

CORDIA CORP  
Form 10QSB/A  
March 11, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB/A

AMENDMENT NO. 1

**(Mark One)**

**Quarterly report under Section 13 or 15(d) of the Securities exchange Act of 1934**

**For the quarterly period ended June 30, 2004**

**Transition report under Section 13 or 15(d) of the Exchange Act**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number: 33-23473**

**CORDIA CORPORATION**

-----  
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada

11-2917728

-----  
(State or Other Jurisdiction of

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

Incorporation or Organization)

2500 Silverstar Road, Suite 500, Orlando, Florida 32804

-----  
(Address of Principal Executive Offices)

866-777-7777

-----  
(Issuer's Telephone Number, Including Area Code)

APPLICABLE ONLY TO ISSUERS INVOLVED IN  
BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of Aug 6, 2004, there were 4,541,210 shares of the issuer's common stock outstanding.

Transitional Small Business Disclosure Format (check one):

Yes  No

**Item 1. Financial Statements.**

**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2004	December 31, 2003	
	-----	-----	
	(unaudited)		
ASSETS			
Current Assets			
Cash	\$ 104,424	\$ 111,288	
Accounts receivable, less allowance for doubtful accounts of \$153,251 (2004) and \$111,167 (2003)		1,051,504	600,840
Prepaid expenses and other current assets		282,341	
193,157			
Loans receivable from affiliates		-	30,000
	-----	-----	
TOTAL CURRENT ASSETS		1,438,269	
935,285			
	-----	-----	
Property and equipment at cost			
Office equipment	128,403	39,759	
Less: Accumulated depreciation		28,273	10,241
	-----	-----	
NET PROPERTY AND EQUIPMENT		100,130	29,518

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Other Assets		
Notes Receivable	-	595,000
Security Deposits	49,064	77,414
	-----	-----
TOTAL OTHER ASSETS	49,064	672,414
	-----	-----
TOTAL ASSETS	\$1,587,463	\$ 1,637,217
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities		
Accounts payable and accrued expenses	\$2,097,091	\$ 1,427,576
Unearned income	206,363	181,763
Loans payable to affiliates	28,074	8,074
Loans payable-other	57,000	57,000
	-----	-----
TOTAL CURRENT LIABILITIES	2,388,528	1,674,413
	-----	-----

Commitments and Contingencies

Stockholders' Equity (Deficit)

Preferred stock, \$.001 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-	
Common stock, \$.001 par value; <R>100,000,000</R> shares authorized, 4,541,210 (2004) and 6,156,211 (2003) shares issued and outstanding		4,541	6,156
Additional paid-in capital	3,660,087	4,271,622	
Accumulated deficit	(4,440,693)	(4,289,974)	
	-----	-----	
	(776,065)	(12,196)	
Less Treasury stock, 10,000 common shares at cost		(25,000)	(25,000)
	-----	-----	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)		(801,065)	(37,196)
	-----	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		\$ 1,587,463	\$ 1,637,217
	=====	=====	

See notes to condensed consolidated financial statements.

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**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	For the Six Months Ended		For the Three Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Revenues				
Telecommunications Revenue	\$ 3,397,671	\$ 1,380,817	\$ 1,818,242	\$ 776,243
Other	315,716	58,593	126,713	40,575
	-----	-----	-----	-----
	3,713,387	1,439,410	1,944,955	816,818
	-----	-----	-----	-----
Operating Expenses				
Resale and wholesale line charges	1,598,381	664,141	802,611	366,950
Payroll and payroll taxes	946,267	346,509	473,283	185,393
Advertising and promotion	648,331	310,506	342,016	239,342
Professional and consulting fees	81,352	183,061	34,856	70,299
Depreciation	18,032	2,779	9,012	1,531
Insurance	80,131	34,331	37,815	16,265
Office expense	39,907	20,427	20,115	11,849
Telephone	43,596	29,834	27,179	16,065
Rent and building maintenance	78,715	27,883	41,570	14,113
Other selling, general and administrative	322,393	212,999	166,286	118,295

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	3,857,105	1,832,470	1,954,743	1,040,102
Operating Loss	(143,718)	(393,060)	(9,788)	(223,284)
Other Income (Expenses)				
Gain on investments	-	3,750	-	950
Interest income (expense)	(5,746)	6,767	(2,705)	3,471
Other expenses	(1,255)	-	(1,100)	-
	(7,001)	10,517	(3,805)	4,421
Loss From Continuing Operations	(150,719)	(382,543)	(13,593)	(218,863)
Income (Loss) from Discontinued Operations				
Gain on Disposal of subsidiary	-	1,554,306	-	-
Loss from operations of discontinued				
Segments	-	(140,726)	-	-
	-	1,413,580	-	-
Net (Loss) Income	\$ (150,719)	\$ 1,031,037	\$ (13,593)	\$ (218,863)
Basic and diluted Income(Loss) per Share	\$ (0.03)	\$ 0.18	\$ (0.003)	\$ (0.04)
Weighted Average Shares Outstanding	4,968,577	5,792,747	4,534,512	5,811,973

See notes to condensed consolidated financial statements.

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**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED)

For the Six Months Ended  
June 30,  
2004      2003

	2004	2003
	-----	-----
<b>Cash Flows From Operating Activities</b>		
Net(loss) from continuing operations	\$ (150,719)	\$ (382,543)
Adjustments to reconcile net(loss) to net cash provided (used) by operations:		
(Gain)on investments	-	(3,750)
Compensatory stock expense	45,600	104,704
Provision for bad debts	42,084	43,974
Depreciation expense	18,032	2,779
(Increase) decrease in assets:		
Accounts receivable	(492,748)	(318,063)
Other receivables	-	76,082
Prepaid expenses and other current assets	(122,934)	(67,047)
Security deposits	28,350	(28,173)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	669,515	420,457
Unearned income	24,600	130,963
	-----	-----
Net cash provided by continuing operations	61,780	20,617
Net cash (used) by discontinued operations	-	(79,029)
	-----	-----
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>61,780</b>	<b>(99,646)</b>
	-----	-----
<b>Cash Flows From Investing Activities</b>		
Decrease in other loans receivable	-	1,750
Proceeds from sale of investments	-	6,550
Purchase of property and equipment	(88,644)	-
	-----	-----

NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES		(88,644)	8,300
-----			
Cash Flows From Financing Activities			
Net Proceeds from issuance and subscription of common stock		-	38,500
Proceeds from loans payable to affiliates	20,000	48,372	
Payment of loans payable to affiliates	-	(10,248)	
-----			
NET CASH PROVIDED BY FINANCING ACTIVITIES		20,000	76,624
-----			
(Decrease) in Cash	(6,864)	(14,722)	
Cash, Beginning	111,288	70,243	
-----			
Cash, Ending	\$ 104,424	\$ 55,521	
=====			

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Interest	\$ 5,746	\$ 2,705
	=====	=====

Non Cash Items:

Stock received by Company to satisfy:

Note receivable due of \$595,000;

Accrued interest on note receivable of \$33,750;  
of \$30,000 \$ 658,750

License fee payments due

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See notes to condensed consolidated financial statements.

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### **Note 1: Basis of Presentation**

Our unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-QSB and do not include all of the information and disclosures required by accounting principals generally accepted in the United States of America. Therefore, these financial statements should be read in conjunction with the financial statements and related footnotes included in our Annual Report on Form 10-KSB for the most recent year-end. These financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state the results for the interim periods reported. The results of operations for the three and six month periods ended June 30, 2004 are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements include the accounts of Cordia Corporation ( Cordia ) and the accounts of our wholly owned subsidiaries Cordia Communications Corp. ( CCC ), My Tel Co, Inc ( My Tel ), and CordiaIP Corp. for the six months and three months ended June 30, 2004. The consolidated financial statements include the accounts of Cordia and CCC for the six and three months ended June 30, 2003 and Cordia's discontinued business ISG Group, Inc ( ISG ) and its subsidiaries (Universal Recoveries, Inc. and U.L.A.E., Inc., both wholly-owned) for the period January 1, 2003 through March 3, 2003 (date of disposal). Cordia Corporation and its subsidiaries are collectively referred to herein as the Company. All material intercompany balances and transactions have been eliminated.

