeting who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws.

With respect to special meetings of shareholders, only the business specified in our notice of meeting may be brought before the meeting of shareholders and nominations of persons for election to our board of trustees may be made only:

- pursuant to our notice of the meeting;
- by our board of trustees; or
- provided that our board of trustees has determined that trustees shall be elected at such meeting, by a shareholder who was a shareholder of record both at the time of the provision of notice and at the time of the meeting who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in our bylaws.

The purpose of requiring shareholders to give advance notice of nominations and other proposals is to afford our board of trustees the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by our board of trustees, to inform shareholders and make recommendations regarding the nominations or other proposals. The advance notice procedures also permit a more orderly procedure for conducting our shareholder meetings. Although our bylaws do not give our board of trustees the power to disapprove timely shareholder nominations and proposals, they may have the effect of precluding a contest for the election of trustees or proposals for other action if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of trustees to our board of trustees or to approve its own proposal.

Possible Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Declaration of Trust and Bylaws

The business combination provisions of Maryland law (if our board of trustees opts to make them applicable to us), the control share acquisition provisions of Maryland law (if the applicable provision in our bylaws is rescinded), the limitations on removal of trustees, the restrictions on the acquisition of our shares of beneficial interest, the power to issue additional common shares or preferred shares and the advance notice provisions of our bylaws could have the effect of delaying, deterring or preventing a transaction or a change in the control that might involve a premium price for holders of the common shares or might otherwise be in their best interest. The "unsolicited takeovers" provisions of Maryland law permit our board of trustees, without shareholder approval and regardless of what is provided in our declaration of trust or bylaws, to implement takeover defenses that we may not yet have.

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DESCRIPTION OF PREFERRED SHARES

The following description sets forth certain general terms of the preferred shares to which any prospectus supplement may relate. This description and the description contained in any prospectus supplement are not complete and are in all respects subject to and qualified in their entirety by reference to our declaration of trust, the applicable articles supplementary that describes the terms of the related class or series of preferred shares, and our bylaws, each of which we will make available upon request.

General

Subject to the limitations prescribed by Maryland law and our declaration of trust and bylaws, our board of trustees is authorized to establish the number of shares constituting each series of preferred shares and to fix the designations and powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution of the board of trustees or duly authorized committee thereof. The preferred shares will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

The prospectus supplement relating to the series of preferred shares offered thereby will describe the specific terms of such securities, including:

- the title and stated value of such preferred shares;
- the number of such preferred shares offered, the liquidation preference per share and the offering price of such preferred shares;
- the dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation thereof applicable to such preferred shares;
- whether dividends shall be cumulative or non-cumulative and, if cumulative, the date from which dividends on such preferred shares shall accumulate;
- the procedures for any auction and remarketing, if any, for such preferred shares;
- the provisions for a sinking fund, if any, for such preferred shares;
- the provisions for redemption, if applicable, of such preferred shares;
- any listing of such preferred shares on any securities exchange;
- the terms and conditions, if applicable, upon which such preferred shares will be convertible into our common shares, including the conversion price (or manner of calculation thereof) and conversion period;
- a discussion of federal income tax considerations applicable to such preferred shares;

any limitations on issuance of any series of preferred shares ranking senior to or on a parity with such series of preferred shares as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;

in addition to those limitations described below, any other limitations on actual and constructive ownership and restrictions on transfer, in each case as may be appropriate to preserve our status as a REIT; and

any other specific terms, preferences, rights, limitations or restrictions of such preferred shares.

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DESCRIPTION OF DEPOSITARY SHARES

General

We may issue receipts for depositary shares, each of which will represent a fractional interest of a preferred share of a particular series, as specified in the applicable prospectus supplement. Preferred shares of each series represented by depositary shares will be deposited under a separate deposit agreement among us, the depositary named therein and the holders from time to time of the depositary receipts. Subject to the terms of the applicable deposit agreement, each owner of a depositary receipt will be entitled, in proportion to the fractional interest of a preferred share of a particular series represented by the depositary shares evidenced by such depositary receipt, to all the rights and preferences of the preferred shares represented by such depositary shares (including dividend, voting, conversion, redemption and liquidation rights).

The depositary shares will be evidenced by depositary receipts issued pursuant to the applicable deposit agreement. Immediately following the issuance and delivery of the preferred shares by us to a preferred share depositary, we will cause such preferred shares depositary to issue, on our behalf, the depositary receipts. Copies of the applicable form of deposit agreement and depositary receipt may be obtained from us upon request, and the statements made hereunder relating to the deposit agreement and the depositary receipts to be issued thereunder are summaries of certain provisions thereof and do not purport to be complete and are subject to, and qualified in their entirety by reference to, all of the provisions of the applicable deposit agreement and related depositary receipts.

Dividends and Other Distributions

The preferred share depositary will distribute all cash dividends or other cash distributions received in respect of the preferred shares to the record holders of depositary receipts evidencing the related depositary shares in proportion to the number of such depositary receipts owned by such holders, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the preferred shares depositary.

In the event of a distribution other than in cash, the preferred shares depositary will distribute property received by it to the record holders of depositary receipts entitled thereto, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the preferred shares depositary, unless the preferred shares depositary determines that it is not feasible to make such distribution, in which case the preferred shares depositary may, with our approval, sell such property and distribute the net proceeds from such sale to such holders.

No distribution will be made in respect of any depositary share to the extent that it represents any preferred shares converted into other securities.

Withdrawal of Shares

Upon surrender of the depositary receipts at the corporate trust office of the applicable preferred shares depositary (unless the related depositary shares have previously been called for redemption or converted into other securities), the holders thereof will be entitled to delivery at such office, to or upon such holder's order, of the number of whole or fractional preferred shares and any money or other property represented by the depositary shares evidenced by such depositary receipts. Holders of depositary receipts will be entitled to receive whole or fractional preferred shares on the basis of the proportion of preferred shares represented by each depositary share as specified in the applicable prospectus supplement, but holders of such preferred shares will not thereafter be entitled to receive depositary shares therefor. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of preferred shares to be withdrawn, the preferred shares depositary will deliver to such holder at the same time a new depositary receipt evidencing such excess number of depositary shares.

Redemption of Depositary Shares

Whenever we redeem preferred shares held by the preferred shares depositary, the preferred shares depositary will redeem as of the same redemption date the number of depositary shares representing preferred shares so redeemed, provided we shall have paid in full to the preferred shares depositary the redemption price of the preferred shares to be redeemed plus an amount equal to any accrued and unpaid dividends thereon to the date fixed for redemption. The redemption price per depositary share will be equal to the corresponding proportion of the redemption price and any other amounts per share payable with respect to the preferred shares. If fewer than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected pro rata (as nearly as may be practicable without creating fractional depositary shares) or by any other equitable method determined by us that will not result in a violation of the ownership restrictions in our declaration of trust. See "Restrictions on Ownership."

From and after the date fixed for redemption, all dividends in respect of the preferred shares so called for redemption will cease to accrue, the depositary shares so called for redemption will no longer be deemed to be outstanding and all rights of the holders of the depositary receipts evidencing the depositary shares so called for redemption will cease, except the right to receive any moneys payable upon such redemption and any money or other property to which the holders of such depositary receipts were entitled upon such redemption and surrender thereof to the preferred shares depositary.

Voting of the Preferred Shares

Upon receipt of notice of any meeting at which the holders of the applicable preferred shares are entitled to vote, the preferred shares depositary will mail the information contained in such notice of meeting to the record holders of the depositary receipts evidencing the depositary shares which represent such preferred shares. Each record holder of depositary receipts evidencing depositary shares on the record date (which will be the same date as the record date for the preferred shares) will be entitled to instruct the preferred shares depositary as to the exercise of the voting rights pertaining to the amount of preferred shares represented by such holder's depositary shares. The preferred shares depositary will vote the amount of preferred shares represented by such depositary shares in accordance with such instructions, and we will agree to take all reasonable action which may be deemed necessary by the preferred shares depositary in order to enable the preferred shares depositary to do so. The preferred shares depositary will abstain from voting the amount of preferred shares represented by such depositary shares to the extent it does not receive specific instructions from the holders of depositary receipts evidencing such depositary shares. The preferred shares depositary shall not be responsible for any failure to carry out any instruction to vote, or for the manner or effect of any such vote made, as long as any such action or non-action is in good faith and does not result from negligence or willful misconduct of the preferred shares depositary.

Liquidation Preference

In the event of our liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of each depositary receipt will be entitled to the fraction of the liquidation preference accorded each preferred share represented by the depositary shares evidenced by such depositary receipt, as set forth in the applicable prospectus supplement.

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Conversion of Preferred Shares

The depositary shares, as such, are not convertible into common shares or any of our other securities or property. Nevertheless, if so specified in the applicable prospectus supplement relating to an offering of depositary shares, the depositary receipts may be surrendered by holders thereof to the preferred shares depositary with written instructions to the preferred shares depositary to instruct us to cause conversion of the preferred shares represented by the depositary shares evidenced by such depositary receipts into whole common shares, other preferred shares, and we have agree that upon receipt of such instructions and any amounts payable in respect thereof, we will cause the conversion thereof utilizing the same procedures as those provided for delivery of preferred shares to effect such conversion. If the depositary shares evidenced by a depositary receipt are to be converted in part only, a new depositary receipt or receipts will be issued for any depositary shares not to be converted. No fractional common shares will be issued upon conversion, and if such conversion would result in a fractional share being issued, an amount will be paid in cash by us equal to the value of the fractional interest based upon the closing price of the common shares on the last business day prior to the conversion.

Amendment and Termination of Deposit Agreement

The form of depositary receipt evidencing the depositary shares which represent the preferred shares and any provision of the deposit agreement may at any time be amended by agreement between us and the preferred shares depositary. However, any amendment that materially and adversely alters the rights of the holders of depositary receipts or that would be materially and adversely inconsistent with the rights granted to the holders of the related preferred shares will not be effective unless such amendment has been approved by the existing holders of at least two-thirds of the applicable depositary shares evidenced by the applicable depositary receipts then outstanding. No amendment shall impair the right, subject to certain exceptions in the deposit agreement, of any holder of depositary receipts to surrender any depositary receipt with instructions to deliver to the holder the related preferred shares and all money and other property, if any, represented thereby, except in order to comply with law. Every holder of an outstanding depositary receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such receipt, to consent and agree to such amendment and to be bound by the deposit agreement as amended thereby.

The deposit agreement may be terminated by us upon not less than 30 days' prior written notice to the preferred shares depositary if (i) such termination is necessary to preserve our status as a REIT or (ii) a majority of each series of preferred shares affected by such termination consents to such termination, whereupon the preferred shares depositary shall deliver or make available to each holder of depositary receipts, upon surrender of the depositary receipts held by such holder, such number of whole or fractional preferred shares as are represented by the depositary shares evidenced by such depositary receipts together with any other property held by the preferred shares depositary with respect to such depositary receipts. We have agreed that if the deposit agreement is terminated to preserve our status as a REIT, then we will use our best efforts to list the preferred shares issued upon surrender of the related depositary shares on a national securities exchange. In addition, the deposit agreement will automatically terminate if (i) all outstanding depositary shares shall have been redeemed, (ii) there shall have been a final distribution in respect of the related preferred shares in connection with our liquidation, dissolution or winding up and such distribution shall have been distributed to the holders of depositary receipts evidencing the depositary shares representing such preferred shares or (iii) each related preferred share shall have been converted into our securities not so represented by depositary shares.

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Charges of Preferred Shares Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the deposit agreement. In addition, we will pay the fees and expenses of the preferred shares depositary in connection with the performance of its duties under the deposit agreement. However, holders of depositary receipts will pay the fees and expenses of the preferred shares depositary for any duties requested by such holders to be performed which are outside of those expressly provided for in the deposit agreement.

Resignation and Removal of Depositary

The preferred shares depositary may resign at any time by delivering to us notice of its election to do so, and we may at any time remove the preferred shares depositary, any such resignation or removal to take effect upon the appointment of a successor preferred shares depositary. A successor preferred shares depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $10,000,000.

Miscellaneous

The preferred shares depositary will forward to holders of depositary receipts any reports and communications from the Company which are received by the preferred shares depositary with respect to the related preferred shares.

Neither the preferred shares depositary nor the Company will be liable if it is prevented from or delayed in, by law or any circumstances beyond its control, performing its obligations under the deposit agreement. The obligations of us and the preferred shares depositary under the deposit agreement will be limited to performing their duties thereunder in good faith and without negligence (in the case of any action or inaction in the voting of preferred shares represented by the depositary shares), gross negligence or willful misconduct, and we and the preferred shares depositary will not be obligated to prosecute or defend any legal proceeding in respect of any depositary receipts, depositary shares or preferred shares represented thereby unless satisfactory indemnity is furnished. We and the preferred shares depositary may rely on written advice of counsel or accountants, or information provided by persons presenting preferred shares represented thereby for deposit, holders of depositary receipts or other persons believed in good faith to be competent to give such information, and on documents believed in good faith to be genuine and signed by a proper party.

In the event the preferred shares depositary shall receive conflicting claims, requests or instructions from any holders of depositary receipts, on the one hand, and us, on the other hand, the preferred shares depositary shall be entitled to act on such claims, requests or instructions received from us.

Restrictions on Ownership

Holders of depositary receipts will be subject to the ownership restrictions of the declaration of trust. See "Restrictions on Ownership."

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DESCRIPTION OF WARRANTS

We may offer by means of this prospectus warrants for the purchase of our preferred shares, depositary shares representing preferred shares or common shares. We may issue warrants separately or together with any other securities offered by means of this prospectus, and the warrants may be attached to or separate from such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent specified therein. The warrant agent will act solely as our agent in connection with the warrants of such series and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants.

The applicable prospectus supplement will describe the following terms, where applicable, of the warrants in respect of which this prospectus is being delivered:

- the title and issuer of such warrants;
- the aggregate number of such warrants;
- the price or prices at which such warrants will be issued;
- the currencies in which the price or prices of such warrants may be payable;
- the designation, amount and terms of the securities purchasable upon exercise of such warrants;
- the designation and terms of the other securities with which such warrants are issued and the number of such warrants issued with each such security;
- if applicable, the date on and after which such warrants and the securities purchasable upon exercise of such warrants will be separately transferable;
- the price or prices at which and currency or currencies in which the securities purchasable upon exercise of such warrants may be purchased;
- the date on which the right to exercise such warrants shall commence and the date on which such right shall expire;
- the minimum or maximum amount of such warrants which may be exercised at any one time;
- information with respect to book-entry procedures, if any;
- a discussion of material federal income tax considerations; and
- any other material terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

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DESCRIPTION OF RIGHTS

We may issue rights to our shareholders for the purchase of common shares. Each series of rights will be issued under a separate rights agreement to be entered into between us and a bank or trust company, as rights agent, all as set forth in the prospectus supplement relating to the particular issue of rights. The rights agent will act solely as our agent in connection with the certificates relating to the rights of such series and will not assume any obligation or relationship of agency or trust for or with any holders of rights certificates or beneficial owners of rights. The rights agreement and the rights certificates relating to each series of rights will be filed with the SEC and incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

The applicable prospectus supplement will describe the terms of the rights to be issued, including the following, where applicable:

- the date for determining the shareholders entitled to the rights distribution;
- the aggregate number of common shares purchasable upon exercise of such rights and the exercise price;
- the aggregate number of rights being issued;
- the date, if any, on and after which such rights may be transferable separately;
- the date on which the right to exercise such rights shall commence and the date on which such right shall expire;
- any special U.S. federal income tax consequences; and
- any other terms of such rights, including terms, procedures and limitations relating to the distribution, exchange and exercise of such rights.

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RESTRICTIONS ON OWNERSHIP

In order to qualify as a REIT under the Internal Revenue Code, our shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, no more than 50% of the value of our outstanding shares (after taking into account options to acquire shares) may be owned, directly, indirectly, or through attribution, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities).

Because our board of trustees believes that it is essential for us to qualify as a REIT and for anti-takeover reasons, our declaration of trust, subject to certain exceptions, contains restrictions on the number of our shares of beneficial interest that a person may own. Our declaration of trust provides that:

- no person, other than an excepted holder or a designated investment entity (each as defined in the declaration of trust), may own directly, or be deemed to own by virtue of the attribution provisions of the Internal Revenue Code, more than 7%, in value or number of shares, whichever is more restrictive, of our issued and outstanding common shares;

- no person may own directly or indirectly, or be deemed to own through attribution, more than 9.8% in number or value, whichever is more restrictive, or any class or series of preferred shares;

- no excepted holder, which means Al Kite, John Kite, Paul Kite, their family members and certain entities controlled by them, may currently acquire or hold, directly or indirectly, shares in excess of 21.5% in number or value, whichever is more restrictive, of our issued and outstanding common shares after application of the relevant attribution rules;

- no designated investment entity may acquire or hold, directly or indirectly (or through attribution), shares in excess of the designated investment entity limit of 9.8%, in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of shares;

- no person shall beneficially or constructively own shares that would result in us owning (directly or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by us (either directly or indirectly through one or more partnerships or limited liability companies) from such tenant would reasonably be expected to equal or exceed the lesser of (i) 1% of the tenant's gross income (as determined for purposes of Section 856(c) of the Code); or (ii) an amount that would cause us to fail to satisfy any of the gross income requirements of Section 856(c) of the Code;

- no person shall beneficially or constructively own shares that would result in us being "closely held" under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT; and

- no person shall transfer our shares of beneficial interest if such transfer would result in our shares of beneficial interest being owned by fewer than 100 persons.

The declaration of trust defines a "designated investment entity" as:

1. an entity that is a pension trust that qualifies for look-through treatment under Section 856(h)(3) of the Code;

2. an entity that qualifies as a regulated investment company under Section 851 of the Code; or

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3. an entity that (i) for compensation engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing, or selling securities; (ii) purchases securities in the ordinary course of its business and not with the purpose or effect of changing or influencing control of us, nor in connection with or as a participant in any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) of the Securities Exchange Act of 1934, as amended; and (iii) has or shares voting power and investment power within the meaning of Rule 13d-3(a) under the Securities Exchange Act of 1934, as amended; so long as each beneficial owner of such entity, or in the case of an investment management company, the individual account holders of the accounts managed by such entity, would satisfy the 7% ownership limit if such beneficial owner or account holder owned directly its proportionate share of the shares held by the entity.

Our board of trustees may waive the 7% ownership limit, or the 9.8% designated investment entity limit, for a shareholder that is not an individual if such shareholder provides information and makes representations to the board that are satisfactory to the board, in its reasonable discretion, to establish that such person's ownership in excess of the 7% limit or the 9.8% limit, as applicable, would not jeopardize our qualification as a REIT.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of our shares that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. If any transfer of shares or any other event would otherwise result in any person violating the ownership limits described above, then our declaration of trust provides that (a) the transfer will be void and of no force or effect with respect to the prohibited transferee with respect to that number of shares that exceeds the ownership limits and (b) the prohibited transferee would not acquire any right or interest in the shares. The foregoing restrictions on transferability and ownership will not apply if our board of trustees determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

All certificates representing our shares will bear a legend referring to the restrictions described above.

Every owner of more than 5% (or such lower percentage as required by the Internal Revenue Code or the Treasury Regulations promulgated thereunder) of all classes or series of our shares, including common shares, will be required to give written notice to us within 30 days after the end of each taxable year stating the name and address of such owner, the number of shares of each class and series of shares that the owner beneficially owns and a description of the manner in which such shares are held. Each such owner shall provide to us such additional information as we may request in order to determine the effect, if any, of such beneficial ownership on our status as a REIT and to ensure compliance with the ownership limitations. In addition, each shareholder shall upon demand be required to provide to us such information as we may request, in good faith, in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

These ownership limitations could delay, deter or prevent a transaction or a change in control that might involve a premium price for the common shares or might otherwise be in the best interest of our shareholders.

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MATERIAL FEDERAL INCOME TAX CONSEQUENCES

A summary of the material federal income tax consequences to you as a prospective holder of our common, preferred and depositary shares is set forth in our Current Report on Form 8-K, filed with the SEC on September 30, 2008 (as amended or supplemented from time to time), and incorporated by reference in this prospectus. The summary in our Current Report on Form 8-K is for general information only and does not constitute tax advice. It does not reflect every possible tax outcome or consequence that could result from owning our common, preferred or depositary shares. In addition, it does not reflect state, local or non-U.S. tax consequences that may apply to you based on your particular circumstances and residence. We advise you to consult your own tax advisors to determine the tax consequences particular to your situation, including any applicable state, local or non-U.S. income and other tax consequences that may result from your ownership of our common, preferred or depositary shares.

BOOK-ENTRY SECURITIES

We may issue the securities offered by means of this prospectus in whole or in part in book-entry form, meaning that beneficial owners of the securities will not receive certificates representing their ownership interests in the securities, except in the event the book-entry system for the securities is discontinued. If securities are issued in book entry form, they will be evidenced by one or more global securities that will be deposited with, or on behalf of, a depositary identified in the applicable prospectus supplement relating to the securities. The Depository Trust Company is expected to serve as depository. Unless and until it is exchanged in whole or in part for the individual securities represented thereby, a global security may not be transferred except as a whole by the depository for the global security to a nominee of such depository or by a nominee of such depository to such depository or another nominee of such depository or by the depository or any nominee of such depository to a successor depository or a nominee of such successor. Global securities may be issued in either registered or bearer form and in either temporary or permanent form. The specific terms of the depositary arrangement with respect to a class or series of securities that differ from the terms described here will be described in the applicable prospectus supplement.

Unless otherwise indicated in the applicable prospectus supplement, we anticipate that the following provisions will apply to depository arrangements.

Upon the issuance of a global security, the depository for the global security or its nominee will credit on its book-entry registration and transfer system the respective principal amounts of the individual securities represented by such global security to the accounts of persons that have accounts with such depository, who are called "participants." Such accounts shall be designated by the underwriters, dealers or agents with respect to the securities or by us if the securities are offered and sold directly by us. Ownership of beneficial interests in a global security will be limited to the depository's participants or persons that may hold interests through such participants. Ownership of beneficial interests in the global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable depository or its nominee (with respect to beneficial interests of participants) and records of the participants (with respect to beneficial interests of persons who hold through participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to own, pledge or transfer beneficial interest in a global security.

So long as the depository for a global security or its nominee is the registered owner of such global security, such depository or nominee, as the case may be, will be considered the sole owner or holder of the securities represented by such global security for all purposes under the applicable instrument defining the rights of a holder of the securities. Except as provided below or in the applicable prospectus supplement, owners of beneficial interest in a global security will not be entitled to have any of the individual securities of the series represented by such global security registered in their names, will not receive or be entitled to receive physical delivery of any such securities in definitive form and will not be considered the owners or holders thereof under the applicable instrument defining the rights of the holders of the securities.

Payments of amounts payable with respect to individual securities represented by a global security registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the global security representing such securities. None of us, our officers and board members or any trustee, paying agent or security registrar for an individual series of securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global security for such securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that the depository for a series of securities offered by means of this prospectus or its nominee, upon receipt of any payment of principal, premium, interest, dividend or other amount in respect of a permanent global security representing any of such securities, will immediately credit its participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security for such securities as shown on the records of such depository or its nominee. We also expect that payments by participants to owners of beneficial interests in such global security held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in "street name." Such payments will be the responsibility of such participants.

If a depository for a series of securities is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by us within 90 days, we will issue individual securities of such series in exchange for the global security representing such series of securities. In addition, we may, at any time and in our sole discretion, subject to any limitations described in the applicable prospectus supplement relating to such securities, determine not to have any securities of such series represented by one or more global securities and, in such event, will issue individual securities of such series in exchange for the global security or securities representing such series of securities.

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PLAN OF DISTRIBUTION

Unless otherwise set forth in a prospectus supplement accompanying this prospectus, we may sell the securities offered pursuant to this prospectus to or through one or more underwriters or dealers, or we may sell the securities to investors directly or through agents. Any such underwriter, dealer or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. We may sell securities directly to investors on our own behalf in those jurisdictions where we are authorized to do so.

Underwriters may offer and sell the securities at a fixed price or prices which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. We also may, from time to time, authorize dealers or agents to offer and sell the securities upon such terms and conditions as may be set forth in the applicable prospectus supplement. In connection with the sale of any of the securities, underwriters may receive compensation from us in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the securities for whom they may act as agent. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agents.

Our common shares may also be sold in one or more of the following transactions: (i) block transactions (which may involve crosses) in which a broker-dealer may sell all or a portion of such shares as agent, but may position and resell all or a portion of the block as principal to facilitate the transaction; (ii) purchases by any such broker-dealer as principal, and resale by such broker-dealer for its own account pursuant to a prospectus supplement; (iii) a special offering, an exchange distribution or a secondary distribution in accordance with applicable New York Stock Exchange or other stock exchange, quotation system or over-the-counter market rules; (iv) ordinary brokerage transactions and transactions in which any such broker-dealer solicits purchasers; (v) sales "at the market" to or through a market maker or into an existing trading market, on an exchange or otherwise, for such shares; and (vi) sales in other ways not involving market makers or established trading markets, including direct sales to purchasers.

Any underwriting compensation paid by us to underwriters or agents in connection with the offering of the securities, and any discounts or concessions or commissions allowed by underwriters to participating dealers, will be set forth in the applicable prospectus supplement. Dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the securities may be deemed to be underwriting discounts and commissions.

Underwriters, dealers and agents may be entitled, under agreements entered into with us, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act of 1933, as amended. Unless otherwise set forth in an accompanying prospectus supplement, the obligations of any underwriters to purchase any of the securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all of such securities, if any are purchased.

Underwriters, dealers and agents may engage in transactions with, or perform services for, us and our affiliates in the ordinary course of business.

If indicated in the prospectus supplement, we may authorize underwriters or other agents to solicit offers by institutions to purchase securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which we may make these delayed delivery contracts include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others. The obligations of any purchaser under any such delayed delivery

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contract will be subject to the condition that the purchase of the securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which the purchaser is subject. The underwriters and other agents will not have any responsibility with regard to the validity or performance of these delayed delivery contracts.

In connection with the offering of the securities hereby, certain underwriters, and selling group members and their respective affiliates may engage in transactions that stabilize, maintain or otherwise affect the market price of the applicable securities. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M promulgated by the SEC pursuant to which such persons may bid for or purchase securities for the purpose of stabilizing their market price. The underwriters in an offering of securities may also create a "short position" for their account by selling more securities in connection with the offering than they are committed to purchase from us. In such case, the underwriters could cover all or a portion of such short position by either purchasing securities in the open market following completion of the offering of such securities or by exercising any over-allotment option granted to them by us. In addition, the managing underwriter may impose "penalty bids" under contractual arrangements with other underwriters, which means that they can reclaim from an underwriter (or any selling group member participating in the offering) for the account of the other underwriters, the selling concession with respect to securities that are distributed in the offering but subsequently purchased for the account of the underwriters in the open market. Any of the transactions described in this paragraph or comparable transactions that are described in any accompanying prospectus supplement may result in the maintenance of the price of the securities at a level above that which might otherwise prevail in the open market. None of such transactions described in this paragraph or in an accompanying prospectus supplement are required to be taken by any underwriters and, if they are undertaken, may be discontinued at any time.

We may sell the securities in exchange in whole or part for consideration other than cash. This consideration may consist of services or products, whether tangible or intangible, and including services or products we may use in our business; outstanding debt or equity securities of our company or one or more of its subsidiaries; debt or equity securities or assets of other companies, including in connection with investments, joint ventures or other strategic transactions, or acquisitions; release of claims or settlement of disputes; and satisfaction of obligations, including obligations to make payments to distributors or other suppliers and payment of interest on outstanding obligations. We may sell the securities as part of a transaction in which outstanding debt or equity securities of our company or one or more of our subsidiaries are surrendered, converted, exercised, canceled or transferred.

Our common shares are listed on the New York Stock Exchange under the symbol "KRG." Any securities that we issue, other than common shares, will be new issues of securities with no established trading market and may or may not be listed on a national securities exchange, quotation system or over-the-counter market. Any underwriters or agents to or through which securities are sold by us may make a market in such securities, but such underwriters or agents will not be obligated to do so and any of them may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of or trading market for any securities sold by us.

LEGAL MATTERS

The validity of the securities offered by means of this prospectus and certain federal income tax matters have been passed upon for us by Hogan & Hartson L.L.P.

EXPERTS

The consolidated financial statements and schedule of Kite Realty Group Trust appearing in Kite Realty Group Trust's Annual Report on Form 10-K for the year ended December 31, 2007 and the effectiveness of Kite Realty Group Trust's internal control over financial reporting as of December 31, 2007 have been audited by Ernst & Young LLP, independent

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registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and schedule are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

WHERE TO FIND ADDITIONAL INFORMATION

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. You may read and copy the registration statement and any other documents filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public at the SEC's Internet site at *http://www.sec.gov*. Our reference to the SEC's Internet site is intended to be an inactive textual reference only.

This prospectus does not contain all of the information included in the registration statement. If a reference is made in this prospectus or any accompanying prospectus supplement to any of our contracts or other documents, the reference may not be complete and you should refer to the exhibits that are a part of or incorporated by reference in the registration statement for a copy of the contract or document.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Information incorporated by reference is part of this prospectus. Later information filed with the SEC will update and supersede this information.

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended until this offering is completed:

- our Annual Report on Form 10-K for the year ended December 31, 2007;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008;
- our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 11, 2008; and
- our Current Reports on Form 8-K filed with the SEC on February 11, 2008, May 12, 2008, June 13, 2008, August 8, 2008, August 22, 2008, September 30, 2008, October 6, 2008 and November 5, 2008.
- our Form 8-A filed with the SEC on August 4, 2004.

You may request a copy of these filings, at no cost, by contacting Adam Chavers, Director of Investor Relations, Kite Realty Group, 30 S. Meridian Street, Suite 1100, Indianapolis, IN 46204, by telephone at 317-577-5600, by e-mail at achavers@kiterealty.com, or by visiting our website, *www.kiterealty.com*. The information contained on our website is not part of this prospectus. Our reference to our website is intended to be an inactive textual reference only.

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2,600,000 Shares

8.250% Series A Cumulative Redeemable Perpetual Preferred Shares (Liquidation Preference $25 Per Share)

PROSPECTUS SUPPLEMENT

November 30, 2010

Citi

Raymond James

KeyBanc Capital Markets

RBC Capital Markets

BMO Capital Markets

RBS

Janney Montgomery Scott

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Risks Related to Our Indebtedness and Liquidity

We may require more cash than we generate in our operating activities, and additional funding on reasonable terms or at all may not be available.

We cannot guarantee that our business will generate sufficient cash flow from operations to fund our capital investment requirements or other liquidity needs. For example, with the migration of our U.S. and Canadian Travelocity businesses to the Expedia platform, our working capital will decrease as we pay travel suppliers for travel booked on our platform, without being offset by new bookings. Moreover, because we are a holding company with no material direct operations, we depend on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions.

As a result, we may be required to finance our cash needs through public or private equity offerings, bank loans, additional debt financing or otherwise. Our ability to arrange financing and the cost of such financing are dependent on numerous factors, including but not limited to:

- general economic and capital market conditions;
- the availability of credit from banks or other lenders;
- investor confidence in us; and
- our results of operations.

There can be no assurance that financing will be available on terms favorable to us or at all, which could force us to delay, reduce or abandon our growth strategy, increase our financing costs, or both. Additional funding from debt financings may make it more difficult for us to operate our business because a portion of our cash generated from internal operations would be used to make principal and interest payments on the indebtedness and we may be obligated to abide by restrictive covenants contained in the debt financing agreements, which may, among other things, limit our ability to make business decisions and further limit our ability to pay dividends.

In addition, any downgrade of our debt ratings by Standard & Poor s, Moody s Investor Service or similar ratings agencies, increases in general interest rate levels and credit spreads or overall weakening in the credit markets could increase our cost of capital. Furthermore, raising capital through public or private sales of equity to finance acquisitions or expansion could cause earnings or ownership dilution to your shareholding interests in our company.

We have a significant amount of indebtedness, which could adversely affect our cash flow and our ability to operate our business and to fulfill our obligations under our indebtedness.

We have a significant amount of indebtedness. As of December 31, 2013, on an as adjusted basis after giving effect to this offering and the application of the net proceeds from this offering as described under Use of Proceeds, we would have had $3,203 million of indebtedness outstanding in addition to $286 million of availability under the revolving portion of our Credit Facility (as defined in Description of Certain Indebtedness), after taking into account the availability reduction of $66 million for letters of credit issued under the revolving portion. Of this indebtedness, none will be due on or before the end of 2014. See Description of Certain Indebtedness Senior Secured Credit Facilities for a description of the amendments to the Credit Facility after December 31, 2013. Our substantial level of indebtedness will increase the possibility that we may not generate enough cash flow from operations to pay, when due, the principal of, interest on or other amounts due in respect of, these obligations. Other risks relating to our long-term indebtedness include:

- increased vulnerability to general adverse economic and industry conditions;

- higher interest expense if interest rates increase on our floating rate borrowings and our hedging strategies do not effectively mitigate the effects of these increases;

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need to divert a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of cash to fund working capital, capital expenditures, acquisitions, investments and other general corporate purposes;

limited ability to obtain additional financing, on terms we find acceptable, if needed, for working capital, capital expenditures, expansion plans and other investments, which may adversely affect our ability to implement our business strategy;

limited flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate or to take advantage of market opportunities; and

a competitive disadvantage compared to our competitors that have less debt.

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our Credit Facility, the indentures governing the 2016 Notes and the 2019 Notes (each as defined in Description of Certain Indebtedness) allow us to incur additional debt subject to certain limitations. If new debt is added to current debt levels, the risks described above could intensify. In addition, our inability to maintain certain leverage ratios could result in acceleration of a portion of our debt obligations and could cause us to be in default if we are unable to repay the accelerated obligations.

The terms of our debt covenants could limit our discretion in operating our business and any failure to comply with such covenants could result in the default of all of our debt.

The agreements governing our indebtedness contain and the agreements governing our future indebtedness will likely contain various covenants, including those that restrict our or our subsidiaries ability to, among other things:

incur liens on our property, assets and revenue;

borrow money, and guarantee or provide other support for the indebtedness of third parties;

pay dividends or make other distributions on, redeem or repurchase our capital stock;

prepay, redeem or repurchase certain of our indebtedness;

enter into certain change of control transactions;

make investments in entities that we do not control, including joint ventures;

- enter into certain asset sale transactions, including divestiture of certain company assets and divestiture of capital stock of wholly-owned subsidiaries;
- enter into certain transactions with affiliates;
- enter into secured financing arrangements;
- enter into sale and leaseback transactions;
- change our fiscal year; and
- enter into substantially different lines of business.

These covenants may limit our ability to effectively operate our businesses or maximize stockholder value. In addition, our Credit Facility requires that we meet certain financial tests, including the maintenance of a leverage ratio and a minimum net worth. Our ability to satisfy these tests may be affected by factors and events beyond our control, and we may be unable to meet such tests in the future.

Any failure to comply with the restrictions of our Credit Facility, the indentures governing the 2016 Notes and the 2019 Notes or any agreement governing our other indebtedness may result in an event of default under those agreements. Such default may allow the creditors to accelerate the related debt, which may trigger cross-acceleration or cross-default provisions in other debt. In addition, lenders may be able to terminate any commitments they had made to supply us with further funds.

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We are exposed to interest rate fluctuations.

Our floating rate indebtedness exposes us to fluctuations in prevailing interest rates. To reduce the impact of large fluctuations in interest rates, we typically hedge a portion of our interest rate risk by entering into derivative agreements with financial institutions. Our exposure to interest rates relates primarily to our borrowings under the Credit Facility. See Description of Certain Indebtedness.

The derivative agreements that we use to manage the risk associated with fluctuations in interest rates may not be able to eliminate the exposure to these changes. Interest rates are sensitive to numerous factors outside of our control, such as government and central bank monetary policy in the jurisdictions in which we operate. Depending on the size of the exposures and the relative movements of interest rates, if we choose not to hedge or fail to effectively hedge our exposure, we could experience a material adverse effect on our results of operations and financial condition. As of December 31, 2013, we have entered into floating-to-fixed interest rate swaps that effectively convert $750 million of floating interest rate senior secured debt into a fixed rate obligation. See Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk.

We are exposed to exchange rate fluctuations.

We conduct various operations outside the United States, primarily in Canada, South America, Europe, Australia and Asia. For the years ended December 31, 2013 and 2012, we incurred $682 million and $708 million in foreign currency operating expenses, representing approximately 25% and 23% of our total operating expenses, respectively. Our most significant foreign currency operating expenses are in the Euro, representing approximately 9% and 7% of our operating expenses for the years ended December 31, 2013 and December 31, 2012, respectively. As a result, we face exposure to movements in currency exchange rates. These exposures include but are not limited to:

- re-measurement gains and losses from changes in the value of foreign denominated assets and liabilities;
- translation gains and losses on foreign subsidiary financial results that are translated into U.S. dollars, our functional currency, upon consolidation;
- planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur; and
- the impact of relative exchange rate movements on cross-border travel, principally travel between Europe and the United States.

Depending on the size of the exposures and the relative movements of exchange rates, if we choose not to hedge or fail to hedge effectively our exposure, we could experience a material adverse effect on our results of operations and financial condition. As we have seen in some recent periods, in the event of severe volatility in exchange rates, these exposures can increase, and the impact on our results of operations and financial condition can be more pronounced. In addition, the current environment and the increasingly global nature of our business have made hedging these exposures more complex and costly.

To reduce the impact of this earnings volatility, we hedge approximately 43% of our foreign currency exposure by entering into foreign currency forward contracts on several of our largest foreign currency exposures, including the Euro, the British Pound Sterling, the Polish Zloty and the Indian Rupee. The notional amounts of these forward contracts, totaling $123 million at December 31, 2013, represent obligations to purchase foreign currencies at a predetermined exchange rate to fund a portion of our expenses that are denominated in foreign currencies. Such derivative instruments are short-term in nature and not designed to hedge against currency fluctuation that could impact our foreign currency denominated revenue or cost of revenue. See Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk Foreign Currency Risk and Note 12, Derivatives,

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to our unaudited consolidated financial statements included elsewhere in this prospectus. Although we have increased and may continue to increase the scope, complexity and duration of our foreign exchange risk management strategy, our current or future hedging activities may not sufficiently protect us from the adverse effects of currency exchange rate movements. Moreover, we make a number of estimates in conducting hedging activities, including in some cases the level of future bookings, cancellations, refunds, customer stay patterns and payments in foreign currencies. In the event those estimates differ significantly from actual results, we could experience greater volatility as a result of our hedging activities.

Risks Related to the Offering and Our Common Stock

An active trading market may not develop or be sustained.

Although our common stock has been approved for listing on the NASDAQ, it is possible that, after this offering, an active trading market will not develop or continue. As a result, shareholders may have difficulty selling their shares or selling their shares at a certain price. In addition, the initial public offering price or future price of our common stock may not reflect our actual financial performance.

The initial public offering price per share of our common stock will be determined by negotiation among us and the representatives of the underwriters and may not be indicative of the price at which the shares of our common stock will trade in the public market after this offering.

The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

Even if an active trading market develops, the market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the price at which you purchased them, if at all. The market price of our common stock may fluctuate or decline significantly in the future. Factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include, but are not limited to, those listed elsewhere in this Risk Factors section and the following, some of which are beyond our control regardless of our actual operating performance:

- actual or anticipated quarterly variations in operational results and reactions to earning releases or other presentations by company executives;
- failure to meet the expectations of securities analysts and investors;
- rating agency credit rating actions;
- the contents of published research reports about us or our industry or the failure of securities analysts to cover our common stock after this offering;

any increased indebtedness we may incur in the future;

actions by institutional stockholders;

speculation or reports by the press or the investment community with respect to us or our industry in general;

increases in market interest rates that may lead purchasers of our shares to demand a higher yield;

changes in our capital structure;

announcements of dividends;

future sales of our common stock by us, the Principal Stockholders or members of our management;

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- announcements of technological innovations or new services by us or our competitors or new entrants into the industry;
- announcements by us, our competitors or vendors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- loss of a major travel supplier or global travel agency subscriber;
- changes in the status of intellectual property rights;
- third-party claims or proceedings against us or adverse developments in pending proceedings;
- additions or departures of key personnel;
- changes in applicable laws and regulations;
- negative publicity for us, our business or our industry;
- changes in expectations or estimates as to our future financial performance or market valuations of competitors, customers or travel suppliers;
- results of operations of our competitors; and
- general market, political and economic conditions, including any such conditions and local conditions in the markets in which our customers are located.

Volatility in our stock price could also make us less attractive to certain investors, and/or invite speculative trading in our common stock or debt instruments.

In addition, securities exchanges, and in particular the NASDAQ, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management s attention and affect our ability to attract and retain qualified board members.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934 (the Exchange Act), the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) and the NASDAQ rules. The requirements of these rules and regulations will significantly increase our legal and financial compliance costs, including costs associated with the hiring of additional personnel, making some activities more difficult, time-consuming or costly, and may also place undue strain on our personnel, systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition.

The Sarbanes-Oxley Act requires, among other things, that we maintain disclosure controls and procedures and internal control over financial reporting. Ensuring that we have adequate internal financial and accounting controls and procedures in place is a costly and time-consuming effort that needs to be re-evaluated frequently. We are in the initial stage of documenting our internal control procedures and have not begun testing these procedures in order to comply with the requirements of Section 404 of the Sarbanes-Oxley Act (Section 404). Section 404 will require that we evaluate our internal control over financial reporting to enable management to report on, and our independent auditors to audit as of the end of our fiscal year ended December 31, 2015, the effectiveness of those controls. Both we and our independent registered public accounting firm will be testing our internal controls in connection with the Section 404 requirements and could, as part of that documentation and testing, identify material weaknesses, significant deficiencies or other areas for further attention or improvement.

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Implementing any appropriate changes to our internal controls may require specific compliance training for our directors, officers and employees, require the hiring of additional finance, accounting and other personnel, entail substantial costs to modify our existing accounting systems, and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Moreover, adequate internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to satisfy the requirements of Section 404 on a timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could cause the market value of our common stock to decline.

Various rules and regulations applicable to public companies make it more difficult and more expensive for us to maintain directors and officers liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors and officers liability insurance, our ability to recruit and retain qualified officers and directors, especially those directors who may be deemed independent for purposes of the NASDAQ rules, will be significantly curtailed.

If you invest in this offering, you will experience immediate and substantial dilution.

We expect that the initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share issued and outstanding immediately after this offering. Our pro forma net tangible book value per share as of December 31, 2013 after giving effect to the Redemption was approximately $(14.09) and represents the amount of book value of our total tangible assets minus the book value of our total liabilities, divided by the number of our shares of common stock then issued and outstanding as of March 31, 2014. Investors who purchase common stock in this offering will pay a price per share that substantially exceeds the net tangible book value per share of common stock. If you purchase shares of our common stock in this offering, you will experience immediate and substantial dilution of $27.14 in the pro forma net tangible book value per share. Investors that purchase common stock in this offering will have purchased 15% of the shares issued and outstanding immediately after the offering, but will have paid 31% of the total consideration for those shares. See Dilution.

Concentration of ownership among our Principal Stockholders may prevent new investors from influencing significant corporate decisions and may result in conflicts of interest.

Upon consummation of this offering our Principal Stockholders will own, in the aggregate, approximately 82% of our outstanding common stock and will own, in the aggregate, approximately 80% of our outstanding common stock if the underwriters option to purchase additional shares is fully exercised. Pursuant to the Stockholders Agreement, at the completion of this offering, the Silver Lake Funds and the TPG Funds will have the right to designate for nomination two directors and three directors, respectively, which collectively will represent a majority of the members of our board of directors. In addition, the Silver Lake Funds and the TPG Funds also jointly have the right to designate for nomination in the future, in connection with the expansion of our board of directors by one member, one additional director, defined herein as the Joint Designee, who must qualify as independent under the NASDAQ rules and must meet the independence requirements of Rule 10A-3 of the Exchange Act so long as they collectively own at least 10% of their collective Closing Date Shares (as defined in Certain Relationships and Related Party Transactions Stockholders Agreement). As a result, the Principal Stockholders will be able to exercise significant influence over all matters requiring stockholder approval, including: the election of directors; approval of mergers or a sale of all or substantially all of our assets and other significant corporate transactions; and the amendment of our Certificate of Incorporation and our Bylaws (each as defined in Description of Capital Stock). This concentration of influence may delay, deter or prevent acts that would be favored by our other stockholders, who may have interests different from those of our Principal Stockholders. For example, our Principal Stockholders could delay or prevent an acquisition or merger deemed beneficial to other stockholders, or seek to cause us to take courses of action that, in their judgment,

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could enhance their investment in us, but which might involve risks to our other stockholders or adversely affect us or our other stockholders, including investors in this offering. Our Principal Stockholders may be able to cause or prevent a change in control of us or a change in the composition of our board of directors and could preclude any unsolicited acquisition of us. This may have the effect of delaying, preventing or deterring a change in control. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock because investors often perceive disadvantages in owning common stock in companies with Principal Stockholders.

We expect to be a controlled company within the meaning of the NASDAQ rules and, as a result, we will qualify for exemptions from certain corporate governance requirements. You may not have the same protections afforded to stockholders of companies that are subject to such requirements.

Because the Principal Stockholders will own a majority of our outstanding common stock following the completion of this offering, we will be considered a controlled company as that term is set forth in the NASDAQ rules. Under these rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a controlled company and may elect not to comply with certain NASDAQ rules regarding corporate governance, including:

- the requirement that a majority of our board of directors consist of independent directors;
- the requirement that our governance and nominating committee be composed entirely of independent directors; and
- the requirement that our compensation committee be composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities.

Following this offering, we will qualify for these exemptions. As a result, we may not have a majority of independent directors and our governance and nominating committee and compensation committee may not consist entirely of independent directors. See Management and Board of Directors Board Composition and Management and Board of Directors Committees of the Board of Directors for a description of the current composition of our board of directors and each of our committees. As a result, you may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ rules regarding corporate governance. Our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price.

Future issuances of debt or equity securities by us may adversely affect the market price of our common stock.

After this offering, assuming the underwriters exercise their option to purchase additional shares in full, we will have an aggregate of 698,107,577 shares of common stock authorized but unissued and not reserved for issuance under our incentive plans. We may issue all of these shares of common stock without any action or approval by our stockholders, subject to certain exceptions.

In the future, we may attempt to obtain financing or to increase further our capital resources by issuing additional shares of our common stock or offering debt or other equity securities, including commercial paper, medium-term notes, senior or subordinated notes, debt securities convertible into equity or shares of preferred stock. Future acquisitions could require substantial additional capital in excess of cash from operations. We would expect to finance the capital required for acquisitions through a combination of additional issuances of equity, corporate indebtedness, asset-backed acquisition financing and/or cash from operations. In addition, we also expect to issue additional shares in connection with exercise of our stock options under our incentive plans.

Issuing additional shares of our common stock or other equity securities or securities convertible into equity for financing or in connection with our incentive plans, acquisitions or otherwise may dilute the economic and voting rights of our existing stockholders or reduce the market price of our common stock or both. Upon liquidation, holders of our debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk that our future offerings may reduce the market price of our common stock and dilute their stockholdings in us. See Description of Capital Stock.

Future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. Upon completion of this offering, we will have 258,535,164 shares of common stock outstanding and 264,415,164 shares if the underwriters option to purchase additional shares is fully exercised.

All of the 39,200,000 shares of common stock (or 45,080,000 shares if the underwriters exercise their option to purchase additional shares in full) sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933 (Securities Act), except for any shares of our common stock that may be held or acquired by our directors, executive officers and other affiliates, as that term is defined in the Securities Act, which will be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

We, each of our executive officers, directors, the Principal Stockholders and certain of our other stockholders have agreed with the underwriters not to transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, for a period of 180 days after the date of this prospectus, except for certain limited exceptions. See Underwriting (Conflicts of Interest). Approximately 84% of outstanding shares of our common stock or 82% of outstanding shares of our common stock if the underwriters option to purchase additional shares of common stock is fully exercised, are subject to these lock-up agreements.

In addition, pursuant to the Management Stockholders Agreement (as defined in Certain Relationships and Related Party Transactions Management Stockholders Agreement), certain of our stockholders, which group of stockholders excludes our Principal Stockholders, have agreed by contract with us not to transfer, sell, assign, pledge, hypothecate or encumber any of the shares of common stock then-currently owned by such stockholder (which can be waived by us at our option at any time), subject to certain limited exceptions, at any time prior to the termination of such Management Stockholders Agreement. The Management Stockholders Agreement terminates if our common stock is registered and if at least 20% of our total outstanding common stock trades regularly in, on or through the facilities of a securities exchange and/or inter-dealer quotation system or any designated offshore securities market, which conditions are not expected to be met in connection with the completion of this offering. If the Management Stockholders Agreement does not terminate, the transfer restrictions contained therein would continue to be applicable.

After the expiration of the 180-day lock-up period under the lock-up agreement and, if applicable to such stockholder, the transfer restrictions under the Management Stockholders Agreement, these shares may be sold in the public market, subject to prior registration or qualification for an exemption from registration, including, in the case of shares held by affiliates, compliance with the volume restrictions and other securities laws. See Shares Eligible for Future Sale for a more detailed description of the restrictions on selling shares of our common stock after this offering. To the extent that any of these stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the contractual lock-ups and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline significantly.

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Morgan Stanley & Co. LLC and Goldman, Sachs & Co., on behalf of the underwriters, may, in their sole discretion, release all or some portion of the shares subject to the 180-day lock-up agreements prior to expiration of such period. However, any such release by Morgan Stanley & Co. LLC and Goldman, Sachs & Co. would not impact the transfer restrictions in the Management Stockholders Agreement, to the extent applicable to such stockholders.

Certain provisions of our Stockholders Agreement, our Certificate of Incorporation, our Bylaws and Delaware law could hinder, delay or prevent a change in control of us that you might consider favorable, which could also adversely affect the price of our common stock.

Certain provisions under our Stockholders Agreement, our Certificate of Incorporation, our Bylaws and Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, even if doing so would benefit our stockholders. These provisions include:

- a classified board of directors with three classes so that not all members of our board of directors are elected at one time;

- the sole ability of the then-current member of the board of directors to fill a vacancy created by the expansion of the board of directors;

- a provision permitting stockholders to act by written consent only until such time as the Principal Stockholders cease to beneficially own, collectively, more than 40% of our outstanding shares entitled to vote generally in the election of directors;

- a provision prohibiting stockholders from calling a special meeting, provided, however, at any time when the Principal Stockholders beneficially own, collectively, at least 40% of our outstanding shares entitled to vote generally in the election of directors, special meetings of our stockholders may be called by the board of directors or the chairman of the board of directors at the request of either the Silver Lake Funds or the TPG Funds;

- a provision requiring approval of 75% of all outstanding shares entitled to vote generally in the election of directors in order to amend or repeal certain provisions in the Certificate of Incorporation and the Bylaws;

- the requirement that our directors may be removed only for cause by the affirmative vote of at least 75% of our outstanding shares entitled to vote generally in the election of directors; provided, however, at any time when the Principal Stockholders beneficially own, collectively, at least 40% of our outstanding shares entitled to vote generally in the election of directors, directors may be removed with or without cause by a vote of a majority of all outstanding shares entitled to vote generally in the election of directors;

- advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at our stockholder meetings;

the ability of our board of directors to issue new series of, and designate the terms of, preferred stock, without stockholder approval, which could be used to, among other things, institute a rights plan that would have the effect of significantly diluting the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors;

our opting to have the provisions of Section 203 of the DGCL (as defined in Description of Capital Stock), which regulates business combinations with interested stockholders, apply to us after the first date on which each of the Principal Stockholders and their affiliates no longer meets the requirements to be an interested stockholder as defined by Section 203 of the DGCL, but excluding for purposes thereof, clause (ii) of such definition of interested stockholder ;

certain rights of our Principal Stockholders with respect to the designation of directors for nomination and election to our board of directors, including the ability to appoint members to each board committee; and provisions prohibiting cumulative voting.

Anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or change of our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt to replace current members of our management team. As a result, efforts by stockholders to change the direction or management of the company may be unsuccessful. See Description of Capital Stock for additional information regarding the provisions included in our Certificate of Incorporation and our Bylaws.

Our ability to pay regular dividends to our stockholders is subject to the discretion of our board of directors and may be limited by our holding company structure and applicable provisions of Delaware law.

Contingent upon the closing of this offering, we intend to pay quarterly cash dividends on our common stock. However, our board of directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, because we are a holding company with no material direct operations, we are dependent on loans, dividends and other payments from our operating subsidiaries to generate the funds necessary to pay dividends on our common stock. We expect to cause our subsidiaries to make distributions to us in an amount sufficient for us to pay dividends. However, their ability to make such distributions will be subject to their operating results, cash requirements and financial condition, the applicable provisions of Delaware law that may limit the amount of funds available for distribution and our ability to pay cash dividends, compliance with covenants and financial ratios related to existing or future indebtedness, including under our Credit Facility and the 2019 Notes, and other agreements with third parties. Additionally, no dividend or distribution can be declared or paid with respect to the common stock, and we cannot redeem, purchase, acquire or retire for value the common stock, unless and until the full amount of any unpaid dividends accrued on the Series A Preferred Stock has been paid or contemporaneously declared and paid. See Dividend Policy. Prior to the closing of this offering, we will exercise our right to redeem all of our Series A Preferred Stock. See Description of Capital Stock Series A Preferred Stock. In addition, each of the companies in our corporate chain must manage its assets, liabilities and working capital in order to meet all of its cash obligations, including the payment of dividends or distributions. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our common stock.

Certain of our stockholders have the right to engage or invest in the same or similar businesses as us.

Our Principal Stockholders have other investments and business activities in addition to their ownership of us. Under our Certificate of Incorporation, the Principal Stockholders have the right, and have no duty to abstain from exercising such right, to engage or invest in the same or similar businesses as us or which we propose to engage, including those lines of business deemed to be competing with us, do business with any of our clients, customers or suppliers or employ or otherwise engage any of our officers, directors or employees. If the Principal Stockholders or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have, to the fullest extent permitted by applicable law, no duty to offer or communicate such corporate opportunity to us, our stockholders or our affiliates even if it is a corporate opportunity that we might reasonably have pursued. This may cause the strategic interests of our Principal Stockholders to differ from, and conflict with, the interests of our company and of our other shareholders in material respects.

Conflicts of interest may exist with respect to certain underwriters of this offering.

Affiliates of Morgan Stanley & Co. LLC, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., each an underwriter of this offering, are lenders under our $352 million Revolving Facility and our $1,775 million Term B Facility (each as defined in Description of Certain

Indebtedness). In addition, affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc. are lenders under our $425 million Term C Facility.

Therefore, conflicts of interest could exist because underwriters or their affiliates could receive proceeds in this offering in addition to the underwriting discounts and commissions described in this prospectus. See Underwriting (Conflicts of Interest).

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the development and introduction of new products, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as may, will, should, expects, plans, anticipates, believes, esti predicts, potential or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this prospectus are based on our current expectations and assumptions regarding our business, the economy and other future conditions and are subject to risks, uncertainties and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. These factors include, without limitation, economic, business, competitive, market and regulatory conditions and the following:

factors affecting transaction volumes in the global travel industry, particularly air travel transaction volumes, including global and regional economic and political conditions, financial instability or fundamental corporate changes to travel suppliers, natural or man-made disasters, safety concerns or changes to regulations governing the travel industry;

our ability to renew existing contracts or to enter into new contracts with travel supplier and buyer customers, third-party distributor partners and joint ventures on economically favorable terms or at all;

our Travel Network business exposure to pricing pressures from travel suppliers and its dependence on relationships with several large travel buyers;

the fact that travel supplier customers may experience financial instability, consolidate with one another, pursue cost reductions, change their distribution model or experience other changes adverse to us;

travel suppliers use of alternative distribution models, such as direct distribution channels, technological incompatibilities between suppliers travel content and our GDS, and the diversion of consumer traffic to other channels;

our reliance on third-party distributors and joint ventures to extend our GDS services to certain regions, which exposes us to risks associated with lack of direct management control and potential conflicts of interest;

competition in the travel distribution market from other GDS providers, direct distribution by travel suppliers and new entrants or technologies that could challenge the existing GDS business model;

potential negative impact of competition from other third-party solutions providers and from new participants entering the solutions market on our ability to maintain and grow our Airline and Hospitality Solutions business;

risks associated with implementing the Expedia SMA and the fact that the benefits anticipated by the parties to the Expedia SMA may not materialize;

potential failure to successfully implement software solutions, which could result in damage to our reputation;

risks associated with our use of open source software, including the possible future need to acquire licenses from third parties or re-engineer our solutions;

availability and performance of information technology services provided by third parties, such as HP, which manages a significant portion of our systems;

our business being harmed by adverse global and regional economic and political conditions, particularly, given our geographic concentration, those that may adversely affect business and leisure travel originating in, or travel to, the United States and Europe;

risks specific to the operations of our OTAs, including, but not limited to, competition, content, relationships with travel suppliers and travel distributor partners and changes in search engine algorithms and other traffic sources;

risks associated with the value of our brand, which may be damaged by a number of factors, some of which are out of our control;

our ability to adapt to technological developments or the evolving competitive landscape by introducing relevant new technologies, products and services;

systems and infrastructure failures or other unscheduled shutdowns or disruptions, including those due to natural disasters or cybersecurity attacks;

security breaches occurring at our facilities or with respect to our infrastructure, resulting from physical break-ins; computer viruses, attacks by hackers or similar distributive problems;

the potential failure to recruit, train and retain key technical employees and senior management;

risks associated with operating as a global business in multiple countries and in multiple currencies;

risks associated with acquisitions, divestitures, investments and strategic alliances;

our ability to protect and maintain our information technology and intellectual property rights, as well as defend against potential infringement claims against us, and the associated costs;

defects in our products resulting in significant warranty liabilities or product liability claims, for which we may have insufficient product liability insurance to pay material uninsured claims;

adverse outcomes in our legal proceedings, including our litigation with US Airways or the antitrust investigation by the DOJ, whether in the form of money damages or injunctive relief that could force changes to the way we operate our GDS;

the possibility that we may have insufficient insurance to cover our liability for pending litigation claims or future claims, which could expose us to significant liabilities;

our failure to comply with regulations that are applicable to us or any unfavorable changes in, or the enactment of, laws, rules or regulations applicable to us;

liabilities arising from our collection, processing, storage, use and transmission of personal data resulting from conflicting legal requirements, governmental regulation or security breaches, including compliance with payment card industry regulations;

the fact that we may have higher than anticipated tax liabilities, our use of NOLs may be subject to limitations on their use in the future and payments under the TRA to our Existing Stockholders;

the fact that our pension plan is currently underfunded and we may need to make significant cash contributions to our pension plan in the future, which could reduce the cash available for our business;

our significant amount of long-term indebtedness and the related restrictive covenants in the agreements governing our indebtedness;

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- risks associated with maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management s attention and affect our ability to attract and retain qualified board members;

- the fact that our Principal Stockholders will, following the completion of the offering, retain significant influence over us and key decisions about our business, which may prevent new investors from influencing significant corporate decisions and result in conflicts of interest;

- the fact that we qualify as a controlled company within the meaning of the NASDAQ rules and, therefore we also qualify to be exempt from certain corporate governance requirements; and

- other risks and uncertainties, including those listed in the Risk Factors section.

These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them publicly in light of new information or future events.

You should carefully consider the risks specified in the Risk Factors section of this prospectus and subsequent public statements or reports filed with or furnished to the Securities and Exchange Commission (the SEC), before making any investment decision with respect to our common stock. If any of these trends, risks or uncertainties actually occurs or continues, our business, financial condition or results of operations could be materially adversely affected, the trading prices of our common stock could decline and you could lose all or part of your investment. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

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METHOD OF CALCULATION

The GDS-processed air bookings share figures in this prospectus are calculated based on the total number of air bookings processed through the three GDSs, specifically Sabre, Amadeus, and Travelport (including the Worldspan, Galileo and Apollo systems). Measurements of such GDS-processed air bookings are based primarily on Marketing Information Data Tapes and are supplemented with other transaction data and estimates that we believe provide a more accurate measure of GDS-processed air bookings. Because GDSs generally process air bookings for their joint venture partners and/or share in the economics of their joint venture partners travel transactions, we include the GDS-processed air booking volumes of each GDS s joint venture partners in the GDS-processed air bookings share calculations. For example, GDS-processed air bookings from Abacus and INFINI Travel Information, Inc. (Infini) are included in our GDS-processed air bookings volume and our estimate of GDS-processed air bookings from Topas, Amadeus Korean joint venture partner, is included in the Amadeus GDS-processed air bookings volume.

Based on our internal estimates, we believe GDS-processed air bookings comprise approximately 75% of total air bookings processed through third-party distribution systems in 2013, with the remaining 25% comprised of air bookings processed through regional distribution systems that are not joint venture partners of one of the three GDSs. Due to the lack of available industry information on the number of air bookings processed by such regional distribution systems and through direct distribution channels we use the number of GDS-processed air bookings as a proxy for the number of overall industry air bookings. Similarly, we believe industry air bookings share is a good proxy for overall GDS share in our Travel Network business because air bookings comprise the vast majority of the total bookings of the three GDSs.

The GDS-processed air bookings used for GDS-processed air bookings share calculations do not necessarily correspond to the number of bookings billed by each GDS provider because not all processed bookings are billed due to the fact that each GDS provider has a different policy (often varying by region and supplier) as to which transactions processed through its GDS platform are billed.

The regional air bookings share figures in this prospectus are calculated based on the total number of GDS-processed air bookings in each of the following four regions, with key countries or sub-regions identified:

- North America: United States and Canada;
- Latin America: Mexico, South America, Central America and the Caribbean;
- APAC: India, Australia, South Korea, Japan, Taiwan, Hong Kong, Singapore, Thailand, Malaysia, Pakistan, Philippines, and New Zealand; and
- EMEA: Germany, United Kingdom, France, Italy, Spain, Saudi Arabia, Russian Federation, Sweden, Norway, United Arab Emirates, Netherlands, Greece, Switzerland, South Africa, Denmark, Israel, Finland, Ukraine, and Belgium (a subgroup of which is defined as MEA: Saudi Arabia, United Arab Emirates, South Africa and Israel).

The hospitality CRS hotel room share figures in this prospectus are calculated based on data for hotel rooms serviced by third-party CRS providers and processed through our GDS. We estimate that approximately a quarter of global hotel properties are available through our GDS and believe this data to be the best available representation of the hotel market due to the lack of comprehensive industry data. Using this data, we compute CRS hotel room share based on total hotel room capacity hosted by the various third-party hospitality CRS providers. We believe this to be the most reliable measure of market share available to us. However, this metric is one we have only recently begun to measure and represents a snapshot in time, which prevents it from being able to convey a trend in market share over time. Therefore, we also include information in this prospectus regarding third-party hospitality CRS bookings share of our GDS because that data is more consistently available for historical periods. Using our GDS data, we compute third-party hospitality CRS bookings share based on total bookings by the various third-party hospitality CRS providers over time. Though we believe third-party hospitality CRS room share to be a more accurate representation of market share, we believe third-party hospitality CRS bookings share is a reasonable proxy to convey changes in third-party hospitality CRS market share over time.

The Customer Retention rate figures in this prospectus are calculated as the aggregate of prior year revenue associated with customers that did not terminate their contract in the given year, as a percentage of the prior year revenue. Customer Retention for Travel Network is calculated based on travel agency contracts, and is measured based on revenue we earn from bookings made by those travel agencies. Customer Retention for Airline Solutions is calculated based on PBs fee-based revenue for our reservation contracts, our principal Airline Solutions offering. Customer Retention for Hospitality Solutions is based on CRS, digital marketing services and call center revenues, which represent over 90% of revenues of our Hospitality Solutions business in each period from 2011 through December 31, 2013. Customer Retention does not measure whether the revenue from any travel agency or reservations customer has increased in the given year compared to the prior year. For example, if ten travel agencies terminated their Travel Network contracts in 2013, and those travel agencies represented a combined 5% of Travel Network revenue in 2012, the Customer Retention for Travel Network in 2013 would be 95%.

The Recurring Revenue figures for our:

(i) Travel Network business is comprised of transaction, subscription and other revenue that is of a recurring nature from travel suppliers and travel buyers, and excludes revenue of a non-recurring nature, such as set-up fees and shortfall payments;

(ii) Airline Solutions business is comprised of volume-based and subscription fees and other revenue that is of a recurring nature associated with various solutions, and excludes revenue of a non-recurring nature, such as license fees and consulting fees; and

(iii) Hospitality Solutions business is comprised of volume-based and subscription fees and other revenue that is of a recurring nature associated with various solutions, and excludes revenue of a non-recurring nature, such as set-up fees and website development fees.

Revenues in each of (i), (ii) and (iii) are tied to a travel supplier s transaction volumes rather than to its unit pricing for an airplane ticket, hotel room or other travel product. However, this revenue is not generally contractually committed to recur annually under our agreements with our travel suppliers. As a result, our Recurring Revenue is highly dependent on the global travel industry and directly correlates with global travel, tourism and transportation transaction volumes. See Risk Factors Risks Related to Our Business and Industry Our revenue is highly dependent on transaction volumes in the global travel industry, particularly air travel transaction volumes.

TRADEMARKS AND TRADE NAMES

We own or have rights to various trademarks, service marks and trade names that we use in connection with the operation of our business. This prospectus may also contain trademarks, service marks and trade names of third parties, which are the property of their respective owners. Our use or display of third parties trademarks, service marks, trade names or products in this prospectus is not intended to, and does not, imply a relationship with, or endorsement or sponsorship by, us. Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus may appear without the ®, ™ or ℠ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, service marks and trade names.

ClientBase, GetThere, lastminute.com, Sabre, Sabre Holdings, the Sabre logo, Sabre AirCentre, Sabre Airline Solutions, Sabre AirVision, Sabre Hospitality Solutions, Sabre Red, Sabre Travel Network, SabreSonic, Travelocity, Travelocity Partner Network, TripCase, TruTrip and our other registered or common law trademarks, service marks or trade names appearing in this prospectus are the property of Sabre.

NON-GAAP FINANCIAL MEASURES

We have included both financial measures compiled in accordance with GAAP and certain non-GAAP financial measures in this registration statement, of which this prospectus forms a part, including Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Adjusted Free Cash Flow and ratios based on these financial measures.

We define Adjusted Gross Margin as operating income (loss) adjusted for selling, general and administrative expenses, impairments, restructuring charges, amortization of upfront incentive consideration and depreciation and amortization.

We define Adjusted Net Income as income (loss) from continuing operations adjusted for impairment, acquisition related amortization expense, loss (gain) on sale of business and assets, loss on extinguishment of debt, other, net, restructuring and other costs, litigation and taxes, including penalties, stock-based compensation, management fees and tax impact of net income adjustments.

We define Adjusted EBITDA as Adjusted Net Income adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, amortization of upfront incentive consideration, interest expense, and remaining (benefit) provision for income taxes. This Adjusted EBITDA metric differs from (i) the EBITDA metric referenced in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Senior Secured Credit Facilities , which is calculated for the purposes of compliance with our debt covenants, and (ii) the Pre-VCP EBITDA and EBITDA metrics referenced in the section entitled Compensation Discussion and Analysis , which are calculated for the purposes of our annual incentive compensation program and performance-based awards, respectively.

We define Adjusted Capital Expenditures as additions to property and equipment and capitalized implementation costs during the period presented.

We define Adjusted Free Cash Flow as cash provided by operating activities less cash used in additions to property and equipment, plus the cash flow effect of restructuring and other costs, litigation settlement and tax payments for certain items, other litigation costs, management fees and the working capital impact from the settlement of travel supplier liabilities associated with certain operations of Travelocity impacted by the Expedia SMA (see Management s Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting our Results Travelocity).

Adjusted Gross Margin and Adjusted EBITDA are key metrics used by management and our board of directors to monitor our ongoing core operations because historical results have been significantly impacted by events that are unrelated to our core operations as a result of changes to our business and the regulatory environment. We believe that Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures and Adjusted Free Cash Flow are used by investors, analysts and other interested parties as measures of financial performance and to evaluate our ability to service debt obligations, fund capital expenditures and meet working capital requirements. Adjusted Capital Expenditures includes cash flows used in investing activities, for property and equipment, and cash flows used in operating activities, for capitalized implementation costs. Our management uses this combined metric in making product investment decisions and determining development resource requirements. We also believe that Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA and Adjusted Capital Expenditures assist investors in company-to-company and period-to-period comparisons by excluding differences caused by variations in capital structures (affecting interest expense), tax positions and the impact of depreciation and amortization expense. In addition, amounts derived from Adjusted EBITDA are a primary component of certain covenants under our senior secured credit facilities.

Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Adjusted Free Cash Flow and ratios based on these financial measures are not recognized terms under GAAP. Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Adjusted Free Cash

Flow and ratios based on these financial measures have important limitations as analytical tools, and should not be viewed in isolation and do not purport to be alternatives to net income as indicators of operating performance or cash flows from operating activities as measures of liquidity. Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Free Cash Flow and ratios based on these financial measures exclude some, but not all, items that affect net income or cash flows from operating activities and these measures may vary among companies. Our use of Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, and Adjusted Free Cash Flow has limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted Gross Margin and Adjusted EBITDA do not reflect cash requirements for such replacements;

- Adjusted Net Income and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;

- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;

- Adjusted Free Cash Flow does not reflect the cash requirements necessary to service the principal payments on our indebtedness;

- Adjusted Free Cash Flow does not reflect payments related to restructuring, litigation, management fees and Travelocity working capital which reduced the cash available to us;

- Adjusted Free Cash Flow removes the impact of accrual-basis accounting on asset accounts and non-debt liability accounts; and

- other companies, including companies in our industry, may calculate Adjusted Net Income, Adjusted EBITDA or Adjusted Free Cash Flow differently, which reduces its usefulness as a comparative measure.

See Summary Consolidated Financial Data, Selected Historical Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations for definitions of non-GAAP financial measures used in this prospectus and reconciliations thereof to the most directly comparable GAAP measures.

MARKET AND INDUSTRY DATA AND FORECASTS

This prospectus includes industry data and forecasts that we obtained from industry publications and surveys, public filings and internal company sources. Statements as to our ranking, market position and market estimates are based on independent industry publications, government publications, third-party forecasts and management s estimates and assumptions about our markets and our internal research. We have included explanations of certain internal estimates and related methods provided in this prospectus along with these estimates. See Business and Management s Discussion and Analysis of Financial Condition and Results of Operations. While we are not aware of any misstatements regarding our market, industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed in Cautionary Note Regarding Forward-Looking Statements and Risk Factors in this prospectus.

The Gartner material quoted or cited herein, (the Gartner Material) represent(s) data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc., and are not representations of fact. The Gartner Material speaks as of its original publication date (and not as of the date of this filing) and the opinions expressed in the Gartner Material are subject to change without notice.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of 39,200,000 shares of common stock offered by us will be approximately $588 million or approximately $677 million if the underwriters exercise their option to purchase additional shares in full, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering to repay an aggregate of approximately $206 million of our outstanding indebtedness under the Term C Facility portion of our senior secured credit facilities. The Term C Facility matures in December 2017 and bears interest at a rate of LIBOR (subject to a 1.00% floor) plus 3.00%. We also intend to redeem $320 million aggregate principal amount of the 8.5% senior secured notes due May 2019 at a redemption price of 108.5% of the principal amount of the 2019 Notes redeemed, plus accrued and unpaid interest to, but excluding, the date of redemption. We also intend to use the remaining net proceeds from this offering to pay a $21 million fee, in the aggregate, to TPG and Silver Lake pursuant to the MSA, which will thereafter be terminated.

If the underwriters exercise their option to acquire additional shares of common stock, we intend to use any net proceeds we receive to repay additional outstanding indebtedness under the Term C Facility.

By establishing a public market for our common stock, this offering is also intended to facilitate our future access to public markets.

Prior to the closing of this offering, we will exercise our right to redeem all of our Series A Preferred Stock. The redemption price will be paid with shares of our common stock, which we will deliver pro rata to the holders thereof concurrently with the closing of this offering. Upon the closing of this offering, we will deliver 40,203,879 shares of our common stock in payment of the related Redemption Payment as of March 31, 2014. Accordingly, such amounts do not take into account shares of our common stock to be issued in satisfaction of dividends that accrue on or after April 1, 2014 and to, but excluding, the closing date of this offering. Each share of Series A Preferred Stock accumulates dividends at a rate of 6% per annum. Such dividends will accrue at a rate of approximately $107,000 per day in the aggregate. See Description of Capital Stock Series A Preferred Stock. The common stock delivered in the Redemption will be valued at the initial public offering price and will also reflect shares of common stock to be issued in satisfaction of dividends that accrue on or after April 1, 2014 and to, but excluding, the closing date of this offering.

Certain affiliates of TPG Capital BD, LLC, an underwriter in this offering, will own in excess of 10% of our issued and outstanding common stock following this offering.

DIVIDEND POLICY

Contingent upon the closing of this offering, we expect to pay quarterly cash dividends on our common stock, subject to the sole discretion of our board of directors and the considerations discussed below. We expect that our first dividend will be paid in the third quarter of 2014 (in respect of the second quarter of 2014) and will be $0.09 per share of our common stock. We intend to fund our initial dividend, as well as any future dividends, from distributions made by our operating subsidiaries from their available cash generated from operations.

Future cash dividends, if any, will be at the discretion of our board of directors and the amount of cash dividends per share will depend upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, number of shares of common stock outstanding and other factors the board of directors may deem relevant. The timing and amount of future dividend payments will be at the discretion of our board of directors. See Risk Factors Our ability to pay regular dividends to our stockholders is subject to the discretion of our board of directors and may be limited by our holding company structure and applicable provisions of Delaware law.

Because we are a holding company with no material direct operations, we are dependent on loans, dividends and other payments from our operating subsidiaries to generate the funds necessary to pay dividends on our common stock. Our subsidiaries are currently restricted from paying cash dividends on our common stock in certain circumstances by the covenants in our Credit Facility and in the indenture governing the 2019 Notes and may be further restricted by the terms of future debt or preferred securities. In addition, no dividend or distribution can be declared or paid with respect of the common stock, and we cannot redeem, purchase, acquire, or retire for value the common stock, unless and until the full amount of any unpaid dividends accrued on the Series A Preferred Stock has been paid or contemporaneously declared and paid. Prior to the closing of this offering, we will exercise our right to redeem all of our Series A Preferred Stock. See Description of Capital Stock Series A Preferred Stock.

Our dividend policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends. By paying cash dividends rather than saving or investing that cash, we risk, among other things, slowing the pace of our growth and having insufficient cash to fund our operations or unanticipated capital expenditures.

For a discussion of the application of withholding taxes on dividends, see Material U.S. Federal Income and Estate Tax Considerations to Non-U.S. Holders.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2013:

1. on an actual basis; and

2. on an as adjusted basis to reflect:

   the Redemption;

   the sale of 39,200,000 shares of our common stock by us offered in this offering at an initial public offering price of $16.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses;

   the impact of the TRA, which is a reduction to additional paid in capital; and

   the application of the net proceeds from this offering as otherwise described under the heading Use of Proceeds.

You should read the following table in conjunction with the sections titled Summary Consolidated Financial Data, Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Certain Indebtedness and our financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2013 (in thousands)	
	Actual	**As Adjusted [4] (unaudited)**
Cash and cash equivalents	$ 308,236	$ 308,236
Long-term debt, including current portion:		
2019 Notes	$ 799,823	$ 479,823
2016 Notes	389,321	389,321
Credit Facility[1]	2,456,980	2,250,656
Mortgage Facility	83,541	83,541
Total Long-term debt	3,729,665	3,203,341
Temporary Equity:		

Series A redeemable preferred stock: $0.01 par value; 225,000,000 shares authorized; 87,229,703 shares issued and 87,184,179 shares outstanding on an actual basis and no shares issued and outstanding on an as adjusted basis	634,843	
Stockholders deficit:		
Sabre Corporation Common Stock, $0.01 par value; 450,000,000 shares authorized; 178,633,409 shares issued and 178,491,568 shares outstanding on an actual basis and 258,917,332 shares issued and 258,535,164 shares outstanding on an as adjusted basis[(2),(3)]	1,786	2,589
Additional paid in capital	880,619	1,780,627
Retained deficit	(1,785,554)	(1,840,518)
Accumulated other comprehensive loss	(49,895)	(49,895)
Non-controlling interest	508	508
Total stockholders deficit	(952,536)	(106,689)
Total capitalization	$ 3,411,972	$ 3,096,652

(1) As of December 31, 2013, we had approximately $1,747 million, $360 million and $349 million outstanding under the Term B Facility, Term C Facility and Incremental Term Facility, respectively. As of December 31, 2013, we had no drawn amounts outstanding under the Revolving Facility and $67 million outstanding under the letter of credit sub-facility, $66 million of which directly reduces the amount available to be drawn under the Revolving Facility.

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(2) The outstanding share information set forth above assumes no issuance of shares of common stock reserved for issuance under our equity incentive plans. As of March 31, 2014, an aggregate of 16,099,118 shares of common stock were reserved for future issuance under the 2014 Omnibus Plan, which includes 2,599,118 shares of common stock that were available for future issuance under our prior equity plans. Additionally, the outstanding share information set forth above assumes:

- no exercise of performance-based stock options outstanding under our Sovereign MEIP plan. As of March 31, 2014 there were 724,337 performance-based stock options outstanding under this plan with a weighted average exercise price of $5.00;

- no exercise of time-based stock options outstanding under our Sovereign MEIP plan. As of March 31, 2014 there were 15,352,970 time-based stock options outstanding under this plan with a weighted average exercise price of $4.80;

- no exercise of time-based stock options outstanding under our Sovereign 2012 MEIP plan. As of March 31, 2014 there were 4,200,683 time-based stock options outstanding under this plan with a weighted average exercise price of $11.31;

- no vesting and settlement of the 960,151 performance-based restricted stock units unvested and outstanding as of March 31, 2014 under our Sovereign 2012 MEIP plan;

- no vesting and settlement of time-based restricted stock units outstanding as of March 31, 2014 under the Sovereign RSU Agreement, with a value equal to $520,000;

- no vesting and settlement of the 140,000 restricted stock unit award, unvested and outstanding as of March 31, 2014; and

- no exercise of time-based stock options or Tandem SARs under our TVL.com SOA or Travelocity Equity 2012 plans, respectively. It is expected that these plans will be terminated in connection and concurrent with the IPO and all awards under these plans will be cancelled.

(3) The outstanding share information set forth above assumes no exercise by the underwriters of their option to purchase up to an additional 5,880,000 shares of common stock from us.

(4) The number of common shares outstanding assumes the Redemption Payment consists of 40,203,879 shares of our common stock based on the accumulated but unpaid dividends as of March 31, 2014. Accordingly, such amounts do not take into account shares of our common stock to be issued in satisfaction of dividends that accrue on or after April 1, 2014 and to, but excluding, the closing date of this offering. Each share of Series A Preferred Stock accumulates dividends at a rate of 6% per annum. See Description of Capital Stock Series A Preferred

Stock. Such dividends will accrue at a rate of approximately $107,000 per day in the aggregate. The common stock delivered in the Redemption will be valued at the initial public offering price and will reflect shares of our common stock to be issued in satisfaction of dividends that accrue on or after April 1, 2014 and to, but excluding, the closing date of the offering.

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DILUTION

If you invest in our common stock, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock after giving effect to the Redemption and this offering. Dilution results from the fact that the per share offering price of our common stock is substantially in excess of the net tangible book value per share attributable to the existing equity holders. Net tangible book value per share represents the amount of temporary equity and stockholders equity excluding intangible assets, divided by the number of shares of common stock outstanding at that date.

Our historical net tangible book value as of December 31, 2013 was $(3,725) million, or approximately $(20.80) per share of common stock (assuming 179,131,285 shares of common stock outstanding as of March 31, 2014).

After giving effect to the Redemption, our pro forma net tangible book value as of December 31, 2013 would have been $(3,090) million, or approximately $(14.09) per share of common stock (assuming 219,335,164 shares of common stock outstanding). Pro forma net tangible book value per share represents the amount of temporary equity and stockholders equity excluding intangible assets, divided by the number of shares of common stock outstanding at March 31, 2014 prior to the sale of 39,200,000 shares of our common stock in this offering but assuming the completion of the Redemption.

After giving effect to (i) the Redemption and (ii) the sale of 39,200,000 shares of common stock in this offering at an initial public offering price of $16.00 per share, (iii) the application of the net proceeds to us from this offering as described in Use of Proceeds (iv) the estimated effect of the TRA and (v) after deducting the underwriting discounts and commissions estimated offering expenses, our pro forma as adjusted net tangible book value as of December 31, 2013 would have been approximately $(2,879) million or approximately $(11.14) per share of common stock (assuming 258,535,164 shares of common stock outstanding as of March 31, 2014). This amount represents an immediate increase in pro forma net tangible book value of $2.95 per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $27.14 per share to purchasers of common stock in this offering, as illustrated in the following table.

Initial public offering price per share		$ 16.00
Historical net tangible book value per share as of December 31, 2013	$ (20.80)	
Pro forma net tangible book value per share as of December 31, 2013 after giving effect to the Redemption	$ (14.09)	
Increase per share attributable to new investors	$ 2.95	
Pro forma as adjusted net tangible book value per share as of December 31, 2013 after giving effect to the Redemption and this offering		$ (11.14)
Dilution in pro forma as adjusted net tangible book value per share to new investors		$ 27.14

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The following table summarizes, as of December 31, 2013, on the pro forma basis described in the third paragraph of this section, the differences between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid, and the average price per share of our common stock paid by existing stockholders. The calculation with respect to shares purchased by new investors in this offering reflects the issuance by us of 39,200,000 shares of our common stock in this offering at an initial public offering price of $16.00 per share, before deducting the underwriting discounts and commissions and estimated offering expenses.

	Shares Purchased		Total Consideration (in millions)		Average Price Per Share
	Number	**Percent**	**Amount**	**Percent**	
Existing stockholders	219,335,164	85%	$ 1,386	69%	$ 6.32
New investors	39,200,000	15%	$ 627	31%	$ 16.00
Total	258,535,164	100%	$ 2,013	100%	$ 7.79

If the underwriters exercise their option to purchase additional shares in full from us, the number of shares of common stock held by new investors will increase to 45,080,000, or 17% of the total number of shares of our common stock outstanding after this offering and the percentage of shares of common stock held by existing stockholders will decrease to 83% of the total number of shares of our common stock outstanding after this offering.

The discussion and tables above assume no issuance of shares of common stock reserved for issuance under our equity incentive plans. As of March 31, 2014, an aggregate of 16,099,118 shares of common stock were reserved for future issuance under the 2014 Omnibus Plan, which includes 2,599,118 shares of common stock that were available for future issuance under our prior equity plans. Additionally, the table above assumes:

- no exercise of performance-based stock options outstanding under our Sovereign MEIP plan. As of March 31, 2014 there were 724,337 performance-based stock options outstanding under this plan with a weighted average exercise price of $5.00;

- no exercise of time-based stock options outstanding under our Sovereign MEIP plan. As of March 31, 2014 there were 15,352,970 time-based stock options outstanding under this plan with a weighted average exercise price of $4.80;

- no exercise of time-based stock options outstanding under our Sovereign 2012 MEIP plan. As of March 31, 2014 there were 4,200,683 time-based stock options outstanding under this plan with a weighted average exercise price of $11.31;

- no vesting and settlement of the 960,151 performance-based restricted stock units unvested and outstanding as of March 31, 2014 under our Sovereign 2012 MEIP plan;

no vesting and settlement of time-based restricted stock units outstanding as of March 31, 2014 under the Sovereign RSU Agreement, with a value equal to $520,000;

no vesting and settlement of the 140,000 restricted stock unit award, unvested and outstanding as of March 31, 2014; and

no exercise of time-based stock options or Tandem SARs under our TVL.com SOA or Travelocity Equity 2012 plans, respectively. It is expected that these plans will be terminated in connection and concurrent with this offering and all awards under these plans will be cancelled.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables present selected historical consolidated financial data for our business. You should read these tables along with Risk Factors, Use of Proceeds, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and our audited consolidated financial statements and the notes thereto included elsewhere in this prospectus.

The consolidated statements of operations data and consolidated statements of cash flows data for the years ended December 31, 2013, 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013 and 2012 are derived from our audited consolidated financial statements and the notes thereto included elsewhere in this prospectus. The consolidated statements of operations data and consolidated statements of cash flows data for the years ended December 31, 2010 and 2009 and the consolidated balance sheet data as of December 31, 2011, 2010 and 2009 are derived from our unaudited consolidated financial statements and the notes thereto not included in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data.

The historical consolidated results presented below are not necessarily indicative of the results to be expected for any future period.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(Amounts in thousands)				
Consolidated Statements of Operations Data[1]:					
Revenue	$ 3,049,525	$ 2,974,364	$ 2,855,961	$ 2,758,847	$ 2,577,391
Cost of revenue	1,904,850	1,819,235	1,736,041	1,636,132	1,503,323
Selling, general and administrative	792,929	1,188,248	806,435	789,177	805,961
Impairment	138,435	573,180	185,240	401,400	211,612
Restructuring and other costs	36,551				
Operating income (loss)	176,760	(606,299)	128,245	(67,862)	56,495
Net loss attributable to Sabre Corporation	(100,494)	(611,356)	(66,074)	(268,852)	(158,734)
Net loss attributable to common shareholders	(137,198)	(645,939)	(98,653)	(299,649)	(102,441)
Basic and diluted loss per share attributable					
to common shareholders	(0.77)	(3.65)	(0.56)	(1.71)	(0.59)
Weighted average common shares outstanding:					
Basic and diluted	178,125	177,206	176,703	175,655	174,535
Consolidated Statements of Cash Flows Data:					
Cash provided by operating activities	$ 157,188	$ 312,336	$ 356,444	$ 380,928	$ 284,159
Cash used in investing activities	(246,502)	(236,034)	(176,260)	(184,787)	(108,053)
	262,172	(25,120)	(271,540)	(48,500)	(335,702)

Cash provided by (used in) financing activities					
Additions to property and equipment	226,026	193,262	164,638	130,028	106,554
Cash payments for interest	255,620	264,990	184,449	195,550	251,812
Other Financial Data:					
Adjusted Gross Margin	$ 1,383,809	$ 1,389,862	$ 1,330,514	$ 1,302,705	$ 1,228,402
Adjusted Net Income	217,151	150,886	236,166	205,955	195,320
Adjusted EBITDA	791,323	786,629	720,163	691,016	627,179
Adjusted Capital Expenditures	284,840	271,805	223,747	163,694	126,955
Adjusted Free Cash Flow	160,923	285,221	233,586	276,512	208,657

	As of December 31,				
	2013	2012	2011	2010	2009
	(Amounts in thousands)				
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 308,236	$ 126,695	$ 58,350	$ 176,521	$ 61,206
Total assets	4,755,708	4,711,245	5,252,780	5,524,279	5,878,388
Long-term debt	3,643,548	3,420,927	3,307,905	3,350,860	3,696,378
Working capital deficit	(273,591)	(428,569)	(411,482)	(491,864)	(331,197)
Redeemable preferred stock	634,843	598,139	563,557	530,975	500,178
Noncontrolling interest	508	88	(18,693)	19,831	88,429
Total stockholders equity (deficit)	(952,536)	(876,875)	(196,919)	(34,738)	298,251
Key Metrics					
Travel Network					
Direct Billable Bookings - Air	314,275	326,175	328,200	325,370	301,686
Direct Billable Bookings - Non-Air	53,503	53,669	53,683	49,229	43,084
Total Direct Billable Bookings	367,778	379,844	381,883	374,599	344,770
Airline Solutions Passengers Boarded	478,088	405,420	364,420	313,959	287,591

(1) Certain amounts previously reported in our December 31, 2012, 2011, 2010 and 2009 financial statements have been reclassified to conform to the December 31, 2013 presentation. See Note 2, Summary of Significant Accounting Policies Reclassifications, to our audited consolidated financial statements included elsewhere in this prospectus. In June 2013, we sold certain assets of our Holiday Autos operations to a third party and in November 2013, we completed the closing of the remainder of the Holiday Autos operations such that it represented a discontinued operation. See Note 4, Discontinued Operations and Dispositions, to our audited consolidated financial statements included elsewhere in this prospectus. The impact on our revenue was a reduction of $65 million, $76 million, $74 million and $78 million for the years ended December 31, 2012, 2011, 2010 and 2009, respectively. The impact on our operating income was an increase of $12 million for the year ended December 31, 2012, a reduction of less than $1 million and $5 million for the years ended December 31, 2011 and 2010, respectively, and an increase of $44 million for the year ended December 31, 2009.

Non-GAAP Measures

The following table sets forth the reconciliation of Adjusted Net Income and Adjusted EBITDA to net loss attributable to Sabre Corporation, the most directly comparable GAAP measure:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(Amounts in thousands)				
Reconciliation of net loss to Adjusted Net Income and to Adjusted EBITDA:					
Loss attributable to Sabre Corporation	$ (100,494)	$ (611,356)	$ (66,074)	$ (268,851)	$ (158,734)
Loss from discontinued operations, net of tax	7,176	48,947	23,461	16,949	56,021
Net income (loss) attributable to noncontrolling interests(1)	2,863	(59,317)	(36,681)	(64,382)	(7,476)

Loss from continuing operations	(90,455)	(621,726)	(79,294)	(316,284)	(110,189)
Adjustments:					
Impairment(2)	138,435	596,980	185,240	401,400	211,612
Acquisition related amortization expense(3a)	143,765	162,517	162,312	163,213	183,850
Loss (gain) on sale of business and assets		(25,850)			
Loss on extinguishment of debt	12,181				(31,565)
Other expense (income), net(4)	6,724	1,385	(1,156)	(5,871)	(18,070)
Restructuring and other costs(5)	59,052	6,776	12,986	17,282	22,387
Litigation and taxes, including penalties(6)	39,431	418,622	21,601	1,600	1,405
Stock based compensation	9,086	9,834	7,334	5,300	4,108
Management fees(7)	8,761	7,769	7,191	6,730	7,260
Tax impact of net income adjustments	(109,829)	(405,421)	(80,048)	(67,415)	(75,478)
Adjusted Net Income from continuing operations	217,151	150,886	236,166	205,955	195,320
Adjustments:					
Depreciation and amortization of property and equipment	131,483	135,561	122,640	110,748	99,326
Amortization of capitalized implementation costs(3c)	35,551	20,855	11,365	8,162	3,035
Amortization of upfront incentive consideration(8)	36,649	36,527	37,748	26,572	29,554
Interest expense, net	274,689	232,450	174,390	200,945	234,758
Remaining (benefit) provision for income taxes	95,800	210,350	137,854	138,634	65,186
Adjusted EBITDA	$ 791,323	$ 786,629	$ 720,163	$ 691,016	$ 627,179

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The following tables set forth the reconciliation of Adjusted Gross Margin and Adjusted EBITDA by business segment to operating income (loss), the most directly comparable GAAP measure:

	Fiscal Year Ended December 31, 2013					
	Travel Network	Airline and Hospitality Solutions	Travelocity	Eliminations	Corporate	Total
	(Amounts in thousands)					
Operating income (loss)	$ 667,498	$ 135,755	$ 14,140	$	$ (640,633)	$ 176,760
Add back:						
Selling, general and administrative	106,392	51,538	331,334	(717)	304,382	792,929
Impairment					138,435	138,435
Restructuring charges					36,551	36,551
Amortization of upfront incentive consideration(8)	36,649					36,649
Depreciation and amortization in cost of revenue(3)	50,254	75,093	8,015		69,123	202,485
Adjusted gross margin	860,793	262,386	353,489	(717)	(92,142)	1,383,809
Selling, general and administrative	(106,392)	(51,538)	(331,334)	717	(304,382)	(792,929)
Joint venture equity income	15,554					15,554
Adjustments:						
Depreciation and amortization(3)	2,253	2,227	697		99,933	105,110
Restructuring and other costs (5)					22,501	22,501
Stock-based compensation					9,086	9,086
Litigation and taxes, including penalties(6)					39,431	39,431
Management fees(7)					8,761	8,761
Adjusted EBITDA	$ 772,208	$ 213,075	$ 22,852	$	$ (216,812)	$ 791,323

	Fiscal Year Ended December 31, 2012					
	Travel Network	Airline and Hospitality Solutions	Travelocity	Eliminations	Corporate	Total
	(Amounts in thousands)					
Operating income (loss)	$ 670,778	$ 114,272	$ 21,227	$	$ (1,412,576)	$ (606,299)
Add back:						
Selling, general and administrative	101,934	52,754	355,875	(1,010)	678,695	1,188,248

Impairment					573,180	573,180
Amortization of upfront incentive consideration[8]	36,527					36,527
Depreciation and amortization in cost of revenue[3]	34,624	51,395	36,700		75,487	198,206
Adjusted gross margin	843,863	218,421	413,802	(1,010)	(85,214)	1,389,862
Selling, general and administrative	(101,934)	(52,754)	(355,875)	1,010	(678,695)	(1,188,248)
Joint venture equity income	24,487					24,487
Adjustments:						
Depreciation and amortization[3]	2,036	615	3,192		111,684	117,527
Restructuring and other costs [5]					6,776	6,776
Stock-based compensation					9,834	9,834
Litigation and taxes, including penalties[6]					418,622	418,622
Management fees[7]					7,769	7,769
Adjusted EBITDA	$ 768,452	$ 166,282	$ 61,119	$	$ (209,224)	$ 786,629

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	Fiscal Year Ended December 31, 2011					
	Travel Network	Airline and Hospitality Solutions	Travelocity	Eliminations	Corporate	Total
	(Amounts in thousands)					
Operating income (loss)	$ 594,418	$ 103,254	$ 32,971	$	$ (602,398)	$ 128,245
Add back:						
Selling, general and administrative	111,003	50,306	374,801	(1,083)	271,408	806,435
Impairment					185,240	185,240
Amortization of upfront incentive consideration(8)	37,748					37,748
Depreciation and amortization in cost of revenue(3)	29,584	31,587	40,018		71,657	172,846
Adjusted gross margin	772,753	185,147	447,790	(1,083)	(74,093)	1,330,514
Selling, general and administrative	(111,003)	(50,306)	(374,801)	1,083	(271,408)	(806,435)
Joint venture equity income	26,701					26,701
Adjustments:						
Depreciation and amortization(3)	4,120	343	3,480		112,328	120,271
Restructuring and other costs (5)					12,986	12,986
Stock-based compensation					7,334	7,334
Litigation and taxes, including penalties(6)					21,601	21,601
Management fees(7)					7,191	7,191
Adjusted EBITDA	$ 692,571	$ 135,184	$ 76,469	$	$ (184,061)	$ 720,163

	Fiscal Year Ended December 31, 2010					
	Travel Network	Airline and Hospitality Solutions	Travelocity	Eliminations	Corporate	Total
	(Amounts in thousands)					
Operating income (loss)	$ 545,762	$ 127,103	$ 50,157	$	$ (790,884)	$ (67,862)
Add back:						
Selling, general and administrative	71,495	39,417	406,443	(591)	272,413	789,177
Impairment					401,400	401,400
Amortization of upfront incentive consideration(8)	26,572					26,572
Depreciation and amortization in cost of revenue(3)	32,349	19,663	31,995		69,411	153,418

Adjusted gross margin	676,178	186,183	488,595	(591)	(47,660)	1,302,705
Selling, general and administrative	(71,495)	(39,417)	(406,443)	591	(272,413)	(789,177)
Joint venture equity income	21,071					21,071
Adjustments:						
Depreciation and amortization(3)	4,172	450	8,207		112,676	125,505
Restructuring and other costs (5)					17,282	17,282
Stock-based compensation					5,300	5,300
Litigation and taxes, including penalties(6)					1,600	1,600
Management fees(7)					6,730	6,730
Adjusted EBITDA	$ 629,926	$ 147,216	$ 90,359	$	$ (176,485)	$ 691,016

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	Fiscal Year Ended December 31, 2009					
	Travel Network	Airline and Hospitality Solutions	Travelocity	Eliminations	Corporate	Total
	(Amounts in thousands)					
Operating income (loss)	$ 484,105	$ 112,048	$ 81,012	$	$ (620,670)	$ 56,495
Add back:						
Selling, general and administrative	85,870	41,970	399,005	(527)	279,643	805,961
Impairment					211,612	211,612
Amortization of upfront incentive consideration(8)	29,554					29,554
Depreciation and amortization in cost of revenue(3)	29,968	11,038	27,054		56,720	124,780
Adjusted gross margin	629,497	165,056	507,071	(527)	(72,695)	1,228,402
Selling, general and administrative	(85,870)	(41,970)	(399,005)	527	(279,643)	(805,961)
Joint venture equity income	11,356					11,356
Adjustments:						
Depreciation and amortization(3)	1,588	729	11,820		144,085	158,222
Restructuring and other costs (5)					22,387	22,387
Stock-based compensation					4,108	4,108
Litigation and taxes, including penalties(6)					1,405	1,405
Management fees(7)					7,260	7,260
Adjusted EBITDA	$ 556,571	$ 123,815	$ 119,886	$	$ (173,093)	$ 627,179

The components of Adjusted Capital Expenditures are presented below:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(Amounts in thousands)				
Additions to property and equipment	$ 226,026	$ 193,262	$ 164,638	$ 130,028	$ 106,554
Capitalized implementation costs	58,814	78,543	59,109	33,666	20,401
Adjusted capital expenditures	$ 284,840	$ 271,805	$ 223,747	$ 163,694	$ 126,955

The following tables present historical information from our statements of cash flows and sets forth the reconciliation of Adjusted Free Cash Flow to cash provided by operating activities, the most directly comparable GAAP measure:

	Year Ended December 31,				
	2013	2012	2011	2010	2009

	(Amounts in thousands)				
Cash provided by operating activities	$ 157,188	$ 312,336	$ 356,444	$ 380,928	$ 284,159
Cash used in investing activities	(246,502)	(236,034)	(176,260)	(184,787)	(108,053)
Cash provided by (used in) financing activities	262,172	(25,120)	(271,540)	(48,500)	(335,702)

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(Amounts in thousands)				
Cash provided by operating activities	$ 157,188	$ 312,336	$ 356,444	$ 380,928	$ 284,159
Adjustments:					
Additions to property and equipment	(226,026)	(193,262)	(164,638)	(130,028)	(106,554)
Restructuring and other costs(5) (10)	29,069	6,776	12,988	17,282	22,387
Litigation settlement and tax payments for certain items(6) (11)	150,584	100,000			
Other litigation costs(6) (10)	17,419	51,602	21,601	1,600	1,405
Management fees(7) (10)	8,761	7,769	7,191	6,730	7,260
Travelocity Travel Supplier Liabilities and Accounts Payable as impacted by the Expedia SMA(9)	23,928				
Adjusted Free Cash Flow	$ 160,923	$ 285,221	$ 233,586	$ 276,512	$ 208,657

(1) Net income (loss) attributable to non-controlling interests represents an adjustment to include earnings allocated to non-controlling interest held in (i) Sabre Travel Network Middle East of 40% for all periods presented, (ii) Sabre

Pacific of 49% through February 24, 2012, the date we sold this business and (iii) Travelocity.com LLC of approximately 9.5% through December 31, 2012, the date we merged this minority interest back into our capital structure. See Note 2, Summary of Significant Accounting Policies, to our audited consolidated financial statements included elsewhere in this prospectus.

(2) Represents impairment charges to assets (see Note 7, Goodwill and Intangible Assets, to our audited consolidated financial statements included elsewhere in this prospectus) as well as $24 million in 2012, representing our share of impairment charges recorded by one of our equity method investments, Abacus.

(3) Depreciation and amortization expenses (see Note 2, Summary of Significant Accounting Policies, to our audited consolidated financial statements included elsewhere in this prospectus for associated asset lives):

   a. Acquisition related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date and amortization of the excess basis in our underlying equity in joint ventures.
   b. Depreciation and amortization of property and equipment represents depreciation of property and equipment, including software developed for internal use.
   c. Amortization of capitalized implementation costs represents amortization of upfront costs to implement new customer contracts under our SaaS and hosted revenue model.

(4) Other, net primarily represents foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

(5) Restructuring and other costs represents charges associated with business restructuring and associated changes implemented which resulted in severance benefits related to employee terminations, integration and facility opening or closing costs and other business reorganization costs.

(6) Represents charges or settlements associated with airline antitrust litigation as well as payments or reserves taken in relation to certain retroactive hotel occupancy and excise tax disputes (see Note 20, Commitments and Contingencies, to our audited consolidated financial statements included elsewhere in this prospectus).

(7) We have been paying an annual management fee to TPG and Silver Lake in an amount between (i) $5 million and (ii) $7 million, the actual amount of which is calculated based upon 1% of Adjusted EBITDA, as defined in the MSA, earned by the company in such fiscal year up to a maximum of $7 million. In addition, the MSA provides for the reimbursement of certain costs incurred by TPG and Silver Lake, which are included in this line item. In connection with the completion of this offering, we will pay to TPG and Silver Lake, in the aggregate, a $21 million fee pursuant to the MSA and the MSA will be terminated.

(8) Our Travel Network business at times provides upfront incentive consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized to cost of revenue over an average expected life of the service contract, generally over three to five years. Such consideration is made with the objective of increasing the number of clients or to ensure or improve customer loyalty. Such service contract terms are established such that the supplier and other fees generated over the life of the contract will exceed the cost of the incentive consideration provided upfront. Such service contracts with travel agency subscribers require that the customer commit to achieving certain economic objectives and generally have terms requiring repayment of the upfront incentive consideration if those objectives are not met.

(9) Represents the impact by the Expedia SMA on travel supplier liabilities of $19 million and accounts payable of $5 million for the period November 1, 2013 through December 31, 2013 compared to the period November 1, 2012 through December 31, 2012, which is primarily attributable to the migration of bookings from our technology platform to Expedia s platform during this period in 2013 (see Management s Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting our Results Travelocity).

(10) The adjustments to reconcile cash provided by operating activities to Adjusted Free Cash Flow reflect the amounts expensed in our statements of operations in the respective periods adjusted for non-cash portions in instances where material.

(11) Includes payment credits totaling $16 million used by American Airlines to pay for purchases of our technology services in 2013. The payment credits were provided by us as part of our litigation settlement with American

Airlines (see Note 20, Commitments and Contingencies, to our audited consolidated financial statements included elsewhere in this prospectus).

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains forward-looking statements about trends, uncertainties and our plans and expectations of what may happen in the future. Forward-looking statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties and our results could differ materially from the results anticipated by our forward-looking statements as a result of many known or unknown factors, including, but not limited to, those factors discussed in the sections entitled Risk Factors and Cautionary Note Regarding Forward-Looking Statements and elsewhere in this prospectus.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes and the information contained elsewhere in this prospectus under the captions Risk Factors, Selected Historical Consolidated Financial Data and Business.

Overview

We are a leading technology solutions provider to the global travel and tourism industry. We span the breadth of a highly complex $6.6 trillion global travel ecosystem through three business segments: (i) Travel Network, our global B2B travel marketplace for travel suppliers and travel buyers, (ii) Airline and Hospitality Solutions, an extensive suite of leading software solutions primarily for airlines and hotel properties, and (iii) Travelocity, our portfolio of online consumer travel e-commerce businesses through which we provide travel content and booking functionality primarily for leisure travelers. Collectively, these offerings enable travel suppliers to better serve their customers across the entire travel lifecycle, from route planning to post-trip business intelligence and analysis. Items that are not allocated to our business segments are identified as corporate and include primarily certain shared technology costs as well as stock-based compensation expense, litigation costs related to occupancy or other taxes and other items that are not identifiable with one of our segments.

Through our Travel Network business, we process hundreds of millions of transactions annually, connecting the world s leading travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, with travel buyers in a comprehensive travel marketplace. We offer efficient, global distribution of travel content from approximately 125,000 travel suppliers to approximately 400,000 online and offline travel agents. To those agents, we offer a platform to shop, price, book and ticket comprehensive travel content in a transparent and efficient workflow. We also offer value-added solutions that enable our customers to better manage and analyze their businesses. Through our Airline and Hospitality Solutions business, we offer travel suppliers an extensive suite of leading software solutions, ranging from airline and hotel reservations systems to high-value marketing and operations solutions, such as planning airline crew schedules, re-accommodating passengers during irregular flight operations and managing day-to-day hotel operations. These solutions allow our customers to market, distribute and sell their products more efficiently, manage their core operations, and deliver an enhanced travel experience. Through our complementary Travel Network and Airline and Hospitality Solutions businesses, we believe we offer the broadest, end-to-end portfolio of technology solutions to the travel industry.

Our portfolio of technology solutions has enabled us to become the leading end-to-end technology provider in the travel industry. For example, we are one of the largest GDS providers in the world, with a 36% share of GDS-processed air bookings in 2013. More specifically, we are the #1 GDS provider in North America and also in higher growth markets such as Latin America and APAC, in each case based on GDS-processed air bookings in 2013. In those three markets, our GDS-processed air bookings share was approximately 50% on a combined basis in 2013. In Airline and Hospitality Solutions, we believe we have the most comprehensive portfolio of solutions. In 2013, we had the largest hospitality CRS room share based on our approximately 27% share of third-party hospitality CRS hotel rooms distributed through our GDS, and, according to T2RL PSS data for 2012, we had the second largest airline reservations system globally. We also believe that we have the leading portfolio of airline marketing and operations products across the solutions that we provide. In addition, we operate Travelocity, one of the world s most recognizable brands in the online consumer travel e-commerce industry, which provides us with business insights into our broader customer base.