These consolidated financial statements have been prepared assuming that Cordia and its subsidiaries ( the Company ) will continue as a going concern. The company has incurred substantial losses since its inception and also has a negative working capital and deficiency in stockholders' equity as of June 30, 2004. These conditions raise substantial doubt about the company's ability to continue as a going concern. As discussed in Note 3, during 2003, the company sold its interest in ISG. As a result of this transaction, the Company's stockholders' equity increased by approximately \$1,556,000. The company disposed of business segments that historically generated net losses and working capital deficiencies. In addition the company's remaining business segment, CCC, was profitable in 2003 and for the three and six months ended June 30, 2004. Accordingly, management believes that the Company will be able to generate sufficient cashflows to meet its obligations as they come due during 2004. Management of the Company also intends to seek additional sources of capital, which sources may include public or private sales of the Company's securities and additional borrowings from affiliates and non-affiliates. Given current market conditions, there is no guarantee that the Company will be able to obtain such funding when needed, or that such funding, if available, will be obtainable on acceptable terms. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Note 2: Investments**

Cordia did not have any investments to report at June 30, 2004. Cordia did, however, hold common shares of eLEC Communications Corp. ( eLEC ) during fiscal year 2003 which were sold prior to December 31, 2003. All investments were classified as trading securities and accordingly, stated at fair value, which is based on market quotes. Adjustments to fair value of the equity securities are recorded as an increase or decrease in investment income in the

accompanying statement of operations.

The cost of securities sold is based on the specific identification method. The realized gain on investments from continuing operations during the six-month period ended June 30, 2003 was \$3,750.

**NOTE 3 Sale of Business Segments**

On March 3, 2003, Cordia sold its equity interests in Insurance Subrogation Group, Inc. ( ISG ) to West Lane Group Inc., a company owned by the then current management of ISG for a purchase price of \$750,000. The purchase price was represented by a two-year promissory note, which bore interest at a rate of 6% per annum and was secured by 700,000 shares of Cordia s stock owned by West Lane. Cordia also entered into a licensing and services agreement, whereby ISG purchased an unlimited license to SubroAGS software. Upon execution of the licensing and services agreement, ISG paid Cordia \$100,000 and pursuant to the terms of the agreement, agreed to make monthly payments of \$6,000 (including interest) for a twenty-five (25) month period in exchange for Cordia s agreement to provide software updates and maintenance as necessary during this period.

The following is a summary of the sale transaction of ISG:

(872,726)	Assets sold	\$
	Liabilities sold	1,615,335
	Note received	750,000
	Write-off of inter-company receivables and payables	61,697
		-----

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Gain on sale, before income taxes	\$1,554,306 =====
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As a result of the sale of ISG, employee stock options to purchase 83,000 common shares of the Company at \$7.50 per share expired.

The following is a summary of the revenues and loss from operations of the discontinued business segments:

	Six months ended		Three months	
ended				
	June 30,		June 30,	
	-----	-----	-----	-----
	2004	2003	2004	2003
	-----	-----	-----	-----
<b>Revenues:</b>				
Subrogation Service Revenue, net	\$	-	\$ 631,361	\$ -
Claims Administration income		-	197,667	-
Other		-	-	-
<hr style="border-top: 1px dashed black;"/>				
Total Revenues:	\$	-	\$ 829,028	\$ -
Loss before income taxes	\$	-	\$(140,726)	\$ -

On February 6, 2004, Cordia entered into a Mutual Release and Satisfaction of Promissory Note and License Agreement whereby Cordia agreed to release West Lane of its payment obligations under the promissory note and licensing agreement in exchange for the return of 1,412,500 shares of Cordia's Common Stock, a fifteen (15) month option to purchase 100,000 shares at a price of forty cents (\$0.40) per share and the release of Cordia's service obligations under the License Agreement. In addition to Cordia's release of West Lane, Cordia transferred all ownership interest to the technology and source code of SUBRO AGS software to West Lane. The 1,412,500 shares were cancelled upon transfer to Cordia. As a result, on that date, Cordia's outstanding shares were reduced to 4,431,210.



**Note 4: Stockholders' Equity**

On May 23, 2003, Cordia's shareholders voted to amend the 2001 Equity Incentive Plan (the Plan) by authorizing an additional 1,000,000 shares. The total number of shares of Cordia's common stock authorized for issuance under the Plan is 2,000,000, subject to adjustment for events such as stock dividends and stock splits.

A committee of the board of directors having full and final authority and discretion to determine when and to whom awards should be granted administers the Plan. The committee will also determine the terms, conditions and restrictions applicable to each award. Transactions under the Plan are summarized as follows:

	Stock Options	Exercise Price
	-----	-----
Balance, December 31, 2003	928,000	\$ .60 to 11.25
Granted with 5 year vesting	200,000	\$ .40
Exercised	-	\$
Expired	-	\$
	-----	-----
Balance, June 30, 2004	1,128,000	\$ .40 to 11.25

In electing to follow APB 25 for expense recognition purposes, the Company is obliged to provide the expanded disclosures required under FAS No. 123 for stock-based compensation granted in 1996 and thereafter. The fair value of the employee stock options granted for the six months ended June 30, 2004 and 2003 was approximately \$80,000 and \$407,000, respectively, based on the Black-Scholes option valuation model. For purposes of pro forma disclosures, stock-based compensation is recognized over the vesting period as vesting requirements are fulfilled.

The following table compares the six months ended June 2004 and 2003 results as reported to the results had the Company adopted the expense recognition provisions of FAS No. 123:

As reported

Pro Forma

-----

-2004

----

Net loss

\$(150,719)      \$(179,462)

Loss per share              \$(0.03)      \$ (0.04)

2003

----

Net Income                  \$1,031,037      \$950,410

Income per share              \$0.18      \$0.16

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for 2004 and 2003 respectively, expected volatility of 300% and 328%; risk-free rate of 3.33% and 2.5%; and expected life of 4 and 2.5 years.

The effects of applying SFAS 123 in the above pro forma disclosures are not indicative of future amounts as future amounts are likely to be affected by the number of grants awarded and since additional awards are generally expected to be made at varying prices.

On June 1, 2004 we issued a total of 10,000 shares of Cordia's stock, to a current employee, when the market value was \$0.36. As a result we recognized \$3,600 as compensatory stock expense.

**Note 5: Commitments**

As of June 30, 2004, the Company leased property at the following two locations: (1) approximately 2,840 square feet of office space for our offices in White Plains, New York at a rental price of \$4,970 per month plus utilities for a term of five years, expiring December 31, 2008, with an increase in rent in years three and four and (2) approximately 4,000 square feet at our executive offices in Orlando, Florida at a rental price of \$3,302 per month plus utilities on a month to month basis. We anticipate leasing additional space during the third quarter of this fiscal year to house an inbound/outbound call center, development team, and technical support for our Voice over Internet Protocol business.

**Note 6: Subsequent Events**

On January 7, 2004, the Board of Directors of Cordia Corporation unanimously authorized Cordia's management to spend an aggregate of \$100,000 during 2004 to re-purchase Cordia's common stock when market conditions are favorable for that purpose. As of June 30, 2004 Cordia had not re-purchased any of its stock. However, on July 14, 2004, Cordia's management exercised the Board's authority and purchased 15,800 shares of Cordia common stock at a purchase price of \$0.30 per share.

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237

5

(9  
)

—

(470  
)

—

Net income (loss)  
(237  
)

(237  
)

(237  
)

(5  
)

9

470

(237  
)

Less: Net income attributable to noncontrolling interests

—

—

—

—

—

—

—

Net income (loss) attributable to Holdings and Realogy

\$

(237  
)

\$

(237  
)

\$

(237  
)

\$  
(5  
)

\$  
9

\$  
470

\$  
(237  
)

Comprehensive income (loss) attributable to Holdings and Realogy

\$  
(226  
)

\$  
(226  
)

\$  
(226  
)

\$  
(5  
)

\$  
10

\$  
447

\$  
(226  
)

32

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## Condensed Consolidating Balance Sheet

March 31, 2012

(in millions)

	Holdings	Intermediate	Realogy	Guarantor	Non-Guarantor	Eliminations	Consolidated	
				Subsidiaries	Subsidiaries			
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$—	\$—	\$ 38	\$ 63	\$ 48	\$ (1	) \$ 148	
Trade receivables, net	—	—	—	80	42	—	122	
Relocation receivables	—	—	—	31	354	—	385	
Relocation properties held for sale	—	—	—	7	—	—	7	
Deferred income taxes	—	—	11	53	(2	) —	62	
Intercompany note receivable	—	—	—	31	20	(51	) —	
Other current assets	—	—	9	70	22	—	101	
Total current assets	—	—	58	335	484	(52	) 825	
Property and equipment, net	—	—	16	137	2	—	155	
Goodwill	—	—	—	2,617	—	—	2,617	
Trademarks	—	—	—	732	—	—	732	
Franchise agreements, net	—	—	—	2,825	—	—	2,825	
Other intangibles, net	—	—	—	428	—	—	428	
Other non-current assets	—	—	74	86	55	—	215	
Investment in subsidiaries	(1,698	) (1,698	) 8,213	187	—	(5,004	) —	
Total assets	\$ (1,698	) \$ (1,698	) \$ 8,361	\$ 7,347	\$ 541	\$ (5,056	) \$ 7,797	
<b>LIABILITIES AND EQUITY</b>								
<b>(DEFICIT)</b>								
Current liabilities:								
Accounts payable	\$—	\$—	\$ 24	\$ 145	\$ 12	\$ (1	) \$ 180	
Securitization obligations	—	—	—	—	302	—	302	
Intercompany note payable	—	—	—	20	31	(51	) —	
Due to former parent	—	—	76	—	—	—	76	
Revolving credit facilities and current portion of long-term debt	—	—	61	50	—	—	111	
Accrued expenses and other current liabilities	—	—	310	291	40	—	641	
Intercompany payables	—	—	2,249	(2,193	) (56	) —	—	
Total current liabilities	—	—	2,720	(1,687	) 329	(52	) 1,310	
Long-term debt	—	—	7,121	—	—	—	7,121	
Deferred income taxes	—	—	(601	) 1,493	—	—	892	
Other non-current liabilities	—	—	91	56	25	—	172	
Intercompany liabilities	—	—	728	(728	) —	—	—	
Total liabilities	—	—	10,059	(866	) 354	(52	) 9,495	
Total equity (deficit)	(1,698	) (1,698	) (1,698	) 8,213	187	(5,004	) (1,698	)
Total liabilities and equity (deficit)	\$ (1,698	) \$ (1,698	) \$ 8,361	\$ 7,347	\$ 541	\$ (5,056	) \$ 7,797	



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## Condensed Consolidating Balance Sheet

December 31, 2011

(in millions)

	Holdings	Intermediate	Realogy	Guarantor	Non-Guarantor	Eliminations	Consolidated	
				Subsidiaries	Subsidiaries			
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$—	\$—	\$2	\$80	\$ 67	\$ (6	) \$ 143	
Trade receivables, net	—	—	—	75	45	—	120	
Relocation receivables	—	—	—	14	364	—	378	
Relocation properties held for sale	—	—	—	11	—	—	11	
Deferred income taxes	—	—	14	53	(1	) —	66	
Intercompany note receivable	—	—	—	6	19	(25	) —	
Other current assets	—	—	8	64	16	—	88	
Total current assets	—	—	24	303	510	(31	) 806	
Property and equipment, net	—	—	17	145	3	—	165	
Goodwill	—	—	—	2,614	—	—	2,614	
Trademarks	—	—	—	732	—	—	732	
Franchise agreements, net	—	—	—	2,842	—	—	2,842	
Other intangibles, net	—	—	—	439	—	—	439	
Other non-current assets	—	—	68	85	59	—	212	
Investment in subsidiaries	(1,508	) (1,508	) 8,207	181	—	(5,372	) —	
Total assets	\$(1,508	) \$(1,508	) \$8,316	\$7,341	\$ 572	\$ (5,403	) \$7,810	
<b>LIABILITIES AND EQUITY</b>								
<b>(DEFICIT)</b>								
Current liabilities:								
Accounts payable	\$—	\$—	\$22	\$158	\$ 10	\$ (6	) \$ 184	
Securitization obligations	—	—	—	—	327	—	327	
Intercompany note payable	—	—	—	19	6	(25	) —	
Due to former parent	—	—	80	—	—	—	80	
Revolving credit facilities and current portion of long-term debt	—	—	267	50	8	—	325	
Accrued expenses and other current liabilities	—	—	202	282	36	—	520	
Intercompany payables	—	—	2,222	(2,203	) (19	) —	—	
Total current liabilities	—	—	2,793	(1,694	) 368	(31	) 1,436	
Long-term debt	—	—	6,825	—	—	—	6,825	
Deferred income taxes	—	—	(604	) 1,494	—	—	890	
Other non-current liabilities	—	—	83	61	23	—	167	
Intercompany liabilities	—	—	727	(727	) —	—	—	
Total liabilities	—	—	9,824	(866	) 391	(31	) 9,318	
Total equity (deficit)	(1,508	) (1,508	) (1,508	) 8,207	181	(5,372	) (1,508	)
Total liabilities and equity (deficit)	\$(1,508	) \$(1,508	) \$8,316	\$7,341	\$ 572	\$ (5,403	) \$7,810	



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Condensed Consolidating Statement of Cash Flows  
 Three Months Ended March 31, 2012  
 (in millions)

	Holdings	Intermediate	Realogy	Guarantor	Non-Guarantor	Eliminations	Consolidated
				Subsidiaries	Subsidiaries		
Net cash provided by (used in) operating activities	\$—	\$ —	\$ (85 )	\$ 11	\$ 43	\$ (1 )	\$ (32 )
<b>Investing Activities</b>							
Property and equipment additions	—	—	(1 )	(8 )	—	—	(9 )
Net assets acquired (net of cash acquired) and acquisition-related payments	—	—	—	(4 )	—	—	(4 )
Purchases of certificates of deposit, net	—	—	—	(3 )	—	—	(3 )
Change in restricted cash	—	—	—	—	(4 )	—	(4 )
Intercompany note receivable	—	—	—	(25 )	—	25	—
Other, net	—	—	—	—	—	—	—
Net cash provided by (used in) investing activities	—	—	(1 )	(40 )	(4 )	25	(20 )
<b>Financing Activities</b>							
Net change in revolving credit facilities	—	—	(200 )	—	(8 )	—	(208 )
Repayments of term loan credit facility	—	—	(629 )	—	—	—	(629 )
Proceeds from issuance of First Lien Notes	—	—	593	—	—	—	593
Proceeds from the issuance of First and a Half Lien Notes	—	—	325	—	—	—	325
Net change in securitization obligations	—	—	—	—	(27 )	—	(27 )
Debt issuance costs	—	—	(1 )	—	(1 )	—	(2 )
Intercompany dividend	—	—	—	—	(6 )	6	—
Intercompany note payable	—	—	—	—	25	(25 )	—
Intercompany transactions	—	—	28	14	(42 )	—	—
Other, net	—	—	6	(2 )	—	—	4
Net cash provided by (used in) financing activities	—	—	122	12	(59 )	(19 )	56
Effect of changes in exchange rates on cash and cash equivalents	—	—	—	—	1	—	1
Net increase (decrease) in cash and cash equivalents	—	—	36	(17 )	(19 )	5	5
Cash and cash equivalents, beginning of period	—	—	2	80	67	(6 )	143
	\$—	\$ —	\$ 38	\$ 63	\$ 48	\$ (1 )	\$ 148

Cash and cash equivalents,  
end of period

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Condensed Consolidating Statement of Cash Flows  
 Three Months Ended March 31, 2011  
 (in millions)

	Holdings	Intermediate	Realogy	Guarantor	Non-Guarantor	Eliminations	Consolidated
				Subsidiaries	Subsidiaries		
Net cash provided by (used in) operating activities	\$—	\$ —	\$ (79 )	\$ (25 )	\$ 19	\$ (2 )	\$ (87 )
<b>Investing Activities</b>							
Property and equipment additions	—	—	(1 )	(10 )	—	—	(11 )
Net assets acquired (net of cash acquired) and acquisition-related payments	—	—	—	(2 )	—	—	(2 )
Purchases of certificates of deposit, net	—	—	—	—	(5 )	—	(5 )
Intercompany note receivable	—	—	—	(16 )	—	16	—
Other, net	—	—	—	(1 )	—	—	(1 )
Net cash provided by (used in) investing activities	—	—	(1 )	(29 )	(5 )	16	(19 )
<b>Financing Activities</b>							
Net change in revolving credit facilities	—	—	(20 )	(5 )	(8 )	—	(33 )
Proceeds from term loan extensions	—	—	98	—	—	—	98
Repayments of term loan credit facility	—	—	(702 )	—	—	—	(702 )
Proceeds from the issuance of First and a Half Lien Notes	—	—	700	—	—	—	700
Net change in securitization obligations	—	—	—	—	(21 )	—	(21 )
Debt issuance costs	—	—	(33 )	—	—	—	(33 )
Intercompany dividend	—	—	—	—	(2 )	2	—
Intercompany note payable	—	—	—	—	16	(16 )	—
Intercompany transactions	—	—	(29 )	41	(12 )	—	—
Other, net	—	—	—	(2 )	(1 )	—	(3 )
Net cash provided by (used in) financing activities	—	—	14	34	(28 )	(14 )	6
Effect of changes in exchange rates on cash and cash equivalents	—	—	—	—	1	—	1
Net increase (decrease) in cash and cash equivalents	—	—	(66 )	(20 )	(13 )	—	(99 )
Cash and cash equivalents, beginning of period	—	—	69	74	51	(2 )	192
Cash and cash equivalents, end of period	\$—	\$ —	\$ 3	\$ 54	\$ 38	\$ (2 )	\$ 93



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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein and with our Consolidated Financial Statements and accompanying Notes included in the 2011 Form 10-K. Unless otherwise noted, all dollar amounts in tables are in millions. Holdings, the indirect parent of Realogy, does not conduct any operations other than with respect to its indirect ownership of Realogy. All expenses incurred by Holdings and Intermediate are for the benefit of Realogy and have been reflected in Realogy's consolidated financial statements. All issuances of Holdings' equity securities, including grants of stock options and restricted stock by Holdings to employees and directors of Realogy and its subsidiaries have been reflected in Realogy's condensed consolidated financial statements. As a result, the condensed consolidated financial positions, results of operations and cash flows of Holdings, Intermediate and Realogy are the same. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See "Forward-Looking Statements" and "Risk Factors" in this report and "Forward-Looking Statements" and "Risk Factors" in our 2011 Form 10-K for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements.