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A significant portion of our revenue is generated through transaction based fees that we charge to our customers. For Travel Network, this fee is in the form of a transaction fee for bookings on our GDS; for Airline and Hospitality Solutions, this fee is a recurring usage-based fee for the use of our SaaS and hosted systems, as well as implementation fees and consulting fees. We recorded revenue of $3,050 million and $2,974 million, net loss attributable to Sabre Corporation of $100 million and $611 million and Adjusted EBITDA of $791 million and $787 million, reflecting a 3% and 21% net loss margin and a 26% and 26% Adjusted EBITDA margin, for the years ended December 31, 2013 and 2012, respectively. For additional information regarding Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, see Non-GAAP Financial Measures and Summary Summary Consolidated Financial Data Non-GAAP Measures. For the year ended December 31, 2013, Travel Network contributed 58%, Airline and Hospitality Solutions contributed 23%, and Travelocity contributed 19% of our revenue (excluding intersegment eliminations). During this period, shares of Adjusted EBITDA were approximately 77%, 21% and 2% for Travel Network, Airline and Hospitality Solutions and Travelocity, respectively (excluding corporate overhead allocations such as finance, legal, human resources and certain information technology shared services). For the year ended December 31, 2012, Travel Network contributed 59% and 77%, Airline and Hospitality Solutions contributed 20% and 17%, and Travelocity contributed 21% and 6% of our revenue (excluding intersegment eliminations) and Adjusted EBITDA (excluding corporate overhead allocations), respectively.

Factors Affecting our Results

The following is a discussion of trends that we believe are the most significant opportunities and challenges currently impacting our business and industry. The discussion also includes management s assessment of the effects these trends have had and are expected to have on our results of continuing operations. This information is not an exhaustive list of all of the factors that could affect our results and should be read in conjunction with the factors referred to in the sections entitled Risk Factors and Cautionary Note Regarding Forward-Looking Statements included elsewhere in this prospectus.

Travel volumes and the travel industry

Our business and results of operations are dependent upon travel volumes and the overall health of the travel industry, particularly in North America. The travel industry has shown strong and resilient expansion with growth rates typically outperforming general macroeconomic performance. For example, based on 40 years of IATA Traffic data, air traffic has historically grown at an average rate of approximately 1.5x the rate of global GDP growth. Although the global economic downturn significantly impacted the travel industry, conditions have generally improved in the last several years. For example, although hotel sales are still hampered by an economic environment characterized by austerity and consumer caution, other less expensive suppliers, including LCC/hybrids, are benefiting. Tourism flows and travel spending have returned to growth as developed markets, particularly in the United States, Japan and Europe, recover from the global economic downturn. According to Euromonitor Report, business-related travel by U.S. residents has increased since the global economic downturn, reaching 228 million trips in 2012. According to IATA Traffic, global airline passenger volume has grown at a 6% CAGR from 2009 to 2012. Looking forward, air travel and hotel spending is expected to grow at a 4% CAGR from 2013 to 2017, as growing consumer confidence and increasing connectivity continue to expand the opportunities for travel and tourism, according to Euromonitor Database. However, in recent years, several airlines, especially in the United States, have implemented capacity reductions in response to slowing customer demand following the global economic downturn and in order to improve pricing power. These capacity reductions have resulted in lower inventory and higher ticket prices, amid increased airline industry consolidation.

Geographic mix

We have a leading share of GDS-processed air bookings in the largest travel market, North America (55%), as well as in two large growth markets, Latin America (57%) and APAC (39%) in 2013. See Method of

Calculation for an explanation of the methodology underlying our GDS-processed air bookings share calculation. For the year ended December 31, 2013, we derived approximately 58% of our revenue from the United States, 16% from Europe and 26% from the rest of the world. For the year ended December 31, 2012, we derived approximately 62% of our revenue from the United States, 16% from Europe and 22% from the rest of the world.

There are structural differences between the geographies in which we operate. Due to our geographic concentration, our results of operations are particularly sensitive to factors affecting North America. For example, booking fees per transaction in North America have traditionally been lower than those in Europe. By growing internationally with our TMC and OTA customers and expanding the travel content available on our GDS to target regional traveler preferences, we anticipate that we will maintain share in North America and grow share in Europe, APAC and Latin America.

Continued focus by travel suppliers on cost-cutting and exerting influence over distribution

Travel suppliers continue to look for ways to decrease their costs and to increase their control over distribution. Airline consolidations, pricing pressure during contract renegotiations and the use of direct distribution may continue to subject our business to challenges.

The shift from indirect distribution channels, such as our GDS and Travelocity, to direct distribution channels, may result from increased content availability on supplier-operated websites or from increased participation of meta-search engines, such as Kayak and Google, which direct consumers to supplier-operated websites. This trend may adversely affect our Travel Network contract renegotiations with suppliers that use alternative distribution channels. For example, airlines may withhold part of their content for distribution exclusively through their own direct distribution channels or offer more attractive terms for content available through those direct channels. Similarly, some airlines have also limited the fare content information they distribute through OTAs, including Travelocity.

However, since 2010, we believe the rate at which bookings are shifting from indirect to direct distribution channels has slowed for a number of reasons, including the increased participation of LCC/hybrids in indirect channels. Over the last several years, notable carriers that previously only distributed directly, including JetBlue and Norwegian, have adopted our GDS. Other carriers such as EVA Airways and Virgin Australia have further increased their participation in a GDS. In 2012 and 2013, we believe the rate of shift away from GDSs in the United States stabilized at very low levels, although we cannot predict whether this low rate of shift will continue.

These trends have impacted the revenue of Travel Network, which recognizes revenue for airline ticket sales based on transaction volumes, the revenue of Airline and Hospitality Solutions, which recognizes a portion of its revenue based on the number of PBs, and the results of Travelocity, the profitability of which is based on both the volume of sales and the amount spent by the traveler, depending upon the applicable revenue model. Simultaneously, this focus on cost-cutting and direct distribution has also presented opportunities for Airline and Hospitality Solutions. Many airlines have turned to outside providers for key systems, process and industry expertise and other products that assist in their cost cutting initiatives in order to focus on their primary revenue-generating activities.

We have 28 planned Travel Network airline contract renewals in 2014, representing 22% of our Travel Network revenue for the year ended December 31, 2013 and 24 planned renewals in 2015 (representing 5% of our Travel Network revenue for the year ended December 31, 2013). Although we renewed 24 out of 24 planned renewals in 2013 (representing approximately 25% of Travel Network revenue for the year ended December 31, 2013), we cannot guarantee that we will be able to renew our airline contracts in the future on favorable economic terms or at all.

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Shift to SaaS and hosted solutions by airlines and hotels to manage their daily operations

Initially, large travel suppliers built custom in-house software and applications for their business process needs. In response to a desire for more flexible systems given increasingly complex and constantly changing technological requirements, reduced IT budgets and increased focus on cost efficiency, many travel suppliers turned to third-party solutions providers for many of their key technologies and began to license software from software providers. We believe that significant revenue opportunity remains in this outsourcing trend, as legacy in-house systems continue to migrate and upgrade to third-party systems. By moving away from one-time license fees to recurring monthly fees associated with our SaaS and hosted solutions, our revenue stream has become more predictable and sustainable. The SaaS and hosted models centralized deployment also allows us to save time and money by reducing maintenance and implementation tasks and lowering operating costs.

Increasing importance of LCC/hybrids in Travel Network and Airline and Hospitality Solutions

Hybrid and LCCs have become a significant segment of the air travel market, stimulating demand for air travel through low fares. LCC/hybrids have traditionally relied on direct distribution for the majority of their bookings. However, as these LCC/hybrids are evolving, many are increasing their distribution through indirect channels to expand their offering into higher-yield markets and to higher-yield customers, such as business and international travelers. Other LCC/hybrids, especially start-up carriers, may choose not to distribute through the GDS until wider distribution is desired.

Over the last four years, we have added airline customers representing over 110 million PBs, including many innovative, fast-growing LCC/hybrids. According to Airbus, LCCs share of global air travel volume is expected to increase from 17% of revenue passenger kilometers in 2012 to 21% of revenue passenger kilometers by 2032. In our airline reservations products, our travel supplier customer base is weighted towards faster-growing LCC/hybrids, which represented approximately 45% of our 2012 PBs, and we expect to continue to take advantage of this growth opportunity. Furthermore, because of the breadth of our solution set and our proportion of LCC/hybrid customers, we expect to be able to sell more of our solutions to our existing customers as they grow. As our growing LCC/hybrid customers demand additional solutions and capabilities, we expect Airline and Hospitality Solutions revenue to continue benefiting from the higher growth in these types of airlines.

Travel buyers can shift their bookings to or from our Travel Network business

Our Travel Network business relies on relationships with several large travel buyers, including TMCs and OTAs, to drive a large portion of its revenue. Although no individual travel buyer accounts for more than 10% of our Travel Network revenue, the five largest travel buyers of Travel Network were responsible for bookings that represent approximately 32% and 36% of our Travel Network revenue for the years ended December 31, 2013 and 2012, respectively. Although our contracts with larger travel agencies often increase the amount of the incentive consideration when the travel agency processes a certain volume or percentage of its bookings through our GDS, travel buyers are not contractually required to book exclusively through our GDS during the contract term. Travel buyers may shift bookings to other distribution intermediaries for many reasons, including to avoid becoming overly dependent on a single source of travel content and increase their bargaining power with the GDS providers. For example, in late 2012, Expedia adopted a dual GDS provider strategy and shifted a sizeable portion of its business from our GDS to a competitor GDS, resulting in a year-over-year decline in our transaction volumes in 2013. Conversely, certain European OTAs including Unister, eTravel and Bravofly that did not previously use our GDS shifted a portion of their business to our GDS.

Increasing travel agency incentive consideration

Travel agency incentive consideration is a large portion of Travel Network expenses. The vast majority of incentive consideration is tied to absolute booking volumes based on transactions such as flight segments booked. Incentive consideration, which often increases once a certain volume or percentage of bookings is met, is provided in two ways, according to the terms of the agreement: (i) on a periodic basis over the term of the contract and (ii) in some instances, up front at the inception or modification of contracts, which is capitalized and amortized over the expected life of the contract. Although this consideration has been increasing in real terms, it has been relatively stable as a percentage of Travel Network revenue over the last four years, partially due to our focus on managing incentive consideration. We believe we have been effective in mitigating the trend towards increasing incentive consideration by offering value-added products and content, such as Sabre Red Workspace, a SaaS product available to our travel buyers that provides an easy to use interface along with many travel agency workflow and productivity tools.

Growing demand for continued technology improvements in the fragmented hotel market

Most of the hotel market is highly fragmented. Independent hotels and small- to medium-sized chains (groups of less than 300 properties) comprise a majority of hotel properties and available hotel rooms, with global and regional chains comprising the balance. Hotels use a number of different technology systems to distribute and market their products and operate efficiently. We offer technology solutions to all segments of the hospitality market, particularly independent hotels and small- to medium-sized chains. As these markets continue to grow, we believe independent hotel owners and operators will continue to seek increased connectivity and integrated solutions to ensure access to global travelers. Gartner estimates that technology spending by the hospitality industry is expected to reach $32 billion in 2017 (Gartner Enterprise), and we believe we will be well-positioned to meet this increased demand by continuing to provide affordable, web-based distribution technology. For example, we believe our innovative PMS, which is used by more than 4,500 properties globally, is one of the leading third-party web-based PMSs. Our PMS platform complements our industry-leading CRS platform and we expect to launch an integrated hospitality management suite that will centralize all distribution, operations and marketing aspects to facilitate increased accuracy, elimination of redundancies, and increased revenue and cost savings. We anticipate that this will contribute to the continued growth of Airline and Hospitality Solutions, which is ultimately dependent upon these hoteliers accepting and utilizing our products and services.

Travelocity

Travelocity s results have been adversely impacted by several factors in recent years, including margin pressure from suppliers and reduced bookings on our websites. For the three years ended December 31, 2013, Travelocity experienced an approximately 9% compound annual revenue decline due to intense competition within the travel industry, including from supplier direct websites, online agencies and other suppliers of travel products and services. The increased level of competition has led to declines in fees paid to us pursuant to new long-term supplier agreements with several large North American airlines in 2011 as well as lower transaction volumes. In 2012, transaction revenues were impacted by the loss of a key TPN customer late in the third quarter as a result of this customer s contract ending without renewal. This loss was partially offset by the addition of a new TPN customer, which signed a multi-year agreement.

Lower transaction volumes on our websites have also impacted our media revenue. Due to the reduction in site traffic associated with lower hotel transaction volumes and the change in customer demographics associated with the loss of a key TPN customer in 2012, Travelocity s relevance as an advertising platform and the media revenues we derive from advertising have been negatively affected. In 2012, these challenges have contributed to a significant decline year over year. For the year ended December 31, 2013, we experienced a $5 million decline in media revenue compared to 2012.

Intense competition in the travel industry has historically led OTAs and travel suppliers to spend aggressively on online marketing. The amount we spent on online marketing declined in 2011 and was less effective at driving transaction revenue than it was in 2010. In response, we modified our customer acquisition strategy in 2012, refocusing on more efficient marketing channels and refreshing the approach to the brand, while reducing the amount spent on marketing. If our online marketing strategy is not successful, it could lead to continued declines in Travelocity revenue.

As a result of these and other factors, we initiated plans in the third quarter of 2013 to shift our Travelocity business in the United States and Canada away from a high fixed-cost model to a lower-cost, performance-based revenue structure. On August 22, 2013, Travelocity entered into an exclusive, long-term strategic marketing agreement with Expedia, which was recently amended and restated in March 2014 to reflect changed commercial terms. Under the Expedia SMA, Expedia will power the technology platforms for Travelocity s existing U.S. and Canadian websites as well as provide Travelocity with access to Expedia s supply and customer service platforms. The Expedia SMA represents a strategic decision to reduce direct costs associated with Travelocity and to provide our customers with the benefit of Expedia s long-term investment in its technology platform as well as its supply and customer service platforms, which we expect to increase conversion and operational efficiency and allows us to shift our focus to Travelocity s marketing strengths. Both parties began development and implementation of this arrangement after signing the Expedia SMA. As of December 31, 2013, the majority of the online hotel and air offering has been migrated to the Expedia platform, and a launch of the majority of the remainder is expected in mid-2014. See Business Our Businesses Travelocity.

Under the terms of the Expedia SMA, Expedia will pay us a performance-based marketing fee that will vary based on the amount of travel booked through Travelocity-branded websites powered by Expedia. The marketing fee we receive will be recorded as marketing fee revenue and the cost we incur to promote the Travelocity brand and for marketing will be recorded as selling, general and administrative expense in our results of operations. As a result of transactions being processed through Expedia s platform instead of the Travelocity platform, the revenue we derive from the merchant, agency and media revenue models will decline. In connection with this migration, we will no longer be considered the merchant of record for merchant transactions, and therefore we will no longer collect cash from consumers, receive transaction fees and commissions directly from travel suppliers, receive service fees or insurance related revenue directly from customers or directly market or receive media revenue from advertisers on our websites. We will instead collect the marketing fee revenue from Expedia, which is net of costs incurred by Expedia in connection with these activities. Additionally, Travelocity will no longer receive incentive consideration from Travel Network as intersegment revenue, and we do not expect that Expedia will use Travel Network for shopping and booking of a portion of non-air travel for Travelocity.com and Travelocity.ca after the launch of the Expedia SMA. In addition, Expedia may choose to use another intermediary for shopping and booking of a portion or all of the air travel booked through Travelocity.com and Travelocity.ca beginning in 2019, subject to earlier termination under certain circumstances.

As a result of the factors described above, we expect our revenue to decline in connection with the Expedia SMA; we expect the revenue contribution from Travelocity-branded websites to be in the range of 50% to 60% of current levels. Due to the elimination of the intersegment revenue between Travelocity and Travel Network, we expect intersegment eliminations to substantially decrease in connection with the Expedia SMA. See Components of Revenues and Expenses Intersegment Transactions.

Correspondingly, we will wind down certain internal processes, including back office functions, as transactions move from our technology platforms to those of Expedia. We therefore expect our costs to significantly decrease and to be in the range of 40% to 50% of current levels once the transition to the Expedia SMA and restructuring is complete. Ongoing costs will primarily consist of marketing the Travelocity website, marketing staff and support staff. Under the Expedia SMA, we have committed to continue investing in the marketing of the Travelocity-branded websites in a manner that is consistent with past practice.

As a result, we expect our plan to result in improved margins and profitability for our Travelocity segment.

Our success is dependent on many factors, including:

improved conversion through better site performance and user experience using the Expedia platform and technology;

improved cost structure by reducing operational complexity; and

profitable results from our marketing efforts.

We cannot be certain that this plan will be successful.

The implementation of the Expedia SMA will result in various restructuring costs, including asset impairments, exit charges including employee termination benefits and contract termination fees, and other related costs such as consulting and legal fees. As a result of this restructuring plan, we recorded $22 million in restructuring charges in our results of operations during the year ended December 31, 2013, which included $4 million of asset impairments, $12 million of employee termination benefits, and $6 million of other related costs. We estimate that we will incur additional charges of approximately $11 million in 2014 consisting of $6 million in contract termination costs, $2 million in employee termination benefits, and $3 million of other related costs. Contract termination costs represent an estimate of costs we may incur as we negotiate with our vendors to terminate contracts and costs for contracts we are unable to renegotiate and receive no future benefit. The actual amount incurred may differ significantly from this estimate.

We expect Travelocity s working capital to be impacted in connection with the Expedia SMA and the sale of TPN. As of December 31, 2013, we had approximately $214 million in total travel supplier liabilities of which $129 million represents the liability to travel suppliers in connection with Travelocity.com and TPN. This $129 million liability will be substantially extinguished as a result of the Expedia SMA and the sale of TPN as we continue to pay travel suppliers for travel consumed that originated on our technology platforms; however, we will no longer receive cash directly from consumers and will not incur a payable to travel suppliers for new bookings on our balance sheets. Going forward, our Travelocity-related working capital will primarily consist of amounts attributable to lastminute.com balances as well as amounts due from Expedia offset by payables for marketing and labor related costs, which we expect to reduce the quarterly volatility that exists today. As described in Description of Certain Indebtedness Senior Secured Credit Facilities, we have used a portion of the proceeds from our Incremental Term Facility for such working capital purposes.

As part of our negotiations to amend and restate the Expedia SMA, we also agreed to a separate Expedia Put/Call agreement that supersedes the previous put/call arrangement, whereby Expedia may acquire, or we may sell to Expedia, assets relating to the Travelocity-branded portions of our Travelocity business, which primarily include those assets subject to the Expedia SMA. Our put right may be exercised during the first 24 months of the Expedia Put/Call only upon the occurrence of certain triggering events primarily relating to implementation, which are outside of our control. The occurrence of such events is not considered probable. During this period, the amount of the put right is fixed. After the 24 month period, the put right is only exercisable for a limited period of time in 2016 and 2017 at a discount to fair market value. The call right held by Expedia is exercisable at any time during the term of the Expedia Put/Call. If the call right is exercised, although we expect the amount paid will be fair value, the call right provides for a floor for a limited time that may be higher than fair value and a ceiling for the duration of the Expedia Put/Call that may be lower than fair value.

The term of the amended and restated Expedia SMA is nine years and automatically renews under certain conditions.

In the fourth quarter of 2013, we continued our restructuring of Travelocity by implementing a plan to restructure lastminute.com, the European portion of the Travelocity business, in order to allow lastminute.com to operate independently, although from time to time we may evaluate our strategic options regarding lastminute.com. Travelocity will continue to be managed as one reportable segment. During the year ended December 31, 2013, we recorded $6 million in restructuring charges associated with employee termination benefits related to this restructuring plan. Additionally, Travelocity recently sold its TPN business, a B2B loyalty and private label website offering, to Orbitz.

See Business Our Businesses Travelocity.

Litigation and related costs

We are involved in various claims, legal proceedings and governmental inquiries related to contract disputes, business practices, intellectual property and other commercial, employment and tax matters. We believe we have adequately accrued for such matters, and for the costs of defending against such matters, which have been and may continue to be expensive. However, litigation is inherently unpredictable and although we believe that our accruals are adequate and we have valid defenses in these matters, unfavorable resolutions could occur, which could have a material adverse effect on our results of operations or cash flows in a particular reporting period. See Business Legal Proceedings.

Pursuant to the Expedia SMA, we will continue to be liable for fees, charges, costs and settlements relating to litigation arising from hotels booked on the Travelocity platform prior to the Expedia SMA. However, fees, charges, costs and settlements relating to litigation from hotels booked subsequent to the Expedia SMA will be shared with Expedia according to the terms of the Expedia SMA.

On October 30, 2012, we entered into a settlement agreement to resolve the outstanding state and federal lawsuits with American Airlines filed in 2011 and, as a result of the terms of the settlement, among other things renewed our distribution agreement with American Airlines. The settlement and distribution agreement was approved by the court presiding over the restructuring proceedings for AMR Corporation, American Airlines parent company, pursuant to an order made final on December 20, 2012. We expensed $347 million in 2012 related to this settlement agreement. On April 21, 2011, US Airways sued us in federal court in the Southern District of New York alleging federal antitrust claims. We are also involved in an antitrust investigation by the DOJ relating to pricing and the conduct of our GDS business and in antitrust litigation involving hotel room prices. See Note 20, Commitments and Contingencies Legal Proceedings US Airways Antitrust Litigation, Department of Justice Investigation and Hotel Related Antitrust Proceedings, to our audited consolidated financial statements included elsewhere in this prospectus.

Customer Mix

We believe we have a broadly diversified customer mix which supports our stable revenue base. We serve two principal types of customers: travel suppliers, which we serve in both our Travel Network business and Airline and Hospitality Solutions business; and travel buyers, which we serve in our Travel Network business and who purchase a wide variety of travel content in our marketplace. Today, our Travel Network marketplace includes a diversified group of travel suppliers, including approximately 400 airlines, 125,000 hotel properties, 30 car rental brands, 50 rail carriers, 16 cruise lines and 200 tour operators. We connect these travel suppliers via our GDS platform to approximately 400,000 travel agents, spread globally across 145 countries. Importantly, none of our travel buyers or travel suppliers represented more than 10% of our total Travel Network revenue for the years ended December 31, 2013 and 2012. Additionally, our Airline and Hospitality Solutions segment represented approximately 225 airlines, 17,500 hotel properties, and more than 700 other customers, including airports, corporate aviation fleets, governments and tourism boards. Within our Airline and Hospitality Solutions business, no single customer represented more than 10% of total Airline and Hospitality Solutions revenues for the years ended December 31, 2013 and 2012.

Due to the quality of our products and services, we have experienced a high level of historical Customer Retention in both our Travel Network and Airline and Hospitality Solutions businesses. In general, our business is characterized by non-exclusive multi-year agency and supplier contracts, with durations that typically range from three to five years for our major airline suppliers and five to ten years for our major travel agency customers in our Travel Network business, and in our Airline and Hospitality Solutions business, three to seven years among our airline customers and one to five years among our hospitality customers. Furthermore, our Travel Network airline supplier contracts expire at different times, with 28 and 24 planned renewals for fiscal years 2014 and 2015, respectively. We renewed 24 out of 24 planned renewals in 2013. A meaningful portion of our travel buyer agreements, typically representing approximately 15% to 20% of our bookings, are up for renewal in any given year. With respect to our Airline and Hospitality Solutions business, airline reservations contracts representing less than 5% of our Airline Solutions 2013 revenue are scheduled for renewal in each of 2014 and 2015, and in each of 2016 and 2017, airline reservations contracts representing approximately 10% of Airline Solutions 2013 revenue are scheduled for renewal in each of

2016 and 2017. Hospitality Solutions contract renewals are relatively evenly spaced, with approximately one-third of contracts representing approximately one-third of Hospitality Solutions 2013 revenue coming up for renewal in any given year. For the year 2013, our

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Customer Retention rate was approximately 99% for Travel Network, 98% for Airline Solutions and 96% for Hospitality Solutions. We cannot guarantee that we will be able to renew our travel supplier or travel buyer agreements in the future on favorable economic terms or at all.

Our revenue base is broadly diversified, with no single customer comprising more than 10% of our total revenues for the year ended December 31, 2013 or the year ended December 31, 2012. We are subject to a certain degree of revenue concentration among a portion of our customer base. Our top five Travel Network customers were responsible for 32% and 36% of our Travel Network revenue for the years ended December 31, 2013 and 2012, respectively. Over the same period, our top five Airline and Hospitality Solutions customers represented 22% and 20% of our Airline and Hospitality Solutions revenues, respectively. Historical consolidation in the global airline industry, including the mergers of American Airlines and US Airways, Delta and Northwest Airlines, United Airlines and Continental Airlines, as well as Southwest Airlines and AirTran, have generally increased our revenue concentration. If additional consolidation in the airline industry were to occur in the future, our levels of revenue concentration may further increase.

Revenue Models

We employ several revenue models across our businesses with some revenue models employed in multiple businesses. Travel Network primarily employs the transaction revenue model. Airline and Hospitality Solutions primarily employs the SaaS and hosted and consulting revenue models, as well as the software licensing fee model to a lesser extent. Travelocity primarily employed two revenue models: (i) the merchant revenue model or our Net Rate Program (applicable to a majority of our hotel net rate revenues) and (ii) the agency revenue model (applicable to most of our airline, car and cruise commission revenues and a small portion of hotel commission revenues). In connection with the Expedia SMA, Travelocity has begun to employ the marketing fee revenue model (applicable to revenue generated through Travelocity-branded websites operated by Expedia). Travel Network and, historically, Travelocity also, employ the media revenue model (applicable to advertising revenues). We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Transaction Revenue Model This model accounts for substantially all of Travel Network s revenue. We define a Direct Billable Booking as any booking that generates a fee directly to Travel Network. These include bookings made through our GDS (e.g., air, car and hotel bookings) and through our joint venture partners in cases where we are paid directly by the travel supplier. Under this model, a transaction occurs when a travel agency or corporate travel department books, or reserves, a travel supplier s product on our GDS, for which we receive a fee. Transaction fees include, but are not limited to, transaction fees paid by travel suppliers for selling their inventory through our GDS and transaction fees paid by travel agency subscribers related to their use of our GDS. We receive revenue from the travel supplier and the travel agency according to the commercial arrangement with each.

Transaction revenue for airline travel reservations is recognized at the time of the booking of the reservation, net of transaction fee reserves for estimated future cancellations. Our transaction fee cancellation reserve was $8 million at December 31, 2013 and December 31, 2012. Transaction revenue for car rental, hotel bookings and other travel services is recognized at the time the reservation is used by the customer.

SaaS and Hosted Revenue Model The SaaS and hosted revenue model is the primary revenue model employed by Airline and Hospitality Solutions. This revenue model applies to situations where we host software solutions on our own secure platforms or deploy it through our SaaS solutions, and we maintain the software as well as the infrastructure it employs. Our customers pay us an implementation fee and a recurring usage-based fee for the use of such software pursuant to contracts with terms that typically range between three and ten years and generally include minimum annual volume requirements. This usage-based fee arrangement allows our customers to pay for software normally on a monthly basis to the extent that it is used. Similar contracts with the same customer which are entered into at or around the same period are analyzed for revenue recognition purposes on a combined basis. Revenue from implementation fees is generally recognized over the term of the agreement. The amount of periodic usage fees is typically based on a metric relevant to the software purchased. We recognize revenue from recurring usage-based fees in the period earned. Over the last several years, our customers have shifted toward the SaaS and hosted revenue model as license fee contracts expire, and we expect to continue to facilitate the shift from license fee contracts to the SaaS and hosted revenue model going forward.

Consulting Revenue Model Airline and Hospitality Solutions offerings that utilize the SaaS and hosted revenue model are sometimes sold as part of multiple-element agreements for which we also provide consulting services. Our consulting services are primarily focused on helping customers achieve better utilization of and return on their software investment. Often, we provide consulting services during the implementation phase of our SaaS solutions. We account for consulting service revenue separately from implementation and recurring usage-based fees, with value assigned to each element based on its relative selling price to the total selling price. We perform a market analysis on a periodic basis to determine the range of selling prices for each product and service. The revenue for consulting services is generally recognized over the period the consulting services are performed.

Software Licensing Fee Revenue Model The software licensing fee revenue model is also utilized by Airline and Hospitality Solutions. Under this model, we generate revenue by charging customers for the installation and use of our software products. Some contracts under this model generate additional revenue for the maintenance of the software product. When software is sold without associated customization or implementation services, revenue from software licensing fees is recognized when all of the following are met: (i) the software is delivered, (ii) fees are fixed or determinable, (iii) no undelivered elements are essential to the functionality of delivered software, and (iv) collection is probable. When software is sold with customization or implementation services, revenue from software licensing fees is recognized based on the percentage of completion of the customization and implementation services. Fees for software maintenance are recognized ratably over the life of the contract. We are unable to determine vendor-specific objective evidence of fair value for software maintenance fees. Therefore, when fees for software maintenance are included in software license agreements, revenue from the software license, customization, implementation and the maintenance are recognized ratably over the related contract term.

Marketing Fee Revenue Model With the implementation of Expedia s technology for our U.S. and Canadian websites beginning late in 2013, Expedia is required to pay us a performance-based marketing fee that will vary based on the amount of travel booked through Travelocity-branded websites powered by Expedia. The marketing fee we receive will be recorded as revenue and the costs we incur for marketing and to promote the Travelocity brand will be recorded as selling, general and administrative expense in our results of operations. The revenue recognized under this model was not material to our results of operations for the year ended December 31, 2013. See Factors Affecting our Results Travelocity.

Merchant Revenue Model The merchant revenue model or the Net Rate Program is utilized by Travelocity, except to the extent the marketing fee revenue model applies. We primarily use this model for revenue from hotel reservations and dynamically packaged combinations of travel components. Pursuant to this model, we are the merchant of record for credit card processing for travel accommodations. Even though we are the merchant of record for these transactions, we do not purchase and resell travel accommodations, and we do not have any obligations with respect to the travel accommodations we offer online that we do not sell. Instead, we act as an intermediary by entering into agreements with travel suppliers for the right to market their products, services and other offerings at pre-determined net rates. We market net rate offerings to travelers at prices that include an amount sufficient to pay the travel supplier for providing the travel accommodations and any occupancy and other local taxes, as well as additional amounts representing our service fees, which is how we generate revenue under this model. Under this revenue model, we require prepayment by the traveler at the time of booking.

Travelocity recognizes net rate revenue for stand-alone air travel at the time the travel is booked with a reserve for estimated future canceled bookings. Revenues from vacation packages and car rentals as well as hotel net rate revenues are recognized at the time the reservation is used by the consumer.

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For net rate and dynamically packaged combinations sold through Travelocity, we record net rate revenues based on the total amount paid by the customer for products and services, net of 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 travel suppliers. In some cases, a portion of Travelocity s prepaid net rate and travel package transactions goes unused by the traveler. In such circumstances, Travelocity may not be billed the full amount of the accrued supplier liability. Therefore, we reduce the accrued supplier liability for amounts aged more than six months after the reservation goes unused and record the aged amount as revenue if certain conditions are met. Our process for determining when aged amounts may be recognized as revenue includes consideration of key factors such as the age of the supplier liability, historical billing and payment information, among others.

See Factors Affecting our Results Travelocity.

Agency Revenue Model This model is employed by Travelocity, except to the extent the marketing fee revenue model applies, and applies to revenues generated via commissions from travel suppliers for reservations made by travelers through our websites. Under this model, we act as an agent in the transaction by passing reservations booked by travelers to the relevant airline, hotel, car rental company, cruise line or other travel supplier, while the travel supplier serves as merchant of record and processes the payment from the traveler.

Under the agency revenue model, Travelocity recognizes commission revenue for stand-alone air travel at the time the travel is booked with a reserve for estimated future canceled bookings. Commissions from car and hotel travel suppliers 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 and uncollectable commissions. As of December 31, 2013 and 2012, our reserve was approximately $2 million and $3 million, respectively.

See Factors Affecting our Results Travelocity.

Media Revenue Model The media revenue model is used to record advertising revenue from entities that advertise products on Travelocity s websites, except to the extent the marketing fee revenue model applies, and, to a lesser extent, on our GDS. Advertisers use two types of advertising metrics: (i) display advertising and (ii) action advertising. In display advertising, advertisers usually pay based on the number of customers who view the advertisement, and are charged based on cost per thousand impressions. In action advertising, advertisers usually pay based on the number of customers who perform a specific action, such as click on the advertisement, and are charged based on the cost per action. Advertising revenues are recognized in the period that the advertising impressions are delivered or the click-through or other specific action occurs.

See Factors Affecting our Results Travelocity.

Components of Revenues and Expenses

Revenues

Travel Network

Travel Network primarily generates revenues from the transaction revenue model, as well as revenue from certain services we provide our joint ventures and the sale of aggregated bookings data to carriers. See Revenue Models.

Airline and Hospitality Solutions

Airline and Hospitality Solutions primarily generates revenue from the SaaS and hosted revenue model, the consulting revenue model, as well as the software licensing fee model to a lesser extent. Over the last several years, our customers have shifted toward the SaaS and hosted revenue model as license fee contracts expire, and we expect to continue to facilitate the shift from license fee contracts to the SaaS and hosted revenue model going forward. See Revenue Models.

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Travelocity

Travelocity generates transaction revenue through the merchant revenue model and the agency revenue model, and non-transaction revenue, in each case, except to the extent the marketing fee model applies. See Factors Affecting our Results Travelocity. Transaction revenue is comprised of (i) stand-alone air transaction revenue (i.e., revenue from the sale of air travel without any other products) and (ii) other transaction revenue (i.e., revenue from hotel suppliers, packages which include multiple travel products, lifestyle products such as theatre tickets and services). Both are accounted for under either the merchant or agency revenue models.

Except to the extent the marketing fee model applies, Travelocity also generates revenues from fees from offline (e.g., call center agent transacted) bookings for air and packages and insurance revenues from third-party insurance providers whose air, total trip and cruise insurance we offer on our websites.

Additionally, Travelocity generates intersegment transaction revenue from Travel Network, consisting of incentive consideration earned for Travelocity transactions processed through our GDS and fees paid by Travel Network and Airline and Hospitality Solutions for corporate trips booked through the Travelocity online booking technology. We expect intersegment revenue to substantially decrease in connection with the Expedia SMA. Intersegment transaction revenue is eliminated in consolidation.

Non-transaction revenue consists of advertising revenue from the media revenue model, paper ticket fees and services, and change and reissue fees.

Cost of Revenue

Travel Network

Travel Network cost of revenues consists primarily of:

Incentive Consideration payments or other consideration to travel agencies for reservations made on our GDS which have accrued on a monthly basis. Incentive consideration is provided in two ways, according to the terms of the contract: (i) on a periodic basis over the term of the contract and (ii) in some cases, upfront at the inception or modification of contracts, which is capitalized and amortized over the expected life of the contract. The amortized portion of the upfront incentive consideration is recorded to cost of revenue. Travel Network provides incentive consideration to Travelocity for Travelocity transactions processed through our GDS, although we expect intersegment revenue to substantially decrease in connection with the Expedia SMA. Intersegment expense is eliminated in consolidation. See Components of Revenues and Expenses Intersegment Transactions.

Technology Expenses data processing, data center management, application hosting, applications development and maintenance and related charges.

Labor Expenses salaries and benefits paid to employees supporting the operations of the business.

Other Expenses includes services purchased, facilities and corporate overhead.

Airline and Hospitality Solutions

Airline and Hospitality Solutions cost of revenues consists primarily of:

Labor Expenses salaries and benefits paid to employees for the development, delivery and implementation of software.

Technology Expenses data processing, data center management, application hosting, applications development and maintenance and related charges resulting from the hosting of our solutions.

Other Expenses includes services purchased, facilities and other costs.

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Travelocity

Except as described below, Travelocity cost of revenue has consisted primarily of:

Volume Related Expenses customer service costs; credit card fees and technology fees; charges related to fraudulent bookings and compensation to customers, i.e., for service related issues.

Technology Expenses data processing, data center management, applications development, maintenance and related charges.

Labor Expenses salaries and benefits paid to employees supporting the operations of the business.

Other Expenses includes services purchased, facilities and other costs.

In connection with the Expedia SMA, Travelocity will not incur significant cost of revenues with respect to Travelocity s existing websites in the United States and Canada.

Corporate

Corporate cost of revenue includes certain shared technology costs as well as stock-based compensation expense, litigation expenses associated with occupancy or other taxes and other items that are not identifiable with one of our segments.

Depreciation and amortization

Cost of revenue includes depreciation and amortization associated with property and equipment and software developed for internal use that supports our revenue, businesses and systems. Depreciation and amortization also includes amortization of contract implementation costs and intangible assets for technology purchased through acquisitions or established with our take-private transaction.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of personnel-related expenses for employees that sell our services to new customers and administratively support the business, commission payments made to travel agency and distribution partners of Travelocity, advertising and promotional costs primarily for Travelocity, certain settlement costs and costs to defend legal disputes, bad debt expense, depreciation and amortization and other costs. In connection with the Expedia SMA, Travelocity will no longer incur non-marketing related expenses; instead, the marketing fee we will receive under the Expedia SMA will be net of costs incurred by Expedia in connection with these activities. However, the marketing costs we incur to promote the Travelocity brand will be recorded as selling, general and administrative expenses.

Intersegment Transactions

We account for significant intersegment transactions as if the transactions were with third parties, that is, at estimated current market prices. The majority of the intersegment revenues and cost of revenues are between Travelocity and Travel Network, consisting mainly of accruals for incentive consideration, net of data processing fees incurred, by Travel Network to Travelocity for transactions processed through our GDS, transaction fees paid by Travelocity to Travel Network for transactions facilitated through our GDS in which the travel supplier pays Travelocity directly, and fees paid by Travel Network to Travelocity for corporate trips booked through the Travelocity online booking technology. In addition, Airline and Hospitality Solutions pays fees to Travel Network for airline trips booked through our GDS. Due to the elimination of the intersegment revenue between Travelocity.com and Travel Network with the Expedia SMA, we expect intersegment eliminations to substantially decrease in 2014 from current levels. See Note 21, Segment Information, to our audited consolidated financial statements included elsewhere in this prospectus.

Matters Affecting Comparability

Mergers and Acquisitions

Our results of operations have been affected by mergers and acquisitions as summarized below.

Mergers and Acquisitions in 2013

We had no acquisitions in the year ended December 31, 2013.

Mergers and Acquisitions in 2012

In the third quarter of 2012, we acquired all of the outstanding stock and ownership interests of PRISM, a leading provider of end-to-end airline contract business intelligence and decision support software. The acquisition, which adds to our portfolio of products within the Airline and Hospitality Solutions, allows for new relationships with airlines and adds to our existing business intelligence capabilities.

Mergers and Acquisitions in 2011

In the first quarter of 2011, we completed the acquisition of Zenon N.D.C., Limited, a provider of GDS services to travel agents in Cyprus. This acquisition further expands Travel Network within Europe.

In the second quarter of 2011, we completed the acquisition of SoftHotel, Inc., a provider of web-based property management solutions for the hospitality industry. This acquisition brings Airline and Hospitality Solutions closer to a fully integrated web-based solution that combines distribution, marketing and operations into a single platform for hotel customers.

Dispositions Impacting Results from Continuing Operations

Dispositions in 2013

Certain Assets of Travelocity On June 18, 2013, we completed the sale of certain assets of TBiz operations to a third-party, which resulted in reduced revenue and expenses for Travelocity in 2013 compared to 2012. TBiz provides managed corporate travel services for corporate customers. We recorded a loss on the sale of $3 million, net of tax, including the write-off of $9 million of goodwill attributed to TBiz based on the relative fair value to the Travelocity North America reporting unit, in our consolidated statement of operations.

Dispositions in 2012

Sabre Pacific On February 24, 2012, we completed the sale of our 51% stake in Sabre Pacific, an entity jointly owned by a subsidiary of Sabre (51%) and Abacus (49%), to Abacus for $46 million of proceeds, which resulted in reduced revenue and expense for Travel Network in 2013 compared to 2012, and to a greater extent, in 2012 compared to 2011. Of the proceeds received, $9 million was for the sale of stock, $18 million represented the repayment of an intercompany note receivable from Sabre Pacific, which was entered into when the joint venture was originally established, and the remaining $19 million represented the settlement of operational intercompany receivable balances with Sabre Pacific and associated amounts we owed to Abacus. We recorded $25 million as gain on sale of business in our consolidated statements of operations. We have also entered into a license and distribution agreement with Sabre Pacific, under which it will market, sub-license, distribute, provide access to and support for our GDS in Australia, New Zealand and surrounding territories. Sabre Pacific is required to pay us an ongoing transaction fee based on booking volumes under this agreement. As of December 31, 2011, the assets and liabilities of Sabre Pacific were classified as held for sale on our consolidated balance sheet. For the year ended December 31, 2012, joint venture equity income included a $24 million impairment of goodwill recorded by Abacus associated with its acquisition of Sabre Pacific.

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Dispositions in 2011

During 2011, we completed no significant dispositions impacting our results of continuing operations.

For a complete list of dispositions, including dispositions classified as discontinued operations, see Note 4, Discontinued Operations and Dispositions, to our audited consolidated financial statements included elsewhere in this prospectus.

Seasonality

The travel industry is seasonal in nature. Travel bookings for Travel Network, and the revenue we derive from those bookings, decrease significantly each year in the fourth quarter, primarily in December. We recognize air-related revenue at the date of booking and, because customers generally book their November and December holiday leisure-related travel earlier in the year, and business-related travel declines during the holiday season, revenue resulting from bookings is typically lower in the fourth quarter. Travelocity revenues are also impacted by the seasonality of travel bookings, but to a lesser extent since commissions from car and hotel travel suppliers and net rate revenue for hotel stays and vacation packages are recognized at the date of travel. There is a slight increase in Travelocity revenues for the second and third quarters compared to the first and fourth quarters due to European travel patterns. Airline and Hospitality Solutions does not experience any significant seasonality patterns in revenue.

Other Items Impacting Comparability

Reduction of insurance sales fees

On January 24, 2012, the U.S. Department of Transportation implemented new regulations that prohibit carriers and ticket agents from including additional optional services in connection with air transportation, a tour or tour component if the optional service is automatically added to the consumer s purchase if the consumer takes no other action (i.e., if the consumer does not opt-out). Prior to the effectiveness of this regulation, we pre-checked the Yes box on Travelocity s websites for certain optional services such as travel insurance, while at the same time providing clear and conspicuous disclosure of the inclusion of such services, itemized pricing thereof and the option to remove such services prior to payment and check-out. The implementation of this regulation resulted in significantly fewer customers electing to purchase such services. For the year ended December 31, 2012, we experienced an $11 million, or 38%, decrease in revenue from insurance sales compared with the year ended December 31, 2011.

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Results of Operations

The table below sets forth our consolidated statement of operations data for each of the periods presented. Certain amounts previously reported in our December 31, 2012 and 2011 financial statements have been reclassified to conform to the December 31, 2013 presentation as a result of discontinued operations. In June 2013, we sold certain assets of our Holiday Autos operations to a third party and in November 2013, we completed the closing of the remainder of the Holiday Autos operations such that it represented a discontinued operation. See Note 4, Discontinued Operations and Dispositions, to our audited consolidated financial statements included elsewhere in this prospectus. The impact on our revenue was a reduction of $65 million and $76 million for the years ended December 31, 2012 and 2011, respectively. The impact on our operating income was an increase of $12 million for the year ended December 31, 2012 and a reduction of less than $1 million for the year ended December 31, 2011.

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Revenue	$ 3,049,525	$ 2,974,364	$ 2,855,961
Cost of revenue	1,904,850	1,819,235	1,736,041
Selling, general and administrative	792,929	1,188,248	806,435
Impairment	138,435	573,180	185,240
Restructuring charges	36,551		
Operating income (loss)	176,760	(606,299)	128,245
Interest expense, net	(274,689)	(232,450)	(174,390)
Loss on extinguishment of debt	(12,181)		
Gain on sale of business		25,850	
Joint venture equity income	15,554	24,487	26,701
Joint venture goodwill impairment and intangible amortization	(3,204)	(27,000)	(3,200)
Other expenses (income), net	(6,724)	(1,385)	1,156
Loss from continuing operations before income taxes	(104,484)	(816,797)	(21,488)
(Benefit) provision for income taxes	(14,029)	(195,071)	57,806
Loss from continuing operations	$ (90,455)	$ (621,726)	$ (79,294)

Revenue

	Year Ended December 31,			Change			
	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
	(Amounts in thousands)						
Revenue by Segment							
Travel Network	$ 1,821,498	$ 1,795,127	$ 1,740,007	$ 26,371	1%	$ 55,120	3%
Airline and Hospitality Solutions	711,745	597,649	522,692	114,096	19%	74,957	14%
Travelocity	585,989	659,472	699,604	(73,483)	(11)%	(40,132)	(6)%

Total segment revenue	3,119,232	3,052,248	2,962,303	66,984	2%	89,945	3%
Eliminations	(69,707)	(77,884)	(106,342)	8,177	10%	28,458	27%
Total revenue	$ 3,049,525	$ 2,974,364	$ 2,855,961	$ 75,161	3%	$ 118,403	4%

2013 compared to 2012

Revenue increased $75 million, or 3%, for the year ended December 31, 2013 compared with the year ended December 31, 2012.

Travel Network Revenue increased $26 million, or 1%, for the year ended December 31, 2013 compared with the year ended December 31, 2012. The increase was driven by a $25 million increase in other revenue

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primarily from payments in connection with certain services provided to our joint ventures. Transaction-based revenue was flat at $1,590 million for the year ended December 31, 2013 compared to the prior year. We processed 368 million Direct Billable Bookings in 2013, representing a decrease of 12 million Direct Billable Bookings, or 3%, compared to 2012. This decrease was offset by a 3% increase in the average booking fee.

Airline and Hospitality Solutions Revenue increased $114 million, or 19%, for the year ended December 31, 2013 compared with the year ended December 31, 2012.

This $114 million increase in revenue primarily resulted from:

- a $48 million increase in Airline Solutions SabreSonic Customer Sales and Service (SabreSonic CSS) revenue for the year ended December 31, 2013 compared to the prior year. The increase in revenue was due to an increase of 73 million, or 18%, in processed reservations for PBs to 478 million in 2013. The increase in PBs was primarily due to new customers;

- a $54 million increase in Airline Solutions commercial and operations solutions revenue primarily the result of $25 million generated from our 2012 acquisition of PRISM and a $29 million increase in other airline software solutions, consulting and professional services; and

- a $12 million increase in Hospitality Solutions revenue for the year ended December 31, 2013 compared to prior year due to an increase in CRS transactions in 2013.

Travelocity Revenue decreased $73 million, or 11%, for the year ended December 31, 2013 compared with the year ended December 31, 2012. This decrease in revenue primarily resulted from a $59 million decrease resulting from a 5% decline in transaction volumes and a 6% decline in average transaction value, primarily driven by the loss of a large TPN customer in 2012, and a $11 million decrease in revenue related to the disposition of TBiz during 2013. Media and advertising revenues also declined by $5 million in the year ended December 31, 2013 compared to the prior year.

2012 compared to 2011

Revenue increased $118 million, or 4%, for the year ended December 31, 2012 compared with the year ended December 31, 2011.

Travel Network Revenue increased $55 million, or 3%, for the year ended December 31, 2012 compared with the year ended December 31, 2011.

This $55 million increase in revenue primarily resulted from:

- a $41 million increase in revenue for certain services provided to our joint ventures; and an increase of $12 million in transaction-based revenue due to a 1% increase in the average booking fee partially offset by a decrease of 2 million, or less than 1%, on Direct Billable Bookings to 380 million in 2012.

Airline and Hospitality Solutions Revenue increased $75 million, or 14%, for the year ended December 31, 2012 compared with the year ended December 31, 2011.

This $75 million increase in revenue primarily resulted from:

a $36 million increase in Airline Solutions SabreSonic CSS revenue for the year ended December 31, 2012 compared to the prior year due primarily to an increase of 41 million, or 11%, in PBs to 405 million in 2012. The increase in PB volume was from existing and new customers;

a $28 million increase in Airline Solutions commercial and operations solutions revenue as a result of $12 million of revenue growth generated from our 2012 acquisition of PRISM and a $16 million increase in other airline software solutions, consulting and professional services; and

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a $11 million increase in Hospitality Solutions revenue for the year ended December 31, 2012 compared to the prior year as a result of an increase in CRS transactions in 2012.

Travelocity Revenue decreased $40 million, or 6%, for the year ended December 31, 2012 compared with the year ended December 31, 2011.

This $40 million decrease in revenue primarily resulted from:

a decline of $22 million in transaction revenue driven by a 2% decline in transaction volumes and a 13% decline in average transaction value in North America. The decline in transaction volumes was primarily driven by the loss of a large TPN customer in 2012 and the decline in average transaction value was primarily due to the reduction of air insurance revenue as a result of changing the purchase of trip insurance on our website from opt-out to opt-in in early 2012 and the loss of a large TPN customer in 2012. These declines in North America were partially offset by a 6% increase in transaction volumes and an 8% increase in average transaction value in Europe;

a decline of $11 million in media revenue in North America and Europe; and

an $8 million decline in intersegment revenue primarily associated with incentive consideration received from Travel Network due to a loss of a large TPN customer during 2012. Intersegment revenue is eliminated in consolidation.

Cost of Revenue

	Year Ended December 31,			Change			
	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
	(Amounts in thousands)						
Cost of revenue							
Travel Network	$ 1,047,608	$ 1,022,415	$ 1,034,586	$ 25,193	2%	$ (12,171)	(1)%
Airline and Hospitality Solutions	524,452	430,623	369,132	93,829	22%	61,491	17%
Travelocity	240,515	282,370	291,832	(41,855)	(15)%	(9,462)	(3)%
Total segment cost of revenue	1,812,575	1,735,408	1,695,550	77,167	4%	39,858	2%
Eliminations	(68,990)	(76,874)	(105,259)	7,884	10%	28,385	27%
Corporate	161,265	160,701	145,750	564	0%	14,951	10%
Total cost of revenue	$ 1,904,850	$ 1,819,235	$ 1,736,041	$ 85,615	5%	$ 83,194	5%

2013 compared to 2012

The total cost of revenue increased by $86 million, or 5%, for the year ended December 31, 2013 compared with the year ended December 31, 2012.

Travel Network Cost of revenue increased $25 million, or 2%, for the year ended December 31, 2013 compared with the year ended December 31, 2012, which primarily resulted from:

- a $18 million increase in incentive consideration, in line with higher Direct Billable Transactions in regions with favorable booking fee rates;

- a $16 million increase in depreciation and amortization associated with the completion and amortization of software developed for internal use; partially offset by

- a $5 million decrease in other operating expenses primarily related to the disposition of Sabre Pacific in February of 2012; and

- labor costs remaining relatively flat, decreasing $2 million to $173 million for the year ended December 31, 2013 compared to $175 million in the prior year.

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Airline and Hospitality Solutions Cost of revenue increased $94 million, or 22%, for the year ended December 31, 2013 compared with the year ended December 31, 2012, which primarily resulted from:

- a $48 million increase in labor costs to $276 million for the year ended December 31, 2013 compared to $228 million in the prior year. The increase was attributed to increased headcount to support 2013 implementations, increased customer support and maintenance, additional headcount associated with the acquisition of PRISM in August of 2012 and minor enhancements to our SaaS and hosted systems;
- a $24 million increase in depreciation and amortization primarily associated with the completion and amortization of software developed for internal use as well as capitalized implementation costs; and
- an increase of $12 million in technology-related expenses, driven by higher transaction volumes.

Travelocity Cost of revenue decreased $42 million, or 15%, for the year ended December 31, 2013 compared with the year ended December 31, 2012, which primarily resulted from:

- a $29 million decrease in depreciation and amortization as the result of the impairment of certain property and equipment and intangible assets related to Travelocity at the end of 2012;
- a $10 million decline in services purchased due to lower call center costs related to the loss of a large TPN customer; and
- a decline of $8 million in transaction-related fees as a result of lower transaction volumes; and
- a decline of $8 million in labor costs due to reductions in headcount; partially offset by
- a $12 million increase in other operating expenses primarily related to other fraud-related expenses and credit card chargebacks.

Corporate Cost of revenue associated with corporate unallocated costs remained flat at $161 million for the year ended December 31, 2013 compared with the year ended December 31, 2012. Labor costs increased by $8 million to $20 million in 2013 and amortization of intangible assets increased by $3 million related to the PRISM acquisition in August 2012. These increases were largely offset by a $9 million decrease in unallocated amortization due to the impairment of acquisition-related intangibles associated with Travelocity at the end of 2012.

2012 compared to 2011

The total cost of revenue increased by $83 million, or 5%, for the year ended December 31, 2012 compared with the year ended December 31, 2011.

Travel Network Cost of revenue decreased $12 million, or 1%, for the year ended December 31, 2012 compared with the year ended December 31, 2011, which primarily resulted from:

- a $27 million decrease in incentive consideration related to the sale of Sabre Pacific;
- a decrease in labor costs of $2 million to $175 million for the year ended December 31, 2012 compared to $177 million in the prior year; partially offset by
- an $11 million increase in forward contract expenses; and
- a $5 million increase in depreciation and amortization primarily driven by the completion and amortization of software developed for internal use.

Airline and Hospitality Solutions Cost of revenue increased $61 million, or 17%, for the year ended December 31, 2012 compared with the year ended December 31, 2011, which primarily resulted from:

- an increase in labor costs of $34 million to $228 million for the year ended December 31, 2012 compared to $194 million in the prior year, attributable to increased headcount to support 2012 customer implementations, pending 2013 implementations, increased customer support, and labor costs for minor enhancement and maintenance to our SaaS and hosted systems;

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a $20 million increase in depreciation and amortization primarily associated with the completion and amortization of software developed for internal use as well as capitalized implementation costs;

technology-related expenses increased $4 million, driven by higher transaction volumes, which were partially offset by lower rates resulting from a renegotiation of our contract with our primary technology provider, and

a $3 million increase in other expenses driven by increased outside services purchased to support new customer implementations.

Travelocity Cost of revenue decreased $9 million, or 3%, for the year ended December 31, 2012 compared with the year ended December 31, 2011, which primarily resulted from:

a decrease of $11 million in labor costs to $75 million for the year ended December 31, 2012 compared to $87 million in the prior year, as a result of the completion of a customer implementation in the prior year; and

$15 million of reduced bank service charges, credit card fees, and service compensation expenses due to lower merchant volumes;

a $3 million decrease in depreciation and amortization; partially offset by

$18 million in increased call center costs to provide overall customer support for new TPN customers added in 2011; and

$5 million in increased data processing charges during the period.

Corporate Cost of revenue associated with corporate unallocated costs increased by $15 million, or 10%, for the year ended December 31, 2012 compared with the year ended December 31, 2011. The increase in cost of revenue was primarily the result of $25 million in back excise taxes, penalties and interest in 2012 mainly in connection with general excise tax litigation with the State of Hawaii (see Note 20, Commitment and Contingencies, to our audited consolidated financial statements included elsewhere in this prospectus), a $9 million increase in shared technology-related expenses and a $4 million increase in unallocated amortization of acquisition-related intangible assets as a result of recent acquisitions. These increases were offset by a $24 million decrease in labor costs to $13 million compared to $37 million in the prior year due to an increase of development labor charges to the segments.

Selling, general and administrative expenses

	Year Ended December 31,			Change	
	2013	**2012**	**2011**	**2013 vs. 2012**	**2012 vs. 2011**

	(Amounts in thousands)						
Personnel	$ 278,019	$ 261,560	$ 239,267	$ 16,459	6%	$ 22,293	9%
Advertising and promotion	151,589	160,837	187,492	(9,248)	(6)%	(26,655)	(14)%
Commission payments to affiliates	72,002	85,143	97,141	(13,141)	(15)%	(11,998)	(12)%
Litigation charges		346,515		(346,515)	**	346,515	**
Allowance for bad debt	9,030	4,465	3,670	4,565	102%	795	22%
Other	177,179	212,201	158,595	(35,022)	(17)%	53,606	34%
Depreciation and amortization	105,110	117,527	120,270	(12,417)	(11)%	(2,743)	(2)%
Total selling, general and administrative	$ 792,929	$ 1,188,248	$ 806,435	$ (395,319)	(33)%	$ 381,813	47%

** not meaningful

2013 compared to 2012

Selling, general and administrative expenses decreased $395 million, or 33%, for the year ended December 31, 2013 compared with the year ended December 31, 2012.

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This decrease in selling, general and administrative expenses was primarily driven by a $347 million litigation charge recorded during the year ended December 31, 2012 for the settlement of the state and federal cases with American Airlines, which did not reoccur in the year ended December 31, 2013. Additionally, legal fees within other expenses decreased $33 million as a result of the settlement of our dispute with American Airlines in 2012. These reductions within other expenses are offset by $7 million of costs incurred by Travelocity to enhance its offering and pursue a new TPN customer, which did not materialize.

During the year ended December 31, 2013, we also had a decline of $13 million in commission payments to affiliates due to the loss of a large TPN partner in 2012. These declines are offset by increases in personnel-related expenses including $16 million in higher salaries and benefits attributed to increased corporate headcount to support the growth of the business and an increase in compensation costs in Travel Network attributed to higher variable compensation awards for employees as a result of improved overall performance.

Depreciation and amortization decreased $12 million, or 11%, for the year ended December 31, 2013 compared to the prior year. The decrease was the result of the impairment of intangible assets related to Travelocity in the fourth quarter of 2012.

2012 compared to 2011

Selling, general and administrative expenses increased $382 million, or 47%, for the year ended December 31, 2012 compared with the year ended December 31, 2011. This increase was primarily driven by $347 million of expenses related to the litigation settlement with American Airlines that occurred during the year ended December 31, 2012. Within other expenses is $47 million of increased legal fees and other costs associated with various legal disputes throughout 2012 and $3 million in increased services purchased to facilitate the move of a Travelocity call center to Poland. Personnel-related expenses increased $22 million as a result of $11 million in increased corporate headcount and variable compensation awards as well as $11 million of higher labor costs to support Travelocity. Partially offsetting these increases was a decrease of $12 million in commission payments to affiliates due to the loss of a large TPN partner in 2012 by Travelocity. Advertising and promotional costs declined due to reductions taken by Travelocity. Travelocity had a $27 million reduction in advertising spend driven by fewer purchases of non-brand search engine key words and other promotions.

Impairment

	Year Ended December 31,			Change			
	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
	(Amounts in thousands)						
Impairment	$ 138,435	$ 573,180	$ 185,240	$ (434,745)	(76)%	$ 387,940	209%

2013 compared to 2012

Impairment expense was $138 million for the year ended December 31, 2013. In the second quarter of 2013, we allocated $9 million and $36 million in goodwill to TBiz and Holiday Autos, which are assets within the Travelocity North America and Travelocity Europe reporting units, respectively. We therefore initiated an impairment analysis on the remainder of the goodwill associated with these reporting units. Further declines in our current projections of the discounted future cash flows of these reporting units and current market participant considerations led to a $96 million impairment in Travelocity North America and a $40 million impairment in Travelocity Europe which have been recorded in our results of operations. As of December 31, 2013, Travelocity had no remaining goodwill.

2012 compared to 2011

Impairment expense was $573 million for the year ended December 31, 2012 compared with $185 million for the year ended December 31, 2011.

Travelocity goodwill was impaired by $63 million as a result of one of its competitors announcing plans to move towards offering hotel customers a choice of payment options which could adversely affect hotel margins over time. We therefore initiated an impairment analysis of Travelocity as of September 30, 2012. The expected change in the competitive business environment and the resulting impact on our current projections of the discounted future cash flows led to a $58 million impairment in Travelocity North America and a $5 million impairment in Travelocity Europe. In the fourth quarter of 2012, we continued to see further weakness in Travelocity s business performance resulting in lower projected revenues and declining margins for Travelocity North America and Travelocity Europe thus requiring an impairment assessment of Travelocity as of December 31, 2012. As a result, we recorded impairments on long-lived assets of $281 million for Travelocity North America, of which $30 million pertained to software developed for internal use, $7 million pertained to computer equipment $6 million related to capitalized implementation costs and the remainder related to definite-lived intangible assets. We also recorded impairments of $154 million for Travelocity Europe, of which $11 million pertained to software developed for internal use, $4 million pertained to computer equipment and the remainder related to definite lived intangible assets. We also recorded an additional goodwill impairment charge for Travelocity Europe for $65 million as a result of our updated analysis. In 2012, we further recorded $20 million of impairment related to leasehold improvements associated with a corporate building that is not occupied and for which we no longer anticipate being able to sublease to a third-party before the end of the lease term. During 2011, we recorded $185 million of impairment as Travelocity was impacted by a continuing decline in margins due to pressure from competitive pricing, reduced bookings and the resulting impact on our projections of the discounted future cash flows, as well as a still weak economic environment.

Restructuring Charges

	Year Ended December 31,			Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
	(Amounts in thousands)				
Restructuring charges	$ 36,551	$	$	$ 36,551 **%	$ **%

** not meaningful

In the third quarter of 2013, we initiated plans to restructure our Travelocity business in connection with which we recorded restructuring charges totaling $28 million for the year ended December 31, 2013, which included $18 million of employee termination benefits, $4 million of asset impairments and $6 million of other related costs. $22 million of these restructuring charges was attributable to the restructuring of our Travelocity businesses in the United States and Canada in connection with the Expedia SMA and the remaining $6 million was attributable to employee termination benefits in connection with the restructuring of lastminute.com, the European portion of our Travelocity business. See Factors Affecting Our Results Travelocity.

In the fourth quarter of 2013, we also initiated a restructuring plan to simplify our technology organization, better align costs with our current business, reduce our spend on third-party resources, and to increase focus on product development. The majority of this plan will be completed in 2014. As a part of this restructuring plan, we will reduce our employee base by approximately 350 employees. We recorded a charge of $8 million associated with employee termination benefits in the fourth quarter of 2013 and do not expect to record material charges in 2014 related to this action. See Note 5, Restructuring Charges, to our audited consolidated financial statements included elsewhere in this prospectus.

Interest expense, net

	Year Ended December 31,			Change			
	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
	(Amounts in thousands)						
Interest expense, net	$ 274,689	$ 232,450	$ 174,390	$ 42,239	18%	$ 58,060	33%

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2013 compared to 2012

Interest expense, net, increased $42 million, or 18%, for year ended December 31, 2013 compared with the year ended December 31, 2012. We entered into multiple debt transactions during 2012 and 2013 that increased our overall effective interest rate and increased our debt levels which resulted in additional interest expense of $40 million during the year ended December 31, 2013. See Note 11, Debt Senior Secured Credit Facility, to our audited consolidated financial statements included elsewhere in this prospectus. Additionally, debt modification expenses and original issue discount amortization increased by $8 million during the year ended December 31, 2013 compared to the prior year. We also incurred $17 million of imputed interest related to a litigation settlement payable during the year ended December 31, 2013. Offsetting these increases was a $16 million reduction associated with accelerating the amortization of our debt issuance cost in 2012 as well as a $9 million increase in interest savings as a result of the maturity of certain of our interest rates swaps in 2012. See Note 12, Derivatives, to our audited consolidated financial statements included elsewhere in this prospectus.

2012 compared to 2011

Interest expense, net, increased $58 million, or 33%, for the year ended December 31, 2012 compared with the year ended December 31, 2011. The change was due to an increase in the interest rate spread on $2 billion of our term loan as a result of amendments to our credit agreements on February 28, 2012, May 9, 2012 and August 15, 2012, made in connection with the maturity dates of certain loans, as well as the issuance of $800 million of 8.5% senior secured notes due in 2019. In the first half of 2012, we extended the maturity of $284 million, or 57%, of our revolving credit facility to 2016 and also extended the maturity of $1,854 million, or 65%, of our term loan outstanding to 2017, with an increase in interest rate spread from the LIBOR plus 2.00% to LIBOR plus 5.75%. In the second quarter we issued $400 million of 8.5% senior secured notes due in 2019. In the third quarter of 2012, we paid down $773 million of our non-extended term loans maturing 2014 through the issuance of $375 million non-extended term loans maturing in 2017, which bears interest at a rate of LIBOR plus 6.00%, and $400 million of 8.5% senior secured notes due in 2019.

The increase in interest rates reflected current market pricing for similarly rated debt offerings and resulted in a $49 million increase in interest expense. Additionally, we incurred $22 million of expense due to our issuance of senior secured notes in May and September 2012 at a rate of 8.5%. The increase was partially offset by a $14 million decrease as a result of paying down $324 million of senior secured notes on August 1, 2011.

Loss on extinguishment of debt

	Year Ended December 31, (Amounts in thousands)			Change			
	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
Loss on extinguishment of debt	$ 12,181	$	$	$ 12,181	**%	$	**%

** not meaningful

Loss on extinguishment of debt was $12 million for the year ended December 31, 2013 as a result of our debt restructuring transaction in the first quarter of 2013. See Description of Certain Indebtedness Senior Secured Credit Facilities.

Gain on sale of business

	Year Ended December 31,			Change			
	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
	(Amounts in thousands)						
Gain on sale of business	$	$ 25,850	$	$ (25,850)	**%	$ 25,850	**%

** not meaningful

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Gain on sale of business for the year ended December 31, 2012 was $26 million and primarily related to the sale of our 51% stake in Sabre Pacific to Abacus for $46 million of proceeds. See Matters Affecting Comparability Dispositions.

Joint venture equity income, goodwill impairment and intangible amortization

	Year Ended December 31,			Change			
	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
	(Amounts in thousands)						
Joint venture equity income	$ 15,554	$ 24,487	$ 26,701	$ (8,933)	(36)%	$ (2,214)	(8)%
Joint venture goodwill impairment and intangible amortization	(3,204)	(27,000)	(3,200)	23,796	**%	(23,800)	**%

** not meaningful

2013 compared to 2012

Joint venture equity income decreased $9 million, or 36%, for the year ended December 31, 2013 compared with the year ended December 31, 2012. This change was driven by decreased performance of our joint ventures in 2013 compared with the year ended December 31, 2012. Joint venture intangible amortization was flat compared to the prior year. In the year ended December 31, 2012, Abacus recognized an impairment of goodwill. We recognized our share of this impairment at $24 million.

2012 compared to 2011

Joint venture equity income decreased $2 million, or 8%, for the year ended December 31, 2012 compared with the year ended December 31, 2011. This change was driven by decreased performance of our joint ventures in 2012 compared with the year ended December 31, 2011. Joint venture intangible amortization was flat compared to the prior year. In the year ended December 31, 2012, Abacus recognized an impairment of goodwill. We recognized our share of this impairment at $24 million.

Other expenses (income), net

	Year Ended December 31,			Change			
	2013	2012	2011	2013 vs . 2012		2012 vs . 2011	
	(Amounts in thousands)						
Other expenses (income), net	$ 6,724	$ 1,385	$(1,156)	$5,339	**%	$ 2,541	**%

** not meaningful

2013 compared to 2012

Other expenses, net, increased $5 million for the year ended December 31, 2013 compared with the year ended December 31, 2012. The increase was driven primarily by realized and unrealized foreign currency exchange losses.

2012 compared to 2011

Other expenses, net, increased $3 million for the year ended December 31, 2012 compared with the year ended December 31, 2011. The increase was driven primarily by realized and unrealized foreign currency exchange losses.

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(Benefit) Provision for income taxes

	Year Ended December 31, 2013	2012	2011	Change 2013 vs. 2012		2012 vs. 2011	
	(Amounts in thousands)						
(Benefit) provision for income taxes	$ (14,029)	$ (195,071)	$ 57,806	$ 181,042	**%	$ (252,877)	**%

** not meaningful

2013 compared to 2012

We recognized a benefit for income taxes of $14 million for the year ended December 31, 2013 compared to a benefit of $195 million for the year ended December 31, 2012. The decrease in the benefit for income taxes was primarily the result of the decrease in pre-tax loss from continuing operations. The effective tax rates were 13% and 24% for the years ended December 31, 2013 and 2012, respectively. Excluding the impacts of (i) impairment charges, (ii) acquisition related amortization expense, (iii) restructuring and other costs, (iv) litigation and taxes, including penalties, (v) sales of businesses and assets, (vi) changes in valuation allowances, and (vii) other tax and non-tax adjustments, our effective tax rates would have been 39% and 37% for the years ended December 31, 2013 and 2012, respectively.

2012 compared to 2011

We recognized a benefit for income taxes of $195 million for the year ended December 31, 2012 compared to a provision for income taxes of $58 million in the year ended December 31, 2011. The change was driven primarily by the increase in pre-tax loss from continuing operations. The effective tax rates were 24% and (269)% for the years ended December 31, 2012 and 2011, respectively. Excluding the impacts of (i) impairment charges, (ii) acquisition related amortization expense, (iii) restructuring and other costs, (iv) litigation and taxes, (v) sale of business and assets, (vi) changes in valuation allowances, (vii) increases in tax losses for non-controlling interest, and (viii) other tax and non-tax adjustments, our effective tax rates would have been 37% and 35% for the years ended December 31, 2012 and 2011, respectively.

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Quarterly Results of Operations

The following table presents our historical consolidated financial data for our business for each of the eight quarters in the period ended December 31, 2013. The unaudited quarterly statement of operations data have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The historical consolidated data presented below are not necessarily indicative of the results expected for any future period. The following quarterly financial data should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this prospectus.

	Three Months Ended							
	Dec. 31, 2013	**Sep. 30, 2013**	**Jun. 30, 2013**	**Mar. 31, 2013**	**Dec. 31, 2012**	**Sep. 30, 2012**	**Jun. 30, 2012**	**Mar. 31, 2012**
	(Unaudited, amounts in thousands)							
Consolidated Statements of Operations Data:								
Revenue	$ 746,126	$ 775,823	$ 768,232	$ 759,344	$ 699,606	$ 756,740	$ 748,726	$ 769,292
Cost of revenue	481,608	474,090	467,365	481,787	477,815	437,024	434,580	469,816
Selling, general and administrative	172,703	208,033	212,364	199,829	292,926	469,278	213,656	212,388
Impairment		2,837	135,598		496,351	76,829		
Restructuring charges	20,662	15,889						
Operating income (loss)	71,153	74,974	(47,095)	77,728	(567,486)	(226,391)	100,490	87,088
Net income (loss) attributable to Sabre Corporation	26,760	5,372	(116,862)	(15,764)	(505,613)	(186,647)	21,357	59,547
Net income (loss) attributable to common shareholders	17,275	(3,870)	(125,867)	(24,736)	(514,551)	(195,354)	12,872	51,094
Consolidated Statements of Cash Flows Data:								
Cash (used in) provided by operating	$ (94,874)	$ 81,007	$ 78,672	$ 92,383	$ (87,238)	$ 118,255	$ 131,451	$ 149,868

activities								
Additions to property and equipment	57,282	57,257	58,786	52,701	55,596	50,217	44,989	42,460
Other Financial Data:								
Adjusted Gross Margin[(a)]	$ 324,528	$ 360,539	$ 359,127	$ 339,615	$ 286,204	$ 377,347	$ 371,078	$ 355,233
Adjusted Net Income (Loss) from continuing operations[(b)]	69,453	51,737	52,006	43,955	(51,918)	60,247	70,239	72,318
Adjusted EBITDA[(c)]	207,360	201,349	190,111	192,503	157,176	220,051	213,988	195,414
Adjusted capital expenditures[(d)]	67,410	67,280	75,420	74,730	78,294	70,863	65,212	57,436
Consolidated Balance Sheet Data								
Cash and cash equivalents	$ 308,236	$ 491,588	$ 186,012	$ 150,233	$ 126,695	$ 302,383	$ 285,755	$ 93,177
Long-term debt	3,643,548	3,664,942	3,338,653	3,357,751	3,420,927	3,418,987	3,415,628	3,301,291
Working capital deficit	(273,590)	(265,601)	(539,295)	(517,591)	(428,568)	(232,419)	(174,034)	(328,236)

(a) The following table presents a reconciliation of operating income (loss) to Adjusted Gross Margin:

	Three Months Ended							
	Dec. 31, 2013	**Sep. 30, 2013**	**Jun. 30, 2013**	**Mar. 31, 2013**	**Dec. 31, 2012**	**Sep. 30, 2012**	**Jun. 30, 2012**	**Mar. 31, 2012**
	(Unaudited, amounts in thousands)							
Operating income (loss)	$ 71,153	$ 74,974	$ (47,095)	$ 77,728	$ (567,486)	$ (226,391)	$ 100,490	$ 87,088
Add back:								
Selling, general and administrative	172,703	208,033	212,364	199,829	292,926	469,278	213,656	212,388
Impairment		2,837	135,598		496,351	76,829		
Restructuring charges	20,662	15,889						
Depreciation and amortization in cost of revenue[(3)]	52,097	49,421	48,508	52,459	55,319	49,007	47,436	46,444
Amortization of upfront incentive consideration[(8)]	7,913	9,385	9,752	9,599	9,094	8,624	9,496	9,313

Adjusted Gross Margin	$ 324,528	$ 360,539	$ 359,127	$ 339,615	$ 286,204	$ 377,347	$ 371,078	$ 355,233

(b) The following table presents a reconciliation of Adjusted Net Income and to Adjusted EBITDA to net loss attributable to Sabre Corporation, the most directly comparable GAAP measure:

	Three Months Ended							
	Dec. 31, 2013	**Sep. 30, 2013**	**Jun. 30, 2013**	**Mar. 31, 2013**	**Dec. 31, 2012**	**Sep. 30, 2012**	**Jun. 30, 2012**	**Mar. 31, 2012**
	(Unaudited, amounts in thousands)							
Reconciliation of net income (loss) to Adjusted Net Income and to Adjusted EBITDA:								
Net income (loss) attributable to Sabre Corporation	$ 26,760	$ 5,372	$ (116,862)	$ (15,764)	$ (505,613)	$ (186,647)	$ 21,357	$ 59,547
(Loss) income from disc ops, net of tax	(13,719)	(3,015)	12,893	11,017	40,492	(9,282)	6,355	11,382
Net income (loss) attributable to noncontrolling interests[(1)]	728	714	837	584	(49,842)	(4,673)	(717)	(4,085)
Income (loss) from continuing operations	13,769	3,071	(103,132)	(4,163)	(514,963)	(200,602)	26,995	66,844
Adjustments:								
Impairment[(2)]		2,837	135,598		520,151	76,829		
Acquisition related amortization[(3)]	35,811	35,794	36,209	35,951	41,749	40,815	39,745	40,208
Gain on sale of business and assets						(785)		(25,065)
Loss on extinguishment of debt				12,181				
Other expense (income), net[(4)]	5,624	2,429	3,796	(5,125)	1,613	3,535	2,923	(6,686)
	32,756	21,754	2,376	2,166	3,104	952	1,113	1,607

Restructuring and other costs(5)								
Litigation and taxes, including penalties(6)	7,887	8,579	8,327	14,638	122,901	270,923	15,868	8,930
Stock-based compensation	3,640	2,686	36	2,724	1,214	1,106	5,184	2,330
Management fees(7)	1,414	2,126	2,499	2,722	1,512	2,476	1,905	1,876
Tax impact of net income adjustments	(31,448)	(27,539)	(33,703)	(17,139)	(229,199)	(135,002)	(23,494)	(17,726)
Adjusted Net Income (Loss)	69,453	51,737	52,006	43,955	(51,918)	60,247	70,239	72,318
Adjustments:								
Depreciation and amortization of property and equipment(3)	33,796	32,936	31,404	33,347	36,525	33,976	32,591	32,469
Amortization of capitalized implementation costs(3)	8,513	8,437	7,720	10,881	6,537	5,325	4,855	4,138
Amortization of upfront incentive consideration(8)	7,913	9,385	9,752	9,599	9,094	8,624	9,496	9,313
Interest expense, net	65,036	63,454	63,669	82,530	61,191	64,973	58,870	47,416
Remaining (benefit) provision for income taxes	22,649	35,400	25,560	12,191	95,747	46,906	37,937	29,760
Adjusted EBITDA	$ 207,360	$ 201,349	$ 190,111	$ 192,503	$ 157,176	$ 220,051	$ 213,988	$ 195,414

(1) Net income (loss) attributable to non-controlling interests represents an adjustment to include earnings allocated to non-controlling interest held in (i) Sabre Travel Network Middle East of 40% for all periods presented, (ii) Sabre Pacific of 49% through February 24, 2012, the date we sold this business and (iii) Travelocity.com LLC of approximately 9.5% through December 31, 2012, the date we merged this minority interest back into our capital structure. See Note 2, Summary of Significant Accounting Policies, to our audited consolidated financial statements included elsewhere in this prospectus.

(2) Represents impairment charges to assets (see Note 7, Goodwill and Intangible Assets, to our audited consolidated financial statements included elsewhere in this prospectus) as well as $24 million in 2012, representing our share of impairment charges recorded by one of our equity method investments, Abacus.

(3) Depreciation and amortization expenses (see Note 2, Summary of Significant Accounting Policies, to our audited consolidated financial statements included elsewhere in this prospectus for associated asset lives):

a. Acquisition related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date and amortization of the excess basis in our underlying equity in joint ventures.

b. Depreciation and amortization of property and equipment represents depreciation of property and equipment, including software developed for internal use.

c. Amortization of capitalized implementation costs represents amortization of up-front costs to implement new customer contracts under our SaaS and hosted revenue model.

(4) Other, net primarily represents foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

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(5) Restructuring and other costs represents charges associated with business restructuring and associated changes implemented which resulted in severance benefits related to employee terminations, integration and facility opening or closing costs and other business reorganization costs.

(6) Represents charges or settlements associated with airline antitrust litigation as well as payments or reserves taken in relation to certain retroactive hotel occupancy and excise tax disputes (see Note 20, Commitments and Contingencies, to our annual audited consolidated financial statements included elsewhere in this prospectus).

(7) We have been paying an annual management fee to TPG and Silver Lake in an amount equal to between (i) $5 million and (ii) $7 million, the actual amount of which is calculated based on 1% of Adjusted EBITDA, as defined in the MSA, earned by the company in such fiscal year up to a maximum of $7 million. In addition, the MSA provides for the reimbursement of certain costs incurred by TPG and Silver Lake, which are included in this line item. In connection with the completion of the offering, we will pay to TPG and Silver Lake, in the aggregate; an $21.0 million fee pursuant to the MSA and the MSA will be terminated.

(8) Our Travel Network business at times provides upfront incentive consideration to travel agency subscribers at inception or modification of a service contract, which are capitalized and amortized to cost of revenue over an average expected life of the service contract, generally over three to five years. Such consideration is made with the objective of increasing the number of clients, or to ensure or improve customer loyalty. Such service contract terms are established such that the supplier and other fees generated over the life of the contract will exceed the cost of the incentive consideration provided upfront. Such service contracts with travel agency subscribers require that the customer commit to achieving certain economic objectives and generally have terms requiring repayment of the upfront incentive consideration if those objectives are not met.

(c) Includes capital expenditures and capitalized implementation costs as summarized below:

	Three Months Ended							
	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012
	(Unaudited, amounts in thousands)							
Additions to property and equipment	$ 57,282	$ 57,257	$ 58,786	$ 52,701	$ 55,596	$ 50,217	$ 44,989	$ 42,460
Capitalized implementation costs	10,128	10,023	16,634	22,029	22,698	20,646	20,223	14,976
Adjusted capital expenditures	$ 67,410	$ 67,280	$ 75,420	$ 74,730	$ 78,294	$ 70,863	$ 65,212	$ 57,436

Liquidity and Capital Resources

Our principal sources of liquidity are: (i) cash flows from operations, (ii) cash and cash equivalents and (iii) borrowings under our $352 million Revolving Facility. Borrowing availability under our Revolving Facility is reduced by our outstanding letters of credit and restricted cash collateral. At December 31, 2013, 2012 and 2011, our cash and cash equivalents, restricted cash, Revolving Facility, outstanding letters of credit and restricted cash collateral were as follows:

	As of December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Cash and cash equivalents	$ 308,236	$ 126,695	$ 58,350
Restricted cash	2,359	4,440	8,786
Revolving facility outstanding balance			82,000
Outstanding letters of credit	67,139	113,529	120,101
Restricted cash collateral	810	2,075	2,038
Available balance under the revolving facility	285,671	388,546	299,937

Utilization

We utilize cash and cash equivalents primarily to pay our operating expenses, make capital expenditures, invest in our products and offerings, and service our debt and other long-term liabilities. For the years ended December 31, 2013 and 2012, we also used a portion of our cash and cash equivalents to pay our litigation settlement with American Airlines including a $100 million payment made in the fourth quarter of 2013. We will also use a portion of our cash and cash equivalents as of December 31, 2013 to pay travel suppliers as described above under Factors Affecting Our Results Travelocity and $30 million of contingent consideration related to the acquisition of PRISM due in August 2014.

Ability to Generate Cash in the Future

Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations could harm our business, financial condition and results of operations. Our ability to make payments on and to refinance our indebtedness, and to fund working capital needs, planned capital expenditures and dividends will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control. See Risk Factors Risks Related to our Indebtedness and Liquidity We may require more cash than we generate in our operating activities, and additional funding on reasonable terms or at all may not be available.

Senior Secured Credit Facilities

On February 19, 2013, Sabre GLBL entered into an agreement that amended and restated its existing senior secured credit facilities. The agreement replaced (i) the existing term loans with new classes of term loans of $1,775 million (Term B Facility) and $425 million (Term C Facility) and (ii) the existing revolving credit facility with a new revolving credit facility of $352 million (Revolving Facility). The Term B Facility matures on February 19, 2019 and amortizes in equal quarterly installments of 0.25%. The Term C Facility matures on December 31, 2017 and amortizes in equal quarterly installments of 3.75% in 2013 and 2014, increasing to equal quarterly installments of 4.375%, 5.625% and 7.5% in 2015, 2016 and 2017, respectively. A portion of the Revolving Facility matures on February 19, 2018. On September 30, 2013, Sabre GLBL entered into an agreement to amend its amended and restated credit agreement to add a new class of term loans in the amount of $350 million (Incremental Term Facility). Sabre GLBL has used a portion, and intends to use the remainder, of the proceeds of the Incremental Term Facility for working capital and one-time costs associated with the Expedia SMA and sale of TPN, including the payment of travel suppliers for travel consumed that originated on our technology platforms as described above under Factors Affecting Our Results Travelocity and for general corporate purposes. The Incremental Term Facility matures on February 19, 2019 and amortizes in equal quarterly installments of 0.25% commencing with the last business day of December 2013. We are scheduled to make $85 million in principal payments on our senior secured credit facilities over the next twelve months. On February 20, 2014, we entered into an agreement to amend our amended and restated credit agreement to, among other things, (i) reduce the interest rate margin applicable to the Term B Facility to (x) between 3.00% to 3.25% per annum for Eurocurrency rate loans and (y) between 2.00% to 2.25% per annum for base rate loans and (ii) reduce the Eurocurrency rate floor to 1.00% and the base rate floor to 2.00%. In addition, on February 20, 2014, we entered into (i) an agreement to amend our amended and restated credit agreement to extend the maturity date of $317 million of the Revolving Facility to February 19, 2019 and (ii) an agreement to amend our amended and restated credit agreement to provide for a revolving commitment increase of $53 million under the extended portion of the Revolving Facility, increasing total commitments under the Revolving Facility to $405 million. The extended portion of the Revolving Facility includes an accelerated maturity of November 19, 2018 if on November 19, 2018, the Term B Facility (or permitted refinancings thereof) remains outstanding with a maturity date occurring less than one year after the maturity date of the extended portion of the Revolving Facility.

Under the credit agreement that governs our senior secured credit facilities, the loan parties are subject to certain customary non-financial covenants, including restrictions on incurring certain types of indebtedness, creation of liens on certain assets, making of certain investments, and payment of dividends, as well as a maximum senior secured leverage ratio, which applies if our revolver utilization exceeds certain thresholds. This ratio is calculated as senior secured debt (net of cash) to EBITDA, as defined by the credit agreement. This ratio was 5.5 to 1.0 for 2013 and is 5.0 to 1.0 for 2014. 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. This EBITDA is calculated for the purposes of compliance with our debt covenants and differs from the Adjusted EBITDA metric used elsewhere in this prospectus. See Note 11, Debt Senior Secured Credit Facilities, to our audited consolidated financial statements included elsewhere in this prospectus.

We are also required to pay down the term loans by an amount equal to 50% of excess cash flow, as defined in the credit agreement that governs the senior secured credit facilities, each fiscal year end after our audited consolidated financial statements are delivered, if we achieve certain leverage ratios. This percentage requirement may decrease or be eliminated if certain leverage ratios are achieved. We are further required to pay down the term loan with proceeds from certain asset sales or borrowings as defined in the credit agreement that governs the senior secured credit facilities.

We believe that cash flows from operations, cash and cash equivalents on hand and the revolving credit facility provide adequate liquidity for our operational and capital expenditures and other obligations over the next twelve months. From a long-term perspective, we may need to supplement our current liquidity through debt or equity offerings to support future strategic investments or to pay down our unsecured notes due in 2016, if we decide not to refinance this indebtedness. See Note 11, Debt, to our audited consolidated financial statements included elsewhere in this prospectus. See Risk Factors Risks Related to our Indebtedness and Liquidity We may require more cash than we generate in our operating activities, and additional funding on reasonable terms or at all may not be available.

Litigation Settlement Agreement

As a result of our litigation settlement agreement with American Airlines in 2012, we have accrued a settlement liability which consists of several elements, including cash to be paid directly to American Airlines, payment credits to pay for future technology services that we provide, as defined in the settlement agreements, and the estimated fair value of other service agreements entered into concurrently with the settlement agreement. As of December 31, 2013, our remaining settlement liability under the settlement agreement was $137 million, of which the current portion of $39 million is recorded in litigation settlement liability and related deferred revenue and the noncurrent portion of $98 million is recorded in other noncurrent liabilities. In accordance with the settlement agreement, we paid $100 million during the fourth quarter of 2013 and $100 million during the fourth quarter of 2012. We expect to realize cash tax benefits over the next one to four years and payment credits are expected to be used from 2014 through 2017, depending on the level of services we provide to American Airlines. As of December 31, 2012, we recorded the estimated settlement charge of $347 million, or $222 million, net of tax, into our results of operations. See Note 20, Commitments and Contingencies, to our audited consolidated financial statements included elsewhere in this prospectus.

Contingent Consideration on PRISM Acquisition

On August 1, 2012, we acquired PRISM for a purchase price of approximately $116 million. Included in the purchase price are future payments totaling $60 million, due 12 and 24 months following the acquisition date. The first installment of $30 million was paid in August 2013. The second installment of $30 million, due in August 2014, is contingent primarily on contractual performance measures which have been met. See Note 3, Acquisitions, to our audited consolidated financial statements included elsewhere in this prospectus.

Accumulated Dividends on Preferred Stock

Each share of our Series A Preferred Stock accumulates dividends at an annual rate of 6%. Accumulated but unpaid dividends totaled $134 million and $97 million at December 31, 2013 and December 31, 2012, respectively. Prior to the closing of this offering, we will exercise our right to redeem all of our Series A Preferred Stock. Following an amendment to our Certificate of Incorporation, the redemption price will be paid with shares of our common stock, which we will deliver pro rata to the holders thereof concurrently with the closing of this offering. See Summary Redemption of Preferred Stock.

Tax Receivable Agreement

Based on current tax laws and assuming that we and our subsidiaries earn sufficient taxable income to realize the full tax benefits subject to the TRA, (i) we expect that future payments under the TRA relating to the Pre-IPO Tax Assets could aggregate to between $330 million and $380 million over the next six years (assuming no changes to current limitations on our ability to utilize our NOLs under Section 382 of the Code), which we

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estimate will represent approximately 85% to 95% of the total payments we will be required to make under the TRA and (ii) we do not expect material payments to occur before 2016. Payments under the TRA are not conditioned upon the parties continued ownership of the company. See Certain Relationships and Related Party Transactions Tax Receivable Agreement.

Venezuelan Currency Controls

Venezuela has imposed currency controls, including volume restrictions on the conversion of bolivars to U.S. dollars, which impact the ability of certain of our airline customers operating in the country to obtain U.S. dollars to make timely payments to us. Consequently, the collection of accounts receivable due to us can be, and has been, delayed. Due to the nature of this delay, we have recorded specific reserves against all outstanding balances due to us and are deferring the recognition of any future revenues effective January 1, 2014 until cash is collected in accordance with our policies. Accordingly, our accounts receivable are subject to a general collection risk, as there can be no assurance that we will be paid from such customers in a timely manner, if at all. In addition, in January 2014, Venezuela announced a dual-foreign exchange rate system, which has effectively devalued the local currency and subjected airlines to an exchange rate for U.S. dollars available at auctions that has been significantly higher than the official exchange rate. Certain airlines have scaled back operations in response to these currency controls, including a decrease in the number of seats being offered by 38% compared to 2013 and capacity cuts of between 10% to 70% by some airlines over the same period. Civil unrest has also led one airline to suspend flights to Caracas due to operational safety concerns. During the year ended December 31, 2013, we derived 1% of our total revenue from our airline customers operating in Venezuela. As a result of the issues impacting our airline customers in Venezuela, we expect our revenues derived from our Venezuelan operations in 2014 to be reduced as compared to our revenues for 2013.

Working Capital

	As of December 31,			Change	
	2013	**2012**	**2011**	**2013 vs. 2012**	**2012 vs. 2011**
	(Amounts in thousands)				
Current assets					
Cash and cash equivalents	$ 308,236	$ 126,695	$ 58,351	$ 181,541	$ 68,344
Restricted cash	2,359	4,440	8,786	(2,081)	(4,346)
Accounts receivable, net	434,288	417,240	380,729	17,048	36,511
Prepaid expenses and other current assets	53,378	46,020	38,960	7,358	7,060
Current deferred income taxes	41,431	32,938	31,629	8,493	1,309
Other receivables, net	29,511	42,334	77,783	(12,823)	(35,449)
Current assets held for sale			27,624		(27,624)
Assets of discontinued operations	13,624	87,003	144,386	(73,379)	(57,383)
Total current assets	882,827	756,670	768,248	126,157	(11,578)
Current liabilities					
Accounts payable	$ 111,386	$ 124,893	$ 168,307	$ (13,507)	$ (43,414)
Travel supplier liabilities and related deferred revenue	213,504	218,023	203,615	(4,519)	14,408

Accrued compensation and related benefits	117,689	89,439	49,320	28,250	40,119
Accrued incentive consideration	142,767	127,099	114,404	15,668	12,695
Deferred revenues	136,380	137,614	96,936	(1,234)	40,678
Litigation settlement and related deferred revenue	38,920	117,873		(78,953)	117,873
Other accrued liabilities	267,867	245,633	303,018	22,234	(57,385)
Current portion of debt	86,117	23,232	30,150	62,885	(6,918)
Revolving credit facility			82,000		(82,000)
Current liabilities held for sale			34,952		(34,952)
Liabilities of discontinued operations	41,788	101,433	97,028	(59,645)	4,405
Total current liabilities	1,156,418	1,185,239	1,179,730	(28,821)	5,509
Working Capital Deficit	$ (273,591)	$ (428,569)	$ (411,482)	$ 154,978	$ (17,087)

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As of December 31, 2013, we had a deficit in our working capital of $274 million, compared to a deficit of $429 million as of December 31, 2012. The decrease in working capital deficit is largely attributable to a $182 million increase in cash as a result of the Incremental Term Facility and a $79 million decrease in other accrued liabilities due to a decrease in litigation settlement payable in connection with our settlement agreement with American Airlines, offset by a $63 million increase in the current portion of debt due to refinancing of our existing senior secured credit facilities in February 2013.

As of December 31, 2012, we had a deficit in our working capital of $429 million, compared to a deficit of $411 million as of December 31, 2011. The increase in working capital deficit is primarily attributable to the recognition of the current portion of litigation charges related to our settlement with American Airlines, partially offset by an increase in cash from bond issuances in May and September 2012 and by the paydown of our Revolving Facility.

Based on the business environment in which we operate, we consider it a normal circumstance for us to operate with a negative working capital. A summary by segment is as follows:

	As of December 31, 2013	
	Accounts Receivable	DSO(1)
	(Amounts in thousands)	
Travel Network	$ 200,454	40
Airline and Hospitality Solutions	153,286	79
Travelocity	79,751	50
Total segment value	433,491	51
Corporate	797	
Total Company	$ 434,288	

(1) Calculated as accounts receivable divided by average daily revenue for the year ended December 31, 2013.

	As of December 31, 2013				
	Accounts Payable	Travel Supplier Liabilities	Accrued Incentive Consideration	Other Accrued Liabilities	Total Operating Liabilities
	(Amounts in thousands)				
Travel Network	$ 59,091	$	$ 142,767	$ 77,587	$ 279,445
Airline and Hospitality Solutions	4,937			49,947	54,884
Travelocity(1)	29,973	213,504		71,647	315,124
Total segments	94,001	213,504	142,767	199,181	649,453
Corporate	17,385			68,686	86,071

Total Company	$ 111,386	$ 213,504	$ 142,767	$ 267,867	$ 735,524

(1) See Travelocity Working Capital below.

Travel Network exhibits seasonal fluctuations in transaction volumes and working capital. Transactions are weighted towards the first nine months of the year, resulting in receivables growth outpacing payables and driving negative cash flows related to working capital. Transactions decrease significantly each year in the fourth quarter, primarily in December. We record a receivable at the date of booking and, because customers generally book their November and December holiday leisure-related travel earlier in the year and business-related travel also declines during the holiday season, receivables are typically lower in the fourth quarter. This results in receivables declining faster than payables and positive cash flows related to working capital during the fourth quarter.

We collect a portion of the receivables from airlines through the Airline Clearing House (ACH) and other similar clearing houses. ACH requires participants to deposit certain balances into their demand deposit accounts by certain deadlines which facilitates a timely settlement process. As of December 31, 2013, 2012 and 2011, approximately 50%, 48% and 46%, respectively, of outstanding receivables for Travel Network were due from customers using ACH. Due in part to the proportion of receivables processed through ACH for Travel Network, such receivables are collected on average in 40 days.

Our Airline and Hospitality Solutions has a lower proportion of its receivables due from customers using ACH. As of December 31, 2013, 2012 and 2011, approximately 20%, 41% and 30%, respectively, of outstanding receivables for Airline and Hospitality Solutions were due from customers who use ACH. Receivables for Airline and Hospitality Solutions are collected on average in 79 days.

Airline and Hospitality Solution days sales outstanding can also be impacted by large upfront billings to new customers which are generally due at the initiation of a contract and result in deferred revenue. The timing of these billings is dependent on individual contractual terms.

Travelocity Working Capital. Travelocity s working capital includes receivables from credit card transactions with customers, which are short in days sales outstanding, and receivables from advertisers on the Travelocity websites which have a longer days sales outstanding. Travelocity s payables primarily include travel supplier liabilities, where we are the merchant of record for credit card processing for travel accommodations. We record the payable to the travel supplier and associated deferred revenue at the time the related travel is booked and paid by the consumer. This liability is not settled until the travel is consumed. See Factors Affecting our Results Travelocity.

We expect Travelocity s working capital to be impacted in connection with the Expedia SMA and the sale of TPN. As of December 31, 2013, we had approximately $214 million in total travel supplier liabilities of which $129 million represents the liability to travel suppliers in connection with Travelocity.com and TPN. This $129 million liability will be substantially extinguished as a result of the Expedia SMA and the sale of TPN as we continue to pay travel suppliers for travel consumed that originated on our technology platforms; however, we will no longer receive cash directly from consumers and will not incur a payable to travel suppliers for new bookings on our balance sheets. Going forward, our Travelocity-related working capital will primarily consist of amounts attributable to lastminute.com balances as well as amounts due from Expedia offset by payables for marketing and labor related costs, which we expect to reduce the quarterly volatility that exists today.

On September 30, 2013, Sabre GLBL entered into the Incremental Term Facility in the amount of $350 million. Sabre GLBL has used a portion, and intends to use the remainder, of the proceeds of the Incremental Term Facility for working capital and one-time costs associated with the Expedia SMA and sale of TPN, including the payment of travel suppliers for travel consumed that originated on our technology platforms, and for general corporate purposes. With respect to Travelocity-related working capital, we have used approximately $24 million, and intend to use an additional $129 million for the payment of travel suppliers for travel consumed that originated on our technology platforms as described above. In addition, in 2013, we initiated plans to restructure our Travelocity business and recorded restructuring charges totaling $28 million for the year ended December 31, 2013, which included $18 million of employee termination benefits, $4 million of asset impairments and $6 million of other related costs. We have used cash from the Incremental Term Facility of approximately $6 million during 2013 relative to this restructuring charge and expect payments of a further $18 million. We estimate an additional $11 million to be accrued as a restructuring charge in 2014 and paid in 2014 and 2015 using these funds. See Description of Certain Indebtedness Senior Secured Credit Facilities.

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The table below, which is derived from our consolidated statements of cash flows, shows the changes in our operating assets and liabilities during the years ended December 31, 2013, 2012 and 2011. For a detailed discussion of these changes, see Operating Activities below.

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Accounts and other receivables	$ (29,150)	$ (2,691)	$ (49,220)
Prepaid expenses and other current assets	(4,480)	(3,374)	8,680
Capitalized implementation costs	(58,814)	(78,543)	(59,109)
Other assets	(64,259)	(8,704)	(52,817)
Accounts payable and other accrued liabilities	(31,064)	13,022	93,735
Pensions and other postretirement benefits	(2,579)	(20,236)	(9,306)
Changes in operating assets and liabilities	$ (190,346)	$ (100,526)	$ (68,037)

Capital Expenditures and Development Projects

Our Adjusted Capital Expenditures for the years ended December 31, 2013, 2012 and 2011 were as follows:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Additions to property and equipment	$ 226,026	$ 193,262	$ 164,638
Capitalized implementation costs	58,814	78,543	59,109
Adjusted Capital Expenditures	$ 284,840	$ 271,805	$ 223,747
As a percentage of revenue:			
Additions to property and equipment	7.4%	6.5%	5.8%
Capitalized implementation costs	1.9%	2.6%	2.1%
Adjusted Capital Expenditures	9.3%	9.1%	7.8%

Capitalized costs associated with software developed for internal use represent a significant portion of additions to property and equipment, as we have focused our development resources on developing and enhancing our GDS and our SaaS and hosted systems. Software developed for internal use includes costs incurred to develop or obtain applications, infrastructure and graphics development for our GDS, our SaaS and hosted systems and our websites. Capitalized implementation costs are upfront costs we incur related to the implementation of new customer contracts under our SaaS and hosted revenue model. In our financial statements, additions to property and equipment are included in Cash flows from investing activities while Capitalized implementation costs are included in Cash flows from operating activities. Development-related costs that were expensed as incurred totaled $284 million, $258 million and $250 million for the years ended December 31, 2013, 2012 and 2011, respectively. Research and development costs approximated $6 million, $4 million and $3 million for the years ended December 31, 2013, 2012 and 2011, respectively. See Note 2, Summary of Significant Accounting Policies, to our audited consolidated financial statements included elsewhere in this prospectus.

Undistributed Earnings from Foreign Subsidiaries

We consider the undistributed earnings of our foreign subsidiaries as of December 31, 2013 to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. As of December 31, 2013, the amount of indefinitely reinvested foreign earnings was approximately $157 million. As of December 31, 2013, $70.8 million of cash, cash equivalents, and marketable securities were held by our foreign

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subsidiaries. If such cash, cash equivalents and marketable securities are needed for our operations in the United States, we would be required to accrue and pay taxes on up to $44 million of these funds to repatriate all such cash, cash equivalents and marketable securities. We have not, nor do we anticipate the need to, repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

Future Minimum Contractual Obligations

As of December 31, 2013, future minimum payments required under the senior secured credit facilities, 2016 Notes and 2019 Notes and other indebtedness, the Mortgage Facility (as defined in Description of Certain Indebtedness), 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:

Contractual Obligations	Payments Due by Period (Amounts in thousands) 2014	2015	2016	2017	2018	Thereafter	Total
Total debt[1]	$ 320,662	$ 315,929	$ 726,845	$ 360,459	$ 244,391	$ 2,855,934	$ 4,824,220
Mortgage Facility[2]	5,984	5,984	5,984	80,895			98,847
Operating lease obligations[3]	31,450	27,217	23,363	15,435	9,668	25,789	132,922
IT outsourcing agreement[4]	165,983	156,492	135,307	99,305			557,087
Purchase orders[5]	137,456	2,146	1,565				141,167
Letters of credit[6]	65,238	128	1,621			151	67,138
WNS agreement[7]	23,777	24,910					48,687
Other purchase obligations[8]	39,175						39,175
Unrecognized tax benefits[9]							66,620
Total contractual cash obligations[10]	$ 789,725	$ 532,806	$ 894,685	$ 556,094	$ 254,059	$ 2,881,874	$ 5,975,863

(1) Includes all interest and principal related to the 2016 Notes and 2019 Notes. Also includes all interest and principal related to borrowings under the term loan facility, the Term C Facility portion of which will mature in 2018 and the Term B Facility portion of which will mature in 2019 and Incremental Term Facility, a portion of which will mature in 2019. Under certain circumstances, we are required to pay a percentage of the excess cash flow, if any, generated each year to our lenders which obligation 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 used projected LIBOR rates for all future periods. See Note 11, Debt, to our audited consolidated financial statements included elsewhere in this prospectus. We intend to use a portion of the net proceeds from this offering to repay approximately $206 million of our outstanding indebtedness under the Term C Facility and to redeem $320 million aggregate principal amount of the 2019 Notes at a redemption price of 108.5% of the principal amount of the 2019 Notes redeemed, plus accrued and unpaid interest to, but excluding, the date of redemption.

(2)

Includes all interest and principal related to our $85 million Mortgage Facility, which matures on March 1, 2017. See Note 11, Debt, to our audited consolidated financial statements included elsewhere in this prospectus.

(3) We lease approximately two million square feet of office space in 97 locations in 47 countries. Lease payment escalations are based on fixed annual increases, local consumer price index changes or market rental reviews. We have renewal options of various term lengths at 65 locations, and we have no purchase options and no restrictions imposed by our leases concerning dividends or additional debt.

(4) Represents minimum amounts due to HP under the terms of an outsourcing agreement through which HP manages a significant portion of our information technology systems.

(5) Purchase obligations represent an estimate of all open purchase orders and contractual obligations in the ordinary course of business for which we have not received the goods or services as of December 31, 2013. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

(6) Our letters of credit consist of stand-by letters of credit, underwritten by a group of lenders, which we primarily issue for certain regulatory purposes as well as to certain hotel properties to secure our payment for hotel room transactions. The contractual expiration dates of these letters of credit are shown in the table above. There were no claims made against any stand-by letters of credit during the years ended December 31, 2013, 2012 and 2011.

(7) Represents expected payments to WNS Global Services, an entity to which we outsource a portion of our Travelocity contact center operations and back-office fulfillment though 2015. The expected payments are based upon current and historical transactions. We anticipate the 2015 volumes will be reduced as a result of our agreement with Expedia.

(8) Consists primarily of minimum payments due under various marketing agreements, management services monitoring fees and media strategy, planning and placement agreements.

(9) Unrecognized tax benefits include associated interest and penalties. The timing of related cash payments for substantially all of these liabilities is inherently uncertain because the ultimate amount and timing of such liabilities is affected by factors which are variable and outside our control.

(10) Excludes pension obligations (see Note 9, Pension and Other Postretirement Benefit Plans, to our audited consolidated financial statements included elsewhere in this prospectus), the Redemption and payments to the Existing Stockholders under the TRA.

Cash Investments

We consider cash equivalents to be highly liquid investments that are readily convertible into cash. Securities with contractual maturities of three months or less, when purchased, are considered cash equivalents. We record changes in a book overdraft position, in which our bank account is not overdrawn but recently issued and outstanding checks result in a negative general ledger balance, as cash flows from financing activities.

We invest in a money market fund which is classified as cash and cash equivalents in our consolidated balance sheets and statements of cash flows.

We held no short-term investments as of December 31, 2013, 2012 and 2011.

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Financing Arrangements

Our financing arrangements include our senior secured credit facilities, senior secured notes due 2019, unsecured notes due 2016 and a mortgage facility. As of December 31, 2013, 2012 and 2011, the outstanding balances for our financing arrangements were as stated below.

	Rate*	Maturity	December 31, 2013	December 31, 2012	December 31, 2011
			(Amounts in thousands)		
Senior secured credit facility:					
Term B facility	L+4.00%[(1)]	February 2019	$ 1,747,378	$	$
Incremental term loan facility	L+3.50%	February 2019	349,125		
Term C facility	L+3.00%	December 2017	360,477		
Revolving facility	L+3.75%	February 2018[(1)]			82,000
Initial term loan facility	L+5.75%	September 2014			800,000
Initial term loan facility	L+2.00%	September 2014		238,335	2,071,788
First extended term loan facility	L+5.75%	September 2017		1,162,622	
Second extended term loan facility	L+5.75%	December 2017		401,515	
Incremental term facility	L+6.00%	December 2017		370,536	
Senior unsecured notes due 2016	8.350%	March 2016	389,321	385,099	381,267
Senior secured notes due 2019	8.500%	May 2019	799,823	801,712	
Mortgage facility	5.800%	March 2017	83,541	84,340	85,000
Total debt			$ 3,729,665	$ 3,444,159	$ 3,420,055
Current portion of debt			$ 86,117	$ 23,232	$ 112,150
Long-term debt			3,643,548	3,420,927	3,307,905
Total debt			$ 3,729,665	$ 3,444,159	$ 3,420,055

* L refers to LIBOR.