OVERVIEW

We are a global provider of real estate and relocation services and report our operations in the following four segments:

Real Estate Franchise Services (known as Realogy Franchise Group or RFG)—franchises the Century 21 Coldwell Banker®, ERA®, Sotheby's International Realty®, Coldwell Banker Commercial® and Better Homes and Gardens® Real Estate brand names. As of March 31, 2012, we had approximately 13,800 franchised and company owned offices and 241,000 independent sales associates operating under our brands in the U.S. and 102 other countries and territories around the world, which included approximately 725 of our company owned and operated brokerage offices with approximately 41,500 independent sales associates.

Company Owned Real Estate Brokerage Services (known as NRT)—operates a full-service real estate brokerage business principally under the Coldwell Banker®, ERA®, Corcoran Group® and Sotheby's International Realty® brand names. In addition, we operate a large independent real estate owned ("REO") residential asset manager, which focuses on bank-owned properties.

- Relocation Services (known as Cartus)—primarily offers clients employee relocation services such as homesale assistance, home finding and other destination services, expense processing, relocation policy counseling and other consulting services, arranging household goods moving services, visa and immigration support, intercultural and language training, and group move management services.

Title and Settlement Services (known as Title Resource Group or TRG)—provides full-service title, settlement and vendor management services to real estate companies, affinity groups, corporations and financial institutions with many of these services provided in connection with the Company's real estate brokerage and relocation services business.

As discussed under the heading "Current Industry Trends," the domestic residential real estate market has been in a significant and lengthy downturn. As a result, our results of operations have been, and may continue to be, materially adversely affected.

July 2006 Separation from Cendant

Realogy was incorporated on January 27, 2006 to facilitate a plan by Cendant to separate into four independent companies—one for each of Cendant's real estate services, travel distribution services ("Travelport"), hospitality services (including timeshare resorts) ("Wyndham Worldwide") and vehicle rental businesses ("Avis Budget Group"). Prior to July 31, 2006, the assets of the real estate services businesses of Cendant were transferred to Realogy and, on July 31, 2006, Cendant distributed all of the shares of Realogy's common stock held by it to the holders of Cendant common stock issued and outstanding on the record date for the distribution, which was July 21, 2006 (the "Separation"). The Separation was effective on July 31, 2006.

Before the Separation, Realogy entered into a Separation and Distribution Agreement, a Tax Sharing Agreement and several other agreements with Cendant and Cendant's other businesses to effect the separation and distribution and

provide a framework for Realogy's relationships with Cendant and Cendant's other businesses after the Separation. These agreements govern the relationships among Realogy, Cendant, Wyndham Worldwide and Travelport subsequent to the completion of the

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separation plan and provide for the allocation among Realogy, Cendant, Wyndham Worldwide and Travelport of Cendant's assets, liabilities and obligations attributable to periods prior to the Separation.

April 2007 Merger Agreement with Affiliates of Apollo

On December 15, 2006, Realogy entered into an agreement and plan of merger with Holdings and Domus Acquisition Corp., which are affiliates of Apollo Management VI, L.P., an entity affiliated with Apollo Global Management, LLC. Under the merger agreement, Holdings acquired the outstanding shares of Realogy pursuant to the merger of Domus Acquisition Corp. with and into Realogy, with Realogy being the surviving entity (the "Merger"). The Merger was consummated on April 10, 2007. All of Realogy's issued and outstanding common stock is currently owned by Intermediate, which is a direct, wholly owned subsidiary of Holdings.

Realogy incurred substantial indebtedness in connection with the Merger, the aggregate proceeds of which were sufficient to pay the aggregate merger consideration, repay a portion of Realogy's then outstanding indebtedness and pay fees and expenses related to the Merger. Specifically, Realogy entered into the senior secured credit facility, issued unsecured notes and refinanced the credit facilities governing Realogy's relocation securitization programs. In addition, investment funds affiliated with, or co-investment vehicles managed by, Apollo Management VI, L.P. or one of its affiliates (together with Apollo Global Management, LLC and its subsidiaries, "Apollo"), as well as members of management who purchased Holdings common stock with cash or through rollover equity, contributed \$2,001 million to Realogy to complete the Merger Transactions, which was treated as a contribution to Realogy's equity. Holdings common stock is currently owned or controlled solely by Apollo, although other parties own Convertible Notes that may be converted, at the option of such parties, into Holdings common stock.

Current Industry Trends

Our businesses compete primarily in the domestic residential real estate market. This market is cyclical in nature and although it has shown strong growth over several decades, it has been in a significant and prolonged downturn, which initially began in the second half of 2005. Based upon data published by NAR from 2005 to 2011, the number of annual U.S. existing homesale units has declined by 40% and the median existing homesale price has declined by 24%. Due to favorable affordability trends due to low mortgage rates and lower home prices, in the first quarter of 2012 the existing home residential real estate market showed signs of modest growth, particularly with respect to year-over-year unit growth. NAR reported year-over-year increases of 7% in homesales in the first quarter of 2012 compared to the first quarter of 2011.

In response to the housing downturn, the U.S. government implemented certain actions to help stabilize and assist in a recovery of the residential real estate market. These measures have included: (1) the placement of Fannie Mae and Freddie Mac in conservatorship in September 2008 and the funding by the government of billions of dollars to these entities to backstop shortfalls in their capital requirements; (2) the establishment, and subsequent expansion and extension, of a federal homebuyer tax credit for qualified buyers (that, as extended, required signed contracts on or before April 30, 2010); (3) as part of a broader plan to bring stability to credit markets and stimulate the housing market, the purchase of mortgage-backed securities by the Federal Reserve in an attempt to maintain low mortgage rates which concluded in mid-2011; (4) the continuation of the 2008 higher loan limits for the FHA, Freddie Mac and Fannie Mae loans most recently extended to the end of 2013; and (5) the availability of low-cost refinancing through Fannie Mae and Freddie Mac to certain homeowners negatively impacted by falling home prices and encouraging lenders to modify loan terms, including reductions in principal amount, with borrowers at risk of foreclosure or already in foreclosure. Based in part on these measures, since 2010, the residential real estate market has shown signs of stabilization through the end of 2011, particularly with respect to the number of homesale transactions, though pressure continues to exist on average homesale price in part due to the high levels of distressed sales.

Interest rates continue to be at low levels by historical standards, which we believe has helped stimulate demand in the residential real estate market, thereby reducing the rate of sales volume decline. According to Freddie Mac, interest rates on commitments for 30-year, fixed-rate first mortgages have decreased from 5.3% in December 2008 to 4.0% in March 2012.

Continuing constraints on the housing market include conservative mortgage underwriting standards, increased down payment requirements and homeowners having limited or negative equity in homes in certain markets. Mortgage credit conditions have tightened significantly during this housing downturn, with banks limiting credit availability to

more creditworthy borrowers and requiring larger down payments, stricter appraisal standards, and more extensive mortgage documentation. As a result, mortgages are less available to borrowers and it frequently takes longer to close a homesale transaction due to the enhanced mortgage and underwriting requirements.

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Corelogic, one of several third parties that track residential housing statistics, in their March 2012 press release, disclosed that there were 1.6 million units of so called shadow inventory as of January 2012 which is slightly down from 1.8 million units as of January 2011. Of the 1.6 million properties currently in the shadow inventory, 800,000 units are seriously delinquent (90 days or more), 410,000 are in some stage of foreclosure and 400,000 are already in REO. Florida, California and Illinois account for more than a third of the shadow inventory and the top six states, which would also include New York, Texas and New Jersey, account for half of the shadow inventory. This shadow inventory could, were it to be released into the market, adversely impact home prices in local markets, while potentially increasing unit sales activity.

According to NAR, the inventory of existing homes for sale is 2.4 million homes at March 2012 and the inventory level has trended down from a record 4.0 million homes in July 2007, and is 22 percent below a year ago. The March 2012 inventory represents a supply of 6.3 months at the current sales pace. The inventory supply is returning to a more normal level and acting as a stabilizing force on home prices; however, the supply could increase due to the release of homes for sale by financial institutions and this factor could add downward pressure on the price of existing homesales. In addition, in many markets at certain price points there are low levels of inventory, which could mute sales activity over the near term.