(1) Effective February 20, 2014, the applicable margin to the Term B Facility was reduced to L+3.25% and the maturity of $317 million of the Revolving Facility was extended to February 2019. See Liquidity and Capital Resources Senior Secured Credit Facilities.

Cash Flows

	Year Ended December 31, 2013	2012	2011
	(Amounts in thousands)		
Cash provided by operating activities	$ 157,188	$ 312,336	$ 356,444
Cash used in investing activities	(246,502)	(236,034)	(176,260)
Cash provided by (used in) financing activities	262,172	(25,120)	(271,540)

Cash provided by (used in) discontinued operations	6,400	12,845	(29,791)
Effect of exchange rate changes on cash and cash equivalents	2,283	4,318	2,976
Increase (decrease) in cash and cash equivalents	$ 181,541	$ 68,345	$ (118,171)

Operating Activities

Cash provided by operating activities for the year ended December 31, 2013 was $157 million and consisted of net loss of $98 million, adjustments for non-cash and other items of $445 million and a decrease in cash from changes in operating assets and liabilities of $190 million. The adjustments for non-cash and other items consist primarily of $308 million of depreciation and amortization, $138 million of impairment charges and $4 million in restructuring charges, partially offset by $65 million of deferred income taxes and $16 million of joint venture equity income. The decrease in cash from changes in operating assets and liabilities of $190 million was primarily the result of a $64 million increase in other assets due to increases in deferred customer discounts and deferred upfront incentive consideration, $59 million used for capitalized implementation costs, a $31 million decrease in accounts payable and accrued liabilities due to a $100 million litigation settlement payment that was partially offset by an increase in restructuring related accruals and other accrued liabilities, and a $29 million increase in accounts receivable due to the timing of collections.

Cash provided by operating activities for the year ended December 31, 2012 was $312 million and consisted of net loss of $671 million, adjustments for non-cash and other items of $1,083 million and a decrease in cash of $101 million from changes in operating assets and liabilities. The adjustments for non-cash and other items consist primarily of $573 million of impairment charges, $345 million of litigation charges, $316 million of depreciation and amortization, and $49 million of losses from discontinued operations, partially offset by $232 million of deferred taxes. The decrease in cash of $101 million from changes in operating assets and liabilities was primarily the result of $79 million used for capitalized implementation costs and $20 million used for pension and other postretirement benefits. These decreases were partially offset by an increase of $13 million in accounts payable and accrued liabilities.

Cash provided by operating activities for the year ended December 31, 2011 was $356 million and consisted of net loss of $103 million, adjustments for non-cash and other items of $527 million and a decrease in cash of $68 million from changes in operating assets and liabilities. The adjustments for non-cash and other items consist primarily of $293 million of depreciation and amortization, $185 million of impairment charges, and $34 million of deferred taxes, partially offset by $27 million of joint venture equity income. The decrease in cash of $68 million from changes in operating assets and liabilities was primarily the result of $59 million used for capitalized implementation costs and a $49 million increase in accounts receivable due to higher revenue and the timing of collections, partially offset by an increase of $94 million in accounts payable and accrued liabilities which was primarily the due to the timing of vendor payments.

Investing Activities

For the year ended December 31, 2013, we used cash of $247 million for investing activities. Significant highlights of our investing activities included:

- we spent $226 million on capital expenditures, including $192 million related to software developed for internal use and $34 million related to purchases of property, plant and equipment;
- we spent $27 million on holdback payments related to the 2012 PRISM acquisition; and
- we received $10 million in proceeds on the sale of TBiz.

For the year ended December 31, 2012, we used cash of $236 million for investing activities. Significant highlights of our investing activities included:

- we spent $193 million on capital expenditures, including $153 million related to software developed for internal use and $40 million related to purchases of property, plant and equipment;

- we spent $66 million, net of cash acquired, to acquire PRISM for Airline and Hospitality Solutions; and

- we received $27 million in proceeds on the sale of Sabre Pacific.

For the year ended December 31, 2011, we used cash of $176 million for investing activities. Significant highlights of our investing activities included:

- we spent $165 million on capital expenditures, including $118 million related to software developed for internal use and $47 million related to purchases of property, plant and equipment; and

- we spent $11 million, net of cash acquired, to acquire SoftHotel for Airline and Hospitality Solutions and Zenon N.D.C., Limited in Cyprus for Travel Network.

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Financing Activities

Immediately prior to the completion of this offer, we will enter into the TRA, which provides the right to receive future payments from us to our Existing Stockholders of 85% of the amount of cash savings, if any, in U.S. federal income tax that we realize (or are deemed to realize in the case of a change of control or certain other transactions) as a result of the utilization of our and our subsidiaries Pre-IPO Tax Assets. Based on current tax law and assuming that we and our subsidiaries earn sufficient taxable income to realize the full tax benefits subject to the TRA, (i) we expect that future payments under the TRA related to the Pre-IPO Tax Assets could aggregate to between $330 million and $380 million over the next six years (assuming no changes in current limitations on our ability to utilize our NOLs under Section 382 of the Code), which we estimate will represent approximately 85% to 95% of the total payments we will be required to make under the TRA and (ii) we do not expect material payments to occur before 2016. Upon the effective date of the TRA, we expect to recognize a liability of between $310 million and $350 million (after considering the valuation allowance of approximately $72 million recorded against the Pre-IPO Tax Assets) for the payments to be made under the TRA, which will be accounted for as a reduction of additional paid-in capital on our consolidated balance sheet.

Different timing rules will apply to payments under the TRA to be made to Award Holders. Such payments will generally be deemed invested in a notional account rather than made on the scheduled payment dates, and the account will be distributed on the fifth anniversary of the initial public offering, together with an amount equal to the net present value of such Award Holder s future expected payments, if any, under the TRA. Moreover, payments to holders of stock options that are unvested prior to the completion of this offering will be subject to vesting on the same schedule as such holder s unvested stock options.

For the year ended December 31, 2013, we had a $262 million cash inflow for financing activities. Significant highlights of our financing activities included:

- we raised $2,190 million through the issuance of the Term B Facility and Term C Facility loans;
- we raised $350 million through the issuance of the Incremental Term Facility;
- we utilized $2,178 million of the Term B Facility and Term C Facility proceeds to pay down the initial, extended and incremental term loans;
- we incurred $19 million in debt issuance and third-party debt modification costs; and
- we paid down $82 million of the term loan outstanding as part of quarterly mandatory prepayments.

For the year ended December 31, 2012, we used $25 million for financing activities. Significant highlights of our financing activities included:

- on a net basis, we repaid $82 million under the Revolving Facility;

- we raised $400 million through the issuance of 8.5% senior secured notes due in 2019 and utilized $272 million of the proceeds to pay down a portion of the extended term loan;

- we paid off $15 million of the term loan outstanding as part of quarterly mandatory prepayments over the first half of 2012;

- we paid down $773 million of our Initial Term Loan maturing 2014 through the issuance of $375 million Incremental Term Loan maturing 2017 and $400 million of 8.5% senior secured notes due 2019;

- we paid $43 million for debt modification costs; and

- we made a $6 million payment on outstanding term loans.

For the year ended December 31, 2011, we used $272 million for financing activities. We paid down $324 million of principal on our unsecured notes which matured on August 1, 2011, we repaid $30 million under the senior secured notes and on a net basis, and we borrowed $82 million under the Revolving Facility.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements during the years ended December 31, 2013, 2012 and 2011.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance regarding the reporting of amounts reclassified out of accumulated other comprehensive income (OCI) to net income. The standard requires companies to disclose the individual income statement line items in which the accumulated other comprehensive income amounts have been reclassified. Additionally, a tabular reconciliation of amounts recorded to other comprehensive income for the period is required. We have incorporated the new disclosure guidance on the reclassification of accumulated other comprehensive income into the footnotes to our consolidated financial statements.

In January 2013, the FASB issued updated guidance on when it is appropriate to reclassify currency translation adjustments (CTA) into earnings. This guidance is intended to reduce the diversity in practice in accounting for CTA when an entity ceases to have a controlling interest in a subsidiary group or group of assets that is a business within a foreign entity and when there is a loss of a controlling financial interest in a foreign entity or a step acquisition. The standard is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2013. We do not believe that the adoption will have a material impact on our consolidated financial statements.

In December 2011, the FASB issued guidance enhancing the disclosure requirements about the nature of an entity s right to offset and related arrangements associated with its financial and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of set-off, amounts offset in accordance with the accounting standards followed, and related net exposure. In January 2013, the FASB issued revised guidance clarifying that the scope of this guidance applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset or subject to an enforceable master netting arrangement, or similar arrangement. Our adoption of this guidance did not have a material impact on our consolidated financial statements.

Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect our reported assets and liabilities, revenues and expenses and other financial information. Actual results may differ significantly from these estimates, and our reported financial condition and results of operations could vary under different assumptions and conditions. In addition, our reported financial condition and results of operations could vary due to a change in the application of a particular accounting standard.

Our accounting policies that include significant estimates and assumptions include: (i) estimation of the revenue recognition for software development, (ii) collectability of accounts receivable, (iii) amounts for future cancellations of bookings processed through our GDS, (iv) determination of the fair value of assets and liabilities acquired in a business combination, (v) determination of the fair value of derivatives, (vi) determination of the fair value of our stock and related stock compensation expense, (vii) the evaluation of the recoverability of the carrying value of intangible assets and goodwill, (viii) assumptions utilized in the determination of pension and other postretirement benefit liabilities, (ix) assumptions made in the calculation of restructuring liabilities and (x) the evaluation of uncertainties surrounding the calculation of our tax assets and liabilities. We regard an accounting estimate underlying our financial statements as a critical accounting estimate if the accounting estimate requires us to make assumptions about matters that are uncertain at the time of estimation and if changes in the estimate are reasonably likely to occur and could have a material effect on the presentation of financial condition, changes in financial condition, or results of operations.

We have included below a discussion of the accounting policies involving material estimates and assumptions that we believe are most critical to the preparation of our financial statements, how we apply such policies and how results differing from our estimates and assumptions would affect the amounts presented in our financial statements. We have discussed the development, selection and disclosure of these accounting policies with our audit committee. Although we believe these policies to be the most critical, other accounting policies also have a significant effect on our financial statements and certain of these policies also require the use of estimates and assumptions. For further information about our significant accounting policies, see Note 2, Summary of Significant Accounting Policies, to our audited consolidated financial statements included elsewhere in this prospectus.

SaaS and Hosted Revenue Model

Our revenue recognition for Airline and Hospitality Solutions includes SaaS and hosted transactions which are sometimes sold as part of agreements which also require us to provide consulting and implementation services. Due to the multiple element arrangement, revenue recognition sometimes involves judgment, including estimates of the selling prices of goods and services, assessments of the likelihood of nonpayment and estimates of total costs and costs to complete a project.

The consulting and implementation services are generally performed in the early stages of the agreements. 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. Typically, our consulting services are separated from the implementation and software hosting services. We account for separable elements on an individual basis with value assigned to each element based on its relative selling price. A comprehensive market analysis is performed on an annual basis to determine the range of selling prices for each product and service. In making these judgments we analyze various factors, including competitive landscapes, value differentiators, continuous monitoring of market prices, customer segmentation and overall market and economic conditions. Based on these results, estimated selling prices are set for each product and service delivered to customers. Changes in judgments related to these items, or deterioration in industry or general economic conditions, could materially impact the timing and amount of revenue and costs recognized. The revenue for consulting services is generally recognized as the services are performed, and the revenue for the implementation and the SaaS and hosted services is recognized ratably over the term of the agreement.

Accounts Receivable and Air Booking Cancellation Reserve

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.

Transaction revenue for airline travel reservations is recognized by Travel Network at the time of the booking of the reservation, net of estimated future cancellations. Cancellations prior to the day of departure are estimated based on the historical level of cancellations rates, adjusted to take into account any recent factors which could cause a change in those rates. In circumstances where expected cancellation rates or booking behavior changes, our estimates are revised, and in these circumstances, future cancellation rates could vary materially, with a corresponding variation in revenue net of estimated future cancellations. Factors that could have a significant effect on our estimates include global security issues, epidemics or pandemics, natural disasters, general economic conditions, the financial condition of travel suppliers, and travel related accidents.

Business Combinations

Authoritative guidance for business combinations requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and, as a result, actual results may differ from estimates.

Accounting for business combinations requires our management to make significant estimates and assumptions, especially at the acquisition date including our estimates for intangible assets, contractual obligations assumed, pre-acquisition contingencies and contingent consideration, where applicable. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain.

Examples of critical estimates in valuing certain of the intangible assets we have acquired include, but are not limited to: future expected cash flows from software sales through the SaaS model, support agreements, consulting contracts, other customer contracts, acquired developed technologies and patents; the acquired company s brand and competitive position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company s product portfolio; and discount rates. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

For a given acquisition, we may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the fair value estimates of assets acquired and liabilities assumed and, if so, to determine their estimated amounts. If we cannot reasonably determine the fair value of a pre-acquisition contingency (non-income tax related) by the end of the measurement period, which is generally the case given the nature of such matters, we will recognize an asset or a liability for such pre-acquisition contingency if: (i) it is probable that an asset existed or a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. Subsequent to the measurement period, changes in our estimates of such contingencies will affect earnings and could have a material effect on our results of operations and financial position.

Depending on the circumstances, the fair value of contingent consideration is determined based on management s best estimate of fair value given the specific facts and circumstances of the contractual arrangement, considering the likelihood of payment, payment terms and management s best estimates of future performance results on the acquisition date, if applicable.

In addition, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date with any adjustments to our preliminary estimates being recorded to goodwill if identified within the measurement period. Subsequent to the measurement period or our final determination of the tax allowance s or contingency s estimated value, whichever comes first, changes to these uncertain tax positions and tax-related valuation allowances will affect our provision for income taxes in our consolidated statement of operations and could have a material impact on our results of operations and financial position.

Goodwill and Long-Lived Assets

We evaluate goodwill for impairment on an annual basis or when impairment indicators exist. We begin our evaluation with a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying value before applying the two-step goodwill impairment model described below. If it is determined through the qualitative assessment that a reporting unit s fair value is more likely than not greater than its carrying value, the remaining impairment steps are unnecessary. Otherwise, we perform a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned to the sum of the carrying

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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 estimated 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. Goodwill was assigned to each reporting unit based on that reporting unit s percentage of enterprise value as of the date of the acquisition of Sabre Corporation (formerly known as Sovereign Holdings, Inc.) by TPG and Silver Lake plus goodwill associated with acquisitions since that time. We have identified six reporting units which include Travelocity North America, Travelocity Europe, Travelocity Asia Pacific, Travel Network, Airline Solutions and Hospitality Solutions. The Travelocity Asia Pacific reporting unit was sold in 2012.

The fair values used in our evaluation are estimated using a combined approach based upon discounted future cash flow projections and observed market multiples for comparable businesses. The 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. Additionally, in accordance with authoritative guidance on fair value measurements, we made a number of assumptions, including assumptions related to market participants, the principal markets and highest and best use of the reporting units. We have recognized goodwill impairment charges of $136 million, $129 million, and $185 million for the years ended December 31, 2013, 2012 and 2011, respectively. The goodwill impairment charges were associated with Travelocity which has no remaining goodwill as of December 31, 2013. Goodwill related to our other reporting units was $2,138 million as of December 31, 2013. Changes in the assumptions used in our impairment testing may result in future impairment losses which could have a material impact on our results of operations. A change of 10% in the future cash flow projections, risk-adjusted discount rates, and rates of growth used in our fair value calculations would not result in impairment of the remaining goodwill for any of our reporting units.

Definite-lived intangible assets are assigned depreciable lives of four to thirty years, depending on classification, and are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of definite-lived intangible assets used in combination to generate cash flows largely independent of other assets may not be recoverable. If impairment indicators exist for definite-lived intangible assets, the undiscounted future cash flows associated with the expected service potential of the assets are compared to the carrying value of the assets. If our projection of undiscounted future cash flows is in excess of the carrying value of the intangible assets, no impairment charge is recorded. If our projection of undiscounted cash flows is less than the carrying value of the intangible assets, an impairment charge is recorded to reduce the intangible assets to fair value. We also evaluate the need for additional impairment disclosures based on our Level 3 inputs. For fair value measurements categorized within Level 3 of the fair value hierarchy, we disclose the valuation processes used by the reporting entity.

The most significant assumptions used in the discounted cash flows calculation to determine the fair value of our reporting units in connection with impairment testing include: (i) the discount rate, (ii) the expected long-term growth rate and (iii) annual cash flow projections. See Note 13, Fair Value Measurements, to our audited consolidated financial statements included elsewhere in this prospectus.

Equity-Based Compensation

We account for our stock awards and options by recognizing compensation expense, measured at the grant date based on the fair value of the award net of estimated forfeitures, on a straight-line basis over the award vesting period.

Stock Options

We measure the value of stock-option awards at the grant date fair value as calculated by the Black-Scholes option-pricing model which requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent management s best estimates. These estimates involve inherent uncertainties and the application of management s judgment. If these assumptions change and different factors are used, our stock-based compensation expense could be materially different in the future. These estimates will not be necessary to determine the fair value of new awards once the underlying shares begin trading publicly. These assumptions are as follows:

Fair value of our common stock. As our stock is not publicly traded, we must estimate the fair value of common stock, as discussed in Common Stock Valuation below.

Expected term. The expected term was estimated using the simplified method. The simplified method calculates the expected term as the average of the time to vesting and the contractual life of the option.

Volatility. As we do not have a trading history for our common stock, the expected stock price volatility for our common stock was estimated by taking the average of the median historic price volatility and the median implied volatility of traded stock options for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in the technology industry similar in size, stage of life cycle and financial leverage. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be used in the calculation.

Risk-free rate. The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities appropriate for the term of employee options.

Dividend yield. We do not currently pay cash dividends. Consequently, we used an expected dividend yield of zero.

If any of the assumptions used in the Black-Scholes option-pricing model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. The fair value of the stock options granted during the year ended December 31, 2013 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

Implied volatility	30.75%
Expected life (in years)	6.11
Risk free interest rate	1.53%
Dividend yield	0.00%

Restricted Stock

Restricted stock is measured based on the fair market value of the underlying stock on the date of the grant. Shares of Sabre Corporation common stock are delivered on the vesting dates with the applicable statutory tax withholding requirements to be satisfied per the terms of the Sovereign Holdings, Inc. Restricted Stock Grant Agreement.

Common Stock Valuation

The fair value of the common stock underlying our stock-based awards was determined by the audit committee of our board of directors, with input from management and contemporaneous third-party valuations. We believe that the audit committee of our board of directors has the relevant experience and expertise to determine the fair value of our common stock. As described below, the exercise price of our share-based awards was determined by the audit committee of our board of directors based on input from management and the most recent contemporaneous third-party valuation as of the grant date.

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Given the absence of a public trading market of our common stock, and in accordance with the American Institute of Certified Public Accountants Accounting and Valuation Guide*: Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, the audit committee of our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock including:

- contemporaneous valuations of our common stock performed by an unrelated third-party valuation specialist;
- our historical and projected operating and financial results, including capital expenditures;
- current business conditions and performance, including dispositions and discontinued operations;
- the market performance and financial results of comparable publicly-traded companies;
- amounts of indebtedness;
- the rights, preferences and privileges of our outstanding preferred stock and accumulated dividends;
- industry or company-specific considerations;
- likelihood of achieving a liquidity event, such as an initial public offering or a sale of the company;
- lack of marketability of our common stock; and
- the U.S. and global capital market conditions.

The nature of the material assumptions and estimates considered, to determine the fair market value of our common stock are highly complex and subjective.

In valuing our common stock through December 31, 2013, the audit committee of our board of directors determined the business enterprise value (BEV) of our business generally using the income approach and the market approach using the market comparable method.

The income approach estimates fair value based on the expectation of future cash flows that a company will generate such as cash earnings, cost savings, tax deductions, and the proceeds from disposition of assets. These future cash flows are discounted to their present values using a discount rate which reflects the risks inherent in our cash flows. This approach requires significant judgment in estimating projected growth rates and cost trends and in determining a discount rate adjusted for the risks associated with our business.

The market comparable method estimates fair value based on a comparison of the subject company to comparable public companies in similar lines of business. From the comparable companies, a representative market value multiple is determined which is applied to the subject company s operating results to estimate the value of the subject company. In our valuations, the multiple of the comparable companies was determined using a ratio of the market value of invested capital to projected revenue and/or earnings before interest, taxes and depreciation and amortization for the current and following year. Our peer group of companies included a number of market leaders in transaction processing, travel distribution, SaaS and software and internet related businesses similar to, or adjacent to our own business. The market comparable method requires judgment in selecting the public companies that are most similar to our business and in the application of the relevant market multiples to our financial performance metrics. We have from time to time updated the set of comparable companies utilized as new or more relevant information became available, including changes in the market and our business models and input from third party market experts.

Once we determine our BEV under each approach, we apply a weighting to the income approach and the market approach primarily based on the relevance of the peer companies chosen for the market approach analysis as well as other relevant factors. We then reduce the BEV by our total net debt and total redeemable preferred stock value to arrive at the estimated fair value of our common stock. Based on this information, the audit committee of our board of directors makes the final determination of the estimated fair value of our equity and common stock.

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Pension and Other Postretirement Benefits

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 was 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.

Pension and other postretirement benefits for defined benefit plans are actuarially determined and affected by assumptions which include, among other factors, the discount rate and the estimated future return on plan assets. In conjunction with outside actuaries, we evaluate the assumptions on a periodic basis and make adjustments as necessary.

The discount rate used in the measurement of our benefit obligations as of December 31, 2013 and December 31, 2012 is as follows:

	Pension Benefits December 31,		Other Benefits December 31,	
	2013	2012	2013	2012
Weighted-average discount rate	5.10%	4.19%	0.55%	2.07%

The LPP plan is valued annually as of the beginning of each fiscal year. The principal assumptions used in the measurement of our net benefit costs for the three years ended December 31, 2013, 2012 and 2011 are as follows:

	Pension Benefits			Other Benefits		
	2013	2012	2011	2013	2012	2011
Discount rate	4.19%	5.32%	5.88%	1.16%	2.32%	2.69%
Expected return on plan assets	7.75%	7.75%	7.75%			

Our discount rate is determined based upon the review of year-end high quality corporate bond rates. Lowering the discount rate by 50 bps as of December 31, 2013 would increase our pension and postretirement benefits obligations by approximately $21 million and a nominal amount, respectively, and decrease 2014 pension expense and estimated postretirement benefits expense by nominal amounts.

The expected return on plan assets is based upon an evaluation of our historical trends and experience taking into account current and expected market conditions and our target asset allocation of 25% U.S. equities, 25% non-U.S. equities, 43% long duration fixed income, 5% real estate and 2% cash equivalents. The expected return on plan assets component of our net periodic benefit cost is calculated based on the fair value of plan assets and our target asset allocation. We monitor our actual asset allocation and believe that our long-term asset allocation will continue to approximate the target allocation. Lowering the expected long-term rate of return on plan assets by 50 bps as of December 31, 2013 would increase 2014 pension expense by approximately $2 million.

Derivative Instruments

We use derivative instruments as part of our overall strategy to manage our exposure to market risks primarily associated with fluctuations in foreign currency and interest rates. As a matter of policy, we do not use derivatives for trading or speculative purposes. We determine the fair value of our derivative instruments using pricing models that use inputs from actively quoted markets for similar instruments and other inputs which require judgment. These amounts include fair value adjustments related to our own credit risk and counterparty credit risk. Subsequent to initial recognition, we adjust the initial fair value position of the derivative instruments for the creditworthiness of the banking counterparty (if the derivative is an asset) or for our own creditworthiness (if the derivative is a liability). This adjustment is calculated based on the default probability of the banking counterparty and on our default probability, as applicable, and is obtained from active credit default swap markets and is then applied to the projected cash flows.

Restructuring Activities

Restructuring charges are typically comprised of employee severance costs, costs of consolidating duplicate facilities and contract termination costs. Restructuring charges are based upon plans that have been committed to by our management, but may be refined in subsequent periods. A liability for costs associated with an exit or disposal activity is recognized and measured at its fair value in our consolidated statement of operations in the period in which the liability is incurred. When estimating the fair value of facility restructuring activities, assumptions are applied regarding estimated sub-lease payments to be received, which can differ materially from actual results. This may require us to revise our initial estimates which may materially affect our results of operations and financial position in the period the revision is made.

Income and Non-Income Taxes

We recognize deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review deferred tax assets by jurisdiction to assess their potential realization and establish a valuation allowance for portions of such assets that we believe will not be ultimately realized. In performing this review, we make estimates and assumptions regarding projected future taxable income, the expected timing of the reversals of existing temporary differences and the implementation of tax planning strategies. A change in these assumptions could cause an increase or decrease to the valuation allowance resulting in an increase or decrease in the effective tax rate, which could materially impact our results of operations. At year end, we had a valuation allowance on certain loss carryforwards based on our assessment that it is more likely than not that the deferred tax asset will not be realized. We believe that our estimates for the valuation allowances against deferred tax assets are appropriate based on current facts and circumstances.

As of December 31, 2013, we had approximately $632 million of NOLs for U.S. federal income tax purposes, approximately $17 million of which are subject to an annual limitation on their ability to be utilized under Section 382 of the Code. These NOLs are Pre-IPO Tax Assets under the TRA, which provides for the payment by us to our Existing Stockholders of 85% of the amount of cash savings, if any, in U.S. federal income tax that we and our subsidiaries are deemed to realize as a result of the utilization of the Pre-IPO Tax Assets. See Certain Relationships and Related Party Transactions Tax Receivable Agreement.

We believe that it is more likely than not that the benefit from certain U.S. and non-U.S. deferred tax assets will not be realized. As a result, we established a valuation allowance of approximately $86 million against our U.S. deferred tax assets as of December 31, 2013, which includes our U.S. federal income tax NOL. In addition, we have an allowance on the U.S. deferred tax assets of TVL Common, Inc. that was merged into our capital structure on December 31, 2012 of $5 million and on the non-U.S. deferred tax assets of our lastminute.com subsidiaries of $163 million and $177 million as of December 31, 2013 and 2012, respectively. We reassess these assumptions regularly, which could cause an increase or decrease to the valuation allowance resulting in an increase or decrease in the effective tax rate, and could materially impact our results of operations.

We operate in numerous countries where our income tax returns are subject to audit and adjustment by local tax authorities. Because we operate globally, the nature of the uncertain tax positions is often very complex and subject to change, and the amounts at issue can be substantial. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. At December 31, 2013 and December 31, 2012, we had a liability, including interest and penalty, of $67 million and $58 million, respectively, for unrecognized tax benefits, which would affect our effective tax rate if recognized. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

With respect to value-added taxes, we have established reserves regarding the collection of refunds which are subject to audit and collection risks in various regions of Europe. Our reserves are based on factors including, but not limited to, changes in facts or circumstances, changes in law, effectively settled issues under audit, and new audit activity. Changes in any of these factors could significantly impact our reserves and materially impact our results of operations. At December 31, 2013 and December 31, 2012, we carried reserves of approximately $4 million and $37 million, respectively, associated with these risks.

Occupancy Taxes

Over the past nine years, various state and local governments in the United States have filed approximately 70 lawsuits against us pertaining primarily to whether Travelocity (and other OTAs) owes sales or occupancy taxes on some or all of the revenues it earns from facilitating hotel reservations using the merchant revenue model. In addition to the lawsuits, there are a number of administrative proceedings pending against us which could result in an assessment of sales or occupancy taxes on fees. See Business Legal Proceedings Litigation and Administrative Audit Proceedings Relating to Hotel Occupancy Taxes.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk Management

Market risk is the potential loss from adverse changes in: (i) prevailing interest rates, (ii) foreign exchange rates, (iii) credit risk and (iv) inflation. Our exposure to market risk relates to interest payments due on our long-term debt, revolving credit facility, derivative instruments, income on cash and cash equivalents, accounts receivable and payable and travel supplier liabilities and related deferred revenue. We manage our exposure to these risks through established policies and procedures. We do not engage in trading, market making or other speculative activities in the derivatives markets. Our objective is to mitigate potential income statement, cash flow and fair value exposures resulting from possible future adverse fluctuations in interest and foreign exchange rates.

Interest Rate Risk

As of December 31, 2013, our exposure to interest rates relates primarily to our interest rate swaps, our senior secured debt and our borrowings on the revolving credit agreement. Offsetting some of this exposure is interest income received from our money market funds. The objectives of our investment in money market funds are (i) preservation of principal, (ii) liquidity and (iii) yield. If future short-term interest rates averaged 10% lower than they were during the year ended December 31, 2013, our interest income from money market funds would have decreased by a negligible amount. This amount was determined by applying the hypothetical interest rate change to our average money market funds invested.

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As of December 31, 2013, 2012 and 2011, the outstanding carrying values of our financing obligations were as stated below.

	Rate*	Maturity	December 31, 2013	December 31, 2012	December 31, 2011
			(Amounts in thousands)		
Senior secured credit facility:					
Term B facility	L+4.00%[(1)]	February 2019	$ 1,747,378	$	$
Incremental term facility	L+3.50%	February 2019	349,125		
Term C facility	L+3.00%	December 2017	360,477		
Revolving facility	L+3.75%	February 2018[(1)]			82,000
Initial term loan facility	L+5.75%	September 2014			800,000
Initial term loan facility	L+2.00%	September 2014		238,335	2,071,788
First extended term loan facility	L+5.75%	September 2017		1,162,622	
Second extended term loan facility	L+5.75%	December 2017		401,515	
Incremental term facility	L+6.00%	December 2017		370,536	
Senior unsecured notes due 2016	8.350%	March 2016	389,321	385,099	381,267
Senior secured notes due 2019	8.500%	May 2019	799,823	801,712	
Mortgage facility	5.800%	March 2017	83,541	84,340	85,000
Total debt			$ 3,729,665	$ 3,444,159	$ 3,420,055
Current portion of debt			86,117	23,232	112,150
Long-term debt			3,643,548	3,420,927	3,307,905
Total debt			$ 3,729,665	$ 3,444,159	$ 3,420,055

* L refers to LIBOR.

(1) Effective February 20, 2014, the applicable margin to the Term B Facility was reduced to L+3.25% and the maturity of $317 million of the Revolving Facility was extended to February 2019. See Liquidity and Capital Resources Senior Secured Credit Facilities.

We have entered into interest rate swaps that effectively convert $750 million of floating interest rate senior secured debt into a fixed rate obligation. The terms of the outstanding and matured interest rate swaps relevant to the years ended December 31, 2013, 2012 and 2011 were as follows:

	National amount	Interest Rate Received	Interest Rate Paid	Effective Date	Maturity Date
Outstanding:					
	$ 400 million	1 month LIBOR	2.03%	July 29, 2011	September 30, 2014
	$ 350 million	1 month LIBOR	2.51%	April 30, 2012	September 30, 2014
	$ 750 million				

Matured:						
	$	800 million	3 month LIBOR	5.04%	April 30, 2007	April 30, 2012
	$	350 million	3 month LIBOR	4.99%	April 30, 2007	April 30, 2011
	$	125 million	3 month LIBOR	5.04%	April 30, 2007	April 28, 2011
	$	125 million	3 month LIBOR	5.03%	April 30, 2007	April 28, 2011
	$	1,400 million				

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Since outstanding balances under our senior secured credit facilities incur interest at rates based on LIBOR, subject to a 1.00% floor, increases in short-term interest rates would not impact our interest expense until LIBOR exceeded 1.00%. If our mix of interest rate-sensitive assets and liabilities changes significantly, we may enter into additional derivative transactions to manage our net interest rate exposure.

Foreign Currency Risk

We have operations outside of the United States, primarily in Canada, South America, Europe, Australia and Asia. We are exposed to foreign currency fluctuations whenever we enter into purchase or sale transactions denominated in a currency other than the functional currency of the operations. The principal foreign currencies involved include the Euro, the British Pound Sterling, the Polish Zloty, the Canadian Dollar, the Indian Rupee, and the Australian Dollar. Our most significant foreign currency denominated operating expenses is in the Euro, which comprised approximately 9%, 7% and 9% of our operating expenses for the years ended December 31, 2013, 2012 and 2011, respectively. In recent years, exchange rates between these currencies and the U.S. dollar have fluctuated significantly and may continue to do so in the future. During times of volatile currency movements, this risk can materially impact our earnings. To reduce the impact of this earnings volatility, we hedged approximately 43% of our foreign currency exposure by entering into foreign currency forward contracts on several of our largest foreign currency exposures. The notional amounts of these forward contracts totaled $123 million, $126 million and $94 million as of December 31, 2013, 2012 and 2011, respectively. The forward contracts represent obligations to purchase foreign currencies at a predetermined exchange rate to fund a portion of our expenses that are denominated in foreign currencies. The fair value of these forward contracts recognized as an asset in our consolidated balance sheets was $5 million and $3 million as of December 31, 2013 and December 31, 2012, respectively.

We are also exposed to foreign currency fluctuations through the translation of the financial condition and results of operations of our foreign operations into U.S. dollars in consolidation. Such gains and losses are recognized as a component of accumulated other comprehensive income (loss) and is included in stockholders equity (deficit). Translation gains (losses) recognized as other comprehensive income (loss) were $13 million, $(2) million and $2 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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, 2013, and 2012, approximately $178 million or 58% and $189 million or 58%, respectively, of our trade accounts receivable were attributable to commercial air travel industry 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. See Risk Factors Risks Related to Our Business and Industry Our travel supplier customers may experience financial instability or consolidation, pursue cost reductions, change their distribution model or undergo other changes.

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 ACH and other similar clearing houses.

As of December 31, 2013, 2012 and 2011, approximately 57%, 55%, and 57%, respectively, of our air customers make payments through the ACH which accounts for approximately 94%, 95% and 94%, respectively, of our air billings. ACH requires participants to deposit certain balances into their demand deposit accounts by

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certain deadlines, which facilitates a timely settlement process. For these carriers, we believe the use of ACH mitigates our credit risk with respect to airline bankruptcies. For those carriers from whom we do not collect payments through the ACH or other similar clearing houses, our credit risk is higher. However, we monitor these carriers and account for the related credit risk through our normal reserve policies.

Inflation

Competitive market conditions and the general economic environment have minimized inflation s impact on our results of operations in recent periods. There can be no assurance, however, that our operating results will not be affected by inflation in the future.

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INDUSTRY

Travel Industry Overview

The travel and tourism industry is one of the world s largest industry segments, contributing $6.6 trillion to global GDP in 2012, according to the WTTC. The industry encompasses travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators around the world, as well as travel buyers, including online and offline travel agencies, TMCs and corporate travel departments.

The travel and tourism industry has been a growing area of the broader economy. For example, based on 40 years of IATA Traffic data, air traffic has historically grown at an average rate of approximately 1.5x the rate of global GDP growth. According to Euromonitor Database, travel volumes have benefited and are expected to continue to benefit from GDP growth and corresponding rising income levels, particularly in growth markets such as APAC, Latin America and MEA. According to IATA Traffic, global airline passenger volume has grown at a 6% CAGR from 2009 to 2012. Looking forward, air travel and hotel spending is expected to grow at a 4% CAGR from 2013 to 2017, as growing consumer confidence and increasing connectivity continue to expand the opportunities for travel and tourism, according to Euromonitor Database. Air traffic in developing markets such as APAC, Latin America and the Middle East is expected to grow at even faster rates 6%, 6%, and 7%, respectively, from 2012 to 2032, according to Airbus. This emerging market growth is relevant for all our businesses but especially our Travel Network business, which had leading GDS-processed air bookings shares in both APAC and Latin America in 2013. Certain segments of the travel market are also growing faster than average. For example, LCC/hybrids, which represented approximately 45% of our 2012 PBs served by our Airline Solutions reservations products, have continued to grow. According to Airbus, LCCs share of global air travel volume is expected to increase from 17% of revenue passenger kilometers in 2012 to 21% of revenue passenger kilometers by 2032. Finally, according to Euromonitor Report, business-related travel by U.S. residents, which is primarily served through GDS channels, has increased since the global economic downturn, reaching 228 million trips in 2012. According to IATA s Airline Industry Forecast 2013-2017, overall air travel is expected to sustain a growth rate approaching the historical 5% to 6% growth trend at least through 2017, and Boeing s Current Market Outlook projects a 5% CAGR in global passenger traffic growth from 2013 to 2032, measured in revenue passenger kilometers.

Travel Industry Technology

The travel industry is highly fragmented and complex, with approximately 800 airlines serving 3 billion passengers (T2RL), 470,000 hotel properties (Euromonitor Database), over 35,000 car rental outlets (PhoCusWright December 2013 (PhoCusWright)), and numerous rail, cruise, tour and other operators around the world. Each of these types of travel suppliers requires technology to solve their complex and key marketing, sales, service and operational needs. In addition, there are tens of thousands of commercial buyers of travel including online and offline travel agencies, TMCs and corporate travel departments that serve both business and leisure travelers. These travel buyers rely on highly sophisticated shopping technology to filter the universe of travel options to identify desired itineraries that fit travelers personal preferences and comply with corporate policies. For example, there are billions of itinerary and fare options from New York to London on any given day, but only a small subset of those with available seats, on the preferred airline, with the optimal routing and at the desired time. The GDS search technology narrows the options down to the lowest fares that meet the traveler s criteria so the informed agency can help the traveler make the best choice quickly. For these flights, air carriers need to set prices, manage inventory and distribute their seats as well as plan, staff and operate their routes and aircraft, all while carefully analyzing their financial and operational results. Hotels face similar challenges, as millions of customers check in and check out of their properties daily. There is a significant amount of technology required to enable this ecosystem.

To operate successfully, travel suppliers as well as travel buyers must solve this broad range of challenges from planning to distribution to operations. Historically, technology solutions were built in-house by travel suppliers and travel buyers. Over time, third-party providers emerged to offer more cost-effective and advanced solutions, and the market has increasingly shifted to an outsourced model. We believe that significant outsourcing will continue as legacy in-house systems continue to migrate and upgrade to third-party systems.

A broad set of technology solutions has evolved to manage this complex, high-frequency and highly-orchestrated travel lifecycle. In addition, these travel technology solutions must keep pace with constantly evolving customer needs. Travel suppliers and travel buyers leverage technology solutions to optimize how travel products are marketed and sold, how end-customers are served, and how operations are managed. As illustrated by the following graphic, the technology required to enable the travel ecosystem includes comprehensive, global travel marketplaces like our Travel Network business, which processed more than 1.1 trillion system messages in 2013, with nearly 100,000 per second at peak times, as well as advanced reservation, planning, marketing and operations systems provided by solutions providers like our Airline and Hospitality Solutions business, which manages everything from hotel room inventory to crew scheduling on flights. Given the nature of these solutions, they generally represent integral elements of a travel supplier s and travel buyer s day-to-day business. This reliance on technology drove spending by the air transportation and hospitality industries to $60 billion in 2013 with expenditures expected to exceed $70 billion in 2017, according to Gartner.

We believe that technology providers with deep domain expertise have become critical for the industry. As the demands of the industry continue to rapidly evolve, they will be presented with significant additional opportunities. For example, the combination of rapid developments in consumer electronics and the proliferation of customers carrying one or more digital devices is driving innovation ranging from mobile shopping to remote check-in and trip management. Similarly, intense competition has driven suppliers to explore new ways of merchandising their products, including the sale of ancillary products like preferred seating and checked baggage. This requires technology companies to create solutions to facilitate that product lifecycle from selling ancillary products and distribution management to inventory control. Technology providers are also helping travel suppliers and travel buyers to derive increasing value from advanced data analytics and business intelligence solutions, driving better operations, enhanced customer experiences and the personalization of travel products. In addition, the travel industry is focusing on streamlining operations, developing creative solutions such as the fully electronic, mobile flight bag for pilots, which eliminates the need for expensive and cumbersome printed flight manuals and documentation. Some recent trends in the travel industry which we expect to further technology innovation and spending include:

Outsourcing: Historically, technology solutions were built in-house by travel suppliers and travel buyers. As complexity and the pace of innovation have increased, third-party providers have emerged to offer more cost-effective and advanced solutions. Additionally, the travel technology industry has shifted to a more flexible and scalable technology delivery model including SaaS and hosted implementations that allow for shared development, reduced deployment costs, increased scalability and a pay-as-you-go cost model.

Airline Ancillary Revenue: The sale of ancillary products is now a major source of revenue for many airlines worldwide, and has grown to comprise as much as 20% of total revenues for some carriers and more than $36 billion in the aggregate across the travel industry in 2012, according to IdeaWorks. Enabling the sale of ancillary products is technologically complex and requires coordinated changes to multiple interdependent systems including reservations platforms, inventory systems, point of sale locations, revenue accounting, merchandising, shopping, analytics and other systems. Technology providers such as Sabre have already significantly enhanced their systems to provide these capabilities and we expect these providers to take further advantage of this significant opportunity going forward.

Mobile: Mobile platforms have created new ways for customers to research, book and experience travel, and are expected to account for over 30% of online travel sales by 2017, according to Euromonitor. Accordingly, travel suppliers, including airlines and hospitality providers, are upgrading their systems to allow for delivery of services via mobile platforms from booking to check-in to travel management. The recent SITA Survey found that 97% of airlines are investing in mobile channels with the intention of increasing mobile access across the entire travel experience. This mobile trend also extends to the use of tablets and wireless connectivity by the airline workforce, such as automating cabin crew services and providing flight crews with electronic flight bags. Travel technology companies like Sabre are enabling and benefitting from this trend as travel suppliers upgrade their systems and travel buyers look for new sources of client connectivity.

Personalization: Concurrently with the rise of ancillary products and mobile devices as a customer service tool, travel suppliers have an opportunity to provide increased personalization across the customer travel experience, from seat selection and on-board entertainment to loyalty program management and mobile concierge services. Data-driven business intelligence products can help travel companies use available customer data to identify the types of products, add-ons and upgrades customers are more likely to purchase and market these products effectively to various customer segments according to their needs and preferences. In addition to providing the technology platform to facilitate these services, we believe technology providers like Sabre can leverage their data-rich platforms and travel technology domain expertise to offer analytics and business intelligence to support travel suppliers in delivering more personalized service offerings.

Increasing Use of Data and Analytics: The use of data has always been an asset in the travel industry. Airlines were pioneers in the use of data to optimize seat pricing, crew scheduling and flight routing. Similarly, hotels employed data to manage room inventory and optimize pricing. The travel industry was also one of the first to capitalize on the value of customer data by developing products such as customer loyalty programs. Historically, this data has largely been transaction-based, such as booking reservations, recording account balances, and tracking points in loyalty programs. Today, analytics-driven business intelligence products are evolving to further and better utilize available data to help travel companies make decisions, serve customers, optimize their operations and analyze their competitive landscape. Technology providers like Sabre have developed and continue to develop large-scale, data-rich platforms that include these business intelligence and data analytics tools that can identify new business opportunities and global, integrated and high-value solutions for travel suppliers.

With the increasing complexity created by the large, fragmented and global nature of the travel industry, we believe reliance on technology will only increase. Technology spending by the air transportation and hospitality industries totaled $60 billion in 2013, with expenditures expected to exceed $70 billion in 2017, according to Gartner Enterprise.

We offer a broad portfolio of sophisticated and comprehensive technology solutions and services on scalable platforms to travel suppliers, travel buyers and other industry participants that range from planning to distribution to operations. We organize our business in three segments: (i) Travel Network, our global B2B travel marketplace for travel suppliers and travel buyers, (ii) Airline and Hospitality Solutions, an extensive suite of leading software solutions primarily for airlines and hotel properties, and (iii) Travelocity, our portfolio of online consumer travel e-commerce businesses through which we provide travel content and booking functionality primarily for leisure travelers. Collectively, our integrated business enables the entire travel lifecycle, from route planning to post-trip business intelligence and analysis.

Global Distribution System and Travel Marketplace

Sabre developed the first airline CRS. As the industry and technology evolved and Sabre s and other CRS providers systems expanded globally to accommodate a large variety of travel suppliers and attract a broad set of travel buyers, these systems became known as GDSs, or global distribution systems. In recent years, certain GDS providers, including Sabre, have significantly broadened their product offering and value proposition to include a range of integrated technologies and solutions for travel suppliers and travel buyers. Combinations of the GDSs and these solutions offerings have increasingly become known as global travel marketplaces.

GDS providers facilitate the operation of the travel industry in several ways. First, these travel marketplaces have an extensive network of travel buyers, including online and offline travel agencies, TMCs and corporate travel departments, as well as travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators. GDSs efficiently bring together travel content such as inventory, prices and availability from travel suppliers and allow travel buyers to purchase that content through a transparent, searchable and consistently presented marketplace platform. A fundamental value proposition to the travel buyer is access to comprehensive and competitive travel content, including core content such as inventory and pricing equivalent to that directly available through a travel supplier s own website or sales office. For travel suppliers, these marketplaces provide efficient and cost-effective distribution of the travel supplier s services to a diverse customer base and also provide many OTAs with access to the travel content displayed on their websites. Based on our internal estimates and Marketing Information Data Tapes data, there were over one billion GDS-processed air bookings in 2013, representing more than $250 billion in global travel sales.

In addition, some GDS providers augment their distribution offering with advanced merchandising and other capabilities. For example, workflow management solutions, like Sabre Red Workspace; automation tools that assist travel agencies in serving their customers before, during and after the trip; and web-based products are integral components of travel agents technology systems that help them market their services effectively and operate more efficiently. The graphic below illustrates the potential value of the GDS and related solutions to both travel suppliers and travel buyers:

Buyers can purchase travel inventory (e.g., booking reservations for air or hotel) in two primary ways. They can purchase directly from the travel supplier, which we refer to as direct distribution, or they can purchase through a travel agency or other intermediary that typically uses a GDS. We refer to this as indirect distribution.

With travel suppliers adoption of certain technology solutions over the last decade, including those offered by our Airline and Hospitality Solutions business, air travel suppliers have increased the proportion of direct bookings relative to indirect bookings. However, we believe that the rate at which bookings are shifting from indirect to direct distribution channels has slowed for a number of reasons, and that the rate of shift in the United States stabilized at very low levels in 2012 and 2013, although we cannot predict whether this low rate of shift will continue. Reasons for this include the increased participation of LCC/hybrids in indirect distribution channels as well as other airlines increasing their participation in GDSs in recent years. We believe this is due to the effectiveness and efficiency of the GDS as a global travel marketplace for travel suppliers to market and sell their travel content, particularly for TMCs, corporate travel departments and OTAs. In addition, travel suppliers using the GDS incur a booking fee which is, on average, only approximately 2% of the value of the booking. Therefore, the revenue generated through the GDS leads to a return on investment that is attractive compared to the incremental cost, in part because many of the tickets sold on the GDS platform are more expensive long-haul and business travel tickets (particularly those originating outside the home country of the airline) as well as tickets with additional booking complexity (e.g., multiple airline itineraries). These platforms also offer a particularly cost-effective means of accessing markets where a travel supplier s brand is less recognized by using local travel agencies to reach end consumers.

As evidence of the value of the GDS platform, we estimate that Representative Airlines have an approximately 90% participation rate in a GDS (weighted by PB volume), as of December 31, 2013. We define Representative Airlines as all IATA member airlines as of December 2013, as well as Air Asia, Allegiant, Lion Air, Ryanair, Tiger Airways and Wizz Air, which, based on T2RL, collectively carried approximately three-quarters of PBs globally in 2012. Over the last several years, notable carriers that previously only distributed directly, including JetBlue and Norwegian, have adopted our GDS. Other carriers such as EVA Airways and Virgin Australia have further increased their participation in a GDS. On the hotel side, a recent TravelClick study shows that travel agents use of GDSs for hotel booking is growing faster than their use of any other distribution channel for hotel bookings.

There are other technology initiatives that could impact the use of GDSs. For example, over the past ten years, several travel suppliers have proposed direct distribution initiatives. We believe that the direct distribution initiatives offered to date lack key functionality provided by the GDS, and would require each travel agency to implement a direct connection to each airline or other travel supplier, requiring significant and redundant IT expenditures. To date, we believe that direct distribution initiatives have not and will not have significant adoption by travel agents since their cost and lack of features currently make them less competitive than GDS offerings. In 2012, IATA proposed NDC, a new distribution capability, for adoption by airlines and travel distribution companies. As originally proposed, NDC is a combination of technical standards and business model, similar to some direct distribution initiatives, and we believe it suffers from many of the same problems noted above. We are not aware of any GDS industry participant or major travel agency that has committed the necessary investment for NDC. That said, we are committed to working with IATA to develop uniform technical standards that would incorporate NDC capabilities in a manner that integrates with the GDS for the benefit of travel buyers and travel suppliers.

Travel buyers, such as online and offline travel agencies, TMCs and corporate travel departments continue to utilize GDS platforms to provide travel content to their customers. Such customers continue to demand the broadest possible offerings at the best available prices in a single comparable format that we believe can most effectively be offered by GDSs at present. Additionally, travel buyers demand functionalities that provide near real-time results and allow flexible search parameters. Such enhanced functionalities have not typically been available via direct distribution channels, which have historically had less sophisticated search engines and have been limited to a single travel supplier s inventory. In addition, we believe that travel agencies value other attributes of the GDS, including incentive consideration that supplements their income, tools that facilitate

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booking data integration within their mid-and back-office systems, and consistent user interfaces across all travel content shopped and sold. In particular, we believe that the wide variety of functionalities provided by GDSs is attractive to corporate travel departments due to their complex travel requirements and corporate travel contracts. For these reasons, we expect that travel buyers will continue to use GDSs to provide travel content in order to meet the needs of their customers and remain competitive.

Business Model

The distribution platform component of a GDS plays the role of a transaction processor for the travel industry, while the value-added integrated solutions make the GDS a true B2B travel marketplace. Generally, GDSs collect a transaction fee from the travel suppliers for each reservation they process, with no charge to travel suppliers for listing or shopping of their content. These travel marketplaces often implement a revenue sharing arrangement with travel agencies to incentivize them to consolidate demand and use the system efficiently. In such arrangements, GDS providers pay travel agencies a booking incentive for each booking that generates revenue for the GDS provider, sometimes after certain minimum booking levels are met. The following diagram presents an overview of the key financial flows for this two-sided transaction-based business model:

Because GDS revenue is directly dependent upon travel-related transaction activity, GDS revenue growth has historically correlated with growth in the overall travel market. Based on 40 years of IATA Traffic data, air traffic has historically grown at an average rate of approximately 1.5x the rate of global GDP growth. According to Marketing Information Data Tapes data and our internal estimates, GDS-processed bookings, for example, have already surpassed pre-recession levels, growing 3% per year from 2009 through 2013, and is expected to grow over the next four years. In addition to general economic conditions, certain factors, such as the increasing propensity of LCC/hybrids to expand their distribution through these global travel marketplaces in order to attract new customers beyond their home markets, may aid growth, while the U.S. government budget sequestration and shutdown may negatively impact this growth. See Risk Factors Risks Related to our Business and Industry Our business could be harmed by adverse global and regional economic and political conditions and Our revenue is highly dependent on transaction volumes in the global travel industry, particularly air travel transaction volumes.

Competitive Environment

Travel marketplace participants include:

- GDSs such as Sabre, Amadeus and Travelport;

- local distribution systems and travel marketplace providers that are primarily owned by airlines or government entities and operate primarily in their home countries, including Abacus in APAC (100% of Abacus transactions processed by Sabre), TravelSky in China and Sirena in Russia and the Commonwealth of Independent States;

- travel suppliers that use direct distribution to sell their services directly to travelers;

- corporate travel booking tools, including GetThere, Concur Technologies, Deem, KDS, eTravel LLC and Egencia; and

- other market participants in the travel space, including Kayak, TripAdvisor, Yahoo! and Google, which have launched consumer travel search tools that direct shoppers to travel suppliers direct distribution channels and OTAs.

We believe that travel marketplace participants strive to differentiate themselves by providing travel buyers with some or all of the following services and functionality: reliable, easy to use and innovative technology; comprehensive, accurate and timely travel content or services; global coverage or regional expertise; booking incentives to travel agencies; and comprehensive solutions for business productivity, revenue maximization or cost savings. In addition, we believe that travel marketplace participants that serve travel suppliers strive to maintain an extensive network of travel buyer customers to provide a comprehensive global or regional offering of sales channels while offering low transaction fees. Some of these market participants also offer capabilities for travel suppliers to advertise, merchandise and personalize their products and services through the GDS.

Compared to other types of participants, global travel marketplaces such as Travel Network tend to offer more of these attributes to both travel buyers and travel suppliers.

In the United States, full deregulation of the GDS industry occurred in 2004. GDSs and airline carriers in Europe are still subject to rules aimed at preventing anti-competitive behavior and ensuring the supply of neutral information to consumers. Airlines that have decisive influence over a GDS, such as Air France, Iberia and the parent company of Lufthansa, all of which partially own Amadeus, must abide by specific rules prohibiting discrimination by an airline against another GDS that is competing with the airline-owned GDS. The Chinese travel marketplace is heavily regulated to provide the state-controlled GDS, TravelSky, with monopoly control, which has largely kept other GDS providers out of the Chinese market. However, China has recently agreed to a phased, selective easing of some of these regulations, though progress has been slow, according to PhoCusWright. Canada still has some GDS regulations as well, primarily around the display of air carriers services.

Travel Technology Solutions

Travel technology companies provide travel suppliers with solutions that address a myriad of business processes, including commercial planning, revenue management, inventory management, customer acquisition and merchandising, sales and e-commerce, operations planning and management, business intelligence, and market intelligence. These solutions are typically comprised of SaaS solutions, hosted solutions and locally deployed solutions. Some of these solutions are developed by travel suppliers in-house and others are developed by third parties such as travel technology companies.

Historically, large travel suppliers built custom in-house software and applications for their business process needs. In response to a desire for more flexible systems given increasingly complex technological requirements, reduced IT budgets and increased pricing pressure, many travel suppliers turned to third-party solutions providers for many of their key technologies and began to license software from software providers.

Business Model

In addition to the continuing technology outsourcing trend, the industry has also seen a shift to more flexible and scalable technology delivery models. Although traditional software licensing remains an important part of the industry, leading technology providers like Sabre have been at the forefront of a shift to SaaS and hosted implementations that allow for shared development, reduced deployment costs, increased scalability and a pay-as-you-go pricing model. This model also allows customers to benefit from constantly evolving platforms in a highly dynamic environment. By amortizing the cost of the solution over a customer s transactions (e.g., PBs or room reservations made), solutions providers can often help customers reduce upfront technology costs and convert them to variable costs linked to company growth. Given the capital intensive nature of many travel suppliers businesses, we believe that this pricing flexibility is attractive to travel suppliers.

Competitive Environment

Participants in the travel technology solutions market include both third-party solutions providers and travel suppliers with in-house systems. As the technology outsourcing trend continues, third-party solutions providers compete for business based on a number of factors, including: the breadth of solutions offered, scope and complexity of business needs addressed, ability to meet a variety of customer specifications, proven effectiveness and reliability, implementation and system migration processes, flexibility, scalability and ease of use, pricing, level of integration with customers existing technology, global footprint, industry and technology expertise, cost and efficiency of system upgrades and customer support services. We believe that competitors who offer solutions that meet a range of complex needs and supplement those solutions with reliable support and a deep understanding of industry processes are more attractive to potential customers because they are able to solve more complex problems while reducing the total number of solutions providers that the customer needs.

Developing effective solutions requires complex and specific travel industry expertise. Also, most travel suppliers generally favor solutions providers that already serve other large travel suppliers in a given region. Airlines in particular are focused on the proven reliability of technology that is integral to operational efficiency and passenger safety, and hotels generally desire the technological sophistication and capabilities used by the larger and more prestigious hotel brands. Furthermore, due to the large size of many airline and hotel customers, solutions providers that can provide the scale to accommodate large volumes and deliver a broad portfolio of solutions have a competitive advantage. We believe that currently only a few SaaS and hosted technology solutions providers have the breadth, industry knowledge and technology expertise to effectively compete on a large scale. Although new entrants specializing in a particular type of software occasionally enter the solutions market, they typically focus on emerging or evolving business problems, niche solutions or small regional customers.

Airline Supplier Technology

Gartner estimates that technology spending by the air transportation industry totaled approximately $33 billion in 2013 (Gartner Enterprise). According to our internal estimates and T2RL passenger data, more than 600 airlines, representing over 95% of global passenger volumes, use a variety of software solutions to manage and integrate complex business processes. SITA estimates that airlines currently spend approximately 1.5% of global airline revenue on operational IT (SITA Survey). These systems include functionalities that support core capabilities of the air carrier, including reservations booking and related processes, merchandising and points of sale, CRS, check-in and boarding. According to T2RL PSS, the world market for such passenger sales and service systems is now worth more than $2 billion per year. Although the number of new reservations opportunities varies materially by year, in 2013 T2RL estimated that contracts representing over 1.3 billion PBs will come up for renewal between 2014 and 2017.

In addition to passenger sales and service solutions, certain technology providers, such as Sabre, offer other value-added software solutions. These solutions range in functionality from commercial planning to airline enterprise operations management, including software that manages flight operations, crew scheduling, route planning, pricing optimization, contract management and compliance and a host of other key airline functionalities. Based on our industry experience and internal data, we believe that a similar amount is spent each year on other industry-specific, software-enabled solutions.

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Hotel Supplier Technology

Hotels use a number of different technology systems to distribute and market their products and improve their operational efficiency. According to Gartner Enterprise, technology spending by the hospitality industry totaled approximately $27 billion in 2013. Most of the hotel market is highly fragmented. Independent hotels and small- to medium-sized chains (groups of less than 300 properties) comprise a substantial majority of hotel properties and available hotel rooms, while global and regional chains comprise the balance. These independent hotels and small-to medium-sized chains rely heavily on external web-based CRSs to distribute their inventory across a variety of channels. CRS platforms provide GDS access, connectivity to major OTAs, internet booking capabilities, call center booking platforms, channel management and access to other distribution services on a shared platform. CRS providers may also differentiate themselves with value-added services such as digital marketing services, call center outsourcing services, and marketing consulting that help hotels compete. We expect opportunities for the top CRS providers to expand significantly, as hotels migration to external CRS platforms continues, including larger hotel chains now considering outsourcing this service to a third-party platform.

Additionally, hotels are migrating toward web-based PMSs as recent technical advances, availability and lower total cost of ownership are making them increasingly attractive compared to on-site PMSs, which have historically been expensive to maintain. Web-based PMSs also make it possible to create an integrated CRS-PMS web-based solution, which, based on an internal survey that we conducted, is a product that the majority of hotels with ten or more properties would be interested in purchasing when they next upgrade their PMS.

As the hotel industry shifts from offline advertising to online marketing, CRS providers offering marketing capabilities such as website optimization, search engine optimization and online advertising will be more competitive players. We also believe that similar opportunities exist in the areas of revenue management, CRM and other operational functions that integrate with the CRS and PMS.

Online Travel Agencies

An OTA is an e-commerce business that allows travelers to conveniently and efficiently shop, compare and purchase a broad array of travel-related products and services, often sourced in part from GDS platforms. According to Euromonitor Report, global online travel sales will grow at 10% over the next five years.

OTAs compete with traditional offline travel agencies as well as many alternative online travel distribution channels, including travel supplier direct distribution and metasearch companies such as Kayak, trivago and TripAdvisor. These market participants differentiate themselves on the basis of ease of use, price, customer satisfaction, availability of product type or rate, service, amount, accessibility and reliability of information, brand image and breadth of products offered. This requires OTAs to have effective branding and marketing, an efficient website to support shopping and booking capabilities, as well as strong relationships with travel suppliers or third-party aggregators to offer a broad supply of travel content to attract customers and generate transaction and advertising revenue. We believe that customers need to trust the provider to fulfill and service their travel purchase often results in brand loyalty to a single site.

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BUSINESS

Overview

We are a leading technology solutions provider to the global travel and tourism industry. We span the breadth of a highly complex $6.6 trillion global travel ecosystem, providing key software and services to a broad range of travel suppliers and travel buyers. Through our Travel Network business, we process hundreds of millions of transactions annually, connecting the world s leading travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, with travel buyers in a comprehensive travel marketplace. We offer efficient, global distribution of travel content from approximately 125,000 travel suppliers to approximately 400,000 online and offline travel agents. To those agents, we offer a platform to shop, price, book and ticket comprehensive travel content in a transparent and efficient workflow. We also offer value-added solutions that enable our customers to better manage and analyze their businesses. Through our Airline Hospitality Solutions business, we offer travel suppliers an extensive suite of leading software solutions, ranging from airline and hotel reservations systems to high-value marketing and operations solutions, such as planning airline crew schedules, re-accommodating passengers during irregular flight operations and managing day-to-day hotel operations. These solutions allow our customers to market, distribute and sell their products more efficiently, manage their core operations, and deliver an enhanced travel experience. Through our complementary Travel Network and Airline and Hospitality Solutions businesses, we believe we offer the broadest, end-to-end portfolio of technology solutions to the travel industry.

Our portfolio of technology solutions has enabled us to become the leading end-to-end technology provider in the travel industry. For example, we are one of the largest GDS providers in the world, with a 36% share of GDS-processed air bookings in 2013. More specifically, we are the #1 GDS provider in North America and also in higher growth markets such as Latin America and APAC, in each case based on GDS-processed air bookings in 2013. In those three markets, our GDS-processed air bookings share was approximately 50% on a combined basis in 2013. In our Airline and Hospitality Solutions business, we believe we have the most comprehensive portfolio of solutions. In 2013, we had the largest third-party hospitality CRS room share based on our approximately 27% share of third-party hospitality CRS hotel rooms distributed through our GDS, and, according to T2RL PSS data for 2012, we had the second largest airline reservations system globally. We also believe that we have the leading portfolio of airline marketing and operations products across the solutions that we provide. In addition, we operate Travelocity, one of the world s most recognizable brands in the online consumer travel e-commerce industry, which provides us with business insights into our broader customer base.

Through our solutions, which span the breadth of the travel ecosystem, we have developed deep domain expertise. Our success is built on this expertise, combined with our significant technology investment and focus on innovation. This foundation has enabled us to develop highly scalable and technology-rich solutions that directly address the key opportunities and challenges facing our customers. For example, we have invested to scale our GDS platform to meet massive transaction processing requirements. In 2013, our systems processed over $100 billion of estimated travel spending and more than 1.1 trillion system messages, with nearly 100,000 system messages per second at peak times. Our investment in innovation has enabled our Travel Network business to evolve into a dynamic marketplace providing a broad range of highly scalable solutions from distribution to workflow to business intelligence. Our investment in our Airline and Hospitality Solutions offerings has allowed us to create a broad portfolio of value-added products for our travel supplier customers, ranging from reservations platforms to operations solutions typically delivered via highly scalable and flexible SaaS and hosted platforms. We have a long history of engineering innovative travel technology solutions. For example, we believe we were the first GDS to enable airlines to sell ancillary products like premium seats through the GDS, the first third-party provider to automate passenger reaccommodation during large operational disruptions and the first GDS to launch a B2B app marketplace for our travel agency customers that allows them to customize and augment our Travel Network platform. Our innovation has been consistently recognized in the market, with awards including the Business Traveler Innovation Award from the Global Business Travel Association, an unaffiliated entity, in 2011 and 2012, for which we applied and were one of eight award winners chosen by popular vote. We were also recognized by the InformationWeek 500 in 2013 as one of the Most

Innovative Users of Business Technology for the eleventh consecutive year. These 500 companies are invited to apply and are chosen by InformationWeek, an unaffiliated entity, based on their unconventional approaches and new ways of solving complex business problems with IT.

We continue to improve our existing solutions and expand our offerings to meet the constantly evolving needs of our customers. For example, as demonstrated in the following graphic, we have current or in-development solutions that address five of the six major technology investment priorities highlighted in the recent SITA Survey of major airline carriers:

Our SaaS and hosted technology platforms allow us to serve our customers primarily through a recurring, transaction-based revenue model based primarily on travel events such as air segments booked, PBs or other relevant metrics. For the year ended December 31, 2013, 91% of our Travel Network and Airline and Hospitality Solutions revenue, on a weighted average basis, was Recurring Revenue. See Method of Calculation for a description of Recurring Revenue. This model has benefits for both our customers and for us. For our customers, our delivery model allows otherwise fixed technology investments to be variable, providing flexibility in their cost base and smoothing investment cycles as they grow, while enabling them to benefit from the continuous evolution of our platform. For us, this recurring, transaction-based revenue model allows us to expand with our customers in the travel industry, a segment of the economy which has grown significantly faster than global GDP over the last 40 years. Since our revenues are primarily linked to our customers transaction volumes, rather than to airline budget cycles or cyclical end-customer pricing, which we believe are more volatile than transaction volumes, this model facilitates greater stability in our business, particularly during negative economic cycles. In addition, as a technology solutions and transaction processing company, we do not take airline, hotel or other inventory risk, nor are we directly exposed to fuel price volatility or labor unions.

Our recurring, transaction-based revenue model, combined with our high-quality products, reinvestment in our technology, multi-year customer contracts and disciplined operational management, has contributed to our strong growth profile, as demonstrated by our Adjusted EBITDA having increased each year since 2008 despite the global economic downturn and resulting travel slowdown. From 2009 through 2013, we grew our revenue and Adjusted EBITDA at 7% and 11% CAGRs, respectively, and increased Adjusted EBITDA margins by 394 bps, in each case, excluding Travelocity and intersegment eliminations. During the same period, net loss attributable to Sabre Corporation decreased 37% and net loss margin decreased by 258 bps. See Non-GAAP Financial Measures and Summary Summary Consolidated Financial Data for additional information regarding Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.

We operate through three business segments: (i) Travel Network, (ii) Airline and Hospitality Solutions, and (iii) Travelocity. Our segments operate with shared infrastructure and technology capabilities, and provide key solutions to our customers. Collectively, our integrated business enables the entire travel lifecycle, from route planning to post-trip business intelligence and analysis. The graphic below provides illustrative examples of the points where Sabre enables the travel lifecycle:

Travel Network is our global B2B travel marketplace and consists primarily of our GDS and a broad set of capabilities that integrate with our GDS to add value for travel suppliers and travel buyers. Our GDS offers content from a broad array of travel suppliers, including approximately 400 airlines, 125,000 hotel properties, 30 car rental brands, 50 rail carriers, 16 cruise lines and 200 tour operators, to tens of thousands of travel buyers, including online and offline travel agencies, TMCs and corporate travel departments. Our Airline and Hospitality Solutions business offers a broad portfolio of software technology products and solutions, primarily through SaaS and hosted models, to approximately 225 airlines, 17,500 hotel properties and 700 other travel suppliers. Our flexible software and systems applications help automate and optimize our customers business processes, including reservations systems, marketing tools, commercial planning solutions and enterprise operations tools. Travelocity is our family of online consumer travel e-commerce businesses through which we provide travel content and booking functionality primarily for leisure travelers. In August 2013, Travelocity entered into an exclusive, long-term strategic marketing agreement with Expedia, which was recently amended and restated in March 2014 to reflect changed commercial terms. Under the Expedia SMA, Expedia will power the technology platforms of Travelocity s existing U.S. and Canadian websites, as well as provide access to Expedia s supply and customer service platforms. Additionally, Travelocity recently sold its TPN business, a B2B loyalty and private label website offering, to Orbitz.

For the years ended December 31, 2013 and 2012, we recorded revenue of $3,050 million and $2,974 million, respectively, net loss attributable to Sabre Corporation of $100 million and $611 million, respectively, and Adjusted EBITDA of $791 million and $787 million, respectively, reflecting a 3% and 21% net loss margin and a 26% and 26% Adjusted EBITDA margin, respectively. For additional information regarding Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, see Non-GAAP Financial Measures and Summary Summary Consolidated Financial Data. For the year ended December 31, 2013, Travel Network contributed 58%, Airline and Hospitality Solutions contributed 23%, and Travelocity contributed 19% of our revenue (excluding intersegment eliminations). During this period, shares of Adjusted EBITDA for Travel Network, Airline and Hospitality Solutions, and Travelocity were approximately 77%, 21% and 2%, respectively, (excluding corporate overhead allocations such as finance, legal, human resources and certain information technology shared services).

We are headquartered in Southlake, Texas, and employ approximately 10,000 people in approximately 60 countries around the world. We serve our customers through cutting-edge technology developed in six facilities located across four continents.

Our Competitive Strengths

We believe the following attributes differentiate us from our competitors and have enabled us to become a leading technology solutions provider to the global travel industry.

Broadest Portfolio of Leading Technology Solutions in the Travel Industry

We offer the broadest, most comprehensive technology solutions portfolio available to the travel industry from a single provider, and our solutions are key to the operations of many of our travel supplier and travel agency customers. Travel Network, for example, provides a key technology platform that enables efficient shopping, booking and management of travel itineraries for online and offline travel agencies, TMCs and corporate travel departments. In addition to offering these and other advanced functionalities, it is a valuable distribution and merchandising channel for travel suppliers to market to a broad array of customers, particularly outside their home countries and regions. Additionally, we provide SaaS and hosted solutions that run many of the most important operations systems for our travel supplier customers, such as airline and hotel reservations systems, revenue management, crew scheduling and flight operations. We believe that our Travel Network and Airline and Hospitality Solutions offerings address customer needs across the entire travel lifecycle, and that we are the only company that provides such a broad portfolio of technology solutions to the travel industry. This breadth affords us significant competitive advantages including the ability to leverage shared infrastructure, a common technology organization and product development. Beyond scale and efficiency, our position spanning the breadth of the travel ecosystem helps us to develop deep domain expertise and to anticipate the needs of our customers. Taken together, the value, quality, and breadth of our technology, software and related customer services contribute to our strong competitive position.

Global Leadership Across Growing End Markets

We operate in areas of the global travel industry that have large and growing addressable customer bases. Each of our businesses is a leader in its respective area. Sabre is the leading GDS provider in North America, Latin America, and APAC, with 55%, 57%, and 39% share of GDS-processed air bookings, respectively, in 2013. Additionally, Airline Solutions is the second largest provider of reservations systems, with an 18% global share of 2012 PBs, according to T2RL PSS. We believe that we have the leading portfolio of airline marketing and operations products across the solutions that we provide. We also believe our Hospitality Solutions business is the leader in hotel reservations, handling 27% of third-party hospitality CRS hotel rooms through our GDS in 2013. See Method of Calculation for an explanation of the methodology underlying our GDS-processed air bookings share and third-party hospitality CRS hotel room share calculations.

Looking forward, we expect to benefit from attractive growth in our end markets. Euromonitor expects a 4% CAGR in air travel and hotel spending from 2013 to 2017 (Euromonitor Database). According to Gartner Enterprise, technology spending by the air transportation and hospitality sectors is expected to grow significantly from $60 billion in 2013 to over $70 billion in 2017. Within our Travel Network business, we also expect our presence in economies with strong GDP growth and regions with faster air traffic growth, such as APAC, Latin America and MEA, will further contribute to the growth of our businesses. Similarly, our Airline Solutions reservations products, customers are weighted toward faster-growing LCC/hybrids, which represented approximately 45% of our 2012 PBs.

Innovative and Scalable Technology

Two pillars underpin our technology strategy: innovation and scalability. To drive innovation in our travel marketplace business, we make significant investments in technology to develop new products and add incremental features and functionality, including advanced algorithms, decision support, data analysis and other valuable intellectual property. This investment is supported by our global technology teams comprising approximately 4,000 employees and contractors. This scale and cross-business technology organization creates efficiency and a flexible environment that allows us to apply knowledge and resources across our broad product portfolio, which in turn fuels innovation. In addition, our investments in technology have created a highly scalable set of solutions across our businesses. For example, we believe our GDS is one of the most heavily utilized SOA environments in the world, processing more than 1.1 trillion system messages in 2013, with nearly 100,000 system messages per second at peak times. Our Airline and Hospitality Solutions business employs highly reliable software technology products and SaaS and hosted infrastructure. Compared to traditional in-house software installations, SaaS and hosted technology offers our customers advantages in terms of cost savings, more robust functionality, increased flexibility and scale, and faster upgrades. As an example of the SaaS and hosted scalability benefit, our delivery model has facilitated an increase in the number of PBs in our Airline Solutions business from 288 million to 478 million from 2009 to 2013. Our investments in technology maintain and extend our technology platform which has supported our industry-leading product innovation. On the scale at which we operate, we believe that the combination of an expanding network and technology investments continues to create a significant competitive advantage for us.

Stable, Resilient, and Diversified Business Models

Travel Network and much of Airline and Hospitality Solutions operate with a transaction-based business model that ties our revenue to a travel supplier s transaction volumes rather than to its unit pricing for an airplane ticket, hotel room or other travel product. Travel-related businesses with volume-based revenue models have generally shown strong visibility, predictability and resilience across economic cycles because travel suppliers have historically sought to maintain traveler volumes by reducing prices in an economic downturn.

Our resilience is also partially attributable to our non-exclusive multi-year contracts, in our Travel Network business. For example, although most of our contracts have terms of one to three years, contracts with our major travel buyer and travel supplier customers, which represent the majority of Travel Network revenue, have five to ten year terms and three to five year terms, respectively. Similarly, our Airline Solutions business has contracts that typically range from three to seven years in length, and our Hospitality Solutions business has contracts that typically range from one to five years in length. Our Travel Network and Airline and Hospitality Solutions businesses also deliver solutions that are integral components of our customers businesses, and have historically remained in place once implemented. In our Travel Network business and our Airline and Hospitality Solutions business, 94% and 84% of our revenue was Recurring Revenue, respectively, in 2013.

In addition to being stable, our businesses are also diversified. Travel Network and Airline and Hospitality Solutions generate a broad geographic revenue mix, with a combined 43% of revenue generated outside the United States in

2013. None of our travel buyers or travel suppliers accounted for more than 10% of our revenue for the years ended December 31, 2013 or 2012.

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Strong, Long-Standing Customer Relationships

We have strong, long-standing customer relationships with both travel suppliers and travel buyers. These relationships have allowed us to gain a deep understanding of our customers needs, which positions us well to continue introducing new products and services that add value by helping our customers improve their business performance. In our Travel Network business, for example, by providing efficient and quality services, we have developed and maintained strong customer relationships with TMCs, major corporate travel departments and travel suppliers, with some of these relationships dating back over 20 years. Through our Travelocity business, we have gained important insights into what online travel companies need in order to best serve their customers, and we are able to leverage that knowledge to develop products and services to address those needs.

We believe that our strong value proposition is demonstrated by our ability to retain customers in a highly competitive marketplace. For each of the years ended December 31, 2013, 2012 and 2011, our Customer Retention rate for Travel Network was 99%. For our Airline Solutions business, our Customer Retention rate was 98%, 96% and 96% for the years ended December 31, 2013, 2012 and 2011, respectively, and our Customer Retention rate for our Hospitality Solutions business was 96%, 96% and 98% for the same periods, respectively. See Method of Calculation for a description of Customer Retention.

Deep and Experienced Leadership Team with Informed Insight into the Travel Industry

Our management team is highly experienced, with comprehensive expertise in the travel and technology industries. Many of our leaders have more than 20 years of experience in multiple segments of the travel industry and have held positions in more than one of our businesses, which provides them with a holistic and interdisciplinary perspective on our company and the travel industry.

By investing in training, skills development and rotation programs, we seek to develop leaders with broad knowledge of our company, the industry, technology, and specific customer needs. We also hire externally as needed to bring in new expertise. Our blend of experience and new hires across our team provides a solid foundation on which we develop new capabilities, new business models and new solutions to complex industry problems.

Our Growth Strategy

We believe we are well-positioned for future growth. First, we expect the continued macroeconomic recovery to generate travel growth, compounded by the continuing trend towards the outsourcing of travel technology. In addition, we are well-positioned in market segments which are growing faster than the overall travel industry, with leading market positions in our Travel Network business in Latin America and APAC. In our Airline Solutions reservations systems, LCC/hybrids, which are growing traffic faster than traditional airlines, accounted for approximately 45% of our PBs in 2012. Supported by these industry trends, we believe both our Travel Network and our Airline and Hospitality Solutions businesses have significant opportunities to expand their customer bases, further penetrate existing customers, extend their geographic footprint and develop new products. By executing on the following strategies and, when appropriate, selective strategically aligned acquisitions, we intend to capitalize on these positive trends:

Leverage our Industry-Leading Technology Platforms

We have made significant investments in our technology platforms and infrastructure to develop robust, scalable software as well as SaaS and hosted solutions. We plan to continue leveraging these investments across our organization, particularly in our Travel Network and Airline and Hospitality Solutions businesses, to catalyze product innovation and speed-to-market. We will also continue to shift toward SaaS and hosted infrastructure and solutions as we further develop our product portfolio.

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Expand our Global Travel Marketplace Leadership

Travel Network intends to remain the global B2B travel marketplace of choice for travel suppliers and travel buyers by executing on the following initiatives:

- Targeting Geographic Expansion: From 2009 to 2013, we increased our GDS-processed air bookings share in the Middle East, Russia and Brazil by 744 bps, 327 bps and 267 bps, respectively. We currently have initiatives in place across Europe, APAC and Latin America to further expand in those regions.

- Attracting and Enabling New Marketplace Content: We are actively adding new travel supplier content which generates revenue directly through incremental booking volumes associated with the new content and reinforces the virtuous cycle of our Travel Network business: as we add more supplier content to our marketplace, we experience increased participation from travel buyers, which, in turn, encourages travel suppliers to contribute additional content to our marketplace. We have been successful in converting notable carriers that previously only used direct distribution, such as JetBlue and Norwegian, to join our GDS, and we believe there is a similar opportunity to increase the participation of less-penetrated content types like hotel properties, where we estimate that only approximately one-third participate in a GDS. In addition to attracting new supplier content, we aim to expand the content available for sale from existing travel suppliers, including ancillary revenue a category of airline revenue worth more than $36 billion in the aggregate across the travel industry in 2012, according to IdeaWorks. We seek additional opportunities to capitalize on this trend, such as by supporting our customers branded fare initiatives.

- Continuing to Invest in Innovative Products and Capabilities: The development of cutting-edge products and capabilities has been critical to our success. We plan to continue to invest significant resources in solutions that address key customer needs, including mobility (e.g., TripCase), data analytics and business intelligence (e.g., Sabre Dev Studio, Hotel Heatmaps, Contract Optimization Services), and workflow optimization (e.g., Sabre Red App Centre, TruTrip).

Drive Continued Airline and Hospitality Solutions Growth and Innovation

Our Airline and Hospitality Solutions business has been a key growth engine for us, increasing both revenue and Adjusted EBITDA by 72% from 2009 to 2013. We believe Airline and Hospitality Solutions will continue to drive company growth through a combination of underlying customer and market growth, as well as through the following strategic growth initiatives.

- Invest in Innovative Airline Products and Capabilities: We have a long history of investment in innovation. For example, we believe we were the first technology solutions provider to provide real-time revenue integrity and the first third-party provider to automate passenger reaccommodation during large operational disruptions. We see a continued opportunity to innovate in areas such as retailing solutions, mobile capabilities, data analytics and business intelligence offerings.

<u>Continue to Add New Airline Reservations Customers</u>: Over the last four years, we have added airline customers representing over 110 million annual PBs from many innovative, fast-growing airlines such as Etihad Airways, Virgin Australia, JetBlue and LAN. Although the number of new reservations opportunities varies materially by year, in 2013, T2RL estimated that contracts representing over 1.3 billion PBs will come up for renewal between 2014 to 2017, of which over 1.1 billion PBs are from airlines that do not pay us PB fees today. As of this filing, airlines won but not yet implemented by Sabre boarded over 220 million PBs in 2012, according to T2RL. This includes a long-term agreement announced in January 2014 with American Airlines for Sabre to be its reservations system provider following its merger with US Airways.

Further Penetrate Existing Airline Solutions Customers: We believe there is an opportunity to sell more of our extensive solution set to our existing customers. Of our 2013 customers in T2RL s top 100 passenger airlines, 35% had one or two non-reservations solution sets, 36% had three to five and 29% had more than five. Historically, the average revenue would have approximately tripled if a customer moved from the first category to the second, and nearly tripled again if a customer moved to the third category. Leveraging our brand, we intend to continue to promote the adoption of our products within and across our existing customers.

Invest Behind Rapidly Growing Hospitality Solutions Business: Our Hospitality Solutions business has grown rapidly, with 19% revenue CAGR from 2009 to 2013, and we are focused on continuing that growth going forward. We currently have initiatives to grow in our existing footprint and expand our presence in APAC and EMEA, which collectively accounted for only 32% of our Hospitality Solutions business revenue in 2013. We plan to accomplish this through a combination of cross-selling additional products to our existing customers, expanding our global reseller network and enhancing our product offering.

Continue to Focus on Operational Efficiency Supported by Leading Technology

As an organization, we have a track record of improving operational efficiency and capitalizing on our scalable technology platform and operating leverage in our business model. We have expanded Adjusted EBITDA margins by over 550 bps since 2009 in our Travel Network business while growing the business and introducing new products. We intend to continue to increase our operational efficiency by following a shared capabilities, technology and insights approach across our businesses. For example, through the Expedia SMA we intend to reduce direct costs associated with Travelocity and expect to improve our Adjusted EBITDA by providing our customers with the benefit of Expedia s long-term investment in its technology platform to increase conversion, improve operational efficiency, and shift our focus to Travelocity s strengths in marketing and retailing. Additionally, Travelocity recently sold its TPN business, a B2B loyalty and private label website offering, to Orbitz. We will continue to work toward identifying operational and technological efficiencies while continuing to support our investments and strategic priorities to maintain our leadership position in the travel industry.

Our Businesses

Travel Network

Travel Network is our global B2B travel marketplace and consists primarily of our GDS and a broad set of solutions that integrate with our GDS to add value for travel suppliers and travel buyers. The distribution platform component of a GDS serves the role of a transaction processor for the travel industry, while the value-added integrated solutions make the GDS a true marketplace. Our GDS facilitates travel by efficiently bringing together travel content such as inventory, prices, and availability from a broad array of travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, with a large network of travel buyers, including online and offline travel agencies, TMCs and corporate travel departments. We deliver value to our travel buyer customers by providing them with comprehensive and competitive travel content. Similarly, we bring value to our travel supplier customers by providing efficient and cost-effective distribution and merchandising services reaching approximately 400,000 travel agents. We are one of the largest GDS providers in the world, with a 36% share of GDS-processed air bookings in 2013. More specifically, we are the #1 GDS provider in North America and also in higher growth markets such as Latin America and APAC. In those three markets, our GDS-processsed air bookings share was approximately 50% on a combined basis in 2013. See

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Method of Calculation for an explanation of the methodology underlying our GDS-processed air bookings share calculation. The following chart illustrates our share of GDS-processed air bookings as of December 31, 2013:

Source: internal estimates

We expect Travel Network s market position in economies with robust GDP growth, such as APAC, Latin America and MEA, will drive continued growth for our businesses, while the strength of our GDS in large, developed regions, such as North America and Europe, positions us for stable growth as the recovery from the global economic downturn continues. In addition, we serve a large portion of APAC through our regional joint venture partners, including Abacus and Infini. 100% of the GDS transactions of these joint venture partners are processed and powered by our GDS.

Travel buyers can shop and book approximately 400 airlines, 125,000 hotel properties, 30 car rental brands, 50 rail carriers, 16 cruise lines and 200 tour operators using our GDS. In 2013, our systems processed over $100 billion of estimated travel spending, including sales from our joint venture partners. In addition, we believe that our business benefits from a virtuous cycle. As we add more supplier content to our marketplace, we experience increased participation from travel buyers. This, in turn, encourages travel suppliers to contribute additional content to our marketplace, driving a virtuous cycle.

Our travel marketplace also includes advanced capabilities and automated solutions that, among other things, enable travel suppliers and travel buyers to operate more efficiently, optimize their performance across various metrics and provide insight into customer booking patterns. Through our GetThere products, we offer a suite of tools that tailor these services to corporate travel departments, providing capabilities such as facilitating rate negotiations, simplifying compliance with corporate travel policies and tracking business travel online. We are continually investing to enhance our solutions offering, such as our data analytics and business intelligence capabilities, and to enable emerging travel technologies and innovative apps, including mobile. For example, our product offerings include TripCase, our mobile and web traveler services platform that provides passengers with mobile itinerary management and real-time trip details.

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Relative to our competitors, we believe we are the travel marketplace of choice among many global travel buyers, with:

- over 50% of the GDS-processed air bookings of the four largest global TMCs (American Express, Carlson Wagonlit Travel, BCD Travel, and Hogg Robinson Group) in 2013;
- customers including over 80% of the Business Travel News Corporate Travel 100, which are the corporations with the largest travel expenditures as measured by their 2012 U.S. booked air volume;
- 62% GDS-processed air bookings share of Expedia, Priceline and Travelocity in 2013, with bookings from Orbitz anticipated to start in 2015; and
- a Customer Retention rate of 99% in 2013.

Strategy

We are executing on a number of strategies to support our future growth going forward, including:

Targeting Geographic Expansion. We intend to accelerate the growth of our leading technology-enabled solutions by deepening our presence in high-growth geographies. We believe that our strategies will position our solutions to better serve travel suppliers and travel buyers in those geographies as travel consumption grows. With our global content, strength in the corporate segment, and industry-leading search technology, we have a demonstrated ability to rapidly expand our geographic footprint. For example, from 2009 to 2013, we increased our GDS-processed air bookings share in the Middle East, Russia and Brazil by 744 bps, 327 bps and 267 bps, respectively. We are currently pursuing a number of initiatives to continue our geographic expansion, including:

- European growth: Expand our presence in Europe, including high-growth Eastern European markets, by leveraging our global relationships with travel suppliers and travel buyers operating in those markets and by adapting our product capabilities to meet regional needs. For example, we are implementing dynamic schedule updates to additional European airlines to improve scheduling accuracy through the GDS, and we are integrating hotel pricing components in certain markets to improve travel agent workflow.
- APAC growth: Secure our leadership position by optimizing our strategic partnerships, leveraging our corporate relationships and continuing to add APAC-focused travel suppliers. For example, we have recently added Jetstar and PAL Express to our GDS.
- Latin American growth: Add agency customers and enhance travel content in key Latin American countries with differentiated and innovative products. For example, Total Trip, a graphical module that sells prepaid hotels and is integrated with the Sabre Red Workspace, has gained significant popularity among our Latin American customers.

Attracting and Enabling New Marketplace Content. We are actively adding content to reinforce the virtuous cycle of Travel Network as well as generate revenue directly through incremental bookings volumes associated with the new content. We believe there are two broad categories of opportunities to do so:

Add new supplier segments: Historically, we have grown the number and participation levels of travel suppliers. For example, we have increased the utilization of our GDS by airlines such as JetBlue and Virgin Australia. Beyond air content, we believe there is a significant opportunity to add other types of content, such as hotel properties. We estimate that, as of December 31, 2013, only approximately one-third of hotel properties participate in a GDS, compared to approximately 90% of Representative Airlines, weighted by PB volume. We believe this is an attractive opportunity and we are pursuing innovative strategic options, such as working with hotel aggregators, to access this and other segments. We have also leveraged our product innovation to add new supplier segments. App developers, for example, have used the Sabre Red App Centre to add new content types, such as town car service, to the marketplace.

Add new travel content from existing suppliers: We aim to increase the types of travel content available on our GDS from existing suppliers. Many travel suppliers, especially airlines, are separately monetizing ancillary products that were previously bundled with seat inventory or other core content at no additional charge. Ancillary revenue was worth more than $36 billion in the aggregate across the travel industry in 2012, according to IdeaWorks. Sabre was the first travel solutions provider to enable airlines to sell ancillary products such as seat assignments through the GDS. Suppliers are also seeking to create personalized offers based on individual traveler and shopping information. Sabre s Custom Offers gives travel suppliers the ability to create personalized offers such as special rates and room upgrades for hotels and premium seating or check-in for airlines. As airlines and other travel suppliers continue to expand ancillary products, personalized offers, and travel products, we intend to deliver solutions to sell these offerings and differentiate ourselves as an effective marketplace.

Continuing to Invest in Innovative Products and Capabilities. In addition to extending our marketplace and technology leadership with our GDS solution, we strive to develop new products to enhance the value of our Travel Network offering. We have focused our investment efforts on addressing travel suppliers and travel buyers most significant business needs, including:

Mobile: Mobile platforms have created new ways for customers to research, book and experience travel and are expected to account for over 30% of online travel sales by 2017, according to Euromonitor Report. To address this need, we launched TripCase, a mobile travel app, in 2009. TripCase is a mobile tool that allows travel suppliers, agencies, and corporations to anticipate traveler needs (e.g., the ability to manage, revise, and check their journey itinerary and preferences) in real-time. As a result of adding enhanced capabilities, we have been able to rapidly accelerate user adoption. Since the beginning of 2012 through 2013, we multiplied the TripCase consumer user base six-fold from approximately 400,000 to approximately 2.5 million. Over 15,000 agencies and 26 airlines are now using TripCase for itinerary management and document delivery to their customers. Our mobile success has also won industry-wide recognition. For example, TripCase was named the Best Mobile Solution by Eye for Travel, an unaffiliated entity, chosen by a preliminary online vote and an independent panel of judges from a pool of eight applicants based on a number of factors including design, features, usability, technology, innovation, speed and performance. In 2013, Sabre launched TripCase Corporate, the travel industry s first set of integrated corporate features on mobile, which is designed to improve travel programs for corporations while also simplifying business travel for employees. We intend to continue pursuing mobile innovation with TripCase and other solutions, including new mobile offerings for other key point-of-sale and service tools, such as our recently launched and rapidly growing Sabre Red Mobile Workspace.

Data analytics and business intelligence: Travel suppliers and travel buyers are increasingly focused on data analytics to inform and enable better decision-making. In fact, according to the SITA Survey, 100% of surveyed airlines are investing in business intelligence solutions. Our data-rich platform contains significant travel-related data such as shopping and purchasing behavior. Our customers can benefit from tools that allow data-driven insights. We are developing products to satisfy this demand. For example, Sabre Dev Studio offers travel and non-travel businesses access to the most comprehensive travel data set in the world; over 3,500 companies rely on Sabre s application programming interfaces, travel data streams, and notification services to power their applications and websites. Hotel Heatmaps allow hotel suppliers to analyze shopping and conversion volume by customer segment over time. Contract Optimization Services uses sophisticated analytics around booking trends, origin/destination data and other data to help travel management companies and their corporate customers optimize their travel policies. We believe these and several other business intelligence solutions position us well to capitalize on the positive secular trends around data analytics.

Workflow optimization: We believe that our innovative workflow tools are significant differentiators that encourage TMCs and corporate participants in the travel ecosystem to choose Travel Network. As a result, the development of new and improved workflow tools has long been a tenet of our innovation strategy. For example, with Sabre Red Workspace, we created a pioneering, fully graphical interface that is now used by thousands of travel agents. In 2012, we introduced Sabre Red App Centre, becoming the first GDS to provide an online B2B marketplace to connect travel buyers with application providers. With access to over 150 different applications, travel agencies can service a wide range of business needs, from tracking agent productivity to converting currency to building trip plans for clients. As part of our recognition in the InformationWeek 500 in 2012, InformationWeek also chose to highlight Sabre Red App Centre as one of the Top 20 Great Ideas to Steal of 2012. In 2013, we announced our plans to develop TruTrip, which is designed to help corporate travel managers and TMCs manage and track bookings regardless of the channel through which they were booked.

Geographic Scope

As of December 31, 2013, approximately 400,000 travel agents in 145 countries on six continents use our GDS. Additionally, more than half of Travel Network s employees are located outside North America. We are one of the largest GDS providers in the world, with a 36% share of GDS-processed air bookings in 2013. More specifically, we are the #1 GDS provider in North America and also in higher growth markets such as Latin America and APAC. In those three markets, our GDS-processed air bookings share was approximately 50% on a combined basis in 2013. See Method of Calculation for an explanation of the methodology underlying our GDS-processed air bookings share calculation. By growing internationally with our TMC and OTA customers and expanding the travel content available on our GDS to target regional traveler preferences, we anticipate that we will maintain share in key developed markets and grow share in Europe, APAC and Latin America.

Internationally, we market our GDS both directly and through joint venture and distribution arrangements. Our marketing partners principally include airlines that have strong relationships with travel agents in APAC and the Middle East as well as entities that operate regional computer reservations systems or other travel-related network services. With the combined strength of our technology and content as well as our partners local commercial skills and market knowledge, these partnerships allow us to gain traction in local markets and grow our share and distribution reach with lower risk. Through these partnerships, we are able to form strong relationships with key airlines and other travel suppliers that we can utilize in our other businesses.

Travel Network s joint venture and distribution partners include:

Abacus, a B2B travel e-commerce provider that is based in Singapore and operates in APAC. We own 35% of the joint venture and Abacus International Holdings, a consortium of eleven Asian airlines, owns the remainder. Travel Network provides Abacus with data, transaction processing and product development services. See Note 6, Equity Method Investments, to our audited consolidated financial statements included elsewhere in this prospectus.

Travel Network Middle East, which provides technology services, bookable travel products and distribution services for travel agencies, corporations and travel suppliers in the Middle East. We own 60% of the joint venture and Gulf Air Company GSC owns 40%.

Infini, one of the two largest travel e-commerce providers in Japan. Infini is owned 40% by Abacus International Holdings and 60% by All Nippon Airways and provides booking capability for air, hotel and car rental. Travel Network provides Infini with data and transaction processing and product development services.

Non-equity marketing arrangements with: (i) Glodis Travel Technology Ltd in the Ukraine, (ii) InterguideAir Ltd in Nigeria, and (iii) Emirates in the UAE and in a number of countries in Africa. Sabre has a 40% investment in ESS Electroniczne Systemy Sprzedazy Sp.Zo.o, a product development and tour distribution business in Poland. Each of these distributes our products and services in selected countries in EMEA.

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Key Metrics

During the year ended December 31, 2013, Travel Network generated 368 million Direct Billable Bookings. Our Recurring Revenue, as a percentage of total Travel Network revenues, was 94% in each of the years ended December 31, 2013, 2012 and 2011. See Method of Calculation for an explanation of the methodology underlying our GDS-processed air bookings share calculation. For additional segment information, see Note 21, Segment Information, to our audited consolidated financial statements included elsewhere in this prospectus.

Product Offering

In its early years, our B2B travel product offering was comprised of our GDS, which had shopping, booking and fulfillment capabilities for airline seats, and later, hotel and other travel inventory. As our travel buyers and travel suppliers businesses have become increasingly complex, Travel Network adapted its offerings to include a broad set of products and services that bring additional value to our customers and help them use the marketplace more effectively. Today, Travel Network is a global B2B travel marketplace that offers content from a broad array of travel suppliers, including approximately 400 airlines, 125,000 hotel properties, 30 car rental brands, 50 rail carriers, 16 cruise lines and 200 tour operators, to tens of thousands of travel buyers, including online and offline travel agencies, TMCs and corporate travel departments.

In addition to our GDS, which provides shopping, booking and fulfillment services, we provide a wide range of products and services to our four customer segments: (i) travel suppliers, (ii) travel agencies, (iii) corporations and travelers, and (iv) other travel industry participants. The following graphic illustrates the various components of our Travel Network business, including the original capabilities supported by our GDS in addition to the enhanced capabilities now available through our global travel marketplace:

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We continue to develop and offer data-driven business intelligence tools that provide all of our customers with decision support and reporting capabilities to manage customer, vendor, agency and competitive performance. For example, we offer customized low fare shopping tools that automate the ticket shopping and exchange process as well as highly differentiated contract and pricing optimization services that allow agencies, TMCs and corporate travel departments to manage the placement of travel content during the shopping process to optimize travel savings and improve compensation from preferred suppliers and fare markups.

We offer solutions for travel suppliers that help them display, promote and differentiate their brands and products globally; generate, maximize and secure revenue; and obtain, analyze and utilize relevant and accurate data for strategic decision-making. Our marketplace supports key travel supplier needs, such as airline codesharing and marketing and optimization capabilities. Our solutions also provide multi-channel merchandising capabilities that allow for distribution of ancillary products as well as dynamic pricing, inventory and revenue management tools. For example, Sabre Custom Offers provides travel suppliers with the ability to create personalized offers such as special rates and room upgrades for hotels and premium seating or check-in for airlines based on known customer characteristics and preferences.

We regularly measure our ability to find low fares, consistently finding that our GDS outperforms competitors in this critical capacity. The most recent third-party evaluation by Fried & Partner found that Sabre finds the lowest fares more often than leading competitors in all regions around the world.

Travel Network also offers many advanced products and capabilities that add value for travel agencies. Our GDS offers an award-winning user-friendly interface and flexible search parameters, including the option to search for hotels that adhere to Global Sustainable Tourism Council standards. It also offers travel agencies post-booking automation providing quality control checks, ticketing and documentation support. More than 200,000 offline travel agents in 143 countries access our GDS using Sabre Red Workspace. Sabre Red Workspace is our primary travel agency point of sale software and includes features such as customizable screen displays to maximize preferred supplier agreements, customizable process automation, integration with travel agency applications, tools and websites, and new mobile tablet access points. OTAs can access our GDS through Sabre Web Services, our primary point of sale for customers that require access to our global travel marketplace through web services.

We also provide travel agencies with integrated solutions that allow them to improve workflow, maximize revenue, reduce costs and improve customer service. For example, our ClientBase solution includes a CRM system that provides complete profile, contact and trip management abilities for developing and maintaining customer relationships and increasing productivity as well as a marketing tool that allows travel agents to select suppliers, create, track and send targeted marketing programs and obtain tracking reports to measure success.

For corporations and the travel agencies and corporate travel departments that serve them, we offer GetThere, a tool that automates the travel shopping and booking process, facilitates rate negotiations with suppliers, simplifies compliance with corporate travel policies, tracks information to safeguard business traveler security, integrates with the customer s expense reporting system and includes customer loyalty and business performance capabilities.

Our B2B travel business product offerings also reach a variety of other travel customer segments. We serve travelers through TripCase, our mobile and web traveler services platform that keeps travelers informed of their trip itineraries and booking information for all reservations made, regardless of booking origin. For new entrants to the travel industry and Sabre-certified third-party developers, we offer the ability to create and monetize Sabre Red Apps, an array of applications designed to meet travel agency needs made available through the Sabre Red App Centre. Through our Sabre Dev Studio, we provide tools, support and revenue opportunities to these new travel industry players and non-traditional GDS consumers who want access to our travel information and large global network of travel suppliers and travel buyers. Our developer tools include a portfolio of Sabre application programming interfaces travel data streams, software development kits, notification services, documentation and sample code. Travel Network also provides data, transaction processing and product development services to our regional joint venture partners, including Abacus and Infini.

Customers

Customers of Travel Network include:

- travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines, tour operators and others;
- corporate travel departments;
- OTAs, offline travel agencies and TMCs;
- travelers; and
- other sellers of travel and consumers of travel information.

As of December 31, 2013, approximately 400,000 travel agents in 145 countries on six continents use our GDS, making reservations with approximately 125,000 travel suppliers around the world. We intend to increase our international presence by expanding the travel content available on our GDS to target regional traveler preferences.

Because of strong products and services, the top ten airline and the top ten travel agency customers of our Travel Network business have been customers for more than a decade with their diverse technology needs supported by our broad range of products and services. Our Recurring Revenue percentage for our Travel Network business was approximately 94% in each of the fiscal years ended December 31, 2013, 2012 and 2011.

Airlines. Approximately 400 airlines, including full service carriers and LCC/hybrids from all regions of the world, choose to market and sell their inventory through our GDS. Unlike airline direct distribution, our GDS supports codesharing functionality that allows our airline customers to market their services with partner carriers and creates opportunities for low fare value. Our largest Travel Network suppliers include American Airlines, Delta, US Airways, United, Air Canada, Lufthansa, Air France, British Airways and Emirates, but no customer contributed more than 10% to Travel Network s revenue for the years ended December 31, 2013, 2012, or 2011. Over the last several years, notable carriers that previously only distributed directly, including JetBlue and Norwegian, have adopted our GDS. Other carriers such as EVA Airways and Virgin Australia have recently upgraded their technical connections and increased the level of content they market and sell through our GDS.

Our contracts with major carriers typically last for three to five year terms and are generally subject to automatic renewal at the end of the term, unless terminated by either party with the required advance notice. Our contracts with smaller airlines generally last for one year and are also subject to automatic renewal at the end of the term, unless terminated by either party with the required advance notice. We have 28 planned renewals in 2014 (representing approximately 22% of our Travel Network revenue for the year ended December 31, 2013) and 24 planned renewals in 2015 (representing approximately 5% of our Travel Network revenue for the year ended December 31, 2013), assuming we reach multi-year agreements for the contracts expected to be renewed in 2014. Although we renewed 24 out of 24 planned renewals in 2013 (representing approximately 25% of Travel Network revenue for the year ended December 31, 2013), we cannot guarantee that we will be able to renew our airline contracts in the future on favorable economic terms or at all.

Airlines are not contractually required to distribute their content exclusively through our GDS. To provide our travel buyer customers with the widest possible range of travel content, we seek to secure (and generally have been able to secure, with important exceptions) agreements in which the airline agrees to provide most or all of their publicly available fares for distribution through our GDS. However, to ensure competitiveness between the travel agents using our GDS, these agreements also typically require that the airline does not discriminate against travelers that book using our GDS or impose surcharges on such bookings. So long as the airline abides by its content and other commitments, we generally agree to display, load, and process airline data in a non-discriminatory manner on our GDS. We charge transaction-based booking fees for each reservation we process, and pricing depends upon various factors, such as the airline s size, home market, product offering and price, and the length of its relationship with us. These airline contracts contain standard representations and warranties, covenants and indemnification provisions.

Other travel suppliers. A broad portfolio of other travel suppliers also distribute their inventory through our GDS, including approximately 125,000 hotel properties, 30 car rental brands, 50 rail lines, 16 cruise lines and 200 tour operators. We have enjoyed long-term relationships with our travel suppliers, with some relationships exceeding ten years with respect to cruise lines and thirty years with respect to hotels and car rental companies.

Our largest hotel customers include Hilton, Marriott International, Starwood and Intercontinental. Our contracts with our hotel customers are non-exclusive and generally last from three to five years and typically renew automatically unless terminated by either party with the required advance notice. Our leading car rental brands include Hertz, Avis Budget and Enterprise. Our contracts with car rental companies and cruise lines are non-exclusive and generally last from two to seven years, and typically renew automatically unless terminated by either party with the required advance notice. Hotels, car rental companies and cruise lines pay transaction-based booking fees based on the number of rooms booked, the number of bookings for vehicle pickup and the number of sailed cabins, respectively. These hotel, car rental and cruise line contracts contain standard representations and warranties, covenants and indemnification provisions.

Corporate travel departments. Travel Network serves corporate travel departments through our GDS and other solutions, particularly through our GetThere products. Due to our service and product offerings, we have relationships with corporate travel departments that have been established for over a decade. Illustrative customers include Accenture, Apple, AT&T, BP, GE, Oracle, UBS and UPS. Corporate travelers are more likely to require flexible scheduling and more complex itineraries, with reservations completed much closer to the departure date, and therefore provide significantly higher revenue per trip. As of December 31, 2013, over 80% of the Business Travel News Corporate Travel 100, which are the corporations with the largest travel expenditures, choose to use our global travel marketplace.

Our contracts with major corporate customers typically last three to five years and generally renew automatically for successive one to three year periods unless terminated by either party with the required advance notice. Corporate travel buyers pay a one-time set up fee and monthly fees based on the number of bookings made through the system. These contracts with corporate travel departments contain standard representations and warranties, covenants and indemnification provisions.

Travel agencies. OTAs and TMCs were our two largest global travel agency segments in 2013. Our principal OTA customers are Expedia, Travelocity and Despegar. The four largest global TMCs are American Express Travel, Carlson Wagonlit Travel, BCD Travel, and Hogg Robinson Group, each of which has had a non-exclusive business relationship with us for more than 10 years. We serve large travel agencies and TMCs that process travel for the U.S. government. We also have thousands of other regional travel agency customers that serve business, leisure and/or niche travelers.

We typically have non-exclusive, five to ten year contracts with our major travel agency customers. Our contracts with TMCs and offline travel agencies typically renew automatically, but the vast majority of our contracts with online travel agencies do not automatically renew. Most travel agencies can terminate the contract anytime without cause with the required advance notice. A meaningful portion of our travel agency agreements, typically representing approximately 15% to 20% of our bookings, are up for renewal in any given year.