### Recent Legislative and Regulatory Matters

**Dodd-Frank Act.** On July 21, 2010, the Dodd-Frank Act was signed into law for the express purpose of regulating the financial services industry. The Dodd-Frank Act establishes an independent federal bureau of consumer financial protection to enforce laws involving consumer financial products and services, including mortgage finance. The bureau is empowered with examination and enforcement authority. The Dodd-Frank Act also establishes new standards and practices for mortgage originators, including determining a prospective borrower's ability to repay their mortgage, removing incentives for higher cost mortgages, prohibiting prepayment penalties for non-qualified mortgages, prohibiting mandatory arbitration clauses, requiring additional disclosures to potential borrowers and restricting the fees that mortgage originators may collect. These standards and practices include limitations, which are scheduled to become effective in 2013, on the amount that a mortgage originator may receive with respect to a "qualified mortgage," including fees received by affiliates of the mortgage originator. Based upon the current legislation and the definition of a qualified mortgage, the fees that TRG, as a provider of title and settlement services, charges in transactions originated by our joint venture, PHH Home Loans could be adversely affected. While we are continuing to evaluate all aspects of the Dodd-Frank Act, such legislation and regulations promulgated pursuant to such legislation as well as other legislation that may be enacted to reform the U.S. housing finance market could materially and adversely affect the mortgage and housing industries, result in heightened federal regulation and oversight of the mortgage and housing industries, disrupt mortgage availability, increase down payment requirements, increase mortgage costs and result in potential litigation for housing market participants.

Certain provisions of the Dodd-Frank Act may impact the operation and practices of Fannie Mae, Freddie Mac and other government sponsored entities, or GSEs, and require sponsors of securitizations to retain a portion of the economic interest in the credit risk associated with the assets securitized by them. Substantial reduction in, or the elimination of, GSE demand for mortgage loans by reducing qualifying mortgages could have a material adverse effect on the mortgage industry and the housing industry in general and these provisions may reduce the availability or increase the cost of mortgages to certain individuals.

**Potential Reform of the U.S. Housing Finance Market and Potential Wind-down of Freddie Mac and Fannie Mae.** On February 11, 2011, the Obama Administration issued a report to the U.S. Congress outlining proposals to reform the U.S. housing finance market, including, among other things, reform designed to reduce government support for housing finance and the winding down of Freddie Mac and Fannie Mae over a period of years. Numerous pieces of legislation seeking various types of reform for the GSEs have been introduced in Congress. Legislation, if enacted, which curtails Freddie Mac and/or Fannie Mae's activities and/or results in the wind down of these entities could increase mortgage costs and could result in more stringent underwriting guidelines imposed by lenders, either of which could have a materially adverse affect on the housing market in general and our operations in particular. Given the current uncertainty with respect to the extent, if any, of such reform, it is difficult to predict either the long-term or short-term impact of government action that may be taken. At present, the U.S. government also is attempting,

through various avenues, to increase loan modifications for home owners with negative equity.

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We believe that long-term demand for housing and the growth of our industry is primarily driven by affordability, the economic health of the domestic economy, positive demographic trends such as population growth, increases in the number of U.S. households, low interest rates, increases in renters that qualify as homebuyers and locally based dynamics such as housing demand relative to housing supply. While the housing market has shown signs of stabilization, there remains

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substantial uncertainty with respect to the timing and scope of a housing recovery. Factors that may negatively affect a housing recovery include:

- higher mortgage rates as well as reduced availability of mortgage financing;
- lower unit sales, due to reduced inventory levels in certain markets at lower price points, the reluctance of first time homebuyers to purchase due to concerns about investing in a home and move-up buyers having limited or negative equity in homes;
- lower average homesale price, particularly if banks and other mortgage servicers liquidate foreclosed properties that they are currently holding in certain concentrated affected markets;
- continuing high levels of unemployment and associated lack of consumer confidence;
- unsustainable economic recovery in the U.S. or a weak recovery resulting in only modest economic growth;
- a lack of stability or improvement in home ownership levels in the U.S.; and

legislative or regulatory reform, including but not limited to reform that adversely impacts the financing of the U.S. housing market or amends the Internal Revenue Code in a manner that negatively impacts home ownership such as reform that reduces the amount that certain taxpayers would be allowed to deduct for home mortgage interest. Consequently, we cannot predict when the residential real estate industry will return to a period of sustainable growth. Moreover, if the residential real estate market or the economy as a whole does not improve, we may experience further adverse effects on our business, financial condition and liquidity, including our ability to access capital. Many of the trends impacting our businesses that derive revenue from homesales also impact our Relocation Services business, which is a global provider of outsourced employee relocation services. In addition to general residential housing trends, key drivers of our Relocation Services business are corporate spending and employment trends which have shown signs of stabilization; however, there can be no assurance that corporate spending on relocation services will return to previous levels following any economic recovery.

## Homesales

According to NAR, homesale transactions for 2011 increased 2% over 2010 and represent the 4<sup>th</sup> consecutive year that existing homesale transactions have been in the 4.1 to 4.3 million range on an annual basis, despite adverse economic and housing conditions during that period. For the three months ended March 31, 2012, RFG and NRT homesale transactions increased 7% and 8%, respectively, due to an overall pick-up in homebuyer activity compared to the first quarter of 2011. Also of note is that RFG experienced similar homesale transaction gains across all homesale price ranges in the first quarter of 2011 compared to the prior year. The quarterly and annual year over year trend in homesale transactions is as follows:

	2012 vs. 2011						Full Year 2012 vs. 2011 Forecast
	Full Year 2011 vs. 2010	First Quarter	Second Quarter Forecast	Third Quarter Forecast	Fourth Quarter Forecast		
Number of Homesales							
Industry							
NAR <sup>(a)</sup>	2	% 7	% *	*	*	10	%
Fannie Mae <sup>(a)</sup>	2	% 4	% 10	% 10	% 4	% 8	%
Realogy							
Real Estate Franchise Services	(1	)% 7	%				
Company Owned Real Estate Brokerage Services	—	% 8	%				

(a) Existing homesale data is as of the most recent NAR and Fannie Mae press release.

\*NAR has amended its disclosure process to only provide historical quarterly data and full year forecasts.

As of their most recent releases, NAR is forecasting a 10% increase in existing homesale transactions in 2012, while Fannie Mae is forecasting an increase of 8%. For 2013, NAR and Fannie Mae are forecasting an increase of 1% and 2%, respectively, in existing homesale transactions for 2013 compared to 2012.

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## Homesale Price

NAR reported homesale price declines of 4% for the year ended December 31, 2011 compared to 2010 while our price was flat for RFG and down 2% for NRT. We believe that one significant reason, other than our geographic footprint, that accounts for the difference between our average homesale price and the median homesale price of NAR in 2011 is due to the high level of distressed sales included in NAR's data. For the three months ended March 31, 2012, average homesale price was flat for RFG which was consistent with NAR's first quarter forecast and down 3% for NRT due to a shift in the mix of business to more lower priced homes. The quarterly and annual year over year trend in the price of homes is as follows:

	2012 vs. 2011							Full Year 2012 vs. 2011 Forecast
	Full Year 2011 vs. 2010	First Quarter	Second Quarter Forecast	Third Quarter Forecast	Fourth Quarter Forecast			
Price of Homes								
Industry								
NAR <sup>(a)</sup>	(4 )%	— %	* %	* %	* %		2 %	
Fannie Mae <sup>(a)</sup>	(4 )%	(2 )%	(3 )%	(2 )%	(2 )%	(3 )%	(3 )%	
Realogy								
Real Estate Franchise Services	— %	— %						
Company Owned Real Estate Brokerage Services	(2 )%	(3 )%						

(a) Existing homesale price data is for median price and is as of the most recent NAR and Fannie Mae press release.

\*NAR has amended its disclosure process to only provide historical quarterly data and full year forecasts.

As of their most recent releases, for 2012 NAR is forecasting a 2% increase in the median existing homesale price compared to 2011 and Fannie Mae is forecasting a 3% decline. For 2013, NAR is forecasting an increase of 2% in median homesale prices for 2013 compared to 2012 while Fannie Mae is forecasting a decrease of 1% in median homesale prices for 2013 compared to 2012.

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While data provided by NAR and Fannie Mae are two indicators of the direction of the residential housing market, we believe that homesale statistics will continue to vary between us and NAR and Fannie Mae because they use survey data in their historical reports and forecasting models whereas we use data based on actual reported results. In addition to the differences in calculation methodologies, there are geographical differences and concentrations in the markets in which we operate versus the national market. For instance, comparability is impaired due to NAR's utilization of seasonally adjusted annualized rates whereas we report actual period over period changes and their use of median price for their forecasts compared to our average price. Additionally, NAR data is subject to periodic review and revision. While we believe that the industry data presented herein are derived from the most widely recognized sources for reporting U.S. residential housing market statistical data, we do not endorse or suggest reliance on this data alone. We also note that forecasts are inherently uncertain or speculative in nature and actual results for any period may materially differ.