A travel agency contracts with us for use of our technology, which enables and enhances the agency s business operations by providing efficient access to broad travel supplier content and the ability to book, reserve and manage such content. We typically provide travel agencies with incentive consideration for each booking that generates revenue for us from a travel supplier, sometimes after certain minimum booking levels are met. This revenue-sharing arrangement incentivizes travel agencies to consolidate demand and use our GDS efficiently. Our contracts with larger travel agencies often increase the incentive consideration when the travel agency processes a certain volume or percentage of its bookings through our GDS. Although we generally provide incentive consideration on a periodic basis over the term of the contract, sometimes we provide incentive consideration in advance based on an anticipated level of bookings, and the travel agency must repay or rebate some or all of the incentive consideration if the anticipated level of bookings is not met. Smaller agencies do not typically have volume or share-based incentive consideration of this kind. Our contracts with travel agencies contain standard representations and warranties, covenants and indemnification provisions.

Travelers. Travel Network serves travelers directly through TripCase, our mobile and web traveler services platform, and through GetThere, for business travelers. We are also expanding our offerings to business travelers through initiatives such as enhanced online and mobile access to itinerary and trip planning information.

Other Sellers of Travel and Consumers of Travel Information. We provide travel data, merchandising, transaction processing and product development services to many other customers, including other travel marketplaces, metasearch engines, new entrants to the travel industry, developers and industry analysts.

Competitors

Travel Network competes with several other travel marketplace providers, including both regional and global players. In addition to Sabre, other key global B2B travel marketplace providers include:

- Amadeus, which is headquartered in Spain and operates the Amadeus distribution system. Amadeus is owned in part by Air France, Iberia and the parent company of Lufthansa. Amadeus owns a minority stake in Topas, a Korean regional travel marketplace. Based on Marketing Information Data Tapes data, 33% of its total 2013 GDS-processed air bookings were concentrated in Western Europe, specifically Germany, France, Spain, the United Kingdom, Italy, Norway and Sweden.

- Travelport, which is headquartered in the United Kingdom and owns three separately-operated travel marketplace systems, Galileo, Apollo and Worldspan.

Sabre is one of the largest GDS providers in the world, with a 36% share of GDS-processed air bookings in 2013. More specifically, we are the #1 GDS provider in North America and also in higher growth markets such as Latin America and APAC. In those three markets, our GDS-processed air bookings share was approximately 50% on a combined basis in 2013. We believe GDS-processed air bookings share is a good proxy for overall share in the business because air bookings comprise the vast majority of the total bookings of the three GDSs. See Method of Calculation for an explanation of the methodology underlying our GDS-processed air bookings share calculation.

In addition to competing with other GDSs, our GDS competes with local distribution systems and travel marketplace providers primarily owned by airlines or government entities and operate primarily in their home countries, including TravelSky in China and Sirena in Russia and the Commonwealth of Independent States.

Our GDS also competes with direct distribution by travel suppliers, in which travel suppliers bypass travel agencies and sell their services directly through their own websites and distribution channels. See Risk Factors Travel suppliers use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network and Travelocity businesses. Travel suppliers using the GDS incur a booking fee which is, on average, only approximately 2% of the value of the booking. Therefore, the revenue generated through the GDS leads to a return on investment that is attractive compared to the incremental cost, in part because many of the tickets sold on the GDS platform are more expensive long-haul and business travel tickets (particularly those originating outside the home country of the airline) as well as tickets with additional booking complexity (e.g., multiple airline itineraries). These platforms also offer a particularly cost-effective means of accessing markets where a travel supplier s brand is less recognized by using local travel agencies to reach end consumers.

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The value of the GDS platform is further reinforced by both the new content that continues to enter the system and by increasing participation rates we estimate that Representative Airlines have an approximately 90% participation rate in a GDS (weighted by PB volume), as of December 31, 2013. Over the last several years, notable carriers that previously only distributed directly, including JetBlue and Norwegian, have adopted our GDS. Other carriers such as EVA Airways and Virgin Australia have further increased their participation in our GDS. Other studies also underscore the value of the global travel marketplace, including a recent TravelClick study showing that agents use of GDSs for hotel booking is growing faster than their use of any other channel.

In addition to other GDSs and direct distributors, there are a number of other competitors in the travel distribution marketplace. New entrants in the travel space, including Google (through Google Hotel Finder and Flight Search), TripAdvisor and Kayak offer metasearch capabilities that direct shoppers to supplier websites and/or OTAs. The impact of these new entrants on the Travel Network business model remains uncertain. See Risk Factors Travel suppliers use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network and Travelocity businesses. Third-party aggregators, such as FareLogix, TravelFusion and AgentWare, offer solutions to book travel content from a variety of sources, including options outside of our GDS, though we believe their offerings have not yet been widely adopted by travel agents or travel suppliers due to cost and technology issues. Also, peer-to-peer options for travel services such as accommodations, tours and car sharing that do not distribute through our GDS are becoming increasingly popular among consumers worldwide.

Our corporate travel booking tool, GetThere, competes with similar offerings from travel agencies, airlines and other travel suppliers, including Concur Technologies, Deem, KDS, eTravel and Egencia.

As with other travel marketplace participants, Travel Network strives to provide a variety of attributes to our travel buyer and travel supplier customers. See Industry Global Distribution System and Travel Marketplace Competitive Environment for a discussion of the factors on which such participants compete.

Airline and Hospitality Solutions

Our Airline and Hospitality Solutions business offers a broad portfolio of software technology products and solutions, through SaaS and hosted delivery model, to approximately 225 airlines, 17,500 hotel properties and 700 other travel suppliers. In 2013, our Airline Solutions business represented 84% of Airline and Hospitality Solutions revenue and our Hospitality Solutions business represented the remaining 16%. We believe our flexible software and systems applications, including reservations systems, marketing tools, commercial planning solutions and enterprise operations tools, help automate and optimize our customers business processes and that our deep domain expertise and product capabilities enable our customers to address more complex business problems as they grow.

Compared to traditional in-house software installations, our SaaS and hosted models drive value for our customers in a variety of ways: (i) lower total ownership costs (i.e., acquisition costs and operating costs of a solution) as centralized hosting allows our customers to reduce their in-house software and hardware capital outlay, management and maintenance expenses; (ii) a pay-as-you-go cost structure, which allows our customers to spread their costs over time and link their IT expense with their growth; (iii) more robust functionality than would be cost-effective to develop in-house; (iv) scalable delivery that allows us to adapt our services to changes in our customers technological systems as they grow; and (v) a platform for faster deployment of upgrades compared to traditional installations.

The SaaS and hosted approach also benefits our business. On the revenue side, by moving away from one-time license fees to recurring monthly fees, our revenue stream has become more predictable. On the cost side, the SaaS and hosted models centralized deployment allows us to save time and money by reducing maintenance and implementation tasks and lowering operating costs.

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Strategy

We believe the following strategies will help us continue to grow and realize the potential of Airline and Hospitality Solutions:

Invest in Innovative Airline Products and Capabilities. We plan to continue investing in innovative technology products that solve the travel industry s most pressing business problems, as illustrated below:

Retailing: According to IdeaWorks, ancillary airline revenue, such as the sale of checked bags, was worth more than $36 billion in the aggregate across the travel industry in 2012. We have invested and continue to invest to enable airlines to distribute and sell these ancillary products, and we continue to focus on delivering additional retailing innovation, including customer-centric merchandising and enhanced ancillary revenue optimization.

Mobile: Mobile platforms have created new ways for customers to research, book and experience travel, and are expected to account for over 30% of online travel sales by 2017, according to Euromonitor Report. Accordingly, travel suppliers, including airlines and hospitality providers, are upgrading their systems to allow for delivery of services via mobile platforms from booking to check-in to travel management. The recent SITA Survey found that 97% of airlines are investing in mobile channels with the intention of driving mobile across the entire travel experience. This mobile trend also extends to the use of tablets and wireless connectivity by the airline workforce, for example automating cabin crew services and providing flight crews with electronic flight bags, which we are addressing through our eFlight Manager product family. As airlines increasingly leverage mobile workforce solutions, we are investing in mobile capabilities that enable a connected airline, such as electronic flight management solutions that provide real-time connectivity between the cockpit and the airport operations control center.

Data analytics and business intelligence: Business intelligence is one of the top two most important airline IT investment areas, according to the SITA Survey. We recently acquired PRISM, a leading provider of innovative business intelligence and decision support software for airlines to maximize the value of their corporate contracts. Looking forward, we are investing in products such as a platform for applications that can support data analytics across multiple systems. Rules can be applied to this aggregated data to influence decision-making, business processes, and forecasts to create innovative solutions in areas such as customer centricity, revenue management, and airline operations.

Continue to Add New Airline Reservations Customers. Over the last four years, we have added airline customers representing over 110 million in annual PBs from many fast-growing airlines such as Etihad Airways, Virgin Australia, JetBlue and LAN. Although the number of new reservations opportunities varies materially by year, in 2013 T2RL estimated that contracts representing over 1.3 billion PBs will come up for renewal between 2014 to 2017, of which over 1.1 billion PBs are from airlines that do not pay us PB fees today. As of this filing, airlines won but not yet implemented by Sabre boarded over 220 million PBs in 2012, according to T2RL. This includes a long-term agreement announced in January 2014 with American Airlines for Sabre to be its reservations system provider following its merger with US Airways.

Further Penetrate Existing Airline Solutions Customers. We believe our solution set is one of the most extensive in the industry and positions us to address the diverse needs of our customers. We have already established commercial relationships with approximately 225 airlines, including 79 of T2RL s top 100 passenger airlines, which we believe offers the opportunity to sell more of our solutions to our existing customers. For example, of our 2013 customers in T2RL s top 100 passenger airlines, 35% had one or two non-reservations solution sets, 36% had three to five and 29% had more than five. Historically, the average revenue would have approximately tripled if a customer moved from the first category to the second, and nearly tripled again if a customer moved to the third category. Leveraging our brand, we intend to continue to promote the adoption of our products within and across our existing customers.

Invest Behind Rapidly Growing Hospitality Solutions Business. Our Hospitality Solutions business has grown rapidly, with 19% revenue CAGR from 2009 to 2013, and we are focused on continuing to drive that growth going forward. We currently have initiatives to grow in our existing footprint and expand our presence in APAC and EMEA, which collectively accounted for only 32% of our Hospitality Solutions business revenue in 2013. We plan to accomplish this through a combination of strategies, including increasing our share of wallet with customers, expanding our global reseller network and providing more integrated products. For example, we are planning to launch an integrated Hospitality Management Solution which combines previously siloed products such as reservations and PMSs. In a recent survey we conducted, a majority of hotels with ten or more properties would be interested in purchasing such an integrated solution when they next upgrade their PMS.

Airline Solutions

Our Airline Solutions business provides industry-leading and comprehensive software solutions that help our airline customers better market, sell, serve and operate. We offer dynamic and customizable reservations software that supports all the essentials of a passenger service system. Our other software solutions help airlines make important decisions around marketing and planning, merchandising offerings and managing network operations. Over the past 25 years, we have built a broad portfolio of solutions that we believe are distinctive in the industry in their ability to collectively solve airlines most complex problems.

We believe we offer the airline industry the broadest choices available in the marketplace across reservations systems, marketing and planning solutions and enterprise operations solutions, due to the following attributes:

Broadest portfolio of integrated solutions. In a fragmented competitive landscape, we offer the broadest portfolio in the business, which enables airlines to leverage a single relationship to address increasingly complex and interconnected business problems. Our competitors, most of which specialize in either one solution or a limited functionality set, cannot easily replicate the comprehensiveness we provide in a single relationship. Our wide range of offerings also equips us with multiple strategies to win new customers and further penetrate our existing customers. For example, we can serve airlines that have already developed in-house functionalities or that use other third-party solutions providers by providing solutions that meet needs outside the capabilities of their existing solutions and build on these relationships over time to cross-sell additional solutions.

Flexible capabilities. Unlike other solutions providers, whose offerings are often optimized to serve airlines of a particular scale, our solutions are designed to serve airlines of various sizes and business models, and are able to accommodate change in an airline s scale and business processes. For example, we believe we are well-positioned to serve LCC/hybrids as they evolve and add new classes of service, aircraft diversity, international flying and codesharing, becoming more complex and requiring more advanced technology solutions. Furthermore, the modular nature of our products allows us to integrate with non-Sabre systems.

Industry expertise. Our deep industry expertise allows us to enhance our solutions, as we understand how our solutions integrate with airlines technology and business processes. Many of our team members have roots in the airline industry, having used or developed airline systems and processes as former airline employees.

Scalable SaaS delivery. We offer many of our reservations systems and software applications through SaaS and hosted delivery. Not only do the SaaS and hosted models allow the airline to refocus its resources on revenue-generating and customer-facing services instead of on maintaining technology, it also closely links an airline s software expenses with business growth, as software usage is typically related to passenger volumes or other relevant operating metrics. Through our SaaS and hosted delivery, we are able to consistently release new functionalities and provide software hosting of higher quality than what a typical airline could afford on its own.

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Key Metrics

Our reservations system, offered through our SabreSonic CSS product line, is our core offering, comprising 55% of overall Airline Solutions revenue for the year ended December 31, 2013. We consider the following key metrics for our reservations system to be representative of our overall Airline Solutions business:

Because of our long-standing relationships with customers, the importance and value of our solutions to an airline s ability to generate revenue, and the benefits of incumbency, we believe the vast majority of our revenue is recurring and stable based on transaction volumes. Our Recurring Revenue, as a percentage of total Airline Solutions revenue, was 83% in each of the years ended December 31, 2013, and in 2012 and 2011.

In 2013, our Airline Solutions business processed reservations for 478 million PBs, representing a 14% CAGR from 2009.

For additional segment information, see Note 21, Segment Information, to our audited consolidated financial statements included elsewhere in this prospectus.

Product Offering

We offer reservations systems and software applications in three functional suites: SabreSonic CSS, Sabre AirVision Marketing & Planning and Sabre AirCentre Enterprise Operations. Our broad portfolio provides a comprehensive solutions offering that automates key airline processes, from planning to reservations to operations. Our solutions are backed by extensive expertise in passenger sales and service, decision support, optimization, business processes, and operations management. Many of our solutions are available through SaaS and hosted delivery and are complementary with one another as well as in-house and other third-party solutions, allowing customers to bundle components that best suit their needs.

Airlines typically buy our solutions from within our functional suites, but we are increasingly engaging with our customers on cross-portfolio opportunities at the executive level. To address this opportunity, we are offering several new products and services which combine competencies from across our functional suites to provide holistic solutions. For example, we are developing our mobile platform to include features that enable airlines to extend capabilities to their customers and staff, like mobile check-in and itinerary management. We are also investing in a platform for applications that can support data analytics across multiple systems.

As with many software solutions providers, we offer a range of professional services and support services that enable customers to optimize the value of our solutions in the context of their individual business strategies. We also offer business consulting services which draw upon the depth and breadth of our industry expertise to craft solutions that best fit our customers specific needs.

Reservations Systems: SabreSonic Customer Sales & Service

Our SabreSonic CSS reservations offerings provide comprehensive capabilities around managing sales and customer service across an airline s diverse touch points. These capabilities are designed to drive airline revenue, operational efficiency, and customer experience. Our core platform and various add-on solutions are designed to serve airlines of various sizes and business models and are able to accommodate change in an airline s scale and business processes.

For example, we believe we are well-positioned to serve LCC/hybrids as they evolve and add new services, such as new classes of service, aircraft diversity, international flying and codesharing, becoming more complex and requiring more advanced technology solutions. SabreSonic CSS includes the following solution families:

Solution Family	Description
Sales & reservations	Fully integrated core inventory and reservations platform that supports the various steps of an airline s sales process. Enables airlines to manage and shop inventory, configure offerings, book seats and ancillaries, generate and manage tickets and process payments across all points of direct and indirect sales. This fully integrated solution powers an airline s internet booking engine, call center, inventory control, loyalty system, data warehouse, and departure control. Customer profiles ensure customer data availability at all touch points, enabling a consistent customer experience and the ability to provide differentiated service to specific passengers. Supports the various sales and service elements of partnership agreements such as interline, codeshare, and alliance participation, allowing airlines to provide a seamless customer experience across partner carriers. Distributes an airline s merchandising strategy across all channels and enables inventory management through enhanced inventory controls, segmentation, and real-time planning. Ticketing capabilities deliver a robust automated exchange and refunds processing solution, provide comprehensive reporting and reconciliation for monitoring sales activities, and enable multiple forms of local and international payment options including credit cards, PayPal, Bill Me Later and e-Bank.
Airport solutions	Departure control system that manages passenger check-in and aircraft boarding; includes passenger self-service capabilities such as mobile check-in, kiosk check-in, web check-in and gate reader. Enables automated merchandising of ancillaries and accurate collection of ancillary fees to support an airline s merchandising strategy, reduces staffing costs with self-service solutions, streamlines agent productivity through an intuitive user interface and ensures efficient flight loading and safety with an integrated weight and balance application.
Airline retailing	E-commerce platform that provides fundamental tools for customer acquisition, merchandising, booking and itinerary management. Accessible to consumers via web, mobile, and kiosk. Capabilities include branded fares and ancillary sales, targeted deal management, and self-service exchange and refund management.
B2B distribution	Agency management tool that integrates with the airline retailing e-commerce solution to track bookings for agencies that do not participate in electronic billing and settlement plans, automates the sales reporting process and allows airlines to assess the credit liability of its agency community.
Platform services	Tool that allows airlines to develop their own user-friendly graphical interfaces and automated processes to quickly solve complex business problems across multiple third-party systems; using this tool, airlines can build their own solutions that are easy to develop, customize, maintain, and deploy in multiple environments. Web services allow airlines to control and differentiate their customer touch points by accessing core sales and service capabilities through a robust, efficient programming interface that focuses on the presentation layer, where differentiation is most critical.

Irregular operations (IROPS) reaccommodation	Integrated add-on solution that manages reaccommodation of passengers when flight schedules change, including automatic inventory search, itinerary adjustment and passenger notification, and coordinates other aspects of irregular operations recovery, such as crew reassignment and flight schedule adjustment.
Customer centricity	Loyalty programs and rules engines for effective CRM, enabling an airline to provide a differentiated customer experience that reflects the airline s unique brand. Enables an airline to leverage data from multiple systems, combined with rules engines, to create a personalized customer experience across different touch points.

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Marketing & Planning: Sabre AirVision

Our Sabre AirVision Marketing & Planning is a set of strategic airline commercial planning solutions that focuses on helping our customers improve profitability and develop their brand. Our Sabre AirVision offerings include:

Solution Family	Description
Network planning and scheduling	Solutions that manage and support network planning decisions, such as data analysis to design revenue-maximizing city pairs and network layouts. Includes tools to manage service dates and times, fleet and airport gate assignments and codeshare agreements against different demand levels, operating cost scenarios, and spill/recapture rates. Airlines can optimize departure times in an entire hub to maximize connections and revenue, evaluate potential profitability of different forecasted routes using what-if scenarios, and perform close-in re-fleeting to optimize capacity against demand right up until boarding time.
Pricing and revenue management	Solutions that manage different aspects of revenue flows for passenger and cargo airlines, including cross-channel fares management, yield management and revenue integrity to identify and address fraudulent bookings. A pricing decision support solution helps airline analysts examine relevant market data to make optimal pricing decisions. A group management solution manages airline group traffic and optimizes group pricing and availability decisions based on the booking s impact on total network revenue. Revenue management solutions leverage customer choice modeling to more accurately forecast future demand. A revenue integrity solution performs real-time reviews of bookings as they are made to identify unintentional and deliberate booking rule violations, and then returns them to inventory so they can be purchased by paying customers.
Sales and revenue analysis	Solutions that manage corporate contracts and include market intelligence tools that leverage our proprietary data set, which provides a complete, aggregated view of true market demand developed by blending 50 input sources from across the industry. Commercial intelligence tools also incorporate data from across an airline s own network to provide analysis for decision support. A revenue accounting solution ensures fast and accurate settlement by automating the accounting of revenue across multiple airline systems.
Onboard catering and provisioning	Solutions that manage in-flight services to optimize customer experience and brand perception, including provision planning, ordering materials, galley management and business intelligence. This solution reduces labor-intensive tasks with automated planning, decreases overall inventory carrying costs, and integrates with multiple systems to centralize pricing decisions and management of multiple vendors.

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Enterprise Operations: Sabre AirCentre

Our Sabre AirCentre Enterprise Operations is a set of strategic solutions that drive operational effectiveness through holistic planning and management of airline, airport and customer operations. The Sabre AirCentre suite focuses on improving efficiency, controlling costs, and managing change through maximizing operational control. Our Sabre AirCentre offerings include:

Solution Family	Description
Flight management	Solutions that manage aircraft flight operations, including developing flight plans and schedules, providing maps and weather information, and tracking aircraft. A flight plan solution determines the optimal route based on airline priorities regarding fuel conservation, time, and revenue, and then it automates the costly routine processes associated with flight plan distribution. An aircraft-to-ground messaging system reduces delays by providing vital information prior to gate arrival and automating data transfer for aircraft initialization at takeoff. A situational display solution provides an integrated display of flight information, weather, and operational data that enables real-time operational decision-making to improve efficiency, productivity, and customer experience. An electronic flight bag transitions the airline from a paperless to an electronic environment for flight operations and it also enhances communications and reduces delays by integrating aircraft into the airline network.
Operations management	Solutions that forecast and fulfill long-range crew needs, optimize crew placement while complying with industry and government regulations and schedule requirements, manage crew movements, ensure accurate payroll, assign aircraft to flight schedule during regular and irregular operations and track aircraft movements on the ground. Enable adjustment of aircraft and crew schedules in response to interference causing irregular operations; early monitoring of impending operational disruptions allows for more efficient resolution, reduced costs and improved customer experience.
Airport management	Solutions that manage airline usage of airport resources, such as gate operations and usage as well as airport staff scheduling, rosters and operations. A gate management solution optimizes on-time performance through demand-driven resourcing, proactively addresses potential issues to reduce operational disruptions, and reduces tarmac waiting times and associated fuel burn. A ground support equipment planning solution uses scenario modeling to forecast ground equipment needs and optimize resource planning across an airport. A hub management solution provides an integrated view of data needed to efficiently plan and manage every aircraft turnaround. A staff management solution enhances airport handling operations through sophisticated planning models, visual alerts, and streamlined information access to help plan and manage optimal daily staff planning and deployment of the associated handling tasks.

Customers

As of December 31, 2013, we served approximately 225 airlines of all sizes and in every region of the world, including LCC/hybrids, global network carriers and regional network carriers. We also served approximately 700 other customers such as airports, corporate aviation fleets, governments and tourism boards. We have a global customer base, serving 79 of T2RL s top 100 passenger airlines, which represent the majority of PBs worldwide, based on 2012 PBs as reported by T2RL and combined with our own competitive industry insights. We have recently won reservations system contracts from Etihad Airways, LAN, WestJet, Virgin Australia, Virgin America and JetBlue. In January 2014, we reached a long-term agreement with American Airlines to be the provider of the reservations system for the merged American Airlines and US Airways entity.

We serve the following types of airlines:

LCC/hybrids. LCC/hybrids are typically carriers that have become more operationally complex as they evolve away from a model focused on low-cost and simplified operations. LCC/hybrids also tend to be thought leaders in the industry and grow faster, adding codesharing capabilities and new cabin classes, distributing through more indirect channels and diversifying their fleets. Examples of LCC/hybrids include Virgin America, Lion Air and JetBlue. A number of our recent customer acquisitions have been in this customer segment, with approximately 45% of our PBs represented by LCC/hybrids in 2012. In our airline reservations products, our travel supplier customer base is weighted towards this faster growing customer segment relative to our nearest competitor which has less than 10%. This leading presence among LCC/hybrids provides us with strong organic growth potential, as these carriers have recently grown faster than network carriers. As our growing LCC/hybrid customers demand additional solutions and capabilities, we can take advantage of these built-in opportunities to further increase our penetration of these customers.

Global network carriers. These carriers are typically large full-service airlines with a global presence that tend to participate in major global alliances. Examples of global network carriers include Delta, British Airways and Japan Airlines. We estimate that global network carriers, each of which serves over 25 million PBs per year, together boarded approximately one-third of PBs worldwide, as reported by T2RL in 2012.

Regional network carriers. These network carriers range in size but generally tend to focus primarily on one geographic region. They tend to be more price sensitive and less operationally complex than the global network carriers. Examples of regional network carriers include Virgin Australia and Vietnam Airlines. Mid-size and large regional carriers, which have a moderate level of complexity in their reservations requirements, are more likely than global network carriers to rely on third-party solutions providers for reservations functionality.

Our contracts tend to be non-exclusive multi-year agreements, with our reservations systems contracts generally lasting between five to ten years and software solutions contracts generally lasting between three to five years. We typically price our offerings based on relevant metrics that scale with the customer s business, such as PBs for reservations or number of aircraft for flight planning. In most cases, airlines commit to annual minimum volumes of such relevant metrics. If actual number of units is less than the annual minimum volume commitment, the airline will pay for any shortfall up to the annual minimum volume commitment. Our fees are generally paid on a monthly basis. Depending on the type of software products purchased, we also charge our customers for consulting fees, software licensing fees and other service fees. These contracts contain standard representations and warranties, covenants and indemnification provisions.

Although airline reservations contracts representing less than 5% of Airline Solutions 2013 revenue are scheduled for renewal in each of 2014 and 2015, airline reservations contracts representing approximately 10% of Airline Solutions 2013 revenue are scheduled for renewal in each of 2016 and 2017. We cannot guarantee that we will be able to renew our solutions contracts in the future on favorable economic terms or at all.

Competitors

The airline software industry is very competitive and highly fragmented. We are currently aware of over 100 competitors providing many types of reservations systems and software applications solutions.

The closest competitor to us in terms of size and breadth of product offering is Amadeus. We also compete with traditional technology companies such as HP, Unisys and Navitaire (a division of Accenture) and with airline industry participants such as Jeppesen (a division of Boeing), Lufthansa Systems, and SITA. In addition, various point solutions providers such as PROS, ITA Software, Datalex and Travelport compete with us on a more limited basis in several discrete functional areas. We differentiate ourselves by offering the broadest portfolio of software solutions, including reservations, marketing and planning and enterprise operations systems solutions in more than a dozen different areas of expertise. We have a competitive advantage in offering a

comprehensive portfolio through a single relationship as compared to our competitors, most of which specialize in either one solution or a limited functionality set.

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We are the second largest provider of passenger reservations systems, with an 18% share of airline PBs, according to T2RL PSS data for 2012, following closely behind Amadeus, which accounts for 21% share, and leading Navitaire, which accounts for 12% share. Despite facing significant implementation costs involved in switching passenger sales and service systems providers, a number of airlines have recently migrated from Amadeus and Navitaire systems to our SabreSonic CSS system, including Etihad Airways and Virgin Australia. Navitaire focuses on serving ultra low-cost carriers, as their passenger sales and service system is a simplified version of the traditional model of selling airline seats, while our system can accommodate the increased complexity of LCC/hybrids and network carriers.

We also believe that we have the leading portfolio of airline marketing and operations products across the solutions that we provide, based on our internal share estimates calculated based on our market intelligence combined with 2012 T2RL airline data.

There are also airlines that develop their own software applications and reservations systems in-house, some of which use a third-party mainframe in their data center and outsource the operation to a services vendor such as IBM or HP. Some regional carriers buy the spare capacity in a larger airline s reservations systems, which is often based on a common language or an alliance relationship. As airlines continue to move toward relying on third-party solutions providers for the technology that they currently host in-house, we believe our flexible, scalable and broad portfolio, SaaS and hosted delivery model, strong penetration in the market with a focus on high-growth segments, industry expertise and customer support position us well to continue gaining share in airline software applications and reservations systems.

See Industry Travel Technology Solutions Competitive Environment for a discussion of the factors on which third-party solutions providers compete.

Hospitality Solutions

Our Hospitality Solutions business provides industry-leading distribution, operations and marketing solutions to approximately 17,500 hotel properties around the world. Our offerings include reservations systems, PMSs, marketing services through our customers various distribution channels and consulting services that optimize distribution and marketing. With our comprehensive portfolio of SaaS solutions and value-added services, we believe we are well-positioned to add value in the hotel industry and to address the continued global growth and complexity of operational, distribution and marketing needs.

We are a leading provider of hospitality solutions to hotel suppliers based on the following attributes:

Leader in reservations. Our CRS platform serves approximately 13,000 properties and approximately 80 chains globally. Historically, generating GDS hotel bookings has been the primary reason that hotels use CRS services. Based on our estimates, in 2013, we had the largest hospitality CRS solution based on our approximately 27% market share of third-party hospitality CRS hotel rooms distributed through our GDS, with our next closest competitor at 17%. See Method of Calculation for an explanation of the methodology underlying our third-party hospitality CRS hotel room share calculation.

Leading web-based PMS. Our innovative PMS is used by more than 4,500 properties globally and we believe our product is one of the leading third-party web-based PMSs. Our PMS platform complements our industry-leading CRS platform and we expect to launch an integrated hospitality management suite that will centralize all distribution, operations and marketing aspects to facilitate increased accuracy, elimination of redundancies, and increased revenue and cost savings. In a recent internal survey, a majority of hotels with ten or more properties would be interested in purchasing this type of integrated PMS-CRS web-based solution when they next upgrade their PMS. Over time, we expect that this system will change the industry approach to distribution and guest management, as well as drive greater cross-utilization among our customer base.

Industry expertise. Our deep industry expertise in hotel distribution enhances the value of our solutions, which help hotels manage content across multiple global, regional, and local distribution channels more effectively. Our Hospitality Solutions business leadership team has an average of over 16 years of hospitality industry experience, and our industry expertise stems from relationships with hotels, travel agencies and distribution partners going back over 20 years.

Scalable SaaS delivery. The vast majority of our revenue is generated by solutions delivered as SaaS. This delivery model provides hotels, which previously performed these functions manually, with access to our state-of-the-art technology without prohibitive infrastructure costs. Our SaaS solutions platform is sophisticated enough to accommodate any hotel s needs, from an independent hotel to a global chain with multiple brands and thousands of properties. We believe this sets us apart from many of our competitors and provides our customers with the scale needed to replace in-house technology and focus their resources to serve travelers.

Key Metrics

Our revenue growth is associated primarily with the product functionality and the scalability of our business due to the economies of scale realized through our SaaS delivery model. Our Recurring Revenue as a percentage of total Hospitality Solutions revenue has remained high for our Hospitality Solutions business at 93%, 95% and 92% for the years ended December 31, 2013, 2012 and 2011, respectively. For the year ended December 31, 2013, we processed approximately 14 million room reservations. For additional segment information, see Note 21, Segment Information, to our audited consolidated financial statements included elsewhere in this prospectus.

Product Offering

We offer a comprehensive set of SaaS solutions for hoteliers to manage distribution, operations and marketing across multiple channels and segments globally. Customers can bundle components of our modular and integrated software offerings to create a solution that best suits their specifications. Our solutions can also be integrated with other hotel systems; as an active member of Open Travel Alliance and Hotel Technology Next Generation, we work with the most current XML standard interface specifications so that new interfaces can easily and quickly be added as needed.

Product Category	Description
Distribution	SynXis CRS: a web-based system that distributes a hotel s inventory to various channels, including the GDS, our proprietary Guest Connect internet booking engine (which includes mobile booking capabilities), call center (which is offered as an outsourced service and/or an agent booking application called Voice Agent) and direct connections to third-party OTAs. Allows hotels to manage availability, rates and content across these channels and send targeted marketing messages to customers at the point of sale. Includes revenue management tools that integrate with other important property systems to provide a holistic view of a hotel s revenue streams and help optimize revenue.
Operations	Sabre PMS: a web-based system that helps a hotel manage all aspects of its operations, with functionalities including inventory and reservations management, guest profile management, staffing, cleaning, back office and payment system integration, and a night audit/reporting module. Serves over 4,500 properties, including Red Roof Hotels and nine Wyndham brands.

Marketing	Include a broad portfolio of solutions including website design and hosting, search engine optimization, pay-per-click and online advertising, mobile solutions, social media marketing, content management systems, behavioral targeting and custom flash development. Also include the sale of Sabre GDS media, integration with CRM and loyalty systems and email marketing campaign management.

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Product Category	Description
Other	Consulting services for revenue management, marketing campaign planning and CRM, partnering with our customers to provide education around and maximize the return on investment in our tools and services, identify new revenue opportunities and stay up to date on the latest industry trends.
	A Consortia/Request for Proposal (RFP) solution targets certain customer segments to generate higher-revenue bookings than those generated through the internet. Comprised of (i) Sabre Hotel RFP, which provides hotels with leads for corporate travel contracts and sends hotel bids to corporations and agencies and (ii) Consortia Management Program, which markets preferred rates to qualified travel agent groups, or consortia, and helps establish strong relationships with major consortia agents for the corporate direct, leisure and general travel agency sectors.

Customers

We have a global customer base with approximately 17,500 hotel properties of all sizes, with 35% of hotel rooms distributed through our GDS for the year ended December 31, 2013 in North America, 9% in Latin America, 34% in EMEA and 22% in APAC. The combination of our functionality, system flexibility, and ease of deployment has enabled significant global growth across all regions and customer segments. We have grown from approximately 10,000 properties in 2008 to approximately 17,500 properties in 2013. The breadth of our customer base provides us with opportunities to cross-sell our many offerings to hotels with which we already have a relationship. The flexibility of our solutions allows us to serve hospitality customers that range from individual hotels to large chains comprised of thousands of properties. For example, we serve strong, stable brands such as Wyndham, Shangri-La Hotels and Resorts, Mandarin Oriental, Peninsula, Rosewood Hotels and Resorts, Preferred Hotel Group, Harrah s, Kimpton and Red Roof Inns. Our tools help these branded chains manage their brand and distribution mix across multiple properties in multiple regions. In total, we represent approximately 80 different hotel chains and over 8,000 independent hotels. A large part of our strength and success in the independent hotel segment is due to our global reseller network of over 30 partners that allows us to extend our sales presence internationally in a cost-effective manner.

Our contracts usually have one to five year terms, and typically renew automatically for one to three year periods until notice of termination is given by either party prior to the end of the current term. Customers whose contracts allow termination at will may have to pay early termination fees or may only terminate after a certain period of time has passed. We receive configuration and monthly subscription fees from our customers. Monthly transaction fees are comprised of reservations fees per room booking, net of cancellations, in that month. Customers have agreed to annual or periodic reservations fee increases in many of our contracts. These contracts contain standard representations and warranties, covenants and indemnification provisions.

Hospitality Solutions contract renewals are relatively evenly spaced, with approximately one-third of contracts representing approximately one-third of Hospitality Solutions 2013 revenue coming up for renewal in any given year. We cannot guarantee that we will be able to renew our solutions contracts in the future on favorable economic terms or at all.

Competitors

We face competition across many aspects of our business but our primary competitors are in the hospitality CRS and PMS fields, including MICROS, TravelClick, Pegasus and Trust, among others. However, in 2013, we had the largest hospitality CRS solution, based on our approximately 27% market share of third-party hospitality CRS hotel rooms distributed through our GDS.

The chart below reflects the long-term trend of our third-party hospitality CRS market share (compared against certain key competitors) as measured by our GDS bookings. This metric is different from the metric we use elsewhere in this prospectus which is based on share of hotel rooms, and we use it because we believe it accurately reflects the direction of the market over time. See Method of Calculation for an explanation of the methodology underlying these two different metrics.

There are also hotels that develop their own software applications and CRSs in-house, including global hotel chains. As hotels continue to move toward relying on third-party solutions providers for the technology that they currently host in-house, we believe our flexible, scalable and extensive portfolio, SaaS delivery model, focus on high-growth segments, industry expertise and customer support position us well to continue gaining share in the hospitality solutions industry.

See Industry Travel Technology Solutions Competitive Environment for a discussion of the factors on which third-party solutions providers compete.

Travelocity

Travelocity is our family of online consumer travel e-commerce businesses that serves primarily leisure travelers. We connect these travelers with travel products and services from well-known global brands. Through our websites, travelers can research, shop and book over 400 airlines, over 150,000 hotels, all major car rental companies, most major cruise lines, numerous vacation and last-minute travel packages as well as access traveler reviews and other travel-related services.

Travelocity is comprised primarily of Travelocity.com, an OTA focusing on the United States and Canada and lastminute.com, an OTA focusing on Europe. Our Travelocity and lastminute.com brands remain well-recognized; for example, in February 2012, Travelocity was named the top travel site by the American Consumer Satisfaction Index, and, according to our internal brand trackers, as of December 2013, we were among the leaders in the United States in terms of brand awareness, as compared with our principal OTA competitors.

Founded in 1996, Travelocity.com was the first OTA and one of the first online retailers. In 2013, Travelocity was the fourth largest global OTA, generating $7 billion in annual gross travel sales. Travelocity s results have been adversely impacted by several factors in recent years, including margin pressure and reduced bookings on its websites. For the three years ended December 31, 2013, Travelocity experienced an approximately 8% compound annual revenue decline due to intense competition within the travel industry. This increased level of competition led to declines in fees on new long-term supplier agreements signed with several large North American airlines in 2012 and lower transaction volumes, which also impacted our media revenue. In order to help improve Travelocity results, we initiated plans in the third quarter of 2013 to shift our Travelocity businesses in the United States and Canada away from a high fixed-cost model to a lower-cost, performance-based revenue structure.

On August 22, 2013, Travelocity entered into an exclusive, long-term strategic marketing agreement with Expedia, which was recently amended and restated in March 2014 to reflect changed commercial terms. Under the Expedia SMA, Expedia will power the technology platforms for Travelocity s existing U.S. and Canadian websites as well as provide Travelocity with access to Expedia s supply and customer service platforms. The Expedia SMA represents a strategic decision to reduce direct costs associated with Travelocity and to provide our customers with the benefit of Expedia s long-term investment in its technology platform as well as its supply and customer service platforms, which we expect to increase conversion and operational efficiency and allows us to shift our focus to Travelocity s marketing strengths.

We believe Travelocity and lastminute.com have strong brand awareness. According to internal surveys, our brand consideration for Travelocity was the second highest among OTAs in North America, and our hotel shopping preference for lastminute.com was the highest among OTAs in the United Kingdom, which is lastminute.com s primary market. We believe we can use this brand awareness and consideration to drive customer traffic and create opportunities for improving customer conversion. We are focusing our marketing efforts on promoting our brands, increasing brand recognition and customer loyalty, driving customer traffic and optimizing our return on marketing investment through a wide range of advertising channels. These advertising channels include offline advertising, paid search, search engine optimization, personalized traveler communications via our websites and through direct e-mail correspondence with our travelers, affiliate marketing and social media. We intend to continue improving upon Travelocity s brand messaging and marketing efficiency as well as finding new ways to lead by building deeper connections with customers, investing in differentiated content and engaging customers through social media.

Under the terms of the Expedia SMA, Expedia is required to pay us a performance-based marketing fee that will vary based on the amount of travel booked through Travelocity-branded websites that are powered by Expedia. The marketing fee we receive will be recorded as revenue and the cost we incur to promote the Travelocity brand and for marketing will be recorded as selling, general and administrative expense in our results of operations.

Pursuant to our Expedia SMA, we will continue to be liable for fees, charges, costs and settlements relating to litigation arising from hotels booked on the Travelocity platform prior to the Expedia SMA. However, fees, charges, costs and settlements relating to litigation from hotels booked subsequent to the Expedia SMA will be shared with Expedia according to the terms of the Expedia SMA. The Expedia SMA requires us to guarantee Travelocity s indemnification obligations for liabilities that may arise out of such litigation matters, which may materially adversely affect our cash flows. Additionally, the Expedia SMA contains standard representations and warranties, covenants and indemnifications.

Expedia will use our GDS for shopping and booking of the air travel booked through Travelocity.com and Travelocity.ca until 2019, at which time it may choose to use another intermediary for a portion or all of such air travel, subject to earlier termination under certain circumstances. We do not expect that Expedia will use Travel Network for shopping and booking of a portion of non-air travel for Travelocity.com and Travelocity.ca after the launch of the Expedia SMA. Both parties began development and implementation after signing the Expedia

SMA. As of December 31, 2013, the majority of the online hotel and air offering has been migrated to the Expedia platform, and a launch of the majority of the remainder is expected in mid-2014.

As part of our negotiations to amend and restate the Expedia SMA, we also agreed to a separate Expedia Put/Call agreement that supersedes the previous put/call arrangement, whereby Expedia may acquire, or we may sell to Expedia, assets relating to the Travelocity-branded portions of our Travelocity business, which primarily include those assets subject to the Expedia SMA. Our put right may be exercised during the first 24 months of the Expedia Put/Call only upon the occurrence of certain triggering events primarily relating to implementation, which are outside of our control. The occurrence of such events is not considered probable. During this period, the amount of the put right is fixed. After the 24 month period, the put right is only exercisable for a limited period of time in 2016 and 2017 at a discount to fair market value. The call right held by Expedia is exercisable at any time during the term of the Expedia Put/Call. If the call right is exercised, although we expect the amount paid will be fair value, the call right provides for a floor for a limited time that may be higher than fair value and a ceiling for the duration of the Expedia Put/Call that may be lower than fair value.

The term of the amended and restated Expedia SMA is nine years, subject to certain termination provisions, and automatically renews under certain conditions. See Risk Factors Risks Related to our Business and Industry The recently signed strategic marketing agreement with Expedia may not be successfully implemented or may not result in the benefits anticipated by the parties.

In the fourth quarter of 2013, we continued our restructuring of Travelocity by implementing a plan to restructure lastminute.com, the European portion of the Travelocity business, in order to allow lastminute.com to operate independently, although from time to time we may evaluate our strategic options regarding lastminute.com. Travelocity will continue to be managed as one operating segment. Additionally, Travelocity recently sold its TPN business to Orbitz. TPN is a B2B offering that provides travel content and booking functionality to, and sells products and services through, loyalty and private label websites for suppliers and distribution partners.

Key Metrics

For the year ended December 31, 2013, Travelocity gross travel booked was $7 billion. For additional segment information, see Note 21, Segment Information, to our audited consolidated financial statements included elsewhere in this prospectus.

Product Offering

Our product offering includes:

Travelocity.com (including Travelocity.ca and Travelocity.mx), which is our consumer-facing full-service OTA offering for the Americas that serves primarily leisure travelers. Travelocity.com allows customers to reserve, book, and purchase a variety of airline tickets, hotel rooms, rental cars, cruises, and packaged vacations without the help of a travel agent.

lastminute.com, which is our European OTA brand that provides online access to over 80,000 hotel properties and approximately 400 airlines worldwide as well as holiday packages, car hire, theater tickets and spa packages.

Competitors

Travelocity s main competitors include:

- other OTAs, of which the largest global businesses are Expedia, Orbitz and Priceline. These competitors continue to evolve by investing in marketing, international expansion, mobile platforms and new comparison models such as metasearch;
- traditional offline travel agencies;
- suppliers, such as airlines, hotels and car rental companies, many of which have their own branded websites;

- search engines that have launched travel-focused initiatives, such as Google Flights and Microsoft Bing Travel. Although these search engines currently do not have the ability to directly fulfill travel bookings, they can direct customer traffic to other sites such as supplier websites where customers can book directly; and

- metasearch companies, which aggregate travel search results from suppliers, OTAs and other travel websites. For example, Kayak may be able to drive new traffic to Priceline, by which it was recently acquired. TripAdvisor, the leading travel research and review website, has recently added metasearch functionality to some of its offerings.

See Risk Factors Risks Related to our Business and Industry Travel suppliers use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network and Travelocity businesses.

We compete on the basis of ease of use; price; customer satisfaction; availability of product type or rate; service; amount, accessibility and reliability of information; breadth of products offered and customers reached. We expect that the Expedia SMA will help us enhance the quality and breadth of our travel offerings, our competitive pricing and timely promotions, as well as the customer service and quality of our travel planning content and insight.

Research, Development and Technology

Introduction

We invest heavily in software development, delivery and operational support capabilities and strive for best-in-class products that we can provide for our customers. We operate standardized infrastructure in our data center environments across hardware, operating systems, databases, and other key enabling technologies to minimize costs on non-differentiators.

Our architecture has evolved from a mainframe-centric transaction processing environment to a secure processing platform that we believe is one of the world s most heavily used and resilient SOA environments. In 2013, our platform processed more than 1.1 trillion system messages, with peak volumes of nearly 100,000 system messages per second and an average response time of less than three seconds. This represents approximately a 25% CAGR from the approximately 700 billion system messages processed in 2011. Our data centers have more than 14,000 servers/virtual machines and leverage over 10,000 terabytes of storage.

A variety of products and services run on this technology infrastructure: high-volume air shopping systems; desktop-access applications providing continuous, real-time data access to travel agents; airline operations and decision support systems; an array of customized applications available through the Sabre Red App Centre; and web-based services that provide an automated interface between us and our travel suppliers and customers. The flexibility and scale of our standardized SOA-based technology infrastructure allow us to quickly deliver a broad variety of SaaS and hosted solutions.

Product Development

A technology staff of approximately 4,000 employees and contractors provides varying skill sets to deliver quality and innovation to our customers. This staff is based around the world in six facilities located in Dallas-Fort Worth, Boston, Krakow, Bangalore, Montevideo and Buenos Aires. This global footprint puts us closer to our customers and gives our developers insight into local market needs that benefits our products and services. Additional offices around the world also let us use a follow the sun approach, meaning that our development teams are active 24-hours-a-day in order to provide rapid time to market. We also have the flexibility to adapt quickly and re-allocate work across regions and businesses as needed.

Our core product development is complemented by dedicated analytics and operations research staff. This team, which includes individuals with advanced degrees in operations research, computer science, mathematics and statistics, applies the latest thinking on advanced algorithms and data analysis to drive continuous improvement in the innovation, efficiency, and performance of our products and services.

Processing and Storage Capacity

Sabre has significant processing and storage capacity to enable efficient processing of business volumes, leveraging multiple data centers around the world for production, certification, integration, and development environments.

The majority of our systems operate in a private cloud environment. This, coupled with a standardized infrastructure stack, enables rapid deployment of capacity and automation across the operational environment. We expect that increasing levels of automation over time will enable us to continue to make better use of our processing and storage capacity and to increase the efficiency and speed with which we can deploy capacity to areas of need across our business.

Operational Reliability and Performance

Our technology strategy is based on achieving company-wide stability and performance at the most efficient price point. Significant investment has gone into building a commoditized, centralized and standardized middleware environment with an emphasis on simplicity, security, and scalability. Teams of developers focus solely on the creation and improvement of core services that are leveraged in product development across our businesses, ensuring consistency and a common foundation for operational stability. In addition, our enterprise technology operations team leverage industry-standard Information Technology Infrastructure Library operational processes.

Disaster Recovery

Our primary data centers are Tier 3 facilities and have been built to provide a high-availability environment. They are designed to withstand most natural events, were placed geographically above flood lines and are in areas with very low probability of earthquakes. This physical design is coupled with operational and site management processes designed to eliminate points of failure and provide availability 24-hours-a-day, 7-days-a-week, 365-days-a-year. They have redundant power, advanced cooling systems, network infrastructure, fire detection, and emergency systems. The data centers are also equipped with comprehensive security systems to mitigate potential physical compromise of the facilities or services. See Risk Factors Risks Related to Our Business and Industry Our success depends on maintaining the integrity of our systems and infrastructure, which may suffer from failures, capacity constraints, business interruptions and forces outside our control.

Data Security

We employ data protection measures in an effort to safeguard both corporate and customer data. Additionally, many initiatives are planned or are already underway to further strengthen our information security position.

We scan our credit card processing environment regularly, run annual internal and external penetration testing to identify vulnerabilities, and conduct annual risk assessments on applications and processes in order to maintain a high degree of data security awareness. See Risk Factors Regulatory and Other Legal Risks Our collection, processing, storage, use and transmission of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements, differing views on data privacy or security breaches and Risk Factors Regulatory and Other Legal Risks We are exposed to risks associated with payment card industry (PCI) compliance for more information about the data security related risks and requirements to which we are subject.

Much of our operational computing environment, including our mainframe systems, is managed by a third-party service provider, which allows us to capitalize on the service provider s operational and security expertise. See Risk Factors Risks Related to Our Business and Industry We rely on the availability and performance of information technology services provided by third parties, including HP, which manages a significant portion of our systems for more information about our relationship with third-party service providers.

Product and Service Quality

We operate several labs that have primary accountability for validating the functional capabilities of application code, confirming code compatibility and integration, and testing code performance for high volume resiliency. These capabilities support institutionalized application engineering best practices and formalized processes that mandate the implementation and use of specific testing environments for development, integration, and certification before code moves to production. Our software development life-cycle emphasis includes the execution of documented, traceable standards and measures from initiation of a product through retirement. These include specific architectural reviews, code inspections, and pre-release readiness reviews.

Operational Efficiency

We leverage SOA to build a standard infrastructure across our business, which has allowed us to obtain efficient, streamlined operational support of our services and applications through enhanced and standardized deployment, discovery and visibility across business segments. Our operational environment has common systems and processes across the business, standardized hardware and software, multi-core and virtualization technologies for efficiency and sustainability, and a data center footprint that allows for expansion and quick integration of any new data centers resulting from acquisition of other companies.

The focus on standardization during our multi-year move to an agile development approach has allowed teams to increase their throughput and reduce rework. Our product development teams are staying more in synch with internal and external customer needs through more frequent touch points, early demonstration of features and functions, and a continuous focus on quality, ensuring more alignment once products are delivered. In addition, the introduction of supporting tool sets that work well with the methodology and technology architecture for component-level testing have further increased productivity at the team level.

Finally, by strategically locating approximately half of our technology staff in various facilities and closely monitoring and adjusting our technology investment, we are able to introduce increasingly more advanced development and operational practices while reducing unnecessary resources and costs.

Intellectual Property

Companies in the travel and travel technology industries increasingly rely on patents, copyrights, trademarks, and trade secrets, as well as licenses of the foregoing. Such companies constantly develop new products and innovations, and the travel and travel technology industries are subject to constant and rapid technological change.

We use software, business processes and proprietary information to carry out our business. These assets and related intellectual property rights are significant assets of our business. We rely on a combination of patent, copyright, trade secret and trademark laws, confidentiality procedures, and contractual provisions to protect these assets and we license software and other intellectual property both to and from third parties. We may seek patent protection on technology, software and business processes relating to our business, and our software and related documentation may also be protected under trade secret and copyright laws where applicable. We may also benefit from both statutory and common-law protection of our trademarks. We do not believe that our business is dependent on any single item of intellectual property, or that any single item of intellectual property is material to the operation of our business. Rather, we believe that our intellectual property provides a competitive advantage, and from time to time we have taken steps to enforce our intellectual property rights.

The scope of such intellectual property protection varies depending on the laws of the local jurisdiction, which, in some jurisdictions, may provide less protection than the laws of the United States. Moreover, the duration of protection varies between different types of intellectual property rights. For instance, in the United States patents generally remain in force for 20 years from the filing of the patent application. Our issued United States patents are expected to expire between 2014 and 2033.

Although we rely heavily on our brands, associated trademarks, and domain names, we do not believe that our business is dependent on any single item of intellectual property, or that any single item of intellectual property is material to the operation of our business. However, since we consider trademarks to be a valuable asset of our business, we maintain our trademark portfolio throughout the world by filing trademark applications with the relevant trademark offices, renewing appropriate registrations and regularly monitoring potential infringement of our trademarks in certain key markets. See Risk Factors Regulatory and Other Legal Risks We may not be able to protect our intellectual property effectively, which may allow competitors to duplicate our products and services and Risk Factors Regulatory and Other Legal Risks Intellectual property infringement actions against us could be costly and time consuming to defend and may result in business harm if we are unsuccessful in our defense for more information about our intellectual property.

Insurance

We insure against certain corporate risks, including damage to our property and other material assets and business interruption. Our insurance coverage includes:

- general civil liability and business automobile insurance umbrella and excess liability policies;
- property, damages and business interruption policy;
- director and officer liability policy;
- IT services policies, including a policy for errors and omissions and Internet/cyber liability;
- aviation policy covering third party bodily harm and/or property damage resulting from aircraft incidents;
- workers compensation policy;
- employee crime, kidnap and ransom policy;
- fiduciary liability policy; and

supplemental policies for general liability, automobile liability and workers compensation for certain foreign locations, where required by local law.

While we consider that our insurance coverage is consistent with industry standards in light of the activities we conduct, we can provide no assurance that our insurance coverage will adequately protect us from all the risks that may arise or in amounts sufficient to prevent material loss. See Risk Factors Regulatory and Other Legal Risks We may not have sufficient insurance to cover our liability in pending litigation claims and future claims either due to coverage limits or as a result of insurance carriers seeking to deny coverage of such claims, which in either case could expose us to significant liabilities.

Legal Proceedings

While certain legal proceedings and related indemnification obligations to which we are a party specify the amounts claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated, except in circumstances where an aggregate litigation accrual has been recorded for probable and reasonably estimable loss contingencies. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new information or developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters. See Risk Factors Regulatory and Other Legal Risks We are involved in various legal proceedings which may cause us to incur significant fees, costs and expenses and may result in unfavorable outcomes.

Litigation and Administrative Audit Proceedings Relating to Hotel Occupancy Taxes

Over the past nine years, various state and local governments in the United States have filed approximately 70 lawsuits against us and other OTAs pertaining primarily to whether Travelocity and other OTAs owe sales or occupancy taxes on some or all of the revenues they earn from facilitating hotel reservations using the merchant revenue model. In the merchant revenue model, the customer pays us an amount at the time of booking that includes (i) service fees, which we collect, and (ii) the price of the hotel room and amounts for occupancy or other local taxes, which we pass along to the hotel supplier. The complaints generally allege, among other things, that the defendants failed to pay to the relevant taxing authority hotel accommodations taxes on the service fees. Courts have dismissed approximately 30 of these lawsuits, some for failure to exhaust administrative remedies and some on the basis that we are not subject to the sales or occupancy tax at issue based on the construction of the language in the ordinance. The Fourth, Sixth and Eleventh Circuits of the United States Courts of Appeals each have ruled in our favor on the merits, as have state appellate courts in Missouri, Alabama, Texas, California, Kentucky, Florida and Pennsylvania, and a number of state and federal trial courts. The remaining lawsuits are in various stages of litigation. We have also settled some cases individually for nuisance value and, with respect to such settlements, have reserved our rights to challenge any effort by the applicable tax authority to impose occupancy taxes in the future.

Among the recent favorable decisions, on January 23, 2013, the California Supreme Court declined to hear the appeals of the City of Anaheim and the City of Santa Monica from lower court decisions in favor of Travelocity and other OTAs on the issue of whether local occupancy taxes apply to the merchant revenue model. We and other OTAs have also prevailed on summary judgment motions in San Francisco and Los Angeles. We believe these decisions should be helpful in resolving any other California cases, which are either currently pending or subsequently brought, in our favor.

Similarly, on January 23, 2013, the Missouri Court of Appeals upheld a lower court decision in favor of Travelocity and other OTAs on the issue of whether local occupancy taxes in the City of Branson apply to the merchant revenue model. On February 28, 2013, the First District Court of Appeals in Florida affirmed a summary judgment ruling in favor of Travelocity and other OTAs on the issue of whether local accommodation taxes levied by Leon County and 18 other counties in Florida apply to the merchant revenue model. The Florida Supreme Court is currently reviewing this decision. Likewise, on March 29, 2013, a federal district court in New Mexico granted summary judgment, ruling that OTAs are not vendors subject to hotel occupancy tax in New Mexico. On December 13, 2013, the Eleventh Circuit Court of Appeals affirmed summary judgment in our favor in a case that had been pending in Rome, Georgia, finding there was no evidence that we collected but failed to remit tax, that the counties could not recover on their common law claims, and that there is no basis in Georgia law (statutory or otherwise) for an award of back taxes. On March 5, 2014, the California Court of Appeals affirmed the trial court s grant of summary judgment in our favor in the hotel occupancy tax litigation brought against us by the City of San Diego. On March 7, 2014, the trial court in our lawsuit with the Montana Department of Revenue granted our (and the other OTA defendants) motion for summary judgment.

Although we have prevailed in the majority of these lawsuits and proceedings, there have been several adverse judgments or decisions on the merits, some of which are subject to appeal.

Among the recent adverse decisions, on June 21, 2013, a state trial court in Cook County, Illinois granted summary judgment in favor of the City of Chicago and against Travelocity and other OTAs, ruling that the City s hotel tax applies to the fees retained by the OTAs because, according to the trial court, OTAs act as hotel managers when facilitating hotel reservations. The court did not address damages. After final judgment is entered, Travelocity intends to appeal the court s decision on the basis that we do not believe that we manage hotels.

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On November 21, 2013, the New York State Court of Appeals ruled against Travelocity and other OTAs, holding that New York City s hotel occupancy tax, which was amended in 2009 to capture revenue from fees charged to customers by third-party travel companies, is constitutional because such fees constitute rent as they are a condition of occupancy. We have been collecting and remitting taxes under the statute, so the ruling does not have any impact on our financial results in that regard.

On April 4, 2013, the United States District Court for the Western District of Texas entered a final judgment against Travelocity and other OTAs in a class action lawsuit filed by the City of San Antonio. The final judgment was based on a jury verdict from October 30, 2009 that the OTAs control hotels for purposes of city hotel occupancy taxes. Following that jury verdict, on July 1, 2011, the Western District of Texas concluded that fees charged by the OTAs are subject to city hotel occupancy taxes and that the OTAs have a duty to assess, collect and remit these taxes. We disagree with the jury s finding that we control hotels, and with the Western District of Texas conclusions based on the jury finding, and intend to appeal the final judgment to the United States Court of Appeals for the Fifth Circuit.

We believe the Fifth Circuit s resolution of the San Antonio appeal may be affected by a separate Texas state appellate court decision in our favor. On October 26, 2011, the Fourteenth Court of Appeals of Texas affirmed a trial court s summary judgment ruling in favor of the OTAs in a case brought by the City of Houston and the Harris County-Houston Sports Authority on a similarly worded tax ordinance as the one at issue in the San Antonio case. The Texas Supreme Court denied the City of Houston s petition to review the case. We believe this decision should provide persuasive authority to the Fifth Circuit in its review of the San Antonio case.

On September 24, 2012, a trial court in Washington D.C. granted summary judgment in favor of the District of Columbia on its claim that the OTAs are subject to hotel occupancy tax. The court has not yet addressed any questions related to damages, but is expected to do so during the first quarter of 2014. After final judgment is entered, Travelocity intends to appeal the court s decision.

In late 2012, the Tax Appeal Court of the State of Hawaii granted summary judgment in favor of Travelocity and other OTAs on the issue of whether Hawaii s hotel occupancy tax applies to the merchant revenue model. However, in January 2013, the same court granted summary judgment in favor of the State of Hawaii and against Travelocity and other OTAs on the issue of whether the state s general excise tax, which is assessed on all business activity in the state, applies to the merchant revenue model for the period from 2002 to 2011.

We expensed $19 million and $25 million in the years ended December 31, 2013 and 2012, respectively, which represents the amount we would owe to the State of Hawaii, prior to appealing the Tax Appeal Court s ruling, in back excise taxes, penalties and interest based on the court s interpretation of the statute. In 2013, we made payments totaling $35 million and maintained an accrued liability of $9 million. Payment of such amount is not an admission that we believe we are subject to the taxes in question.

Travelocity has appealed the Tax Appeal Court s determination that we are subject to general excise tax, as we believe the decision is incorrect and inconsistent with the same court s prior rulings. If any such taxes are in fact owed (which we dispute), we believe the correct amount would be under $10 million. The ultimate resolution of these contingencies may differ from the liabilities recorded. To the extent our appeal is successful in reducing or eliminating the assessed amounts, the State of Hawaii would be required to refund such amounts, plus interest.

On May 20, 2013, the State of Hawaii issued an additional general excise tax assessment for the calendar year 2012. Travelocity has appealed this recent assessment to the Tax Appeal Court, and this assessment has been stayed pending a final appellate decision on the original assessment.

On December 9, 2013, the State of Hawaii also issued assessments of general excise tax for merchant rental car bookings facilitated by Travelocity and other OTAs for the period 2001 to 2012 for which we recorded a $2 million reserve in the fourth quarter of 2013. Travelocity has appealed the assessment to the Tax Appeal Court and does not believe the excise tax is applicable.

The aggregate impact to our results of operations for all litigation and administrative audit proceedings relating to hotel sales, occupancy or excise taxes for the year ended December 31, 2013 was $27 million, which amount includes all amounts expensed for the State of Hawaii during that period. As of December 31, 2013, we have a remaining reserve of $18 million, included in liabilities on the consolidated balance sheet, for the potential resolution of issues identified related to litigation involving hotel sales, occupancy or excise taxes, which amount includes the $9 million liability for the remaining payments to the State of Hawaii. Our estimated liability is based on our current best estimate but the ultimate resolution of these issues may be greater or less than the amount recorded and, if greater, could adversely affect our results of operations.

In addition to the actions by the tax authorities, four consumer class action lawsuits have been filed against us and other OTAs in which the plaintiffs allege that we made misrepresentations concerning the description of the fees received in relation to facilitating hotel reservations. Generally, the consumer claims relate to whether Travelocity and the other OTAs provided adequate notice to consumers regarding the nature of our fees and the amount of taxes charged or collected. One of these lawsuits was dismissed by the Texas Supreme Court and such dismissal was subsequently affirmed; one was voluntarily dismissed by the plaintiffs; one is pending in Texas state court, where the court is currently considering the plaintiffs motion to certify a class action; and the last is pending in federal court, but has been stayed pending the outcome of the Texas state court action. We believe the notice we provided was appropriate.

In addition to the lawsuits, a number of state and local governments have initiated inquiries, audits and other administrative proceedings that could result in an assessment of sales or occupancy taxes on fees. If we do not prevail at the administrative level, those cases could lead to formal litigation proceedings.

Pursuant to our Expedia SMA, we will continue to be liable for fees, charges, costs and settlements relating to litigation arising from hotels booked on the Travelocity platform prior to the Expedia SMA. However, fees, charges, costs and settlements relating to litigation from hotels booked subsequent to the Expedia SMA will be shared with Expedia according to the terms of the Expedia SMA. The Expedia SMA requires us to guarantee Travelocity s indemnification obligations for liabilities that may arise out of such litigation matters, which could adversely affect our cash flow.

US Airways Antitrust Litigation

In April 2011, US Airways sued us in federal court in the Southern District of New York, alleging violations of the Sherman Act Section 1 (anticompetitive agreements) and Section 2 (monopolization). The complaint was filed two months after we entered into a new distribution agreement with US Airways. In September 2011, the court dismissed all claims relating to Section 2. The claims that were not dismissed are claims brought under Section 1 of the Sherman Act that relate to our contracts with airlines, especially US Airways itself, which US Airways says contain anticompetitive content-related provisions, and an alleged conspiracy with the other GDSs, allegedly to maintain the industry structure and not to implement US Airways preferred system of distributing its Choice Seats product. We strongly deny all of the allegations made by US Airways. In September 2013, US Airways issued a report in which it purported to quantify its damages at either $281 million or $425 million, (before trebling) depending on certain assumptions. We believe both estimates are based on faulty assumptions and analysis and therefore are highly overstated. In the event US Airways were to prevail on the merits of its claim, we believe any monetary damages awarded (before trebling) would be significantly less than either of US Airways proposed damage amounts.

Document discovery, fact witness discovery and expert witness discovery are complete. Summary judgment motions are scheduled to be filed in April 2014, with full briefing of those motions expected to be completed in

May 2014. All court settings are subject to change. No trial date has been set and we anticipate the most likely trial date would be in September or October 2014, assuming no delays with the court s schedule and that we do not prevail completely with our summary judgment motions.

We have and will incur significant fees, costs and expenses for as long as the litigation is ongoing. In addition, litigation by its nature is highly uncertain and fraught with risk, and it is therefore difficult to predict the outcome of any particular matter. If favorable resolution of the matter is not reached, any monetary damages are subject to trebling under the antitrust laws and US Airways would be eligible to be reimbursed by us for its costs and attorneys fees. Depending on the amount of any such judgment, if we do not have sufficient cash on hand, we may be required to seek financing through the issuance of additional equity or from private or public financing. Additionally, US Airways can and has sought injunctive relief, though we believe injunctive relief for US Airways is precluded by the settlement agreement we reached with American Airlines in 2012, which covers affiliates, including through merger, of American Airlines. If injunctive relief were granted, depending on its scope, it could affect the manner in which our airline distribution business is operated and potentially force changes to the existing airline distribution business model. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

Department of Justice Investigation

On May 19, 2011, we received a CID from the DOJ investigating alleged anticompetitive acts related to the airline distribution component of our business. We are fully cooperating with the DOJ investigation and are unable to make any prediction regarding its outcome. The DOJ is also investigating other companies that own GDSs, and has sent CIDs to other companies in the travel industry. Based on its findings in the investigation, the DOJ may (i) close the file, (ii) seek a consent decree to remedy issues it believes violate the antitrust laws, or (iii) file suit against us for violating the antitrust laws, seeking injunctive relief. If injunctive relief were granted, depending on its scope, it could affect the manner in which our airline distribution business is operated and potentially force changes to the existing airline distribution business model. Any of these consequences would have a material adverse effect on our business, financial condition and results of operations.

Insurance Carriers

We have disputes against two of our insurance carriers for failing to reimburse defense costs incurred in the American Airlines antitrust litigation, which we settled in October 2012. For a description of the American Airlines antitrust litigation, see Note 20, Commitments and Contingencies Legal Proceedings Airline Antitrust Litigation, US Airways Antitrust Litigation, and DOJ Investigation to our audited consolidated financial statements included elsewhere in this prospectus. Both carriers admitted there is coverage, but reserved their rights not to pay should we be found liable for certain of American Airlines allegations. Despite their admission of coverage, the insurers have only reimbursed us for a small portion of our significant defense costs. We filed suit against the entities in New York state court alleging breach of contract and a statutory cause of action for failure to promptly pay claims. If we prevail, we may recover some or all amounts already tendered to the insurance companies for payment within the limits of the policies and would be entitled to 18% interest on such amounts. To date, settlement discussions have been unsuccessful. The court has not scheduled a trial date though we anticipate trial to begin in the latter part of 2014.

Hotel Related Antitrust Proceedings

On August 20, 2012, two individuals alleging to represent a putative class of bookers of online hotel reservations filed a complaint against Sabre Holdings, Travelocity.com LP, and several other online travel companies and hotel chains in the U.S. District Court for the Northern District of California, alleging federal and state antitrust and related claims.

The complaint alleges generally that the defendants conspired to enter into illegal agreements relating to the price of hotel rooms. Over 30 copycat suits were filed in various courts in the United States. In December 2012, the Judicial Panel on Multi-District Litigation centralized these cases in the U.S. District

Court in the Northern District of Texas, which subsequently consolidated them. The proposed class period is January 1, 2003 through May 1, 2013. On June 15, 2013, the court granted Travelocity s motion to compel arbitration of claims involving Travelocity bookings made on or after February 4, 2010. While all claims from February 4, 2010 through May 1, 2013 are now excluded from the lawsuit and must be arbitrated if pursued at all, the lawsuit still covers claims from January 1, 2003 through February 3, 2010. Together with the other defendants, Travelocity and Sabre filed a motion to dismiss. On February 18, 2014, the court granted the motion and dismissed the plaintiff s claims without prejudice. On March 19, 2014, the plaintiffs filed a motion for leave to file an amended complaint seeking to cure the pleading deficiencies described by the judge. We will oppose the motion. We deny any conspiracy or any anti-competitive actions and we intend to aggressively defend against the claims.

Even if we are ultimately successful in defending ourselves in this matter, we are likely to incur significant fees, costs and expenses for as long as it is ongoing. In addition, litigation by its nature is highly uncertain and fraught with risk, and it is difficult to predict the outcome of any particular matter. If favorable resolution of the matter is not reached, we could be subject to monetary damages, including treble damages under the antitrust laws, as well as injunctive relief. If injunctive relief were granted, depending on its scope, it could affect the manner in which our Travelocity business is operated and potentially force changes to the existing business model. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

Litigation Relating to Value Added Tax Receivables

In the United Kingdom, Her Majesty s Revenue & Customs (HMRC) asserted that our subsidiary, Secret Hotels2 Limited failed to account for United Kingdom VAT on margins earned from hotels located within the EU. HMRC issued assessments of tax totaling approximately $11 million for the period October 1, 2004 to September 30, 2007. We appealed the assessments and in March 2010 the VAT and Duties Tribunal (the First Tribunal) denied the appeal. We then appealed to the Upper Tribunal (Finance and Tax Chamber) and in July 2011 were successful overturning HMRC s original assessment. HMRC appealed this decision to the Court of Appeal who on December 3, 2012 found against Secret Hotels2 Limited upholding the decision of the First Tribunal in favor of HMRC. Based upon this Court of Appeal judgment and the limited ability to obtain leave to appeal, we accrued $17 million of expense in discontinued operations during the year ended December 31, 2012, included in liabilities of discontinued operations in the consolidated balance sheet as of December 31, 2012. Secret Hotels2 Limited successfully obtained leave to appeal the Court of Appeal decision to the Supreme Court in 2013, which is the final court of appeal in the United Kingdom, and on March 5, 2014 judgment was given in favor of Secret Hotels2 Limited. We therefore reversed our reserve in 2013 in discontinued operations. Any further opportunities to appeal this decision through the European courts are considered remote.

Additionally, HMRC has begun a review of other parts of our lastminute.com business in the United Kingdom. We believe that we have paid the correct amount of VAT on all relevant transactions as now reinforced by the outcome of Secret Hotels2 case with the Supreme Court and will vigorously defend our position with HMRC or through the courts if necessary.

Litigation Relating to Patent Infringement

In April 2010, CEATS, Inc. (CEATS) filed a patent infringement lawsuit against several ticketing companies and airlines, including JetBlue, in the Eastern District of Texas. CEATS alleged that the mouse-over seat map that appears on the defendants websites infringes certain of its patents. JetBlue s website is provided by our Airline Solutions business under the SabreSonic Web service. On June 11, 2010, JetBlue requested that we indemnify and defend it for and against the CEATS lawsuit based on the indemnification provision in our agreement with JetBlue, and we agreed to a conditional indemnification. CEATS claimed damages of $0.30 per segment sold on JetBlue s website during the relevant time period totaling $10 million. A jury trial began on March 12, 2012, which resulted in a jury verdict invalidating the plaintiff s patents. Final judgment was entered and the plaintiff appealed. The Federal Circuit affirmed the jury s decision in our favor on April 26, 2013.

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CEATS did not appeal the Federal Circuit s decision, and its deadline to do so has passed. On June 28, 2013, the Eastern District denied CEATS previously filed motion to vacate the judgment based on an alleged conflict of interest with a mediator. CEATS has appealed that decision.

Indian Income Tax Litigation

We are currently a defendant in income tax litigation brought by the Indian Director of Income Tax (DIT) in the Supreme Court of India. The dispute arose in 1999 when the DIT asserted that we have a permanent establishment within the meaning of the Income Tax Treaty between the United States and the Republic of India and accordingly issued tax assessments for assessment years ending March 1998 and March 1999, and later issued further tax assessments for assessment years ending March 2000 through March 2006. We appealed the tax assessments and the Indian Commissioner of Income Tax Appeals returned a mixed verdict. We filed further appeals with the Income Tax Appellate Tribunal (the ITAT). The ITAT ruled in our favor on June 19, 2009 and July 10, 2009, stating that no income would be chargeable to tax for assessment years ending March 1998 and March 1999, and from March 2000 through March 2006. The DIT appealed those decisions to the Delhi High Court, which found in our favor on July 19, 2010. The DIT has appealed the decision to the Supreme Court of India and no trial date has been set.

We intend to continue to aggressively defend against these claims. Although we do not believe that the outcome of the proceedings will result in a material impact on our business or financial condition, litigation is by its nature uncertain. If the DIT were to fully prevail on every claim, we could be subject to taxes, interest and penalties of approximately $25 million, which could have a material adverse effect on our business, financial condition and results of operations. We do not believe this outcome is probable and therefore have not made any provisions or recorded any liability for the potential resolution of this matter.

US Airways GDS Contract Dispute

Representatives of US Airways have advised us that they believe, as a result of their merger with American Airlines, US Airways is entitled to pricing discounts under their existing GDS contract with us for the period of mid-December 2013 through April 2014. We believe US Airways has incorrectly interpreted the terms of the contract and therefore the assertion is without merit. If US Airways interpretation of the contract were to be confirmed, our maximum exposure would be approximately $5.5 million (consisting of $0.6 million in 2013 and $4.9 million in the remaining period ending April 2014). We have settled this billing dispute with US Airways for an amount that is not material to our results of operations. Our agreement with US Airways expires on April 30, 2014 and from that point forward US Airways will begin operating under our GDS agreement with American Airlines, which is not subject to the interpretational issue described above.

Litigation Relating to Routine Proceedings

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.

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Property

As a company with global operations, we operate in many countries with a variety of sales, administrative, product development, and customer service roles provided in these offices.

Americas: Our corporate and business unit headquarters and domestic operations are located in a property which we own in Southlake, Texas. Travelocity corporate headquarters is located in Westlake, Texas, with a lease that expires in 2017. There are 16 additional offices across North America and 14 offices across Latin America that serve in various sales, administration, software development and customer service capacities. All of these additional offices are leased.

Europe: Travel Network has its European regional headquarters in London, United Kingdom, with a lease that expires in 2027. lastminute.com also has its regional headquarters in London, with a lease that expires in 2022. There are 27 additional offices across Europe that serve in various sales, administration, software development and customer service capacities. All of these additional offices are leased.

APAC: Travel Network and Airline and Hospitality Solutions have the APAC regional operations headquartered in Singapore under a lease that expires in 2017. All of our businesses share a single office. There are 10 additional offices across APAC that serve in various sales, administration, software development and customer service capacities. All of these additional offices are leased.

The table below provides a summary of our key facilities as of December 31, 2013:

Location	Purpose	Employees	Leased or Owned
HEADQUARTERS			
Southlake, Texas, USA	Sabre worldwide corporate and domestic headquarters	2,736	Owned
Westlake, Texas, USA	Travelocity corporate headquarters	292	Leased
London, United Kingdom	Travel Network regional headquarters	145	Leased
London, United Kingdom	lastminute.com regional headquarters	225	Leased
Singapore	Travel Network and Airline and Hospitality Solutions regional headquarters	62	Leased
DEVELOPMENT CENTERS			
Buenos Aires, Argentina	Development Center for Travelocity, Sabre Technology and Travel Network	168	Leased
Bangalore, India	Development Center for Sabre Technology, Travelocity, Sabre	674	Leased
Krakow, Poland	Development Center for Sabre technology and Travel Network	1,315	Leased
CUSTOMER CARE CENTERS			
San Antonio, Texas, USA	Travelocity Customer Care Center	133	Leased
Wilkes-Barre, Pennsylvania, USA	Travelocity Customer Care Center	170	Leased
Montevideo, Uruguay	Travel Network and Airline Solutions Customer Care Center	786	Leased

Government Regulation

We are subject to or affected by international, federal, state and local laws, regulations and policies, which are constantly subject to change. The descriptions of the laws, regulations and policies that follow are summaries

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and should be read in conjunction with the texts of the laws and regulations. The descriptions set out below do not purport to describe all present and proposed laws, regulations and policies that affect our businesses.

To the best of our knowledge and belief, we are in material compliance with these laws, regulations and policies. We cannot, however, predict the effect of changes to the existing laws, regulations and policies or of the proposed laws, regulations and policies that are described below. We are not aware of proposed changes or proposed new laws, regulations and policies that will have a material adverse effect on our businesses. See Risk Factors Regulatory and Other Legal Risks Any failure to comply with regulations or any changes in such regulations governing our businesses could adversely affect us.

Computer Reservations System Industry Regulation

GDS Regulation in the EU

GDS operations are regulated in the EU by Council Regulation (EC) No. 80/2009 of the European Parliament and of the Council of January 14, 2009 on a Code of Conduct for computerized reservations systems and repealing Council Regulation (EEC) No. 2299/89 (Code of Conduct). The previous legislative framework essentially obliged GDS providers to charge the same booking fee for the same service provided to any airline, where the costs associated with the services was the same, and airlines to provide the same fare content to all the GDS providers in which they participated. The revised Code of Conduct substantially simplifies this regime and gives GDS operators, airlines, and other travel suppliers more flexibility in negotiating their commercial arrangements.

Under the Code of Conduct, particular rules apply to dealings between each GDS, air carriers, and rail transport operators, or participating carriers, and subscribers, which are typically offline or online travel agents. Additional rules apply to air carriers that control or have decisive influence over a GDS (parent carriers). As described in an explanatory note of the European Commission, published alongside the Code of Conduct, a participating carrier becomes a parent carrier if it controls a GDS or has sufficient capital or board representation rights to have decisive influence over the GDS. Parent carriers are subject to specific rules, in particular prohibiting discrimination against a GDS competing with the GDS in which they participate, for example, by withholding booking capability or linking incentives or disincentives to the use of a specific GDS. We do not have a parent carrier for purposes of the current EU regulation. The Code of Conduct also seeks to ensure that travel agents displays provide a full and neutral selection of the relevant travel information processed by a GDS and that the privacy of end consumers is respected.

Under the Code of Conduct, a GDS may not attach unfair conditions to a contract with a participating carrier or with a subscriber. Additionally, a GDS may not reserve any processing procedure or other distribution facility for one or more participating carriers, including parent carriers, and must keep all participating carriers informed of any changes.

The Code of Conduct provides that small subscribers (employing fewer than 50 persons and with an annual turnover of up to 10 million) may terminate a contract with a GDS vendor on three months notice after the first year of the contract.

GDS providers may commercialize marketing, booking and sales data provided that such data is offered with equal timeliness and on a non-discriminatory basis to all participating carriers, including parent carriers. This data is typically provided through Marketing Information Data Tapes.

With regard to the interface with subscribers and end consumers, the GDS must ensure that the principal display of fares corresponding to a particular search is presented to subscribers in a neutral and comprehensive manner, without discrimination for or against any particular participating carrier and without misleading the viewer. From this principal display, the system may thereafter include biased screens; however, the information

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provided to a consumer must be unbiased unless the consumer specifically requests another display. Also, personal data collected by a GDS in the course of its activities must be processed in a manner compatible with its responsibilities as a data controller under Article 2(d) of Directive 1995/46/EU.

The European Commission monitors the ownership structure and governance model of each GDS, in particular through independent audited reports prepared by each GDS at least every four years.

If the European Commission finds that a GDS provider has, intentionally or negligently, infringed the Code of Conduct, it may require the GDS provider to bring the infringement to an end and impose fines not exceeding 10% of the GDS provider s total gross turnover in the preceding business year. The Commission may also impose fines for not responding to information requests. These sanctions are civil, not criminal, and may be appealed to the Court of Justice of the European Communities.

We believe that we comply in all aspects with the Code of Conduct. We have no parent carriers and so are not subject to the specific rules in that regard.

GDS Regulation in Canada

There are GDS regulations in Canada issued under the regulatory authority of the Canadian Department of Transportation. On April 27, 2004, a significant number of these regulations were lifted, including the elimination of the obligated carrier rule, which required larger airlines in Canada to participate equally in all GDSs, and elimination of the requirement that transaction fees charged by GDSs to airlines be non-discriminatory. Due to the elimination of the obligated carrier rule in Canada, Air Canada, the dominant Canadian airline, could choose distribution channels that it owns and controls or distribution through another GDS rather than through our GDS.

GDS Regulation in the United States

As of July 31, 2004, all GDS regulations in the United States (which only covered airline distribution) expired. Nonetheless, the DOT has retained the authority to intervene as it considers necessary under 49 U.S.C. § 41712. To date, the DOT has not intervened in relation to our GDS activities in the United States, but has provided guidance regarding, among other things, any biasing of air carrier GDS displays. This guidance largely tracks our process with respect to any carrier specific bias we may choose to implement in our primary display. To the best of our knowledge, the DOT has not intervened in relation to the GDS activity of any other provider, with the exception of the display of air carrier codeshares by Amadeus. The DOT is currently considering enacting rules that would require airlines choosing to distribute via a GDS to provide the GDS with any core ancillary fares (seats, bags, etc.). No rule has yet been proposed.

GDS Regulation Elsewhere

GDS services have been regulated in Peru since 2000. In July 2010, India enacted GDS regulations. Both sets of regulations are similar to GDS regulation in the EU. The regulations in Peru and India have not caused any material issues for our business.

Data Protection and Privacy Regulation

We are subject to the application of data protection and privacy regulations in many of the countries in which we operate and any breach of such regulations could result in economic sanctions, which could be material and/or harm our reputation.

In our businesses, customers provide us with personally identifiable information (personal data) that has been specifically and voluntarily given. Personal data includes information that can identify a customer or a specific individual, such as name, phone number, or e-mail address. We obtain personal data from airlines, hotels, and other travel suppliers and from travel buyers and other travel retailers with which we have a commercial or business relationship. We collect, use, disclose and transfer personal data in conformance with applicable privacy laws and regulations, and implement technical and organizational measures designed to protect against unauthorized access, use, disclosure, modification, and destruction of personal data that we collect and maintain.

A primary source of privacy regulations to which our operations are subject is the EU Data Protection Directive 1995/46/EC of the European Parliament and Council (October 24, 1995). Pursuant to this directive, individual countries within the EU have specific regulations related to the transborder flow of personal information (i.e., sending personal information from one country to another). The EU Data Protection Directive requires companies doing business in EU Member States to comply with its standards. It provides for, among other things, specific regulations requiring all non-EU countries doing business with EU Member States to provide adequate data privacy protection when processing personal data from any of the EU Member States. Sabre s GetThere subsidiary and PRISM subsidiary have self-certified compliance with the U.S.-E.U. Safe Harbor and the U.S.-Swiss Safe Harbor frameworks. Our GDS business is covered by the EU GDS Code of Conduct.

Many other countries have adopted data protection regimes. An example is Canada s Personal Information and Protection of Electronic Documents Act (PIPEDA). PIPEDA provides Canadian residents with privacy protections with regard to transactions with businesses and organizations in the private sector.

We believe we are in compliance with all applicable laws in this area.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. The United States prohibits U.S. persons from engaging with individuals and entities identified as Specially Designated Nationals, such as terrorists and narcotics traffickers. These prohibitions are administered by the U.S. Department of the Treasury s Office of Foreign Assets Control and are typically known as the OFAC rules. The OFAC rules prohibit U.S. persons from engaging in financial transactions with or relating to the prohibited individual, entity or country, require the blocking of assets in which the individual, entity or country has an interest, and prohibit transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons) to such individual, entity or country. Blocked assets (e.g., property or bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. We maintain a global sanctions program designed to ensure compliance with OFAC requirements. Failure to comply with such requirements could subject us to legal and reputational consequences, including criminal penalties. See Risk Factors Any failure to comply with regulations or any changes in such regulations governing our business could adversely affect us.

Other Regulation

We are actively monitoring the status of certain proposed U.S. federal and state legislation related to privacy that may be enacted in the future. It is unclear what effect, if any, the passage of any such U.S. federal or state legislation would have on our businesses.

Our businesses may also be subject to regulations affecting issues such as: trade sanctions, exports of technology, telecommunications, and e-commerce. Any such regulations may vary among jurisdictions. We do not currently maintain a central database of regulatory requirements affecting our worldwide operations and, as a result, the risk of non-compliance with the laws and regulations described above is heightened. However, we believe that we are capable of addressing these regulatory issues as they arise.

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Employees

As of December 31, 2013, we employed approximately 10,000 people. As a global company with significant operations outside the United States, our employee composition reflects the global nature of our business. Approximately 47% of our employees are based in the United States and 53% in the rest of the world.

Our ability to attract and retain highly qualified employees is important to our success in maintaining leadership in our businesses. Competition for qualified personnel in our industry is intense. We have a policy of using equity-based compensation programs to reward and motivate significant contributors among our employees. Our employees are not represented by a labor union in the United States.

We have a Works Council covering some of our operations in several European countries, as required by law. A Works Council is a representative body of the employees of a company elected by the employees. Management of the subsidiary must seek the non-binding advice of the Works Council before taking certain decisions, such as a major restructuring, a change of control or the appointment or dismissal of a member of the board of management. Certain other decisions that directly involve employment matters applicable either to all employees or certain groups of employees require the Works Council s approval unless approved by the appropriate judicial body.

We have not experienced any work stoppages and consider our relations with our employees to be good.

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MANAGEMENT AND BOARD OF DIRECTORS

The following sets forth the name, age, position and description of the business experience as of March 31, 2014 of individuals who serve as executive officers and directors of our company and brief statements of those aspects of our directors backgrounds that led us to conclude that they should serve as directors.

Name	Age	Position
Thomas Klein	51	Chief Executive Officer, President and Director, Sabre
Richard A. Simonson	55	Executive Vice President and Chief Financial Officer, Sabre
Gregory T. Webb	47	Executive Vice President, Sabre and President, Travel Network
Hugh W. Jones	50	Executive Vice President, Sabre and President, Sabre Airline Solutions
Carl Sparks	46	Executive Vice President, Sabre and President and CEO, Travelocity
Alexander S. Alt	39	President and General Manager, Sabre Hospitality Solutions
Deborah Kerr	42	Executive Vice President and Chief Product and Technology Officer, Sabre
William G. Robinson	49	Executive Vice President and Chief Human Resources Officer, Sabre
Sterling Miller	51	Executive Vice President, General Counsel and Corporate Secretary, Sabre
Lawrence W. Kellner	55	Chairman of the Board of Directors
Timothy Dunn	56	Director
Gary Kusin	62	Director
Greg Mondre	39	Director
Judy Odom	61	Director
Joseph Osnoss	36	Director
Karl Peterson	43	Director

Executive Officers

Thomas Klein is CEO and president of Sabre and has more than 17 years of experience managing large scale, international technology businesses. Before being named CEO and president of Sabre in August 2013, Mr. Klein served as company president since January 2010. His role prior to that was executive vice president, Sabre, and group president of our Travel Network and Airline and Hospitality Solutions businesses. Earlier roles included various senior leadership positions within Sabre, both in the United States and in Latin America, and he served as the first director general of Sabre Sociedad Tecnologica, a Mexico-based joint venture company owned by Sabre, Aeromexico and Mexicana. Prior to joining Sabre in 1994, Mr. Klein held a variety of sales, marketing and operations positions at American Airlines and Consolidated Freightways, Inc. In 2010, Mr. Klein was appointed to the Board of Directors for Brand USA by the U.S. Secretary of Commerce and now serves as vice chairman. Mr. Klein serves on the Board of Directors and chairs the compensation committee for Cedar Fair Entertainment. Mr. Klein also serves on the executive committee of the World Travel & Tourism Council and the Dean s Board of the Villanova School of Business.

Mr. Klein holds a bachelor s degree in business administration from Villanova University. Mr. Klein s long service at our company, travel technology industry experience and his leadership experience make him a valuable asset to our management and our board of directors.

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Richard A. Simonson is executive vice president and chief financial officer. He leads the company s global finance organization and is responsible for all finance and controls, reporting, investor relations and corporate development activities. He brings a combination of experiences with global finance, operations and capital markets focused on technology sectors. Before joining Sabre in March 2013, Mr. Simonson most recently served as CFO and president for business operations at Rearden Commerce, an e-commerce company from March 2011 to May 2012 and as an independent advisor to companies in the telecom, media and technology industry from May 2012 to March 2013 and from July 2010 to May 2011. From September 2001 to July 2010 he worked at Nokia Corporation in several global roles based in locations around the world in Helsinki, Zurich and New York including executive vice president and general manager of Nokia s mobile phones unit and more than five years as executive vice president and CFO. Mr. Simonson s career includes time with Barclays Capital as managing director in the telecom and media investment banking group. He also spent 16 years with Bank of America Securities, where he held various finance and investment banking positions in San Francisco and Chicago. Mr. Simonson currently serves on the board of directors of Electronic Arts, where he chairs the nominating and governance committee, and Silver Spring Networks, where he chairs the audit committee. He graduated from the Colorado School of Mines and holds an M.B.A. from Wharton School of Business at the University of Pennsylvania.

Gregory T. Webb is executive vice president and president of Travel Network, and before being named to his current role, gained experience with all aspects of the business, from leading the marketing organization to managing our supplier relationships, Travel Network business in Asia and Hospitality Solutions business. Since joining Sabre in 1995, Mr. Webb has held several senior leadership positions including chief marketing officer for both our Travel Network and Airline and Hospitality Solutions businesses and senior vice president of global product marketing for Sabre. Early in his career, he served as director of project consulting and risk assessment for American Airlines and Sabre. Prior to joining the company, Mr. Webb was vice president and chief information officer for BellSouth Telecommunications and also served as a senior consultant at Andersen Consulting. Mr. Webb earned a master s degree in business administration with an emphasis in marketing from Louisiana Tech University and a bachelor s degree in advertising from Southern Methodist University. He serves on the board of directors for Abacus.

Hugh W. Jones is executive vice president and president of Sabre Airline Solutions and is a 25-year veteran of the travel industry. Immediately prior to being named to his current role in April 2011, Mr. Jones served as Travelocity s president and CEO beginning in January 2008 and before that, he held a number of executive roles at Sabre including senior vice president and chief operating officer for our Travel Network and Airline and Hospitality Solutions businesses, where he oversaw airline supplier initiatives and global customer support. He also led Travel Network in North America and served as senior vice president and controller for Sabre. Mr. Jones began his career with American Airlines in 1988 and held a variety of finance positions including financial controller for the airline s European and Pacific airport, sales and reservations operations. He earned a master s degree in business administration from Southern Methodist University and a bachelor s degree in geology and geophysics from the University of Wisconsin.

Carl Sparks is executive vice president and president and chief executive officer of Travelocity, and oversees a portfolio of travel brands including Travelocity.com, Travelocity.ca and Travelocity.mx in North America and lastminute.com in Europe. Mr. Sparks brings an extensive background in e-commerce, consumer brands and retailing to his role. Before joining Travelocity in April 2011, he served as president of Gilt Groupe from 2010 to 2011 and as chief marketing officer from 2009 to 2010, a leading online fashion and travel retailer in the United States and a pioneer in social and mobile commerce. Prior to that, Mr. Sparks held several senior leadership positions at Expedia Inc. between June 2004 and October 2009 including general manager for Hotels.com North America and chief marketing officer for Expedia.com. Earlier in his career, he served as vice president of direct business and brand at Capital One, and held senior marketing and strategy roles at Guinness, PepsiCo and Boston Consulting Group. Mr. Sparks serves on the board of directors of the Dunkin Brands Group Inc. and Vonage Holdings Corporation. Mr. Sparks graduated from Princeton University and received his M.B.A. from Harvard University.

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Alexander S. Alt is president and general manager of Sabre Hospitality Solutions, and oversees one of Sabre s two SaaS businesses. Prior to being named president, Mr. Alt served in an expanded chief operating officer role at Sabre Hospitality Solutions, where he oversaw customer care, data services, implementations, call center and similar services. As part of the Sabre Hospitality Solutions management team, he also helped drive overall business strategy. Before joining Sabre in 2012, Mr. Alt served as senior vice president of global development and strategy at Rosewood Hotels & Resorts, where he played a key role in the global growth and expansion of the business. Prior to joining Rosewood Hotels in 2006, he was a senior engagement manager at McKinsey & Company. Earlier in his career, he worked in the finance department of Sabre as a manager and senior analyst in the financial planning and analysis group. Mr. Alt is a member of the Dallas Development Board of The Nature Conservancy. He graduated from the University of Texas in Austin and received his M.B.A. from Harvard University.

Deborah Kerr is executive vice president and chief product and technology officer at Sabre, and is responsible for leading the global product and technology organization. Prior to her appointment at Sabre in March 2013, she served as executive vice president, chief product and technology officer at FICO from 2009 to April 2012, a leader in predictive analytics and decision management technology. Prior experience includes senior leadership roles with HP, Peregrine Systems and NASA s Jet Propulsion Laboratory. Ms. Kerr is a director of the Davis and Henderson Corporation. She was previously a director of Mitchell International from January 2010 until October 2013. Ms. Kerr holds a master s degree in Computer Science and a bachelor s degree in Psychology.

William G. Robinson is executive vice president and chief human resources officer. He is responsible for leading Sabre s global human resources organization, including talent management, organizational leadership and culture. Prior to joining Sabre in December 2013, Mr. Robinson served as the senior vice president and chief human resources officer at Coventry Health Care, a diversified managed health care company with 14,000 employees, from 2012 to 2013. From 2010 to 2011, Mr. Robinson served as senior vice president for human resources at Outcomes Health Information Solutions, a healthcare analytics and information company specializing in the optimization and acquisition of medical records. Prior to that, from 1990 to 2010, he worked for General Electric, where he held several human resources leadership roles in diverse industries including information technology, healthcare, energy and industrial. Most recently, he was the human resources leader within the GE Enterprise Solutions division where he led a global team in an organization of 20,000 employees in 200 locations worldwide. Mr. Robinson also previously worked with Outcomes Health Information Solutions LLC. He holds a M.A. in Human Resources Development from Bowie State University and a B.S. in Communications from Wake Forest University.

Sterling Miller is executive vice president, general counsel and corporate secretary of Sabre, a position he assumed in 2008. He manages the global legal department and government affairs group that provides legal counsel to all of our lines of business and represents the company before federal and local courts and government agencies. He also serves as the chief compliance officer. Prior to his current role, Mr. Miller served as senior vice president and general counsel for Travelocity. Earlier roles include deputy general counsel for litigation and regulatory affairs for Sabre and an attorney for American Airlines. Before joining American Airlines, he was an attorney with the firm of Gallop, Johnson & Neuman in St. Louis, Missouri. Mr. Miller earned his J.D. degree from Washington University in St. Louis and his bachelor s degree in political science from Nebraska Wesleyan University. He is a member of the Texas and Missouri Bar Associations.

Our executive officers will serve until their successors have been duly elected and qualified.

Our Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our Certificate of Incorporation will provide that our board of directors shall consist of at least five directors but no more than eleven directors;

provided, however, prior to the time when the Principal Stockholders beneficially own, collectively, less than 40% of the outstanding shares of our common stock, the board of directors shall not consist of more than nine directors. Our board of directors is currently comprised of eight directors. The directors are elected at the annual meeting of the stockholders and each director serves until the election and qualification of his or her successor.

Thomas Klein. See executive officer bio above. Mr. Klein s long service at our company, travel technology industry experience and leadership experience make him a valuable asset to our management and our board of directors.

Lawrence W. Kellner joined the company as non-executive Chairman of our Board of Directors in August 2013. He has served as President of Emerald Creek Group, LLC, a private equity firm, since 2010. He served as Chairman and Chief Executive Officer of Continental Airlines, Inc., an international airline company, from December 2004 through December 2009. He served as President and Chief Operating Officer of Continental Airlines from March 2003 to December 2004, as President from May 2001 to March 2003 and was a member of Continental Airlines board of directors from May 2001 to December 2009. Mr. Kellner serves on the board of directors of The Boeing Company, The Chubb Corporation and Marriott International, Inc. He is active in numerous community and civic organizations and currently serves on the Rice University Board of Trustees and the Board of the Greater Houston Partnership. We believe that Mr. Kellner is a valuable asset and well qualified to sit on our board of directors as a result of his significant travel industry experience, significant corporate governance experience and financial expertise.

Timothy Dunn is a TPG Operating Partner and has served on our board of directors since October 2010. Mr. Dunn joined TPG as director of operations in 2005, after serving as CFO for Hotwire Inc. and before that as senior vice president and CFO at Gap, Inc., where he was responsible for domestic and international finance and real estate for the Gap Brand. From 1986 to 1998, Mr. Dunn served in various domestic and international finance roles, most recently as vice president and controller, for PepsiCo Restaurants Intl. Mr. Dunn currently serves as a director of Nordstrom FSB. Mr. Dunn graduated magna cum laude from the University of Southern California, where he earned a bachelor s degree in finance with an emphasis in accounting. He is a certified public accountant in California (inactive status). Because of Mr. Dunn s financial expertise and his experience as an executive officer of major corporations, including of a travel technology company, we believe Mr. Dunn is qualified to serve on our board of directors.

Gary Kusin is an independent consultant focused on assisting companies on strategic and operational matters. He has served on our board of directors since March 2007. Among other engagements, Mr. Kusin acts as a TPG senior advisor, pursuant to which he provides his expertise to selected TPG portfolio companies as well as to selected TPG potential investment opportunities. Mr. Kusin previously served as president and CEO of FedEx Kinko s, today operating as FedEx Office from 2001 to 2006. Prior to joining Kinko s in 2001, Mr. Kusin served as CEO of HQ Global Workplaces (now part of Regus), which provides offices, meeting rooms and network access at locations around the world. In 1995 he co-founded Laura Mercier Cosmetics, which sold to Neiman Marcus in 1998. He also co-founded Babbage s Inc. (now GameStop), a leading consumer software specialty chain, in 1983 and served as its president. Earlier in his career, he was vice president and general merchandise manager for the Sanger-Harris division of the Federated Department Store (now Macy s). An Inc. magazine Entrepreneur of the Year, Mr. Kusin serves on the board of directors of Petco, Fleetpride, American Tire Distributor, and Savers. Mr. Kusin earned his Bachelor of Arts degree from The University of Texas at Austin and his M.B.A. from the Harvard Business School. We believe that Mr. Kusin should serve on our board of directors because of his substantial expertise in executive management and corporate governance as a result of his extensive experience both as an investor and an executive officer of major corporations.

Greg Mondre is a Managing Partner and Managing Director with Silver Lake and has served on our board of directors since March 2007. Mr. Mondre joined the firm in 1999 and has significant experience in private equity investing and expertise in sectors of the technology and technology-enabled industries. Prior to joining Silver Lake, Mr. Mondre was a principal at TPG, where he focused on private equity investments across a wide range of industries, with a particular focus on technology. Earlier in his career, Mr. Mondre worked as an investment banker in the Communications, Media and Entertainment Group of Goldman, Sachs & Co. He currently serves as a director of Avaya, Inc., Go Daddy Operating Company, LLC, IPC Systems, Inc. and Vantage Data Centers, and is on the operating committee of SunGard Capital Corp. Mr. Mondre graduated from The Wharton School at the University of Pennsylvania with a bachelor s degree in economics. Because Mr. Mondre has over seventeen years of private equity investing and banking experience focused on technology companies and tech-enabled businesses, we believe that he would bring to our board of directors specialized knowledge and experience in portfolio management, analyzing potential acquisitions, raising equity, and setting corporate strategy.

Judy Odom joined the company as a director in March 2014. From 1985 until her retirement in 2002, Ms. Odom held numerous positions, most recently chief executive officer and chairman of the board, at Software Spectrum, Inc., a global business to business software services company, which she co-founded in 1983. Prior to founding Software Spectrum, Ms. Odom was a partner with the international accounting firm, Grant Thornton. Ms. Odom currently serves on the board of directors of Harte-Hanks, Inc. and Leggett & Platt, Inc., a diversified manufacturing company. She previously served on the board of Storage Technology Corporation, a provider of data storage hardware and software products and services, from November 2003 to August 2005. Ms. Odom graduated from Texas Tech University, where she earned a B.B.A. in accounting. We believe that Ms. Odom s qualifications to serve on our board include her board service with several companies allowing her to offer a broad leadership perspective on strategic and operating issues facing companies today. Ms. Odom s experience co-founding Software Spectrum, growing it to a large public company before selling it to another public company and serving as board chair provides the insight and perspective of a successful entrepreneur and long-serving chief executive officer with international operating experience.

Joseph Osnoss is a Managing Director of Silver Lake, which he joined in 2002. He has served on our board of directors since March 2007. He is currently based in London, where he helps to oversee the firm s activities in Europe, the Middle East and Africa. Mr. Osnoss is a director of Global Blue, Interactive Data Corporation, Mercury Payment Systems, and Virtu Financial, and previously served on the board of directors of Instinet Incorporated. Prior to joining Silver Lake, Mr. Osnoss worked in investment banking at Goldman, Sachs & Co., where he focused on mergers and financings in technology and related industries. Mr. Osnoss graduated summa cum laude from Harvard College with an A.B. in Applied Mathematics-Economics and a citation in French language. He is a Visiting Professor at the London School of Economics, where he participates in teaching and research activities within the Department of Finance. Mr. Osnoss extensive experience investing in private equity and serving on the board of directors of other companies, both domestically and internationally, positions him to contribute meaningfully to our board of directors.

Karl Peterson is a Senior Partner of TPG and Managing Partner of TPG Capital LLP, the firm s European operations. He has served on our board of directors since March 2007. Since joining TPG in 2004, Mr. Peterson has led investments for the firm in technology, media, financial services and travel sectors. Prior to 2004, he was a co-founder and the president and CEO of Hotwire.com, the internet travel portal. He led the business from its launch in 2000 through its sale to InterActiveCorp in 2003. Before Hotwire, Mr. Peterson was a principal at TPG in San Francisco, and from 1992 to 1995 he was a financial analyst at Goldman, Sachs & Co. Mr. Peterson is currently a director of TES Global, Saxo Bank and Norwegian Cruise Lines, as well as Caesars Acquisition Company. Mr. Peterson graduated with high honors from the University of Notre Dame, where he earned a B.B.A. in finance and business administration. We believe that as a result of his experience as a director of several travel and technology companies, as a former executive of an online travel company, and as a private equity investor, Mr. Peterson will bring a keen strategic understanding of our industry and of the competitive landscape for our company.

Controlled Company

After the completion of this offering, the Principal Stockholders will control a majority of our outstanding common stock. The TPG Funds, the Silver Lake Funds and the Sovereign Co-Invest will own approximately 39%, 24% and 20%, respectively, of our common stock (or approximately 38%, 23% and 19%, respectively, if the underwriters exercise in full their option to purchase additional shares) after the completion of this offering. As a result, we are a controlled company within the meaning of the NASDAQ rules. Under the NASDAQ rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain NASDAQ corporate governance standards, including: the requirement that a majority of the board of directors consist of independent directors; the requirement that our governance and nominating committee is composed entirely of independent directors; and the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s responsibilities. Following this offering, we will qualify for these exemptions. As a result, we may not have a majority of independent directors and our governance and nominating committee and compensation committee may not consist entirely of independent directors. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ rules regarding corporate governance.

The controlled company exception does not modify the independence requirements for the audit committee, and we intend to comply with the audit committee requirements of Rule 10A-3 under the Exchange Act and the NASDAQ rules. Pursuant to such rules, we are required to have at least one independent director on our audit committee during the 90-day period beginning on the date of effectiveness of the registration statement filed with the SEC in connection with this offering. After such 90-day period and until one year from the date of effectiveness of the registration statement, we are required to have a majority of independent directors on our audit committee. Thereafter, our audit committee is required to be comprised entirely of independent directors.

Board Composition

Our board of directors is currently comprised of eight directors. After the completion of this offering, our Certificate of Incorporation will provide that the number of directors on our board of directors shall be not less than five directors nor more than eleven directors, as determined by the affirmative vote of the majority of the board of directors then in office. However, prior to the time when the Principal Stockholders beneficially own, collectively, less than 40% of the outstanding shares of our common stock, the board of directors shall not consist of more than nine directors. At any meeting of the board of directors, the attendance of a majority of the total number of authorized directors and, if the Silver Lake Funds or the TPG Funds, as applicable, then-currently has designated, solely and not jointly, for nomination pursuant to the Stockholders Agreement at least one director who is serving on the board of directors, one director designated by the Silver Lake Funds or the TPG Funds, as applicable, will constitute a quorum; provided that the Silver Lake Funds or the TPG Funds, as applicable, may, in its sole discretion, agree to waive the requirement that at least one director designated for nomination by such entity must be present to constitute a quorum. Our board of directors has determined that Timothy Dunn, Lawrence Kellner, Gary Kusin, Greg Mondre, Joseph Osnoss, Judy Odom and Karl Peterson are independent as defined under the corporate governance rules of the NASDAQ.

After the completion of this offering, our board of directors will be divided into three classes, with each director serving a 3-year term and one class being elected at each year s annual meeting of stockholders. Karl Peterson, Judy Odom and Lawrence Kellner will initially serve as Class I directors with an initial term expiring in 2015. Joseph Osnoss, Thomas Klein and Timothy Dunn will initially serve as Class II directors with an initial term expiring in 2016. Greg Mondre and Gary Kusin will initially serve as Class III directors with an initial term expiring in 2017. Upon the expiration of the initial term of office for each class of directors, each director in such class shall be elected for a term of three years and serve until a successor is duly elected and qualified or until his or her earlier death, resignation or removal. Any additional directorships resulting from an increase in the number of directors or a vacancy may be filled by the directors then in office.

Committees of the Board of Directors

The board of directors has established four standing committees to assist it in carrying out its responsibilities: the audit committee, the governance and nominating committee, the compensation committee and the technology committee. Each of the committees operates under its own written charter adopted by the

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board of directors, each of which will be available on our corporate website at www.sabre.com upon the closing of this offering. In addition, ad hoc committees may be designated under the direction of our board of directors when necessary to address specific issues.

Audit Committee

The audit committee is responsible for, among other things:

- reviewing the audit plans and findings of our independent auditor and our internal audit staff, as well as the results of regulatory examinations and compliance with accounting rules, and tracking management s corrective action plans where necessary;
- reviewing with our management and our independent auditor our overall system of internal control over financial reporting;
- reviewing with our management and independent auditor our financial statements, including any significant financial reporting issues and changes in accounting policies;
- reviewing with our management and independent auditor our major risk exposures, and the steps management has taken to monitor and control such exposures;
- overseeing the implementation and effectiveness of our compliance and ethics program, including our whistleblowing procedures;
- reviewing related party transactions; and
- appointing annually our independent auditor, evaluating its independence and performance, and pre-approving all audit and non-audit services provided by any independent auditor to the company.

The members of the audit committee are Judy Odom (Chairman), Timothy Dunn and Joseph Osnoss. Upon effectiveness of the registration statement, Judy Odom will be independent, as defined under the NASDAQ rules and Rule 10A-3 of the Exchange Act. Our board of directors has determined that each director appointed to the audit committee is financially literate, and the board of directors has determined that each director appointed to the audit committee meets the criteria of the rules and regulations set forth by the SEC for an audit committee financial expert.

Governance and Nominating Committee

The governance and nominating committee is responsible for, among other things:

- reviewing the performance of our board of directors and making recommendations to the board of directors regarding the selection of candidates, qualification and competency requirements for service on the board of directors and the suitability of proposed nominees as directors;

- advising the board of directors with respect to the corporate governance principles applicable to us; and

- reviewing management s short- and long-term leadership development and succession plans and processes.

The members of the governance and nominating committee are Lawrence Kellner (Chairman), Gary Kusin, Greg Mondre and Karl Peterson. Upon effectiveness of the registration statement, each of Lawrence Kellner, Gary Kusin, Greg Mondre and Karl Peterson will be independent, as defined under the NASDAQ rules. Because we will be a controlled company under the NASDAQ rules, our governance and nominating committee is not required to be fully independent, although if such rules change in the future or we no longer meet the definition of a controlled company under the current rules, we will adjust the composition of the governance and nominating committee accordingly in order to comply with such rules.

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Compensation Committee

The compensation committee is responsible for, among other things:

- reviewing the operation of our compensation program;
- reviewing and approving corporate goals and objectives relevant to the compensation of our CEO, evaluating his or her performance in light of those goals and objectives, and determining and approving his or her compensation based on that evaluation;
- establishing and reviewing annually any stock ownership guidelines applicable to our directors and management;
- determining and approving the compensation level (including base and incentive compensation) and direct and indirect benefits of executive officers; and
- recommending to the board of directors the establishment and terms of incentive-compensation and equity-based plans, and administering such plans.

The members of the compensation committee are Gary Kusin (Chairman), Lawrence Kellner, Greg Mondre and Karl Peterson. Upon effectiveness of the registration statement, each of Gary Kusin, Lawrence Kellner, Greg Mondre and Karl Peterson will be independent, as defined under the NASDAQ rules. Because we will be a controlled company under the NASDAQ rules, our compensation committee is not required to be fully independent, although if such rules change in the future or we no longer meet the definition of a controlled company under the current rules, we will adjust the composition of the nominating and corporate committees accordingly in order to comply with such rules.

Technology Committee

The technology committee is responsible for, among other things:

- appraising major technology-related projects and making recommendations to our board regarding the company s technology strategies;
- monitoring and discussing with management the quality and effectiveness of the company s data security, data privacy and disaster recovery capabilities; and
- advising our senior technology management team with respect to existing trends in information technology and new technologies, applications and systems.

The members of the technology committee are Joseph Osnoss (Chairman), Thomas Klein and Greg Mondre.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

In connection with this offering, we have revised our Business Ethics Policy, which is the code of conduct applicable to all of our directors, officers and employees. We have also adopted a Code of Ethics applicable to our CEO and senior financial officers (the Senior Officers Code), which will set forth the principles and responsibilities specifically applicable to those officers. The Senior Officers Code is designed to be read and applied in conjunction with our Business Ethics Policy. Both the Senior Officers Code and the Business Ethics Policy will be available on our website at www.sabre.com. Any change or amendment to the Senior Officers Code, and any waivers of the Senior Officers Code or the Business Ethics Policy for our directors, CEO or senior financial officers, will be posted to our website at the above location.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis addresses the principles underlying our executive compensation program and the policies and practices that contributed to our executive compensation actions and decisions for the year ended December 31, 2013 (Fiscal 2013) for the following individuals (i) who served as our principal executive officer at any time during Fiscal 2013, (ii) who served as our principal financial officer at any time during Fiscal 2013, and (iii) who were the three other most highly-compensated executive officers who were serving as our executive officers as of December 31, 2013. During Fiscal 2013, these individuals were:

Thomas Klein, our CEO and President;

Richard Simonson, our Executive Vice President and CFO;

Carl Sparks, our Executive Vice President and the President and CEO of Travelocity;

Deborah Kerr, our Executive Vice President and Chief Product and Technology Officer;

William G. Robinson, Jr., our Executive Vice President and Chief Human Resources Officer;

Michael S. Gilliland, our former CEO; and

Mark Miller, our former Executive Vice President and CFO.

We refer to these executive officers collectively in this Compensation Discussion and Analysis and the related compensation tables as the Named Executive Officers.

Our overall corporate rewards strategy, which is embodied in our executive compensation program, is designed to advance four principal objectives:

Pay for performance: Link a significant portion of the target total direct compensation opportunities of our executive officers to our annual and long-term business performance and each individual s contribution to that performance;

Attract, motivate, and retain: Set compensation at market competitive levels that enable us to hire, incentivize, and retain high-caliber employees throughout the organization and which reinforce our robust succession planning process;

Long-term equity participation: Provide opportunities, consistent with the interests of our stockholders, for the realization of long-term stock appreciation through the ownership of an equity stake in the organization if we achieve our strategic and growth objectives; and

Transparency: Ensure an efficient, simple, and transparent process for designing our compensation arrangements, setting performance objectives for annual and long-term incentive compensation opportunities, and making compensation decisions.

Fiscal 2013 Management Changes

Mr. Gilliland stepped down from his position as our CEO on August 15, 2013 and retired effective September 21, 2013. Mr. Klein was promoted to serve as our CEO and President on August 15, 2013. As part of this leadership transition, Mr. Gilliland continued to serve as a member of our board of directors until March 24, 2014.

On March 11, 2013, Mr. Simonson joined us and was appointed as our Executive Vice President and CFO. Mr. Miller terminated his employment effective July 1, 2013.

On March 11, 2013, Ms. Kerr joined us and was appointed as our Executive Vice President and Chief Product and Technology Officer, and on December 16, 2013, Mr. Robinson joined us and was appointed our Executive Vice President and Chief Human Resources Officer.

Fiscal 2014 Management Changes

In connection with the Expedia SMA becoming operationally complete, Mr. Sparks employment with us will terminate on April 28, 2014. At such time, day-to-day operation of the Travelocity business in North America will be managed by Roshan Mendis, currently the President of Travelocity North America. The day-to- day operation of lastminute.com will be managed by Matthew Crummack, currently the CEO of lastminute.com. Mr. Sparks may act in an advisory role to Sabre for some period of time after his departure.

In connection with Mr. Sparks resignation, Mr. Sparks will receive a customary separation package, including certain payments and benefits required pursuant to the terms and conditions of his employment agreement.

Specifically, this Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each material element of compensation that we provided to our executive officers, including the Named Executive Officers, in Fiscal 2013. In addition, we explain how and why the Compensation Committee of our board of directors (the Compensation Committee) arrived at the specific compensation actions and decisions involving the Named Executive Officers during Fiscal 2013.

Executive Summary

Business Overview

We are a leading technology solutions provider to the global travel and tourism industry. We operate through three business segments:

- ***Travel Network***, our global B2B travel marketplace for travel suppliers and travel buyers;
- ***Airline and Hospitality Solutions***, an extensive suite of leading software solutions primarily for airlines and hotel properties; and
- ***Travelocity***, our portfolio of online consumer travel e-commerce businesses through which we provide travel content and booking functionality primarily for leisure travelers.

In March 2007, we were acquired by investment funds affiliated with or managed by the Principal Stockholders. Prior to that time, we were an independent, publicly-traded company with our common stock listed on the New York Stock Exchange.

In connection with the acquisition, the Principal Stockholders appointed Mr. Gilliland to serve as our CEO and entered into employment agreements and other arrangements with the members of our-then senior management. Of the Named Executive Officers, only Messrs. Gilliland, Miller, and Klein were employed with us at that time. In negotiating these initial employment agreements and arrangements with our current Named Executive Officers, our board of directors, whose members then consisted of representatives of the Principal Stockholders, placed significant emphasis on aligning management s interests with those of the Principal Stockholders. In particular, Messrs. Gilliland and Klein each made a significant equity investment in our common stock in connection with the acquisition and received equity awards that included performance vesting options that would vest upon the Principal Stockholders receiving reasonable rates of return on their invested capital.

The Principal Stockholders directed our senior management to lead an aggressive plan to eliminate organizational inefficiencies, expand the scope of our various businesses and to secure our position as the leading technology provider for the travel and tourism industries. To date, we have been successful in strengthening our business, developing into a global brand, and increasing revenue growth and sustained profitability, in part, through the design of our executive compensation program.

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As we have prepared for this initial public offering, we have focused on attracting and retaining a talented management team with the necessary experience to manage our business as a newly-public company. The Named Executive Officers have strong transformational experience and, collectively, more than 160 years of technology sector experience among them.

While we have begun to review and revise our executive compensation program and related policies and practices in anticipation of this offering, we are still in the process of determining specific details of certain aspects of our executive compensation program that will take effect following the offering. Overall, we anticipate that our executive compensation program following the offering will be based on the same principles and designed to achieve the same objectives as our prior executive compensation program.

Given our recent history, our executive compensation program has been designed by the Compensation Committee consistent with the Principal Stockholders objective of incentivizing our executive officers to stabilize and strengthen us as a company, including in the areas of technology consolidation, product quality, and geographic expansion, in an effort to drive sustained financial performance and further our business objectives. Accordingly, our current program has been designed to advance three principal objectives:

- To reward our executive officers for achieving short-term operational objectives, realizing long-term strategic goals, and enhancing stockholder value.

- To reflect our focus on high standards of ethics, quality, and integrity, which we apply to all aspects of our business.

- To enhance the quality and continuity of our executive management team.

Fiscal 2013 Compensation Highlights

We compete with many other companies in seeking to attract and retain a skilled executive team. To meet this challenge, we have embraced a compensation philosophy of offering our executive officers competitive compensation and benefits packages that are focused on long-term value creation and rewarding them for achieving our financial and strategic objectives. In Fiscal 2013, we employed this philosophy to enhance and broaden the strength of our executive team as we began to prepare for this offering and commence the transition to becoming a public reporting company.

Consistent with this philosophy, we took the following actions with respect to the Fiscal 2013 compensation of the Named Executive Officers:

- Entered into a new employment agreement with Mr. Klein at the time that he was promoted to serve as our CEO, with a base salary, target annual incentive award opportunity, and long-term incentive award commensurate with an individual serving in this position for a company of our size, business, and growth potential.

Entered into employment agreements with Mr. Simonson, our new Executive Vice President and CFO, Ms. Kerr, our new Executive Vice President and Chief Product and Technology Officer, and Mr. Robinson, our new Executive Vice President and Chief Human Resources Officer.

Paid annual cash bonuses under our Executive Incentive Plan consistent with our Fiscal 2013 financial results in amounts ranging from 31% to 87% of their target bonus opportunities, as described in more detail under Compensation Elements Annual Incentive Compensation below; and

Began developing the 2014 Omnibus Plan, our new omnibus equity incentive compensation plan, which is consistent with the equity incentive compensation plans used by other newly-public companies.

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Pay-for-Performance

Our executive compensation philosophy, which is embodied in the design and operation of our short-term and long-term incentive compensation plans, ensures that a substantial portion of the compensation for our executive officers, including the Named Executive Officers, is contingent on our ability to meet and exceed our annual and long-term financial plan objectives. Consequently, we believe that our executive compensation program creates commonality of interest between our executive officers and stockholders for long-term value creation. Our commitment to a pay-for-performance compensation philosophy includes:

- A substantial portion of our executive officers target cash compensation opportunity is performance-based. For Fiscal 2013, approximately 52% of the target cash compensation opportunity of our CEO, and approximately 44%, on average, of the target cash compensation opportunities of the other Named Executive Officers was contingent on our executive team meeting and exceeding the financial objectives set forth in our annual operating plan. For Fiscal 2013, the annual cash bonuses paid to the Named Executive Officers was approximately 73%, on average, of their target cash bonus opportunities.

- While we strive to offer fully-competitive target total direct compensation opportunities to each of our executive officers to recognize the experience, industry expertise, and leadership that he or she brings to us, the actual amounts received or realized by each executive officer from his or her incentive compensation opportunities is highly dependent on the ability of our executive team to achieve strong financial results and meet key operational milestones over an extended period of time.

The Compensation Committee monitors our executive compensation program on a continuous basis, and updates and refines our executive compensation policies and practices as appropriate to enhance our compensation philosophy.

Executive Compensation Policies and Practices

We endeavor to maintain sound governance standards consistent with our executive compensation policies and practices. The Compensation Committee evaluates our executive compensation program on an ongoing basis to ensure that it is consistent with our short-term and long-term business objectives given the dynamic nature of the global economy and the market in which we compete for executive talent. The following policies and practices were implemented during Fiscal 2013 and/or were in effect at the time of filing of the registration statement of which this prospectus forms a part:

- ***Independent Compensation Committee Advisors.*** The Compensation Committee engaged its own compensation consultant to assist with the review and enhancement of our executive compensation program in anticipation of our transition to a public reporting company. This consultant has performed no consulting or other services for us.

- ***Annual Executive Compensation Review.*** The Compensation Committee conducts an annual review of our executive compensation program, including a review of the competitive market for executive talent. In Fiscal 2013, the Compensation Committee developed a compensation peer group for use during its deliberations when evaluating the competitive market.

Executive Compensation Policies and Practices. Our compensation philosophy and related corporate governance policies and practices are complemented by several specific compensation practices that are designed to align our executive compensation with long-term stockholder interests, including the following:

- ***Compensation At-Risk.*** Our executive compensation program is designed so that a significant portion of compensation is at risk based on corporate performance, as well as equity-based to align the interests of our executive officers and stockholders;

No Retirement Plans. Except for the Sabre, Inc. Legacy Pension Plan (which was frozen to further benefit accruals as of December 31, 2005), we do not currently offer, nor do we have plans to provide, pension arrangements, defined benefit retirement plans, or nonqualified deferred compensation plans or arrangements to our executive officers;

Nominal Perquisites. We provide only limited perquisites and other personal benefits, which consist of financial planning, executive physical examinations, and payment of country club membership dues, to certain of our executive officers;

No Special Health or Welfare Benefits. Our executive officers participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our other full-time, salaried employees;

No Tax Reimbursements. We do not provide any tax reimbursement payments (including gross-ups) on any perquisites or other personal benefits, other than standard relocation benefits, or on any severance or change-in-control payments or benefits;

Double-Trigger Change-in-Control Arrangements. All change-in-control payments and benefits are based on a double-trigger arrangement (that is, they require both a change-in-control ***plus*** a qualifying termination of employment before payments and benefits are paid);

Performance-Based Incentives. We use performance-based short-term and long-term incentives;

Multi-Year Vesting Requirements. The equity awards granted to our executive officers vest or are earned over multi-year periods, consistent with current market practice and our retention objectives;

*No Stock Option Repricings***.** We prohibit the repricing of outstanding options to purchase our common stock without prior stockholder approval; and

Succession Planning. We review the risks associated with key executive officer positions to ensure adequate succession plans are in place.

This Compensation Discussion and Analysis describes the material elements of compensation for the Named Executive Officers as determined by the Compensation Committee for the year prior to the completion of this offering. It also includes some of the key expectations about changes to our executive compensation program going forward**.**

Compensation Philosophy and Objectives

The philosophy underlying our executive compensation program is to provide an attractive, flexible, and effective total compensation opportunity to our executive officers, including the Named Executive Officers, tied to our corporate performance and aligned with the interests of our stockholders. Our objective is to recruit, motivate, and retain the caliber of executive officers necessary to deliver sustained high performance to our stockholders, customers, and other stakeholders.

Equally important, we view our compensation policies and practices as a means for communicating our goals and standards of conduct and performance and for motivating and rewarding employees in relation to their achievements. Overall, the same principles that govern the compensation of our executive officers also apply to the compensation of all our salaried employees. Within this framework, we observe the following principles:

> ***Retain and hire top-caliber executive officers***: Executive officers should have base salaries and employee benefits that are market competitive and that permit us to hire and retain high-caliber individuals at all levels;

- ***Pay for performance***: A significant portion of the target total direct compensation opportunities of our executive officers should vary with annual and long-term business performance and each individual s contribution to that performance, while the level of at-risk compensation should increase as the scope of the executive officer s responsibility increases;

- ***Reward long-term growth and profitability***: Executive officers should be rewarded for achieving long-term results, and such rewards should be aligned with the interests of our stockholders;

- ***Tie compensation to performance of our core businesses***: A significant portion of each executive officer s compensation should be tied to measures of performance of the business or businesses over which he or she has the greatest influence;

- ***Align compensation with stockholder interests***: The interests of our executive officers should be linked with those of our stockholders through the risks and rewards of the ownership of shares of our common stock;

- ***Provide limited personal benefits***: Perquisites and other personal benefits for our executive officers should be minimal and limited to items that serve a reasonable business purpose; and

- ***Reinforce succession planning process***: The overall compensation program for our executive officers should reinforce our robust succession planning process.

We believe that our compensation philosophy, as reinforced by these principles, has been very effective in aligning our executive compensation with the creation of sustainable long-term stockholder value.

Compensation Mix

Our executive compensation program has been designed to reward strong performance by focusing a significant portion of each executive officer s total direct compensation opportunity on annual and long-term incentives that depend upon our performance as a whole, as well as the performance of our individual businesses. Each executive officer, at either the time of the acquisition by the Principal Stockholders, his or her initial employment, or his promotion to a more senior position, has been granted a significant stake in us in the form of an equity award to closely link his or her interests to those of the Principal Stockholders and to focus his or her efforts on the successful execution of our long-term strategic and financial objectives. Consequently, whether viewed on an annual basis or over their entire tenure with us, fixed compensation (in the form of base salary and benefits) has represented substantially less than half of the target total direct compensation opportunity of each executive officer, including each Named Executive Officer, with the remainder delivered in the form of annual and long-term incentive compensation and performance bonuses.

Compensation-Setting Process

Role of the Compensation Committee

The Compensation Committee is responsible for overseeing our executive compensation program (including our executive compensation policies and practices), approving the compensation of our executive officers, including the

Named Executive Officers, and administering our various employee stock plans.

Pursuant to its charter, the Compensation Committee has sole responsibility for reviewing and determining the compensation of our CEO at least annually, as well as for evaluating our CEO s performance in light of the corporate goals and objectives applicable to him. In reviewing our CEO s compensation each year and considering any potential adjustments, the Compensation Committee exercises its business judgment after taking into consideration several factors, including our financial results, his individual performance and strategic leadership, its understanding of competitive market data and practices, and his current total compensation and pay history.

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In addition, each year the Compensation Committee reviews and determines the compensation of our other executive officers, including the other Named Executive Officers, as well as any employment agreements with our executive officers. In doing so, the Compensation Committee is responsible for ensuring that the compensation of our executive officers, including the Named Executive Officers, is consistent with our executive compensation philosophy and objectives.

Role of Executive Officers

The Compensation Committee receives support from our Human Resources Department in designing our executive compensation program and analyzing competitive market practices. Our General Counsel attends regular meetings of the Compensation Committee to provide support and assistance with respect to the legal implications of our compensation decisions. In addition, our Senior Vice President, Corporate Human Resources attends meetings of the Compensation Committee as requested. Our CEO and CFO also regularly participate in Compensation Committee meetings, providing management input on organizational structure, executive development, and financial analysis.

Our CEO evaluates the performance of each of our executive officers, including the other Named Executive Officers, against the annual objectives established by the Compensation Committee for the business or functional area for which such executive officer is responsible. Our CEO then reviews each executive officer s target total direct compensation opportunity, and based upon his or her target total direct compensation opportunity and his or her performance, proposes compensation adjustments for him or her, subject to review and approval by the Compensation Committee. Our CEO presents the details of each executive officer s target total direct compensation opportunity and performance to the Compensation Committee for its consideration and approval of the recommendations. Our CEO does not participate in the evaluation of his own performance.

In making executive compensation decisions, the Compensation Committee reviews a variety of information for each executive officer, including his or her current total compensation and pay history, his or her equity holdings, individual performance, and its understanding of competitive market data and practices for comparable positions. Our executive officers are not present when their specific compensation arrangements are discussed.

Role of Compensation Consultant

In fulfilling its duties and responsibilities, the Compensation Committee has the authority to engage the services of outside advisers, including compensation consultants. In Fiscal 2013, the Compensation Committee engaged Compensia, Inc., a national compensation consulting firm, to assist it with compensation matters. A representative of Compensia attends meetings of the Compensation Committee as requested, responds to inquiries from members of the Compensation Committee, and provides his or her analysis with respect to these inquiries.

The nature and scope of services provided to the Compensation Committee by Compensia in Fiscal 2013 were as follows:

- Assisted in the review and updating of our compensation peer group;

- Analyzed the executive compensation levels and practices of the companies in our compensation peer group;

Provided advice with respect to compensation best practices and market trends for our executive officers and the members of our board of directors;

Assessed our compensation risk profile and reported on this assessment;

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Analyzed the director compensation levels and practices of the companies in our compensation peer group; and

Provided *ad hoc* advice and support following its engagement.

Compensia does not provide any services to us, other than the services provided to the Compensation Committee. The Compensation Committee has assessed the independence of Compensia taking into account, among other things, the factors set forth in Exchange Act Rule 10C-1 and the listing standards of the NASDAQ, and has concluded that no conflict of interest exists with respect to the work that Compensia performs for the Compensation Committee.

Competitive Positioning

Periodically, the Compensation Committee reviews competitive market data for comparable executive positions in the market as one factor for determining the structure of our executive compensation program and establishing target compensation levels for our executive officers, including the Named Executive Officers.

For purposes of its review of the competitive market prior to November 2013, the Compensation Committee received a market analysis prepared by our Human Resources Department which was developed using relevant compensation data drawn from a select group of peer companies, as well as survey data of comparably sized companies in the national market. This compensation peer group consisted of the following companies:

Automatic Data Processing, Inc.	Orbitz Worldwide, Inc.
Expedia, Inc.	priceline.com Incorporated
Fidelity National Information Services, Inc.	Salesforce.com, Inc.
Fiserv, Inc.	The Western Union Company
Global Payments, Inc.	Total System Services, Inc.
Mastercard Incorporated	Visa, Inc.

This compensation data was size-adjusted to reflect our approximate annual revenues of $3 billion. The specific compensation surveys used in this market analysis were the Culpepper High Technology Survey, the IPAS Global Technology Survey, the Mercer Benchmark Database, and the Radford Global Technology Survey. This market analysis provided the Compensation Committee with a broad perspective on the national labor market for executive talent.

In November 2013, the Compensation Committee, with the assistance of Compensia, developed a new compensation peer group based on an evaluation of companies that it believed were comparable to us with respect to operations, industry segment, revenue level, and enterprise value as a reference source in its executive compensation deliberations. This compensation peer group, which will be used by the Compensation Committee as a reference in the course of its future executive compensation deliberations, consists of the following companies:

- Akamai Technologies, Inc.
- Alliance Data Systems Corp.
- Broadridge Financial Solutions, Inc.
- Citrix Systems, Inc.
- Equinix, Inc.
- Fiserv, Inc.
- Gartner, Inc.
- Global Payments, Inc.
- Nuance Communications, Inc.
- Synopsys, Inc.
- Total System Services, Inc.
- Vantiv, Inc.
- Verisk Analytics, Inc.

The companies in the compensation peer group are U.S.-based global companies in the technology sector, and, therefore, are representative of the companies with which we compete for executive talent. In addition, these companies have similar revenue levels (generally, 0.5x to 2.0x our revenue level), enterprise values (generally, 0.5x to 3.0x our enterprise value), and revenue and operating profitability growth rates. Compensation peer group comparison data will be collected from publicly-available information contained in the SEC filings of the compensation peer group companies, as well as from the Radford Global Technology Survey. The Radford survey provides market data and other information related to trends and competitive practices in executive compensation.

The competitive market data described above has not been and will not be used by the Compensation Committee in isolation but rather serves as one point of reference in its deliberations on executive compensation. The Compensation Committee uses the competitive market data as a guide when making decisions about total direct compensation, as well as individual elements of compensation; however, the Compensation Committee does not formally benchmark our executive officers compensation against this data. While market competitiveness is important, it is not the only factor we consider when establishing compensation opportunities of our executive officers. Actual compensation decisions also depend upon the consideration of other factors that the Compensation Committee considers relevant, such as the financial and operational performance of our businesses, individual performance, specific retention concerns, and internal equity.

Compensation-Related Risk Assessment

The Compensation Committee considers potential risks when reviewing and approving the various elements of our executive compensation program. In evaluating each element of our executive compensation program, the Compensation Committee assesses the element to ensure that it does not encourage our executive officers to take excessive or unnecessary risks or to engage in decision-making that promotes short-term results at the expense of our long-term interests. In addition, we have designed our executive compensation program, including our incentive compensation plans, with specific features to address potential risks while rewarding our executive officers for achieving financial and strategic objectives through prudent business judgment and appropriate risk taking. Further, the following policies and practices have been incorporated into our executive compensation program:

- ***Balanced Mix of Compensation Components*** The target compensation mix for our executive officers is composed of base salary, annual cash incentive compensation, and long-term incentive compensation in the form of equity awards, which provides a compensation mix that is not overly weighted toward short-term cash incentives.

- ***Minimum Performance Measure Threshold*** Our annual cash incentive compensation plan, which encourages focus on the achievement of corporate and individual performance objectives for our overall benefit, does not pay out unless pre-established target levels for one or more financial measures are met.

- ***Long-Term Incentive Compensation Vesting*** Our long-term incentives are equity-based, with four-year or five-year vesting to complement our annual cash incentive compensation plan.

- ***Capped Incentive Awards*** Awards under the annual cash incentive compensation plan are capped at 200% of the target award level.

Compensation Elements

Our executive compensation program is designed around the concept of total direct compensation, and consists of the following principal elements:

Base salary;

Annual incentive compensation in the form of cash bonuses;

Long-term incentive compensation in the form of equity awards;

Health, welfare, and other employee benefits; and

Post-employment compensation.

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In setting the appropriate level of total direct compensation, the Compensation Committee seeks to establish each compensation element at a level that is both competitive and attractive for motivating top executive talent, while also keeping the overall compensation levels aligned with stockholder interests and job responsibilities. These compensation elements are structured to motivate our executive officers and to align their financial interests with those of our stockholders.

Base Salary

We believe that a competitive base salary is essential in attracting and retaining key executive talent. Historically, the Compensation Committee has reviewed the base salaries of our executive officers, including the Named Executive Officers, on an annual basis or as needed to address changes in job title, a promotion, assumption of additional job responsibilities, or other unique circumstances.

In evaluating the base salaries of our executive officers, the Compensation Committee considers several factors, including our financial performance, his or her contribution towards meeting our financial objectives, his or her qualifications, knowledge, experience, tenure, and scope of responsibilities, his or her past performance as against individual goals, his or her future potential, competitive market practices, our desired compensation position with respect to the competitive market, and internal equity.

Fiscal 2013 Base Salary Decisions

In May 2013, the Compensation Committee reviewed the base salaries of our executive officers and made no adjustments to the base salaries of any of the Named Executive Officers whose positions and duties were consistent with their prior positions and duties.

Mr. Klein s annual base salary was increased from $600,000 to $900,000 in connection with his appointment as our CEO in August 2013. In addition, Messrs. Simonson and Robinson and Ms. Kerr s base salaries were established through arms-length negotiation when they joined us in March 2013, December 2013, and March 2013, respectively.

The base salaries paid to the Named Executive Officers during Fiscal 2013 are set forth in the Fiscal 2013 Summary Compensation Table below.

Annual Incentive Compensation

We use annual incentive compensation to support and encourage the achievement of our specific annual corporate and business segment goals as reflected in our annual operating plan. Each year, our executive officers at the level of senior vice president or above are eligible to receive annual cash bonuses under our Executive Incentive Program (the EIP).

Typically, at the beginning of the fiscal year the Compensation Committee approves the terms and conditions of the EIP for the year, including the selection of one or more performance measures as the basis for determining the funding of annual cash bonuses for the year. Subject to available funding, the EIP provides cash bonuses based upon our achievement as measured against the pre-established target levels for these performance measures.

Target Annual Cash Bonus Opportunities

For purposes of the Fiscal 2013 EIP, the target annual cash bonus opportunity for each of our eligible executive officers, including the Named Executive Officers, was expressed as a percentage of his or her base salary, subject to a maximum annual cash bonus opportunity as specified for each executive officer (which was

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200% of his or her target annual cash bonus opportunity). The target annual cash bonus opportunities of the current Named Executive Officers for Fiscal 2013 were as follows:

Named Executive Officer	Fiscal 2013 Target Cash Bonus Opportunity (as a percentage of base salary)
Mr. Klein	100%/125%(1)
Mr. Simonson	80%(2)
Mr. Sparks	80%
Ms. Kerr	80%(2)
Mr. Robinson	(3)

(1) Until his promotion in August 2013, Mr. Klein s target annual cash bonus opportunity was equal to 100% of his then-current base salary. Effective as of August 15, 2013, his target annual cash bonus opportunity was increased to 125% of his adjusted annual base salary for the remainder of Fiscal 2013. As a result, on a blended basis, his target annual cash bonus opportunity for Fiscal 2013 was 110% of his actual base salary for the year.

(2) Mr. Simonson s and Ms. Kerr s target annual cash bonus opportunities were established through arms-length negotiation when they joined us in March 2013.

(3) Since Mr. Robinson did not join us until December 2013, he was not eligible to participate in the EIP in Fiscal 2013.

The target annual cash bonus opportunities were established by the Compensation Committee based on its consideration of several factors, including each eligible executive officer s qualifications, knowledge, experience, tenure, and scope of responsibilities, his or her past performance his or her future potential, competitive market practices, our desired compensation position with respect to the competitive market, and internal equity.

Corporate Performance Measure

For purposes of the Fiscal 2013 EIP, the Compensation Committee selected EBITDA as the sole performance measure. The Compensation Committee believed that EBITDA continued to be the best measure of both corporate and business segment profitability and that, as we began to prepare for our initial public offering, overall profitability would best position us for a successful re-entry into the public marketplace.

For purposes of the Fiscal 2013 EIP, EBITDA was adjusted to exclude the following items: goodwill impairments, prior period non-cash adjustments, and one-time costs associated with specific business enhancement initiatives. Our board of directors approved these adjustments to better reflect the efforts and performance of our executive officers in relation to the current year s business performance, as well as to encourage them to make decisions that improve the potential for future growth without being penalized for the short-term investment required to achieve that growth. In addition to these adjustments, for purposes of the Fiscal 2013 EIP, EBITDA was to be calculated before making allowance for the amounts payable pursuant to our annual incentive compensation plan for employees at the level below senior vice president, the Sabre Corporation Variable Compensation Plan (Pre-VCP EBITDA).

Bonus Formula

For our executive officers with company-wide responsibility, the Pre-VCP EBITDA performance measure was based entirely on corporate EBITDA. For our executive officers with business segment responsibilities, the Pre-VCP EBITDA performance measure was based in part on business segment EBITDA (weighted 50%) and in part on corporate EBITDA (weighted 50%). The Compensation Committee determined that these weightings provided an appropriate balance to foster company teamwork while at the same time providing line-of-sight accountability for business segment results.

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Our Pre-VCP EBITDA target level for Sabre as a whole for purposes of the Fiscal 2013 EIP was $868.6 million.

The actual cash bonus payments for the Named Executive Officers (other than Mr. Sparks) are based on our overall financial results and, in the case of Mr. Sparks, are based on our overall financial results and those of his individual business unit.

The funding of the annual bonus pool with respect to the Pre-VCP EBITDA performance measure varied according to each Named Executive Officer s area of responsibility as follows:

Corporate For the Named Executive Officers with company-wide responsibility, funding began upon achievement of 90% of the target performance level with maximum funding (200% of target funding) upon the achievement of 123% of the target performance level. Funding levels decreased at a more moderate rate between 100% 95% of target performance achievement and at a more severe rate between 95% 90% of target performance achievement.

Travelocity For Mr. Sparks, the Named Executive Officer with responsibilities specific to Travelocity, funding with respect to the 50% of his EIP award that relates to the Pre-VCP EBITDA for Travelocity began upon achievement of the Travelocity Pre-VCP EBITDA target level minus $10 million, with maximum funding (200% of target funding) upon the achievement of 235% of Travelocity s Pre-VCP EBITDA target level.

The Compensation Committee believed that these formulas provided a fair value sharing between our stockholders and the Named Executive Officers.

For purposes of the Fiscal 2013 EIP, the Compensation Committee reserved the discretion to adjust the amount of the actual cash bonus payments to be received by any Named Executive Officer.

Annual Cash Bonus Decisions

The Compensation Committee approved the cash bonus payments under the Fiscal 2013 EIP at its meeting in January 2014.

Based on our Fiscal 2013 financial performance, the Fiscal 2013 cash bonus payments for the Named Executive Officers ranged from approximately 31% to approximately 87% of their target annual cash bonus opportunities as summarized below.

Named Executive Officer	Fiscal 2013 Target Cash Bonus Opportunity	Fiscal 2013 Actual Cash Bonus Payment	Actual Cash Bonus Payment as Percentage of Target Cash Bonus Award
Mr. Klein	$ 784,778(1)	$ 682,757	87%
Mr. Simonson	$ 387,692(2)	$ 337,292	87%
Mr. Sparks	$ 480,000	$ 148,800	31%
Ms. Kerr	$ 323,077(2)	$ 281,077	87%

Mr. Robinson[3]	

(1) Prior to his promotion in August 2013, Mr. Klein s aggregate base salary earned was $376,154. Following his promotion, he earned an aggregate of $335,769 in base salary. The blending of his target annual cash bonus opportunity for the period before his promotion (100% of his then-current base salary) with his target annual cash bonus opportunity after his promotion (125% of his adjusted base salary for the remainder of Fiscal 2013) resulted in a blended target annual cash bonus opportunity (110% of this actual base salary) for Fiscal 2013, or $784,778.

(2) The target cash bonus opportunity of each of these Named Executive Officers reflects the fact that he or she worked less than a full year in Fiscal 2013.
(3) Since Mr. Robinson did not join us until December 2013, he was not eligible to participate in the Fiscal 2013 EIP.
The cash bonuses actually paid to the Named Executive Officers for Fiscal 2013 are set forth in the Fiscal 2013 Summary Compensation Table below.

Additional Discretionary Bonuses

In connection with its determination of the Fiscal 2013 cash bonus payments, the Compensation Committee considered Mr. Klein s recommendation that Mr. Simonson and Ms. Kerr each receive an additional bonus payment in recognition of their strong individual contributions to the company during Fiscal 2013. Based on his efforts in preparing the company for this initial public offering, as well as his overall performance, the Compensation Committee approved a discretionary bonus payment for Mr. Simonson in the amount of $62,708. Based on her efforts in advancing our product development and successfully completing several of our technology initiatives during Fiscal 2013, as well as her overall performance, the Compensation Committee approved a discretionary bonus payment for Ms. Kerr in the amount of $18,923.

Long-Term Incentive Compensation

We use long-term incentive compensation in the form of equity awards as the principal element of our executive compensation program in order to align the financial interests of our executive officers, including the Named Executive Officers, with those of our stockholders. Upon the Principal Stockholders acquisition of us in March 2007, we sought to retain top executive talent and drive long-term stockholder value creation through the use of equity-based long-term incentive compensation.

Except in the case of Mr. Sparks, from March 2007 through November 2012, we generally provided long-term incentive compensation to our executive officers, including the Named Executive Officers who were then our employees, in the form of options to purchase shares of our common stock. We believed that options provided an effective performance incentive because our executive officers would derive value from their options only if our stock price increased (which would benefit all stockholders) and they remained employed with us beyond the date that their options vested.

With respect to the awards of options granted during 2007, typically, half of the options were subject to a time-based vesting requirement, which vested 25% on the first anniversary of the date of grant and thereafter ratably on a quarterly basis over the subsequent four years. The other half of these options were subject to a performance-based vesting condition based on a threshold multiple of money (MoM) being realized by the Principal Stockholders for their initial shares acquired in our business upon a specified liquidity event, such as a qualified initial public offering or a change in control of us.

Starting in 2008 and continuing through November 2012, the options granted to our executive officers were subject solely to time-based vesting requirements. Pursuant to these requirements, the shares of our common stock subject to such options vest and become exercisable as to 25% of such shares on the first anniversary of the date of grant and ratably as to 4.6875% of such shares on a successive three-month basis over the subsequent four years, subject to each executive officer s continued employment through each vesting date.

In the case of Mr. Sparks, we granted him a restricted stock award covering shares of our common stock rather than options to purchase shares of our common stock, when he joined us in 2011 and a restricted stock unit award covering shares of our common stock in 2012. In addition to equity awards for shares of our common stock, Mr. Sparks, as the

President and CEO of Travelocity, was also granted a tandem stock appreciation right covering the common units of Travelocity.com LLC and the shares of Travelocity Holdings, Inc., but which can be settled in cash or shares of our common stock, in the good faith discretion of our board of directors. Further, in 2010 Messrs. Klein and Miller were granted equity awards in the form of options to purchase 350,000 common units of Travelocity.com LLC.

Beginning in December 2012, we began delivering long-term incentive compensation to our executive officers, including the Named Executive Officers who were then our employees, using a mix of options to purchase shares of our common stock and restricted stock unit awards covering shares of our common stock. At that time, we determined that this equity award mix would effectively align the interests of our executive officers with those of our stockholders and provide each individual executive officer with a significant incentive to manage us from the perspective of an owner with an equity stake in the business. We also determined that these equity awards would serve as an effective retention tool for our executive officers, as unvested awards would generally be forfeited if he or she voluntarily left our employ. Half of the value of these equity awards granted to our executive officers is delivered in the form of a time-based option and half in the form of a performance-based restricted stock unit award. For a detailed description of these awards, see the Fiscal 2013 Grants of Plan-Based Awards Table below.

In determining the value of the long-term incentive compensation opportunities for our executive officers, the Compensation Committee considers several factors, including our financial performance, the executive officer s contribution towards meeting our financial objectives, his or her qualifications, knowledge, experience, tenure, and scope of responsibilities, his or her past performance as against individual goals, his or her future potential, his or her current equity position (including the value of any unvested equity awards), competitive market practices, our desired compensation position with respect to the competitive market, and internal equity.

Change in Award Practices Related to our Initial Public Offering

As noted above, since our 2007 acquisition by the Principal Stockholders we have sought to retain top executive talent and motivate long-term stockholder value creation primarily through the one-time grant of equity awards upon hire and subsequent periodic awards. Following this initial public offering, the Compensation Committee intends to modify our approach to the use of long-term incentive compensation by making annual long-term incentive compensation awards to our executive officers, including the Named Executive Officers using a portfolio mix of time-based and performance-based equity awards. We believe these changes to our executive compensation program will better align the interests of our executive officers and stockholders, aid in attracting and retaining talent by conforming more closely to the practices among members of our peer group, and further mitigate excessive risk incentives by ensuring that we provide incentive compensation with diversified performance measures.

Fiscal 2013 Equity Awards

During Fiscal 2013, the Compensation Committee granted equity awards to Mr. Klein in connection with his promotion to serve as our CEO and to Messrs. Simonson and Robinson and Ms. Kerr in connection with their initial employment with us. The value of these equity awards was determined in arms-length negotiation between the individual executive officer and the Compensation Committee. For purposes of these negotiations, the Compensation Committee referenced, in part, competitive market data.

For a detailed description of these equity awards, see Employment Agreements and the Fiscal 2013 Summary Compensation Table and the Fiscal 2013 Grants of Plan-Based Awards Table below.

New Omnibus Equity Compensation Plan

In connection with this offering, our board of directors adopted the 2014 Omnibus Plan. All equity-based awards granted on or after this offering will be granted under the 2014 Omnibus Plan. For a detailed description of the 2014 Omnibus Plan, see Employee Stock Plans below.

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Health, Welfare, and Other Employee Benefits

We have established a tax-qualified Section 401(k) retirement plan for all employees who satisfy certain eligibility requirements, including requirements relating to age and length of service. We currently match contributions made to the plan by our employees, including executive officers, up to 6% of their eligible compensation. We intend for the plan to qualify under Section 401(a) of the Code so that contributions by employees to the plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the plan.

In addition, we provide other benefits to our executive officers, including the Named Executive Officers, on the same basis as all of our full-time employees. These benefits include medical, dental, and vision benefits, medical and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance, and basic life insurance coverage.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices and the competitive market.

Perquisites and Other Personal Benefits

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, we provide perquisites and other personal benefits to our executive officers in limited situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment and retention purposes. For example, each of our executive officers is eligible to receive financial planning benefits, subject to an annual allowance of up to $5,000 per year. In addition, our executive officers are eligible to participate in our annual physical program. This program provides for an annual executive physical up to an amount of $3,700. The Compensation Committee believes that these personal benefits are a reasonable component of our overall executive compensation program and are consistent with market practices.

In addition, historically we paid the dues for a country club membership for certain executive officers, including Messrs. Klein and Gilliland. While they received some incidental benefits from these memberships, we believe that the primary purpose has been to facilitate opportunities for conducting business with existing and prospective customers and business partners. Accordingly, although we disclose the cost to us of these memberships in the Fiscal 2013 Summary Compensation Table, we believe that they served a legitimate and important business purpose for us. In connection with his promotion to serve as our CEO and President, Mr. Klein relinquished his membership in September 2013. In connection with his retirement in September 2013, we converted Mr. Gilliland s membership to a personal membership (at no cost to us) and ceased to pay any further dues on such membership.

In the future, we may provide perquisites or other personal benefits in limited circumstances, such as where we believe it is appropriate to assist an individual executive officer in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment, motivation, or retention purposes. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the Compensation Committee.

Employment Agreements

We have entered into a written employment agreement with each of the Named Executive Officers; most recently, with Mr. Klein, our President and CEO and Mr. Robinson, our Executive Vice President and Chief Human Resources

Officer. Mr. Klein s employment agreement was negotiated on our behalf by the Chairman of the Compensation Committee and approved by our board of directors; all of the other employment agreements were negotiated on our behalf by our CEO and approved by the Compensation Committee. We believe that these employment agreements were necessary to induce these individuals to forego other employment opportunities or leave their current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

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In filling these executive positions, our board of directors or the Compensation Committee, as applicable, was aware that it would be necessary to recruit candidates with the requisite experience and skills to manage a growing business in a dynamic and ever-changing industry. Accordingly, it recognized that it would need to develop competitive compensation packages to attract qualified candidates in a highly-competitive labor market. At the same time, our board of directors or the Compensation Committee, as applicable, was sensitive to the need to integrate new executive officers into the executive compensation structure that it was seeking to develop, balancing both competitive and internal equity considerations.

For a detailed description of the employment arrangements of the Named Executive Officers, see Employment Arrangements below.

Post-Employment Compensation

Each of the written employment arrangements with the Named Executive Officers, as described in Employment Arrangements below, provides them with the opportunity to receive various payments and benefits in the event of an involuntary termination of employment under certain specified circumstances, including an involuntary termination of employment in connection with a change in control of us.

We provide these arrangements to encourage the Named Executive Officers to work at a dynamic and rapidly growing business where their long-term compensation largely depends on future stock price appreciation. Specifically, the arrangements are intended to mitigate a potential disincentive for the Named Executive Officers when they are evaluating a potential acquisition of us, particularly when their services may not be required by the acquiring entity. In such a situation, we believe that these arrangements are necessary to encourage retention of the Named Executive Officers through the conclusion of the transaction, and to ensure a smooth management transition. These arrangements have been drafted to provide each of the Named Executive Officers with consistent treatment that is competitive with current market practices. We believe that the level of benefits provided under these various agreements is in line with market practice and help us to attract and retain key talent.

For a detailed description of the post-employment compensation arrangements of the Named Executive Officers, see Potential Payments upon Termination or Change in Control below.

Other Compensation Policies

In anticipation of becoming a public reporting company, we are in the process of adopting several policies that we believe are important components of a public-company executive compensation program.

Stock Ownership Policy

Currently, we do not have equity security ownership guidelines or requirements for our executive officers. Nonetheless, most of our executive officers, including the Named Executive Officers, have significant stock ownership in us. Some of this stock was purchased by these executive officers in March 2007 in conjunction with our becoming a privately-held entity. Other executive officers have received significant equity awards in connection with joining us. The Compensation Committee believes that this stock ownership aligns the financial interests of our executive officers with those of our stockholders. To further this ownership objective, we intend to adopt stock ownership policies for our executive officers and the non-employee members of our board of directors in connection with this offering.

Compensation Recovery Policy

Currently, we have not implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement. We intend to adopt a general compensation recovery (clawback) policy covering our annual and long-term incentive award plans and arrangements once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Act.

Derivatives Trading and Hedging Policies

In connection with this offering, we have adopted a general insider trading policy that provides that no employee, officer, or member of our board of directors may acquire, sell, or trade in any interest or position relating to the future price of our securities, such as a put option, a call option or a short sale (including a short sale against the box), or, without our prior consent, engage in hedging transactions (including cashless collars). Similarly, our policy generally prohibits our executive officers and members of our board of directors from pledging any of their shares of our common stock as collateral for a loan or other financial arrangement.

Equity Award Grant Policy

We have not adopted a formal policy for the timing of equity awards. The Compensation Committee, however, follows an informal practice of granting annual equity awards in the first quarter of the calendar year. We have also granted awards in the case of new hires, promotions or special retention awards. We intend to adopt a formal policy for the timing of equity awards in connection with this offering. It is anticipated that, pursuant to this policy, the Compensation Committee will grant equity awards at approximately the same time each year, generally during the first quarter of the calendar year.

Tax and Accounting Considerations

Deductibility of Compensation

Section 162(m) of the Code generally disallows public companies a tax deduction for federal income tax purposes of remuneration in excess of $1 million paid to the CEO and each of the three other most highly-compensated executive officers (other than the chief financial officer) in any taxable year. Generally, remuneration in excess of $1 million may only be deducted if it is performance-based compensation within the meaning of the Code. In this regard, the compensation income realized upon the exercise of stock options granted under a stockholder-approved stock option plan generally will be deductible so long as the options are granted by a committee whose members are non-employee directors and certain other conditions are satisfied.

As we are not currently publicly-traded, the Compensation Committee has not in recent years taken the deductibility limit imposed by Section 162(m) into consideration in setting compensation for our executive officers. In approving the amount and form of compensation for our executive officers in the future, however, the Compensation Committee will consider all elements of the cost to us of providing such compensation, including the potential impact of Section 162(m). Further, as a newly public company, we intend to rely upon certain transition relief under Section 162(m).

Nonetheless, the Compensation Committee believes that, in establishing the cash and equity incentive compensation plans and arrangements for our executive officers, the potential deductibility of the compensation payable under those plans and arrangements should be only one of a number of relevant factors taken into consideration, and not the sole governing factor. For that reason, the Compensation Committee may deem it appropriate to provide one or more executive officers with the opportunity to earn incentive compensation, whether through cash incentive awards tied to our financial performance or equity incentive awards tied to the executive officer s continued service, which may be in excess of the amount deductible by reason of Section 162(m) or other provisions of the Code. Further, the

Compensation Committee reserves the discretion, in its judgment, to approve, from time to time, compensation arrangements that may not be tax deductible for us, such as base salary and equity awards with time-based vesting requirements, or which do not comply with an exemption from the deductibility limit when it believes that such arrangements are appropriate to attract and retain executive talent.

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The Compensation Committee believes it is important to maintain cash and equity incentive compensation at the requisite level to attract and retain the individuals essential to our financial success, even if all or part of that compensation may not be deductible by reason of the Section 162(m) limitation.

Golden Parachute Payments

Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control of us that exceeds certain prescribed limits, and that we, or a successor, may forfeit a deduction on the amounts subject to this additional tax. We did not provide any executive officer, including any Named Executive Officer, with a gross-up or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G or 4999 during Fiscal 2013 and we have not agreed and are not otherwise obligated to provide any Named Executive Officer with such a gross-up or other reimbursement.

Accounting for Stock-Based Compensation

We follow Financial Accounting Standard Board Accounting Standards Codification Topic 718, (ASC Topic 718), for our stock-based compensation awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options, based on the grant date fair value of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our executive officers may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based compensation awards in their income statements over the period that an executive officer is required to render service in exchange for the option or other award.

Fiscal 2013 Summary Compensation Table

The following table sets forth the compensation paid to, received by, or earned during Fiscal 2013 by the Named Executive Officers:

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plan Compen-sation ($)(3)	All Other Compensation ($)(4)	Total ($)
Thomas Klein, *President and CEO*	2013	$ 711,923		$ 1,968,206	$ 1,729,168	$ 682,757	$ 27,258	$ 5,119,312
Richard Simonson, *Executive Vice President and Chief Financial Officer*(5)	2013	$ 484,615	$62,708	$ 2,991,000	$ 2,010,000	$ 337,292	$ 283,266	$ 6,168,881
Carl Sparks, *Executive Vice President and President and CEO, Travelocity*	2013	$ 600,000				$ 148,800	$ 28,884	$ 777,684
Deborah Kerr, *Executive Vice President and Chief Product and Technology Officer*(6)	2013	$ 403,846	$ 243,923	$ 1,994,000	$ 2,010,000	$ 281,077	$ 258,158	$ 5,191,004
William G. Robinson, Jr., *Executive Vice President and Chief Human Resources Officer*(7)	2013	$ 16,154	$ 50,000	$ 1,383,894	$ 1,389,821		$ 1,140	$ 2,841,009
Michael S. Gilliland, *former CEO*(8)	2013	$ 730,769					$ 2,334,105	$ 3,064,874
Mark Miller, *former Executive Vice President and Chief Financial Officer*(9)	2013	$ 210,000					$ 374,479	$ 584,479

(1) The amounts reported in the Bonus column represent discretionary bonuses paid to Mr. Simonson ($62,708) and Ms. Kerr ($18,923) for Fiscal 2013 performance and sign-on bonuses paid to Ms. Kerr ($225,000) and Mr. Robinson ($50,000).

(2) The amounts reported in the Stock Awards and Option Awards columns represent the aggregate grant date fair value of the stock-based awards granted to the Named Executive Officers during Fiscal 2013, as computed in

accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC Topic 718), disregarding the impact of estimated forfeitures. The assumptions used in calculating the grant date fair value of the stock options reported in the Option Awards column are set forth in Note 17, Options and Other Equity-Based Awards, to the audited consolidated financial statements included in this prospectus. Note that the amounts reported in these columns reflect the accounting cost for these stock-based awards, and do not correspond to the actual economic value that may be received by the Named Executive Officers from these awards.

(3) The amounts reported in the Non-Equity Incentive Plan Compensation column represent the amounts paid to our Named Executive Officers for Fiscal 2013 pursuant to the Fiscal 2013 EIP. For a discussion of this plan, see Compensation Elements Annual Incentive Compensation above.

(4) The amounts reported in the All Other Compensation column are described in more detail in the following table. The amounts reported for perquisites and other benefits represent the actual cost incurred by us in providing these benefits to the indicated Named Executive Officer.

Name	**Group Term Life Insurance Premiums**	**Country Club Membership Dues[(a)]**	**Executive Physical Examin-ation**	**Financial Planning Services**	**Relocation**	**Section 401(k) Plan Matching Contribution**	**Post-Employment Compensation Payments[(b)]**
Mr. Klein	$ 713	$ 3,058	$ 3,277	$ 4,910		$ 15,300	
Mr. Simonson	$ 579		$ 3,697	$ 5,000	$ 258,690[(c)]	$ 15,300	
Mr. Sparks	$ 792		$ 2,792	$ 10,000[(d)]		$ 15,300	
Ms. Kerr	$ 508				$ 250,000[(e)]	$ 7,650	
Mr. Robinson					$ 1,140[(f)]		
Mr. Gilliland	$ 796	$ 5,965	$ 3,475			$ 14,700	$ 2,309,169
Mr. Miller	$ 267		$ 2,267			$ 12,600	$ 359,345

(a) Historically, we paid the dues for a country club membership for certain executive officers, including, during Fiscal 2013, Messrs. Klein and Gilliland. In connection with his promotion to serve as our CEO and President, Mr. Klein relinquished his membership in

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September 2013. In connection with his retirement in September 2013, we converted Mr. Gilliland s membership to a personal membership (at no cost to us) and ceased to pay any further dues on such membership. We did not have any of these arrangements for any other executive officer during Fiscal 2013.

(b) The amounts reported in this column represent post-employment compensation payments and benefits provided to Messrs. Gilliland and Miller**.**

(c) In connection with his joining us as our Executive Vice President and Chief Financial Officer, we paid a relocation company the reported amount for the costs associated with Mr. Simonson s relocation to Dallas, Texas. In Fiscal 2013, Mr. Simonson s relocation benefit totaled $258,690, which includes a tax gross up by us of $62,015 for all applicable taxes relating to such benefit.

(d) The amount reported represents the costs that Mr. Sparks incurred in each of Fiscal 2012 ($5,000) and Fiscal 2013 ($5,000) for financial planning services.

(e) In connection with her joining us as our Executive Vice President and Chief Product and Technology Officer, and pursuant to the terms and conditions of her employment agreement, we paid Ms. Kerr the reported amount to reimburse her for the costs associated with her relocation to Dallas, Texas.

(f) In connection with his joining us as our Executive Vice President and Chief Human Resources Officer, we have agreed to pay a relocation company for the costs associated with Mr. Robinson s relocation to Dallas, Texas. The amount reported represents the amounts that we were billed for these costs during Fiscal 2013.

(5) Mr. Simonson joined us as our Executive Vice President and Chief Financial Officer on March 11, 2013.
(6) Ms. Kerr joined us as our Executive Vice President and Chief Product and Technology Officer on March 11, 2013.
(7) Mr. Robinson joined us as our Executive Vice President and Chief Human Resources Officer on December 16, 2013.
(8) Mr. Gilliland stepped down from his position as our CEO on August 15, 2013 and retired effective September 21, 2013.
(9) Mr. Miller stepped down from his position as our Executive Vice President and Chief Financial Officer on March 11, 2013.

Fiscal 2013 Grants of Plan-Based Awards Table

The following table sets forth, for each of the Named Executive Officers, the plan-based awards granted to him or her during Fiscal 2013.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (Target) ($)(1)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (Maximum) ($)(1)	Estimated Future Payouts Under Equity Incentive Plan Awards (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Mr. Klein		$ 784,778	$ 1,569,556				
	08/15/2013				198,563	$ 13.22	$ 808,151
	08/15/2013			66,188			$ 875,005
	10/25/2013				200,221	$ 14.01	$ 921,017
	10/25/2013			78,030			$ 1,093,200

Mr. Simonson		$ 387,692	$ 775,384				
	03/11/2013				600,000	$ 9.97	$ 2,010,000
	03/11/2013			300,000			$ 2,991,000
Mr. Sparks		$ 480,000	$ 960,000				
Ms. Kerr		$ 323,077	$ 646,154				
	03/11/2013				600,000	$ 9.97	$ 2,010,000
	03/11/2013			200,000			$ 1,994,000
Mr. Robinson							
	12/16/2013				296,337	$ 14.01	$ 1,389,821
	12/16/2013			98,779			$ 1,383,894
Mr. Gilliland		$ 1,500,000(5)					
Mr. Miller		$ 294,000(5)					

(1) The amounts reported reflect the target and maximum annual cash bonus opportunities payable to the Named Executive Officer under the Fiscal 2013 EIP. For each of the Named Executive Officers (other than

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Mr. Sparks), funding of these non-equity incentive plan awards began upon achievement of 90% of the target performance level with maximum funding (200% of target funding) upon the achievement of 123% of the target performance level. For Mr. Sparks, funding with respect to the 50% of his EIP award that relates to the Pre-VCP EBITDA for Travelocity began upon achievement of the Travelocity Pre-VCP EBITDA target level minus $10 million, with maximum funding (200% of target funding) upon the achievement of 235% of Travelocity s Pre-VCP EBITDA target level.

(2) The restricted stock unit awards granted under our 2012 Management Equity Incentive Plan vest as to 25% of the shares of our common stock subject to each such award on March 15 in each of calendar years 2014, 2015, 2016, and 2017 if, as of the end of our most recent fiscal year ending prior to each such vesting date, we have achieved at least 95% of the EBITDA target level established for such fiscal year as determined by our board of directors, consistent with the annual business plan for such fiscal year, subject to each Named Executive Officer s continued employment through each such vesting date. For purposes of these restricted stock unit awards, the EBITDA performance measure for Fiscal 2013 was adjusted to exclude the following items: goodwill impairments, prior period non-cash adjustments, and one-time costs associated with specific business enhancement initiatives.

(3) All options to purchase shares of our common stock granted to the Named Executive Officers in Fiscal 2013 were granted under our 2012 Management Equity Incentive Plan and are subject to time-based vesting conditions. Each of these options has an exercise price equal to the fair market value of the shares of our common stock on the date of grant and a term of 10 years.

With the exception of the option granted to Mr. Klein, 25% of the shares of our common stock subject to each such option vests on the first anniversary of the date of grant and as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to the Named Executive Officer s continued employment through each vesting date. Mr. Klein s option vested as to 25% of the shares of our common stock subject to such option on the date of grant and as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to his continued employment through each vesting date.

(4) These amounts reflect the aggregate grant date fair value of option and stock awards computed in accordance with ASC Topic 718. The fair value of each option award was estimated on the date of grant using the Black-Scholes option-pricing model, which generated a Black-Scholes-computed value of $3.35 per share on March 11, 2013, $4.07 per share on August 15, 2013, $4.37 per share on October 1, 2013, $4.60 per share on October 25, 2013, and $4.69 per share on December 16, 2013.

(5) These amounts represent the target annual cash bonus opportunities of Messrs. Gilliland and Miller as determined by the Compensation Committee at the beginning of Fiscal 2013. As neither individual was our employee at the end of Fiscal 2013, neither Named Executive Officer received an annual cash bonus for Fiscal 2013. This target annual cash bonus opportunity, however, was used in determining their post-employment compensation payments and benefits as provided pursuant to their respective employment agreements.

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Fiscal 2013 Outstanding Equity Awards at Year-End Table

The following table sets forth, for each of the Named Executive Officers, the equity awards outstanding as of December 31, 2013.

Name	Date of Grant of Equity Award	Option/SAR Awards Number of Securities Underlying Unexercised Options/SARs (#) Exercisable(1)	Option/SAR Awards Number of Securities Underlying Unexercised Options/SARs (#) Unexercisable(1)	Option/SAR Awards Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(3)	Option/SAR Awards Option/SAR Exercise Price ($)	Option/SAR Awards Option/SAR Expiration Date	Equity Incentive Plan Awards Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#)(2)	Equity Incentive Plan Awards Market or Payout Value of Unearned Shares, Units, Other Rights That Have Not Vested ($)
Mr. Klein	06/11/2007			317,250	$ 5.00	06/11/2017		
	06/11/2007	634,500			$ 5.00	06/11/2017		
	01/31/2008			11,250	$ 5.00	01/31/2018		
	01/31/2008	22,500			$ 5.00	01/31/2018		
	03/31/2009	381,250	18,750(4)		$ 3.00	03/31/2019		
	03/31/2009	156,550	7,700(4)		$ 3.00	03/31/2019		
	03/23/2010	267,968	82,032(4)		$ 5.23	03/23/2020		
	03/23/2010		350,000(5)		$ 0.6251(6)	03/23/2020		
	12/03/2012	10,000	30,000(7)		$ 9.97	12/03/2022		
	08/15/2013	62,050	136,513(8)		$ 13.22	08/15/2023		
	10/25/2013	62,569	137,652(8)		$ 14.01	10/25/2023		
	12/03/2012						20,000	$ 280,200
	08/15/2013						66,188	$ 927,294
	10/25/2013						78,030	$ 1,093,200
Mr. Simonson	03/11/2013		600,000(7)		$ 9.97	03/11/2023		
	03/11/2013						300,000	$ 4,203,000
Mr. Sparks	04/25/2011						118,064(10)	$ 1,654,077
	05/15/2012	1,831,896	219,828(9)		$ 2.77	05/15/2022		
	05/15/2012	1,831,896	219,828(9)		$ 0.13	05/15/2022		
	11/1/2012						(11)	$ 1,680,000
Ms. Kerr	03/11/2013		600,000(7)		$ 9.97	03/11/2023		
	03/11/2013						200,000	$ 2,802,000
Mr. Robinson	12/16/2013		296,337(7)		$ 14.01	12/16/2023		
	12/16/2013						98,779(12)	$ 1,383,894
Mr. Gilliland	06/11/2007	1,587,500			$ 5.00	09/21/2015(15)		

	04/01/2008	62,500			$ 5.00	09/21/2015[15]
	04/01/2009	825,000			$ 3.00	09/21/2015[15]
	04/01/2009	750,000			$ 3.00	09/21/2015[15]
	12/03/2012	108,668	326,007[13]		$ 9.97	09/21/2015
Mr. Miller	06/11/2007			112,575[14]	$ 5.00	06/30/2015
	06/11/2007	337,725			$ 5.00	06/30/2015
	01/31/2008			5,100[14]	$ 5.00	06/30/2015
	01/31/2008	15,300			$ 5.00	06/30/2015
	03/31/2009	304,476			$ 3.00	06/30/2015
	03/23/2010	235,156			$ 5.23	06/30/2015

(1) Each option to purchase shares of our common stock granted prior to 2012 was granted pursuant to our 2007 Management Equity Incentive Plan (amended in 2010) or, if granted in 2012 or later, our 2012 Management Equity Incentive Plan, and each option to purchase common units of Travelocity.com LLC was granted pursuant to the Travelocity.com Amended and Restated Limited Liability Company Agreement. Each stock appreciation right to acquire shares of the common stock of Travelocity Holdings, Inc. and common units of Travelocity.com LLC was granted to Mr. Sparks pursuant to our Amended and Restated Stock Incentive Plan for Travelocity s CEO Stock-Settled SARs with Respect to Travelocity Equity (amended and restated May 3, 2012). Each of these options and stock appreciation rights expires ten years from the date of grant.

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(2) Each restricted stock unit award covering shares of our common stock was granted pursuant to our 2012 Management Equity Incentive Plan. These restricted stock unit awards vest as to 25% of the shares of our common stock subject to each such award on March 15 in each of calendar years 2014, 2015, 2016, and 2017 if, as of the end of our most recent fiscal year ending prior to each such vesting date, we have achieved at least 95% of the EBITDA target level established for such fiscal year as determined by our board of directors, consistent with the annual business plan for such fiscal year, subject to the Named Executive Officer s continued employment through each vesting date. For purposes of these restricted stock unit awards, the EBITDA performance measure for Fiscal 2013 was adjusted to exclude the following items: goodwill impairments, prior period non-cash adjustments, and one-time costs associated with specific business enhancement initiatives.

(3) These options to purchase shares of our common stock vest and become exercisable upon a liquidity event where the Principal Stockholders realize a threshold MoM for their interest in us, as determined by our board of directors, or, following the third anniversary of an initial public offering of our common stock, upon a determination by our board of directors that such MoM could be realized by our Principal Stockholders if they sold their remaining interest in us, and except for Mr. Miller, subject to the Named Executive Officer s continued employment through such date.

(4) These options to purchase shares of our common stock vest and become exercisable as to 25% of the shares of common stock subject to each such option on the first anniversary of the date of grant and as to 4.6875% of such shares at the end of each successive three-month period thereafter, subject to the Named Executive Officer s continued employment through each vesting date.

(5) This option to purchase common units of Travelocity.com LLC vests and become exercisable as to 25% of the shares of common stock subject to such option on the first anniversary of the date of grant and as to 4.6875% of such shares at the end of each successive three month period thereafter, subject to the Named Executive Officer s continued employment through each vesting date. This Travelocity.com option was granted with a companion option in respect of our common stock. The Travelocity.com option may only be exercised if the aggregate fair market value of both options is greater than the aggregate exercise price of both options, in which case the exercisable percentage (not to exceed 100%) is calculated as follows: 100 multiplied by the quotient of (A) the aggregate fair market value minus the aggregate exercise price divided by (B) the fair market value minus the exercise price, in each case at the time of determination of the exercisable percentage.

(6) The exercise price of the option to purchase common units of Travelocity.com LLC increases quarterly at 6.00% per annum until the option has been exercised in full. The initial exercise price of the option was $0.50 per share.

(7) These options to purchase shares of our common stock vest and become exercisable as to 25% of the shares of common stock subject to each such option on the first anniversary of the date of grant and as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to the Named Executive Officer s continued employment through each vesting date.

(8) These options to purchase shares of our common stock vest and become exercisable as to 25% of the shares of common stock subject to each such option on the date of grant and as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to the Named Executive Officer s continued employment through each vesting date.

(9) The stock appreciation right to acquire shares of the common stock of Travelocity Holdings, Inc. and common units of Travelocity.com LLC vests and becomes exercisable as to 25% of the shares of common stock and common units subject to such stock appreciation right on the date of grant and as to 6.25% of such shares or common units at the end of each successive three month period thereafter commencing on May 15, 2012, until 100% of the stock appreciation right is fully vested and exercisable, subject to the Named Executive Officer s continued employment through each vesting date. This award may also be exercised for cash or shares of our common stock, in the good faith discretion of our board of directors.

(10) The restricted stock award vests as to one-third of the total number of shares of our common stock subject to such award on each of the first, second, and third anniversaries of the date of grant, subject to the Named Executive

Officer s continued employment through each vesting date.

(11) This restricted stock unit award remains unvested as to $1,680,000 of its aggregate grant date value, and will vest as to this prescribed value as follows: $520,000 on June 15, 2014, $560,000 on December 15, 2014, and $600,000 on June 15, 2015, in each case subject to the Named Executive Officer s continued employment through each vesting date. If settled in shares, the number of shares of our common stock to be delivered at each vesting date will be determined by dividing these prescribed amounts by the current fair market value of the shares of our common stock on each respective vesting date, with any residual value to be delivered in cash. Since the number of shares of our common stock to be settled upon the vesting of the remaining installments of this award is not currently determinable, the amount disclosed in the Equity Incentive Plan Awards Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested column represents the remaining unvested portion of the original aggregate grant date value of the award.

(12) Pursuant to the terms of Mr. Robinson s employment agreement, in the event that the 25% of the shares of our common stock subject to his restricted stock unit award which are scheduled to vest on March 15, 2014, subject to the achievement of 95% of the Fiscal 2013 EBITDA target level, do not vest, he will be granted a new restricted stock unit award for the number of shares of our common stock that do not vest under the terms and conditions of our equity compensation plan in effect at the time.

(13) This option to purchase shares of our common stock vests and becomes exercisable as to 25% of the shares of common stock subject to such option on the first anniversary of the date of grant and as to 10.7% of such shares at the end of each successive three-month period thereafter, subject to Mr. Gilliland remaining a member of our board of directors through each vesting date other than in the event Mr. Gilliland s service on our board of directors is terminated without cause.

(14) Pursuant to the terms of our letter agreement with Mr. Miller, in connection with his termination of employment, any vested options to purchase shares of our common stock will remain exercisable through the earlier of their expiration date and June 30, 2015, and any unvested options to purchase shares of our common stock that are subject to performance-based vesting requirements will continue to vest and become exercisable according to the terms of our 2007 Management Equity Incentive Plan (as amended in 2010) until June 30, 2015, at which time any outstanding options held by Mr. Miller will expire and be forfeited.

(15) Pursuant to the terms of our letter agreement with Mr. Gilliland in connection with his retirement, these unvested options to purchase shares of our common stock will remain exercisable through the earlier of their expiration date and September 21, 2015.

Fiscal 2013 Options Exercised and Stock Vested Table

The following table sets forth, for each of the Named Executive Officers, the number of shares of our common stock acquired upon the exercise of stock options and vesting of restricted stock and restricted stock units during the year ended December 31, 2013, and the aggregate value realized upon the exercise or vesting of such awards. For purposes of the table, the value realized is based upon the fair market value of our common stock on the various exercise or vesting dates.

Name	Option Awards Number of Shares Acquired on Exercise (#)	Option Awards Value Realized on Exercise ($)	Stock Awards Number of Shares Acquired on Vesting (#)	Stock Awards Value Realized on Vesting ($)
Mr. Klein				
Mr. Simonson				
Mr. Sparks			185,606(1)	$2,257,654(2)
Ms. Kerr				
Mr. Robinson				
Mr. Gilliland				
Mr. Miller				

(1) This amount represents the sum of (a) the portion of Mr. Sparks 2011 restricted stock award that vested in April 2013 (118,062 shares), (b) the portion of his November 2012 restricted stock unit award that vested and was settled on June 15, 2013 (33,283 shares), and (c) the portion of his November 2012 restricted stock unit award that vested and was settled on December 15, 2013 (34,261 shares).

(2) This amount represents the sum of (a) the portion of Mr. Sparks 2011 restricted stock award that vested in April 2013 ($1,337,654), (b) the portion of his November 2012 restricted stock unit award that vested and was settled

on June 15, 2013 ($440,000), and (c) the portion of his November 2012 restricted stock unit award that vested and was settled on December 15, 2013 ($480,000).

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Fiscal 2013 Pension Benefits Table

The following table sets forth, for each of the Named Executive Officers, information about the pension benefits that have been earned by him or her under our Legacy Pension Plan (the LPP). The benefits to be received under the LPP depend, in part, upon the length of employment of each Named Executive Officer with us. The LPP was frozen to further benefit accruals as of December 31, 2005. Consequently, the information appearing in the column entitled Number of Years of Credited Service reflects employment only through that date.

The column entitled Present Value of Accumulated Benefit represents a financial calculation that estimates the cash value of the full pension benefit that has been earned by each Named Executive Officer. It is based on various assumptions, including assumptions about how long each Named Executive Officer will live and future interest rates. Additional details about the pension benefits disclosed for each Named Executive Officer follow the table.

Name	Plan Name	Number of Years Credited Service (#)(1)	Present Value of Accumulated Benefit ($)(2)	Payments During Last Fiscal Year ($)
Mr. Klein	The Sabre, Inc. Legacy Pension Plan	7.5	$ 184,100	
Mr. Simonson				
Mr. Sparks				
Ms. Kerr				
Mr. Robinson				
Mr. Gilliland	The Sabre, Inc. Legacy Pension Plan	8.0	$ 194,400	
Mr. Miller	The Sabre, Inc. Legacy Pension Plan	0.5	$ 8,800	

(1) Effective December 31, 2005, the LPP was frozen to further benefit accruals. Accordingly, the number of years reported in the Number of Years Credited Service column reflects employment only through that date.
(2) The present value of the accumulated retirement benefit for each Named Executive Officer was calculated using a 5.23% discount rate, the RP-200 White Collar mortality table, and assumed payable at the LPP s earliest, unreduced retirement age of 62.

Summary Information

The LPP is a tax-qualified pension plan that was open to all employees who met the eligibility requirements until March 15, 2000 and that was frozen to further benefit accruals as of December 31, 2005.

Within the LPP, a variety of formulas are used to determine pension benefits. Different benefit formulas apply as a legacy of our spin-off from American Airlines, Inc. The accrued benefit payable is the greatest benefit determined by the following four formulas:

1.	Final Average Benefit Formula	Single Life Annuity equal to 1.667% of Final Average Compensation multiplied by Years of Credited Service
2.	Basic Benefit Formula (Career Average)	Single Life Annuity equal to Prior Plan Basic Benefit as of 12/31/96, plus for service January 1, 1997 December 31, 2005: 1.25% x each year s average monthly pay (up to $550) plus 2% x each year s average monthly pay (over $550) multiplied by number of months worked in each year as a participant in LPP through December 31, 2005

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3.	Social Security Offset Formula:	Single Life Annuity equal to 2% of Final Average Annualized Compensation x Years of Credited Service minus 1.5% of Annual Social Security benefit x Years of Credited Service (up to a maximum of 50% of the Social Security benefit)
4.	Minimum Benefit Formula	Single Life Annuity equal to Minimum Benefit Rate (Minimum Benefit Rate is equal to $282 if Final Average Annualized Compensation is less than $15,000; otherwise it is $288) multiplied by Years of Credited Service

For each formula listed in the chart above, compensation taken into account in calculating pension benefits includes base salary and commission, but excludes bonuses, overtime pay, premium pay, shift differentials, variable compensation, profit sharing awards, expense reimbursements, and expense allowances.

The benefit formulas set forth above describe the pension benefits in terms of a single life annuity. Participants are eligible to receive their benefits in other payment forms, however, including lump sums, joint and survivor annuities, period certain annuities, and level income payments. No matter which form of payment a participant may select, each has the same actuarially equivalent value.

In addition, the LPP provides an option for early retirement. At age 62 or greater with at least 10 years of service, a participant may commence an unreduced benefit. A participant who is between the ages of 55 and 62 with at least 15 years of service may begin a benefit reduced by 3% for each year the benefit commences prior to age 62. Finally, in the case of a participant less than age 62 with at least 10 years of service but not more than 15 years of service, he or she may begin a benefit reduced 3% for each year prior to age 65.

Nonqualified Deferred Compensation

We did not maintain any nonqualified defined contribution or other deferred compensation plans or arrangements for the Named Executive Officers during Fiscal 2013.

Employment Arrangements

We have entered into employment agreements with each of the Named Executive Officers as described below.

Typically, these agreements provide for employment for a specified period of time (typically, two or three years; five years in the case of Mr. Sparks), subject to automatic renewal for additional one-year terms unless either party provided written notice of non-renewal in accordance with the terms and conditions of the agreement.

In addition, these agreements included the Named Executive Officer s initial base salary or base salary at the time the agreement was executed, an annual bonus opportunity under our Executive Incentive Plan, and standard employee benefit plan and program participation. Occasionally, these agreements also provided for a recommended equity award grant to be submitted to our board of directors for approval, with an exercise price, in the case of an option to purchase shares of our common stock, equal to the fair market value of the shares of our common stock on the date of grant and subject to our specified vesting requirements. These offers of employment were each subject to covenants during the period of employment and for a specified period thereafter involving non-solicitation of customers, suppliers, and employees, non-competition, and non-disclosure of confidential information and trade secrets.

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Mr. Klein

On August 14, 2013, we entered into a new employment agreement with Mr. Klein in connection with his appointment as our CEO that provides for his general employment terms, including certain compensation arrangements. Mr. Klein s employment agreement also provides for specified payments and benefits in the event of his termination of employment under certain specified circumstances, including in connection with a change in control, which are described in greater detail under Potential Payments upon Termination or Change in Control below.

Under the terms of his employment agreement, Mr. Klein s initial annual base salary in connection with his appointment as CEO was set at $900,000, less applicable withholding taxes, and is subject to annual review for a possible increase (but not decrease). Mr. Klein is also eligible to receive an annual target bonus based on his attainment of one or more pre-established performance criteria established by our board of directors or a committee of our board of directors, with his initial target bonus opportunity equal to 125% of his then-current annual base salary and a maximum bonus opportunity equal to 200% of his then-current annual base salary.

Further, Mr. Klein was granted an option to purchase 198,563 shares of our common stock with an exercise price equal to the fair market value of such shares of common stock on the date of grant and a restricted stock unit award covering 66,188 shares of our common stock. The option was to vest as to 25% of the shares of our common stock subject to the option on the date of grant and thereafter as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to his continued employment through each vesting date. The restricted stock unit award was to vest as to 25% of the shares of our common stock subject to such award on March 15 in each of calendar years 2014, 2015, 2016, and 2017 if, as of the end of our most recent fiscal year ending prior to each such vesting date, we have achieved at least 95% of the EBITDA target level established for such fiscal year as determined by our board of directors, consistent with the annual business plan for such fiscal year. The vesting of the shares of common stock subject to these equity awards is also subject to acceleration as described in greater detail under Potential Payments upon Termination or Change in Control below.

Subsequently, on October 25, 2013, to give effect to its original objective of providing Mr. Klein with a long-term incentive compensation opportunity with a grant date fair value of approximately $3,500,000 which was not accomplished with the awards described above, our board of directors granted Mr. Klein an additional option to purchase 200,221 shares of our common stock with an exercise price equal to the fair market value of such shares of common stock on the date of grant and a restricted stock unit award covering 78,030 shares of our common stock. These equity awards were subject to vesting requirements similar to the vesting requirements applicable to the equity awards granted to Mr. Klein at the time that we entered into the new employment agreement with him.

Mr. Simonson

Effective March 11, 2013, we entered into an employment agreement with Mr. Simonson in connection with his appointment as our Executive Vice President and Chief Financial Officer that provided for his general employment terms, including certain compensation arrangements. Mr. Simonson s employment agreement also provides for specified payments and benefits in the event of his termination of employment under certain specified circumstances, including in connection with a change in control of us, which are described in greater detail under Potential Payments upon Termination or Change in Control below.

Under the terms of his employment agreement, Mr. Simonson received an initial annual base salary of $600,000, less applicable withholding taxes, which is subject to annual review for a possible increase (but not decrease).
Mr. Simonson also received a one-time sign on bonus in the amount of $120,000, subject to repayment under certain conditions.

Mr. Simonson is also eligible to receive an annual target bonus based on his attainment of one or more pre-established performance criteria established by our board of directors or a committee of our board of directors, with his initial target bonus opportunity equal to 80% of his then-current annual base salary.

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Further, Mr. Simonson was granted an option to purchase 600,000 shares of our common stock with an exercise price equal to the fair market value of such shares of common stock on the date of grant and a restricted stock unit award covering 300,000 shares of our common stock. The option to purchase shares of our common stock vests as to 25% of the shares of common stock subject to such option on the first anniversary of the date of grant and thereafter as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to his continued employment through each vesting date. The restricted stock unit award vests as to 25% of the shares of our common stock subject to such award on March 15 in each of calendar years 2014, 2015, 2016, and 2017 if, as of the end of our most recent fiscal year ending prior to each such vesting date, we have achieved at least 95% of the EBITDA target level established for such fiscal year as determined by our board of directors, consistent with the annual business plan for such fiscal year, subject to his continued employment through each vesting date. The vesting of the shares of common stock subject to such awards is also subject to acceleration as described in greater detail under Potential Payments upon Termination or Change in Control below.

Mr. Sparks

Effective March 22, 2011, Mr. Sparks entered into an employment agreement with our wholly-owned subsidiary, Travelocity.com LP, in connection with his appointment as Executive Vice President and President and CEO of Travelocity that provides for his general employment terms, including certain compensation arrangements. Mr. Sparks employment agreement also provides for specified payments and benefits in the event of his termination of employment under certain specified circumstances, including in connection with a change in control of us, which are described in greater detail under Potential Payments upon Termination or Change in Control below.

Mr. Sparks employment agreement provides for an initial annual base salary of $600,000, less applicable withholding taxes, which is subject to annual review for a possible increase (but not decrease). Mr. Sparks is also eligible to receive an annual target bonus based on his attainment of one or more pre-established performance criteria established by our board of directors or a committee of our board of directors, with his initial target bonus opportunity equal to 80% of his then-current annual base salary.

Further, Mr. Sparks was granted equity awards in the form of a restricted stock award covering 354,191 shares of our common stock and a tandem stock appreciation right covering 2,931,035 shares of the stock or units of each of Travelocity Holdings, Inc. and Travelocity.com LLC, respectively, with a strike price equal to the fair market value of such shares and common units on the date of grant. The restricted stock award was to vest as to one-third of the total number of shares of our common stock subject to such award on each of the first, second, and third anniversaries of the date of grant, subject to his continued employment through each vesting date. The tandem stock appreciation right was to vest as to 25% of the shares of the common stock of Travelocity Holdings, Inc. and common units of Travelocity.com LLC subject to such awards on the first anniversary of the date of grant and as to 4.6875% of such shares and common units at the end of each successive three-month period thereafter, subject to his continued employment through each vesting date. The stock appreciation right could also be exercised for cash or shares of our common stock, in the good faith discretion of our board of directors.

In May 2012, we cancelled the tandem stock appreciation right and granted Mr. Sparks a new stock appreciation right covering 2,931,035 shares of the stock or common units of each of Travelocity Holdings, Inc. and Travelocity.com LLC with a strike price equal to the fair market value of such shares and common units on the date of grant. Generally, this award was subject to the terms and conditions of the prior stock appreciation right award agreement. The vesting of the shares of common stock or common units subject to such awards is also subject to acceleration as described in greater detail under Potential Payments upon Termination or Change in Control below.

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In November 2012, we granted Mr. Sparks a restricted stock unit award with an aggregate value of $3,000,000 which vests as to certain prescribed values in six installments on December 15, 2012, June 15 and December 15 of 2013 and 2014, and on June 15, 2015, in each case, subject to his continued employment through each such vesting date. In connection with this grant of restricted stock units, Mr. Sparks agreed that, as a condition of his right to settlement of the award, he would forfeit up to 30% of the number of unvested shares and common units subject to his stock appreciation right, with the forfeiture of such shares and common units occurring in three equal installments on December 15, 2012, June 15, 2013, and December 15, 2013, respectively.

Ms. Kerr

Effective March 11, 2013, we entered into an employment agreement with Ms. Kerr in connection with her appointment as our Executive Vice President and Chief Product and Technology Officer that provides for her general employment terms, including certain compensation arrangements. Ms. Kerr s employment agreement also provides for specified payments and benefits in the event of her termination of employment under certain specified circumstances, including in connection with a change in control of us, which are described in greater detail under Potential Payments upon Termination or Change in Control below.

Under the terms of her employment agreement, Ms. Kerr received an initial annual base salary of $500,000, less applicable withholding taxes, which is subject to annual review for a possible increase (but not decrease). Ms. Kerr also received a one-time sign on bonus in the amount of $225,000, subject to repayment under certain conditions.

Ms. Kerr is also eligible to receive an annual target bonus based on her attainment of one or more pre-established performance criteria established by our board of directors or a committee of our board of directors, with her initial target bonus opportunity equal to 80% of her then-current annual base salary.

Under the terms of her employment agreement, Ms. Kerr was eligible to receive a lump-sum payment in the amount of $250,000 to assist her in defraying the costs of relocating her residence to Dallas, Texas, subject to her execution of an appropriate repayment agreement with us.

Further, Ms. Kerr was granted an option to purchase 600,000 shares of our common stock with an exercise price equal to the fair market value of such shares of common stock on the date of grant and a restricted stock unit award covering 200,000 shares of our common stock. The option to purchase shares of our common stock vests as to 25% of the shares of common stock subject to such option on the first anniversary of the date of grant and thereafter as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to her continued employment through each vesting date. The restricted stock unit award vests as to 25% of the shares of our common stock subject to such award on March 15 in each of calendar years 2014, 2015, 2016, and 2017 if, as of the end of our most recent fiscal year ending prior to each such vesting date, we have achieved at least 95% of the EBITDA target level established for such fiscal year as determined by our board of directors, consistent with the annual business plan for such fiscal year, subject to her continued employment through each vesting date. The vesting of the shares of common stock subject to such awards is also subject to acceleration as described in greater detail under Potential Payments upon Termination or Change in Control below.

Mr. Robinson

Effective December 16, 2013, we entered into an employment agreement with Mr. Robinson in connection with his appointment as our Executive Vice President and Chief Human Resources Officer that provides for his general employment terms, including certain compensation arrangements.

Under the terms of his employment agreement, Mr. Robinson received an initial annual base salary of $420,000, less applicable withholding taxes. Mr. Robinson also received a one-time sign-on bonus in the amount of $50,000, subject to repayment under certain conditions.

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Mr. Robinson is also eligible to receive an annual bonus based on his attainment of one or more pre-established performance criteria established by our board of directors or a committee of our board of directors, with his initial target bonus opportunity equal to 70% of his then-current annual base salary.

Further, Mr. Robinson was granted an option to purchase 296,337 shares of our common stock with an exercise price equal to the fair market value of such shares of common stock on the date of grant and a restricted stock unit award covering 98,779 shares of our common stock. The option to purchase shares of our common stock vests as to 25% of the shares of common stock subject to such option on the first anniversary of the date of grant and thereafter as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to his continued employment through each vesting date. The restricted stock unit award vests as to 25% of the shares of our common stock subject to such award on March 15 in each of calendar years 2014, 2015, 2016, and 2017 if, as of the end of our most recent fiscal year ending prior to each such vesting date, we have achieved at least 95% of the EBITDA target level established for such fiscal year as determined by our board of directors, consistent with the annual business plan for such fiscal year, subject to his continued employment through each vesting date. The vesting of the shares of common stock subject to such awards is also subject to acceleration as described in greater detail under Potential Payments upon Termination or Change in Control below.

Mr. Gilliland

On June 11, 2007, we entered into an employment agreement with Mr. Gilliland that provided for his general employment terms, including certain compensation arrangements, and specified payments and benefits in the event of his termination of employment under certain specified circumstances, including in connection with a change in control of us.

Under the terms of his employment agreement, Mr. Gilliland received an initial annual base salary of $800,000, less applicable withholding taxes, which was subject to annual review for a possible increase (but not decrease). Mr. Gilliland was also eligible to receive an annual target bonus based on his attainment of one or more pre-established performance criteria established by our board of directors or a committee of our board of directors, with his initial target bonus opportunity equal to 150% of his then-current annual base salary.

Further, Mr. Gilliland was granted an option to purchase 3,175,000 shares of our common stock with an exercise price equal to the fair market value of such shares of common stock on the date of grant. Half of the shares of our common stock subject to the option were subject to a time-based vesting schedule, with 25% of such shares to vest on the first anniversary of the effective date of the merger transaction and as to 4.6875% of such shares at the end of each complete fiscal quarter thereafter, subject to his continued employment through each vesting date. The remaining shares of our common stock subject to the option were subject to a performance-based vesting requirement with respect to a liquidity event involving us. The vesting of the shares of the common stock subject to such option was also subject to acceleration as described in greater detail under Potential Payments upon Termination or Change in Control below.

The employment agreement with Mr. Gilliland was subsequently amended on December 31, 2008 to comply with the requirements of Section 409A of the Code, again on June 26, 2009 to extend its term until April 1, 2012 and make certain conforming changes, again on June 30, 2012 to further extend its term for successive one-year terms and make certain conforming changes, and on January 9, 2013 to adjust the number of shares of our common stock subject to the stock option granted to him in December 2012.

Mr. Miller

On July 31, 2009, we entered into an employment agreement with Mr. Miller that provided for his general employment terms, including certain compensation arrangements, and specified payments and benefits in the event of his termination of employment under certain specified circumstances, including in connection with a change in control of us.

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Under the terms of his employment agreement, Mr. Miller received an initial annual base salary of $325,000, less applicable withholding taxes, which was subject to annual review for a possible increase (but not decrease). Mr. Miller was also eligible to receive an annual target bonus based on his attainment of one or more pre-established performance criteria established by our board of directors or a committee of our board of directors, with his initial target bonus opportunity equal to 60% of his then-current annual base salary.

Potential Payments upon Termination or Change in Control

Each of the current Named Executive Officers is eligible to receive certain severance payments and benefits under his or her employment agreement in connection with his or her termination of employment under various circumstances, including following a change in control of us.

The estimated potential severance payments and benefits payable to each Named Executive Officer in the event of termination of employment as of December 31, 2013 are described below.

The actual amounts that would be paid or distributed to the Named Executive Officers as a result of one of the termination events occurring in the future may be different than those presented below as many factors will affect the amount of any payments and benefits upon a termination of employment. For example, some of the factors that could affect the amounts payable include the Named Executive Officer s base salary and the market price of the shares of our common stock. Although we have entered into written arrangements to provide these payments and benefits to the Named Executive Officers in connection with a termination of employment under particular circumstances, we, or an acquirer, may mutually agree with the Named Executive Officers on post-employment compensation terms that vary from those provided in these pre-existing arrangements. Finally, in addition to the amounts presented below, each Named Executive Officer would also be able to exercise any previously-vested options to purchase shares of our common stock that he or she held. For more information about the Named Executive Officers outstanding equity awards as of December 31, 2013, see Fiscal 2013 Outstanding Equity Awards at Year-End Table.

Along with the payments and benefits described in a Named Executive Officer s individual post-employment compensation arrangement, these executive officers are eligible to receive any benefits accrued under our broad-based benefit plans, such as accrued vacation pay, in accordance with the terms of those plans and policies.

Mr. Klein

Under his employment agreement with us, Mr. Klein is eligible to receive certain payments and benefits in the event of a termination of his employment by us without cause or a termination of employment by him for good reason (as each of these terms is defined in his employment agreement). For these purposes, a termination of employment by us as a result of notice of non-renewal at the end of any then-current term will be deemed for all purposes as a termination of employment without cause.

In the event of a termination of employment by us without cause or by him for good reason , Mr. Klein, upon execution of a binding agreement and general release of claims in our favor, will be eligible to receive:

An amount equal to 200% of his then-current annual base salary (such amount to be paid in installments over a period of 24 months following the date of termination);

An amount equal to any accrued but unpaid annual bonus for the fiscal year immediately preceding the year of termination of employment;

If the termination of employment occurs more than six months following the beginning of a fiscal year and prior to the date that any bonus earned with respect to such fiscal year is paid, a *pro rata* bonus for the year of termination of employment based on actual performance for the relevant fiscal year; and

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Continued medical, dental, and vision insurance coverage for him and his eligible dependents for the 12-month period following the date of termination; provided, however, that if he becomes re-employed and eligible to receive health insurance benefits under another employer-provided plan, such continued insurance coverage will terminate.

In the case of Mr. Klein s death or if his employment is terminated as a result of his disability (as well as in the event of a termination of employment by us without cause or by him for good reason), he will be eligible to receive (i) his base salary through the date of termination, (ii) reimbursement of any unreimbursed business expenses properly incurred prior to the date of termination that are subject to reimbursement, and (iii) payment for any accrued but unused vacation time (the Accrued Obligations). In addition to the foregoing amounts, if his employment is terminated in the case of his death, Mr. Klein s estate or beneficiaries are eligible to receive an amount equal to a *pro rata* portion of his annual bonus for the year of termination, based on actual performance for the relevant fiscal year. The Accrued Obligations also are payable to him in the event of (A) a termination of employment by us for cause or (B) a voluntary termination of employment by him.

In addition, in the event that Mr. Klein terminates his employment with us, he agrees to resign his position as a member of our board of directors (and any other positions he holds by virtue of his employment with us), at our request.

Definitions for Mr. Klein s Post-Employment Compensation Arrangements

Under Mr. Klein s employment agreement, Cause means (i) willful misconduct or gross negligence that is materially injurious to us, any affiliated entity, or the Principal Stockholders at the time of execution of the employment agreement; (ii) any knowing or deliberate violation of any of the covenants set forth in the employment agreement; (iii) any material breach or violation of any material policy of our board of directors which is not promptly remedied following notification of such breach or violation; (iv) any deliberate and persistent failure to perform or honor an express written directive of our board of directors; or (v) the indictment for, or a plea of *nolo contendere* to, a felony or other serious crime that could reasonably be expected to result in material harm to us.

Under Mr. Klein s employment agreement, Good Reason means any of the following events which occur without his written consent: (i) any materially adverse change to his responsibilities, duties, authority, or status from those set forth in the employment agreement or any materially adverse change in his positions, titles, or reporting responsibility (provided, however, that becoming publicly-traded is expressly deemed not a material adverse change); (ii) a relocation of his principal business location to an area outside a 50 mile radius of its current location or a moving of him from our headquarters; (iii) a failure of any of our successors to assume in writing any obligations arising out of his employment agreement; (iv) a reduction of his annual base salary or target bonus or payments due under his employment agreement in connection with his employment (provided, however, that a reduction in base salary or target bonus of less than 5% that is proportionately applied to our employees generally will not constitute Good Reason); or (v) a material breach by us of his employment agreement or any other material agreement with him relating to his compensation.

Other Named Executive Officers

Under their employment agreements with us, Messrs. Simonson, Sparks, and Robinson and Ms. Kerr are eligible to receive certain payments and benefits in the event of a termination of their employment by us without cause or a termination of employment by the Named Executive Officer for good reason (as each of these terms is defined in the employment agreements). For these purposes, a termination of employment by us as a result of notice of non-renewal at the end of any then-current term will be deemed for all purposes as a termination of employment without cause.

In the event of a termination of employment by us without cause or by a Named Executive Officer for good reason, the Named Executive Officer, upon execution of a binding agreement and general release of claims in our favor, will be eligible to receive:

- An amount equal to 150% of the sum of his or her then-current annual base salary and target bonus opportunity (such amount to be prorated and paid in installments over a period of 18 months following the date of termination); and

- Continued medical, dental, and vision insurance coverage for him or her and his or her eligible dependents for the 18-month period following the date of termination; provided, however, that if he or she becomes re-employed and eligible to receive health insurance benefits under another employer-provided plan, such continued insurance coverage will terminate.

In the case of a Named Executive Officer s death or disability (as well as in the event of a termination of employment by us without cause or by a Named Executive Officer for good reason), he or she will be eligible to receive (i) his or her base salary through the date of termination, (ii) reimbursement of any unreimbursed business expenses properly incurred prior to the date of termination that are subject to reimbursement, (iii) payment for any accrued but unused vacation time, and (iv) an amount equal to any accrued but unpaid annual bonus for the immediately preceding year. The same amounts, except for the amount of any accrued but unpaid annual bonus for the immediately preceding year, are payable to a Named Executive Officer in the event of (A) a termination of employment by us for cause or (B) a voluntary termination of employment by a Named Executive Officer.

Definitions for Other Named Executive Officer Post-Employment Compensation Arrangements

Under the employment agreements of Messrs. Simonson, Sparks, and Robinson and Ms. Kerr, Cause means any of the following events: (i) a majority of our board of directors determines that the Named Executive Officer (A) was guilty of gross negligence or willful misconduct in the performance of his or her duties for us; (B) materially breached or violated any agreement between him or her and us or any material policy in our code of conduct or similar employee conduct policy; or (C) committed an act of dishonesty or breach of trust with regard to us, any of its subsidiaries or affiliates, or (ii) the Named Executive Officer is indicted for, or pleads guilty or *nolo contendere* to, a felony or other crime of moral turpitude.

Under the employment agreements of Messrs. Simonson, Sparks, and Robinson and Ms. Kerr, Good Reason means any of the following events which occur without the Named Executive Officer s consent: (i) any materially adverse change to his or her responsibilities, duties, authority, or status or materially adverse change in his or her positions, titles, or reporting responsibility (provided, however, that us becoming or ceasing to be publicly-traded is expressly deemed not to be a material adverse change); (ii) a relocation of his or her principal business location to an area outside a 50 mile radius of its current location or a moving of him or her from our headquarters; (iii) a failure of any of our successors to assume in writing any obligations arising out of his or her employment agreement; (iv) a reduction of his or her annual base salary or target bonus or payments due under his or her employment agreement in connection with his or her employment (provided, however, that a reduction in base salary or target bonus of less than 5% that is proportionately applied to our employees generally will not constitute Good Reason); or (v) a material breach by us of his or her employment agreement or any other material agreement with him or her relating to his or her compensation.

Equity Awards

Generally, under our 2007 Management Equity Incentive Plan (as amended in 2010) and our 2012 Management Equity Incentive Plan in the event of a termination of employment:

- all outstanding unvested time-based options to purchase shares of our common stock and other unvested time-based equity awards (and awards where all restrictions have not lapsed) expire; and

- all outstanding vested and unexercised options to purchase shares of our common stock may continue to be exercised within 90 days following the termination of employment, other than a termination for cause (extended to a one-year period if the termination of employment is due to disability or death).

Further, under our 2007 Management Equity Incentive Plan (as amended in 2010) and our 2012 Management Equity Incentive Plan if following a change in control of us, an executive officer s employment is terminated by us for any reason other than cause or he or she terminates his or her employment for good reason :

- any outstanding and unvested time-based options to purchase shares of our common stock shall vest immediately and become exercisable or transferable in accordance with the terms of the applicable equity incentive plan, and

- any shares of our common stock subject to restricted stock unit awards under our 2012 Management Equity Incentive Plan that would have vested on the first vesting date following the executive officer s termination of employment will vest if a percentage of our EBITDA target for the fiscal year immediately preceding the vesting date is met, as determined by our board of directors.

In addition, performance-based options to purchase shares of our common stock may vest and become exercisable upon a change in control of us, to the extent the transaction results in the achievement by our Principal Stockholder of certain specified MoM milestones on their initial investment in us.

The table below provides an estimate of the value of such accelerated vesting of outstanding and unvested equity awards assuming that a change in control of us and a qualifying termination of employment occurred on December 31, 2013 and assuming a stock price of $14.01 per share, the fair market value of a share of our common stock on such date, as determined by an independent third-party valuation. The table below also reflects the assumption that, as of December 31, 2013, based on this valuation, the first requisite MoM milestone would have been met and, consequently, one-third of the shares of our common stock subject to the performance-based options would have vested, while the remaining two-thirds of such shares would have been forfeited. The table further reflects the assumption that, as of December 31, 2013, the EBITDA target level for Fiscal 2013 in respect of the restricted stock unit awards granted under our 2012 Management Equity Incentive Plan would have been met, and therefore, one-fourth of the shares of our common stock subject to such restricted stock unit awards would have vested, while the remaining three-fourths of such shares would have been forfeited.

We have entered into certain non-competition agreements with the Named Executive Officers that restrict their ability to compete with us during a specified post-employment period.

Summary of Estimated Payments and Benefits

The following table summarizes the estimated post-employment payments and benefits that would have been payable to the current Named Executive Officers in the event that their employment had been terminated or a change in control of us had occurred as of December 31, 2013. No post-employment compensation is payable to any Named Executive Officer who voluntarily terminates his or her employment with us (other than a voluntary resignation for good reason). The information set forth in the table is based on the assumption, in each case, that termination of employment or the change in control of us occurred on December 31, 2013. Pension benefits, which are described elsewhere in this registration statement of which this prospectus forms a part, are not included in the table, even though they may become payable at the times specified in the table.

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Potential Payments and Benefits

upon Termination of Employment

or Change in Control Table

Triggering Event(1)	Mr. Klein(2)	Mr. Simonson(3)	Mr. Sparks(4)	Ms. Kerr(5)	Mr. Robinson(6)
Involuntary Termination of Employment Not in Connection With Change in Control					
Base Salary	$ 1,800,000	$ 900,000	$ 900,000	$ 750,000	$ 630,000
Annual Bonus	$ 784,778	$ 720,000	$ 720,000	$ 600,000	$ 441,000
Accelerated Vesting of Stock Options					
Accelerated Vesting of Restricted Stock Unit Awards					
Health and Welfare Benefits	$ 14,767	$ 23,267	$ 23,267	$ 16,428	$ 23,267
Outplacement Services(10)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
TOTAL	$ 2,624,545	$ 1,668,267	$ 1,668,267	$ 1,391,428	$ 1,119,267
Involuntary Termination of Employment in Connection With Change in Control(7)(11)					
Base Salary	$ 1,800,000	$ 900,000	$ 900,000	$ 750,000	$ 630,000
Annual Bonus	$ 784,778	$ 720,000	$ 720,000	$ 600,000	$ 441,000
Accelerated Vesting of Stock Option(8)	$ 2,227,096	$ 2,424,000		$ 2,424,000	
Accelerated Vesting of Restricted Stock/Restricted Stock Unit Awards(9)	$ 575,174	$ 1,050,750	$ 1,654,077	$ 700,500	$ 345,973
Health and Welfare Benefits	$ 14,767	$ 23,267	$ 23,267	$ 16,428	$ 23,267
Outplacement Services(10)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
TOTAL	$ 5,426,815	$ 5,143,017	$ 3,322,344	$ 4,515,928	$ 1,465,240

(1) The calculations presented in this table illustrate the estimated payments and benefits that would have been paid to each of the Named Executive Officers had their employment been terminated on December 31, 2013 for each of the following reasons: a termination of employment without cause or a termination of employment by a Named Executive Officer for good reason (including following a change in control of us). The calculations are based on the fair market value of our common stock on December 31, 2013 of $14.01 per share.

(2) For purposes of this analysis, Mr. Klein s compensation is assumed to be as follows: base salary equal to $900,000, a target annual bonus opportunity of $1,125,000, outstanding unvested options subject to time-based vesting requirements to purchase 412,647 shares of our common stock, the vesting of which all such shares would accelerate, outstanding unvested options subject to performance-based vesting requirements to purchase 328,500 shares of our common stock, the vesting of which one-third of such shares would accelerate, and

outstanding unvested restricted stock unit awards subject to time-based vesting requirements covering 164,218 shares of our common stock, the vesting of which one-fourth of such shares would accelerate. In the event of his death, Mr. Klein s heirs or estate are eligible to receive a pro rata portion of his target annual cash bonus opportunity for the year of his death, based on our actual performance for the year, which is estimated to be $784,778 as of December 31, 2013.

(3) For purposes of this analysis, Mr. Simonson s compensation is assumed to be as follows: base salary equal to $600,000, a target annual bonus opportunity of $480,000, outstanding unvested options to purchase 600,000 shares of our common stock, the vesting of which all such shares would accelerate, and outstanding unvested restricted stock unit awards covering 300,000 shares of our common stock, the vesting of which one-fourth of such shares would accelerate.

(4) For purposes of this analysis, Mr. Sparks compensation is assumed to be as follows: base salary equal to $600,000, a target annual bonus opportunity of $480,000, and an outstanding unvested restricted stock award covering 118,064 shares of our common stock, the vesting of which all such shares would accelerate.

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(5) For purposes of this analysis, Ms. Kerr s compensation is assumed to be as follows: base salary equal to $500,000, a target annual bonus opportunity of $400,000, outstanding unvested options to purchase 600,000 shares of our common stock, the vesting of which all of such shares would accelerate, and outstanding unvested restricted stock unit awards covering 200,000 shares of our common stock, the vesting of which one-fourth of such shares would accelerate.

(6) For purposes of this analysis, Mr. Robinson s compensation is assumed to be as follows: base salary equal to $420,000, a target annual bonus opportunity of $294,000, outstanding unvested options to purchase 296,337 shares of our common stock, the vesting of which all such shares would accelerate, and outstanding unvested restricted stock unit awards covering 98,779 shares of our common stock, the vesting of which one-fourth of such shares would accelerate.

(7) The change in control calculations assume that on December 31, 2013 (i) a change-in-control of us occurred and (ii) the employment of each of the Named Executive Officer s was terminated without cause. No payments or benefits would have been payable solely as a result of a change in control of us other than the vesting of some of the options subject to performance-based vesting granted under our 2007 Management Equity Incentive Plan (as amended in 2010), subject to achievement of the pre-determined MoM targets in connection with such change in control.

(8) This amount represents the intrinsic value of outstanding and unvested options subject to time-based and performance-based vesting requirements to purchase shares of our common stock based on a stock price of $14.01 per share.

(9) Other than for Mr. Sparks, this amount represents the fair market value of one-fourth of the shares of our common stock subject to such restricted stock units based on a stock price of $14.01 per share. For Mr. Sparks, this amount represents the fair market value of 118,064 shares of our common stock subject to an unvested restricted stock award based on a stock price of $14.01 per share.

(10) Pursuant to our policy, we also provide the Named Executive Officers with a one-time payment for outplacement services.

(11) The potential payments and benefits reflect the maximum amounts that may be paid. Should the actual payments and benefits trigger an excise tax under Section 4999 of the Internal Revenue Code, pursuant to Mr. Klein and Ms. Kerr s employment agreements, he and she will each either (x) have his or her payments reduced to the extent necessary to avoid the excise tax or (y) receive the full payment and be subject to the excise tax, whichever results in a better net after-tax benefit to Mr. Klein or Ms. Kerr, respectively.

Post-Employment Compensation

Mr. Gilliland s Post-Employment Compensation

In connection with his retirement in September 2013 and pursuant to the terms and conditions of his employment agreement, upon his termination of employment Mr. Gilliland received the following payments and benefits:

- A lump sum cash payment in the amount equal to the sum of his then-current annual base salary through June 2014 ($769,223) and his target annual cash bonus for Fiscal 2013 ($1,500,000), for a total of $2,269,223;

- Continued medical, dental, and vision insurance coverage for him and his eligible dependents for the 24-month period commencing on September 21, 2013 (estimated to be $32,996); and

Continued participation in our annual physical examination program for a period of two years (estimated to be $6,950).

In addition, pursuant to the third amendment to Mr. Gilliland s employment agreement and the terms of a letter agreement dated September 18, 2013, we agreed to extend the period for the vesting and exercise of his outstanding options to purchase shares of our common stock until September 21, 2015.

Mr. Miller s Post-Employment Compensation

In connection with his resignation of his position as our Executive Vice President and Chief Financial Officer in March 2013 and pursuant to the terms and conditions of his employment agreement, upon his termination of employment Mr. Miller became entitled to receive the following payments and benefits:

- An amount equal to 150% of the sum of his then-current annual base salary and target bonus opportunity, with such amount being paid in installments over a period of 18 months following the date of his termination of employment ($1,071,000, of which $357,000 was paid during Fiscal 2013); and

- Continued medical, dental, and vision insurance coverage for him and his eligible dependents for the 18-month period following the date of his termination of employment (which, in view of his subsequent re-employment, resulted in a cost to us of $2,345).