## Housing Affordability Index

According to NAR, the housing affordability index has continued to improve as a result of the homesale price declines that began in 2007. An index above 100 signifies that a family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20 percent down payment. The housing affordability index improved to 207 as of February, 2012 compared to 185 for 2011, 174 for 2010 and 169 for 2009 and the overall improvement in this index could favorably impact a housing recovery.

## Other Factors

Due to the prolonged downturn in the residential real estate market, a significant number of franchisees have experienced operating difficulties. As a result, many of our franchisees with multiple offices have reduced overhead and consolidated offices in an attempt to remain competitive in the marketplace. In addition, we have had to terminate franchisees due to non-reporting and non-payment which could adversely impact transaction volumes in the future. Due to the factors noted above, we continue to actively monitor the collectability of receivables and notes from our franchisees.

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### Key Drivers of Our Businesses

Within our Real Estate Franchise Services segment and our Company Owned Real Estate Brokerage Services segment, we measure operating performance using the following key operating statistics: (i) closed homesale sides, which represents either the “buy” side or the “sell” side of a homesale transaction, (ii) average homesale price, which represents the average selling price of closed homesale transactions and (iii) average homesale broker commission rate, which represents the average commission rate earned on either the “buy” side or “sell” side of a homesale transaction. Our Real Estate Franchise Services segment is also impacted by the net effective royalty rate which represents the average percentage of our franchisees’ commission revenues payable to our Real Estate Franchise Services segment, net of volume incentives achieved. The net effective royalty rate does not include the effect of non-standard incentives granted to some franchisees.

Prior to 2006, the average homesale broker commission rate was declining several basis points per year, the effect of which was more than offset by increases in homesale prices. From 2007 through the first quarter of 2012, the average broker commission rate remained fairly stable; however, we expect that, over the long term, the average brokerage commission rates will modestly decline.

The net effective royalty rate has been declining over the past three years. We would expect that, over the near term, the net effective royalty rate will continue to modestly decline due to an increased concentration of business in larger franchisees which earn higher volume rebates as well as the Company’s focus on strategic growth through relationships with larger established real estate companies which may pay a lower royalty rate. The net effective rate can also be affected by a shift in volume amongst our brands which operate under different royalty rate arrangements. Our Company Owned Real Estate Brokerage Services segment has a significant concentration of real estate brokerage offices and transactions in geographic regions where home prices are at the higher end of the U.S. real estate market, particularly the east and west coasts, while our Real Estate Franchise Services segment has franchised offices that are more widely dispersed across the United States. Accordingly, operating results and homesale statistics may differ between our Company Owned Real Estate Brokerage Services segment and our Real Estate Franchise Services segment based upon geographic presence and the corresponding homesale activity in each geographic region.

Within our Relocation Services segment, we measure operating performance using the following key operating statistics: (i) initiations, which represent the total number of transferees we serve and (ii) referrals, which represent the number of referrals from which we earn revenue from real estate brokers. In our Title and Settlement Services segment, operating performance is evaluated using the following key metrics: (i) purchase title and closing units, which represent the number of title and closing units we process as a result of home purchases, (ii) refinance title and closing units, which represent the number of title and closing units we process as a result of homeowners refinancing their home loans, and (iii) average price per closing unit, which represents the average fee we earn on purchase title and refinancing title sides.

A decline in the number of homesale transactions and the decline in homesale prices has and could continue to adversely affect our results of operations by: (i) reducing the royalties we receive from our franchisees and company owned brokerages, (ii) reducing the commissions our company owned brokerage operations earn, (iii) reducing the demand for our title and settlement services, (iv) reducing the referral fees we earn in our relocation services business, and (v) increasing the risk of franchisee default due to lower homesale volume. Our results could also be negatively affected by a decline in commission rates charged by brokers.

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The following table presents our drivers for the three months ended March 31, 2012 and 2011. See “Results of Operations” for a discussion as to how the key drivers affected our business for the periods presented.

	Three Months Ended March 31,		
	2012	2011	% Change
Real Estate Franchise Services (a)			
Closed homesale sides	197,458	184,643	7 %
Average homesale price	\$ 194,071	\$ 193,710	— %
Average homesale broker commission rate	2.56	% 2.54	% 2 bps
Net effective royalty rate	4.75	% 4.87	% (12) bps
Royalty per side	\$ 248	\$ 251	(1 %)
Company Owned Real Estate Brokerage Services			
Closed homesale sides	55,273	51,200	8 %
Average homesale price	\$ 403,115	\$ 414,164	(3 %)
Average homesale broker commission rate	2.51	% 2.50	% 1 bps
Gross commission income per side	\$ 10,959	\$ 11,188	(2 %)
Relocation Services			
Initiations	37,470	35,108	7 %
Referrals	14,266	12,813	11 %
Title and Settlement Services			
Purchase title and closing units	20,565	18,971	8 %
Refinance title and closing units	22,016	16,826	31 %
Average price per closing unit	\$ 1,237	\$ 1,386	(11 %)

(a) Includes all franchisees except for our Company Owned Real Estate Brokerage Services segment.

**RESULTS OF OPERATIONS**

Discussed below are our condensed consolidated results of operations and the results of operations for each of our reportable segments. The reportable segments presented below represent our operating segments for which separate financial information is available and which is utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also consider the nature of services provided by our operating segments. Management evaluates the operating results of each of our reportable segments based upon revenue and EBITDA. EBITDA is defined as net income (loss) before depreciation and amortization, interest (income) expense, net (other than Relocation Services interest for securitization assets and securitization obligations) and income taxes, each of which is presented on our Consolidated Statements of Operations. Our presentation of EBITDA may not be comparable to similarly-titled measures used by other companies. As discussed above under “Industry Trends,” our results of operations are significantly impacted by industry and economic factors that are beyond our control.

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

Our consolidated results comprised the following:

	Three Months Ended March 31,			
	2012	2011	Change	
Net revenues	\$ 875	\$ 831	\$ 44	
Total expenses <sup>(1)</sup>	1,070	1,067	3	
Loss before income taxes, equity in earnings and noncontrolling interests	(195	) (236	) 41	
Income tax expense	7	1	6	
Equity in earnings of unconsolidated entities	(10	) —	(10	)
Net loss	(192	) (237	) 45	
Less: Net income attributable to noncontrolling interests	—	—	—	

Net loss attributable to Holdings and Realogy                      \$(192                      ) \$(237                      ) \$45

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Total expenses for the three months ended March 31, 2012 include \$3 million of restructuring costs and \$6 million related to the loss on the early extinguishment of debt, partially offset by \$3 million of former parent legacy (1) benefits. Total expenses for the three months ended March 31, 2011 include \$2 million of restructuring costs and \$60 million related to the 2011 Refinancing Transactions, partially offset by \$2 million of former parent legacy benefits.

Net revenues increased \$44 million (5%) for the three months ended March 31, 2012 compared with the three months ended March 31, 2011, principally due to an increase in revenues for the Real Estate Franchise Services segment and Company Owned Real Estate Brokerage Services segment due to higher homesale transaction volume.

Total expenses increased \$3 million primarily due to:

1. a \$42 million increase in commission and other agent-related costs, operating, marketing and general and administrative expenses primarily related to:
  - a \$28 million increase in commission expense for the Company Owned Real Estate Brokerage Services segment due to increased volume partially offset by \$11 million lower operating expenses primarily as a result of restructuring and cost-saving activities;
  - an increase in expenses for the Real Estate Franchise Service segment, primarily due to an \$8 million increase in marketing expenses, \$3 million of incremental legal expenses, and \$3 million of incremental employee related costs;
  - a \$4 million increase in variable operating expense for the Relocation Services segment primarily as a result of increases in volume and \$3 million of incremental employee related costs; and
  - an increase in variable operating expenses for the Title and Settlement segment of \$3 million as a result of increases in underwriter and resale volume.

The increase in employee related costs noted above was primarily due to \$10 million of expense for the 2012 bonus plan which is in addition to \$11 million of expense being recognized for the 2011-2012 retention plan whereas in the first quarter of 2011 only \$11 million of expense was being recognized for the retention plan. As a result, during the first quarter of 2012, there is double the amount of expense for these employee related costs compared to the first quarter of 2011.

2. offset by a decrease of \$30 million related to the loss on the early extinguishment of debt which was \$6 million for the three months ended March 31, 2012 compared to \$36 million for the three months ended March 31, 2011; and
3. a decrease of \$9 million in interest expense compared to the three months ended March 31, 2011 primarily because the first quarter of 2011 included incremental interest expense of \$17 million as a result of the de-designation of interest rate swaps and \$7 million due to the write-off of financing costs as a result of the 2011 Refinancing Transactions.