In addition, pursuant to a letter agreement dated April 12, 2013, we agreed to extend the period for the exercise of his outstanding and vested options for the purchase of shares of our common stock that were subject to time-based vesting requirements until June 30, 2015 and for the vesting and exercise of his outstanding and unvested performance-based options for the purchase of shares of our common stock until June 30, 2015 as well.

Employee Stock Plans

Sabre Corporation 2014 Omnibus Incentive Plan

On March 20, 2014, our board of directors adopted our 2014 Omnibus Incentive Plan (the 2014 Omnibus Plan), which permits the grant of cash and equity and equity-based incentive awards, including stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and other stock-based awards. Our employees and the non-employee members of our board of directors and those of our subsidiaries are eligible to receive awards under the 2014 Omnibus Plan.

The purpose of the 2014 Omnibus Plan is to provide incentives and rewards that will encourage our employees, including our executive officers, and the non-employee members of our board of directors to continue in our service by providing them with an interest in pursuing our long-term growth, profitability and financial success. The following is a summary of the material terms of the 2014 Omnibus Plan, but does not include all of the provisions of such plan. For further information about the 2014 Omnibus Plan, we refer you to the complete text of the 2014 Omnibus Plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

On the effective date of this offering, we may issue a mix of time-based options, performance-based restricted stock units and time-based restricted stock units pursuant to the 2014 Omnibus Plan up to an aggregate fair value of $46,600,000, of which we expect approximately $8,550,000 will be awarded to our Named Executive Officers in the aggregate (excluding Messrs. Gilliland, Miller and Sparks, who are not expected to receive awards). It is expected that 25% of each Named Executive Officer s award value will consist of time-based options to purchase shares of common stock and 75% of the award value will be in the form of performance-based restricted stock units. The number of shares subject to awards granted in connection with this offering will be determined based on the volume weighted average price of a share of common stock on the date of grant, and any options that are part of the grant will have an exercise price equal to the volume weighted average price of a share of common stock on the date of grant. Assuming that the grant date volume weighted average trading price is within the price range of $18.00 to $20.00 set forth on the cover of the preliminary prospectus, the number of shares of common stock subject to options granted would range from approximately 1,150,000 to 1,350,000 shares in the aggregate and the number of shares of common stock subject to time-based and performance-based restricted stock units granted would range from approximately 1,950,000 to 2,150,000 shares in the aggregate.

Administration

The 2014 Omnibus Plan is administered by our board of directors or the Compensation Committee of our board of directors or such other committee as designated by our board of directors (the Committee). Among the Committee s powers under the 2014 Omnibus Plan is the power to determine those employees who will be granted awards and the amount, type and other terms and conditions of awards. Our board of directors may grant awards to the non-employee members of our board of directors. The Committee may also prescribe agreements evidencing or settling the terms of any awards, and any amendments thereto; grant awards alone or in addition to, in tandem with, or in substitution or exchange for, any other award, any award granted under another of our equity compensation plans (the Prior Plans) or that of any business entity we are acquiring, or any other right of the plan participant to receive payment from the Company.

The Committee may delegate its powers and responsibilities under the 2014 Omnibus Plan, in writing, to a sub-committee of our board of directors, or delegate certain administration powers (not including the grant of awards) over the plan to one or more of our officers or employees.

The Committee has discretionary authority to interpret and construe any and all provisions of the 2014 Omnibus Plan and the terms of any award (or award agreement) granted thereunder and to adopt and amend such rules and regulations for the administration of the 2014 Omnibus Plan as it deems appropriate. Decisions of the Committee will be final, binding and conclusive on all parties.

On or after the date of grant of any award, the Committee may accelerate the date on which any award becomes vested, exercisable, or transferable. The Committee may also extend the term of any such award (including the period following a termination of a participant s employment during which any such award may remain outstanding); waive any conditions to the vesting, exercisability or transferability of any such award; grant other awards in addition to, in tandem with or in substitution or exchange for any award granted under the 2014 Omnibus Plan, any Prior Plan or any equity compensation plan of any business entity we are acquiring; or provide for the payment of dividends or dividend equivalents with respect to any such award.

The Committee does not have the authority and may not take any such action described in this section to the extent that the grant of such authority or the taking of such action would cause any tax to become due under Section 409A of the Code.

The Company will not reprice any stock option without the approval of the stockholders of the Company.

Available Cash Incentive Awards

The amount payable to any executive officer (within the meaning of Exchange Act Rule 3b-7) with respect to any calendar year for all cash incentive awards that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Code and for which the performance period is no longer than one year may not exceed five million dollars. The amount payable to any executive officer (within the meaning of Exchange Act Rule 3b-7) with respect to any calendar year for all cash incentive awards that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Code and for which the performance period is longer than one year may not exceed five million dollars.

Available Shares

The aggregate number of shares of our common stock which may be issued pursuant to awards granted under the 2014 Omnibus Plan may not exceed 13,500,000 shares of our common stock, which may be authorized and unissued shares of our common stock or shares of common stock held in or acquired for our treasury, or both. In addition, 2,599,118 shares that remain available for issuance under the Prior Plans that are not the subject of outstanding awards as of March 31, 2014 will also be available for issuance under the 2014 Omnibus Plan. In general, if awards under the 2014

Omnibus Plan or any of the Prior Plans expire or are forfeited, cancelled or terminated without the issuance of shares of common stock, or are settled for cash in lieu of shares of common stock, or are exchanged for an award not involving shares of common stock, the shares of common stock covered by such awards will again become available for the grant of awards under the 2014 Omnibus Plan. In addition, if the exercise price or tax withholding requirements related to any award under the 2014 Omnibus Plan or any Prior Plan are satisfied through our withholding of shares of common stock otherwise then deliverable in respect of an award or through actual or constructive transfer to us of shares of common stock already owned, a number of shares of common stock equal to such withheld or transferred shares will again become available for issuance under the 2014 Omnibus Plan.

Shares of common stock covered by awards granted pursuant to the 2014 Omnibus Plan in connection with the assumption, replacement, conversion or adjustment of outstanding equity-based awards in the context of a corporate acquisition or merger will not count as issued under the 2014 Omnibus Plan.

Additionally, the number of shares of common stock that may be covered by incentive stock options may not exceed 10,000,000 shares of common stock in the aggregate. The number of shares of common stock that may be covered by awards (other than stock options or stock appreciation rights) granted under the 2014 Omnibus Plan to any one participant in a single fiscal year may not exceed 750,000 shares in the aggregate, and the number of shares of common stock that may be covered by stock options or stock appreciation rights granted under the 2014 Omnibus Plan to any one participant in a single fiscal year may not exceed 1,500,000 shares in the aggregate.

Eligibility for Participation

The persons eligible to receive awards under the 2014 Omnibus Plan are our employees (including prospective employees who have been offered employment) and those of our subsidiaries as selected by the Committee and the non-employee members of our board of directors as selected by our board of directors.

Cash Incentive Awards

The Committee may grant cash incentive awards. Cash Incentive Awards may be settled in cash or in other property, including shares of our common stock. Cash incentive awards may be designed to qualify as qualified performance-based compensation, where such compensation satisfies the requirements of Section 162(m) of the Code for deductibility of remuneration paid.

Stock Options and Stock Appreciation Rights

The Committee may grant non-qualified stock options and incentive stock options to purchase shares of our common stock. The Committee will determine the number of shares of our common stock subject to each option, the vesting schedule (provided that no option may be exercisable after the expiration of ten years after the date of grant), the method and procedure to exercise vested options, restrictions on transfer of options and any shares of common stock acquired pursuant to the exercise of an option, and the other terms of each option. The exercise price per share of common stock covered by any option may not be less than 100% of the fair market value of a share of common stock on the date of grant.

Additionally, with respect to incentive stock options (within the meaning of Section 422 of the Code), the aggregate fair market value of shares of common stock with respect to incentive stock options that are exercisable for the first time by a participant during any calendar year under the 2014 Omnibus Plan or any of our other stock option plans may not exceed $100,000. To the extent the fair market value of such shares exceeds $100,000, the incentive stock options granted to such participant, to the extent and in the order required by regulations, automatically will be deemed to be non-qualified stock options, but all other terms and provisions of such option will remain unchanged. No incentive stock option may be granted to a 10% stockholder unless the exercise price of the option is at least 110% of the fair market value of a share of common stock at the time such incentive stock option is granted and such incentive stock option is not exercisable after the expiration of five years from the date such incentive stock option is granted.

Other Stock-Based Awards

The Committee may grant other stock, stock-based or stock-related awards in such amounts and subject to such terms and conditions as determined by the Committee. Each such other stock-based award may (i) involve the transfer of actual shares of common stock to the participant, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of shares of common stock, (ii) be subject to performance-based and/or service-based conditions, (iii) be in the form of stock appreciation rights, phantom stock, restricted stock, restricted stock units, performance shares, deferred share units, or share-denominated performance units, (iv) be designed to comply with applicable laws of jurisdictions other than the United States, and (v) be designed to qualify as qualified performance-based compensation under Section 162(m) of the Code; provided, that each award must be denominated in, or must have a value determined by reference to, a number of shares of our common stock that is specified at the time of the grant of such award.

Performance-Based Compensation, Performance Goals and Measures

The Committee may grant performance-based compensation to a participant payable upon the attainment of specific performance goals in an amount permitted by Section 162(m) of the Code. For awards intended to qualify as qualified performance-based compensation under Section 162(m) of the Code, the Committee will determine the performance measures, the level of actual achievement of performance goals and the amount payable with respect to such award in a manner that is consistent with Section 162(m) of the Code. The payment or vesting of any award intended to qualify as qualified performance-based compensation is based upon performance goals which are objective business criteria and otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being substantially uncertain.

The performance goals will relate to one or more of the following performance measures (whether or not in comparison to other peer companies) as determined by the Committee in its sole discretion, which may be determined pursuant to GAAP or on a non-GAAP basis, as determined by the Committee: adjusted net earnings, appreciation in and/or maintenance of the price of common stock (including, without limitation, comparisons with various stock market indices), attainment of strategic and operational initiatives, budget, cash flow (including, without limitation, free cash flow), cost of capital, cost reduction, earnings and earnings growth (including, without limitation, earnings per share, earnings before taxes, earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization), market share, market value added, net income, net sales, net revenue, operating profit and operating income, pretax income before allocation of corporate overhead and bonus, reductions in costs, return on assets and return on net assets, return on equity, return on invested capital, revenues, sales and sales growth, successful acquisition/divestiture, total stockholder return and improvement of stockholder return, gross margin, measures of liquidity or credit metrics, cash flow per share, improvements or attainments of expense levels, or improvements or attainment of working capital levels or debt reduction.

If the Committee determines that a change in the business, operations, corporate structure or capital structure of the company, or the manner in which it conducts its business, or other events or circumstances, render previously established performance measures unsuitable, the Committee may in its discretion modify such performance measures or the related levels of achievement, in whole or in part, as the Committee deems appropriate and equitable, except where such action would result in the loss of qualification of the award as qualified performance-based compensation under Section 162(m) of the Code.

In connection with the setting of the performance goals, the Committee may provide in a manner that meets the requirements of Section 162(m) of the Code for deducibility that any evaluation of performance may include or exclude certain items that may occur during any fiscal year, including, without limitation (i) asset write downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles and practices or other laws or provisions affecting reported results; (iv) any reorganization and restructuring programs; (v) extraordinary nonrecurring items as described in FASB ASC 225-20 Extraordinary and Unusual Items and/or in management s discussion and analysis of financial condition and results of operations appearing in our Annual Report on Form 10-K for the applicable year; (vi) acquisitions or divestitures; and (vii) foreign exchange gains and losses.

Performance goals may relate to individual performance, company performance or business unit performance.

In addition, any performance measure may be used to measure the performance of the company or a subsidiary as a whole or any business unit of the company or a subsidiary or any combination thereof, as the Committee may deem appropriate, or any of the above performance measures as compared to the performance of a group of comparator companies, or a published or special index that the Committee, in its sole discretion, deems appropriate.

The Committee may, in its discretion, reduce or eliminate the amount payable (in a non-uniform manner) to any participant with respect to an award that is intended to qualify as qualified performance-based compensation under Section 162(m) of the Code, based on such factors as the Committee may deem relevant, but the Committee may not increase any such amount above the amount established in accordance with the relevant performance schedule.

Notwithstanding the foregoing, for a limited period following this Offering, we may be able to rely on transitional relief under regulations issued under Section 162(m) of the Code in connection with the grant, vesting and settlement of awards issued under the 2014 Omnibus Plan.

In addition, although the 2014 Omnibus Plan permits the issuance of awards that may be structured to qualify as qualified performance-based compensation under Section 162(m) of the Code, nothing in the 2014 Omnibus Plan or this Registration Statement is intended to guarantee that we will always seek to ensure that awards granted under the 2014 Omnibus Plan do so qualify, and no guarantee can be given that the terms of the 2014 Omnibus Plan do, in fact, comply with the requirements for qualified performance-based compensation as they exist today or as they may change from time to time.

Stockholder Rights

No person will have any rights as a stockholder with respect to any shares of common stock covered by or relating to any award granted pursuant to the 2014 Omnibus Plan until the date of the issuance of a stock certificate with respect to such shares.

Amendment and Termination

Notwithstanding any other provision of the 2014 Omnibus Plan, our board of directors may at any time suspend or discontinue the plan or revise or amend it in any respect whatsoever; provided, however, that to the extent that any applicable law, regulation, or rule of a stock exchange requires stockholder approval for any such revision or amendment to be effective, such revision or amendment will not be effective without such approval.

Transferability

Awards granted under the 2014 Omnibus Plan are generally nontransferable (other than by will or the laws of descent and distribution), except that the Committee may provide for the transferability of nonqualified stock options subject to conditions and limitations as determined by the Committee.

Change in Control

Except as otherwise set forth in a participant s award agreement, in the event a participant has a qualifying termination of employment following a change in control of the company or a change in control of the company in which outstanding awards are not assumed, continued, or substituted by the surviving corporation:

All deferral of settlement, forfeiture conditions and other restrictions applicable to awards granted under the 2014 Omnibus Plan will lapse and such awards will be deemed fully vested as of the time of the change in control transaction without regard to deferral and vesting conditions; and

Any award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested as of the time of the change in control of the company.

For purposes of this provision, a qualifying termination of employment means with respect to a participant, (i) a termination of such participant s employment by the company (and all then-affiliated entities) without cause or by the participant for good reason, (ii) a termination of such participant s employment, prior to the expiration of the awards in accordance with the terms of the 2014 Omnibus Plan and applicable award agreement, by all entities that were, immediately prior to the change in control, affiliated entities and cease, upon the change in control, to be affiliated entities, without cause or by the participant for good reason, or (iii) a termination of such participant s employment in the event of a participant s death or disability, in each case following a change in control of the company.

Sovereign Holdings, Inc. 2007 Management Incentive Plan (as amended April 22, 2010)

On June 11, 2007, our board of directors adopted our 2007 Management Equity Incentive Plan (the 2007 Management Equity Incentive Plan), which permitted the grant of options to purchase shares of our common stock. Our employees, directors, and, in certain instances, other service providers and consultants to us and our affiliates were eligible to receive awards under the 2007 Management Equity Incentive Plan. The exercise price of such stock options must be at least equal to the fair market value of our common stock on the date of grant. Stock options could be granted subject to either time-based or performance-based vesting requirements and were subject to a maximum term of 10 years. Subsequently, our board of directors amended the 2007 Management Equity Incentive Plan on April 22, 2010.

The purpose of the 2007 Management Equity Incentive Plan was to promote our interests and those of our stockholders by providing our key employees and, in certain circumstances, directors, service providers, and consultants, and those of our affiliates with an appropriate incentive to encourage them to continue in our employ or the employ of our affiliates and to improve our growth and profitability. We discontinued use of the 2007 Management Equity Incentive Plan upon the adoption of a new management equity incentive plan in September 2012. All of the shares of our common stock subject to issuance under the 2007 Management Equity Incentive Plan that had not been granted subject to an outstanding equity award were transferred to the new management equity incentive plan.

Sovereign Holdings, Inc. 2012 Management Equity Incentive Plan

On September 14, 2012, our board of directors adopted our 2012 Management Equity Incentive Plan (the 2012 Management Equity Incentive Plan), which permits the grant of equity and equity-based incentive awards, including stock options, restricted stock, restricted stock units and other stock-based awards. Our employees, directors, and independent contractors and those of our subsidiaries and affiliates are eligible to receive awards under the 2012 Management Equity Incentive Plan.

The purpose of the 2012 Management Equity Incentive Plan is to promote our interests and those of our stockholders by providing key employees, directors, and independent contractors with an appropriate incentive to continue in our service and that of our subsidiaries and affiliates and to improve our growth and profitability. The following is a summary of the material terms of the 2012 Management Equity Incentive Plan, but does not include all of the provisions of such plan. For further information about the 2012 Management Equity Incentive Plan, we refer you to the complete text of the 2012 Management Equity Incentive Plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

Administration

The 2012 Management Equity Incentive Plan is administered by our board of directors or such committee as designated by our board of directors (the Committee). Among the Committee s powers under the 2012 Management Equity Incentive Plan are the power to determine those of our employees and independent

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contractors who will be granted awards and the amount, type and other terms and conditions of awards. The Committee may grant awards to the members of our board of directors. The Committee may also prescribe the form of and terms and conditions of any grant agreement evidencing any award; adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the plan; construe and interpret the plan, such rules and regulations and the grant agreements; and make all other determinations necessary or advisable for the administration of the 2012 Management Equity Incentive Plan. Any award, determination, prescription or other act of the Committee is final and conclusively binding upon all persons.

Available Shares

The aggregate number of shares of our common stock which may be issued or transferred pursuant to awards granted under the 2012 Management Equity Incentive Plan may not exceed 1,800,000 shares and any additional shares of our common stock authorized for issuance by our board of directors, which may be either authorized and unissued shares of our common stock or previously-issued shares of our common stock acquired by us, or both. In addition, shares of our common stock that remained available for issuance under the 2007 Management Equity Incentive Plan were also available for issuance under the 2012 Management Equity Incentive Plan.

In general, if awards granted under the 2012 Management Equity Incentive Plan or the 2007 Management Equity Incentive Plan expire or are forfeited, cancelled or terminated without the issuance of shares of our common stock, or are settled for cash in lieu of shares of common stock, or are exchanged for an award not involving shares of common stock, the shares covered by such awards will remain or become available for issuance under the 2012 Management Equity Incentive Plan.

Eligibility for Participation

The persons eligible to receive awards under the 2012 Management Equity Incentive Plan are our employees, directors, and independent contractors of those of our subsidiaries and affiliates as selected by the Committee and our board of directors.

Stock Options

The Committee may grant nonqualified stock options, that is, options that are not intended to qualify as incentive stock options within the meaning of Section 422 of the Code, to purchase shares of our common stock. The Committee determines the number of shares of common stock subject to each option, the vesting schedule (provided that no option may be exercisable after the expiration of ten years after the date of grant), the method and procedure to exercise vested options, restrictions on transfer of options and any shares acquired pursuant to the exercise of an option, and the other terms of each option. The exercise price per share of common stock covered by any option must be at least equal to the fair market value of a share of our common stock on the date of grant.

The Committee will specify in the grant agreement for an option the time or times at which, or the conditions upon which, the option or any portion thereof will become vested and exercisable, provided, however, that no option may be exercisable after the expiration of ten years from the date of grant. Such vesting conditions may relate to service through a specified date, or may be based on the achievement of one or more performance measures, a combination of the foregoing, or such other criteria as the Committee may establish from time to time. Each option will be subject to earlier vesting, expiration, cancellation or termination as provided in the 2012 Management Equity Incentive Plan or in the relevant grant agreement.

In addition, in the event of a qualifying termination of employment following a change in control (as defined in the 2012 Management Equity Incentive Plan) of us, all outstanding options that vest solely based on continued service through a specified date or dates held by a participant will immediately vest and become exercisable as of such qualifying termination of employment following a change in control.

Restricted Stock and Restricted Stock Unit Awards

The Committee may grant restricted stock or restricted stock unit awards for shares of our common stock. The Committee, in its sole discretion, will specify in the grant agreement the time or times at which, or the conditions upon which, an award of restricted stock or a portion thereof will become vested and no longer be forfeitable and the time or times at which, or the conditions upon which, an award of restricted stock units or portion thereof will become vested and settled. As of the applicable vesting date, each restricted stock award, or portion thereof, granted under the 2012 Management Equity Incentive Plan will cease to be subject to forfeiture and all restrictions will lapse and each restricted stock unit award, or portion thereof, will become subject to settlement at the time or times set forth in the relevant grant agreement. Notwithstanding the foregoing, each restricted stock or restricted stock unit award may be subject to earlier vesting, expiration, settlement, cancellation or termination as provided in the 2012 Management Equity Incentive Plan or in the relevant grant agreement.

Subject to the terms of the grant agreement, a participant will be entitled, at all times on and after the date of grant, to exercise all rights of a stockholder with respect to the shares of our common stock subject to a restricted stock award; provided, however, that unless otherwise determined by our board of directors at or after the time of grant, the participant will grant to our board of directors a proxy to vote the shares of restricted stock owned beneficially and of record by the participant in such manner as may be determined by our board of directors in its sole discretion. Subject to the terms of the 2012 Management Equity Incentive Plan, prior to the vesting date of each restricted stock award, or portion thereof, all cash, securities and other property paid or otherwise distributed with respect to the restricted stock award may, at the discretion of our board of directors (i) be paid out to the holders of the restricted stock awards, (ii) be held in custody by us and subject to the same vesting and forfeiture conditions to which the award is subject, as specified in the grant agreement or such other conditions as our board of directors may determine or (iii) be forfeited. For purposes of clarification, participants will not have any voting or dividend rights with respect to shares of our common stock to be issued on vesting and settlement of outstanding restricted stock unit awards unless otherwise determined by the Committee.

Performance-Based Awards

The Committee may from time to time grant awards, including, without limitation, options, restricted stock awards or restricted stock unit awards, where the award or portion thereof will become vested based on the attainment of one or more specified performance measures as established by the Committee and set forth in the participant s grant agreement. At the time a performance award is granted, the Committee, in its sole discretion, will determine and set forth in the relevant grant agreement, (i) the length of the performance period, (ii) the performance measure or measures and (iii) the performance target levels to be achieved during the performance period. If the Committee determines that certain performance measures or performance target levels are unsuitable given a change in our operation or structure, or other events or circumstances, the Committee may, in its discretion, modify such performance measures or performance target levels, in whole or in part, as it deems appropriate.

Other Stock-Based Awards

The Committee may grant other equity-based or equity-related awards in such amounts and subject to such terms and conditions as the Committee may determine. Each such other stock award may (i) involve the transfer of actual shares of our common to the participant, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of the shares of common stock, (ii) be subject to performance-based and/or service-based conditions or (iii) be in the form of stock appreciation rights, phantom stock, performance shares or share-denominated performance units, provided that each other stock-based award will be denominated in, or will have a value determined by reference to, a number of shares of our common stock that is specified at the time of the grant of such award.

Stockholder Rights

Except as otherwise expressly specified in the 2012 Management Equity Incentive Plan or in a grant agreement, no participant will have any rights as a stockholder with respect to any shares of our common stock

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covered by or relating to any award granted pursuant to the 2012 Management Equity Incentive Plan until the date a participant becomes the registered owner of such shares of common stock.

Amendment and Termination

Notwithstanding any other provision of the 2012 Management Equity Incentive Plan, our board of directors may, in its sole discretion, terminate the plan or amend the plan or the terms of any award; provided, however, that any such amendment may not materially impair or adversely affect the participants existing rights under the plan or such award without such participant s written consent.

Transferability

Awards granted under the 2012 Management Equity Incentive Plan are generally nontransferable (other than by will or the laws of descent and distribution); provided, however, that a participant may assign or transfer his or her rights to exercise with respect to any or all of the options held by such participant to: (i) such participant s beneficiaries or estate upon the death of the participant (by will, by the laws of descent and distribution or otherwise) and (ii) subject to the prior written approval by our board of directors and compliance with all applicable tax, securities and other laws, any trust or custodianship created by the participant, the beneficiaries of which may include only the participant, the participant s spouse or the participant s lineal descendants (by blood or adoption).

Travelocity.com LLC Stock Option Grant Agreement with Mr. Klein

On March 23, 2010, our board of directors granted Mr. Klein an option to purchase 350,000 common units of Travelocity.com LLC with an exercise price equal to the fair market value of such units on the date of grant. The exercise price of the stock option increases quarterly at 6.00% per annum until the option has been exercised in full. The initial exercise price of the option was $0.50 per common unit. This stock option expires 10 years from the date of grant.

This stock option vested and became exercisable as to 25% of the common units subject to such option on the first anniversary of the date of grant. Subsequently, this stock option vests and becomes exercisable as to 4.6875% of such units at the end of each successive three-month period, subject to Mr. Klein s continued employment through each vesting date. This stock option was granted with a companion option in respect of shares of our common stock and may only be exercised if the aggregate fair market value of both options is greater than the aggregate exercise price of both options. In this circumstance, the exercisable percentage of the stock option (not to exceed 100%) is calculated as follows: 100 multiplied by the quotient of (A) the aggregate fair market value minus the aggregate exercise price divided by (B) the fair market value minus the exercise price, in each case at the time of determination of the exercisable percentage.

Director Compensation

We have not had a formal compensation program for the non-employee members of our board of directors. Except as set forth in the following table, during Fiscal 2013 we did not pay any compensation to the non-employee members of our board of directors for service on our board of directors.

Fiscal 2013 Director Compensation Table

The following table presents the total compensation for each person who served as a non-employee member of our board of directors during Fiscal 2013. Other than as set forth in the table and described more fully below, in Fiscal

2013 we did not pay any compensation to any person who served as a non-employee member of our board of directors who is affiliated with our Principal Stockholders or any fees to, reimburse any expense of,

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make any equity awards or non-equity awards to, or pay any other compensation to any of the other non-employee members of our board of directors. Mr. Klein, who is our CEO and President, receives no compensation for his service as a director, and is not included in this table. Similarly, Mr. Gilliland received no compensation for his service as a director while he was our CEO. The compensation received by Messrs. Klein and Gilliland as employees is presented in the Fiscal 2013 Summary Compensation Table above.

Director	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)	Option Awards ($)(1)(2)	Total ($)
Lawrence W. Kellner	$ 83,333	$ 2,115,200	$ 758,000	$ 2,956,533
Michael S. Gilliland(3)	$ 68,644			$ 68,644
Karl Peterson				
Gary Kusin				
Timothy Dunn				
Greg Mondre				
Joe Osnoss				

(1) The amounts reported in the Stock Awards and Option Awards columns represent the grant date fair value of the restricted stock unit award for shares of our common stock and the option to purchase shares of our common stock granted to Mr. Kellner during Fiscal 2013, computed in accordance with ASC 718, disregarding the impact of estimated forfeitures. The assumptions used in calculating the grant date fair value of the stock option reported in the Option Awards column are set forth in Note 17, Options and Other Equity-Based Awards, to the audited consolidated financial statements included elsewhere in this prospectus. The amount reported in this column reflects the accounting cost for this stock-based award, and does not correspond to the actual economic value that may be received by him from this award. None of the other non-employee members of our board of directors were granted stock or option awards during Fiscal 2013.

(2) The following table sets forth information on the restricted stock unit award for shares of our common stock and the option to purchase shares of our common stock granted to Mr. Kellner in Fiscal 2013 and the aggregate number of shares of the common stock of Sabre Corporation subject to outstanding stock and option awards held at December 31, 2013 by the non-employee members of our board of directors. Except for Messrs. Kellner and Gilliland, none of the non-employee members of our board of directors held restricted stock unit award for shares of our common stock or options to purchase shares of our common stock as of December 31, 2013.

Director Name	Grant Date	Number of Shares Subject to Stock or Option Award	Grant Date Fair Value of Stock or Option Award	Number of Shares Underlying Stock and Option Awards Held as of December 31, 2013
Lawrence W. Kellner	08/30/2013	160,000	$ 2,115,200	150,000(a)
	08/30/2013	200,000	$ 758,000	200,000(b)
Michael S. Gilliland				(c)
Karl Peterson				

Gary Kusin
Timothy Dunn
Greg Mondre
Joe Osnoss

(a) As of December 31, 2013, this restricted stock unit award for shares of our common stock was unvested as to 150,000 shares of common stock

(b) As of December 31, 2013, this option to purchase shares of our common stock was exercisable as to 12,500 shares of common stock.

(c) Mr. Gilliland s outstanding equity awards as of December 31, 2013 are described in detail under Fiscal 2013 Outstanding Equity Awards at Year-End Table above.

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(3) Upon his retirement as our CEO, Mr. Gilliland agreed to continue to serve as a member of our board of directors. For this service, he is eligible to receive an annual cash retainer in the amount of $250,000 per year, with such payment commencing on September 21, 2013.

The non-employee members of our board of directors are reimbursed for their reasonable travel and other out-of-pocket expenses in attending board of directors and board committee meetings.

New Director Compensation Program

In connection with this offering, our board of directors adopted a formal compensation program for the non-employee members of our board of directors (other than our chairman) who are also not employees of TPG or Silver Lake. This compensation program consists of the following elements:

Type of Compensation	Dollar Value of Board Compensation
Annual Retainer	$75,000, paid quarterly
Audit Committee chairman	additional $20,000 annually
Compensation Committee chairman	additional $10,000 annually
Governance & Nominating Committee chairman	additional $10,000 annually
Audit Committee member	additional $10,000 annually

In addition, the non-employee members of our board of directors are also eligible to receive a one-time restricted stock unit award with a grant date value of $400,000 in connection with their appointment to the board, which vests ratably over four years from the date of grant and, starting on the first anniversary of their service as a non-employee director, an annual restricted stock unit award with a grant date value of $150,000, which will vest in full on the first anniversary of the date of grant. Our current chairman is compensated under a separate program. He receives an annual retainer of $250,000, payable quarterly in arrears and receives no additional fees for being a committee chairman or member. Additionally, he received a restricted stock unit award and option grant when he joined our board of directors in August 2013, which is described in detail under the Fiscal 2013 Director Compensation Table above. Our current chairman will not receive the one-time restricted stock unit award being given to new directors but, in the future, will be eligible for the annual restricted stock unit award with a grant date value of $150,000.

PRINCIPAL STOCKHOLDERS

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof or has the right to acquire such powers within 60 days. Percentage of beneficial ownership is based on 179,131,285 shares of common stock outstanding as of March 31, 2014, and 258,535,164 shares of common stock to be outstanding after the completion of this offering. Except as disclosed in the footnotes to this table and subject to applicable community property laws, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder.

For further information regarding material transactions between us and certain of our stockholders, see Certain Relationships and Related Party Transactions.

The following table sets forth information regarding the beneficial ownership of our common stock as of March 31, 2014 for:

- each person or group who is known by us to own beneficially more than 5% of our outstanding shares of common stock;
- each of our named executive officers;
- each of our directors and each director nominee; and
- all of the executive officers, directors and director nominees as a group.

Unless otherwise noted, the address of each beneficial owner is c/o Sabre Corporation, 3150 Sabre Drive, Southlake, TX 76092.

	Prior to the Redemption				After this Offering			
	Shares of Common Stock Beneficially Owned[(1)]		Shares of Series A Preferred Stock Beneficially Owned[(1)]		Shares of Common Stock Beneficially Owned (if Underwriters do not Exercise their Option to Purchase Additional Shares)[(1)]		Shares of Common Stock Beneficially Owned (if Underwriters Exercise their Option to Purchase Additional Shares)[(1)]	
ame and Address of Beneficial Owner	Number	Percent	Number	Percent	Number	Percent	Number	Percent
% Stockholders:								

PG Funds[2].	80,982,612	45.2%	40,445,053	46.4%	99,650,681	38.5%	99,650,681	37.7%
lver Lake Funds[3].	49,835,474	27.8%	24,889,264	28.6%	61,323,517	23.7%	61,323,517	23.2%
overeign Co-Invest, LLC[4]	41,819,521	23.3%	20,886,428	24.0%	51,459,990	19.9%	51,459,990	19.5%
amed Executive Officers and irectors:								
homas Klein[5]	1,884,077	1.0%	82,554	*	1,922,181	*	1,922,181	*
arl Sparks[6]	298,775	*			298,755	*	298,755	*
eborah Kerr[7]	184,233	*			184,233	*	184,233	*
ichard Simonson[8]	198,002	*			198,002	*	198,002	*
Villiam G. Robinson	17,966	*			17,966	*	17,966	*
imothy Dunn								
ark Miller[9]	908,577	*	7,951	*	912,246	*	912,246	*
ary Kusin[10]								
reg Mondre[11]								
udy Odom								
oseph Osnoss[12]								
arl Peterson[13]								
ichael S. Gilliland[14]	4,295,424	2.3%	317,520	*	4,441,980	1.7%	4,441,980	1.7%
awrence W. Kellner[15]	67,500	*			67,500	*	67,500	*
ll Executive Officers and Directors as a roup (16 Persons)[16]	5,403,594	2.9%	157,249	*	5,476,173	2.1%	5,476,173	2.0%

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* Represents beneficial ownership of less than 1%

(1) Shares shown in the table above include shares held in the beneficial owner s name or jointly with others, or in the name of a bank, nominee or trustee for the beneficial owner s account. An aggregate of 40,203,879 shares of our common stock will be issued in the Redemption in payment of the related redemption price plus accumulated but unpaid dividends as of March 31, 2014. The common stock delivered in the Redemption will be valued at the initial public offering price and will also reflect shares of our common stock to be issued in satisfaction of dividends that accrue on or after April 1, 2014 and to, but excluding, the closing date of this offering.

(2) The TPG Funds hold an aggregate of 80,982,612 shares of common stock and 40,445,053 shares of Series A Preferred Stock (collectively, the TPG Shares) consisting of: (a) 6,229,261 shares of common stock and 3,111,155 shares of Series A Preferred Stock held by TPG Partners IV, a Delaware limited partnership, (b) 74,401,815 shares of common stock and 37,158,326 shares of Series A Preferred Stock held by TPG Partners V, a Delaware limited partnership, (c) 194,596 shares of common stock and 97,189 shares of Series A Preferred Stock held by TPG FOF V-A, a Delaware limited partnership, and (d) 156,940 shares of common stock and 78,383 shares of Series A Preferred Stock held by TPG FOF V-B, a Delaware limited partnership. The general partner of TPG Partners IV is TPG GenPar IV, L.P., a Delaware limited partnership, whose general partner is TPG GenPar IV Advisors, LLC, a Delaware limited liability company, whose sole member is TPG Holdings I, L.P., a Delaware limited partnership (Holdings I). The general partner of each of TPG Partners V, TPG FOF V-A and TPG FOF V-B is TPG GenPar V, L.P., a Delaware limited partnership, whose general partner is TPG GenPar V Advisors, LLC, a Delaware limited liability company, whose sole members is Holdings I. The general partner of Holdings I is TPG Holdings I-A, LLC, a Delaware limited liability company, whose sole member is TPG Group Holdings (SBS), L.P., a Delaware limited partnership, whose general partner is TPG Group Holdings (SBS) Advisors, Inc., a Delaware corporation (Group Advisors). David Bonderman and James G. Coulter are officers and sole shareholders of Group Advisors and may therefore be deemed to be the beneficial owners of the TPG Shares. The address of each of Group Advisors and Messrs. Bonderman and Coulter is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102.

(3) The Silver Lake Funds hold an aggregate of 49,835,474 shares of common stock and 24,889,264 shares of Series A Preferred Stock (collectively, the Silver Lake Shares) consisting of: (a) 49,632,664 shares of common stock and 24,787,972 shares of Series A Preferred Stock held by Silver Lake Partners II, L.P., a Delaware limited partnership, and (b) 202,810 shares of common stock and 101,292 shares of Series A Preferred Stock held by Silver Lake Technology Investors II, L.P., a Delaware limited partnership. The general partner of Silver Lake Partners II, L.P. and Silver Lake Technology Investors II, L.P. is Silver Lake Technology Associates II, L.L.C., a Delaware limited liability company, whose managing member is Silver Lake Group, L.L.C., a Delaware limited liability company. The managing members of Silver Lake Group, L.L.C. are Michael Bingle, James Davidson, Egon Durban, Kenneth Hao and Greg Mondre. The address for Messrs. Bingle and Mondre is c/o Silver Lake, 9 West 57th Street, 32nd Floor, New York, NY 10019. The address for Messrs. Davidson, Durban and Hao, the Silver Lake Funds and their direct and indirect general partners is c/o Silver Lake, 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025.

(4) Sovereign Co-Invest, LLC, a Delaware limited liability company (Sovereign Co-Invest), holds 41,819,521 shares of common stock and 20,886,428 shares of Series A Preferred Stock (collectively, the Co-Invest Shares), which is managed by a Management Committee consisting of one manager designated by Silver Lake Partners II, L.P. and one manager designated by TPG GenPar V, L.P. Greg Mondre has been designated by Silver Lake Partners II, L.P., and Karl Peterson has been designated by TPG GenPar V, L.P. The managing member of Sovereign Co-Invest, LLC is Sovereign Manager Co-Invest, LLC, a Delaware limited liability company. The members of Sovereign Manager Co-Invest, LLC are TPG GenPar V, L.P. and Silver Lake Partners II, L.P. The address of Sovereign Co-Invest is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102.

(5)

Includes 1,692,592 shares of common stock underlying options that are currently exercisable or exercisable within 60 days of March 31, 2014 for shares of common stock.

(6) Does not include time-based restricted stock units with a value equal to $520,000 that will vest within 60 days of March 31, 2014. These restricted stock units may be settled in shares of common stock or the prescribed cash amount. If settled in shares, the number of shares of our common stock to be delivered upon the vesting date will be determined by dividing the prescribed amount by the current fair market value of the shares of our common stock on the vesting date, with any residual value to be delivered in cash.

(7) Includes 150,000 shares of common stock underlying options that are currently exercisable or exercisable within 60 days of March 31, 2014 for shares of common stock.

(8) Includes 150,000 shares of common stock underlying options that are currently exercisable or exercisable within 60 days of March 31, 2014 for shares of common stock.

(9) Includes 892,657 shares of common stock underlying options that are currently exercisable or exercisable within 60 days of March 31, 2014 for shares of common stock.

(10) Gary Kusin, who is one of our directors, is a TPG senior advisor. Mr. Kusin has no voting or investment power over and disclaims beneficial ownership of the TPG Shares. The address of Mr. Kusin is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102.

(11) Greg Mondre, who is one of our directors, is a Managing Partner and Managing Director of Silver Lake. Mr. Mondre has no voting or investment power over, and disclaims beneficial ownership of, the Silver Lake Shares. The address for Mr. Mondre is c/o Silver Lake, 9 West 57th Street, 32nd Floor, New York, NY 10019.

(12) Joseph Osnoss, who is one of our directors, is a Managing Director of Silver Lake. Mr. Osnoss has no voting or investment power over, and disclaims beneficial ownership of, the Silver Lake Shares. The address for Mr. Osnoss is c/o Silver Lake, Broadbent House, 65 Grosvenor Street, London W1K 3JH, United Kingdom.

(13) Karl Peterson, who is one of our directors, is a TPG Partner. Mr. Peterson has no voting or investment power over and disclaims beneficial ownership of the TPG Shares. The address of Mr. Peterson is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102.

(14) Includes 3,659,675 shares of common stock underlying options that are currently exercisable or exercisable within 60 days of March 31, 2014 for shares of common stock.

(15) Includes 37,500 shares of common stock underlying options that are currently exercisable or exercisable within 60 days of March 31, 2014 for shares of common stock.

(16) Includes 4,618,422 shares of common stock underlying options that are currently exercisable or exercisable within 60 days of March 31, 2014 for shares of common stock.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of material provisions of various transactions we have entered into with our executive officers, board members or 5% or greater stockholders and their affiliates since January 1, 2011. We believe the terms and conditions in these agreements are reasonable and customary for transactions of these types.

In connection with this offering, we have adopted a written related party transaction policy. Pursuant to this policy, the audit committee of the board of directors will be responsible for evaluating each related party transaction and determining whether the transaction is fair, reasonable and within our policy, and whether it should be ratified or approved. The audit committee, in evaluating a transaction, will consider various factors, including the benefit of the transaction to us, the terms of the transaction and whether they are at arm s-length and in the ordinary course of our business, the direct or indirect nature of the related party s interest in the transaction, the size and expected term of the transaction and other facts and circumstances that bear on the materiality of the related party transaction under applicable law and listing standards. If less than a majority of the members of the audit committee is qualified to ratify or approve a transaction, the audit committee will submit the transaction to the disinterested directors of the board of directors, who will apply the same factors to evaluate, ratify or approve the transaction. The audit committee will review, at least annually, a summary of our transactions with our directors and officers and with firms that employ our directors, as well as any other related party transactions.

We did not have a written policy regarding the review and approval of related person transactions immediately prior to this offering. Nevertheless, with respect to such transactions, it was our policy for our board of directors to consider the nature of and business reason for such transactions, how the terms of such transactions compared to those which might be obtained from unaffiliated third parties and whether such transactions were otherwise fair to and in the best interests of, or not contrary to, our best interests.

Stockholders Agreement

On March 30, 2007, we entered into a Stockholders Agreement with the Silver Lake Funds, the TPG Funds and the Sovereign Co-Invest, which will be amended and restated in connection with the completion of this offering.

The Stockholders Agreement will provide that the Silver Lake Funds and the TPG Funds will have certain nomination rights to designate candidates for nomination to our board of directors and, subject to any restrictions under applicable law or the NASDAQ rules, the ability to appoint members to each board committee.

As set forth in the Stockholders Agreement, for so long as the Silver Lake Funds collectively own at least 22 million shares of our common stock, they will be entitled to designate for nomination two of the seats on our board of directors. Thereafter, the Silver Lake Funds will be entitled to designate for nomination one director so long as they own at least 7 million shares of our common stock. Further, for so long as the TPG Funds collectively own at least 44 million shares of our common stock, they will be entitled to designate for nomination three of the seats on our board of directors. When the TPG Funds collectively own less than 22 million shares of our common stock, but at least 7 million shares of our common stock, the TPG Funds will be entitled to designate for nomination two directors. Thereafter, the TPG Funds will be entitled to designate for nomination one director so long as they own at least 7 million shares of our common stock.

In addition, the Silver Lake Funds and the TPG Funds also jointly have the right to designate for nomination one additional director (the Joint Designee), who must qualify as independent under the NASDAQ rules and must meet the independence requirements of Rule 10A-3 of the Exchange Act, so long as they collectively own at least 10% of their collective share of our common stock held by them at the closing of this offering (the Closing Date Shares).

However, if the Silver Lake Funds and the TPG Funds collectively own at least 10% of their collective Closing Date Shares and either individually owns less than 5% of its individual Closing Date Shares, then the Joint Designee shall be designated for nomination solely by the entity that owns more than 5% of its individual Closing Date Shares.

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We are required, to the extent permitted by applicable law, to take all necessary action (as defined in the Stockholders Agreement) to cause the board of directors and the governance and nominating committee to include such persons designated by the Silver Lake Funds or the TPG Funds, as applicable, in the slate of director nominees recommended by the board of directors for election by the stockholders and solicit proxies and consents in favor of such director nominees. Subject to the terms of the Stockholders Agreement, each Principal Stockholder agrees to vote its shares in favor of the election of the director nominees designated by the Silver Lake Funds and the TPG Funds.

In accordance with the Stockholders Agreement, the TPG Funds have appointed Mr. Dunn, Mr. Kusin and Mr. Peterson to our board of directors and the Silver Lake Funds has appointed Mr. Mondre and Mr. Osnoss to our board of directors.

In addition, the Stockholders Agreement will contain agreements among the parties, including with respect to transfer restrictions, tag-along rights, drag-along rights and rights of first refusal. The Stockholders Agreement also will provide that, so long as the Silver Lake Funds and the TPG Funds collectively own at least 40% of their collective Closing Date Shares, approval of at least a majority of the board of directors, including at least one director nominated for designation by the Silver Lake Funds and one director nominated by the TPG Funds must be obtained before we are permitted to take any of the following actions:

- any merger, consolidation or sale of all or substantially all of the assets of the company or any of its subsidiaries;
- any voluntary liquidation, winding up or dissolution of the company or any of its subsidiaries or the initiation of any actions related to a voluntary bankruptcy, reorganization or recapitalization of the company or any of its subsidiaries;
- acquisitions or dispositions, or a related series of acquisitions or dispositions, of assets with a value in excess of $50 million or the entering into of a joint venture requiring a capital contribution in excess of $50 million by either the company or any of its subsidiaries;
- any fundamental change in the company s or its subsidiaries existing lines of business or the entry by the company or any of its subsidiaries into a new significant line of business;
- any amendment to the Certificate of Incorporation or Bylaws of the company or Sabre Holdings;
- incurrence by the company or any of its subsidiaries of any indebtedness or derivatives liability, or any series of indebtedness or derivative liabilities in an aggregate amount in excess of $150 million or amending in any material respect the terms of existing or future indebtedness or derivatives liability in excess of $150 million; and
- hiring and termination of our CEO.

In the case of a vacancy on our board of directors created by the removal or resignation of a director designated by the Silver Lake Funds or the TPG Funds, as applicable, the Stockholders Agreement will require us to nominate an individual designated by such entity for election to fill the vacancy.

Registration Rights Agreement

On March 30, 2007, we entered into a registration rights agreement with the TPG Funds, the Silver Lake Funds and the Sovereign Co-Invest, which will be amended and restated in connection with the completion of this offering. This registration rights agreement will provide the Silver Lake Funds and the TPG Funds with demand and shelf registration rights following the expiration of the 180-day lock-up period and the Sovereign Co-Invest with the right to participate in such demand and shelf registrations. In addition, the registration rights agreement also will provide the Principal Stockholders with piggyback registration rights on any registration statement, other than on Forms S-4, S-8 or any other successor form, to be filed by the company. These registration rights are subject to certain conditions and limitations, including the right of the underwriters to limit the number of shares to be included in a registration statement and our right to delay a registration statement under certain circumstances.

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Under the registration rights agreement, we will agree to pay certain expenses related to any such registration to indemnify the Principal Stockholders against certain liabilities that may arise under the Securities Act.

Directors

Prior to our initial public offering, our directors (other than Messrs. Kellner and Kusin and Ms. Odom) were not compensated for their services as directors. For additional information on the compensation provided to our board of directors, see Compensation Discussion and Analysis Director Compensation.

Management Services Agreement

On March 30, 2007, we entered into an MSA with affiliates of TPG and Silver Lake (the Managers) to provide us with management, advisory and consulting services. Pursuant to the MSA, we have been required to pay to the Managers management fees, payable quarterly in arrears, totaling to between \$5 million to \$7 million per year, the actual amount of which is calculated based upon 1% of Adjusted EBITDA, as defined in the MSA, earned by the company in such fiscal year up to a maximum of \$7 million. During the years ended December 31, 2013, 2012 and 2011, the annual management fee paid to the Managers was \$7 million, \$7 million and \$7 million, respectively. Additionally, we reimburse the Managers for all out-of-pocket expenses incurred by them or their affiliates in connection with services provided to us pursuant to the MSA. For the years ended December 31, 2013 and 2012 the amount reimbursed in expenses was \$2 million and \$1 million, respectively. For the year ended December 31, 2011, the amount reimbursed in expenses was not material. In connection with the completion of this offering, the Managers are entitled to a fee payable pursuant to the MSA in an amount equal to, in the aggregate, \$21 million plus other unpaid fees and expenses and, thereafter, the MSA will be terminated. The MSA includes customary exculpation and indemnification provisions in favor of the affiliates of TPG and Silver Lake.

Management Stockholders Agreement

We and certain stockholders, including certain executive officers and directors, have entered into a management stockholders agreement (the Management Stockholders Agreement). The Management Stockholders Agreement contains certain agreements among the parties including with respect to call rights in certain specified situations for shares of common stock then-currently owned, drag along rights and tag along rights. Pursuant to the Management Stockholders Agreement, certain stockholders, which group of stockholders excludes our Principal Stockholders, have also agreed not to transfer, sell, assign, pledge, hypothecate or encumber any of the shares of common stock then-currently owned by such stockholder (which can be waived by us at our option at any time), subject to certain limited exceptions, at any time prior to the termination of such Management Stockholders Agreement. In addition, the Management Stockholders Agreement provides these investors with piggyback registration rights to participate on a pro rata basis in any registered offering in which the TPG Funds or the Silver Lake Funds are registering shares of common stock. Except with respect to the piggyback registration rights described immediately prior, the Management Stockholders Agreement terminates if our common stock is registered and if at least 20% of our total outstanding common stock trades regularly in, on or through the facilities of a securities exchange and/or inter-dealer quotation system or any designated offshore securities market, which conditions are not expected to be met in connection with the completion of this offering. If the Management Stockholders Agreement does not terminate, the transfer restrictions contained therein would continue to be applicable.

Tax Receivable Agreement

Following our initial public offering, we expect to be able to utilize the Pre-IPO Tax Assets, which arose prior to the initial public offering and are therefore attributable to our Existing Stockholders. These Pre-IPO Tax Assets will reduce the amount of tax that we and our subsidiaries would otherwise be required to pay in the future. See Risk Factors We will be required to pay our Existing Stockholders 85% of certain tax benefits related to Pre-IPO Tax Assets, and could be required to make substantial cash payments in which the stockholders purchasing shares in this offering will not participate.

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Immediately prior to the completion of this offer, we will enter into the TRA, and thereby distribute to our Existing Stockholders the right to receive payment by us of 85% of the amount of cash savings, if any, in U.S. federal income tax that we and our subsidiaries realize (or are deemed to realize in the case of a change of control or certain other transactions, as discussed below) as a result of the utilization of our and our subsidiaries Pre-IPO Tax Assets. In addition, we will pay interest on the payments we will make to the Existing Shareholders with respect to the amount of this cash savings from the due date (without extensions) of our tax return where we realize this savings to the payment date at a rate equal to LIBOR plus 1.00% per annum. Different timing rules will apply to payments under the TRA to be made to Award Holders. Such payments will generally be deemed invested in a notional account rather than made on the scheduled payment dates, and the account will be distributed on the fifth anniversary of the initial public offering, together with an amount equal to the net present value of such Award Holder s future expected payments, if any, under the TRA. Moreover, payments to holders of stock options that are unvested prior to the completion of this offering will be subject to vesting on the same schedule as such holder s unvested stock options.

For purposes of the TRA, cash savings in income tax are computed by reference to the reduction in the liability for income taxes resulting from the utilization of the tax benefits subject to the TRA. The term of the TRA will commence upon consummation of our initial public offering and will continue until there is no potential for any future tax benefit payments.

Our counterparties under the TRA will not reimburse us for any payments previously made if such tax benefits are subsequently disallowed (although future payments would be adjusted to the extent possible to reflect the result of such disallowance). As a result, in such circumstances we could make payments under the TRA that are greater than our actual cash tax savings.

While the actual amount and timing of any payments under the TRA will vary depending upon a number of factors, including the amount and timing of the taxable income we and our subsidiaries generate in the future, and our and our subsidiaries use of Pre-IPO Tax Assets, we expect that, during the term of the TRA, the payments that we may make could be material. Based on current tax laws and assuming that we and our subsidiaries earn sufficient taxable income to realize the full tax benefits subject to the TRA, (i) we expect that payments under the TRA relating to the Pre-IPO Tax Assets could aggregate to approximately $330 million to $380 million over the next six years (assuming no changes in current limitations on our ability to utilize our NOLs under Section 382 of the Code), which we estimate will represent approximately 85% to 95% of the total payments we will be required to make under the TRA and (ii) we do not expect material payments to occur before 2016.

Upon the effective date of the TRA, we expect to recognize a liability of between $310 million and $350 million (after considering the valuation allowance of approximately $72 million recorded against the Pre-IPO Tax Assets) for the payments to be made under the TRA, which will be accounted for as a reduction of additional paid-in capital on our consolidated balance sheet. Any future changes in the utility of the Pre-IPO Tax Assets will impact the amount of the liability that will be paid to our Existing Stockholders. Changes in the utility of these Pre-IPO Tax Assets will be recorded in income tax expense (benefit) and any changes in the obligation under the TRA will be recorded in other income (expense). We plan to use cash flow from operations and availability under our credit facilities to fund this obligation.

If we undergo a Change of Control, the TRA will terminate and we will be required to make a payment equal to the present value of future payments under the TRA, which payment would be based on certain assumptions, including those relating to our and our subsidiaries future taxable income. Additionally, if we sell or otherwise dispose of any of our subsidiaries in a transaction that is not a Change of Control, we will be required to make a payment equal to the present value of future payments under the TRA attributable to the Pre-IPO Tax Assets of such subsidiary that is sold or disposed of, applying the assumptions described above.

The TRA provides that in the event that we breach any of our material obligations under it, whether as a result of our failure to make any payment when due (subject to a specified cure period), failure to honor any other material obligation under it or by operation of law as a result of the rejection of it in a case commenced under the United States Bankruptcy Code or otherwise, then all our payment and other obligations under the TRA will be accelerated and will become due and payable applying the same assumptions described above. Such payments could be substantial and could exceed our actual cash tax savings under the TRA.

Certain transactions by the company could cause it to recognize taxable income (possibly material amounts of income) without a current receipt of cash. Payments under the TRA with respect to such taxable income would cause a net reduction in our available cash. For example, transactions giving rise to cancellation of debt income, the accrual of income from original issue discount or deferred payments, a triggering event requiring the recapture of dual consolidated losses, or Subpart F income would each produce income with no corresponding increase in cash. In these cases, we may use some of the Pre-IPO Tax Assets to offset income from these transaction and, under the TRA, would be required to make a payment to our Existing Stockholders even though we receive no cash from such income.

Because we are a holding company with no operations of our own, our ability to make payments under the TRA is dependent on the ability of our subsidiaries to make distributions to us. To the extent that we are unable to make payments under the TRA for specified reasons, such payments will be deferred and will accrue interest at a rate of LIBOR plus 1.00% per annum until paid.

In the event that any determinations must be made under or any dispute arises involving the TRA, the Existing Stockholders will be represented by a shareholder representative that is an entity controlled by the TPG Funds and the Silver Lake Funds. In any such instance, should any representatives of the TPG Funds and the Silver Lake Funds then be serving on our board of directors, such directors will be excluded from decisions of the board related to the relevant determination or dispute.

The TRA is filed as an exhibit to the registration statement of which this prospectus forms a part, and the foregoing description of the TRA is qualified by a reference thereto.

Abacus

In February 1998, we acquired a 35% interest in Abacus, which is a joint venture between Sabre and Abacus International Holdings, a consortium of eleven Asian airlines. Abacus distributes a GDS in Asia, using GDS technology that we license to Abacus for its exclusive use in Asia. We also operate that GDS technology, and perform associated applications maintenance and development services, on behalf of Abacus. Our related party transactions with Abacus are summarized and presented in the table below.

	Year Ended December 31,		
	2013	**2012**	**2011**
	(Amounts in thousands)		
Revenue earned from Abacus	$ 91,998	$ 71,957	$ 52,073

	December 31,	
	2013	**2012**
	(Amounts in thousands)	
Receivable from Abacus	$ 29,377	$ 13,939
Payable to Abacus for Economic Benefit Transfer	(8,648)	(8,452)
	(2,571)	(2,571)

Current deferred revenue related to Abacus data processing		
Long-term deferred revenue related to Abacus data processing	(12,857)	(15,428)
Related party receivable (liability), net	$ 5,301	$ (12,512)

For additional information on our related party transactions with Abacus, see Note 6, Equity Method Investments, to our audited consolidated financial statements.

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Certain Relationships

From time to time, we do business with other companies affiliated with the Principal Stockholders. We believe that all such arrangements have been entered into in the ordinary course of business and have been conducted on an arms-length basis.

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DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of our third amended and restated certificate of incorporation (the Certificate of Incorporation) and second amended and restated bylaws (the Bylaws) as they are in effect upon completion of this offering. This description may not contain all of the information that is important to you. To understand them fully, you should read our Certificate of Incorporation and Bylaws, copies of which are filed with the SEC as exhibits to the registration statement of which this prospectus is a part, as well as the relevant portions of the Delaware General Corporation Law, as amended (DGCL).

For purposes of calculating the Principal Stockholders share ownership thresholds described under Anti-Takeover Effects of Provisions of Our Certificate of Incorporation and Our Bylaws , the shares of common stock owned by the Sovereign Co-Invest will be deemed to be owned by the Principal Stockholders for purposes of such calculations so long as these shares are owned directly by the Sovereign Co-Invest or the managing member of the Sovereign Co-Invest has been granted a proxy for purposes of voting such shares.

Common Stock

General. Our Certificate of Incorporation will authorize the issuance of up to 1 billion shares of common stock, par value $0.01. On March 31, 2014, there were 179,131,285 shares of common stock outstanding. After this offering, there will be 258,535,164 shares of our common stock outstanding, or 264,415,164 shares if the underwriters exercise their option to purchase additional shares in full. None of our outstanding common stock has been designated as non-voting.

Voting Rights. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Except for the election of directors, if a quorum is present, an action on a matter is approved if the votes cast favoring the action or matter exceed the votes cast against the action or matter, unless the vote of a greater number is required by applicable law, the DGCL, our Certificate of Incorporation or our Bylaws. The election of directors will be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes cast, even if less than a majority, will be elected. The rights, preferences and privileges of holders of common stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Dividends. Subject to preferences of our outstanding Series A Preferred Stock, which will be redeemed in the Redemption prior to the closing of this offering, and which may be applicable to any other then outstanding preferred stock, holders of our common stock are entitled to receive ratably those dividends, if any, as may be declared by the board of directors out of legally available funds.

Liquidation, Dissolution, and Winding Up. Upon our liquidation, dissolution or winding up, the holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the prior rights of any preferred stock then outstanding, including, currently, the Series A Preferred Stock, which will be redeemed in the Redemption prior to the closing of this offering.

Preemptive Rights. Holders of our common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking funds provisions applicable to our common stock.

Assessment. All outstanding shares of our common stock are, and the shares of our common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

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Preferred Stock

Our Certificate of Incorporation will authorize the issuance of up to 225 million shares of preferred stock. Prior to the consummation of this offering, there were 87,184,179 shares of Series A Preferred Stock outstanding as of December 31, 2013, which will be redeemed in the Redemption prior to the closing of this offering.

Under our Certificate of Incorporation, our board of directors may issue additional shares of preferred stock, without stockholder approval, in such series and with such designations, preferences, conversion or other rights, powers, including voting powers, and qualifications, limitations or restrictions thereof, as the board of directors deems appropriate. While the board of directors has no current intention of doing so, it could, without stockholder approval, issue shares of preferred stock with voting, conversion and other rights that could adversely affect the voting power and impact other rights of the holders of the common stock. Our board of directors may issue shares of preferred stock as an anti-takeover measure without any further action by the holders of common stock. This may have the effect of delaying, deferring or preventing a change of control of our company by increasing the number of shares necessary to gain control of the company. Except as described below with respect to the Series A Preferred Stock, our board of directors has not authorized the issuance of any shares of preferred stock, and we have no agreements or current plans for the issuance of any shares of preferred stock.

Series A Preferred Stock

As of December 31, 2013, there were 87,184,179 shares of our Series A Preferred Stock, par value $0.01 per share outstanding. Holders of the Series A Preferred Stock have no voting rights except with respect to the creation of any class or series of capital stock having any preference or priority over the Series A Preferred Stock or the amendment or repeal of any provision of the constituent documents of the company that adversely changes the powers, preferences or special rights of the Series A Preferred Stock.

Each share of Series A Preferred Stock accumulates dividends at a rate of 6% per annum. Accumulated but unpaid dividends on the Series A Preferred Stock amounted to $134 million and $97 million at December 31, 2013 and December 31, 2012, respectively. No dividend or distribution can be declared or paid with respect of the common stock or any other series of preferred stock that does not expressly provide that it ranks senior or pari passu with the Series A Preferred Stock, and we cannot redeem, purchase, acquire, or retire for value the common stock or any other series of preferred stock that does not expressly provide that it ranks senior or pari passu with the Series A Preferred Stock, and we cannot redeem, unless and until the full amount of any unpaid dividends accrued on the Series A Preferred Stock has been paid or contemporaneously declared and paid.

Holders of the Series A Preferred Stock have the right to require us to repurchase each of their shares of Series A Preferred Stock for cash in an amount equal to the stated value per share plus accrued and unpaid dividends upon the occurrence of certain specified liquidation events, including the first underwritten public offering and sale of equity securities of the company for cash. For a further description of the liquidity events, see Note 15, Redeemable Preferred Stock, to our audited consolidated financial statements included elsewhere in this prospectus.

In addition, following an amendment to our Certificate of Incorporation, we will have the right, at our option, at any time, to redeem all or part of the Series A Preferred Stock in cash or common stock, or any combination thereof. As of March 31, 2014, the stated value was $501 million in the aggregate or $5.75 per share of Series A Preferred Stock, and accrued and unpaid dividends were approximately $143 million in the aggregate or approximately $1.64 per share of Series A Preferred Stock (the stated value together with accrued and unpaid dividends, the Redemption Value). The actual number of shares issued in the Redemption will be based on the accumulated dividends through the redemption date. Any common stock delivered in connection with a redemption shall be valued at fair market value, as determined by our Board of Directors, except that any shares issued at the time of the closing of an initial public offering shall be presumed to be valued at the initial offering price to the public.

Prior to the closing of this offering, we will exercise our right to redeem all of our Series A Preferred Stock. The redemption price will be paid with shares of our common stock, which we will deliver pro rata to the holders thereof concurrently with the closing of this offering. Upon the closing of this offering, we will deliver 40,203,879 shares of our common stock in payment of the related redemption price plus accumulated but unpaid dividends as of March 31, 2014. The common stock delivered in the Redemption will be valued at the initial public offering price and will also reflect shares of our common stock to be issued in satisfaction of dividends that accrue on or after April 1, 2014 and to, but excluding, the closing date of this offering.

The Redemption of the Series A Preferred Stock will simplify our capital structure by leaving only one class of capital stock our common stock outstanding following the closing of this offering.

Anti-Takeover Effects of Provisions of Our Certificate of Incorporation and Our Bylaws

After the completion of this offering, our Certificate of Incorporation and our Bylaws will contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with the board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they may also discourage acquisitions that some stockholders may favor. These provisions include:

Classified Board. Our Certificate of Incorporation will provide that our board of directors will be divided into three classes of directors, with the classes as nearly equal in number as possible. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors has the effect of making it more difficult for stockholders to change the composition of our board. Our Certificate of Incorporation will also provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed exclusively pursuant to a resolution adopted by the board of directors, provided that, the board of directors shall consist of not fewer than five directors, nor more than eleven directors; provided, however, prior to the time when the Principal Stockholders beneficially own, collectively, less than 40% of the outstanding shares of our common stock, the board of directors shall not consist of more than nine directors. Our board of directors will initially have eight directors.

Authorized but Unissued or Undesignated Capital Stock. Our authorized capital stock will consist of 1 billion shares of common stock and, following the Redemption of our Series A Preferred Stock, 225 million shares of preferred stock. A large quantity of authorized but unissued shares may deter potential takeover attempts because of the ability of our board of directors to authorize the issuance of some or all of these shares to a friendly party, or to the public, which would make it more difficult for a potential acquirer to obtain control of us. This possibility may encourage persons seeking to acquire control of us to negotiate first with our board of directors. The authorized but unissued stock may be issued by the board of directors in one or more transactions. In this regard, our Certificate of Incorporation will grant the board of directors broad power to establish the rights and preferences of authorized and unissued preferred stock. The issuance of shares of preferred stock pursuant to the board of directors authority described above could decrease the amount of earnings and assets available for distribution to holders of common stock and adversely affect the rights and powers, including voting rights, of such holders and may have the effect of delaying, deferring or preventing a change of control. The preferred stock could also be used in connection with the issuance of a shareholder rights plan, sometimes referred to as a poison pill. Our board of directors is able to implement a shareholder rights plan without further action by our stockholders. The board of directors does not currently intend to seek stockholder approval prior to any issuance of preferred stock, unless otherwise required by law.

Action by Written Consent. Our Certificate of Incorporation will provide that stockholder action can be taken only at an annual meeting or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting once the Principal Stockholders cease to beneficially own, collectively, more than 40% of the outstanding shares of our common stock.

Special Meetings of *Stockholders*. Our Certificate of Incorporation will provide that special meetings of our stockholders may be called only by our board of directors or the chairman of the board of directors; provided, however, at any time when the Principal Stockholders beneficially owns, collectively, at least 40% of the outstanding shares of our common stock, special meetings of our stockholders may also be called by the board of directors, the chairman of the board of directors or the board of directors or the chairman of the board at the request of either the Silver Lake Funds or the TPG Funds. Our Bylaws will prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

Advance Notice Procedures. Our Bylaws will establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors. In order for any matter to be properly brought before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder s notice must be received at our principal executive offices not earlier than the opening of business 120 days prior, and not later than the close of business 90 days before, the first anniversary date of the immediately preceding annual meeting of stockholders. Our Bylaws will also specify requirements as to the form and content of a stockholder s notice. Under our Bylaws, the board of directors may adopt by resolution the rules and regulations for the conduct of meetings. These advance notice provisions will not apply to the Silver Lake Funds or the TPG Funds so long as the Stockholders Agreement remains in effect. Except to the extent inconsistent with such rules and regulations adopted by the board of directors, the chairman of the meeting of stockholders shall have the right to adopt rules and regulations for the conduct of meetings, which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer s own slate of directors or otherwise attempting to influence or obtain control of us.

Super Majority Approval Requirements. Our Certificate of Incorporation and Bylaws will provide that the board of directors is expressly authorized to adopt, make, alter, amend or repeal our Bylaws without a stockholder vote in any matter not inconsistent with the laws of the state of Delaware. For as long as the Principal Stockholders beneficially own, collectively, at least 40% of the outstanding shares of our common stock, any adoption, alteration, amendment or repeal of our Bylaws by our stockholders requires the affirmative vote of the holders of a majority of the voting power of our outstanding common stock. At any time when the Principal Stockholders beneficially own, collectively, less than 40% of the outstanding shares of our common stock, any adoption, alteration, amendment, or repeal of our Bylaws by our stockholders requires the affirmative vote of holders of at least 75% of the voting power of our outstanding common stock.

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares then entitled to vote is required to amend a corporation s certificate of incorporation, unless the certificate of incorporation requires a greater percentage. Our Certificate of Incorporation will provide that at any time when the Principal Stockholders beneficially own, collectively, less than 40% of the outstanding shares of our common stock, certain specified provisions in our Certificate of Incorporation, including those relating to actions by written consent of stockholders, calling of special meetings by stockholders, a classified board, the requirements for the number and removal of directors and amendment of the Certificate of Incorporation and Bylaws, may be amended only by a vote of at least 75% of the voting power of our outstanding common stock.

The combination of the classification of our board of directors, the lack of cumulative voting and the supermajority voting requirements will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management.

These provisions may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our management or of us, such as a merger, reorganization or tender offer. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions are also intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they may also inhibit fluctuations in the market price of our shares of common stock that could result from actual or rumored takeover attempts.

Removal of Directors. Until the point in time at which the Principal Stockholders no longer beneficially own shares representing, collectively, at least 40% of the outstanding shares of our common stock, any director may be removed from office at any time, with or without cause, by holders of a majority of the voting power of our outstanding common stock. Our Certificate of Incorporation will provide that, after the point in time at which the Principal Stockholders no longer beneficially own shares representing, collectively, at least 40% of the outstanding shares of our common stock, our directors may be removed only for cause by the affirmative vote of at least 75% of the voting power of our outstanding common stock. This requirement of a supermajority vote to remove directors could enable a minority of our stockholders to prevent a change in the composition of our board.

Business Combinations with Interested Stockholders

Pursuant to our Certificate of Incorporation, we will opt out of the provisions of Section 203 of the DGCL, which regulates business combinations with interested stockholders, but only until the first date on which each of the Principal Stockholders and their affiliates no longer meets the requirements to be an interested stockholder as defined by Section 203 of the DGCL, but excluding for purposes thereof, clause (ii) of such definition of interested stockholder.

Corporate Opportunities

Our Certificate of Incorporation provides that we renounce, to the fullest extent permitted by applicable law, any interest or expectancy in the business opportunities of our Principal Stockholders and their affiliates. In addition our Certificate of Incorporation provides that the Principal Stockholders have no obligation to offer us or even communicate to us an opportunity to participate in business opportunities presented to such Principal Stockholder or its respective affiliates even if the opportunity is one that we might reasonably have pursued (and therefore may be free to compete with us in the same business or similar businesses of which we or our affiliates now engage or propose to engage) and that, to the fullest extent permitted by applicable law, neither the Principal Stockholders nor their respective affiliates will be liable to us or our stockholders for breach of any duty by reason of any such activities described immediately above. Stockholders will be deemed to have notice of and consented to this provision of our Certificate of Incorporation.

Limitation of Liability and Indemnification of Officers and Directors

Our Certificate of Incorporation will provide that no director shall be personally liable to us or any of our stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. Our Bylaws will provide that we will indemnify, to the fullest extent permitted by the DGCL, any person made or threatened to be made a party to any action or is involved in a proceeding by reason of the fact that the person is or was our director or officer, or our director or officer who, while a director or officer, is or was serving at the request of the company as a director, officer, employee, agent or manager of another corporation, partnership, limited liability company, joint venture, trust or other enterprise or non-profit entity, including service with respect to an employee benefit plan. Our Bylaws will also provide that, subject to applicable law, the company may, by action of its board of directors, grant rights to indemnification and advancement of expenses to persons other than its directors and officers with such scope and effect as the board of directors may then determine. We intend to enter into customary indemnification agreements with each of our executive officers and directors that provide them, in general, with customary indemnification in connection with their service to us or on our behalf.

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Choice of Forum

Our Certificate of Incorporation will provide that unless we consent to the selection of an alternate forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our Certificate of Incorporation or Bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in our shares of common stock shall be deemed to have notice of and consented to the forum provisions in our Certificate of Incorporation.

Transfer Agent and Registrar

We have entered into an agreement with American Stock Transfer & Trust Company, LLC to act as transfer agent and registrar for our common stock.

Registration Rights

For a description of registration rights with respect to our common stock, see the information under the heading Certain Relationships and Related Party Transactions Registration Rights Agreement.

Exchange

Our common stock has been approved for listing on the NASDAQ under the symbol SABR.

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DESCRIPTION OF CERTAIN INDEBTEDNESS

The following descriptions of our indebtedness are qualified in their entirety by reference to their respective governing documents which are filed as exhibits to the registration statement of which this prospectus is a part.

Senior Secured Credit Facilities

On February 19, 2013, Sabre GLBL completed a refinancing of its former senior secured credit facilities pursuant to an amended and restated credit agreement (the Amended and Restated Credit Agreement). As part of this refinancing, it repaid or converted all outstanding term loans totaling $2,177 million and obtained new senior secured credit facilities consisting of (i) a term loan facility (the Term B Facility) in an aggregate principal amount of $1,775 million; (ii) a term loan facility (the Term C Facility) in an aggregate principal amount of $425 million; and (iii) a multi-currency revolving facility (the Revolving Facility) in an aggregate principal amount of $352 million. The Revolving Facility includes a letter of credit sub-facility in an aggregate principal amount equal to $350 million and a swingline loan sub-facility in an aggregate principal amount of $75 million.

The Amended and Restated Credit Agreement also allows for the incurrence of incremental term loans and increases in the revolving commitments, subject to certain conditions and an aggregate cap of $500 million plus an additional amount to the extent that the Senior Secured First-Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement) would not exceed 4.0:1.0. This ratio is calculated as senior secured first-lien debt (net of cash) to LTM Debt Covenant EBITDA (as defined in the Amended and Restated Credit Agreement).

On September 30, 2013, Sabre GLBL entered into an incremental amendment to provide for incremental term loans in an aggregate principal amount of $350 million (the Incremental Term Facility and together with the Term B Facility, the Term C Facility and the Revolving Facility, the Credit Facility) under the Amended and Restated Credit Agreement. Sabre GLBL has used a portion, and intends to use the remainder of, the proceeds of the Incremental Term Facility working capital and one-time costs associated with the Expedia SMA and sale of TPN, including the payment of travel suppliers for travel consumed that originated on our technology platforms, and for general corporate purposes.

On February 20, 2014, Sabre GLBL entered into (i) an amendment to the Amended and Restated Credit Agreement to, among other things, reduce the interest rate margins applicable to the Term B Facility and to reduce the Eurocurrency rate floor and base rate floor, (ii) a revolver extension amendment to extend the maturity date of $317 million of the Revolving Facility and (iii) an incremental revolving credit facility amendment to provide for an revolving commitment increase of $53 million under the extended portion of the revolving facility.

As of December 31, 2013, on an as adjusted basis after giving effect to this offering and the application of the net proceeds from this offering as described under Use of Proceeds, Sabre GLBL would have had $2,251 million of indebtedness outstanding under the Credit Facility in addition to $286 million of availability under the Revolving Facility, after taking into account the availability reduction of $66 million for letters of credit issued under the Revolving Facility. Of this indebtedness, none will be due on or before the end of 2014.

The following is a summary of the material terms of the Amended and Restated Credit Agreement, as amended by the Incremental Term Facility described above (the Credit Agreement). The description does not purport to be complete and is qualified in its entirety by reference to the provisions of the Credit Agreement.

Maturity. The Term B Facility and the Incremental Term Facility both mature on February 19, 2019. The Term C Facility matures on February 19, 2018, but is expected to be fully repaid through quarterly repayments ending on the last business day of December 2017. A portion of the commitments under the Revolving Facility terminate on February 19, 2018 with the remainder terminating on February 19, 2019 (subject to an accelerated maturity of November 19, 2018 if on November 19, 2018, the Term B Facility (or permitted refinancings there of) remains outstanding with a maturity date occurring less than one year after the maturity date of the extended portion of the Revolving Facility).

Sabre GLBL must make quarterly repayments in an amount equal to 0.25% of the original aggregate principal amount outstanding under the Term B Facility as of February 19, 2013 and 0.25% of the original aggregate principal amount outstanding under the Incremental Term Facility as of September 30, 2013. The scheduled quarterly repayments are approximately $21 million annually and are due on the last business day of each March, June, September and December.

Sabre GLBL must also make quarterly repayments in an amount equal to a percentage of the aggregate principal amount outstanding under the Term C Facility as of February 19, 2013. The applicable percentage is currently 3.75% and will increase to 4.375%, 5.625% and 7.5% on the last business day of March 2015, March 2016 and March 2017, respectively. The scheduled quarterly repayments are due on the last business day of each March, June, September and December, with the final such payment on the last business day of December 2017.

Guarantee. Sabre GLBL s obligations under the Credit Agreement are guaranteed on a senior secured basis by Sabre Holdings and each of Sabre GLBL s existing and future wholly owned material domestic subsidiaries, other than certain excluded subsidiaries as set forth in the Credit Agreement (such guarantors, together with Sabre GLBL, the Loan Parties).

Security and Ranking. Sabre GLBL s obligations under the Credit Agreement are secured by a perfected first priority security interest in substantially all of each Loan Party s tangible and intangible assets, including capital stock of Sabre GLBL and capital stock of domestic subsidiaries directly held by any Loan Party and 65% of the voting capital stock of material foreign subsidiaries directly held by a Loan Party. The first-priority security interest in these assets are shared on a pari passu basis with the first priority security interest securing the 2019 Notes. For so long as the 2016 Notes (as defined below) remain outstanding, certain properties and capital stock and debt of subsidiaries that own such properties are excluded from the collateral securing Sabre GLBL s obligations under the Credit Agreement.

Interest. The term loans made under the Term B Facility bear interest at a rate equal to the adjusted Eurocurrency rate (subject to a 1.00% floor) plus 3.00% to 3.25% per annum or, at Sabre GLBL s option, the base rate (subject to a 2.00% floor) plus 2.00% to 2.25% per annum, in each case based on the Senior Secured First-Lien Net Leverage Ratio. The Credit Agreement also provides for an increase in such rates to maintain a difference of not more than 50 bps relative to future incremental term loans.

The term loans made under the Term C Facility bear interest at a rate equal to the adjusted Eurocurrency rate (subject to a 1.00% floor) plus 2.50% to 3.00% per annum or, at Sabre GLBL s option, the base rate (subject to a 2.00% floor) plus 1.50% to 2.00% per annum, in each case based on the Senior Secured First-Lien Net Leverage Ratio.

The term loans made under the Incremental Term Facility bear interest at a rate equal to the adjusted Eurocurrency rate (subject to a 1.00% floor) plus 3.00% to 3.50% per annum or, at Sabre GLBL s option, the base rate (subject to a 2.00% floor) plus 2.00% to 2.50% per annum, in each case based on the Senior Secured First-Lien Net Leverage Ratio. The Credit Agreement also provides for an increase in such rates to maintain a difference of not more than 50 bps relative to future incremental term loans.

The average effective interest rates on the term loans excluding the impact of our interest rate swaps for the fiscal years ended December 31, 2013, 2012 and 2011 were 6.21%, 5.65% and 2.72%, respectively. The average effective interest rate on the term loans including the impact of our interest rate swaps for the fiscal years ended December 31, 2013, 2012 and 2011 were 6.86%, 6.53% and 4.31%, respectively.

The revolving loans made under the Revolving Facility bear interest at a rate equal to the adjusted Eurocurrency rate plus (x) 3.25% to 3.75% per annum for the portion allocable to the non-extended portion of the Revolving Facility and (y) 3.00% to 2.75% per annum for the portion allocable to the extended portion of the Revolving Facility or, at Sabre GLBL s option (in the case of U.S. dollar-denominated revolving loans only), the base rate plus (x) 2.25% to 2.75% per annum for the portion allocable to the non-extended portion of the Revolving Facility and (y) 1.75% to 2.00% per annum for the portion allocable to the extended portion of the Revolving Facility, in each case based on the Senior Secured First-Lien Net Leverage Ratio. In addition, the Revolving Facility is subject to a commitment fee payable quarterly in arrears ranging from 0.375% to 0.500% per annum, based on the Senior Secured First-Lien Net Leverage Ratio, on the daily amount of the undrawn portion of the revolving commitments.

Prepayments. Sabre GLBL may, at its option, voluntarily prepay any amounts outstanding under the Credit Agreement in whole or in part without premium or penalty. However, if Sabre GLBL prepays or refinances the term loans under the Term B Facility prior to August 20, 2014 with long-term bank debt financing that is marketed or syndicated to banks and other institutional investors and is incurred for the primary purpose of reducing the effective yield, it will be required to pay a repricing premium of 1.0% of the principal amount that is refinanced.

In addition, Sabre GLBL is required to make mandatory prepayments under the Credit Agreement in certain situations, depending on the Senior Secured First-Lien Net Leverage Ratio, including but not limited to: a percentage of excess cash flow; a percentage of proceeds from certain asset dispositions; the amount of indebtedness incurred other than permitted indebtedness; and the amount of borrowings under the Revolving Facility exceeding the commitments under such facility.

Extensions, Refinancings and Incremental Credit Extension. Sabre GLBL may, without further approval from a majority of lenders, (a) extend the revolving commitments and term loans in one or more tranches, (b) refinance the revolving commitments and term loans with one or more new facilities with secured, subordinated or unsecured notes or loans, and (c) issue incremental credit in the form of incremental term loans, revolving commitment increases or additional secured, subordinated or unsecured notes or loans; in each case upon the satisfaction of certain conditions.

Covenants. The Credit Agreement contains certain affirmative covenants, including, among others, covenants to furnish the lenders with financial statements and other financial information, to provide the lenders notice of material events and information regarding collateral, to cause certain newly formed restricted subsidiaries to guarantee and pledge their assets as security for the Credit Agreement, to correct documentation with respect to the collateral, to provide the agent with mortgages to secure real property, as necessary, and to maintain title insurance policies with respect to any such mortgaged property, and to only redesignate restricted subsidiaries as unrestricted subsidiaries and vice versa in certain situations specified in the Credit Agreement.

The Credit Agreement contains negative covenants that restrict the ability of Sabre GLBL and its restricted subsidiaries, subject to certain exceptions, to incur additional indebtedness, grant liens on assets, undergo fundamental changes, make investments, sell assets, make acquisitions, make restricted payments, engage in transactions with its affiliates, amend or modify certain agreements and charter documents and change its fiscal year. The Credit Agreement also contains negative covenants that restrict the ability of Sabre Holdings to engage in any business or operations other than those incidental to ownership of Sabre and other activities specifically permitted under the Credit Agreement, including the performance of its obligations with respect to its existing indebtedness, any public offering of equity interests and certain financing activities. Sabre Holdings is also restricted from creating or acquiring any material direct subsidiaries other than Sabre GLBL or any holding company for Sabre GLBL.

In addition, Sabre GLBL is required to maintain a Senior Secured First-Lien Net Leverage Ratio as of any fiscal quarter end if on such date the sum of (x) outstanding loans under the Revolving Facility, (y) letters of

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credit issued under the Revolving Facility that guarantee debt for borrowed money, capital leases or obligations evidenced by notes or other instruments and (z) other letters of credit issued under the Revolving Facility in excess of $50 million (but only to the extent of such excess), exceeds 20% of the principal amount of the Revolving Facility. The applicable Senior Secured First-Lien Net Leverage Ratio is 5.5:1.0, declining to 5.0:1.0, 4.5:1.0 and 4.0:1.0 on March 31, 2014, March 31, 2015 and March 31, 2016, respectively.

If certain material travel event disruptions set forth in the Credit Agreement occur, the foregoing requirement is suspended from the last date of the quarter in which such disruption occurs until the last date of the second succeeding quarter; however, during such suspension period, Sabre may be subject to additional restrictions on its ability to make restricted payments, acquisitions or investments.

As of December 31, 2013, Sabre GLBL and Sabre Holdings were in compliance with all covenants under the Credit Agreement.

8.5% Senior Secured Notes due 2019

On May 9, 2012, Sabre GLBL issued $400 million aggregate principal amount of senior secured notes due 2019 (Initial 2019 Notes), bearing interest at a rate of 8.5% per annum. On September 27, 2012, Sabre GLBL issued an additional $400 million aggregate principal amount of senior secured notes due 2019, under the same indenture and bearing interest at a rate of 8.5% per annum, to be treated as a single series with the Initial 2019 Notes and with substantially the same terms as the Initial 2019 Notes (together with the Initial 2019 Notes, the 2019 Notes).

The following is a summary of the material terms of the 2019 Notes. This description does not purport to be complete and is qualified, in its entirety, by reference to the provisions of the indenture governing the 2019 Notes.

Maturity. The 2019 Notes mature on May 15, 2019.

Guarantee. Sabre GLBL s obligations under the 2019 Notes are guaranteed on a senior secured basis by Sabre Holdings and each of Sabre GLBL s existing and future wholly owned material domestic subsidiaries, other than certain excluded subsidiaries as set forth in the Credit Agreement.

Security. The 2019 Notes and related guarantees are secured, subject to permitted liens, by a first-priority security interest in substantially all the assets of Sabre GLBL and each of the guarantors.

Interest. Interest on the 2019 Notes is payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2012.

Ranking. The 2019 Notes are general senior secured obligations of Sabre GLBL and each guarantor. They rank equally in right of payment to all existing and future unsubordinated indebtedness of Sabre GLBL and senior in right of payment to all existing and future subordinated indebtedness of Sabre GLBL They are effectively senior to all unsecured indebtedness of Sabre GLBL (including Sabre GLBL s guarantee of the 2016 Notes), to the extent of the value of the collateral securing the 2019 Notes, which it shares *pari passu* with the Credit Facility. They are structurally subordinated to all existing and future indebtedness, claims of holders of preferred stock and other liabilities of subsidiaries of the Sabre GLBL that do not guarantee the 2019 Notes.

Optional Redemption. The 2019 Notes are redeemable, in whole or in part, at any time and at Sabre GLBL s option. Before May 15, 2015, the applicable redemption price is equal to 100% of the principal amount of the 2019 Notes redeemed plus accrued and unpaid interest, if any, to the redemption date and a make-whole premium. On or after

May 15, 2015, the 2019 Notes may be redeemed at the redemption prices set forth in the indenture plus accrued and unpaid interest, if any, to the redemption date. In addition, until May 15, 2015, Sabre GLBL may, at its option, redeem up to 40% of the aggregate principal amount of the 2019 Notes at a redemption price equal to 108.5% of the principal amount of the 2019 Notes redeemed, plus accrued and unpaid interest to the redemption date to be paid from the net proceeds received from one or more Equity Offerings (as defined in the indenture governing the 2019 Notes), provided that (i) at least 50% of the aggregate principal amount of the 2019 Notes remains outstanding immediately after each such redemption and (ii) each such redemption occurs within 120 days of the date of closing of each such Equity Offering.

Covenants. The 2019 Notes include certain non-financial covenants, including restrictions on incurring certain types of indebtedness, creation of liens on certain assets, making of certain investments, and payment of dividends. These covenants are similar in nature to those existing on the Credit Facility.

As of December 31, 2013, Sabre GLBL was in compliance with all covenants under the indenture for the 2019 Notes.

8.35% Senior Notes due 2016

On March 13, 2006, Sabre Holdings issued $400 million aggregate principal amount of senior unsecured notes due 2016 (2016 Notes), that initially bore interest at a rate of 6.35% per annum. On March 16, 2007, the interest rate on the 2016 Notes increased to 8.35% per annum, due to a credit rating decline resulting from the increased indebtedness associated with the sale of Sabre Holdings to private investors.

The following is a summary of the material terms of the 2016 Notes. This description does not purport to be complete and is qualified, in its entirety, by reference to the provisions of the indenture by and between Sabre Holdings and SunTrust Bank dated as of August 7, 2001, as supplemented by a second supplemental indenture dated as of March 13, 2006, governing the 2016 Notes.

Maturity. The 2016 Notes mature on March 15, 2016.

Guarantee. Sabre Holdings obligations under the 2016 Notes are guaranteed on a senior, unsecured basis by Sabre GLBL

Interest. Interest on the 2016 Notes is payable semi-annually on March 15 and September 15 of each year, commencing September 15, 2006. Interest on the 2016 Notes may increase by up to two percentage points per annum to a maximum rate of 8.35% per annum in the event credit ratings of the 2016 Notes decline below certain thresholds after the occurrence of a change of control (as occurred in March 2007); however, upon subsequent improvements to the credit ratings, the interest rate on the 2016 Notes could decrease to a lower rate, with a floor of 6.35% per annum.

Ranking. The 2016 Notes are general unsecured obligations of Sabre Holdings. They rank equally in right of payment with all other existing and future unsecured indebtedness of Sabre Holdings. They are effectively subordinated to all existing and future secured indebtedness, including the Credit Agreement and the 2019 Notes, to the extent of the value of the assets securing such indebtedness. They are structurally subordinated to all existing and future indebtedness and other liabilities of Sabre Holdings subsidiaries, including Sabre GLBL s obligations under the Credit Agreement and the 2019 Notes and its subsidiaries guarantees of obligations under the Credit Agreement, the Mortgage Facility (as defined below) and trade payables.

Optional Redemption. The 2016 Notes are redeemable, in whole or in part, at any time and at Sabre Holdings option. The applicable redemption price is the sum of (i) the greater of (x) 100% of the principal amount outstanding and (y) the sum of the remaining principal and interest payments, reduced to present value based on the adjusted treasury rate plus 30 bps, and (ii) accrued and unpaid interest as of the redemption date.

Covenants. The 2016 Notes include certain non-financial covenants, including restrictions on incurring certain secured indebtedness without ratably securing obligations under the 2016 Notes, subject to certain exceptions; entering into certain sale and leaseback transactions; and entering into mergers, consolidations or a transfer of substantially all its assets.

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As of December 31, 2013, Sabre Holdings was in compliance with all covenants under the indentures governing the 2016 Notes.

Mortgage Facility

On March 29, 2007, we purchased through Sabre Headquarters, LLC, our special purpose subsidiary, the buildings, land and furniture and fixtures located at our headquarters facilities in Southlake, Texas, which were previously financed under a capital lease facility. The total purchase price of the assets was $104 million. The purchase was financed through $85 million borrowed under the mortgage facility (Mortgage Facility) and $19 million from cash on hand. The Mortgage Facility carries an interest rate of 5.7985% per annum. The following is a summary of the material terms of the Mortgage Facility. This description does not purport to be complete and is qualified, in its entirety, by reference to the provisions of the Mortgage Facility.

Maturity. The Mortgage Facility matures on March 1, 2017 and all unpaid principal will be due at that time. As of December 31, 2013, $84 million remained outstanding under the Mortgage Facility.

Interest. Payments on the Mortgage Facility are payable monthly on the first business day of each month. Payments made through April 1, 2012 were applied to accrued interest only. Subsequent to that date, a portion of payments is also applied to the principal balance of the note.

Security. The Mortgage Facility is secured by a perfected first priority security interest in the land and improvements located at our headquarters facilities in Southlake, Texas.

Covenants. Sabre Headquarters, LLC is subject to various customary affirmative covenants under the Mortgage Facility, including, but not limited to: payment of property taxes, granting of lender access to inspect the properties, cooperating in legal proceedings, obtaining insurance awards, providing financial statements, providing estoppel certificates, paying foreclosure costs, lender consent to any leases and lender consent to certain alterations and improvements. The Mortgage Facility also contains various customary negative covenants, including restrictions on incurring liens other than permitted liens, dissolving the borrower or changing its business, forgiving debt, changing its principal place of business and transferring the property.

As of December 31, 2013, Sabre Headquarters, LLC was in compliance with all covenants under the Mortgage Facility.

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SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that a liquid trading market for our common stock will develop or be sustained after this offering. Future sales of substantial amounts of common stock, including shares issued upon exercise of options, in the public market after this offering, or the anticipation of such sales or the perception that such sales may occur, could adversely affect the market price of our common stock prevailing from time to time and could impair our ability to raise capital through sales of our equity securities. No prediction can be made as to the effect, if any, future sales of shares, or the availability of shares for future sales, will have on the market price of our common stock prevailing from time to time.

Sales of Restricted Shares

Upon the closing of this offering, we will have outstanding an aggregate of 258,535,164 shares of common stock, including 39,200,000 shares sold in the offering. Of these shares, we expect all of the shares of common stock being sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any such shares which may be held or acquired by an affiliate of ours, as that term is defined in Rule 144 of the Securities Act (Rule 144), which shares will be subject to the volume limitations and other restrictions of Rule 144 described below. The remaining 219,335,164 shares of common stock held by our existing stockholders upon completion of this offering will be restricted securities, as that phrase is defined in Rule 144, and may be resold only after registration under the Securities Act or pursuant to an exemption from such registration under Rule 144 or any other applicable exemption under the Securities Act. Subject to the lock-up agreements described below, the transfer restrictions in the Management Stockholders Agreement, applicable to certain stockholders, described below and the provisions of Rules 144 and 701, additional shares will be available for sale as set forth below.

Lock-up Agreements

We, each of our executive officers, directors, the Principal Stockholders and certain of our other stockholders have agreed with the underwriters that, subject to certain exceptions described immediately below, for a period of 180 days after the date of this prospectus, we and they will not offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale, or otherwise dispose of any of the shares of common stock, or any options or warrants to purchase any shares of common stock or securities convertible into or exchangeable for shares of common stock, or that represent the right to receive shares of common stock, whether now owned or hereinafter acquired, or, in our case, cause a registration statement covering any common stock to be filed, without the prior written consent of Morgan Stanley Co. LLC and Goldman, Sachs & Co.

With respect to the company, these restrictions do not apply to (i) any share of common stock to be sold in this offering; (ii) any shares of common stock or securities convertible or exercisable into, exchangeable for or that represent the right to receive shares of common stock, issued by the company, in each case pursuant to the company s equity plans as described therein; (iii) the issuance of shares of common stock prior to, or in connection with, the closing of this offering in respect of the conversion, exchange or redemption of shares of Series A Preferred Stock pursuant to the Redemption; (iv) the filing of a registration statement on Form S-8 (or equivalent form) with the SEC in connection with an employee stock compensation plan or agreement of the company, which plan or agreement is described herein; (v) the issuance of shares of common stock or other securities (including securities convertible into shares of common stock) in connection with the acquisition by the company or any of its subsidiaries of the securities, businesses, properties or other assets of another person or entity or pursuant to any employee benefit plan assumed by the company in connection with any such acquisition; or (vi) the issuance of shares of common stock or other securities (including securities convertible into shares of common stock) in connection with joint ventures, commercial relationships or other strategic transactions; provided that, in the case of clauses (v) and (vi), the aggregate number of shares of common stock issued in all such acquisitions and transactions does not exceed 10% of the issued and outstanding common stock of the company issued and outstanding immediately following the completion of this offering and any recipients of such shares of commons stock shall deliver a lock-up agreement to Morgan Stanley Co. LLC and Goldman, Sachs & Co. consistent in scope as described above.

With respect to each of our executive officers, directors, Principal Stockholders and certain of our other stockholders the restrictions described above do not apply to transfers (i) as a *bona fide* gift or gifts; (ii) to any trust for the direct or indirect benefit of such person or the immediate family of such person; (iii) by way of testate or intestate succession or by operation of law; (iv) to any members of the immediate family of such person; (v) to a corporation, partnership, or limited liability company or other entity that controls or is controlled by, or is under common control with, such person and/or by members of the immediate family of such person, or to any investment fund or other entity controlled or managed by the undersigned; (vi) if the shares of common stock are held by a corporation, partnership, limited liability company or other entity, to any of its stockholders, partners, members or affiliates or any of its affiliates directors, officers and employees; (vii) to the company in connection with the net or cashless exercise of any options outstanding as of the date of the lock-up agreement and having an expiration date during the 180-day lock-up period to acquire shares pursuant to the employee benefit plans described herein; (viii) to the company for the primary purposes of satisfying any tax or other governmental withholding obligation with respect to shares issued upon the exercise of an option or warrant (or upon the exchange of another security or securities) pursuant to a plan described in the prospectus, or issued under an employee equity or benefit plan described herein; (ix) in connection with the conversion, exchange or redemption of the outstanding preferred stock of the company into shares of common stock, cash or a combination thereof; (x) pursuant to the underwriting agreement.

Morgan Stanley Co. LLC and Goldman, Sachs & Co. may, in their sole discretion, waive these restrictions or release any of these shares from these restrictions at any time. See Underwriting (Conflicts of Interest). Approximately 84% of our outstanding common stock, or 82% of outstanding shares of our common stock if the underwriters option to purchase additional shares if fully exercised, are subject to these lock-up agreements.

The 180-day restricted period described above will be automatically extended if (i) during the last 17 days of the 180-day restricted period we issue an earnings release or announce material news or a material event relating to us occurs or (ii) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period beginning on the day following the 180-day restricted period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event, unless Morgan Stanley Co. LLC and Goldman, Sachs & Co. provide a written waiver of such extension. Morgan Stanley Co. LLC and Goldman, Sachs & Co. have no present intent or arrangement to release any of the securities subject to these lock-up agreements. The release of any lock-up is considered on a case by case basis. Factors in deciding whether to release shares may include the length of time before the lock-up expires, the number of shares involved, the reason for the requested release, market conditions, the trading price of our common stock, historical trading volumes of our common stock and whether the person seeking the release is an officer, director or affiliate of the company.

Management Stockholders Agreement Transfer Restrictions

Pursuant to the Management Stockholders Agreement, certain of our stockholders, which group of stockholders excludes our Principal Stockholders, have agreed by contract with us not to transfer, sell, assign, pledge, hypothecate or encumber any of the shares of common stock then-currently owned by such stockholder (which can be waived by us at our option at any time), subject to certain limited exceptions, at any time prior to the termination of such Management Stockholders Agreement. The Management Stockholders Agreement terminates if our common stock is registered and if at least 20% of our total outstanding common stock trades regularly in, on or through the facilities of a securities exchange and/or inter-dealer quotation system or any designated offshore securities market, which conditions are not expected to be met in connection with the completion of this offering. If the Management Stockholders Agreement does not terminate, the transfer restrictions contained therein would continue to be applicable.

FINRA Transfer Restrictions

The TPG Funds, affiliates of TPG Capital BD, LLC, an underwriter of this offering, hold an aggregate of 40,445,053 shares of Series A Preferred Stock, which will be redeemed for 18,668,069 shares of common stock as a result of the Redemption, plus accumulated but unpaid dividends as of March 31, 2014. These shares of common stock received by the TPG Funds as a result of the Redemption are subject to a 180-day lock-up pursuant to FINRA Rule 5110(g)(1). Under this rule, the TPG Funds, subject to certain limited exceptions described in FINRA Rule 5110(g)(2), may not sell, transfer, assign, pledge or hypothecate such shares of common stock or engage in any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such shares of common stock, in each case for a period of 180 days following the date of this prospectus.

Rule 144

In general, under Rule 144, persons who became the beneficial owner of shares of our common stock prior to the completion of this offering may not sell their shares until the earlier of (i) the expiration of a six-month holding period, if we have been subject to the reporting requirements of the Exchange Act and have filed all required reports for at least 90 days prior to the date of the sale, or (ii) a one-year holding period.

At the expiration of the six-month holding period, a person who was not one of our affiliates at any time during the three months preceding a sale is entitled to sell an unlimited number of shares of our common stock provided current public information about us is available, and a person who was one of our affiliates at any time during the 90 days preceding a sale is entitled to sell within any three-month period only a number of shares of common stock that does not exceed the greater of either of the following:

- one percent of the number of shares of common stock then outstanding, which will equal approximately 2,585,352 shares immediately after this offering; and

- the average weekly trading volume of the common stock on the NASDAQ during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

At the expiration of the one-year holding period, a person who was not one of our affiliates at any time during the 90 days preceding a sale would be entitled to sell an unlimited number of shares of our common stock without restriction. A person who was one of our affiliates at any time during the 90 days preceding a sale would remain subject to the volume restrictions described above.

All sales under Rule 144 are subject to the availability of current public information about us. In addition, sales under Rule 144 by affiliates or persons who have been affiliates within the previous 90 days are also subject to manner of sale provisions and notice requirements.

Upon the completion of the 180-day lock-up period, subject to any extension of the lock-up period under circumstances described above, and assuming that the Management Stockholders Agreement has not been terminated, approximately 212,434,188 shares of our outstanding restricted securities will be eligible for sale under Rule 144 subject to limitations on sales by affiliates.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchased shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of our initial public offering, or who purchased shares from us after that date upon the exercise of options granted before that date, are eligible to resell such shares in reliance upon Rule 144 beginning 90 days after the date of this prospectus. If such person is not an affiliate, the sale may be made without compliance with the holding period or current public information requirements contained in Rule 144. If such a person is an affiliate, the sale may be made under Rule 144 without compliance with its one-year minimum holding period, but subject to the other Rule 144 restrictions.

Registration Rights

Pursuant to the amendment and restatement to our registration rights agreement, the Principal Stockholders and any other parties thereto from time to time will have certain customary demand, piggyback and shelf registration rights at any time following the expiration of the 180-day lock-up period described above. Upon the effectiveness of a registration statement, all shares covered by such registration statement will be freely transferable. If these registration rights are exercised and the Principal Stockholders sell a large number of shares of common stock, the market price of our common stock could decline. See Certain Relationships and Related Party Transactions Registration Rights Agreement for a more detailed description of these registration rights.

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MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS

TO NON-U.S. HOLDERS

The following discussion is a summary of material U.S. federal income and estate tax considerations generally applicable to the purchase, ownership and disposition of our common stock by Non-U.S. Holders. A Non-U.S. Holder means:

- a nonresident alien individual,
- a foreign corporation, or
- a person that is otherwise not subject to U.S. federal income tax on a net income basis in respect of such common stock.

This discussion deals only with common stock held as capital assets by Non-U.S. Holders who purchased common stock in this offering. This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the purchase, ownership or disposition of our common stock by prospective investors in light of their specific facts and circumstances. In particular, this discussion does not address all of the tax considerations that may be relevant to persons in special tax situations, including persons that will hold shares of our common stock in connection with a U.S. trade or business or a U.S. permanent establishment, hold more than 5% of our common stock, certain former citizens or residents of the United States, are a controlled foreign corporation, a passive foreign investment company or a partnership or other pass-through entity for U.S. federal income tax purposes, or are otherwise subject to special treatment under the Code, as amended. This section does not address any other U.S. federal tax considerations (such as gift tax) or any state, local or non-U.S. tax considerations. You should consult your own tax advisors about the tax consequences of the purchase, ownership and disposition of our common stock in light of your own particular circumstances, including the tax consequences under state, local, foreign and other tax laws and the possible effects of any changes in applicable tax laws.

Furthermore, this summary is based on the tax laws of the United States, including the Code, existing and proposed regulations, administrative and judicial interpretations, all as currently in effect. Such authorities may be repealed, revoked, modified or subject to differing interpretations, possibly on a retroactive basis, so as to result in U.S. federal income tax or estate tax consequences different from those discussed below.

Dividends

As discussed in Dividend Policy, we expect to pay quarterly cash dividends on our common stock contingent upon the closing of this offering. When we make a distribution of cash or property with respect to our common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of your investment, up to your tax basis in the common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in Sale, Exchange or Other Taxable Disposition of Common Stock.

Dividends paid to you generally will be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable tax treaty. Even if you are eligible for a lower treaty rate, we and other payers will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless:

- you have furnished to us or such other payer a valid Internal Revenue Service (IRS) Form W-8BEN or other documentary evidence establishing your entitlement to the lower treaty rate with respect to such payments and neither we nor our paying agent (or other payer) have actual knowledge or reason to know to the contrary, and in the case of actual or constructive dividends paid on or after July 1, 2014, if required by the Foreign Account Tax Compliance Act or any intergovernmental agreement enacted pursuant to that law, you or any entity through which you receive such dividends, if required, have provided the withholding agent with certain information with respect to your or the entity s direct and indirect U.S. owners, and if you hold the common stock through a foreign financial institution, such institution has entered into an agreement with the U.S. government to collect and provide to the U.S. tax authorities information about its accountholders (including certain investors in such institution or entity) and you have provided any required information to such institution.

If you are eligible for a reduced rate of U.S. federal withholding tax pursuant to an applicable income tax treaty or otherwise, you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Investors are encouraged to consult with their own tax advisors regarding the possible implications of these withholding requirements on their investment in the common stock.

Dividends that are effectively connected with your conduct of a trade or business within the United States will be exempt from the withholding tax described above and instead will be subject to U.S. federal income tax on a net income basis. We and other payers generally are not required to withhold tax from effectively connected dividends, provided that you have furnished to us or another payer a valid IRS Form W-8ECI (or an acceptable substitute form) upon which you represent, under penalties of perjury, that you are a non-U.S. person and that the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income. If you are a corporate non-U.S. holder, effectively connected dividends that you receive may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate, or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Sale, Exchange or Other Taxable Disposition of Common Stock

You generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale, exchange or other taxable disposition of shares of our common stock unless:

- the gain is effectively connected with your trade or business in the United States (as discussed under Dividends above),

- in the case of an individual who holds the common stock as a capital asset, such holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or other taxable disposition, and certain other conditions are met, or

- we are or have been a United States real property holding corporation for federal income tax purposes and you held, directly or indirectly, at any time during the five-year period ending on the date of the disposition, more than 5% of our common stock.

In the case of the sale or disposition of common stock on or after January 1, 2017, you may be subject to a 30% withholding tax on the gross proceeds of the sale or disposition unless the requirements described in the last bullet point under Dividends above are satisfied. Investors are encouraged to consult with their own tax advisors regarding the possible implications of these withholding requirements on their investment in the common stock and the potential for a refund or credit in the case of any withholding tax.

We have not been, are not and do not anticipate becoming a United States real property holding corporation for U.S. federal income tax purposes.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each Non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required.

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Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

You may be subject to backup withholding for dividends paid to you unless you certify under penalty of perjury that you are a Non-U.S. holder or otherwise establish an exemption. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS.

U.S. Federal Estate Tax

Shares of our common stock held (or deemed held) by an individual Non-U.S. Holder at the time of his or her death will be included in such Non-U.S. Holder s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

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UNDERWRITING (CONFLICTS OF INTEREST)

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, Morgan Stanley & Co. LLC, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc. are acting as the representatives of the underwriters and as joint book-running managers. The underwriters have severally agreed to purchase, and we have agreed to sell to them, severally the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. LLC	9,367,976
Goldman, Sachs & Co.	9,367,976
Merrill Lynch, Pierce, Fenner & Smith Incorporated	6,109,550
Deutsche Bank Securities Inc.	5,294,943
Evercore Group L.L.C.	1,742,222
Jefferies LLC	1,742,222
TPG Capital BD, LLC	1,742,222
Cowen and Company, LP	871,111
Sanford C. Bernstein & Co., LLC	871,111
William Blair & Company, L.L.C.	871,111
Mizuho Securities USA Inc.	435,556
Natixis Securities Americas LLC	435,556
The Williams Capital Group, L.P.	348,444
Total	39,200,000

The underwriters and the representatives are collectively referred to as the underwriters and the representatives, respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters option to purchase additional shares described below. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $0.48 a share under the public offering price. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives, including in connection with sales of unsold allotments of common stock or subsequent sales of common stock purchased by the representatives in stabilizing and related transactions.

The underwriters have an option to buy up to an additional 5,880,000 shares from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days from the date of this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter s name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

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The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by us at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. Such amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares.

Paid by us

	No Exercise	Full Exercise
Per Share	$ 0.84	$ 0.84
Total	$ 32,928,000	$ 37,867,200

The estimated offering expenses of this offering are approximately $6.7 million, which includes legal, accounting and printing costs and various other fees associated with the registration of the common stock to be sold pursuant to this prospectus. In addition, we have agreed to reimburse the underwriters for certain expenses of approximately $60,000.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

Our common stock has been approved for listing on the NASDAQ under the symbol SABR.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among the company and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be the company s historical performance, estimates of the business potential and earnings prospects of the company, an assessment of the company s management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We, each of our executive officers, directors, the Principal Stockholders and certain of our other stockholders have agreed that, without the prior written consent of Morgan Stanley & Co. LLC and Goldman, Sachs & Co. on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any shares of common stock, or any options or warrants to purchase any shares of common stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of common stock; or

- in our case, file any registration statement with the SEC relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock;

whether any such transaction described in the first two bullet points above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

With respect to the company, the restrictions described in the preceding paragraphs do not apply to:

any share of common stock to be sold in this offering;

any shares of common stock or securities convertible or exercisable into, exchangeable for or that represent the right to receive shares of common stock, issued by the company, in each case pursuant to the company s equity plans as described therein;

- the issuance of shares of common stock prior to, or in connection with, the closing of this offering in respect of the conversion, exchange or redemption of shares of Series A Preferred Stock pursuant to the Redemption;

- the filing of a registration statement on Form S-8 (or equivalent form) with the SEC in connection with an employee stock compensation plan or agreement of the company, which plan or agreement is described herein;

- the issuance of shares of common stock or other securities (including securities convertible into shares of common stock) in connection with the acquisition by the company or any of its subsidiaries of the securities, businesses, properties or other assets of another person or entity or pursuant to any employee benefit plan assumed by the company in connection with any such acquisition; or

- the issuance of shares of common stock or other securities (including securities convertible into shares of common stock) in connection with joint ventures, commercial relationships or other strategic transactions;

provided that, in the case of the last two bullet points above, the aggregate number of shares of common stock issued in all such acquisitions and transactions does not exceed 10% of the issued and outstanding common stock of the company issued and outstanding immediately following the completion of this offering and any recipients of such shares of commons stock shall deliver a lock-up agreement to Morgan Stanley Co. LLC and Goldman, Sachs & Co. consistent in scope and length as described in the preceding paragraphs above.

With respect to each of our executive officers, directors, the Principal Stockholders and certain of our other stockholders, the restrictions described in the preceding paragraphs do not apply to transfers:

- as a *bona fide* gift or gifts;

- to any trust for the direct or indirect benefit of such person or the immediate family of such person;

- by way of testate or intestate succession or by operation of law;

- to any members of the immediate family of such person;

- to a corporation, partnership, or limited liability company or other entity that controls or is controlled by, or is under common control with, such person and/or by members of the immediate family of such person, or to any investment fund or other entity controlled or managed by the undersigned;

- if the shares of common stock are held by a corporation, partnership, limited liability company or other entity, to any of its stockholders, partners, members or affiliates or any of its affiliates directors, officers and employees;

to the company in connection with the net or cashless exercise of any options outstanding as of the date of the lock-up agreement and having an expiration date during the 180-day lock-up period to acquire shares pursuant to the employee benefit plans described herein;

to the company for the primary purposes of satisfying any tax or other governmental withholding obligation with respect to shares issued upon the exercise of an option or warrant (or upon the exchange of another security or securities) pursuant to a plan described in the prospectus, or issued under an employee equity or benefit plan described herein;

in connection with the conversion, exchange or redemption of the outstanding preferred stock of the company into shares of common stock, cash or a combination thereof; or

pursuant to the underwriting agreement.

The 180-day restricted period described in the preceding paragraphs will be extended if:

during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period beginning on the day following the 180-day period;

in which case the restrictions described in the preceding paragraphs will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Morgan Stanley & Co. LLC and Goldman, Sachs & Co., in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice.

In order to facilitate this offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under their option to purchase additional shares. The underwriters can close out a covered short sale by exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under their option to purchase additional shares. The underwriters may also sell shares in excess of their option to purchase additional shares, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in this offering, if the syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

From time to time, certain of the underwriters and/or their respective affiliates may provide investment banking services to us. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Sabre, including the 2016 Notes and the 2019 Notes. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Certain of the underwriters and their affiliates have in the past engaged, currently engage and may in the future engage, in transactions with and perform services for, including commercial banking, financial advisory and investment banking services, us and our affiliates in the ordinary course of business for which they have received or will receive customary fees and expenses. We also have, and expect to continue to have, economic hedges, cash management relationships and/or other swaps and hedges in place with certain of the underwriters or their affiliates on customary economic terms.

Morgan Stanley & Co. LLC, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., Natixis Securities Americas LLC and Mizuho Securities USA Inc. were initial purchasers in connection with our May 2012 and September 2012 offerings of the 2019 Notes.

Affiliates of Morgan Stanley & Co. LLC, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., Natixis Securities Americas LLC and Mizuho Securities USA Inc. are lenders and/or agents under our senior secured credit facilities.

We and the several underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

Conflicts of Interest

Certain affiliates of TPG Capital BD, LLC, an underwriter of this offering, will own in excess of 10% of our issued and outstanding common stock following this offering.

As a result of the foregoing relationship, TPG Capital BD, LLC is deemed to have a conflict of interest within the meaning of FINRA Rule 5121. Accordingly, this offering will be made in compliance with the applicable provisions of FINRA Rule 5121. In accordance with FINRA Rule 5121(c), no sales of the shares will be made to any discretionary account over which TPG Capital BD, LLC exercises discretion without the prior specific written approval of the account holder.

The TPG Funds, affiliates of TPG Capital BD, LLC, an underwriter of this offering, hold an aggregate of 40,445,053 shares of Series A Preferred Stock, which will be redeemed for 18,668,069 shares of common stock as a result of the Redemption, plus accumulated but unpaid dividends as of March 31, 2014. These shares of common stock received by the TPG Funds as a result of the Redemption are subject to a 180-day lock-up pursuant to FINRA Rule 5110(g)(1). Under this rule, the TPG Funds, subject to certain limited exceptions described in FINRA Rule 5110(g)(2), may not sell, transfer, assign, pledge or hypothecate such shares of common stock or engage in any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such shares of common stock, in each case for a period of 180 days following the date of this prospectus.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each referred to as a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), it has not made and will not make an offer of shares to the public which are the subject of the offering contemplated by this prospectus in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive.

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of shares to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

This EEA selling restriction is in addition to any other selling restrictions set out in this prospectus.

United Kingdom

Each underwriter has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

France

Neither this prospectus nor any other offering material relating to the shares described in this prospectus has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers and to the company. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions have been and will only be made in France:

to qualified investors (investisseurs qualifiés), other than individuals, and/or to a restricted circle of investors (cercle restreint d investisseurs), other than individuals, in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D. 411-4, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;

to investment services providers authorized to engage in portfolio management on behalf of third parties; or

in a transaction that, in accordance with article L.411-2-I-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des Marchés Financiers, does not constitute a public offer.

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier and applicable regulations thereunder.

Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The shares offered in this prospectus have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the Financial Instruments and Exchange Act). Each underwriter has agreed that the shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Act and (ii) in compliance with any other applicable requirements of the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

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Switzerland

This document as well as any other offering or marketing material relating to the shares which are the subject of the offering contemplated by this prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations. The shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

Neither this document nor any other offering or marketing material relating to the shares which are the subject of the offering contemplated by this prospectus will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

The shares are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by the company from time to time.

This document as well as any other material relating to the shares is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Dubai International Financial Centre

This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares which are the subject of the offering contemplated by this prospectus may be illiquid and/or subject to restrictions on their resale.

Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorised financial adviser.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (ASIC), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the Corporations Act), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the Exempt Investors) who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act), professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

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The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

People s Republic of China

The shares may not be offered or sold directly or indirectly in the People s Republic of China (the PRC) (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan), except pursuant to applicable laws and regulations of the PRC. Neither this prospectus nor any material or information contained herein relating to the shares, which have not been and will not be submitted to or approved/verified by or registered with the China Securities Regulatory Commission (the CSRC), or other relevant governmental authorities in the PRC pursuant to relevant laws and regulations, may be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the shares in the PRC. The material or information contained herein relating to the shares does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The shares may only be offered or sold to the PRC investors that are authorized to engage in the purchase of securities of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the CSRC, the State Administration of Foreign Exchange and/or the China Banking Regulatory Commission, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

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LEGAL MATTERS

Cleary Gottlieb Steen & Hamilton LLP will pass on the legality of the shares of common stock to be issued in this offering. Certain legal matters in connection with this offering will be passed upon for the underwriters by Ropes & Gray LLP.

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EXPERTS

The consolidated financial statements and schedule of Sabre Corporation at December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The combined balance sheets of PRISM Group, Inc. and Affiliate as of December 31, 2011 and 2010, and the related combined statements of income, changes in stockholder s/member s equity, and cash flows for the years then ended included in this prospectus, have been so included in reliance on the report of REDW LLC, independent auditors, given on the authority of that firm as experts in auditing and accounting.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to our common stock offered by this prospectus. This prospectus, which forms part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits to the registration statement. Some items are omitted in accordance with the rules and regulations of the SEC. For further information about us and our common stock, we refer you to the registration statement and the exhibits to the registration statement filed as part of the registration statement. You may read and copy the registration statement, including the exhibits to the registration statement, at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of those documents, upon payment of a duplicating fee, by writing to the SEC. For further information on the operation of the Public Reference Room, please call the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at www.sec.gov, from which you can electronically access the registration statement, including the exhibits to the registration statement.

As a result of this offering, we will become subject to the full informational requirements of the Exchange Act. We will fulfill our obligations with respect to such requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing financial statements that have been examined and reported on, with an opinion expressed by an independent registered public accounting firm. We also maintain an Internet site at www.sabre.com. The information contained on our website or that can be accessed through our website will not be deemed to be incorporated into this prospectus or the registration statement of which this prospectus forms a part, and investors should not rely on any such information in deciding whether to purchase our common stock.

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SABRE CORPORATION

Audited Consolidated Financial Statements

PRISM GROUP, INC. AND AFFILIATE

Audited Combined Financial Statements

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Sabre Corporation

We have audited the accompanying consolidated balance sheets of Sabre Corporation as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, temporary equity and stockholders equity (deficit), and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 16(b). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sabre Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Dallas, Texas

March 10, 2014

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SABRE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2013	**2012**	**2011**
	(Amounts in thousands, except per share data)		
Revenue	$ 3,049,525	$ 2,974,364	$ 2,855,961
Cost of revenue [1] [2]	1,904,850	1,819,235	1,736,041
Selling, general and administrative [2]	792,929	1,188,248	806,435
Impairment	138,435	573,180	185,240
Restructuring charges	36,551		
Operating income (loss)	176,760	(606,299)	128,245
Other income (expense):			
Interest expense, net	(274,689)	(232,450)	(174,390)
Loss on extinguishment of debt	(12,181)		
Gain on sale of business		25,850	
Joint venture equity income	15,554	24,487	26,701
Joint venture goodwill impairment and intangible amortization	(3,204)	(27,000)	(3,200)
Other, net	(6,724)	(1,385)	1,156
Total other expense, net	(281,244)	(210,498)	(149,733)
Loss from continuing operations before income taxes	(104,484)	(816,797)	(21,488)
(Benefit) provision for income taxes	(14,029)	(195,071)	57,806
Loss from continuing operations	(90,455)	(621,726)	(79,294)
Loss from discontinued operations, net of tax	(7,176)	(48,947)	(23,461)
Net loss	(97,631)	(670,673)	(102,755)
Net income (loss) attributable to noncontrolling interests	2,863	(59,317)	(36,681)
Net loss attributable to Sabre Corporation	(100,494)	(611,356)	(66,074)
Preferred stock dividends	36,704	34,583	32,579
Net loss attributable to common shareholders	$ (137,198)	$ (645,939)	$ (98,653)
Basic and diluted loss per share:			
Continuing operations	$ (0.73)	$ (3.37)	$ (0.43)
Discontinued operations	(0.04)	(0.28)	(0.13)
Basic and diluted loss per share attributable to common shareholders	(0.77)	(3.65)	(0.56)
Basic and diluted weighted average common shares outstanding	178,125	177,206	176,703
	$ (0.28)		

Pro Forma basic and diluted loss per share from continuing operations available to common shareholders (unaudited) (Note 23)						
(1) Includes amortization of upfront incentive consideration	$	36,649	$	36,527	$	37,748
(2) Includes stock-based compensation as follows:						
Cost of revenue	$	1,702	$	1,715	$	1,454
Selling, general and administrative		7,384		8,119		5,880

See Notes to Consolidated Financial Statements.

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SABRE CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Net loss	$ (97,631)	$ (670,673)	$ (102,755)
Other comprehensive income (loss), net of tax			
Change in foreign currency translation adjustments	13,116	(2,125)	1,681
Change in defined benefit pension and other post retirement benefit plans	22,396	(33,521)	(28,366)
Change in unrealized gain (loss) on foreign contracts and interest rate swaps currency forward	11,538	19,465	(3,927)
Change in other	(1,415)	(2,794)	(3,353)
Other comprehensive income (loss)	45,635	(18,975)	(33,965)
Comprehensive loss	(51,996)	(689,648)	(136,720)
Less: Comprehensive (income) loss attributable to noncontrolling interests	(2,863)	59,317	36,681
Comprehensive loss attributable to Sabre Corporation	$ (54,859)	$ (630,331)	$ (100,039)

See Notes to Consolidated Financial Statements.

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SABRE CORPORATION

CONSOLIDATED BALANCE SHEETS

	As of December 31,		
	2013 Pro Forma (Unaudited) (Note 23)	2013	2012
	(Amounts in thousands, except share data)		
Assets			
Current assets			
Cash and cash equivalents	$ 308,236	$ 308,236	$ 126,695
Restricted cash	2,359	2,359	4,440
Accounts receivable, net	434,288	434,288	417,240
Prepaid expenses and other current assets	53,378	53,378	46,020
Current deferred income taxes	41,431	41,431	32,938
Other receivables, net	29,511	29,511	42,334
Assets of discontinued operations	13,624	13,624	87,003
Total current assets	882,827	882,827	756,670
Property and equipment, net	498,523	498,523	408,396
Investments in joint ventures	132,082	132,082	131,708
Goodwill	2,138,175	2,138,175	2,282,671
Trademarks and brandnames, net	323,035	323,035	343,233
Acquired customer relationships, net	221,266	221,266	286,532
Other intangible assets, net	90,257	90,257	145,489
Other assets, net	479,680	469,543	356,546
Total assets	$ 4,765,845	$ 4,755,708	$ 4,711,245
Liabilities, temporary equity and stockholders equity (deficit)			
Current liabilities			
Accounts payable	$ 111,386	$ 111,386	$ 124,893
Travel supplier liabilities and related deferred revenue	213,504	213,504	218,023
Accrued compensation and related benefits	117,689	117,689	89,439
Accrued incentive consideration	142,767	142,767	127,099
Deferred revenues	136,380	136,380	137,614
Litigation settlement liability and related deferred revenue	38,920	38,920	117,873
Other accrued liabilities	267,867	267,867	245,633
Current portion of debt	86,117	86,117	23,232
Liabilities of discontinued operations	41,788	41,788	101,433
Total current liabilities	1,156,418	1,156,418	1,185,239

Deferred income taxes	10,253	10,253	13,653
Other noncurrent liabilities	593,182	263,182	370,162
Long-term debt	3,118,731	3,643,548	3,420,927
Commitments and contingencies (See Note 20)			
Temporary equity			
Series A Redeemable Preferred Stock: $0.01 par value; no shares authorized, issued and outstanding pro forma; 225,000,000 authorized shares; 87,229,703 shares issued; 87,184,179 outstanding at December 31, 2013 and 2012		634,843	598,139
Stockholders equity (deficit)			
Common Stock: $0.01 par value; 450,000,000 authorized shares; 256,698,883 shares issued and 256,557,042 outstanding pro forma; 178,633,409 and 177,911,922 shares issued, 178,491,568 and 177,789,402 outstanding at December 31, 2013 and 2012, respectively	2,567	1,786	1,779
Additional paid-in capital	1,761,678	880,619	865,144
Retained deficit	(1,827,597)	(1,785,554)	(1,648,356)
Accumulated other comprehensive loss	(49,895)	(49,895)	(95,530)
Noncontrolling interest	508	508	88
Total stockholders equity (deficit)	(112,739)	(952,536)	(876,875)
Total liabilities, temporary equity and stockholders equity (deficit)	$ 4,765,845	$ 4,755,708	$ 4,711,245

See Notes to Consolidated Financial Statements.

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SABRE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Operating Activities			
Net loss	$ (97,631)	$ (670,673)	$ (102,755)
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation and amortization	307,595	315,733	293,117
Litigation related charges, net	8,156	345,048	
Impairment	138,435	573,180	185,240
Restructuring charges	4,089		
Gain on sale of business		(25,850)	
Stock-based compensation for employees	9,086	9,834	7,334
Allowance for doubtful accounts	9,439	4,328	3,467
Deferred income taxes	(64,690)	(232,273)	34,409
Joint venture equity income	(15,554)	(24,487)	(26,701)
Joint venture goodwill impairment and intangible amortization	3,204	27,000	3,200
Distributions of income from joint venture investments	10,560	21,076	13,343
Amortization of debt issuance costs	7,104	23,265	12,539
Third-party fees expensed in connection with the debt modification	14,003	7,600	
Loss on extinguishment of debt	12,181		
Other	(5,619)	(9,866)	(22,173)
Loss from discontinued operations	7,176	48,947	23,461
Changes in operating assets and liabilities:			
Accounts and other receivables	(29,150)	(2,691)	(49,220)
Prepaid expenses and other current assets	(4,480)	(3,374)	8,680
Capitalized implementation costs	(58,814)	(78,543)	(59,109)
Other assets	(64,259)	(8,704)	(52,817)
Accounts payable and other accrued liabilities	(31,064)	13,022	93,735
Pensions and other postretirement benefits	(2,579)	(20,236)	(9,306)
Cash provided by operating activities	157,188	312,336	356,444
Investing Activities			
Additions to property and equipment	(226,026)	(193,262)	(164,638)
Acquisitions, net of cash acquired	(30,200)	(72,441)	(11,338)
Proceeds from sale of assets and businesses	10,000	27,915	
Proceeds from sale of equity securities		6,355	
Other investing activities	(276)	(4,601)	(284)
Cash used in investing activities	(246,502)	(236,034)	(176,260)

Financing Activities			
Proceeds of borrowings from lenders	2,540,063	2,225,082	
Payments on borrowings from lenders	(2,261,061)	(2,924,745)	(30,150)
Proceeds from borrowings on revolving credit facility		518,200	1,007,100
Payments on borrowings under revolving credit facility		(600,200)	(925,100)
Proceeds of borrowings under secured notes		801,500	
Payments on borrowings under unsecured notes			(324,188)
Debt issuance costs	(19,116)	(43,275)	
Proceeds from exercise of stock options	3,073	2,696	1,202
Dividends paid	(2,443)	(2,214)	(1,843)
Decrease (increase) in restricted cash	2,081	4,346	(5,342)
Other financing activities	(425)	(6,510)	6,781
Cash provided by (used in) financing activities	262,172	(25,120)	(271,540)
Cash Flows from Discontinued Operations			
Net cash provided by (used in) operating activities	(14,096)	(6,582)	(25,241)
Net cash provided by (used in) investing activities	(6)	270	(4,550)
Proceeds from sale, net of cash sold	20,502	19,157	
Net cash provided by (used in) discontinued operations	6,400	12,845	(29,791)
Effect of exchange rate changes on cash and cash equivalents	2,283	4,318	2,976
Increase (decrease) in cash and cash equivalents	181,541	68,345	(118,171)
Cash and cash equivalents at beginning of period	126,695	58,350	176,521
Cash and cash equivalents at end of period	$ 308,236	$ 126,695	$ 58,350
Cash payments for income taxes	$ 4,224	$ 20,177	$ 32,491
Cash payments for interest	$ 255,620	$ 264,990	$ 184,449
Capitalized interest	$ 10,966	$ 8,705	$ 6,899
Preferred shares dividend	$ 36,704	$ 34,583	$ 32,579

See Notes to Consolidated Financial Statements.

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SABRE CORPORATION

CONSOLIDATED STATEMENTS OF TEMPORARY EQUITY AND

STOCKHOLDERS EQUITY (DEFICIT)

	Temporary Equity Series A Redeemable Preferred Stock		Stockholders Equity (Deficit)						
			Common Stock		Additional Paid in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (loss)	Noncontrolling Interest	Total Stockholders Equity (Deficit)
	Shares	Amount	Shares	Amount					
					(Amounts in thousands, except share data)				
Balance at December 31, 2010	87,229,703	$ 530,977	176,633,134	$ 1,766	$ 890,016	$ (903,764)	$ (42,590)	$ 19,831	$ (34,741)
Comprehensive loss						(66,074)	(33,965)	(36,681)	(136,720)
Issuances pursuant to:									
Accrued preferred shares dividend		32,579				(32,579)			(32,579)
Amortization of stock-based compensation					7,334				7,334
Settlement of stock-based awards			255,686	3	1,199				1,202
Dividends paid to noncontrolling interest on subsidiary common stock								(1,843)	(1,843)
Other					428				428
Balance at December 31, 2011	87,229,703	$ 563,556	176,888,820	$ 1,769	$ 898,977	$ (1,002,417)	$ (76,555)	$ (18,693)	$ (196,919)
Comprehensive loss						(611,356)	(18,975)	(59,317)	(689,648)
Issuances pursuant to:									
Accrued preferred		34,583				(34,583)			(34,583)

shares dividend									
Amortization of stock-based compensation					6,859				6,859
Settlement of stock-based awards			828,311	8	2,688				2,696
Re-acquisition of non-controlling interest			194,791	2	(41,941)			40,203	(1,736)
Other					(1,439)				(1,439)
Dividends paid to noncontrolling interest on subsidiary common stock								(2,214)	(2,214)
Sale of controlling interest in Sabre Pacific								40,109	40,109
Balance at December 31, 2012	87,229,703	$ 598,139	177,911,922	$ 1,779	$ 865,144	$ (1,648,356)	$ (95,530)	$ 88	$ (876,875)
Comprehensive loss						(100,494)	45,635	2,863	(51,996)
Issuances pursuant to:									
Accrued preferred shares dividend		36,704				(36,704)			(36,704)
Amortization of stock-based compensation					7,564				7,564
Settlement of stock-based awards			721,487	7	7,911				7,918
Dividends paid to noncontrolling interest on subsidiary common stock								(2,443)	(2,443)
Balance at December 31, 2013	87,229,703	$ 634,843	178,633,409	$ 1,786	$ 880,619	$ (1,785,554)	$ (49,895)	$ 508	$ (952,536)

See Notes to Consolidated Financial Statements.

SABRE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Sabre Corporation is a Delaware corporation formed in December 2006. On March 30, 2007, Sabre Corporation acquired Sabre Holdings Corporation (Sabre Holdings). Sabre Holdings is the sole subsidiary of Sabre Corporation. Sabre GLBL Inc. is the principal operating subsidiary and sole direct subsidiary of Sabre Holdings. Sabre GLBL 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 Corporation and its consolidated subsidiaries unless otherwi stated or the context otherwise requires.

We are a leading technology solutions provider to the global travel and tourism industry. We operate through three business segments: (i) Travel Network, our global travel marketplace for travel suppliers and travel buyers, (ii) Airline and Hospitality Solutions, an extensive suite of travel industry leading software solutions primarily for airlines and hotel properties, and (iii) Travelocity, our portfolio of online consumer travel e-commerce businesses through which we provide travel content and booking functionality primarily for leisure travelers.

Travel Network

Travel Network is our global business-to-business travel marketplace and consists primarily of our global distribution system (GDS), which serves the role of a transaction processor for the travel industry, and a broad set of solutions that integrate with our GDS to add value for travel supplies and travel buyers. Our GDS facilitates travel by efficiently bringing together travel content such as inventory, prices, and availability from a broad array of travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, with a large network of travel buyers, including online and offline travel agencies, travel management companies, and corporate travel departments. Travel Network primarily generates revenue through transaction-based fees.

Airline and Hospitality Solutions

Our Airline and Hospitality Solutions business offers a broad portfolio of software technology products and solutions, through the software-as-a-service (SaaS) and hosted delivery model. Our Airline Solutions business provides comprehensive software solutions that help our airline customers better market, sell, serve and operate. We offer customizable reservations software that supports the essentials of a passenger service system. Our other airline software solutions help airline customers make decisions around marketing and planning, merchandising offering and managing network operations. Our Hospitality Solutions business provides distribution, operations and marketing solutions to hotel suppliers. Our offerings include reservations systems, property management systems, marketing services through our customers various distribution channels and consulting services. Our Airline and Hospitality Solutions primarily generates transaction-based fees for the usage of our software pursuant to contracts with terms that typically range between three and ten years and generally include minimum annual volume requirements.

Travelocity

Travelocity is our family of online consumer travel e-commerce businesses that serves primarily leisure travelers. We connect these travelers with travel products and services across well-known and trusted global brands. Through our websites, travelers can research, shop and book airlines, hotels, car rental companies, cruise lines, vacation and last-minute travel packages Travelocity is comprised primarily of (i) Travelocity.com, an online travel agency focusing on the United States and Canada, (ii) lastminute.com, an OTA focusing on Europe, and (iii) Travel Partner Network (TPN), our business-to-business offering that provides travel content and booking functionality to, as well as market and sell products and services through, private label websites for suppliers and distribution partners. In the third quarter of 2013, we initiated plans to shift our Travelocity businesses in the United States and Canada away from a high fixed-cost model to a lower-cost, performance-based revenue structure. See Note 5, Restructuring Charges. In February 2014, we sold the assets associated with TPN. See Note 22, Subsequent Events.

2. Summary of Significant Accounting Policies

Basis of Presentation The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). We consolidate all of our majority-owned subsidiaries and companies over which we exercise control through majority voting rights. Other than as discussed in the following paragraphs, no other 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. All dollar amounts in the financial statements and the tables in the notes, except per-share amounts, are stated in thousands of U.S. dollars unless otherwise indicated. All amounts in the notes reference results from continuing operations unless otherwise indicated.

In December 2009, our wholly-owned subsidiary Travelocity.com Inc. was converted into Travelocity.com LLC, a Delaware limited liability company, pursuant to Delaware law, and the capital structure of Travelocity.com LLC was split into common and preferred units. On December 31, 2009, 95% of the common units of Travelocity.com LLC were distributed as a dividend to a newly-formed Delaware corporation, TVL Common, Inc., which is owned by the holders of record of Sabre Corporation s preferred stock. We retained the remaining 5% of the common units and 100% of the preferred units. On December 31, 2012, we implemented a series of transactions which resulted in the merger of TVL Common, Inc. back into our capital structure. The owners of 95% of the common units of TVL Common, Inc. received shares of Sabre Corporation in exchange. For so long as any preferred units remained outstanding, the holder(s) of the preferred units had full voting rights and control of Travelocity.com LLC and the holder(s) of common units had no voting rights or control. As such, we, as the holder of all of the preferred units, consolidated the results of Travelocity.com LLC and presented a noncontrolling interest for the portion of the common units distributed through the dividend. Profits and losses were allocated in accordance with the limited liability company agreement and securities held by each party. This merger was a reacquisition of a noncontrolling interest from an entity under common control and has been recorded as an equity transaction.

Equity Method Investments 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. 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 or under the equity method 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 through earnings. For the year ended December 31, 2012, joint venture equity income included a $24 million impairment of goodwill recorded by one of our investees. For the years ended December 31, 2013, 2012 and 2011, impairments of investments carried at cost were not material to our results of operations.

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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, 2013:

Joint Venture	Voting Interest
Auto Holidays (Pty) Limited (South Africa)	50%
ESS Elektroniczne Systemy Spzedazy Sp. zo.o	40%
ABACUS International PTE Ltd	35%
Sabre Bulgaria AD	20%

Our investments in joint ventures on the consolidated balance sheets includes $93 million and $97 million, as of December 31, 2013 and 2012, respectively, of excess basis over our underlying equity in joint ventures. This differential represents goodwill in addition to identifiable intangible assets which are being amortized to joint venture intangible amortization over their estimated lives.

Reclassifications Certain reclassifications have been made to the prior years consolidated financial statements to conform to the 2013 presentation. Other than as described below, these reclassifications are not material, either individually or in the aggregate, to our consolidated financial statements.

In 2013, we have removed the presentation of gross margin from our consolidated statement of operations. Additionally, we have reclassified depreciation and amortization from a single line in our consolidated statement of operations to be reflected as a part of cost of revenues or selling, general and administrative expenses based on the nature of the expense. The impact to cost of revenue and selling, general and administrative, considering the impact of discontinued operations, for the year ended December 31, 2012 was an increase to cost of revenue of $198 million and an increase to selling, general and administrative of $118 million. The impact for the year ended December 31, 2011 was an increase to cost of revenue of $173 million and an increase to selling, general and administrative of $120 million. The amount of depreciation and amortization reclassified to discontinued operations was $2 million for each of the years ended December 31, 2012 and 2011.

In addition, certain amounts previously reported in our December 31, 2012 and 2011 financial statements have been reclassified to conform to December 31, 2013 presentation, as a result of discontinued operations. See Note 4, Discontinued Operations and Dispositions.

Use of Estimates The preparation of these financial statements in conformity with 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, among other things, estimation of the collectability of accounts receivable, amounts for future cancellations of bookings processed through the Sabre global distribution system (GDS), 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, determination of the fair value of our litigation settlement payable, assumptions made in the calculation of restructuring 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 We employ a number of revenue models across our businesses, depending on the dynamics of the industry segment and the technology on which the revenue is based. Some revenue models are used in multiple businesses. Travel Network primarily employs the transaction revenue model. Airline and Hospitality Solutions primarily employs the SaaS and hosted and consulting revenue models, as well as the software licensing fee model to a lesser extent. Travelocity has primarily employed two revenue models: the merchant model, which we refer to as our Net Rate Program, under which we recognize a majority of our hotel revenues, and the agency model, under which we recognize most of our airline, car and cruise revenues and a small portion of hotel revenues. Beginning in the fourth quarter of 2013, Travelocity in the U.S. and Canada began shifting to the marketing fee revenue model while Travelocity Europe continues to primarily employ the merchant model and agency model. Both Travel Network and Travelocity derive some of their revenues from the media model, earning advertising revenues from travel suppliers and other entities that advertise their products to travelers and travel agencies using our networks. We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Transaction Revenue Model This model accounts for substantially all of Travel Network s revenues. We define a direct billable booking as any booking that generates a fee directly to Travel Network. Transaction fees include, but are not limited to, transaction fees paid by travel suppliers for selling their inventory through the Sabre GDS and transaction fees paid by travel agency subscribers related to their use of the Sabre GDS.

Pursuant to this model, a transaction occurs when a travel agency or corporate travel department books, or reserves, a travel supplier s product on the Sabre GDS. We receive revenue from a travel supplier, travel agency, or corporate travel department depending upon the commercial arrangement represented in each of their contracts.

Transaction revenue for airline travel reservations is recognized at the time of the booking of the reservation, net of estimated future cancellations. Our transaction fee cancellation reserve was $8 million at December 31, 2013 and 2012. Transaction revenue for car rental, hotel bookings and other travel providers is recognized at the time the reservation is used by the customer.

Software-as-a-Service and Hosted Revenue Model SaaS and hosted is the primary revenue model employed by Airline and Hospitality Solutions. In this revenue model, we host software solutions on our own secure platforms, or deploy it through our SaaS solutions and we maintain the software as well as the infrastructure it employs. Our customers, which include airlines, airports and hotel companies, pay us an implementation fee and a recurring usage-based fee for the use of the software pursuant to contracts with terms that typically range between three and ten years and generally include minimum annual volume requirements. This usage-based fee arrangement allows our customers to pay for software normally on a monthly basis, to the extent that it is used. Similar contracts with the same customer which are entered into at or around the same period are analyzed for revenue recognition purposes on a combined basis. Revenue from implementation fees is generally recognized over the term of the agreement. The amount of periodic usage fees is typically based on a metric relevant to the software s purpose. We recognize revenue from recurring usage-based fees in the period earned, which typically fluctuates based on a real-time metric, such as the actual number of passengers boarded or the actual number of hotel bookings made in a given month.

Consulting Revenue Model Our SaaS and hosted offerings can be sold as part of multiple-element agreements for which we also provide consulting services. Our consulting services are primarily focused on helping customers achieve better utilization of and return on their software investment. Often we provide consulting services during the implementation phase of our SaaS solutions. In such cases, we account for consulting service revenue separately from implementation and recurring usage-based fees, with value assigned to each element based on its relative selling price to the total selling price. We perform a market analysis on a periodic basis to determine the range of selling prices for each product and service. Estimated selling prices are set for each product and service delivered to customers. The revenue for consulting services is generally recognized over the period the services are performed.

Software Licensing Fee Revenue Model The software licensing fee revenue model is utilized by Airline and Hospitality Solutions. Under this model, we generate revenue by charging customers for the installation and use of our software products. Some contracts under this model generate additional revenue for the maintenance of the software product. When software is sold without associated customization or implementation services, revenue from software licensing fees is recognized when all of the following are met: (i) the software is delivered, (ii) fees are fixed or determinable,

(iii) no undelivered elements are essential to the functionality of delivered software, and (iv) collection is probable. When software is sold with customization or implementation services, revenue from software licensing fees is recognized based on the percentage of completion of the customization and implementation services. Fees for software maintenance are recognized ratably over the life of the contract. We are unable to determine vendor-specific objective evidence of fair value for software maintenance fees. Therefore, when fees for software maintenance are included in software license agreements, revenue from the software license, customization, implementation and the maintenance are recognized ratably over the related contract term.

Marketing Fee Revenue Model In the third quarter of 2013, we initiated plans to shift Travelocity in the U.S. and Canada away from a fixed-cost model to a lower-cost, performance based shared revenue structure. We entered into an exclusive, long-term strategic marketing agreement with Expedia Inc., in which Expedia will power the technology for Travelocity s existing U.S. and Canadian websites, as well as provide Travelocity with access to Expedia s supply and customer service platforms. As part of the agreement, Expedia is required to pay us a performance-based marketing fee that will vary based on the amount of travel booked through Travelocity-branded websites powered by Expedia. The marketing fee we receive is recorded as revenue and the costs we incur for marketing and that are to promote the Travelocity brand are recorded as selling, general and administrative expense in our results of operations. The revenue recognized under this model was not material to our results of operations for the year ended December 31, 2013. See Note 5, Restructuring Charges.

Merchant Revenue Model Pursuant to this Travelocity model, which we refer to as our Net Rate Program, we are the merchant of record for credit card processing for travel accommodations. We primarily use this model for revenue from hotel reservations and dynamically packaged combinations. We are the merchant of record for these transactions, but we do not purchase and resell travel accommodations and do not have any obligations with respect to travel accommodations offered online that we do not sell. Instead, we act as an intermediary by entering into agreements with travel suppliers for the right to market their products, services and other content offerings at pre-determined net rates. We market net rate offerings to travelers at prices that include an amount sufficient to pay the travel supplier for providing the travel accommodations and any occupancy and other local taxes, as well as additional amounts representing our service fees. Under this revenue model, we require pre-payment by the traveler at the time of booking.

Travelocity recognizes net rate revenue for stand-alone air travel at the time the travel is booked with a reserve for estimated future canceled bookings. Vacation packages, car rentals and hotel net rate revenues are recognized at the date of consumption.

For Travelocity s net rate and dynamically packaged combinations, 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 travel suppliers. In some cases, a portion of Travelocity s prepaid net rate and travel package transactions goes unused by the traveler. In those circumstances, 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 if certain conditions are met. Our process for determining when aged amounts may be recognized as revenue includes consideration of key factors such as the age of the supplier liability, historical billing and payment information, among others.

Agency Revenue Model This model is employed by Travelocity only and generates revenues via transaction fees and commissions from travel suppliers for reservations made by travelers through our websites. Under this model, we act as an agent in the transaction by passing reservations booked by travelers to the relevant airline, hotel, car rental company, cruise line or other travel supplier, while the travel supplier serves as merchant of record and processes the payment from the traveler.

Under the agency revenue model, Travelocity recognizes commission revenue for stand-alone air travel at the time the travel is booked with a reserve for estimated future canceled bookings. Commissions from car and hotel travel suppliers 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, and uncollectable commissions. As of December 31, 2013 and 2012, our reserve was approximately $2 million and $3 million, respectively.

Travelocity also generates revenues from fees for offline bookings for air and packages, which are generally booked through call center agents. These fees, net of tax recovery charges collected, are recognized as revenue at the time the related travel is booked or when the travel is canceled or changed. Travelocity also charges service fees to its customers for certain types of transactions booked through its consumer-facing websites, including processing service fees on Travelocity.com hotel bookings, as well as miscellaneous service fees including cancellation fees, credit card fees, change fees and delivery fees. These fees, net of tax recovery charges collected, are recognized as revenue at the time the related travel is booked or when the travel is canceled or changed.

Travelocity also generates insurance-related revenue from third party insurance providers whose air, total trip and cruise insurance is made available on our websites. Insurance revenue is recognized at the time the travel is booked.

Media Revenue Model The media revenue model is used to record advertising revenue from travel suppliers and other entities that advertise their products to travelers on Travelocity s sites and to a lesser extent, on our GDS. Advertisers use two types of advertising metrics: display advertising and action advertising. In display advertising, advertisers usually pay based on the number of customers who view the advertisement, and are charged based on cost per thousand impressions. In action advertising, advertisers usually pay based on the number of customers who perform a specific action, such as click on the advertisement, or other meaningful variable, and are charged based on the cost per action. Advertising revenues are recognized in the period that the advertising impressions are delivered or the click-through or other specific action occurs.

Advertising Costs Advertising costs are expensed as incurred. Advertising costs expensed in the years ended December 31, 2013, 2012 and 2011 totaled approximately $153 million, $163 million and $191 million, respectively. From time to time, we enter into advertising barter transactions which are recorded based on the fair value of the advertising surrendered. For the years ended December 31, 2013, 2012 and 2011, we recognized revenue associated with advertising barter transactions of $2 million, $9 million and $16 million, respectively, and expense of $2 million, $9 million and $16 million, respectively.

Research and Development We define research and development costs as costs incurred up to the point of technological feasibility for software developed to be sold, leased, or marketed to others. Research and development costs are expensed as incurred. We expensed approximated $6 million, $4 million and $3 million of research and development costs for the years ended December 31, 2013, 2012 and 2011, respectively.

Foreign Currency Risk We are exposed to foreign exchange rate fluctuations as we remeasure foreign currency transactions in the financial statements into the relevant functional currency. If there is a change in foreign currency exchange rates, the conversion of the foreign currency transactions into its functional currency will lead to transaction gains or losses, which are recorded in our consolidated statements of operations as a component of other, net.

We are also exposed to foreign exchange rate fluctuations as we translate the financial statements of our non-U.S. dollar functional currency 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).

Statements of Cash Flows We use the cumulative earnings approach for determining the cash flow presentation of distributions from our joint ventures. Distributions received on the investments are included in

our consolidated statements of cash flows in operating activities, unless the cumulative distributions exceed our portion of cumulative equity in earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are included in our consolidated statements of cash flows in investing activities. During the periods presented, there were no distributions from joint ventures classified as investing cash flows.

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

Restricted Cash Restricted cash balances relate to security provided for certain bank guarantees and banking services for specific subsidiaries in Europe within the Travelocity segment.

Financial Instruments The carrying value of our financial instruments including cash and cash equivalents, and accounts receivable approximate their fair values. Our derivative financial instruments are carried at their estimated fair values. Our debt instruments are recorded at carrying value; the fair value of our senior unsecured notes issued in March 2006 (2016 Notes), our senior unsecured notes issued in May 2012 (2019 Notes), and term loan were determined based on quoted market prices for the identical liability when traded as an asset in an active market.

Derivatives We recognize all derivatives, including embedded derivatives, on the consolidated balance sheets at fair value. 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 (a fair value hedge) or recognized in other comprehensive income until the hedged item is recognized in earnings (a cash flow hedge). 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 resulting from the change in fair value is recognized in current earnings during the period of change. No hedging ineffectiveness was recorded in earnings during the periods presented.

Income Taxes 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. We regularly review our deferred tax assets for recoverability and a valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. In assessing the need for a valuation allowance, we make estimates and assumptions regarding projected future taxable income, our ability to carry back operating losses to prior periods, the reversal of deferred tax liabilities and implementation of tax planning strategies. We reassess these assumptions regularly which could cause an increase or decrease to the valuation allowance resulting in an increase or decrease in the effective tax rate, and could materially impact our results of operations.

We recognize liabilities when we believe that an uncertain tax position may not be fully sustained upon examination by the tax authorities. Liabilities are recognized for uncertain tax positions that do not pass a two-step approach for recognition and measurement. First, we evaluate the tax position for recognition by determining if based solely on its technical merits, it is more likely than not to be sustained upon examination. Secondly, for positions that pass the first step, we measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. It is our policy to recognize penalties and interest accrued related to income taxes as a component of the provision (benefit) for income taxes. See Note 10, Income Taxes.

Operating Leases We lease certain facilities under long-term, non-cancelable operating leases. Certain of our lease agreements contain renewal options and/or payment escalations based on fixed annual increases, local consumer price index changes or market rental reviews. We recognize rent expense on a straight-line basis over the term of the lease.

Property and Equipment Property and equipment are stated at cost less accumulated depreciation, which is calculated on the straight-line basis. Our depreciation and amortization policies are as follows:

Buildings	Lesser of lease term or 35 years
Leasehold improvements	Lesser of lease term or useful life
Furniture and fixtures	5 to 15 years
Equipment, general office and computer	3 to 5 years
Software developed for internal use	3 to 7 years

We also capitalize certain costs related to applications, infrastructure and graphics development for the Sabre System and our websites under authoritative guidance on internal-use software intangibles. 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. 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. Depreciation and amortization for property and equipment totaled $131 million, $136 million and $123 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Property and equipment is evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets used in combination to generate cash flows largely independent of other assets may not be recoverable.

Goodwill and Intangible Assets Upon the acquisition of a business, we record goodwill and intangible assets at fair value. Additionally, we capitalize the costs incurred to renew or extend the term of our patents. Goodwill and intangible assets determined to have indefinite useful lives are not amortized. Definite-lived intangible assets are amortized on a straight-line basis and assigned useful economic lives of four to thirty years, depending on classification. The useful economic lives are evaluated on an annual basis.

We evaluate goodwill for impairment on an annual basis or if impairment indicators exist. We begin with the qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying value before applying the two-step goodwill impairment model described below. If it is determined through the qualitative assessment that a reporting unit s fair value is more likely than not greater than its carrying value, the remaining impairment steps are unnecessary. Otherwise, we perform 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 estimated 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. We have identified six reporting units, including Travelocity North America, Travelocity Europe, Travelocity Asia Pacific, Sabre Travel Network, Sabre Airline Solutions and Sabre Hospitality Solutions. The Travelocity Asia Pacific reporting unit was held for sale as of December 31, 2012 and was sold in March 2013 (see Note 4, Discontinued Operations and Dispositions).

The fair values used in our evaluation are estimated using a combined approach based upon discounted future cash flow projections and observed market multiples for comparable businesses. The 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, rates of increase in operating expenses, cost of revenue and taxes. Additionally, in accordance with authoritative guidance on fair value measurements, we made a number of assumptions including market participants, the principal markets and highest and best use of the reporting units.

Definite-lived intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of definite-lived intangible assets used in combination to generate cash flows largely independent of other assets may not be recoverable. If impairment indicators exist for definite-lived intangible assets, the undiscounted future cash flows associated with the expected service potential of the assets are compared to the carrying value of the assets. If our projection of undiscounted future cash flows is in excess of the carrying value of the intangible assets, no impairment charge is recorded. If our projection of undiscounted cash flows is less than the carrying value of the intangible assets, an impairment charge is recorded to reduce the intangible assets to fair value. We also evaluate the need for additional impairment disclosures based on our Level 3 inputs. For fair value measurements categorized within Level 3 of the fair value hierarchy, we disclose the valuation processes used.

Capitalized Implementation Costs We incur up-front costs to implement new customer contracts under our software-as-a-service revenue model. We capitalize these costs, including (a) certain external direct costs of materials and services incurred to implement a customer contract and (b) payroll and payroll related costs for employees who are directly associated with and devote time to implementation activities.

Capitalized costs are amortized on a straight-line basis over the related contract term, ranging from three to ten years, as they are recoverable through deferred or future revenues associated with the relevant contract.

Deferred Customer Discounts Deferred advances to customers and customer discounts are amortized in future periods as the related revenue is earned. The assets are reviewed for recoverability based on future contracted revenues. Contracts are priced to generate total revenues over the life of the contract that exceed any discounts or advances provided and any upfront costs incurred to implement the customer contract.

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 providing the travel accommodations and any occupancy and other local taxes, 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 related deferred revenue on the consolidated balance sheets until these amounts are paid to the suppliers or recognized as revenue upon consumption of the travel.

Incentive Consideration Certain service contracts with significant travel agency customers contain booking productivity clauses and other provisions that allow travel agency customers to receive cash payments or other consideration. We establish liabilities for these commitments and recognize the related expense as these travel agencies earn incentive consideration based on the applicable contractual terms. Periodically, we make cash payments to these travel agencies at inception or modification of a service contract which are capitalized and amortized to cost of revenue over the expected life of the service contract, which is generally three to five years. Deferred charges related to such contracts are recorded in Other assets, net on 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 incentive consideration provided. Incentive consideration paid to the travel agency represents a commission paid to the travel agency for booking travel on our GDS and the amounts paid to travel agencies represent fair value for the services provided.

Equity-Based Compensation We account for our stock awards and options by recognizing compensation expense, measured at the grant date based on the fair value of the award, on a straight-line basis over the award vesting period, giving consideration as to whether the amount of compensation cost recognized at any date is equal to the portion of grant-date value that is vested at that date. We account for our liability awards by remeasuring the fair value of our awards at each reporting date. Changes in fair value of our liability awards are recognized in earnings. Stock-based compensation expense, including liability awards, totaled $9 million, $10 million and $7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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, 2013 and 2012, approximately $178 million or 58% and $189 million or 58%, 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. Substantially all of our accounts receivable, net represents trade balances. We generally do not require security or collateral from our customers as a condition of sale.

We regularly monitor the financial condition of the air transportation industry and have noted the financial difficulties faced by several air carriers. We believe the credit risk related to the air carriers difficulties is mitigated 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, 2013, approximately 57% of our air customers make payments through the ACH which accounts for approximately 94% of our air revenue. For these carriers, we believe the use of ACH mitigates our credit risk with respect to airline bankruptcies. For those carriers from which we do not collect payments through the ACH or other similar clearing houses, our credit risk is higher. However, we monitor these carriers and account for the related credit risk 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 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 $22 million and $28 million at December 31, 2013 and 2012, respectively, based upon the amount of accounts receivable expected to prove uncollectible.

3. Acquisitions

Pro forma information related to acquisitions occurring during 2013, 2012 and 2011 has not been included, as the effect would not be material to our consolidated financial statements.

2012

Acquisition of PRISM On August 1, 2012, we acquired all of the outstanding stock and ownership interests of PRISM Group Inc. and PRISM Technologies LLC (collectively PRISM), a leading provider of end-to-end airline contract business intelligence and decision support software. The acquisition added to our portfolio of products within Airline and Hospitality Solutions, allows for new relationships with airlines and added to our existing business intelligence capabilities. The purchase price was $116 million, $66 million of which was paid on August 1, 2012. Contingent consideration totaled $54 million on an undiscounted basis and is to be paid in two installments of $27 million each, due 12 and 24 months following the acquisition date. The first $27 million installment represented a holdback payment primarily for indemnification purposes and the second $27 million payment represents contingent consideration which is based on contractually determined performance measures, which have been met. Additionally, $6 million is also due in two installments of $3 million each at 12 and 24 months, which is contingent upon employment of key employees and is being expensed over the relevant periods of employment and therefore is not considered a part of the purchase price consideration. We made the first holdback and contingent employment payments totaling $30 million in August 2013.

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The results of operations of PRISM are included in our consolidated statements of operations and the results of operations of Airline and Hospitality Solutions from the date of acquisition. The impact to our revenue and net loss from the acquisition of PRISM is not material for all periods presented. Assets acquired and liabilities assumed were recorded at their estimated fair values using management s best estimates, based in part on an independent valuation of the net assets acquired. The following table summarizes the allocation of the purchase price and the amounts allocated to goodwill (in thousands):

Patents (10 year useful life)	$ 59,400
Customer and contractual relationships (10 year useful life)	10,700
Trademarks (5 year useful life)	800
Goodwill	35,737
Accounts receivable, net	8,059
Other net assets acquired	1,458
Total purchase price	$ 116,154

Other Acquisitions During 2012, we completed one additional acquisition which was not individually material to our financial statements for a total purchase price of $6 million.

During 2011, we completed two acquisitions which individually were not material to our consolidated financial statements. In the first quarter of 2011, we completed the acquisition of Zenon N.D.C., Limited, a provider of GDS services to travel agents in Cyprus. In the second quarter of 2011, we completed the acquisition of SoftHotel, Inc., a provider of web-based property management solutions for the hospitality industry. The results of operations of these 2011 acquisitions have been included in our consolidated statements of operations from the dates of the acquisitions. The total purchase price for these acquisitions was $11 million.

4. Discontinued Operations and Dispositions

During the periods presented, we disposed of or discontinued certain businesses or operations in order to further align Travelocity with its core strategies of focusing on product and customer experiences in profitable locations, and displaying and promoting highly relevant content. We believe these decisions will allow us to reduce our technological complexity by reducing the number of supported business platforms and operations.

Discontinued Operations

The results for the following Travelocity operations are presented in income (loss) from discontinued operations in our consolidated statements of operations:

Holiday Autos On June 25, 2013, we sold certain assets of our Holiday Autos operations to a third party and, in November 2013, completed the closing of the remainder of the Holiday Autos operations such that it represented a discontinued operation. Holiday Autos was a leisure car hire broker that offered pre-paid, low-cost car rental in various markets, largely in Europe. We recognized an $11 million loss, net of tax, on the sale of Holiday Autos. The loss includes the write-off of $39 million of goodwill and intangible assets attributed to Holiday Autos, with the goodwill portion determined based on Holiday Autos relative fair value to the Travelocity Europe reporting unit. The sale provides for us to receive two earn-out payments measured 12 and 24 months following the date of the sale, totaling up to $12 million, based upon the purchaser exceeding certain booking thresholds as defined in the sale agreement. We recognized $6 million relative to these earn-out provisions and the resulting receivable is reviewed for recovery on a periodic basis. Any earn-out payments received in excess of the $6 million recognized will be recorded as a gain in the period received.

Travelocity Asia Pacific In July 2012, we completed the sale of two of our subsidiaries in India (collectively TravelGuru). These businesses offered a wide array of travel related services and operated a hotel reservations system. We recorded a gain on the sale of approximately $11 million, net of taxes, in the third quarter of 2012.

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Further, in December 2012, we entered into an agreement to sell our shares of Zuji Properties A.V.V. and Zuji Pte Ltd along with its operating subsidiaries (collectively Zuji), a Travelocity Asia Pacific-based Online Travel Agency (OTA). At that time, the assets were recorded at the lower of the carrying amount or fair value less cost to sell. We recorded an estimated loss on the sale of approximately $14 million, net of tax during 2012. We sold Zuji on March 21, 2013 and recorded an additional $11 million loss on sale, net of tax during the year ended December 31, 2013. We have continuing cash flows from Zuji due to reciprocal agreements between us and Zuji to provide hotel reservations services over a three year period. The agreements include commissions to be paid to the respective party based on qualifying bookings. The continuing cash flows associated with Zuji were not material to our results of operations for the year ended December 31, 2013.

The operations of Zuji and TravelGuru represented our Travelocity Asia Pacific reporting unit; Travelocity no longer has operations in the Asia Pacific region.

Travelocity Nordics In December 2012, we sold certain assets of Travelocity s Nordics business to a third party. The Nordics business is comprised of an online travel agency and event and ticket sales in Sweden, Norway and Denmark. Travelocity no longer has operations in this region.

Results of Discontinued Operations The results of discontinued operations for the year ended December 31, 2013 include $33 million of gains associated with the reversals of allowances for uncollectable value-added tax (VAT) receivables related to Holiday Autos (see Note 20, Commitments and Contingencies) and $4 million of other income related to the resolution of a legal contingency that existed at the close of the sale of TravelGuru. The reversals of the VAT receivable allowances were a result of payments received in 2013 and are reflected as a reduction to selling, general and administrative expenses in the table below. The results of discontinued operations for the year ended December 31, 2012 includes $17 million of accrued expenses in cost of revenue for VAT assessments and related penalties and interest associated with our Secret Hotels 2 Limited (formerly Med Hotels Limited) entity which was discontinued in 2008. The $17 million accrued liability was reversed during the year ended December 31, 2013 and is reflected as a reduction to cost of revenue in the below table (see Note 20, Commitments and Contingencies).

The following table summarizes the results of our discontinued operations:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Revenue	$ 49,124	$ 107,189	$ 124,763
Cost of revenue	(2,176)	26,694	36,502
Selling, general and administrative	23,542	107,808	101,873
Impairment expense	516	11,250	
Depreciation and amortization	2,599	4,412	5,440
Operating income (loss)	24,643	(42,975)	(19,052)
Other income (expense):			
Interest expense, net	(1,217)	(8,898)	(6,368)
Loss on sale of businesses, net	(27,709)	(8,266)	
Other, net	1,988	(2,607)	(2,161)

Total other expense, net	(26,938)	(19,771)	(8,529)
Loss from discontinuing operations before income taxes	(2,295)	(62,746)	(27,581)
Provision (benefit) for income taxes	4,881	(13,799)	(4,120)
Net loss from discontinued operations	$ (7,176)	$ (48,947)	$ (23,461)

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Dispositions

Certain Assets of Travelocity On June 18, 2013, we completed the sale of certain assets of Travelocity (TBiz) operations to a third party. TBiz provides managed corporate travel services for corporate customers. We recorded proceeds of $10 million and a loss on the sale of $3 million, net of tax, including the write-off of $9 million of goodwill attributed to TBiz based on the relative fair value to the Travelocity North America reporting unit, in our consolidated statement of operations.

Sabre Pacific On February 24, 2012, we completed the sale of our 51% stake in Sabre Australia Technologies I Pty Ltd (Sabre Pacific), an entity jointly owned by a subsidiary of Sabre (51%) and ABACUS International PTE Ltd (Abacus) (49%), to Abacus for $46 million of proceeds. Of the proceeds received, $9 million was for the sale of stock, $18 million represented the repayment of an intercompany note receivable from Sabre Pacific, which was entered into when the joint venture was originally established, and the remaining $19 million represented the settlement of operational intercompany receivable balances with Sabre Pacific and associated amounts we owed to Abacus. We recorded $25 million as gain on sale of business in our consolidated statements of operations. We have also entered into a license and distribution agreement with Sabre Pacific under which it will market, sub-license, distribute, provide access to and support for the Sabre GDS in Australia, New Zealand and surrounding territories. Sabre Pacific will pay us an ongoing transaction fee based on booking volumes under this agreement.

5. Restructuring Charges

Travelocity Restructuring In the third quarter of 2013, we initiated plans to restructure Travelocity, shifting Travelocity in the United States and Canada away from a fixed-cost model to a lower-cost, performance-based shared revenue structure. On August 22, 2013 we entered into an exclusive, long-term strategic marketing agreement with Expedia (Expedia SMA), in which Expedia will power the technology platforms for Travelocity s existing U.S. and Canadian websites, as well as provide Travelocity with access to Expedia s supply and customer service platforms. The Expedia SMA represents a strategic decision to reduce direct costs associated with Travelocity and provide our customers with the benefit of Expedia s long term investment in its technology platform as well as its supply and customer service platforms, which we expect to increase conversion and operational efficiency and allows us to shift our focus to Travelocity s marketing strengths. Both parties began development and implementation after signing the Expedia SMA. As of December 31, 2013, the majority of the online hotel and air offering has been migrated to the Expedia platform, and a launch of the majority of the remainder is expected in early 2014. Based on the terms of the agreement, Expedia has earned an incentive payment of $8 million in January 2014, which could increase to $11 million depending on the timing of the full launch in 2014. We plan to amortize this payment over the non-cancellable term of the marketing agreement as a reduction to revenue.

Under the terms of the agreement, Expedia will pay us a performance-based marketing fee that will vary based on the amount of travel booked through Travelocity-branded websites powered by Expedia under this collaborative arrangement. The marketing fee we receive is recorded as marketing fee revenue and the cost we incur to promote the Travelocity brand and for marketing is recorded as selling, general and administrative expense in our results of operations. Correspondingly, we are winding down certain internal processes, including back office functions, as transactions move from our technology platforms to those of Expedia.

We also agreed to a put/call arrangement (Expedia Put/Call) whereby Expedia may acquire, or we may sell to Expedia, certain assets relating to the Travelocity business. Our put right may be exercised during the first 24 months of the Expedia SMA only upon the occurrence of certain triggering events primarily relating to implementation, which are outside of our control. The occurrence of such events is not considered probable. During this period, the exercise price of the put right is fixed. After the 24 month period, the put right is only exercisable for a limited period of time in 2016 at a discount to fair market value. The call right held by Expedia is exercisable at any time during the term of the Expedia SMA. If the call right is exercised, it provides for a floor for a limited time that may be higher than fair value and a ceiling for the duration of the agreement that may be lower than fair value.

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In the fourth quarter of 2013, we initiated a plan to restructure the European portion of the Travelocity business. This plan involves establishing Travelocity Europe as a stand-alone operational entity, separating processes from the North America operations, while adding efficiencies to streamline the European operations. Travelocity will continue to be managed as one reportable segment.

As a result of the Travelocity restructuring actions, we recorded charges totaling $28 million which included $4 million of asset impairments, $18 million of employee termination benefits, and $6 million of other related costs. We estimate that we will incur additional charges of approximately $11 million in 2014 consisting of $6 million in contract termination costs, $2 million in employee termination benefits, and $3 million of other related costs.

Technology Restructuring Our corporate expenses include a technology organization that provides development and support activities to our business segments. Costs associated with our technology organization are charged to the business segments primarily based on its usage of development resources. For the year ended December 31, 2013, the majority of costs associated with the technology organization were incurred by Travel Network and Airline and Hospitality Solutions. In the fourth quarter of 2013, we initiated a restructuring plan to simplify our technology organization, better align costs with our current business, reduce our spend on third-party resources, and to increase focus on product development. The majority of this plan will be completed in 2014. As a part of this restructuring plan, we will reduce our employee base by approximately 350 employees. We recorded a charge of $8 million associated with employee termination benefits in the fourth quarter of 2013 and do not expect to record material charges in 2014 related to this action.

The roll forward of our restructuring accruals, included in other current liabilities, is as follows:

	Employee Termination Benefits		
	Travelocity	Technology Organization	Total
	(Amounts in thousands)		
Charges	$ 17,956	$ 8,163	$ 26,119
Payments	225		225
Restructuring liability at December 31, 2013	$ 17,731	$ 8,163	$ 25,894

The charges recognized in the roll forward of our reserve for restructuring charges do not include items charged directly to expense (e.g. asset impairments) and other periodic costs recognized as incurred, as those items are not reflected in our restructuring reserve in our consolidated balance sheet. Restructuring charges are not allocated to the segments for segment reporting purposes (see Note 21, Segment Information).

6. Equity Method Investments

We have an investment in Abacus and have entered into a service agreement with them relative to data processing services, development labor and other services as requested. The primary revenue generated from Abacus is data processing fees associated with bookings on the Sabre GDS. In accordance with a data processing agreement signed in late 2012, Abacus prepaid for data processing fees which will be amortized over the term of the agreement. Development labor and ancillary services are provided upon request. Additionally, in accordance with an agreement with Abacus, we collect booking fees on behalf of Abacus and record a payable, or economic benefit transfer, to them for amounts collected but unremitted at any period end, net of any associated costs we incur.

For the year ended December 31, 2012, Abacus recorded an impairment of goodwill associated with its acquisition of Sabre Pacific, of which our share was $24 million.

Prior to 2012, we held an equity interest in Axess jointly with Abacus. We recorded an amount due to Abacus for its economic share of the equity interest. Our interest in Axess was sold in 2012.

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The condensed consolidated financial information below has been presented in conformity with GAAP.

Abacus Condensed Consolidated Statements of Comprehensive Income are as follows:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Net income (loss)	$ 42,368	$ (20,366)	$ 79,452
Other comprehensive loss	(4,043)	(9,379)	(3,588)
Comprehensive loss	38,325	(29,745)	75,864
Less: Comprehensive income (loss) attributable to noncontrolling interests	88	(76)	(81)
Comprehensive loss attributable to Abacus	$ 38,413	$ (29,821)	$ 75,783

Abacus Condensed Consolidated Statements of Operations are as follows:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Revenue	$ 335,255	$ 320,069	$ 261,952
Cost of sales	205,505	200,212	123,227
General and administrative costs	43,157	42,219	25,382
Other expenses	37,306	32,367	19,497
Operating income	49,287	45,271	93,846
Impairment losses, net			(3,057)
Gain on disposal of an associate		5,656	
Impairment of goodwill	(100)	(65,809)	
Other non-operating costs	3,127	6,174	7,214
Income before taxes	52,314	(8,708)	98,003
Income tax expense	9,946	11,658	18,551
Net income (loss)	$ 42,368	$ (20,366)	$ 79,452
Noncontrolling interest	(75)	130	103
Net income (loss) attributable to Abacus	$ 42,443	$ (20,496)	$ 79,349

Abacus Condensed Consolidated Balance Sheets are as follows:

	December 31, 2013	December 31, 2012
	(Amounts in thousands)	
Assets		
Current assets		
Cash and cash equivalents	$ 107,729	$ 96,194
Accounts receivable, net	43,679	51,746
Other receivables, net	61,481	53,219
Total current assets	212,889	201,159
Property and equipment, net	32,167	28,130
Goodwill and intangible assets, net	2,505	2,505
Other assets, net	41,647	46,788
Total assets	$ 289,208	$ 278,582

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	December 31, 2013	December 31, 2012
	(Amounts in thousands)	
Liabilities and stockholders equity		
Current liabilities		
Accounts payable	$ 19,820	$ 30,463
Other accrued liabilities	103,887	91,270
Provision for taxation	47,073	48,277
Total current liabilities	170,780	170,010
Deferred income taxes	7,474	5,733
Stockholders equity		
Share capital	56,580	56,580
Retained earnings	54,159	45,746
Noncontrolling interest	215	513
Total stockholders equity	110,954	102,839
Total liabilities and stockholders equity	$ 289,208	$ 278,582

Abacus Condensed Consolidated Statements of Cash Flows are as follows:

	Year Ended December 31, 2013	2012	2011
	(Amounts in thousands)		
Operating Activities			
Cash provided by operating activities	$ 57,899	$ 9,214	$ 48,833
Investing Activities			
Cash used in investing activities	(16,154)	(29,183)	(8,560)
Financing Activities			
Dividends paid	(30,000)	(60,486)	(35,000)
Other financing activities	(210)	(156)	(109)
Cash used in financing activities	(30,210)	(60,642)	(35,109)
Increase (decrease) in cash and cash equivalents	11,535	(80,611)	5,164
Cash and cash equivalents at beginning of period	96,194	176,805	171,641
Cash and cash equivalents at end of period	$ 107,729	$ 96,194	$ 176,805

Our related party transactions with Abacus are summarized and presented in the table below.

	Year Ended December 31, 2013	2012	2011
	(Amounts in thousands)		

Revenue earned from Abacus	$ 91,998	$ 71,957	$ 52,073

	December 31,	
	2013	2012
	(Amounts in thousands)	
Receivable from Abacus	$ 29,377	$ 13,939
Payable to Abacus for Economic Benefit Transfer	(8,648)	(8,452)
Current deferred revenue related to Abacus data processing	(2,571)	(2,571)
Long-term deferred revenue related to Abacus data processing	(12,857)	(15,428)
Related party receivable (liability), net	$ 5,301	$ (12,512)

7. Goodwill and Intangible Assets

Impairment Assessments We perform our annual assessment of possible impairment of goodwill and indefinite-lived intangible assets as of October 1, or more frequently if events and circumstances indicate that impairment may have occurred.

2013 In conjunction with the disposal of TBiz (part of our Travelocity North America reporting unit) and Holidays Autos (part of our Travelocity Europe reporting unit) in the second quarter of 2013, we were required to allocate goodwill to these businesses. We allocated $9 million and $36 million in goodwill to TBiz and Holiday Autos, respectively. In connection with the dispositions, we initiated an impairment analysis as of June 30, 2013 on the remainder of the goodwill and long-lived assets associated with these reporting units. Further declines in our projections of the discounted future cash flows of these reporting units and current market participant considerations led to a $96 million impairment in Travelocity North America and a $40 million impairment in Travelocity Europe goodwill, which has been recorded in our results of operations. As a result of these impairments, the Travelocity segment had no remaining goodwill as of June 30, 2013.

We also recorded a $2 million impairment of Travelocity Europe software developed for internal use and $1 million impairment of other definite lived intangible assets related to Holiday Autos which is included in our net loss on the sale of that business in discontinued operations.

Based on our annual assessment of possible impairment of goodwill and indefinite-lived intangible assets as of October 1, 2013, we concluded that no additional impairment was necessary.

2012 In the third quarter of 2012, certain competitors of Travelocity announced plans to move towards offering hotel customers a choice of payment options which could adversely affect hotel margins over time. Travelocity s move to this new revenue model could have additionally impacted its working capital as it would collect less cash up front, reducing the existing supplier liability over time. We therefore initiated an impairment analysis as of September 30, 2012. The expected change in the competitive business environment and the resulting impact on our projections of the discounted future cash flows led to a $58 million goodwill impairment in Travelocity North America and a $5 million goodwill impairment in Travelocity Europe.

In the fourth quarter of 2012, we continued to see further weakness in Travelocity s business performance resulting in lower projected revenues and declining margins for Travelocity North America and Europe thus requiring further impairment assessment as of December 31, 2012 of goodwill and long-lived intangible assets. We recorded an additional goodwill impairment charge for Travelocity Europe for $65 million and identified long-lived intangible assets were not deemed recoverable in both North America and Europe. As a result, we recorded impairments on long lived assets of $281 million for Travelocity North America, of which $30 million pertained to software developed for internal use, $7 million pertained to computer equipment, $6 million related to capitalized implementation costs (see Note 2, Summary of Significant Accounting Policies) and the remainder related to definite-lived intangible assets. We also recorded impairments of $154 million for Travelocity Europe, of which $11 million pertained to software developed for internal use, $4 million pertained to computer equipment and the remainder related to definite lived intangible assets. The total impairment for Travelocity in 2012 was $564 million.

2011 During 2011, Travelocity was impacted by weakness in the macroeconomic environment and experienced a decline in margins due to pressure in the industry driven by competitive pricing and reduced bookings which negatively impacted our projections of the discounted future cash flows. These factors led to impairment charges of $173 million for Travelocity North America and $12 million for Travelocity Europe, respectively.

For the purposes of performing the impairment assessment in all periods, we determined that the lowest level of identifiable cash flows is at the reporting unit level for the primary asset in the asset group being the trade name Travelocity.com and lastminute.com related to Travelocity North America and Travelocity Europe,

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respectively. We used an income based valuation approach at the reporting unit level to fair value the asset group and compared those estimates to the respective carrying values. The key assumptions used in determining the estimated fair value of our long lived assets were the terminal growth rates, forecasted revenues, assumed royalty rates and discount rates. Significant judgment was required to select these inputs based on observed market data. Impairments related to continuing operations are recorded in Impairment in the consolidated statements of 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.

There was no impairment charge on definitive-lived intangible assets in 2011.

Goodwill Changes in the carrying amount of goodwill during the year ended December 31, 2013 and December 31, 2012 are as follows:

	Continuing Operations				**Discontinued Operations**			
	Travel Network	**Airline and Hospitality Solutions**	**Travelocity**	**Total**	**Gross**	**Accumulated Impairment**	**Total**	**Total Goodwill**
				(Amounts in thousands)				
Balance as of December 31, 2011	$ 1,813,215	$ 285,754	$ 273,406	$ 2,372,375	$ 94,555	$ (39,573)	$ 54,982	$ 2,427,357
Acquired		39,713		39,713				39,713
Adjustments (1)	(153)	22		(131)	595		595	464
Impairment			(128,708)	(128,708)				(128,708)
Held for Sale	(578)			(578)		(7,420)	(7,420)	(7,998)
Balance as of December 31, 2012	1,812,484	325,489	144,698	2,282,671	95,150	(46,993)	48,157	2,330,828
Acquired	399			399				399
Adjustments (1)	(197)			(197)				(197)
Impairment			(135,598)	(135,598)				(135,598)
Disposals			(9,100)	(9,100)	(48,157)		(48,157)	(57,257)
Balance as of December 31, 2013	$ 1,812,686	$ 325,489	$	$ 2,138,175	$ 46,993	$ (46,993)	$	$ 2,138,175

(1) Includes net foreign currency effects during the year.

Accumulated goodwill impairment charges totaled $1,383 million and $1,247 million as of December 31, 2013 and 2012, respectively. All accumulated goodwill impairment charges are associated with Travelocity.

Intangible Assets The following table presents our intangible assets at December 31, 2013 and 2012. The impairments discussed above are reflected in accumulated amortization as of December 31, 2013 and 2012.

	December 31, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Amounts in thousands)					
Trademarks and brandnames	$ 868,632	$ (545,597)	$ 323,035	$ 868,591	$ (525,358)	$ 343,233
Acquired customer relationships	692,863	(471,597)	221,266	693,863	(407,331)	286,532
Purchased technology	468,639	(392,013)	76,626	468,389	(338,635)	129,754
Non-compete agreements	13,325	(12,894)	431	13,325	(12,390)	935
Acquired contracts, supplier and distributor agreements	26,600	(13,400)	13,200	25,600	(10,800)	14,800
Total intangible assets	$ 2,070,059	$ (1,435,501)	$ 634,558	$ 2,069,768	$ (1,294,514)	$ 775,254

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Amortization expense relating to intangible assets subject to amortization totaled $140 million for the year ended December 31, 2013 and $159 million for each of the years ended December 31, 2012 and 2011. Estimated amortization expense related to intangible assets subject to amortization for each of the five succeeding years and beyond is as follows (in thousands):

2014	$ 104,399
2015	92,452
2016	92,474
2017	47,111
2018	31,310
2019 and thereafter	266,812
Total	$ 634,558

8. Balance Sheet Components

Other Receivables, Net

Other receivables consisted of the following:

	December 31,	
	2013	**2012**
	(Amounts in thousands)	
Value added tax receivable, net	$ 23,237	$ 18,795
Federal income tax receivable	2,024	16,634
Other	4,250	6,905
Other receivables, net	$ 29,511	$ 42,334

Property and Equipment, Net

Our property and equipment consists of the following items:

	December 31,	
	2013	**2012**
	(Amounts in thousands)	
Buildings & leasehold improvements	$ 156,086	$ 150,424
Furniture, fixtures & equipment	25,749	24,558
Computer equipment	275,378	253,336
Software developed for internal use	764,226	583,051

	1,221,439	1,011,369
Accumulated depreciation and amortization	(722,916)	(602,973)
Property and equipment, net	$ 498,523	$ 408,396

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Other Assets, Net

Other assets consisted of the following:

	December 31, 2013	December 31, 2012
	(Amounts in thousands)	
Capitalized implementation costs, net	$ 175,886	$ 152,837
Long-term deferred income taxes	34,794	3,360
Deferred customer discounts	90,476	47,711
Deferred upfront incentive consideration	81,581	69,660
Other	86,806	82,978
Other assets, net	$ 469,543	$ 356,546

Other Noncurrent Liabilities

Other noncurrent liabilities consisted of the following:

	December 31, 2013	December 31, 2012
	(Amounts in thousands)	
Litigation settlement liability and related deferred revenue	$ 98,311	$ 127,176
Deferred revenue	50,576	60,041
Pension and other postretirement benefits	55,032	109,170
Other	59,263	73,775
Other noncurrent liabilities	$ 263,182	$ 370,162

9. 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 $21 million, $20 million and $17 million for the years ended December 31, 2013, 2012 and 2011, respectively.

We also sponsor personal pension plans for eligible staff at lastminute.com, a Travelocity entity. lastminute.com contributed 5% of eligible pay on behalf of these employees to the plan. We contributed and expensed approximately $1 million for each of the years December 31, 2013, 2012 and 2011.

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 was amended to freeze pension benefit accruals as of December 31, 2005, so that no additional pension benefits are accrued after that date. In April 2008, we amended the LPP 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 projected benefit obligation by $34 million, which is being amortized over 23.5 years, representing the weighted average of the lump sum benefit period and the life expectancy of all plan participants. We also sponsor a defined benefit pension plan for certain employees in Canada.

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

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October 1, 2000. In February 2009, we amended our retiree medical plan to reduce the subsidies received by participants by 20% per year over the next 5 years, with no further subsidies beginning January 1, 2014. This amendment resulted in $57 million of negative prior service cost recorded in other comprehensive income that was amortized to operating expense over the remaining term which concluded in December 2013.

Pursuant to a Travel Privileges Agreement with American Airlines Group (AAG), formerly AMR Corporation, 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 AAG and Sabre Holdings. These dual-retirees will receive these benefits upon retiring from Sabre Holdings. To pay for the provision of flight privileges for eligible retired employees, we make a lump-sum payment to AAG in the year the employees retire.

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, 2013 and December 31, 2012:

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
	(Amounts in thousands)			
Change in benefit obligation:				
Benefit obligation at January 1	$ (440,752)	$ (381,506)	$ (3,045)	$ (5,723)
Service cost				
Interest cost	(17,930)	(19,744)	(41)	(91)
Actuarial gains (losses), net	37,416	(59,434)	607	(100)
Benefits paid	24,805	19,932	1,665	2,869
Benefit obligation at December 31	$ (396,461)	$ (440,752)	$ (814)	$ (3,045)
Change in plan assets:				
Fair value of assets at January 1	$ 334,701	$ 293,255	$	$
Actual return on plan assets	30,007	41,143		
Employer contributions	2,579	20,235	1,665	2,869
Benefits paid	(24,805)	(19,932)	(1,665)	(2,869)
Fair value of assets at December 31	$ 342,482	$ 334,701	$	$
Funded status at December 31	$ (53,979)	$ (106,051)	$ (814)	$ (3,045)

The cumulative amounts recognized in the consolidated balance sheets as of December 31, 2013 and December 31, 2012, consist of:

	Pension Benefits December 31,		Other Benefits December 31,		Total December 31,	
	2013	2012	2013	2012	2013	2012
	(Amounts in thousands)					
Current liabilities	$	$	$ (743)	$ (1,913)	$ (743)	$ (1,913)

Noncurrent liabilities	(53,979)	(106,051)	(71)	(1,132)	(54,050)	(107,183)
Total	$ (53,979)	$ (106,051)	$ (814)	$ (3,045)	$ (54,793)	$ (109,096)

The current and noncurrent liabilities are presented in other accrued liabilities and other noncurrent liabilities, respectively, in the consolidated balance sheets.

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The amounts recognized in accumulated other comprehensive income (loss), net of deferred taxes, as of December 31, 2013 and December 31, 2012 consists of:

	Pension Benefits December 31, 2013	Pension Benefits December 31, 2012	Other Benefits December 31, 2013	Other Benefits December 31, 2012	Total December 31, 2013	Total December 31, 2012
	(Amounts in thousands)					
Net actuarial gain (loss)	$ (79,959)	$ (113,697)	$ 50	$ 2,589	$ (79,909)	$ (111,108)
Prior service credit	16,092	17,009	55	7,941	16,147	24,950
Accumulated other comprehensive income (loss)	$ (63,867)	$ (96,688)	$ 105	$ 10,530	$ (63,762)	$ (86,158)

The discount rate used in the measurement of our benefit obligations as of December 31, 2013 and December 31, 2012 is as follows:

	Pension Benefits December 31, 2013	Pension Benefits December 31, 2012	Other Benefits December 31, 2013	Other Benefits December 31, 2012
Weighted-average discount rate	5.10%	4.19%	0.55%	2.07%

Due to the freeze of pension benefit accruals under the LPP 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, 2013, 2012 and 2011:

Pension Benefits	Year Ended December 31, 2013	2012	2011
	(Amounts in thousands)		
Interest cost	$ 17,930	$ 19,744	$ 20,447
Expected return on plan assets	(23,635)	(24,323)	(23,820)
Amortization of prior service credit	(1,432)	(1,432)	(1,432)
Amortization of actuarial loss	7,383	4,269	2,195
Net benefit	$ 246	$ (1,742)	$ (2,610)

Other Benefits	Year Ended December 31, 2013	2012	2011
	(Amounts in thousands)		
Service cost	$	$	$ 1

Interest cost	42	91	176
Amortization of prior service credit	(12,348)	(11,397)	(11,397)
Amortization of actuarial gain	(3,932)	(1,929)	(745)
Net benefit	$ (16,238)	$ (13,235)	$ (11,965)

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Obligations Recognized in Other Comprehensive Income	Pension Benefits Year Ended December 31,		Other Benefits Year Ended December 31,	
	2013	2012	2013	2012
	(Amounts in thousands)			
Net actuarial (gain) loss	$ (43,787)	$ 42,614	$ (42)	$ 187
Amortization of actuarial gain (loss)	(7,383)	(4,269)	3,932	1,929
Amortization of prior service credit	1,432	1,432	12,348	11,397
Total recognized in other comprehensive income	$ (49,738)	$ 39,777	$ 16,238	$ 13,513
Total recognized in net periodic benefit cost and other comprehensive income	$ (49,492)	$ 38,035	$	$ 278

We estimate that $3 million of prior service credit and actuarial loss for the defined benefit pension plans will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2014.

Income related to pensions and other postretirement benefits totaled approximately $16 million for the year ended December 31, 2013, and $15 million for each of the years ended December 31, 2012 and 2011.

The principal assumptions used in the measurement of our net benefit costs for the three years ended December 31, 2013, 2012 and 2011 are as follows:

	Pension Benefits			Other Benefits		
	2013	2012	2011	2013	2012	2011
Discount rate	4.19%	5.32%	5.88%	1.16%	2.32%	2.69%
Expected return on plan assets	7.75%	7.75%	7.75%			

Due to a cap on our 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, 2013 and 2012.

Our overall investment strategy for the LPP is to provide and maintain sufficient assets to meet pension obligations both as an ongoing business, as well as in the event of termination, at the lowest cost consistent with prudent investment management, actuarial circumstances, and economic risk, while minimizing the earnings impact. 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. Fair values of the applicable assets are determined as follows:

Mutual Fund The fair value of our mutual funds are estimated by using market quotes as of the last day of the period.

Common Collective Trusts The fair value of our common collective trusts are estimated by using market quotes as of the last day of the period, quoted prices for similar securities and quoted prices in non-active markets.

Real Estate The fair value of our real estate funds are derived from the fair value of the underlying real estate assets held by the funds. These assets are initially valued at cost and are reviewed periodically utilizing available market data to determine if the assets held should be adjusted.

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 target allocations for LPP assets are 25% U.S. equities, 25% non-U.S. equities, 43% long duration fixed income, 5% real estate and 2% cash equivalents. It is recognized that the investment management of the LPP assets has a direct effect on the achievement of its goal. As defined in Note 13, Fair Value Measurements, the following tables present the fair value of the LPP assets as of December 31, 2013 and 2012:

	Fair Value Measurements at December 31, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(Amounts in thousands)			
Mutual funds:				
Foreign large value	$ 42,635	$	$	$ 42,635
Large blend	43,222			43,222
Large growth	21,433			21,433
Money market	6,437			6,437
Common collective trusts:				
Fixed income securities		142,289		142,289
Foreign equity securities		43,107		43,107
U.S. equity securities		21,645		21,645
Real estate			21,714	21,714
Total assets at fair value	$ 113,727	$ 207,041	$ 21,714	$ 342,482

	Fair Value Measurements at December 31, 2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(Amounts in thousands)			
Mutual funds:				
Foreign large value	$ 43,183	$	$	$ 43,183
Large blend	40,944			40,944
Large growth	20,790			20,790
Money market	4,474			4,474
Common collective trusts:				
Fixed income securities		142,186		142,186
Foreign equity securities		43,429		43,429
U.S. equity securities		20,207		20,207
Real estate			19,488	19,488
Total assets at fair value	$ 109,391	$ 205,822	$ 19,488	$ 334,701

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The following table provides a rollforward of plan assets valued using significant unobservable inputs (level 3), in thousands:

	Real Estate
Beginning balance at December 31, 2011	$ 17,755
Contributions	265
Net distributions	(265)
Advisory fee	(200)
Net investment income	961
Change in unrealized gain (loss)	936
Net realized gain (loss)	36
Ending balance at December 31, 2012	19,488
Contributions	282
Net distributions	(282)
Advisory fee	(220)
Net investment income	1,045
Change in unrealized gain (loss)	1,382
Net realized gain (loss)	19
Ending balance at December 31, 2013	$ 21,714

We contributed $3 million, $20 million and $9 million to fund the LPP during the years ended December 31, 2013, 2012 and 2011, respectively. Annual contributions to our defined benefit pension plans in the United States and Canada are based on several factors that may vary from year to year. Our funding practice with respect to the LPP is to contribute the minimum required contribution as defined by law while also maintaining an 80% funded status as defined by the Pension Protection Act of 2006. Thus, past contributions are not always indicative of future contributions. Based on current assumptions, we expect to make $11 million in contributions to our defined benefit pension plans in 2014.

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 class and the target asset allocation strategy. We do not anticipate the return of any plan assets to us in 2014.

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

	Pension	Other Benefits
2014	$ 25,000	$ 1,000
2015	26,000	
2016	27,000	
2017	27,000	
2018	28,000	
2019-2023	147,000	

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10. Income Taxes

The components of pre-tax income, generally based on the jurisdiction of the legal entity, were as follows:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Components of pre-tax income			
Domestic	$ (185,391)	$ (1,077,917)	$ (42,530)
Foreign	80,907	261,120	21,042
	$ (104,484)	$ (816,797)	$ (21,488)

The Company s domestic pre-tax loss of $1,078 million in 2012 was due to the pre-tax impact of the litigation settlement with AMR (see Note 20, Commitments and Contingencies), impairment charges (see Note 7, Goodwill and Intangible Assets) and the write-off of intercompany debt. The Company s foreign pre-tax income of $261 million in 2012 was driven by the pre-tax impact of cancellation of intercompany debt income, partially offset by impairment charges.

The provision for income taxes relating to continuing operations consists of the following:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Current portion:			
Federal	$ 19,822	$ 7,383	$ 1,812
State and Local	10,902	6,757	2,772
Non U.S.	19,937	23,062	18,813
Total current	50,661	37,202	23,397
Deferred portion:			
Federal	(62,557)	(224,424)	30,780
State and Local	(2,772)	(10,364)	889
Non U.S.	639	2,515	2,740
Total deferred	(64,690)	(232,273)	34,409
Total (benefit) provision for income taxes	$ (14,029)	$ (195,071)	$ 57,806

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

	Year Ended December 31,		
	2013	**2012**	**2011**
	(Amounts in thousands)		
Income tax provision at statutory federal income tax rate	$ (36,569)	$ (285,879)	$ (7,521)
State income taxes, net of federal benefit	5,340	(246)	2,445
Impact of non U.S. taxing jurisdictions, net	5,565	(119)	(2,690)
Goodwill impairment	33,454	28,630	64,203
Impact of sale of business	(11,798)	(15,209)	
Write off of Intercompany Debt		(16,315)	
Tax loss attributable to non controlling interest		19,694	2,570
Excise tax penalties	4,333		
Valuation allowance	(16,010)	72,261	
Other, net	1,656	2,112	(1,201)
Total (benefit) provision for income taxes	$ (14,029)	$ (195,071)	$ 57,806

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The components of our deferred tax assets and liabilities are presented in the table below. Certain deferred tax balances as of December 31, 2012 have been revised to reflect actual amounts included in our return; such revisions were not material.

	As of December 31, 2013	2012
	(Amounts in thousands)	
Deferred tax assets:		
Accrued expenses	$ 34,686	$ 97,743
Employee benefits other than pension	23,932	10,496
Deferred revenue	67,601	69,991
Pension obligations	18,613	39,720
Tax loss carryforwards	376,427	714,175
Non U.S. operations	33,315	10,236
Unrealized gains and losses	(6,794)	8,408
Incentive consideration	(1,101)	(791)
Tax credit carryforwards	29,312	8,341
TVL Common suspended loss	24,718	24,400
Other	14,531	15,277
Total deferred tax assets	615,240	997,996
Deferred tax liabilities:		
Depreciation and amortization	(7,844)	(4,901)
Software developed for internal use	(190,362)	(149,242)
Intangible assets	(89,895)	(119,585)
Write off of Intercompany Debt		(410,289)
Currency translation adjustment	(8,085)	(9,243)
Total deferred tax liabilities	(296,186)	(693,260)
Valuation allowance	(253,082)	(282,091)
Net deferred tax asset	$ 65,972	$ 22,645

We pay United States (U.S.) income taxes on the earnings of non-U.S. subsidiaries unless the subsidiaries earnings are considered permanently reinvested outside the United States. To the extent that the non-U.S. earnings previously treated as permanently reinvested are repatriated, the related U.S. tax liability may be reduced by any non-U.S. income taxes paid on these earnings. As of December 31, 2013, no provision has been made for the United States federal and state income taxes on certain outside basis differences, which primarily relate to accumulated un-repatriated foreign earnings of approximately $157 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, 2013, we had U.S. federal net operating loss carryforwards (NOLs) of approximately $632 million, which will expire between 2021 and 2032 and research tax credit carryforwards of approximately $15 million, which will expire between 2019 and 2032. Additionally, we have a $20 million Alternative Minimum Tax (AMT) credit carryforward that does not expire. Approximately $17 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 Code. We fully expect that Section 382 will not limit our ability to fully realize the benefit. We had $167 million of deferred tax assets for NOL carryforwards related to certain non-U.S. taxing jurisdictions that are primarily from countries with indefinite carryforward periods.

We regularly review our deferred tax assets for recoverability and a valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon future taxable income during the periods in which those temporary differences become deductible. In assessing the need for a valuation allowance for our deferred tax assets, we considered all available positive and negative evidence, including our ability to carry back operating losses to prior periods, the reversal of deferred tax liabilities, tax planning strategies and projected future taxable income. In assessing the need for a valuation allowance against our U.S. deferred tax assets, we also gave specific consideration to goodwill and intangible impairment charges recorded in the last three years (see Note 7, Goodwill and Intangible Assets) and the charges for the settlement of the litigation with AMR (see Note 20, Commitments and Contingencies). Considering these factors, we established a valuation allowance of approximately $86 million against our U.S. deferred tax assets as of December 31, 2013. In addition, we have an allowance on the U.S. deferred tax assets of TVL Common, Inc. that was merged into our capital structure on December 31, 2012 of $5 million at December 31, 2013 on the non-U.S. deferred tax assets of our lastminute.com subsidiaries of $163 million and $177 million as of December 31, 2013 and 2012, respectively. We reassess these assumptions regularly which could cause an increase or decrease to the valuation allowance resulting in an increase or decrease in the effective tax rate, and could materially impact our results of operations.

It is our policy to recognize penalties and interest accrued related to income taxes as a component of the provision (benefit) for income taxes. During the years ended December 31, 2013 and 2011, we recognized an expense of $1 million and a benefit of $1 million, respectively. During the year ended December 31, 2012, amounts recognized for penalties and interest were not material to our results of operations. As of December 31, 2013 and 2012, we had cumulative accrued interest and penalties of approximately $5 million and $1 million, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

	Year Ended December 31,		
	2013	**2012**	**2011**
	(Amounts in thousands)		
Balance at beginning of year	$ 54,016	$ 39,080	$ 38,072
Additions for tax positions taken in the current year	10,874	16,367	3,016
Additons for tax positions of prior years	5,572	3,584	1,050
Reductions for tax positions of prior years	(196)	(3,113)	(1,691)
Reductions for tax positions of expired statute of limitations	(3,573)	(1,902)	(1,367)
Settlements	(5,452)		
Balance at end of year	$ 61,241	$ 54,016	$ 39,080

As of December 31, 2013, 2012 and 2011, the amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $58 million, $54 million and $39 million, respectively.

We are subject to U.S. federal income tax as well as income tax of multiple state, local, and non-U.S. jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world. In February of 2014, the Internal Revenue Service notified us that they would soon begin examination of our federal income tax returns for the 2011 and 2012 tax years. We do not expect that the results of this examination will have a material effect on our financial condition or results of operations. The U.S. federal statute of limitations is closed for years prior to 2007. With few exceptions, we are no longer subject to state, local, or non-U.S. tax examinations by tax authorities for years prior to 2008.

The Company believes that it is reasonably possible that $9 million in unrecognized tax benefits may be resolved in the next twelve months.

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11. Debt

The following table sets forth our outstanding debt:

	Rate	Maturity	December 31, 2013	2012
			(Amounts in thousands)	
Senior secured credit facilities:				
Term Loan B	L+4.00%	February 2019	$ 1,747,378	$
Incremental term loan facility	L+3.50%	February 2019	349,125	
Term Loan C	L+3.00%	December 2017	360,477	
Revolving credit facility	L+3.75%	February 2018		
Initial term loan facility	L+2.00%	September 2014		238,335
First extended term loan facility	L+5.75%	September 2017		1,162,622
Second extended term loan facility	L+5.75%	December 2017		401,515
Incremental term loan facility	L+6.00%	December 2017		370,536
Senior unsecured notes due 2016	8.350%	March 2016	389,321	385,099
Senior secured notes due 2019	8.500%	May 2019	799,823	801,712
Mortgage facility	5.800%	March 2017	83,541	84,340
Total debt			$ 3,729,665	$ 3,444,159
Current portion of debt			86,117	23,232
Long-term debt			3,643,548	3,420,927
Total debt			$ 3,729,665	$ 3,444,159

Amended and Restated Senior Secured Credit Facilities

On February 19, 2013, Sabre GLBL Inc. amended and restated the previous credit agreement with a new agreement (the Amended and Restated Credit Agreement). The new agreement replaced (i) the existing initial term loans with new classes of term loans of $1,775 million (the Term Loan B) and $425 million (the Term Loan C) and (ii) the existing revolver with a new revolver of $352 million (the Revolver). We used $14 million of term loan proceeds and $2 million of cash on hand to pay debt issuance and third-party debt modification costs resulting from this transaction.

The Amended and Restated Credit Agreement includes provisions that require us to pay a 1% fee (the Repricing Premium) to the respective lenders if we pay off or refinance all or a portion of the Term Loan B within one year and the Term Loan C within six months of February 19, 2013. This Repricing Premium is applicable only to the portion paid off or refinanced and does not apply to the scheduled quarterly amortization payments.

On September 30, 2013, we entered into an agreement for an incremental term loan facility to Term Loan B (the Incremental Term Loan Facility), having a face value of $350 million and providing total net proceeds of $350 million. We have used a portion, and intend to use the remainder, of the proceeds of the Incremental Term Loan Facility for working capital and one-time costs associated with the Expedia SMA and sale of TPN, including the payment of travel suppliers for travel consumed that originated on our technology platforms, and for general corporate purposes. The Incremental Term Loan Facility matures on February 19, 2019 and includes a 1% Repricing Premium if we pay off or refinance all or a portion of the loan with incurrence of long term bank debt before February 19, 2014. This loan currently bears interest at a rate equal to the LIBOR rate, subject to a 1.00% floor, plus 3.50% per annum. It includes a provision for increases in interest rates to maintain a difference of not more than 50 basis points relative to future term loan extensions or refinancing of amounts under the Amended and Restated Credit Agreement.

Sabre GLBL Inc. s obligations under the Amended and Restated Credit Agreement are guaranteed by Sabre Holdings and each of Sabre GLBL Inc. s wholly-owned material domestic subsidiaries, except unrestricted subsidiaries. We refer to these guarantors together with Sabre GLBL Inc., as the Loan Parties. The Amended and Restated Credit Agreement is secured by (i) a first priority security interest on the equity interests in Sabre GLBL Inc. and each other Loan Party that is a direct subsidiary of Sabre GLBL Inc. or another Loan Party, (ii) 65% of the issued and outstanding voting (and 100% of the non-voting) equity interests of each wholly-owned material foreign subsidiary of Sabre GLBL Inc. that is a direct subsidiary of Sabre GLBL Inc. or another Loan Party, and (iii) a blanket lien on substantially all of the tangible and intangible assets of the Loan Parties.

Under the Amended and Restated Credit Agreement, the loan parties are subject to certain customary non-financial covenants, as well as a maximum Senior Secured Leverage Ratio, which applies if our Revolver utilization exceeds certain thresholds and is calculated as Senior Secured Debt (net of cash) to EBITDA, as defined by the agreement. This ratio was 5.5 to 1.0 for 2013 and is 5.0 to 1.0 for 2014. 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, 2013, we are in compliance with all covenants under the Amended and Restated Agreement.

As of December 31, 2013 and 2012, we had no outstanding balance on the revolving credit facilities. As of December 31, 2013, we had outstanding letters of credit totaling $67 million, of which $66 million reduces our overall credit capacity under the Revolver and $1 million is collateralized with restricted cash. As of December 31, 2012, we had outstanding letters of credit totaling $114 million of which $112 million reduces our overall credit capacity under the revolver and $2 million is collateralized with restricted cash.

Principal Payments

Term Loan B and the Incremental Term Loan Facility mature on February 19, 2019, and require principal payments in equal quarterly installments of 0.25%. Term Loan C matures on December 31, 2017 and requires principal payments in equal quarterly installments of 3.75% in 2014, increasing to 4.375%, 5.625% and 7.5% in 2015, 2016 and 2017, respectively. The Revolver matures on February 19, 2018. For the year ended December 31, 2013, we made $82 million of scheduled quarterly principal payments. We are scheduled to make $85 million in principal payments over the next twelve months.

We are also required to pay down the term loans by an amount equal to 50% of excess cash flow, as determined by leverage ratios in our Amended and Restated Credit Agreement, each fiscal year end after our annual consolidated financial statements are delivered. This percentage requirement may decrease or be eliminated if certain leverage ratios are achieved. As a result of the Amended and Restated Credit Agreement, no excess cash flow payment was required in 2013 with respect to our results for the year ended December 31, 2012. Additionally, based on our results for the year ended December 31, 2013, we are not required to make an excess cash flow payment in 2014. In the event of certain asset sales or borrowings, the Amended and Restated Credit Agreement requires that we pay down the term loan with the resulting proceeds. Subject to the Repricing Premium discussed above, we may repay the indebtedness at any time prior to the maturity dates without penalty.

Interest

Through February 27, 2012 our initial term loan facility bore interest at London Interbank Offered Rate (LIBOR) plus an applicable margin of 2%. After this date and until February 18, 2013, the applicable margin on the first extended portion of our initial term loan facility increased to 5.75% in connection with an amendment and restatement of our previous credit agreement completed on February 28, 2012. On May 9, 2012, we amended and restated the previous credit agreement for a second extended portion of our initial term loan facility to increase the applicable margin on those borrowings to 5.75% which we retained until February 18, 2013. The $371 million of our incremental term loan entered into on August 15, 2012 bore interest at a rate equal to LIBOR, subject to a 1.25% floor, plus 6.00% per annum. The remaining $238 million of our initial term loan

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facility outstanding at December 31, 2012 continued with a 2.00% applicable margin until February 18, 2013. We elected the one-month LIBOR as the floating interest rate on all $2,173 million of our initial term loan facility outstanding at December 31, 2012, and interest payments were due on the last day of each month. Interest on the outstanding loan was subject to interest rate swaps in a cash flow hedging relationship (see Note 12, Derivatives).

Beginning February 19, 2013, borrowings under the term loan agreement bear interest at a rate equal to either, at our option: (i) the Eurocurrency rate plus an applicable margin for Eurocurrency borrowings as set forth below, or (ii) a base rate determined by the highest of (1) the prime rate of Bank of America, (2) the federal funds effective rate plus 1/2% or (3) a LIBOR rate plus 1.00%, plus an applicable margin for base rate borrowings as set forth below. The Eurocurrency rate is based on LIBOR for all U.S. dollar borrowings and has a floor.

	Eurocurrency borrowings		Base rate borrowings	
	Applicable Margin	**Floor**	**Applicable Margin**	**Floor**
Term Loan B	4.00%	1.25%	3.00%	2.25%
Incremental term loan facility	3.50%	1.00%	2.50%	2.00%
Term Loan C	3.00%	1.00%	2.00%	2.00%
Revolving credit facility	3.75%	N/A	2.75%	N/A

Applicable margins step down by 50 basis points for any quarter if the Senior Secured Leverage Ratio is less than or equal to 3.0 to 1.0. Applicable margins increase to maintain a difference of not more than 50 basis points relative to future term loan extensions or refinancings. In addition, we are required to pay a quarterly commitment fee of 0.375% per annum for unused revolving commitments. The commitment fee may increase to 0.500% per annum if the Senior Secured Leverage Ratio is greater than 4.0 to 1.0.

We have elected the three-month LIBOR as the floating interest rate on all $2,457 million of our outstanding term loans. As of December 31, 2013, the interest rate on these borrowings is 5.25% including an applicable margin of 4.00% for $1,747 million; 4.50% including an applicable margin of 3.50% for $349 million; and 4.00% including an applicable margin of 3.00% for $360 million of our outstanding term loans. Interest payments are due on the last day of each quarter. Interest on a portion of the outstanding loan is hedged with interest rate swaps (see Note 12, Derivatives).

In 2013, we incurred costs totaling $19 million associated with the Amended and Restated Credit Agreement and the Incremental Term Loan Facility of which $14 million was charged to interest expense during the year ended December 31, 2013 and $5 million was capitalized as debt issuance costs. We also recognized a loss on extinguishment of debt of $12 million as a result of the Amended and Restated Credit Agreement. In 2012, we incurred costs totaling $38 million associated with the amendment and extension of certain facilities under our previous credit agreement of which $8 million was charged to interest expense during the year ended December 31, 2012 and $30 million was capitalized as debt issuance costs. In addition, as a result of prepayments under our previous credit agreement, we recognized a charge of $10 million to interest expense related to accelerated amortization of debt issuance costs during the year ended December 31, 2012. As of December 31, 2013, we had $31 million of unamortized debt issuance costs included in other assets in our consolidated balance sheet associated with all debt transactions under the Amended and Restated Credit Agreement and the previous credit agreement. These costs are being amortized to interest expense over the maturity period of the Amended and Restated Credit Agreement

Our effective interest rates for the years ended December 31, 2013, 2012 and 2011, inclusive of the accelerated amortization described above, are as follows:

	Year Ended December 31,		
	2013	2012	2011
Including the impact of interest rate swaps	6.86%	6.53%	4.31%
Excluding the impact of interest rate swaps	6.21%	5.65%	2.72%

On February 20, 2014, we modified our Amended and Restated Credit Agreement to reduce Term Loan B s applicable margin for both Eurocurrency and Base rate borrowings, including the related floors. The modification also provides for an incremental revolving commitment of $53 million due February 19, 2019 and extends the maturity date of $317 million of the Revolver to the same date with a provision for earlier maturity on November 19, 2018 if certain conditions are met. See Note 22, Subsequent Events.

Publicly Issued Senior Unsecured Notes

In March 2006, Sabre Holdings issued $400 million in 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 a bridge facility used to finance the acquisition of our subsidiary 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 2016 Notes increased to 8.35% effective March 16, 2007 due to a credit rating decline resulting from the acquisition of Sabre Holdings. As of December 31, 2013, we are in compliance with all covenants under the indenture for the 2016 Notes.

In August 2001, Sabre Holdings issued $400 million in 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 were due in February and August each year. The 2011 Notes included certain non-financial covenants, including restrictions on incurring certain types of debt or entering into certain sale and leaseback transactions. In April 2009, we reduced our debt obligations by $76 million for the 2011 Notes. During the quarter ended September 30, 2011, we paid down the remaining $324 million of principal and $12 million of accrued interest on our unsecured notes which matured on August 1, 2011.

On March 30, 2007, in connection with the acquisition of Sabre Holdings by Sabre Corporation, Sabre Holdings filed Form 15 with the Securities and Exchange Commission and terminated its reporting obligations with respect to its common stock, the 2011 Notes and the 2016 Notes under the Securities Exchange Act of 1934, as amended. In connection with the acquisition of Sabre Holdings, we also amended and restated the guarantee by Sabre GLBL of the 2011 Notes and the 2016 Notes in response to a request from the rating agencies so that the 2011 Notes and the 2016 Notes would not be structurally subordinated to Sabre GLBL s obligations under its senior secured credit facilities. Sabre Corporation has not assumed this guarantee and is not otherwise guaranteeing the 2011 Notes, which have since been repaid, or the 2016 Notes.

Senior Secured Notes

On May 9 and September 20, 2012, Sabre GLBL Inc. issued a total of $800 million in senior secured notes ($400 million each) bearing interest at a rate of 8.50% and maturing on May 15, 2019, pursuant to Rule 144A under the Securities Act of 1933, as amended, (Securities Act), resulting in net proceeds of approximately $796 million after capitalized expenses of $5 million. The May 9 and September 20, 2012 offerings (collectively 2019 Notes) include certain non-financial covenants, including restrictions on incurring certain types of indebtedness, creation of liens on certain assets, making of certain investments, and payment of dividends. These covenants are similar in nature to those existing on the senior secured credit facilities. The 2019 Notes have not and will not be registered under the Securities Act. We used $679 million of the net proceeds to pay off certain lenders under our previous senior secured credit facilities, and retained the remainder for general corporate purposes. A portion of the retained funds was subsequently used for funding the acquisition of PRISM (See Note 3, Acquisitions).

Interest is calculated from the date of the original issuance, or May 9, 2012, on the 2019 Notes. We are obligated to pay $68 million in interest per year until 2019. Payments are due in May and November each year. Additionally, capitalized costs related to these transactions are being amortized to interest expense over the 2019 Notes maturity period.

The indenture to the senior secured notes allows the Company, at its option, to redeem up to 40% of the principal amount of the notes outstanding in the event of an equity offering, such as an initial public offering, until May 15, 2015. The contingent call option is at a price of 108.50%, plus accrued and unpaid interest, if any, to the date of redemption. In order to exercise the contingent call option, at least 50% of the aggregate principal originally issued must remain outstanding after the option is exercised, and the redemption must occur within 120 days of the equity offering closing date. The fair value of the contingent call option that met the definition of an embedded derivative was a gain of $2 million at December 31, 2013, and was not material as of December 31, 2012. The call option is recorded as a component of long term debt, with an offsetting unrealized gain in other, net. See Note 12, Derivatives and Note 13, Fair Value Measurements.

Mortgage Facility

On March 29, 2007, we purchased the buildings, land and furniture and fixtures located at our headquarter facilities in Southlake, Texas, which were previously financed under a capital lease facility. 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 $85 million mortgage facility carries an interest rate of 5.8% and is secured by the headquarters building which had a net book value of $83 million as of December 31, 2013. Payments made through March 1, 2012 were applied to accrued interest only. Subsequent to that date, payments are also applied to the principal balance of the facility. Payments are due on the first business day of each month. The facility matures on March 1, 2017 and all unpaid principal will be due at that time. As of December 31, 2013 we are in compliance with all covenants set forth in the facility agreement.

Note Payable to a Joint Venture Partner

On March 31, 2002 we entered into a promissory note with one of our joint venture partners. The note carried an interest rate of 8.0% and matured on March 31, 2012, having a zero balance as of December 31, 2013 and 2012.

12. Derivatives

Hedging Objectives 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 authoritative guidance on accounting for derivatives and hedging, 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 operations 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.

Our interest rate swaps are not designated in a cash flow hedging relationship because we no longer qualified for hedge accounting treatment following the amendment and restatement of our Senior Secured Credit Facility in February of 2013 (see Note 11, Debt). Derivatives not designated as hedging instruments are carried at fair value with changes in fair value reflected in the consolidated statement of operations.

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 December 1, 2014. We have designated these instruments as cash flow hedges. No hedging ineffectiveness was recorded in earnings relating to the forwards during the years ended December 31, 2013, 2012, or 2011. As the outstanding contracts settle, it is estimated that $5 million in gains 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 our consolidated statements of operations.