The Company's provision for income taxes in interim periods is computed by applying its estimated annual effective tax rate against the income (loss) before income taxes for the period. In addition, non-recurring or discrete items, including the increase in deferred tax liabilities associated with indefinite lived intangibles, are recorded during the period in which they occur. No federal income tax benefit was recognized for the current period loss due to the recognition of a full valuation allowance for domestic operations. Income tax expense for the three months ended March 31, 2012 was \$7 million. This expense included \$6 million for an increase in deferred tax liabilities associated with indefinite-lived intangible assets and \$1 million was recognized for foreign and state income taxes for certain jurisdictions.

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Following is a more detailed discussion of the results of each of our reportable segments during the three months ended March 31, 2012 and 2011:

	Revenues (a)			EBITDA (b)			Margin		
	2012	2011	% Change	2012	2011	% Change	2012	2011	Change
Real Estate Franchise Services	\$ 129	\$ 118	9 %	\$ 61	\$ 62	(2 )%	47 %	53 %	(6 )
Company Owned Real Estate Brokerage Services	617	587	5	(17 )	(37 )	54	(3 )	(6 )	3
Relocation Services	88	87	1	4	10	(60 )	5	11	(6 )
Title and Settlement Services	88	83	6	2	2	—	2	2	—
Corporate and Other	(47 )	(44 )	*	(20 )	(48 )	*			
Total Company	\$ 875	\$ 831	5 %	\$ 30	\$(11 )	373 %	3 %	(1 )%	4
Less: Depreciation and amortization				45	46				
Interest expense, net (c)				170	179				
Income tax expense				7	1				
Net loss attributable to Holdings and Realogy				\$(192 )	\$(237 )				

\* not meaningful

Includes the elimination of transactions between segments, which consists of intercompany royalties and marketing (a) fees paid by our Company Owned Real Estate Brokerage Services segment of \$47 million and \$44 million during the three months ended March 31, 2012 and 2011, respectively.

EBITDA for the three months ended March 31, 2012 includes \$10 million of expense for the 2012 bonus plan in addition to \$11 million of expense for the 2011-2012 retention plan, \$3 million of restructuring costs and \$6 million related to the loss on the early extinguishment of debt, partially offset by \$3 million of former parent legacy (b) benefits. EBITDA for the three months ended March 31, 2011 includes \$11 million of expense for the 2011-2012 retention plan, \$2 million of restructuring costs and \$36 million related to the loss on the early extinguishment of debt, partially offset by \$2 million of former parent legacy benefits.

Includes \$24 million of interest expense in the three months ended March 31, 2011 due to the de-designation of (c) interest rate swaps and write-off of deferred financing costs as a result of the 2011 Refinancing Transactions.

As described in the aforementioned table, EBITDA margin for “Total Company” expressed as a percentage of revenues increased 4 percentage points for the three months ended March 31, 2012 compared to the same period in 2011 primarily due to an increase in revenues for the Real Estate Franchise Services and Company Owned Real Estate Brokerage Services segments due to higher homesale transaction volume. In addition, the increase in EBITDA was also due to a \$30 million reduction in the loss on the early extinguishment of debt for the three months ended March 31, 2012 compared to the same period in 2011.

On a segment basis, the Real Estate Franchise Services segment margin decreased 6 percentage points to 47% from 53%. The three months ended March 31, 2012 reflected increases in franchisee royalty revenue due to an increase in homesale transactions offset by the timing of marketing spend into the first quarter of 2012 for Century 21 advertising that took place during Super Bowl XLVI and increases in legal and employee related expenses. The Company Owned Real Estate Brokerage Services segment margin increased 3 percentage points to negative 3% from negative 6% in the prior period. The three months ended March 31, 2012 reflected an increase in the number of homesale transactions and increase in the average homesale broker commission rate offset by a decrease in average homesale price. The Relocation Services segment margin decreased 6 percentage points to 5% from 11% in the comparable prior period primarily due to an increase in employee related costs, higher foreign currency exchange rate losses, and higher restructuring costs. The Title and Settlement Services segment margin remained constant at 2%.

The Corporate and Other EBITDA for the three months ended March 31, 2012 increased \$28 million to negative \$20 million primarily due to a \$30 million reduction in the loss on the early extinguishment of debt which was \$6 million as a result of the 2012 Senior Secured Notes Offering compared to \$36 million as a result of the 2011 Refinancing Transactions.

Real Estate Franchise Services

Revenues increased \$11 million to \$129 million and EBITDA decreased \$1 million to \$61 million for the three months ended March 31, 2012 compared with the same period in 2011.

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The increase in revenue was driven by a \$3 million increase in third-party domestic franchisee royalty revenue due to a 7% increase in the number of homesale transactions along with an increase in the average broker commission rate, partially offset by a lower net effective royalty rate as a result of our larger affiliates achieving higher volume levels. In addition, marketing revenue and related marketing expenses increased \$7 million and \$8 million, respectively, primarily due to the timing of advertising spend for Century 21 compared to the same period in 2011.

The increase in revenue was also attributable to a \$2 million increase in royalties received from our Company Owned Real Estate Brokerage Services segment which pays royalties to our Real Estate Franchise Services segment. These intercompany royalties of \$44 million and \$42 million during the first quarter of 2012 and 2011, respectively, are eliminated in consolidation. See “Company Owned Real Estate Brokerage Services” for a discussion of the drivers related to this period over period revenue increase for the Real Estate Franchise Services segment.

The \$1 million decrease in EBITDA was principally due to a \$3 million increase in legal expense, a \$3 million increase in employee related expenses due to the 2012 bonus plan on top of the retention plan and a net \$1 million decrease in EBITDA due to marketing activities, partially offset by the increase in royalty revenues discussed above.

**Company Owned Real Estate Brokerage Services**  
Revenues increased \$30 million to \$617 million and EBITDA increased \$20 million to a negative \$17 million for the three months ended March 31, 2012 compared with the same period in 2011.

The increase in revenues, excluding REO revenues, of \$33 million was due to increased commission income earned on homesale transactions which was primarily driven by an 8% increase in the number of homesale transactions and an increase in the average broker commission rate, partially offset by a 3% decrease in average price of homes sold. We believe the 8% increase in homesale transactions and 3% decrease in the average price of homes sold is reflective of industry trends in the markets we serve. Separately, revenues from our REO asset management company decreased by \$3 million to \$3 million in the three months ended March 31, 2012 compared to the same period in 2011 due to reduced inventory levels of foreclosed properties being made available for sale. Our REO operations facilitate the maintenance and sale of foreclosed homes on behalf of lenders.

EBITDA increased \$20 million due to:

\$30 million increase in revenues discussed above;

a \$10 million increase in equity earnings related to our investment in PHH Home Loans; and

a \$11 million decrease in other operating expenses, net of inflation, primarily due to restructuring and cost-saving activities and employee costs.

These increases were partially offset by a \$28 million increase in commission expenses paid to real estate agents as a result of the increase in revenues, a \$2 million increase in royalties paid to the Real Estate Franchise Services segment and a \$2 million increase in employee related costs due to the 2012 bonus plan on top of the retention plan.

**Relocation Services**

Revenues increased \$1 million to \$88 million and EBITDA decreased \$6 million to \$4 million for the quarter ended March 31, 2012 compared with the same quarter in 2011.

The increase in revenues was primarily driven by \$3 million of incremental international revenue due to increased transaction volume partially offset by a \$2 million decrease in at-risk revenue driven primarily by a lower at-risk transaction volume compared to the same quarter in 2011.

EBITDA decreased \$6 million as a result of a \$4 million increase in operating costs driven by higher volume, \$3 million increase in employee related costs due to the 2012 bonus plan on top of the retention plan, \$1 million of higher foreign currency exchange rate losses and \$1 million of restructuring costs partially offset by the increase in revenues discussed above.

**Title and Settlement Services**

Revenues increased \$5 million to \$88 million and EBITDA remained flat at \$2 million for the quarter ended March 31, 2012 compared with the same quarter in 2011.

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The increase in revenues was primarily driven by a \$3 million increase in resale volume, a \$1 million increase in underwriter revenue and a \$1 million increase in refinancing transactions. EBITDA remained flat as a result of the increase in revenues offset by an increase of \$3 million in variable operating costs as a result of the increase in volume, \$1 million of incremental claims reserves due to the timing of claims and the increase in underwriter transactions and \$1 million of restructuring costs.

**2012 Restructuring Program**

During the first three months of 2012, the Company committed to various initiatives targeted principally at reducing costs, enhancing organizational efficiencies and consolidating existing facilities. The Company currently expects to incur restructuring charges of \$8 million in 2012. As of March 31, 2012, the Company Owned Real Estate Brokerage Services, the Relocation Services, and the Title and Settlement Services segments each recognized \$1 million of facility related expenses. At March 31, 2012, the remaining liability is \$1 million.