As of December 31, 2013 and 2012, we had the following unsettled purchased foreign currency forward contracts that were entered into to hedge our operational exposure to foreign currency movements:

December 31, 2013 Outstanding Notional Amount

Buy Currency	**Sell Currency**	**Foreign Amount**	**USD Amount**	**Average Contract Rate**
(Amounts in thousands, excluding average contract rates)				
US Dollar	Australian Dollar	5,625	$ 5,041	0.8962
Australian Dollar	US Dollar	975	996	1.0215
Euro	US Dollar	12,800	16,624	1.2988
British Pound Sterling	US Dollar	18,450	28,908	1.5668
Indian Rupee	US Dollar	1,174,000	18,593	0.0158
Polish Zloty	US Dollar	170,400	52,748	0.3096

December 31, 2012 Outstanding Notional Amount

Buy Currency	**Sell Currency**	**Foreign Amount**	**USD Amount**	**Average Contract Rate**
(Amounts in thousands, excluding average contract rates)				

Australian Dollar	US Dollar	4,400	$ 4,433	1.0074
Euro	US Dollar	20,005	26,168	1.3081
British Pound Sterling	US Dollar	15,850	25,418	1.6036
Indian Rupee	US Dollar	1,236,000	21,899	0.0177
Polish Zloty	US Dollar	158,450	48,503	0.3061

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Interest Rate Swap Contracts During April 2007, in connection with our senior secured credit facilities (see Note 11, Debt) with a three-month LIBOR as the floating interest rate, we entered into six interest rate swaps. 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 table below includes the outstanding and matured interest rate swaps relevant to the years ended December 31, 2013, 2012 and 2011:

	Notional Amount	Interest Rate Received	Interest Rate Paid	Effective Date	Maturity Date
Outstanding:	$ 400 million	1 month LIBOR	2.03%	July 29, 2011	September 30, 2014
	$ 350 million	1 month LIBOR	2.51%	April 30, 2012	September 30, 2014
	$ 750 million				
Matured:	$ 800 million	3 month LIBOR	5.04%	April 30, 2007	April 30, 2012
	$ 350 million	3 month LIBOR	4.99%	April 30, 2007	April 30, 2011
	$ 125 million	3 month LIBOR	5.04%	April 30, 2007	April 28, 2011
	$ 125 million	3 month LIBOR	5.03%	April 30, 2007	April 28, 2011
	$ 1,400 million				

The objective of the swaps is to hedge the interest payments associated with floating-rate liabilities on the notional amounts of our Senior Secured Debt as summarized above. 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, is recorded in earnings. For the years ended December 31, 2012 and 2011, no hedge ineffectiveness has been incurred.

The estimated fair values of our derivatives designated as hedging instruments as of December 31, 2013 and 2012 are provided below:

Derivatives designated as hedging instruments	Balance Sheet Location	Derivative Assets (Liabilities) Fair Value as of December 31, 2013	2012
		(Amounts in thousands)	
Foreign exchange contracts	Prepaid expenses	$ 5,374	$ 2,568
Interest rate swaps	Other accrued liabilities		(15,111)
	Other noncurrent liabilities		(10,461)

Total	$ 5,374	$ (23,004)

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The effects of derivative instruments, net of taxes, on other comprehensive income (loss) (OCI) for the years ended December 31, 2013, 2012 and 2011 are provided below:

Derivatives in Cash Flow Hedging Relationships	**Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Year Ended December 31, 2013**	**2012**	**2011**
	(Amounts in thousands)		
Foreign exchange contracts	$ 2,999	$ 4,593	$ (577)
Interest rate swaps		(3,924)	(24,092)
Total	$ 2,999	$ 669	$ (24,669)

Derivatives in Cash Flow Hedging Relationships	**Location**	**Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Year Ended December 31, 2013**	**2012**	**2011**
		(Amounts in thousands)		
Foreign exchange contracts	Cost of revenue	$ 915	$ (2,890)	$ 8,508
Interest rate swaps	Interest expense		(15,906)	(29,250)
Total		$ 915	$ (18,796)	$ (20,742)

As described in Note 11, Debt, on February 19, 2013 we entered into an agreement that amended and restated our existing senior secured credit facilities. As a result, a critical term of the interest rate swap agreements no longer matched the senior secured debt, and we no longer qualified for hedge accounting as of January 1, 2013. For the year ended December 31, 2013, we reclassified $15 million, or $9 million, net of tax, from OCI to interest expense related to the derivatives that no longer qualify for hedge accounting. As of December 31, 2013, the estimated fair value of interest rate swaps not designated as hedging instruments was a $12 million liability and included in other accrued liabilities in our consolidated balance sheet. The accumulated unrealized loss related to these derivatives was $11 million at December 31, 2013 and will be amortized from other comprehensive income (loss) into interest expense through the maturity date of the respective swap agreements. The adjustment to fair value of these interest rate swap agreements for the year ended December 31, 2013 was not material to our results of operations. We had no other derivatives not designated as hedging instruments as of December 31, 2013 and 2012. See Forward Contracts for additional information on our purpose for entering into derivatives not designated as hedging instruments and our overall risk management strategies.

Embedded Derivative Related to Senior Secured Notes On May 9, 2012 Sabre GLBL Inc. issued $400 million in senior secured notes which included a contingent call option to redeem up to 40% of the notes in the event of an equity offering at a rate of 108.50%, until May 15, 2015. This contingent call option is not clearly and closely related to the hybrid indenture and therefore requires separate accounting. We recognized a change in the fair value of the option as a gain of $2 million in other, net in our results of operations for the year ended December 31, 2013. The change in fair value of the option was not material for the year ended December 31, 2012.

13. Fair Value Measurements

Fair value is defined 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. Guidance on fair value measurements and disclosures establishes a valuation hierarchy for disclosure of inputs used in measuring fair value defined 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, 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.

Fair values of applicable assets and liabilities are estimated as follows:

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.

Contingent Consideration On August 1, 2012, we acquired all of the outstanding stock and ownership interest of PRISM (see Note 3, Acquisitions). Included in the purchase price is contingent consideration, based on management s best estimate of fair value and future performance results on the acquisition date and is to be paid in 24 months following the acquisition date. Fair value of this payment was estimated considering the timing of the payments and discounted at 4.75%, representing our short-term borrowing rate based on our revolving credit facility at the time of the acquisition. For the year ended December 31, 2013, we recognized $1 million in expense related to the change in fair value of the contingent consideration. The expense recognized during the year ended December 31, 2012 related to the change in fair value was not material. A 1% increase or decrease in our discount rate will result in a 1.4% change in fair value.

Embedded Derivative On May 15, 2012, we acquired a contingent call option to redeem a portion of our senior secured notes in the event of an equity offering (see Note 11, Debt). We modeled the fair value of this call option by evaluating the difference in fair value of the hybrid instrument with and without the call option requiring separate accounting. We calculated the fair value using Level 3 unobservable inputs such as management s estimate of the probability of an equity offering, credit spreads and the expected future volatility of interest rates based on historical trends. When other inputs are held constant, the higher our expectation of future interest rate volatility, the lower the fair value of the call option. Changes to the unobservable inputs could result in a significantly higher or lower fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis The following tables present the fair value of our assets (liabilities) that are required to be measured at fair value on a recurring basis as of December 31, 2013 and 2012:

		Fair Value at Reporting Date Using		
	December 31, 2013	**Level 1**	**Level 2**	**Level 3**
		(Amounts in thousands)		
Contingent consideration	$ (26,303)	$	$	$ (26,303)
Derivatives				
Foreign currency forward contracts (see Note 12)	5,374		5,374	
Interest rate swap contracts (see Note 12)	(11,533)		(11,533)	
Contingent call option, 2019 Notes (see Note 11)	1,657			1,657
Total derivatives	(4,502)		(6,159)	1,657
Total	$ (30,805)	$	$ (6,159)	$ (24,646)

		Fair Value at Reporting Date Using		
	December 31, 2012	**Level 1**	**Level 2**	**Level 3**
		(Amounts in thousands)		
Contingent consideration	$ (25,193)	$	$	(25,193)
Derivatives				
Foreign currency forward contracts (see Note 12)	2,568		2,568	
Interest rate swap contracts (see Note 12)	(25,572)		(25,572)	
Total derivatives	(23,004)		(23,004)	
Total	$ (48,197)	$	$ (23,004)	$ (25,193)

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis Fair values of applicable assets and liabilities which are re-measured on a nonrecurring basis are estimated as follows:

Goodwill and Intangible Assets As described in Note 2, Summary of Significant Accounting Policies, our assessment of non-financial assets that are required to be measured at fair value on a non-recurring basis is performed annually, as of October 1, or more frequently if events and circumstances indicate that impairment may have occurred. As of June 2013, we initiated an impairment analysis on the Travelocity North America and Europe reporting units following the allocation of goodwill to TBiz and Holiday Autos. The fair values of these reporting units goodwill and intangible assets were estimated using discounted future cash flow projections in 2013, a Level 3 input. Based on the results of the analysis, the goodwill for Travelocity North America was written down by $96 million and the goodwill for

Travelocity Europe was written down by $40 million. As of June 30, 2013, Travelocity had no goodwill remaining. During the three months ended September 30, 2013, we impaired software developed for internal use for Travelocity Europe by $2 million. Certain other definite lived intangible assets were impaired by $1 million to a fair value of zero. Our Travelocity Europe trade name was not impaired as a result of this assessment. Additionally, we measured the goodwill associated with our remaining operating units: Travel Network, Airline Solutions and Hospitality Solutions, as of October 1, 2013 in connection with the annual impairment tests, which did not lead to an impairment charge in 2013.

In 2012, certain competitors of Travelocity announced plans to move towards offering hotel customers a choice of payment options which could adversely affect margins earned on hotel room sales over time. Travelocity s move to this new revenue model could additionally impact its working capital as it would collect less cash up front, reducing the size of existing supplier liability over time. We also saw continued weakness in

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the business performance of Travelocity in the fourth quarter of 2012. We therefore completed multiple impairment analyses of goodwill and long-lived assets in 2012. The fair value of our Travelocity reporting units goodwill and long lived assets were estimated using discounted future cash flow projections, a Level 3 input. The goodwill for Travelocity North America was written down by $58 million to its implied fair value of $105 million, and long-lived assets, including definite lived intangible assets, software developed for internal use, computer equipment and capitalized implementation costs, were written down by $281 million to $87 million. In 2012, the goodwill for Travelocity Europe was written down by $70 million to its implied fair value of $76 million and long lived assets, including definite lived intangible assets, software developed for internal use and computer equipment, were written down by $154 million to their fair value of $16 million.

In 2011, goodwill for Travelocity North America was written down by $173 million to its implied fair value of $163 million based on an analysis performed in June 30, 2011 as a result of triggering events that led to an interim assessment. Additionally, we measured the goodwill associated with Travelocity North America and Europe as of October 1, 2011 in connection with the annual impairment tests we performed on our goodwill. As a result of the annual testing performed, goodwill for our Travelocity Europe reporting unit was written down by $12 million to its implied fair value of $151 million. The fair values of the reporting units goodwill and long-lived assets were estimated using discounted future cash flow projections in 2011, a Level 3 input.

Litigation Settlement Payable On October 30, 2012, we reached a settlement agreement with AMR with respect to breach of contract and antitrust claims brought against us in 2011. We denied AMR s allegations and aggressively defended against these claims and pursued our own legal rights as warranted. The settlement liability is considered a multiple-element arrangement and the components included in the settlement have been recorded at fair value. The net charge recorded in 2012 consists of several elements, including cash and future cash to be paid directly to AMR, payment credits to pay for future technology services that we provide (as defined in the agreements), and an estimate of the fair value of other agreements entered into concurrently with the settlement agreement, Level 3 inputs. See Note 20, Commitments and Contingencies Legal Proceedings for additional information on the litigation charges. As of December 31, 2013 and 2012 the remaining obligations were $39 million and $118 million, in litigation settlement liability and related deferred revenue and $98 million and $127 million in other noncurrent liabilities, respectively, on our consolidated balance sheets.

Notes Payable The fair value of our 2016 Notes, 2019 Notes and term loan are determined based on quoted market prices for the identical liability when traded as an asset in an active market, a Level 1 input. The outstanding principal balance of our mortgage facility approximated its fair value as of December 31, 2013 and 2012. The fair values of the mortgage facility were determined based on estimates of current interest rates for similar debt, a Level 2 input.

The following table presents the fair value and carrying value of our 2016 Notes, 2019 Notes and term loans as of December 31, 2013 and 2012:

Financial Instrument	Fair Value at December 31, 2013	Carrying Value at December 31, 2013
$400 million 2016 notes	$448 million	$389 million
$800 million 2019 notes	$886 million	$800 million
$1,775 million Term Loan B	$1,777 million	$1,747 million
$350 million Incremental Term Facility	$349 million	$349 million
$425 million Term Loan C	$363 million	$360 million

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Financial Instrument	Fair Value at December 31, 2012	Carrying Value at December 31, 2012
$400 million 2016 notes	$ 429 million	$ 385 million
$800 million 2019 notes	$ 854 million	$ 802 million
$1,802 million Term Loan B	$ 1,812 million	$ 1,802 million
$375 million incremental term loan Facility	$ 380 million	$ 371 million

14. Comprehensive Income (Loss)

At December 31, 2013 and 2012, the components of accumulated other comprehensive income (loss), net of related deferred income taxes were as follows:

	December 31, 2013	December 31, 2012
	(Amounts in thousands)	
Defined benefit pension & other post retirement benefit plans	$ (63,762)	$ (86,158)
Unrealized loss on foreign currency forward contracts and interest rate swaps	(2,684)	(14,222)
Unrealized foreign currency translation gain	15,050	1,934
Other [(1)]	1,501	2,916
Total accumulated other comprehensive loss, net of tax	$ (49,895)	$ (95,530)

(1) Primarily relates to our share of Abacus accumulated other comprehensive income. See Note 6, Equity Method Investments.

The change in defined benefit pension and other postretirement benefit plans is net of deferred tax effects of approximately $12 million, $19 million, and $16 million for the years ended December 31, 2013, 2012, and 2011 respectively.

The change in unrealized gain (loss) on foreign currency forward contracts and interest rate swaps is net of deferred tax effects of approximately $6 million, $9 million and $1 million for the years ended December 31, 2013, 2012, and 2011, respectively.

The change in unrealized foreign currency translation gain (loss) is net of deferred tax effects of approximately $3 million for the year ended December 31, 2013 and $1 million for each of the years ended December 31, 2012 and 2011.

The tax effects allocated to the other components of accumulated other comprehensive income during the years ended December 31, 2013, 2012, and 2011 were not material.

Reclassification adjustments, net of tax, for (gains) losses included in net income were as follows:

	Year Ended December 31, 2013	2012	2011
	(Amounts in thousands)		
Foreign currency translation [1]	$ 8,162	$ 888	$
Foreign exchange contracts	(915)	2,890	(8,508)
Interest rate swaps	9,453	15,906	29,250
Prior service costs and actuarial gains	(5,409)	(6,716)	(7,285)
Total	$ 11,291	$ 12,968	$ 13,457

(1) Relates to the dispositions of Zuji in 2013 and TravelGuru and Sabre Pacific in 2012. See Note 4, Discontinued Operations and Dispositions.

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15. Redeemable Preferred Stock

Our authorized preferred stock consists of 225 million shares with a par value of $0.01 per share of which 87.5 million shares of preferred stock have been designated as Series A Preferred Stock with a stated value of $5.7468681218772 per share. As of December 31, 2013, and 2012, there were 87,229,703 preferred shares issued and 87,184,178 preferred shares outstanding, all of which were Series A Preferred Stock.

Voting

Holders of the Series A Preferred Stock have no voting rights except with respect to the creation of any class or series of capital stock having any preference or priority over Series A Preferred Stock or the amendment or repeal of any provision of the constituent documents of the Company that adversely changes the powers, preferences or special rights of the Series A Preferred Stock.

Dividends

Each share of Series A Preferred Stock accumulates dividends at an annual rate of 6%. Accumulated but unpaid dividends totaled $134 million and $97 million at December 31, 2013 and 2012, respectively. The Series A Preferred Shares were recorded at fair value at the date of issuance and have been adjusted each period to the current redemption value which includes accumulated but unpaid dividends. On December 31, 2009, we declared and paid a $90 million in-kind dividend through the conversion of our wholly-owned subsidiary Travelocity.com Inc. into Travelocity.com LLC (see Note 2, Summary of Significant Accounting Policies). No cash dividends have been paid since the inception of the Series A Preferred Shares.

Liquidation

The holders of the Series A Preferred Stock have the right to require us to repurchase their shares in the form of cash in the amount of the stated value per share plus accrued and unpaid dividends upon the occurrence of a liquidation event as described in the Certificate of Correction of the Second Amended and Restated Certificate of Incorporation of Sabre Corporation (Liquidation Events). Liquidation Events are: (a) a consolidation or merger in which the Company is not the surviving entity to the extent that holders of common stock of the Company receive cash, indebtedness, or preferred stock of the surviving entity and holders of Series A Preferred Stock do not receive preferred stock of the surviving entity with rights, powers, and preferences equal to or more favorable than those of the Series A Preferred Stock; (b) a disposition of all or substantially all of the assets of the Company; (c) any person or group of persons acquiring beneficial ownership of more than 50% of the total voting power or equity interest in the Company; (d) the first underwritten public offering and sale of the equity securities of the Company for cash; or (e) the 30th anniversary of the date of issuance of the Series A Preferred Stock. At the time of repurchase, the Series A Preferred Stock must be presented in units, each of which is to consist of two restricted shares of currently outstanding common stock and five shares of Series A Preferred Stock. For each unit presented for repurchase, the holders will receive back two unrestricted shares of common stock in addition to the cash in the amount of the stated value per share of Series A Preferred Stock plus accrued and unpaid dividends.

Redemption

The Series A Preferred Stock are redeemable for cash in the amount of the stated value per share plus accrued and unpaid dividends. At our option, we may redeem all or part of the Series A Preferred Stock at any time. The majority holders of the Series A Preferred Stock are TPG and Silver Lake which have the right to elect the board of directors in their capacity as owners. Therefore, the Series A Preferred Shares are also redeemable at the option of the holders of the Preferred Stock. As such, the Series A Preferred Stock is presented outside of permanent equity as temporary equity in our consolidated balance sheet. At the time of redemption, the Series A Preferred Stock must be presented in units, each of which is to consist of two restricted shares of currently outstanding common stock and five shares of Series A Preferred Stock. For each unit presented for redemption, the holders will receive back two unrestricted shares of common stock in addition to the cash in the amount of the stated value per share of Series A Preferred Stock plus accrued and unpaid dividends.

16. Stockholders Equity

Common Stock Our authorized common stock consists of 450 million shares with a par value of $0.01 per share. As of December 31, 2013 and 2012, there were 178,633,408 and 177,911,922 shares issued, respectively, and 178,491,568 and 177,789,402 shares outstanding, respectively. No dividend or distribution can be declared or paid with respect of the common stock, and we cannot redeem, purchase, acquire, or retire for value the common stock, unless and until the full amount of unpaid dividends accrued on the Series A Preferred Stock has been paid.

17. Options and Other Equity-Based Awards

As of December 31, 2013, our outstanding equity based compensation plans and agreements include:

- Sovereign Holdings, Inc. Management Equity Incentive Plan
- TVL Common, Inc. Restricted Stock Grant Agreement
- Travelocity.com LLC Stock Option Grant Agreement
- Sovereign Holdings, Inc. Restricted Stock Grant Agreement
- Sovereign Holdings, Inc. Stock Incentive Plan Stock Settled SARs with Respect to Travelocity Equity
- Sovereign Holdings, Inc. Amended and Restated Stock Incentive Plan for Travelocity s CEO Stock Settled SARs with Respect to Travelocity Equity
- Sovereign Holdings, Inc. Restricted Stock Unit Grant Agreement
- Sovereign Holdings, Inc. 2012 Management Equity Incentive Plan

Under these plans, the Company has granted stock options, stock appreciation rights, restricted stock and restricted stock units. Sabre Corporation was formerly Sovereign Holdings, Inc.

Our Plans

Sovereign Holdings, Inc. Management Equity Incentive Plan Under the Sovereign Holdings, Inc. Management Equity Incentive Plan (Sovereign MEIP), adopted June 11, 2007, as amended in April 22, 2010, key employees and, in certain circumstances, the directors, service providers and consultants, of the Company and its affiliates may be granted stock options. Under the Sovereign MEIP:

- the total number of shares of common stock of Sabre Corporation reserved and available for issuance is limited to an aggregate of 22,318,298;
- the exercise price must be at least equal to the fair market value of a share of common stock of Sabre Corporation;
- time-based and performance-based stock options may be granted; time-based stock options generally vest over five years (25% vests after the first anniversary of the grant date, and the remaining 75% vests ratably on a quarterly basis thereafter); performance-based options will vest upon a liquidity event, as determined by the Board, subject to achievement of certain performance measures and events as defined in the Sovereign MEIP; and
- generally, a liquidity event is defined as the occurrence of (i) a transaction or series of transactions that results, directly or indirectly, in the sale, transfer or other disposition of (a) the shares of common stock

of Sabre Corporation or TVL Common, Inc. held by TPG or Silver Lake (the the Majority Stockholder), or (b) the assets of Sabre Corporation or TVL Common, Inc. or (ii) any other transaction or series of transactions determined by the Board, in its sole discretion, to constitute a liquidity event.

Effective September 14, 2012, all shares available for future grants were transferred to the Sovereign Holdings, Inc. 2012 Management Equity Incentive Plan. Additionally, shares that were covered by prior awards of stock options granted under the Sovereign MEIP that were forfeited or otherwise expire unexercised or without the issuance of shares of Sabre Corporation common stock are also transferred to the Sovereign Holdings, Inc. 2012 Management Equity Incentive Plan. Therefore, as of December 31, 2013, no shares remained available for future grants under the Sovereign MEIP.

TVL Common, Inc. Restricted Stock Grant Agreement In 2010, we adopted the TVL Common, Inc. Restricted Stock Grant Agreement (TVL Common RSA). Under the TVL Common RSA, any employee who had an outstanding grant of stock options under the Sovereign MEIP as of December 31, 2009 received a grant of restricted shares under the TVL Common RSA. Under the TVL Common RSA:

- the total number of restricted shares of TVL Common, Inc. reserved and available for issuance under the TVL Common RSA is limited to 17,828,085;
- the restricted shares vest on the same terms and conditions as the corresponding grant of stock options under the Sovereign MEIP, subject to the occurrence of a liquidity event (as defined above), or earlier termination of employment and achievement of certain performance measures.

In connection with the dividend of the noncontrolling interest in Travelocity.com LLC (see Note 2, Summary of Significant Accounting Policies) in December 2009, each holder of outstanding time-based and performance-based options under the Sovereign MEIP was granted restricted shares in TVL Common, Inc. in 2010.

Effective December 31, 2012, our majority shareholders approved a merger transaction in which all available and outstanding shares under the TVL Common RSA were cancelled. Therefore, as of December 31, 2012, no shares were outstanding or remained available for future grants under the TVL Common RSA.

Travelocity.com LLC Stock Option Grant Agreement In 2010, pursuant to the terms of the Travelocity.com LLC limited liability company agreement (TVL.com LLC Agreement), we issued stock options using the Travelocity.com LLC Stock Option Grant Agreement (TVL.com SOA). Pursuant to the TVL.com LLC Agreement, key employees and, in certain circumstances, the directors, service providers and consultants, of the Company and its affiliates could be granted stock options to purchase common units of Travelocity.com LLC. Under the terms of the TVL.com LLC Agreement, as set forth in the TVL.com SOA:

- the total number of common units of Travelocity.com LLC reserved and available for issuance is limited to an aggregate of 4,286,418;
- the exercise price may not be less than the fair market value of a common unit of Travelocity.com LLC on the grant date;

- the exercise price will increase quarterly at 6.0% per annum until the date of exercise; and
- the options vest over five years (25% vests after the first anniversary of the grant date, the remaining 75% vests ratably on a quarterly basis thereafter).

At December 31, 2013, 2,801,888 options remained available for future grants pursuant to the TVL.com LLC Agreement, using the TVL.com SOA.

Sovereign Holdings, Inc. Restricted Stock Grant Agreement In 2011, we granted 354,191 shares of Sabre Corporation restricted common stock as an employment inducement award, and not under any equity incentive

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plan adopted by the Company. The shares of Sabre Corporation restricted common stock vest ratably over three years from the date of grant, one-third on each anniversary of the grant date.

Sovereign Holdings, Inc. Stock Incentive Plan for Travelocity s CEO Stock Settled SARs With Respect to Travelocity Equity; and *Sovereign Holdings, Inc. Stock Incentive Plan Stock Settled SARs with Respect to Travelocity Equity* In 2011, we adopted the Sovereign Holdings, Inc. Stock Incentive Plan for Travelocity s CEO Stock Settled SARs With Respect to Travelocity Equity (Travelocity Equity 2011) and in 2012, we adopted the Sovereign Holdings, Inc. Stock Incentive Plan Stock-Settled SARs with Respect to Travelocity Equity (Travelocity Equity 2012). Under the Travelocity Equity 2011 plan, Travelocity s CEO was granted stock-settled SARs relating to Travelocity Holdings, Inc. (THI) common stock and Travelocity.com LLC common units. Under the Travelocity Equity 2012 plan, key employees and, in certain circumstances, directors, service providers and consultants, of the Company and its affiliates may be granted stock-settled SARs relating to THI common stock and Travelocity.com LLC common units. Under the terms of these plans:

- SARs with respect to THI common stock and Travelocity.com LLC common units (collectively Tandem SARs) must be exercised in tandem in the same proportion of SARs granted, and may be settled, at our option, in shares of the underlying common stock and common units, interests in Sabre Corporation or any successor to Sabre Corporation, THI or Travelocity.com LLC, or in cash.

- The SARs vest over four years (25% vests after the first anniversary of the grant date, the remaining 75% vests on a quarterly basis thereafter).

- Generally, vested Tandem SARs are only exercisable in connection with a liquidity event and at any time thereafter prior to their expiration.

- Generally, a liquidity event is defined as the occurrence of (i) a transaction or series of transactions that results, directly or indirectly, in the sale, transfer or other disposition of substantially all of the economic interest in Sabre Corporation or THI or any of its subsidiaries held by the Majority Stockholder, (ii) a change in control (as defined in the Travelocity Equity 2011 or Travelocity Equity 2012 plan, respectively), (iii) any other transaction or series of transactions determined by the Board, in its sole discretion, to constitute a liquidity event or (iv) an initial public offering of equity interests in Sabre Corporation or THI or any of its subsidiaries.

In 2012, the Travelocity Equity 2011 plan was amended and any outstanding Tandem SARs were cancelled and a new award of Tandem SARs was issued under the amended plan with an exercise price equal to the fair market value of THI common stock and THI common units on the date of grant. The terms of this amended plan and the vesting schedule of the new award of Tandem SARs were consistent with the original plan and the initial grant of Tandem SARs. The new award of Tandem SARs vests 25% after the first anniversary of the grant date and the remainder vests quarterly thereafter. The grant of tandem SARs is accounted for as a modification and resulted in $1 million of additional expense for the year ended December 31, 2012.

The total number of SARs reserved and available for issuance under the Travelocity Equity 2012 plan is limited to an aggregate of 16,565,408 shares of THI common stock and 16,565,408 Travelocity.com LLC common units.

At December 31, 2013, a total of 7,505,466 shares of THI common stock and 7,505,466 Travelocity.com LLC common units remained available for future grants under both plans.

Sovereign Holdings, Inc. Restricted Stock Unit Grant Agreement In 2012, we granted an award of time-based RSUs to the Chief Executive Officer of Travelocity that, due to the nature of these RSUs, are accounted for as liability awards and have an aggregate fixed value of $3 million using the Sovereign Holdings, Inc. Restricted Stock Unit Grant Agreement (the Sovereign RSU Agreement) and not under any equity incentive plan adopted by the Company. The Sovereign RSU Agreement vests as to certain fixed dollar amounts ratably each six months starting on December 15, 2012 through June 15, 2015 and is settled in shares of Sabre Corporation common stock or the prescribed cash amount. The number of shares of Sabre Corporation common stock to be delivered at each vesting date is determined by dividing these prescribed amounts by the current fair market value of Sabre Corporation common stock on each vesting date, with any residual value to be delivered in cash. As a condition to settlement of the Sovereign RSU Agreement, the Chief Executive Officer of Travelocity would forfeit up to 30% of the shares of THI and common units of Travelocity.com LLC underlying his Tandem SAR award under the Travelocity Equity 2011 plan on certain specified dates.

Sovereign Holdings, Inc. 2012 Management Equity Incentive Plan Under the Sovereign Holdings, Inc. 2012 Management Equity Incentive Plan (Sovereign 2012 MEIP), adopted September 14, 2012, key employees and, in certain circumstances, the directors, service providers and consultants, of the Company and its affiliates may be granted stock options, restricted shares, RSUs, performance-based awards and other stock-based awards. Under the Sovereign 2012 MEIP:

- the total number of shares of common stock of Sabre Corporation reserved and available for issuance is currently limited to the aggregate of 1,800,000 shares of Sabre Corporation common stock, 2,568,561 shares of Sabre Corporation common stock that were available for issuance under the Sovereign MEIP as of the effective date of the Sovereign 2012 MEIP, 2,160,000 shares were added per the Compensation Committee resolution, and, as of December 31, 2013, 4,150,967 shares that were covered by prior awards of stock options granted under the Sovereign MEIP that were forfeited or otherwise expire unexercised or without the issuance of shares of Sabre Corporation common stock;

- the exercise price of any stock options granted under the Sovereign 2012 MEIP must be at least equal to the fair market value of a share of common stock of Sabre Corporation on the grant date; and

- time-based options typically vest over four or five years (25% vests after the first anniversary of the grant date, the remaining 75% vests ratably on a quarterly basis thereafter); performance-based awards will vest based on achievement of certain performance measures and events as defined in the Sovereign 2012 MEIP and the grant agreement.

At December 31, 2013, 2,384,558 shares remained available for future grants of equity awards under the Sovereign 2012 MEIP.

Grants of Equity-Based Awards

All grants of stock options have an exercise price equal to the estimated fair market value of our common stock on the date of grant. Because we are privately held and there is no public market for our common stock, the fair market value of our common stock is determined utilizing factors such as our actual and projected financial results, valuations of the Company performed by third parties and other information obtained from public, financial and industry sources.

Performance-Based Stock Options In 2008, we issued performance-based stock options under the Sovereign MEIP. The granted options shall vest and become exercisable upon the occurrence of a liquidity event which triggers certain performance measures. Because the performance condition is contingent on a liquidity event, no expense will be recognized in connection with these options until such an event is probable.

The fair value of the performance-based stock options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31, 2008
Exercise price	$ 5.00
Average risk-free interest rate	4.15%
Expected life (in years)	6.85
Implied volatility	36.40%
Weighted-average fair value	$ 1.81

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As of December 31, 2013, there was approximately $2 million unrecognized compensation expense that will be recognized at the time the criteria for recognition are met. Performance-based share activities for the year ended December 31, 2013 were as follows:

Sovereign MEIP Performance-based Stock Options	Options	Weighted-Average Exercise Price
Outstanding and Nonvested at December 31, 2012	776,037	$ 5.00
Granted		
Cancelled		
Outstanding and Nonvested at December 31, 2013	776,037	$ 5.00

Time-Based Equity Awards We issue, or have issued, time-based equity awards in the form of SARs and stock options under the Sovereign MEIP, TVL.com SOA, Travelocity Equity 2011, Travelocity Equity 2012, and the Sovereign 2012 MEIP. Generally, these awards vest over five years, or immediately upon a liquidity event, and are not exercisable more than ten years after the date of grant.

The fair value of the stock options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31, 2013 Sovereign 2012 MEIP
Exercise price	$ 11.91
Average risk-free interest rate	1.53%
Expected life (in years)	6.11
Implied volatility	30.75%
Weighted-average estimated fair value	$ 3.89

	Year Ended December 31, 2012			
	Sovereign 2012 MEIP	TVL.com SOA	Tandem SARs [1]	Sovereign MEIP
Exercise price	$ 9.96	$ 0.12	$ 1.45	$ 8.41
Average risk-free interest rate	0.93%	1.53%	1.02%	1.41%
Expected life (in years)	6.44	6.44	6.11	6.44
Implied volatility	31.42%	45.00%	45.02%	35.45%
Weighted-average estimated fair value	$ 3.29	$ 0.04	$ 0.64	$ 3.17

	Year Ended December 31, 2011		
	TVL.com SOA	Tandem SARs [1]	Sovereign MEIP
Exercise price	$ 0.16	$ 1.74	$ 8.59
Average risk-free interest rate	2.07%	2.57%	1.88%

Expected life (in years)	6.44	6.44	6.44
Implied volatility	42.82%	42.50%	35.90%
Weighted-average estimated fair value	$ 0.06	$ 0.61	$ 3.36

(1) Represents the weighted average of Tandem SARs granted under the Travelocity Equity 2011 and Travelocity Equity 2012 plans.

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We expensed $4 million in the year ended December 31, 2013 and $7 million in each of the years ended December 31, 2012 and 2011 related to time-based stock options. As of December 31, 2013, we have approximately $21 million in unrecognized compensation expense that will be recognized over a weighted-average period of 2.0 years. Time-based share activities for the year ended December 31, 2013 were as follows:

	Sovereign MEIP Stock Options			Sovereign 2012 MEIP Stock Options		
		Weighted-Average			Weighted-Average	
	Quantity	Exercise Price	Remaining Contractual Term (years)	Quantity	Exercise Price	Remaining Contractual Term (years)
Outstanding at December 31, 2012	17,235,250	$ 4.84	5.68	1,505,225	$ 9.96	8.92
Granted				2,910,621	11.91	
Exercised	(596,285)	4.92				
Cancelled	(987,896)	5.14		(153,500)	10.18	
Outstanding at December 31, 2013	15,651,069	4.81	4.66	4,262,346	11.29	8.18
Vested and exercisable at December 31, 2013	14,170,926	$ 4.59	4.63	485,546	$ 10.98	9.14

	TVL.com SOA Time-based Stock Options			Travelocity Equity 2012 Tandem SARs		
		Weighted-Average			Weighted-Average	
	Quantity	Exercise Price	Remaining Contractual Term (years)	Quantity	Exercise Price	Remaining Contractual Term (years)
Outstanding at December 31, 2012	1,960,231	$ 0.43	7.59	21,607,122	$ 1.45	7.38
Cancelled	(475,701)	0.48		(3,487,238)	1.45	
Outstanding at December 31, 2013	1,484,530	0.41	6.66	18,119,884	1.45	6.38
Vested and exercisable at December 31, 2013	1,009,904	$ 0.52	6.56		$	

The total intrinsic value of stock options exercised was $5 million, $4 million and $1 million for the years ended December 31, 2013, 2012 and 2011, respectively. As of December 31, 2013, the aggregate intrinsic value for outstanding options under the Sovereign MEIP and Sovereign 2012 MEIP plans totaled $232 million and $34 million, respectively; and the aggregate intrinsic value for vested and exercisable options under the Sovereign MEIP and Sovereign 2012 MEIP plans totaled $213 million and $4 million, respectively.

In 2013 and in 2012, the Board of Directors approved modifications of Sovereign MEIP stock options held by six employees by extending the exercise period following their termination. This change was accounted for as a modification and resulted in less than $1 million of stock compensation expense in each of the years ended December 31, 2013 and 2012. There were no modifications during the year ended December 31, 2011.

Restricted Stock In 2011, we granted restricted shares of Sabre Corporation s common stock which vest ratably over three years. In the event of a dissolution or liquidation of Sabre Corporation, sale of all or substantially all of Sabre Corporation s assets, or merger of Sabre Corporation, the Board may exchange the restricted shares of Sabre Corporation s common stock for restricted shares of common stock in the new or surviving entity or settle in cash.

Restricted stock is measured based on the fair market value of the underlying stock on the date of the grant. Shares of Sabre Corporation common stock are delivered on the vesting dates with the applicable statutory tax withholding requirements to be satisfied per the terms of the Sovereign Holdings, Inc. Restricted Stock Grant Agreement.

For the year ended December 31, 2013, we recorded approximately $1 million in compensation expense related to the grant of restricted stock. As of December 31, 2013, we have a negligible amount in unrecognized compensation expense that will be recognized over the associated vesting periods.

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Restricted stock activities for the year ended December 31, 2013 were as follows:

Sabre Corporation Restricted Stock	Quantity	Weighted-Average Fair Value Per Award
Restricted stock, beginning of year	236,127	$ 8.47
Granted		
Vested	(118,063)	8.47
Restricted stock, end of year	118,064	$ 8.47

Restricted Stock Units In November 2012, the Board approved a grant of time-based RSUs with an aggregate fixed value of $3 million. The RSUs are able to be settled at the Board s discretion in shares of our common stock or cash and are accounted for as liability awards. Expense associated with this grant of RSUs is being recognized over the associated vesting period as stock compensation expense. As of December 31, 2013, we have a negligible amount recorded in other noncurrent liabilities on our consolidated balance sheets related to these RSUs.

Our performance-based RSUs vest evenly over a four year period dependent upon certain company-based performance measures being achieved. On the date of grant, we determine the fair value of the performance-based awards, taking into account the probability of achieving the performance measures. Each reporting period, we re-assess the probability assumption and, if there is an adjustment, record the cumulative effect of the adjustment in the current reporting period. For the year ended December 31, 2013 we expensed $4 million in stock compensation expense related to 1,304,063 performance-based RSUs.

18. Earnings Per Share

The following table reconciles the numerators and denominators used in the computations of basic and diluted earnings per share:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands, except per share data)		
Net loss from continuing operations	$ (90,455)	$ (621,726)	$ (79,294)
Net income (loss) attributable to noncontrolling interests	2,863	(59,317)	(36,681)
Preferred stock dividends	36,704	34,583	32,579
Net loss from continuing operations available to common shareholders	$ (130,022)	$ (596,992)	$ (75,192)
Basic and diluted weighted-average number of shares outstanding	178,125	177,206	176,703

Basic and diluted loss per share available to common shareholders	$ (0.73)	$ (3.37)	$ (0.43)

Basic earnings per share are based on the weighted average number of common shares outstanding during each period. Diluted earnings per share are based on the weighted average number of common shares outstanding and the effect of all dilutive common stock equivalents during each period. For the years ended December 31, 2013, 2012 and 2011, we had 22 million, 20 million and 21 million common stock equivalents, respectively, primarily associated with our stock-options. As we recorded net losses for each period presented, all common stock equivalents were excluded from the calculation of diluted earnings per share as its inclusion would have been antidilutive. As a result, basic and diluted earnings per share are equal for each period.

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Tandem SARs issued with respect to the Travelocity Equity 2012 plan may be settled in shares of the underlying stock and units, interests in Sabre Corporation or any successor to Sabre Corporation, THI or Travelocity.com LLC, or in cash. If we elect to settle in shares of Sabre Corporation, the quantity issued is based on the intrinsic value of the Tandem SARs at the time of settlement and the fair value of Sabre Corporation shares at the time of settlement. For the years ended December 31, 2013, 2012 and 2011, no shares were issuable under this calculation and therefore there were no common stock equivalents associated with the Tandem SARs.

19. Related Party Transactions

On March 30, 2007, we entered into a Management Services Agreement (the MSA) with affiliates of TPG and Silver Lake to provide us with management services. Pursuant to the agreement, we are required to pay monitoring fees of $5 million to $7 million each year which are dependent on consolidated earnings before interest, taxes, depreciation and amortization for these services. We recognized $7 million in expense related to the annual monitoring fee for each of the years ended December 31, 2013, 2012 and 2011, respectively, in our consolidated statements of income. Additionally, we reimburse affiliates of TPG and Silver Lake for out-of-pocket expenses incurred by them or their affiliates in connection with services provided pursuant to the MSA. For the year ended December 31, 2013, these expenses were $1 million. For the years ended December 31, 2012 and 2011, these expenses were not material. In connection with the completion of an offering or sale of the company, we will be required to pay to TPG and Silver Lake, in the aggregate, a $21 million fee pursuant to the MSA and the MSA will be terminated.

For related party transactions with Abacus, an equity method investment, refer to Note 6, Equity Method Investments.

20. Commitments and Contingencies

Future Minimum Payments under Contractual Obligations

At December 31, 2013, future minimum payments required under the Amended and Restated Credit Agreement, 2016 Notes and 2019 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:

	Payments Due by Period						
Contractual Obligations	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**
	(Amounts in thousands)						
Total debt [1]	$ 320,662	$ 315,929	$ 726,845	$ 360,459	$ 244,391	$ 2,855,934	$ 4,824,220
Headquarters mortgage [2]	5,984	5,984	5,984	80,895			98,847
Operating lease obligations [3]	31,450	27,217	23,363	15,435	9,668	25,789	132,922
IT outsourcing agreement [4]	165,983	156,492	135,307	99,305			557,087
Purchase orders [5]	137,456	2,146	1,565				141,167
Letters of credit [6]	65,238	128	1,621			151	67,138
WNS agreement [7]	23,777	24,910					48,687
Other purchase obligations [8]	39,175						39,175
Unrecognized tax benefits [9]							66,620

Total contractual cash obligations (10)	$ 789,725	$ 532,806	$ 894,685	$ 556,094	$ 254,059	$ 2,881,874	$ 5,975,863

(1) Includes all interest and principal related to the 2016 Notes and 2019 Notes. Also includes all interest and principal related to borrowings under the Amended and Restated Credit Agreement, which will mature in 2017 and 2019 and the Incremental Term Facility, which will mature in 2017. We are required to pay a percentage of the excess cash flow generated each year to our lenders 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 used projected LIBOR rates for all future periods (see Note 11, Debt).

(2) Includes all interest and principal related to $85 million mortgage facility, which matures on March 1, 2017 (see Note 11, Debt).

(3) We lease approximately two million square feet of office space in 97 locations in 48 countries. Lease payment escalations are based on fixed annual increases, local consumer price index changes or market rental reviews. We have renewal options of various term lengths at 65 locations, and we have no purchase options and no restrictions imposed by our leases concerning dividends or additional debt.

(4) Represents minimum amounts due to Hewlett-Packard under the terms of an outsourcing agreement through which HP manages a significant portion of our information technology systems.

(5) Purchase obligations represent an estimate of all open purchase orders and contractual obligations in the ordinary course of business for which we have not received the goods or services as of December 31, 2013. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

(6) Our letters of credit consist of stand-by letters of credit, underwritten by a group of lenders, which we primarily issue for certain regulatory purposes as well as to certain hotel properties to secure our payment for hotel room transactions. The contractual expiration dates of these letters of credit are shown in the table above. There were no claims made against any stand-by letters of credit during the years ended December 31, 2013, 2012 and 2011.

(7) Represents expected payments to WNS Global Services, an entity to which we outsource a portion of our Travelocity contact center operations and back-office fulfillment though 2015. The expected payments are based upon current and historical transactions.

(8) Consists primarily of minimum payments due under various marketing agreements, management services monitoring fees and media strategy, planning and placement agreements.

(9) Unrecognized tax benefits include associated interest and penalties. The timing of related cash payments for substantially all of these liabilities is inherently uncertain because the ultimate amount and timing of such liabilities is affected by factors which are variable and outside our control.

(10) Excludes pension obligations; see Note 9, Pension and Other Postretirement Benefit Plans.

The following table presents rent expense for continuing operations for each of the three years ended December 31, 2013, 2012, and 2011:

	Year Ended December 31,		
	2013	**2012**	**2011**
	(Amounts in thousands)		
Rent expense	$ 40,474	$ 36,385	$ 39,846
Less:			
Sublease rent			(3,574)
Total rent expense	$ 40,474	$ 36,385	$ 36,272

Value Added Tax Receivables We generate Value Added Tax (VAT) refund claims, recorded as receivables, in multiple jurisdictions through the normal course of our business. Audits related to these claims are in various stages of investigation. If the results of certain audits or litigation were to become unfavorable or if some of the countries owing a VAT refund default on their obligation due to deterioration in their credit, the uncollectible amounts could be material to our results of operations. In previous years, the right to recover certain VAT receivables associated with our European businesses has been questioned by tax authorities. We believe that our claims are valid under applicable law and as such we will continue to pursue collection, possibly through litigation. Other receivables in our consolidated balance sheets include net VAT receivables totaling $23 million and $19 million as of December 31, 2013 and December 31, 2012, respectively. Although we believe these amounts are collectable, several European countries have recently experienced significantly weakening credit which could impact our future collections from these countries. We continue to assess VAT receivables for collectability and may be required to record reserves in the future.

In addition to the normal course of business receivables, substantial sums of VAT are due in respect of cross border supplies of rental cars by Holiday Autos, a discontinued operation (see Note 4, Discontinued Operations and Dispositions), from the period 2004 to 2009. A number of European Community countries challenged these claims and litigation has been ongoing for several years. Due to significant delays and other factors impacting our settlement of these claims, we have recorded an allowance for losses relating to such events in assets of discontinued operations in the consolidated balance sheets. The allowances recorded as of December 31, 2013 and December 31, 2012 were $4 million and $37 million, respectively. In December 2013, we received payment of approximately $12 million in respect to claims from Italy related to Holiday Autos VAT, enabling an equivalent amount of the allowance to be reversed at that time. The Central Economic Administrative Tribunal in Spain ruled in our favor in January 2013 on claims for 2008 and 2009 of $6 million and in September 2013 on claims for 2004 through 2007 of $15 million. The funds were received and an equivalent amount of allowance was reversed to net loss from discontinued operations in our consolidated results of operations for the year ended December 31, 2013. Separately, on June 18, 2013, the Court of Appeal in France ruled against us in respect of outstanding VAT refund claims of $4 million made for the periods 2007 through 2009. We believe the merits of our VAT claims are valid and have appealed the decision to the Supreme Court. These amounts are included in the allowance for VAT receivables above.

Legal Proceedings

While certain legal proceedings and related indemnification obligations to which we are a party specify the amounts claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated, except in circumstances where an aggregate litigation accrual has been recorded for probable and reasonably estimable loss contingencies. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new information or developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

Litigation and Administrative Audit Proceedings Relating to Hotel Occupancy Taxes

Over the past nine years, various state and local governments in the United States have filed approximately 70 lawsuits against us and other OTAs pertaining primarily to whether Travelocity and other OTAs owe sales or occupancy taxes on some or all of the revenues they earn from facilitating hotel reservations using the merchant revenue model. In the merchant revenue model, the customer pays us an amount at the time of booking that includes (i) service fees, which we collect, and (ii) the price of the hotel room and amounts for occupancy or other local taxes, which we pass along to the hotel supplier. The complaints generally allege, among other things, that the defendants failed to pay to the relevant taxing authority hotel accommodations taxes on the service fees. Courts have dismissed approximately 30 of these lawsuits, some for failure to exhaust administrative remedies and some on the basis that we are not subject to the sales or occupancy tax at issue based on the construction of the language in the ordinance. The Fourth, Sixth and Eleventh Circuits of the United States Courts of Appeals each have ruled in our favor on the merits, as have state appellate courts in Missouri, Alabama, Texas, California, Kentucky, Florida and Pennsylvania, and a number of state and federal trial courts. The remaining lawsuits are in various stages of litigation. We have also settled some cases individually for nuisance value and, with respect to such settlements, have reserved our rights to challenge any effort by the applicable tax authority to impose occupancy taxes in the future.

Among the recent favorable decisions, on January 23, 2013, the California Supreme Court declined to hear the appeals of the City of Anaheim and the City of Santa Monica from lower court decisions in favor of Travelocity and other OTAs on the issue of whether local occupancy taxes apply to the merchant revenue model.

We and other OTAs have also prevailed on summary judgment motions in San Francisco and Los Angeles. We believe these decisions should be helpful in resolving any other California cases, which are either currently pending or subsequently brought, in our favor.

Similarly, on January 23, 2013, the Missouri Court of Appeals upheld a lower court decision in favor of Travelocity and other OTAs on the issue of whether local occupancy taxes in the City of Branson apply to the merchant revenue model. On February 28, 2013, the First District Court of Appeals in Florida affirmed a summary judgment ruling in favor of Travelocity and other OTAs on the issue of whether local accommodation taxes levied by Leon County and 18 other counties in Florida apply to the merchant revenue model. The Florida Supreme Court is currently reviewing this decision. Likewise, on March 29, 2013, a federal district court in New Mexico granted summary judgment, ruling that OTAs are not vendors subject to hotel occupancy tax in New Mexico. On December 13, 2013, the Eleventh Circuit Court of Appeals affirmed summary judgment in our favor in a case that had been pending in Rome, Georgia, finding there was no evidence that we collected but failed to remit tax that the counties could not recover on their common law claims, and that there is no basis in Georgia law (statutory or otherwise) for an award of back taxes. On March 5, 2014, the California Court of Appeals affirmed the trial court s grant of summary judgment in our favor in the hotel occupancy tax litigation brought against us by the City of San Diego. On March 7, 2014, the trial court in our lawsuit with the Montana Department of Revenue granted our (and the other OTA defendants) motion for summary judgment.

Although we have prevailed in the majority of these lawsuits and proceedings, there have been several adverse judgments or decisions on the merits some of which are subject to appeal.

Among the recent adverse decisions, on June 21, 2013, a state trial court in Cook County, Illinois granted summary judgment in favor of the City of Chicago and against Travelocity and other OTAs, ruling that the City s hotel tax applies to the fees retained by the OTAs because, according to the trial court, OTAs act as hotel managers when facilitating hotel reservations. The court did not address damages. After final judgment is entered, Travelocity intends to appeal the court s decision on the basis that we do not believe that we manage hotels.

On November 21, 2013, the New York State Court of Appeals ruled against Travelocity and other OTAs, holding that New York City s hotel occupancy tax, which was amended in 2009 to capture revenue from fees charged to customers by third-party travel companies, is constitutional because such fees constitute rent as they are a condition of occupancy. We have been collecting and remitting taxes under the statute, so the ruling does not have any impact on our financial results in that regard.

On April 4, 2013, the United States District Court for the Western District of Texas (W.D.T.) entered a final judgment against Travelocity and other OTAs in a class action lawsuit filed by the City of San Antonio. The final judgment was based on a jury verdict from October 30, 2009 that the OTAs control hotels for purposes of city hotel occupancy taxes. Following that jury verdict, on July 1, 2011, the W.D.T. concluded that fees charged by the OTAs are subject to city hotel occupancy taxes and that the OTAs have a duty to assess, collect and remit these taxes. We disagree with the jury s finding that we control hotels, and with the W.D.T. s conclusions based on the jury finding, and intend to appeal the final judgment to the United States Court of Appeals for the Fifth Circuit.

We believe the Fifth Circuit s resolution of the San Antonio appeal may be affected by a separate Texas state appellate court decision in our favor. On October 26, 2011, the Fourteenth Court of Appeals of Texas affirmed a trial court s summary judgment ruling in favor of the OTAs in a case brought by the City of Houston and the Harris County-Houston Sports Authority on a similarly worded tax ordinance as the one at issue in the San Antonio case. The Texas Supreme Court denied the City of Houston s petition to review the case. We believe this decision should provide persuasive authority to the Fifth Circuit in its review of the San Antonio case.

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On September 24, 2012, a trial court in Washington D.C. granted summary judgment in favor of the District of Columbia on its claim that the OTAs are subject to hotel occupancy tax. The court has not yet addressed any questions related to damages, but is expected to do so during the first quarter of 2014. After final judgment is entered, Travelocity intends to appeal the court s decision.

In late 2012, the Tax Appeal Court of the State of Hawaii granted summary judgment in favor of Travelocity and other OTAs on the issue of whether Hawaii s hotel occupancy tax applies to the merchant revenue model. However, in January 2013, the same court granted summary judgment in favor of the State of Hawaii and against Travelocity and other OTAs on the issue of whether the state s general excise tax, which is assessed on all business activity in the state, applies to the merchant revenue model for the period from 2002 to 2011.

We expensed $19 million and $25 million in cost of revenue for the years ended December 31, 2013 and 2012, respectively, which represents the amount we would owe to the State of Hawaii, prior to appealing the Tax Appeal Court s ruling, in back excise taxes, penalties and interest based on the court s interpretation of the statute. In 2013, we made payments totaling $35 million and maintained an accrued liability of $9 million as of December 31, 2013. Payment of such amount is not an admission that we believe we are subject to the taxes in question.

Travelocity has appealed the Tax Appeal Court s determination that we are subject to general excise tax, as we believe the decision is incorrect and inconsistent with the same court s prior rulings. If any such taxes are in fact owed (which we dispute), we believe the correct amount would be under $10 million. The ultimate resolution of these contingencies may differ from the liabilities recorded. To the extent our appeal is successful in reducing or eliminating the assessed amounts, the State of Hawaii would be required to refund such amounts, plus interest. On May 20, 2013, the State of Hawaii issued an additional general excise tax assessment for the calendar year 2012. Travelocity has appealed this recent assessment to the Tax Appeal Court, and this assessment has been stayed pending a final appellate decision on the original assessment.

On December 9, 2013, the State of Hawaii also issued assessments of general excise tax for merchant rental car bookings facilitated by Travelocity and other OTAs for the period 2001 to 2012 for which we recorded a $2 million reserve in the fourth quarter of 2013. Travelocity intends to appeal the assessment to the Tax Appeal Court and does not believe the excise tax is applicable.

The aggregate impact to our results of operations for all litigation and administrative proceedings relating to hotel sales, occupancy or excise taxes for the years ended December 31, 2013, 2012 and 2011 was $27 million, $25 million, and $2 million, respectively, which include all amounts expensed related to the State of Hawaii during those periods. As of December 31, 2013, we have a remaining reserve of $18 million, included in other accrued liabilities in the consolidated balance sheet, for the potential resolution of issues identified related to litigation involving hotel sales, occupancy or excise taxes, which includes the $9 million liability for the remaining payments to the State of Hawaii. As of December 31, 2012, the reserve for litigation involving hotel sales, occupancy or excise taxes was $28 million. Our estimated liability is based on our current best estimate but the ultimate resolution of these issues may be greater or less than the amount recorded and, if greater, could adversely affect our results of operations.

In addition to the actions by the tax authorities, four consumer class action lawsuits have been filed against us and other OTAs in which the plaintiffs allege that we made misrepresentations concerning the description of the fees received in relation to facilitating hotel reservations. Generally, the consumer claims relate to whether Travelocity and the other OTAs provided adequate notice to consumers regarding the nature of our fees and the amount of taxes charged or collected. One of these lawsuits was dismissed by the Texas Supreme Court and such dismissal was subsequently affirmed; one was voluntarily dismissed by the plaintiffs; one is pending in Texas state court, where the court is currently considering the plaintiffs motion to certify a class action; and the last is pending in federal court, but has been stayed pending the outcome of the Texas state court action. We believe the notice we provided was appropriate.

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In addition to the lawsuits, a number of state and local governments have initiated inquiries, audits and other administrative proceedings that could result in an assessment of sales or occupancy taxes on fees. If we do not to prevail at the administrative level, those cases could lead to formal litigation proceedings.

Pursuant to our Expedia SMA, we will continue to be liable for fees, charges, costs and settlements relating to litigation arising from hotels booked on the Travelocity platform prior to the Expedia SMA. However, fees, charges, costs and settlements relating to litigation from hotels booked subsequent to the Expedia SMA will be shared with Expedia according to the terms of the Expedia SMA. Under the Expedia SMA, we are also required to guarantee Travelocity s indemnification obligations to Expedia for any liabilities arising out of historical claims with respect to this type of litigation.

Airline Antitrust Litigation, US Airways Antitrust Litigation, and DoJ Investigation

American Airlines Litigation (state and federal court claims) In October 2012 we settled two outstanding state and federal lawsuits with American Airlines (American) relating to American s participation in the Sabre GDS. The litigation, primarily involving breach of contract and antitrust claims, arose in January 2011 after American undertook certain marketing activities relating to its Direct Connect program (a method of providing its information and booking services directly to travel agents without using a GDS), and we de-preferenced American s flight information on the GDS and modified certain fees for booking American flights in a manner we believe was permitted under the terms of our distribution and services agreement with American.

American alleged that we had taken anticompetitive actions and claimed over $1 billion in actual damages and injunctive relief against us. We denied American s allegations and aggressively defended against these claims and pursued our own legal rights as warranted.

On October 30, 2012, we agreed to settlement terms in the state and federal lawsuits with American and, as a result of the terms of the settlement, renewed our distribution agreement with American for several years. We also entered into renewal agreements with American for Travelocity. Terms of the settlement and distribution agreements were approved by the court presiding over the restructuring procedures for AMR, American s parent company, pursuant to an order made final on December 20, 2012. The settlement agreement contains mutual releases of all claims by each party and neither party admits any wrong doing on their part. In January 2014, we reached a long-term agreement with American to be the provider of the reservation system for the post-merged American and US Airways.

We determined that the settlement agreement constitutes a multiple-element arrangement and recognized a settlement charge of $222 million, net of tax, into our results of operations, representing the estimate of the fair value of the settlement components. This included $64 million on an after tax basis for a $100 million payment made to AMR on December 21, 2012, and a $60 million on an after tax basis that represented the fair value of a second $100 million payment made to AMR in December 2013. The current portion of the settlement liability is reflected in litigation settlement payable and the non-current portion is included in other noncurrent liabilities in the consolidated balance sheets. Fair value of these fixed payment settlement components were estimated using our best estimates of the timing with the resulting values discounted using a discount rate ranging from 6% to 11.5%, depending on the timing of the payment and considering an adjustment for nonperformance risk that represents our own credit risk. The fair value of the settlement amounts associated with the new commercial agreements entered into with American was estimated using the differential cash flow method, by comparing the pricing under the new contracts with American to similar contracts with other customers to determine a differential. This pricing differential was applied to future estimated volumes and discounted using a discount rate of 11.5%. We believe that the timing, discount rates and probabilities used in these estimates reflect appropriate market participant assumptions.

Because the settlement liability is considered a multiple-element arrangement and recorded at fair value, the net charge recorded in 2012 consisted of several elements, including cash and future cash to be paid directly to

American, payment credits to pay for future technology services that we provided as defined in the agreements and an estimate of the fair value of other agreements entered into concurrently with the settlement agreement.

Amounts shown are net of tax utilizing our combined federal and state marginal tax rate of approximately 36%. The associated tax benefits are expected to be realized over the next one to four years and payment credits are expected to be used by American from 2014 through 2017, depending on the level of services we provide.

US Airways Antitrust Litigation

In April 2011, US Airways sued us in federal court in the Southern District of New York, alleging violations of the Sherman Act Section 1(anticompetitive agreements) and Section 2 (monopolization). The complaint was filed two months after we entered into a new distribution agreement with US Airways. In September 2011, the court dismissed all claims relating to Section 2. The claims that were not dismissed are claims brought under Section 1 of the Sherman Act that relate to our contracts with airlines, especially US Airways itself, which US Airways says contain anticompetitive content-related provisions, and an alleged conspiracy with the other GDSs, allegedly to maintain the industry structure and not to implement US Airways preferred system of distributing its Choice Seats product. We strongly deny all of the allegations made by US Airways. In September 2013, US Airways issued a report in which it purported to quantify its damages at either $281 million or $425 million (before trebling), depending on certain assumptions. We believe both estimates are based on faulty assumptions and analysis and therefore are highly overstated. In the event US Airways were to prevail on the merits of its claim, we believe any monetary damages awarded (before trebling) would be significantly less than either of US Airways proposed damage amounts.

Document discovery and fact witness discovery are complete. We are now in the process of completing expert witness discovery. We expect to complete expert depositions in March 2014. Summary judgment motions are scheduled to be filed in April 2014, with full briefing of those motions expected to be completed in May 2014. All court settings are subject to change. No trial date has been set and we anticipate the most likely trial date would be in September or October 2014, assuming no delays with the court s schedule and that we do not prevail completely with our summary judgment motions.

We have and will incur significant fees, costs and expenses for as long as the litigation is ongoing. In addition, litigation by its nature is highly uncertain and fraught with risk, and it is therefore difficult to predict the outcome of any particular matter. If favorable resolution of the matter is not reached, any monetary damages are subject to trebling under the antitrust laws and US Airways would be eligible to be reimbursed by us for its costs and attorneys fees. Depending on the amount of any such judgment, if we do not have sufficient cash on hand, we may be required to seek financing through the issuance of additional equity or from private or public financing. Additionally, US Airways can and has sought injunctive relief, though we believe injunctive relief for US Airways is precluded by the settlement agreement we reached with American Airlines in 2012, which covers affiliates, including through merger, of American Airlines. If injunctive relief were granted, depending on its scope, it could affect the manner in which our airline distribution business is operated and potentially force changes to the existing airline distribution business model. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

Department of Justice Investigation

On May 19, 2011, we received a civil investigative demand (CID) from the U.S. Department of Justice (DOJ) investigating alleged anticompetitive acts related to the airline distribution component of our business. We are fully cooperating with the DOJ investigation and are unable to make any prediction regarding its outcome. The DOJ is also investigating other companies that own GDSs, and has sent CIDs to other companies in the travel industry. Based on its findings in the investigation, the DOJ may (i) close the file, (ii) seek a consent decree to remedy issues it believes violate the antitrust laws, or (iii) file suit against us for violating the antitrust laws, seeking injunctive relief. If injunctive relief were granted, depending on its scope, it could affect the manner in which our airline distribution business is operated and potentially force changes to the existing airline distribution business model. Any of these consequences would have a material adverse effect on our business, financial condition and results of operations.

Insurance Carriers

We have disputes against two of our insurance carriers for failing to reimburse defense costs incurred in the American Airlines antitrust litigation, which we settled in October 2012. Both carriers admitted there is coverage, but reserved their rights not to pay should we be found liable for certain of American Airlines allegations. Despite their admission of coverage, the insurers have only reimbursed us for a small portion of our significant defense costs. We filed suit against the entities in New York state court alleging breach of contract and a statutory cause of action for failure to promptly pay claims. If we prevail, we may recover some or all amounts already tendered to the insurance companies for payment within the limits of the policies and would be entitled to 18% interest on such amounts. To date, settlement discussions have been unsuccessful. The court has not scheduled a trial date though we anticipate trial to begin in the latter part of 2014.

Hotel Related Antitrust Proceedings

On August 20, 2012, two individuals alleging to represent a putative class of bookers of online hotel reservations filed a complaint against Sabre Holdings, Travelocity.com LP, and several other online travel companies and hotel chains in the U.S. District Court for the Northern District of California, alleging federal and state antitrust and related claims. The complaint alleges generally that the defendants conspired to enter into illegal agreements relating to the price of hotel rooms. Over 30 copycat suits were filed in various courts in the United States. In December 2012, the Judicial Panel on Multi-District Litigation centralized these cases in the U.S. District Court in the Northern District of Texas, which subsequently consolidated them. The proposed class period is January 1, 2003 through May 1, 2013. On June 15, 2013, the court granted Travelocity s motion to compel arbitration of claims involving Travelocity bookings made on or after February 4, 2010. While all claims from February 4, 2010 through May 1, 2013 are now excluded from the lawsuit and must be arbitrated if pursued at all, the lawsuit still covers claims from January 1, 2003 through February 3, 2010. Together with the other defendants, Travelocity and Sabre filed a motion to dismiss. On February 18, 2014, the court granted the motion and dismissed the plaintiff s claims without prejudice. The court gave the plaintiffs 30 days from the date of its February 18, 2014 order to seek leave to file an amended complaint. We deny any conspiracy or any anti-competitive actions and we intend to aggressively defend against the claims.

Even if we are ultimately successful in defending ourselves in this matter, we are likely to incur significant fees, costs and expenses for as long as it is ongoing. In addition, litigation by its nature is highly uncertain and fraught with risk, and it is difficult to predict the outcome of any particular matter. If favorable resolution of the matter is not reached, we could be subject to monetary damages, including treble damages under the antitrust laws, as well as injunctive relief. If injunctive relief were granted, depending on its scope, it could affect the manner in which our Travelocity business is operated and potentially force changes to the existing business model. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

Litigation Relating to Value Added Tax Receivables

In the United Kingdom, the Commissioners for Her Majesty s Revenue & Customs (HMRC) have asserted that our subsidiary, Secret Hotels2 Limited (formerly Med Hotels Limited), failed to account for United Kingdom Value Added Tax (VAT) on margins earned from hotels located within the European Union (EU). This business was sold in February 2009 to a third-party and we account for it as a discontinued operation. Because the sale was structured as an asset sale and we retained the company (Secret Hotels2 Limited) with all potential tax liabilities in respect of the same. HMRC issued assessments of tax totaling approximately $11 million for the period October 1, 2004 to September 30, 2007. We appealed the assessments and in March

2010 the VAT and Duties Tribunal (First Tribunal) denied the appeal. We then appealed to the Upper Tribunal (Finance and Tax Chamber) and in July 2011 were successful overturning HMRC s original assessment. HMRC appealed this decision to the Court of Appeal who on December 3, 2012 found against Secret Hotels2 Limited upholding the decision of the First Tribunal in favor of HMRC. Based upon this Court of Appeal judgment and the limited ability to obtain leave to appeal, we accrued $17 million of expense in discontinued operations during the year ended December 31, 2012, included in liabilities of discontinued operations in the consolidated balance sheet as of December 31, 2012. Secret Hotels2 Limited successfully obtained leave to appeal the Court of Appeal decision to the Supreme Court in 2013, which is the final court of appeal in the United Kingdom, and on March 5, 2014 judgment was given in favor of Secret Hotels2 Limited. We therefore reversed our reserve in 2013 in discontinued operations. Any further opportunities to appeal this decision through the European courts are considered remote.

Additionally, HMRC has begun a review of other parts of our lastminute.com business in the United Kingdom. We believe that we have paid the correct amount of VAT on all relevant transactions as now reinforced by the outcome of Secret Hotels 2 case with the Supreme Court and will vigorously defend our position with HMRC or through the courts if necessary.

Litigation Relating to Patent Infringement

In April 2010, CEATS, Inc. (CEATS) filed a patent infringement lawsuit against several ticketing companies and airlines, including JetBlue, in the Eastern District of Texas. CEATS alleged that the mouse-over seat map that appears on the defendants websites infringes certain of its patents. JetBlue s website is provided by our Airline Solutions business under the SabreSonic Web service. On June 11, 2010, JetBlue requested that we indemnify and defend it for and against the CEATS lawsuit based on the indemnification provision in our agreement with JetBlue, and we agreed to a conditional indemnification. CEATS claimed damages of $0.30 per segment sold on JetBlue s website during the relevant time period totaling $10 million. A jury trial began on March 12, 2012, which resulted in a jury verdict invalidating the plaintiff s patents. Final judgment was entered and the plaintiff appealed. The Federal Circuit affirmed the jury s decision in our favor on April 26, 2013. CEATS did not appeal the Federal Circuit s decision, and its deadline to do so has passed. On June 28, 2013, the Eastern District denied CEATS previously filed motion to vacate the judgment based on an alleged conflict of interest with a mediator. CEATS has appealed that decision.

Indian Income Tax Litigation

We are currently a defendant in income tax litigation brought by the Indian Director of Income Tax (DIT) in the Supreme Court of India. The dispute arose in 1999 when the DIT asserted that we have a permanent establishment within the meaning of the Income Tax Treaty between the United States and the Republic of India and accordingly issued tax assessments for assessment years ending March 1998 and March 1999, and later issued further tax assessments for assessment years ending March 2000 through March 2006. We appealed the tax assessments and the Indian Commissioner of Income Tax Appeals returned a mixed verdict. We filed further appeals with the Income Tax Appellate Tribunal, or the ITAT. The ITAT ruled in our favor on June 19, 2009 and July 10, 2009, stating that no income would be chargeable to tax for assessment years ending March 1998 and March 1999, and from March 2000 through March 2006. The DIT appealed those decisions to the Delhi High Court, which found in our favor on July 19, 2010. The DIT has appealed the decision to the Supreme Court of India and no trial date has been set.

We intend to continue to aggressively defend against these claims. Although we do not believe that the outcome of the proceedings will result in a material impact on our business or financial condition, litigation is by its nature uncertain. If the DIT were to fully prevail on every claim, we could be subject to taxes, interest and penalties of approximately $25 million, which could have a material adverse effect on our business, financial condition and results of operations. We do not believe this outcome is probable and therefore have not made any provisions or recorded any liability for the potential resolution of this matter.

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Litigation Relating to Routine Proceedings

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.

21. Segment Information

Our reportable segments are based upon: our internal organizational structure; the manner in which our operations are managed; the criteria used by our Chief Executive Officer, who is our Chief Operating Decision Maker (CODM), to evaluate segment performance; the availability of separate financial information; and overall materiality considerations.

Our business has three reportable segments: Travel Network, Airline and Hospitality Solutions, and Travelocity. Airline and Hospitality Solutions aggregates the Airline Solutions and Hospitality Solutions operating segments as these operating segments have similar economic characteristics, generate revenues on transaction-based fees, incur the same types of expenses and use our SaaS based and hosted applications and platforms to market to the travel industry.

Our CODM utilizes Adjusted Gross Margin and Adjusted EBITDA as the measures of profitability to evaluate performance of our segments and allocate resources. Segment results do not include unallocated expenses or interest expenses which are centrally managed costs. Benefits expense, including pension expense, postretirement benefits, medical insurance and workers compensation are allocated to the segments based on headcount. Depreciation expense on the corporate headquarters building and related facilities costs are allocated to the segments through a facility fee based on headcount. Corporate includes certain shared expenses such as accounting, human resources, legal, corporate systems, and other shared technology costs. Corporate also includes all amortization of intangible assets and any related impairments that originate from purchase accounting, as well as stock based compensation expense, restructuring charges, legal reserves, occupancy taxes and other items not identifiable with one of our segments.

We account for significant intersegment transactions as if the transactions were with third parties, that is, at estimated current market prices. The majority of the intersegment revenues and cost of revenues are between Travelocity and Travel Network, consisting mainly of incentive consideration provided, net of data processing fees incurred, by Travel Network to Travelocity for transactions processed through the Sabre GDS, transaction fees paid by Travelocity to Travel Network for transactions facilitated through the Sabre GDS in which the travel supplier pays Travelocity directly, and fees paid by Travel Network to Travelocity for corporate trips booked through the Travelocity online booking technology. In addition, Airline and Hospitality Solutions pay fees to Travelocity for airline trips booked through the Travelocity online booking technology.

Our CODM does not review total assets by segment as operating evaluations and resource allocation decisions are not made on the basis of total assets by segment.

The performance of our segments is evaluated primarily on Adjusted Gross Margin and Adjusted EBITDA which are not recognized terms under GAAP. Our uses of Adjusted Gross Margin and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. We define Adjusted Gross Margin as operating income (loss) adjusted for selling, general and administrative expenses, impairments, restructuring charges, amortization of upfront incentive consideration and depreciation and amortization. We define Adjusted EBITDA as income (loss) from continuing operations adjusted for impairment, acquisition related amortization expense, gain (loss) on sale of business and assets, gain (loss) on extinguishment of debt, other, net, restructuring and other costs, litigation and taxes including penalties, stock-based compensation, management fees, depreciation of fixed assets, non-acquisition related amortization, amortization of upfront incentive consideration, interest expense, and income taxes.

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Segment information for the year ended December 31, 2013, 2012 and 2011 is as follows:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Revenue			
Travel Network	$ 1,821,498	$ 1,795,127	$ 1,740,007
Airline and Hospitality Solutions	711,745	597,649	522,692
Travelocity	585,989	659,472	699,604
Total segments	3,119,232	3,052,248	2,962,303
Eliminations	(69,707)	(77,884)	(106,342)
Total revenue	$ 3,049,525	$ 2,974,364	$ 2,855,961
Adjusted gross margin			
Travel Network	$ 860,793	$ 843,863	$ 772,753
Airline and Hospitality Solutions	262,386	218,421	185,147
Travelocity	353,489	413,802	447,790
Eliminations	(717)	(1,010)	(1,083)
Corporate	(92,142)	(85,214)	(74,093)
Total adjusted gross margin[a]	$ 1,383,809	$ 1,389,862	$ 1,330,514
Adjusted EBITDA[b]			
Travel Network	$ 772,208	$ 768,452	$ 692,571
Airline and Hospitality Solutions	213,075	166,282	135,184
Travelocity	22,852	61,119	76,469
Total segments	1,008,135	995,853	904,224
Corporate	(216,812)	(209,224)	(184,061)
Total	$ 791,323	$ 786,629	$ 720,163
Depreciation and amortization			
Travel Network	$ 52,507	$ 36,659	$ 33,705
Airline and Hospitality Solutions	77,320	52,010	31,930
Travelocity	8,712	39,892	43,498
Total segments	138,539	128,561	109,133
Corporate	169,056	187,172	183,984
Total	$ 307,595	$ 315,733	$ 293,117
Adjusted capital expenditures[c]			
Travel Network	$ 69,357	$ 45,262	$ 54,451

Airline and Hospitality Solutions	170,860	163,754	96,751
Travelocity	16,861	26,085	44,026
Total segments	257,078	235,101	195,228
Corporate	27,762	36,704	28,519
Total	$ 284,840	$ 271,805	$ 223,747

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(a) The following table sets forth the reconciliation of Adjusted Gross Margin to operating income (loss) in our statement of operations:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Adjusted Gross Margin	$ 1,383,809	$ 1,389,862	$ 1,330,514
Less Adjustments:			
Selling, general and administrative	792,929	1,188,248	806,435
Impairment	138,435	573,180	185,240
Restructuring charges	36,551		
Depreciation and amortization in cost of revenue[1]	202,485	198,206	172,846
Amortization of upfront incentive consideration[2]	36,649	36,527	37,748
Operating income (loss)	$ 176,760	$ (606,299)	$ 128,245

(b) The following tables set forth the reconciliation of Adjusted EBITDA to loss from continuing operations in our statement of operations:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Adjusted EBITDA	$ 791,323	$ 786,629	$ 720,163
Less Adjustments:			
Depreciation and amortization of property and equipment [1a]	131,483	135,561	122,640
Amortization of capitalized implementation costs [1b]	35,551	20,855	11,365
Amortization of upfront incentive consideration [2]	36,649	36,527	37,748
Interest expense, net	274,689	232,450	174,390
Impairment [3]	138,435	596,980	185,240
Acquisition related amortization [1c]	143,765	162,517	162,312
Gain on sale of business and assets		(25,850)	
Loss on extinguishment of debt	12,181		
Other, net [4]	6,724	1,385	(1,156)
Restructuring and other costs [5]	59,052	6,776	12,986
Litigation and taxes, including penalties [6]	39,431	418,622	21,601
Stock-based compensation	9,086	9,834	7,334
Management fees [7]	8,761	7,769	7,191
(Benefit) provision for income taxes	(14,029)	(195,071)	57,806
Loss from continuing operations	$ (90,455)	$ (621,726)	$ (79,294)

(1) Depreciation and amortization expenses (see Note 2, Summary of Significant Accounting Policies for associated asset lives):
  a. Depreciation and amortization of property and equipment represents depreciation of property and equipment, including software developed for internal use.
  b. Amortization of capitalized implementation costs represents amortization of up-front costs to implement new customer contracts under our SaaS and hosted revenue model.
  c. Acquisition related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date and amortization of the excess basis in our underlying equity in joint ventures.

(2) Our Travel Network business at times provides upfront incentive consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized to cost of revenue over an average expected life of the service contract, generally over three to five

years. Such consideration is made with the objective of increasing the number of clients or to ensure or improve customer loyalty. Such service contract terms are established such that the supplier and other fees generated over the life of the contract will exceed the cost of the incentive consideration provided up front. Such service contracts with travel agency subscribers require that the customer commit to achieving certain economic objectives and generally have terms requiring repayment of the upfront incentive consideration if those objectives are not met.

(3) Represents impairment charges to assets (see Note 8, Goodwill and Intangible Assets) as well as $24 million in 2012, representing our share of impairment charges recorded by one of our equity method investments, Abacus.

(4) Other, net primarily represents foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

(5) Restructuring and other costs represents charges associated with business restructuring and associated changes implemented which resulted in severance benefits related to employee terminations, integration and facility opening or closing costs and other business reorganization costs.

(6) Litigation and taxes, including penalties represents charges or settlements associated with airline antitrust litigation as well as payments or reserves taken in relation to certain retroactive hotel occupancy and excise tax disputes (see Note 20, Commitments and Contingencies).

(7) We have been paying an annual management fee to TPG and Silver Lake in an amount equal to the lesser of (i) 1% of our Adjusted EBITDA and (ii) $7 million. This also includes reimbursement of certain costs incurred by TPG and Silver Lake.

(c) Includes capital expenditures and capitalized implementation costs as summarized below:

	Year Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Additions to property and equipment	$ 226,026	$ 193,262	$ 164,638
Capitalized implementation costs	58,814	78,543	59,109
Adjusted capital expenditures	$ 284,840	$ 271,805	$ 223,747

Transaction-based revenue accounted for approximately 89%, 90% and 93% of our Travel Network revenue for the years ended December 31, 2013, 2012 and 2011, respectively. Transaction-based revenue accounted for approximately 70%, 67% and 66% of our Airline and Hospitality Solutions revenue for the years ended December 31, 2013, 2012 and 2011, respectively. Transaction-based revenue accounted for approximately 87%, 88% and 87% of our Travelocity revenue for the years ended December 31, 2013, 2012 and 2011, respectively.

All joint venture equity income and expenses relate to Travel Network.

We have operations with foreign revenue and long-lived assets in approximately 128 countries. Our revenues and long-lived assets, excluding goodwill and intangible assets, by geographic region are summarized below. Revenues are attributed to countries based on the location of the customer.

	Year Ended December 31,		
	2013	**2012**	**2011**
	(Amounts in thousands)		
Revenue			
United States	$ 1,765,699	$ 1,857,771	$ 1,754,830
Europe	501,953	470,112	451,734
All other	781,873	646,481	649,397
Total	$ 3,049,525	$ 2,974,364	$ 2,855,961

	As of December 31, 2013	2012
	(Amounts in thousands)	
Long-lived assets		
United States	$ 472,517	$ 394,625
Europe	10,269	7,909
All other	15,737	5,862
Total	$ 498,523	$ 408,396

22. Subsequent Events

We have evaluated subsequent events through March 10, 2014, the issuance date of our consolidated financial statements.

Modification to our Amended and Restated Credit Agreement On February 20, 2014, we entered into an agreement to modify our Amended and Restated Credit Agreement. The modification reduces the Term Loan B s applicable margin for Eurocurrency and Base rate borrowings to 3.25% and 2.25%, respectively, with a step down to 3.00% and 2.00%, respectively, if the Senior Secured Leverage Ratio is less than or equal to 3.25 to 1.00. It also reduces the Eurocurrency rate floor to 1.00% and the Base rate floor to 2.00%. The repriced Term Loan B includes a 1% Repricing Premium if we pay off or refinance all or a portion of the Term Loan B within six months of February 20, 2014.

In addition to repricing Term Loan B, the agreement provides for an incremental revolving commitment due February 19, 2019 of $53 million, increasing the Revolver from $352 million to $405 million. In addition, we extended the maturity date of $317 million of the Revolver to February 19, 2019. The commitments maturing February 19, 2019 include an accelerated maturity date of November 19, 2018 if, as of that date, borrowings under the Term Loan B (or permitted refinancings) remain outstanding and mature before February 18, 2020.

Disposition of Certain Assets of Travelocity In February 2014, as a further step in our restructuring plans for Travelocity, we completed a sale of assets associated with TPN, a business-to-business private white label website offering. Under the agreement, certain portions of the sales proceeds received and to be received through earn-out provisions are contingent upon certain events occurring, and therefore will not be recognized in our results of operations until those contingencies have been realized. In addition, Travelocity has entered into a Transition Services Agreement with the acquirer and will be providing services to maintain the websites and certain technical and administrative functions for the acquirer until a complete transition occurs. The proceeds to be received under the sale agreement and the transition services agreement will be allocated across these multiple agreements based on a relative fair value allocation. We currently do not estimate the amount of proceeds to be recognized at the time of sale to be significant. Assets held and no longer used or assets sold to the buyer as a result of the disposition will be written off against the sales proceeds, recognized as a part of operating income, the amounts of which are not expected to be material.

Expedia SMA On March 6, 2014, we amended and restated the Expedia SMA to reflect changes in certain commercial terms. As part of our negotiations to amend and restate the Expedia SMA, we also agreed to a separate Expedia Put/Call agreement that supersedes the previous put/call arrangement, whereby Expedia may acquire, or we may sell to Expedia, certain assets relating to the Travelocity business. Our put right may be exercised during the first 24 months of the Expedia Put/Call only upon the occurrence of certain triggering events primarily relating to implementation, which are outside of our control. The occurrence of such events is not considered probable. During this period, the amount of the put right is fixed. After the 24 month period, the put right is only exercisable for a limited period of time in 2016 and 2017 at a discount to fair market value. The call right held by Expedia is exercisable at any time during the term of the Expedia Put/Call. If the call right is exercised, although we expect the amount paid will be fair value, the call right provides for a floor for a limited time that may be higher than fair value and a ceiling for the duration of the Expedia Put/Call that may be lower than fair value.

The term of the amended and restated Expedia SMA is nine years and automatically renews under certain conditions.

23. Unaudited Pro Forma Financial Information

The unaudited pro forma balance sheet as of December 31, 2013 is based on our historical consolidated balance sheet after giving effect to (1) the redemption of all of our Redeemable Series A Preferred Stock which, following an amendment to our Certificate of Incorporation, will be redeemed with our common stock (Preferred Stock Redemption); (2) the repayment of $526 million of our outstanding indebtedness using net proceeds from our initial public offering (Debt Repayment); (3) the tax receivable agreement; (4) the issuance of common shares from our initial public offering to the extent necessary to complete the Preferred Stock Redemption and the Debt Repayment; (5) fees payable to TPG and Silver Lake at the completion of this offering; and (6) stock compensation related to performance-based stock options that will vest upon the occurrence of our initial public offering.

The unaudited pro forma earnings per share data for the year ended December 31, 2013 is based on our historical consolidated statement of operations after giving effect to the following as if they occurred at the beginning of the period: (1) the Preferred Stock Redemption; (2) the Debt Repayment; and (3) the issuance of shares from our initial public offering as described below.

Preferred Stock Redemption

Prior to the close of our initial public offering, we will exercise our right to redeem all of our Series A Preferred Stock. Following an amendment to our Certificate of Incorporation, the preferred shares will be redeemed with our common stock. At our initial public offering price of $16.00, we will deliver 39,677,696 shares of our common stock to redeem all of Series A Preferred Stock outstanding as of December 31, 2013.

Partial Repayment of Outstanding Indebtedness

We intend to use a portion of the net proceeds from our initial public offering to repay $320 million principal amount of our 8.5% senior secured notes due May 2019 at a redemption price of 108.5% of the principal amount of the 2019 Notes and to repay $206 million of our outstanding indebtedness under the Term C Facility portion of our senior secured credit facilities. The redemption price of 108.5% on the 2019 Notes will result in a prepayment fee of $27 million if we redeem $320 million of principal, which will also be paid from net proceeds received from our initial public offering.

Tax Receivable Agreement

Immediately prior to the completion of our initial public offering, we will enter into a tax receivable agreement (TRA) that provides the right to receive future payments from us to certain of our stockholders and equity award holders that are our stockholders and equity award holders, respectively, prior to the completion of this offering (collectively, the Existing Stockholders) of 85% of the amount of cash savings, if any, in U.S. federal income tax that we and our subsidiaries realize as a result of the utilization of certain tax assets attributable to periods prior to our initial public offering, including federal net operating losses, capital losses and the ability to realize tax amortization of certain intangible assets (collectively, the Pre-IPO Tax Assets). Upon the effective date of the TRA, we expect to recognize a liability of between $310 million and $350 million after considering the valuation allowance of approximately $72 million recorded against the Pre-IPO Tax Assets. The TRA will be accounted for as a reduction to additional paid-in capital and an increase to other noncurrent

liabilities upon becoming effective and is presented as such in the pro forma balance sheet as of December 31, 2013, assuming the midpoint of the range. The pro forma adjustment does not reflect any potential deductibility for tax purposes of payments made under the TRA, which we do not expect to be material. Proceeds from our initial public offering will not be utilized for payment of the TRA liability.

Issuance of Shares from Our Initial Public Offering

We estimate the necessary shares to be issued through our initial public offering to complete the Debt Repayment will total 38,387,778 shares at an assumed initial public offering price of $16.00 per share of common stock which would result in net proceeds of $554 million, after deducting underwriting discounts and estimated offering expenses payable by us of approximately $40 million, and a $21 million fee, in the aggregate, payable to TPG and Silver Lake in connection with the offering. In addition, we will recognize $2 million of compensation expense related to performance-based stock awards that will vest upon the occurrence of the initial public offering.

The reconciliation of the historical balance sheet to the pro forma amounts presented as of December 31, 2013 is as follows:

	Other Assets, net	Long-term Debt	Other Noncurrent Liabilities	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Deficit
	(Amounts in thousands)							
Historical	$ 469,543	$ 3,643,548	$ 263,182	$ 634,843	178,633	$ 1,786	$ 880,619	$ (1,785,554)
Preferred Stock Redemption				(634,843)	39,678	397	634,446	
Debt Repayment (a)	9,242	(524,817)						(19,465)
Tax Receivable Agreement			330,000				(330,000)	
Initial Public Offering (b)					38,388	384	574,161	(21,021)
Stock-based compensation (c)	895						2,452	(1,557)
Pro Forma	$ 479,680	$ 3,118,731	$ 593,182	$	256,699	$ 2,567	$ 1,761,678	$ (1,827,597)

(a) Adjustment to retained deficit represents a $27 million prepayment fee, or $17 million net of tax, in connection with the planned redemption of $320 million of our 2019 Notes. Adjustment to retained deficit also includes the write-off of $3 million, or $2 million net of tax, of debt issuance costs and the net original issue discount and premium associated with the Debt Repayment. Increase to other assets, net represents the impact to deferred income taxes as a result of the tax effect of the Debt Repayment.

(b) Adjustment to retained deficit represents a $21 million fee, in the aggregate, payable by us to TPG and Silver Lake in connection with the offering. This fee is not expected to be deductible for tax purposes.

(c)

Adjustment to retained deficit represents the compensation expense, net of tax, related to performance-based stock awards that will vest upon the occurrence of the initial public offering. Increase to other assets, net represents the increase to deferred income taxes as a result of the tax effect of compensation expense.

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The reconciliation of the historical earnings per share data to the pro forma amounts presented for the year ended December 31, 2013 is as follows:

	Year Ended December 31, 2013 (Amounts in thousands)
Net loss from continuing operations available to common shareholders:	
Historical (See Note 18)	$ (130,022)
Preferred stock dividends	36,704
Debt Repayment, net of tax	21,803 [a]
Pro Forma	$ (71,515)[b]
Basic and diluted weighted-average number of shares outstanding:	
Historical	178,125
Preferred Stock Redemption	39,678
Initial Public Offering	38,388 [c]
Pro Forma	256,191
Pro Forma basic and diluted net loss per share from continuing operations available to common shareholders	$ (0.28)

(a) Represents the estimated reduction in interest expense, net of tax, as a result of the Debt Repayment as if it occurred at the beginning of the year. Excludes one-time costs and charges of the Debt Repayment including an estimated $27 million prepayment fee and charges associated with the release of debt issuance costs and the net original issue discount and premium.

(b) Excludes a one-time $21 million fee, in the aggregate, payable by us to TPG and Silver Lake in connection with our initial public offering. Also excludes $2 million, net of tax, of compensation expense related to performance-based awards that will vest upon the occurrence of our initial public offering.

(c) Represents shares issued to complete the Debt Repayment, payment of underwriting discounts and estimated offering expenses, and payment of a $21 million fee payable to TPG and Silver Lake in connection with our initial public offering.

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SABRE CORPORATION

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

DECEMBER 31, 2013, 2012 AND 2011

(In Millions)

	Balance at Beginning of Period	Charged to Expense or Other Accounts	Write-offs and Other Adjustments	Balance at End of Period
Allowance for Doubtful Accounts				
Year ended December 31, 2013	$ 31.4	$ 7.1	$ (12.6)	$ 25.9
Year ended December 31, 2012	$ 36.5	$ 4.8	$ (9.9)	$ 31.4
Year ended December 31, 2011	$ 37.1	$ 8.7	$ (9.3)	$ 36.5
Valuation Allowance for Deferred Tax Assets				
Year ended December 31, 2013	$ 282.1	$ (32.6)	$ 3.6	$ 253.1
Year ended December 31, 2012	$ 227.4	$ 65.1	$ (10.4)	$ 282.1
Year ended December 31, 2011	$ 236.4	$ (6.5)	$ (2.5)	$ 227.4
Reserve for Value-Added Tax Receivables				
Year ended December 31, 2013	$ 36.7	$ (32.6)	$ (0.2)	$ 3.9
Year ended December 31, 2012	$ 40.4	$ (3.3)	$ (0.4)	$ 36.7
Year ended December 31, 2011	$ 43.2	$ (1.3)	$ (1.5)	$ 40.4

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Independent Auditors Report

Board of Director and Stockholder/Member

PRISM Group, Inc. and Affiliate

We have audited the accompanying combined balance sheets of PRISM Group, Inc. (a Maryland Corporation) and Affiliate (collectively the Company), as of December 31, 2011 and 2010, and the related combined statements of income, changes in stockholder s/member s equity, and cash flows for the years then ended. These combined financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of PRISM Group, Inc. and its Affiliate as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the combined financial statements, certain errors resulting in an overstatement of previously reported revenues, compensation expense and compensation accrual with a corresponding understatement of deferred revenue as of December 31, 2010, were discovered by management of the Company during the current year. Accordingly, the 2010 combined financial statements have been restated to correct the error.

As discussed in Note 2 to the combined financial statements, on August 1, 2012, the Company entered into an equity purchase agreement whereby Sabre, Inc., a Delaware corporation, acquired all of the outstanding stock and ownership interests of the Company.

/s/ REDW LLC

Albuquerque, New Mexico

February 28, 2014

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PRISM Group, Inc. and Affiliate

Combined Balance Sheets

December 31,

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 5,392,368	$ 2,816,908
Trade accounts receivable, net	10,586,246	7,989,552
Prepaid expenses	258,385	337,663
Total current assets	16,236,999	11,144,123
Property and equipment, net	1,831,409	1,715,835
Other assets, net	17,223	17,223
Total assets	$ 18,085,631	$ 12,877,181
Liabilities and Stockholder s/Member s Equity		
Current liabilities		
Trade accounts payable	$ 31,586	$ 21,074
Compensation accrual, as restated	615,434	611,275
Sales tax payable	210,800	9,182
Deferred revenue, as restated	1,017,023	1,295,314
Total current liabilities	1,874,843	1,936,845
Stockholder s/Member s Equity		
Common stock, $1 par value, 1,000 shares authorized, issued and outstanding	1,000	1,000
Affiliated member s equity, as restated	340,888	988,029
Retained earnings, as restated	15,868,900	9,951,307
Total stockholder s/member s equity, as restated	16,210,788	10,940,336
Total liabilities and stockholder s/member s equity, as restated	$ 18,085,631	$ 12,877,181

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

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PRISM Group, Inc. and Affiliate

Combined Statements of Income

For the Years Ended December 31,

	2011	2010
Revenue		
System software-airlines, as restated	$ 26,007,806	$ 22,451,033
System software-global corporations	1,495,546	1,355,902
System installation and programming	143,450	63,450
Co-location fees	64,845	57,683
Total revenue, as restated	27,711,647	23,928,068
Operating Expenses		
Compensation, as restated	7,767,961	7,450,364
Depreciation and amortization	825,180	1,305,168
Equipment, repairs and maintenance	503,899	323,995
Operating, other	301,413	312,980
Selling, general and administrative	546,079	233,685
Taxes	88,162	156,757
Legal and professional	236,234	108,699
Total operating expenses, as restated	10,268,928	9,891,648
Operating income, as restated	17,442,719	14,036,420
Other Income (Expense)		
Interest income		6,040
Loss on sale of assets, net	(184)	(303,584)
Other income		1,701
Total other expense	(184)	(295,843)
Net Income, as Restated	$ 17,442,535	$ 13,740,577

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

PRISM Group, Inc. and Affiliate

Combined Statements of Changes in Stockholder s/Member s Equity

For the Years Ended December 31,

	Common Stock	Affiliate Member s Equity	Retained Earnings	Stockholder s/ Member s Equity
Balance at December 31, 2009, as restated	$ 1,000	$ 1,823,234	$ 8,992,706	$ 10,816,940
Net (loss) income, as restated		(2,635,205)	16,375,782	13,740,577
Capital contribution (distributions)		1,800,000	(15,417,181)	(13,617,181)
Balance at December 31, 2010, as restated	1,000	988,029	9,951,307	10,940,336
Net (loss) income		(2,026,708)	19,469,243	17,442,535
Capital contribution (distributions)		1,379,567	(13,551,650)	(12,172,083)
Balance at December 31, 2011	$ 1,000	$ 340,888	$ 15,868,900	$ 16,210,788

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

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PRISM Group, Inc. and Affiliate

Combined Statements of Cash Flows

For the Years Ended December 31,

	2011	2010
Cash flows from operating activities		
Net income, as restated	$ 17,442,535	$ 13,740,577
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	825,180	1,305,168
Allowance for doubtful accounts	335,003	
Loss on sale of assets, net	184	303,584
Changes in assets and liabilities		
Trade accounts receivable	(2,931,697)	(1,858,821)
Prepaid expenses	79,278	(337,663)
Trade accounts payable	10,512	6,668
Compensation accrual, as restated	4,159	51,236
Sales tax payable	201,618	(204,580)
Deferred revenue, as restated	(278,291)	922,725
Total adjustments, as restated	(1,754,054)	188,317
Net cash provided by operating activities	15,688,481	13,928,894
Cash flows from investing activities		
Purchases of property and equipment	(948,426)	(1,318,395)
Proceeds from sale of property and equipment	7,488	1,220
Net cash used in investing activities	(940,938)	(1,317,175)
Cash flows from financing activities		
Capital contributions	1,379,567	1,800,000
Capital distributions	(13,551,650)	(15,417,181)
Net cash used in financing activities	(12,172,083)	(13,617,181)
Net increase (decrease) in cash and cash equivalents	2,575,460	(1,005,462)
Cash and cash equivalents, beginning of year	2,816,908	3,822,370
Cash and cash equivalents, end of year	$ 5,392,368	$ 2,816,908
Noncash investing activity		
Computers and equipment trade-in value	$	$ 150,000

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

PRISM Group, Inc. and Affiliate

Notes to Combined Financial Statements

December 31, 2011 and 2010

1) Organization and Nature of Operations

PRISM Group, Inc. and affiliate (collectively the Company) are located in Albuquerque, New Mexico. PRISM Group, Inc. (PRISM Group), a Maryland close corporation, specializes in the development of travel information systems for airlines and global corporations and provides initial custom configuration, consulting, training and technical support to its customers. PRISM Technologies, LLC (PRISM Technologies), a New Mexico Limited Liability Company (LLC), offers equipment storage space (co-location) to its customers, the largest of which is PRISM Group. PRISM Technologies is solely owned by PRISM Group s sole stockholder. Accordingly, the accompanying combined financial statements have been prepared to reflect the combined financial position, results of operations and cash flows of PRISM Group and PRISM Technologies.

2) Summary of Significant Accounting

Combined Financial Statements

The combined financial statements include the accounts of PRISM Group and PRISM Technologies. All significant intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are comprised of deposits with financial institutions, all available on demand, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include determination of revenue, allowance for doubtful accounts and impairment of long-lived assets. Actual results may differ from those estimates.

Financial Instruments

The carrying amounts of cash, receivables, and payables represent financial instruments whose recorded amounts approximate fair value due to the short maturity periods of these instruments.

Trade Accounts Receivable

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. Management reviews the collectability of its receivables and, when appropriate, records an allowance for its estimate of uncollectible accounts. Accounts receivables are stated at amounts due from customers net of allowance for doubtful accounts based on the Company s review of current status of existing receivables, subsequent collections and ongoing dialog with customers. At December 31, 2011, the allowance for doubtful accounts

PRISM Group, Inc. and Affiliate

Notes to Combined Financial Statements

December 31, 2011 and 2010

was $335,003. There was no allowance for doubtful accounts at December 31, 2010. Management believes the allowance for doubtful accounts is adequate to cover any uncollectible accounts at December 31, 2011 and 2010; however, the actual collections may ultimately differ from such estimates. Bad debt expense for the years ended December 31, 2011 and 2010 was $335,003 and $3,056, respectively.

The Company bills customers on a quarterly basis. Prior to 2011, the Company mailed the invoices on the following fiscal year. As a result, at December 31, 2010, included in trade accounts receivable was $7,868,438, of unbilled receivables representing revenues recognized in 2010 but not billed until 2011.

Starting in 2011, the Company mailed the quarter invoices on the last day of each quarter. As a result, there were no unbilled receivables at December 31, 2011.

Prepaid Expenses

Prepaid expenses consist of prepaid support and maintenance related to the purchase of equipment and software, which is expensed over the life of the contract using the straight-line method. Amortization expense for the years ended December 31, 2011 and 2010 was $467,035 and $270,399, respectively, and is included in equipment, repairs and maintenance in the accompanying combined statements of income.

Property and Equipment

Property and equipment consist of items purchased at a cost of $1,000 or more. Depreciation is recorded over the estimated useful lives of the assets using the straight-line method. The useful lives of computers and equipment, software, furniture and fixtures and vehicles range from three to seven years. Amortization of leasehold improvements is recorded over the shorter of the term of the lease or estimated useful lives of five years using the straight-line method.

Depreciation and amortization expense for property and equipment in 2011 and 2010 was $825,180 and $1,301,771, respectively.

Management reviews property and equipment for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets may not be recoverable. No impairments have occurred in 2011 nor 2010.

Research and Development

Development costs incurred before technological feasibility is established are expensed. Costs incurred after technological feasibility is established are capitalized and amortized at the greater of the amount computed on a straight-line basis over the estimated useful life of the product. Development expenses are primarily included in compensation expense in the accompanying combined statements of income. No amounts were capitalized or amortized in 2011 nor 2010.

Patents and Trademarks

The Company uses intellectual property owned by its stockholder, royalty free. The Company expenses legal and other costs incurred to maintain the intellectual property. Expenses related to intellectual property for 2011 and 2010 were $68,703 and $13,008, respectively, and are included in legal and professional expense in the accompanying combined statements of income.

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PRISM Group, Inc. and Affiliate

Notes to Combined Financial Statements

December 31, 2011 and 2010

Revenue and Deferred Revenue

The Company licenses software and provides data analysis to airlines and global corporations for a specified period with automatic or optional renewals at specified dollar amounts and provides equipment storage space to other corporations. The total consideration stated in the contract is for the system software license pass-through data and installation and programming costs together with special analyses, maintenance, support, and data updates delivered over the term of the license. Customer acceptance of software and related initial deliverables is deemed to occur upon delivery unless the agreement specifies an acceptance process or requires the passage of a specified period of time before acceptance is deemed to occur. Revenue from data analysis is recognized provided that all of the following conditions are met: an agreement has been signed; services have been performed; collection of the resulting receivable is deemed probable; and no other significant vendor obligations exist.

Revenues from equipment storage space, maintenance, support, and training are recognized as the respective services are performed.

Included in revenue are refunds and credits issued to various customers. During the years ended December 31, 2011 and 2010, the total amount of refunds and credits was $96,823 and $68,000, respectively.

The Company also has an agreement with one of its major customers where the billable data will not exceed a set amount in any contract year, which is defined as October 1 through September 30. This agreement results in deferral of revenue on a fiscal year basis. The amount of deferred revenue was $1,017,023 and $1,295,314 at December 31, 2011 and 2010, respectively.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. In 2011 and 2010, advertising and marketing expense, included in selling, general and administrative expenses in the accompanying combined statements of income, was $15,483 and $8,882, respectively.

Income Taxes

PRISM Group, with the consent of its stockholder, has elected to be an S corporation under the Internal Revenue Code and similar state law. Similarly, PRISM Technologies is a tax pass through entity. Instead of paying income taxes, the stockholder/member reports the impact of the Company s operating results on a personal tax return. Therefore, there is no provision or liability for federal or state income taxes in the accompanying combined financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the combined financial statements. Under that guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Tax positions include the tax-exempt status of the Company. The Company believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the accompanying combined financial statements.

As of December 31, 2011, for federal tax purposes, the Company s 2009 through 2011 tax years remain open for examination by the tax authorities under the normal three-year statute of limitations.

PRISM Group, Inc. and Affiliate

Notes to Combined Financial Statements

December 31, 2011 and 2010

Sales Tax Payable

Taxes, if any, assessed by various governmental authorities on sales or licensing transactions are recorded as a liability, and reported on the accompanying combined balance sheets, until remitted to the applicable authorities. Such taxes are not included in revenues or expenses. As of December 31, 2011 and 2010, sales tax payable was $210,800 and $9,182, respectively.

Major Customers

The Company derived approximately 67% of its revenues from five customers in 2011 and 68% from four customers in 2010. As of December 31, 2011 and 2010, three customers constituted approximately 62% and 59% of trade accounts receivables, respectively.

Sale of Company

On August 1, 2012, the Company entered into an equity purchase agreement, whereby Sabre Inc., a Delaware corporation, acquired all of the outstanding stock and ownership interests of the Company. The total purchase price was approximately $120 million.

Subsequent Events

Subsequent events have been evaluated through February 28, 2014, the date which the combined financial statements were available to be issued. Any subsequent events requiring recognition or disclosure as of December 31, 2011, have been incorporated into the combined financial statements herein.

3) Property and Equipment

Property and equipment consist of the following at December 31:

	2011	2010
Computers and equipment	**$ 3,328,129**	$ 2,997,295
Software	**2,495,640**	1,879,632
Leasehold improvements	**153,550**	153,550
Furniture and fixtures	**34,451**	34,451
Vehicles		37,310
	6,011,770	5,102,238

Less accumulated depreciation and amortization	**4,180,361**	3,386,403
Total property and equipment, net	**$ 1,831,409**	$ 1,715,835

During 2011, the Company sold equipment with an original cost basis of $38,894 and a net book value of $7,672 for $7,488. During 2010, the Company sold fully depreciated equipment for $1,220. Also, in 2010, computers and equipment with an original cost basis of $4,093,241 and a net book value of $454,804 were traded-in for similar equipment. The trade-in value was $150,000, which resulted in a loss of $304,804.

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PRISM Group, Inc. and Affiliate

Notes to Combined Financial Statements

December 31, 2011 and 2010

4) Commitments and Contingencies

Leases

The Company leases its server facility under an operating lease, amended in December 2010 to expire in November 2015, with monthly minimum rental payments of $4,664. The Company may extend the lease for an additional five years. Future minimum lease commitments are as follows:

Year ending December 31,	
2012	$ 55,968
2013	55,968
2014	55,968
2015	51,304
Total minimum payments	$ 219,208

Rent expense for the years ended December 31, 2011 and 2010, including common area maintenance and additional rent for space in 2010 no longer leased, was $55,968 and $85,056, respectively.

Contingencies

The Company is subject to various claims that arise in the ordinary course of business. Commercial insurance coverage is purchased to mitigate exposure to certain claims arising from such matters. In the opinion of management, the amount of the ultimate uninsured liability with respect to these actions will not materially affect the financial position, results of operations, or liquidity of the Company.

5) Employee Benefit Plan

The Company has a 401(k) defined contribution plan. Full-time employees are eligible to participate and the Company, at their discretion, may match a percentage of the participant s contribution. For the years ended December 31, 2011 and 2010, the Company s matching contribution to the plan was $155,000 and $156,611, respectively.

6) Member s Equity

PRISM Technologies is a single member LLC. Under the terms of the Operating Agreement, the term of PRISM Technologies is indefinite. Member s equity includes the sole member s original investment and contributions, distributions to the sole member, and as well as PRISM Technologies accumulated loss.

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PRISM Group, Inc. and Affiliate

Notes to Combined Financial Statements

December 31, 2011 and 2010

7) Restatements

The accompanying combined financial statements as of and for the years ended December 31, 2010 and 2009 have been restated to reflect adjustments made to the Company s previously issued 2010 combined financial statements. The following tables summarize the impact of the restatements on balances previously reported:

As of and for year ended December 31, 2010:

	As Reported	Increase (Decrease)	As Restated
Balance sheet			
Current liabilities:			
Deferred revenue (a)	$	$ 1,295,314	$ 1,295,314
Compensation accrual (b)	954,873	(343,598)	611,275
Total current liabilities	985,129	951,716	1,936,845
Stockholder s/member s equity:			
Affiliated member s equity	924,995	63,034	988,029
Retained earnings	10,966,057	(1,014,750)	9,951,307
Total stockholder s/member s equity	11,892,052	(951,716)	10,940,336
Statement of income			
Revenue:			
System software-airlines (a)	23,373,758	(922,725)	22,451,033
Expenses:			
Compensation (b)	7,493,786	(43,422)	7,450,364
Net income	14,619,880	(879,303)	13,740,577
Statement of cash flows			
Cash flows from operating activities:			
Net income	14,619,880	(879,303)	13,740,577
Adjustments to reconcile net income to net cash provided by operating activities			
Changes in assets and liabilities:			
Deferred revenue (a)		922,725	922,725
Compensation accrual (b)	94,658	(43,422)	51,236

An explanation of the adjustments is as follows:

(a) Adjustment to reduce previously reported revenue

(b) Adjustment to adjust over accrual of compensation and related compensation expense

As of and for year ended December 31, 2009:

	As Reported	Increase (Decrease)	As Restated
Balance sheet			
Stockholder s/member s equity:			
Affiliated member s equity	1,792,703	30,531	1,823,234
Retained earnings	9,095,650	(102,944)	8,992,706
Total stockholder s/member s equity	10,889,353	(72,413)	10,816,940

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Sabre Corporation

Until May 11, 2014 (25 days after the date of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.