**2011 Restructuring Program**

During 2011, the Company committed to various initiatives targeted principally at reducing costs, enhancing organizational efficiencies and consolidating existing facilities. The Company incurred restructuring charges of \$11 million in 2011. The Company Owned Real Estate Brokerage Services segment recognized \$5 million of facility related expenses and \$4 million of personnel related expenses. The Relocation Services segment recognized \$1 million of personnel related expense and the Title and Settlement Services segments recognized \$1 million of facility related expenses. At March 31, 2012, the remaining liability is \$2 million.

**Prior Restructuring Programs**

The Company committed to restructuring activities targeted principally at reducing personnel related costs and consolidating facilities during 2006 through 2010. At December 31, 2011, the remaining liability for these various restructuring activities was \$17 million. During the three months ended March 31, 2012, the Company utilized \$1 million of the remaining accrual resulting in a remaining liability of \$16 million related to future lease payments.

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

	March 31, 2012	December 31, 2011	Change
Total assets	\$7,797	\$7,810	\$(13 )
Total liabilities	\$9,495	\$9,318	\$177
Total equity (deficit)	\$(1,698 )	\$(1,508 )	\$(190 )

For the three months ended March 31, 2012, total assets decreased \$13 million primarily as a result of a decrease in franchise agreements intangible assets, other intangibles and property and equipment of \$17 million, \$11 million and \$10 million, respectively, due to amortization and depreciation, partially offset by a \$5 million increase in cash and cash equivalents, \$13 million increase in other current assets and a \$7 million increase in relocation receivables.

Total liabilities increased \$177 million principally due to a \$82 million increase in indebtedness. Accrued liabilities increased due to an increase in accrued interest of \$102 million as well as \$15 million of accrued debt financing costs related to the 2012 Senior Secured Note Offering. These increases were partially offset by a \$25 million decrease in securitization obligations.

Total equity (deficit) decreased \$190 million primarily due to the net loss attributable to Holdings and Realogy of \$192 million for the three months ended March 31, 2012.

**LIQUIDITY AND CAPITAL RESOURCES**

Our liquidity position has been and is expected to continue to be negatively affected by the ongoing unfavorable conditions in the real estate market resulting in negative operating cash flows, the substantial interest expense on our debt obligations and potential adverse changes in interest rates. Our liquidity position would also be adversely impacted by our inability to access our relocation securitization programs and could be adversely impacted by our inability to access the

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capital markets. In addition, our short-term liquidity position from time to time has been and may continue to be negatively affected by seasonal fluctuations in the residential real estate brokerage business.

Although we have seen improvement in affordability and stabilization in homesale sides at our Company Owned Real Estate Brokerage Services segment and our Real Estate Franchise Services segment, we are not certain whether these signs of stabilization will lead to a recovery. We cannot predict when the residential real estate industry will return to a period of sustainable growth. Moreover, if the residential real estate market or the economy as a whole does not improve, we may experience further adverse effects on our business, financial condition and liquidity, including our ability to access capital.

Our primary liquidity needs will be to service our debt and finance our working capital and capital expenditures, which we have historically satisfied with cash flows from operations and funds available under our revolving credit facilities and securitization facilities. Primarily as a consequence of our cash interest obligations, we expect to experience negative cash flows in 2012 given our operating environment. However, if conditions in the real estate market do not deteriorate further, given our availability under our extended revolving credit facility and other sources of liquidity which we believe are available to us, we believe we will be able to meet our cash flow needs through March 31, 2013.

Historically, operating results and revenues for all of our businesses have been strongest in the second and third quarters of the calendar year. A significant portion of the expenses we incur in our real estate brokerage operations are related to marketing activities and commissions and are, therefore, variable. However, many of our other expenses, such as interest payments, facilities costs and certain personnel-related costs, are fixed and cannot be reduced during a seasonal slowdown. For example, interest payments of approximately \$215 million are due on our Unsecured Notes and Second Lien Loans in October and April of each year. Because of this asymmetry and the size of our cash interest obligations, if unfavorable conditions in the real estate market and general macroeconomic conditions do not significantly improve, we would be required to seek additional sources of working capital for our future liquidity needs, including obtaining additional financing and deferring or reducing spending. There can be no assurance that we would be able to defer or reduce expenses or that any such actions would not materially and adversely impact our business and results of operations or that we would be able to obtain financing on acceptable terms or at all.

We will continue to evaluate potential financing transactions, including refinancing certain tranches of our indebtedness, issuing incremental debt, obtaining incremental letters of credit and extending maturities as well as potential transactions pursuant to which third parties, Apollo or its affiliates may provide financing to us or otherwise engage in transactions to provide liquidity to us. There can be no assurance as to which, if any, of these alternatives we may pursue as the choice of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our existing financing agreements and the consents we may need to obtain under the relevant documents. There also can be no assurance that financing or refinancing will be available to us on acceptable terms or at all. In addition, the conversion of all or a portion of our approximately \$2.1 billion in outstanding Convertible Notes into equity at the option of the holders thereof would increase our liquidity, although the holders of the Convertible Notes are not obligated to do so.

Future indebtedness may impose various additional restrictions and covenants on us which could limit our ability to respond to market conditions, to make capital investments or to take advantage of business opportunities. Our ability to make payments to fund working capital, capital expenditures, debt service, and strategic acquisitions will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

**Cash Flows**

At March 31, 2012, we had \$148 million of cash and cash equivalents, an increase of \$5 million compared to the balance of \$143 million at December 31, 2011. The following table summarizes our cash flows for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,		
	March 31,	March 31,	Change
	2012	2011	

Cash provided by (used in):

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Operating activities	\$ (32	)	\$ (87	)	\$ 55	
Investing activities	(20	)	(19	)	(1	)
Financing activities	56		6		50	
Effects of change in exchange rates on cash and cash equivalents	1		1		—	
Net change in cash and cash equivalents	\$ 5		\$ (99	)	\$ 104	

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For the three months ended March 31, 2012, we utilized \$55 million less cash in operations compared to the same period in 2011. For the three months March 31, 2012, \$32 million of cash was used in operating activities due to negative cash flows from operating results of \$142 million including \$66 million of cash interest payments, partially offset by an increase in accounts payable, accrued expenses and other liabilities of \$103 million. For the three months ended March 31, 2011, \$87 million of cash was used in operating activities due to negative cash flows from operating results of \$131 million including \$36 million of cash interest payments as well as an increase in trade receivables and relocation receivables of \$9 million and \$7 million, respectively. These uses of cash were partially offset by an increase in accounts payable, accrued expenses and other liabilities of \$62 million.

For the three months ended March 31, 2012, we used \$1 million more cash for investing activities compared to the same period in 2011. For the three months ended March 31, 2012, \$20 million of cash was used primarily for \$9 million of property and equipment additions, \$4 million of acquisition related payments, a \$4 million increase in restricted cash and the purchase of certificates of deposit for \$3 million. For the three months ended March 31, 2011, \$19 million of cash was used primarily for \$11 million of property and equipment additions and the purchase of certificates of deposit for \$5 million.

For the three months ended March 31, 2012, \$50 million more cash was provided from financing activities compared to the same period in 2011. For the three months ended March 31, 2012, \$56 million of cash was provided as a result of the issuance of \$593 million of First Lien Notes and \$325 million of First and a Half Lien Notes partially offset by \$629 million of term loan facility repayments, the repayment of revolver borrowings of \$208 million and \$27 million of securitization obligation repayments. For the three months ended March 31, 2011, \$6 million of cash was provided comprised of \$700 million of proceeds from the issuance of the First and a Half Lien Notes and \$98 million related to the proceeds from the extension of the term loan facility, partially offset by \$702 million of term loan facility repayments, a decrease in incremental revolver borrowings of \$33 million of revolving credit, the payment of \$33 million of debt issuance costs and \$21 million of securitization obligation repayments.

## Financial Obligations

## Indebtedness Table

As of March 31, 2012, the total capacity, outstanding borrowings and available capacity under the Company's borrowing arrangements were as follows:

	Interest Rate	Expiration Date	Total Capacity	Outstanding Borrowings	Available Capacity
<b>Senior Secured Credit Facility:</b>					
Extended revolving credit facility (1)	(2)	April 2016	\$ 363	\$ —	\$ 283
Extended term loan facility	(3)	October 2016	1,822	1,822	—
First Lien Notes	7.625%	January 2020	593	593	—
Existing First and a Half Lien Notes	7.875%	February 2019	700	700	—
New First and a Half Lien Notes	9.00%	January 2020	325	325	—
Second Lien Loans	13.50%	October 2017	650	650	—
Other bank indebtedness (4)		Various	108	100	8
<b>Existing Notes:</b>					
Senior Notes	10.50%	April 2014	64	64	—
Senior Toggle Notes	11.00%	April 2014	52	52	—
Senior Subordinated Notes (5)	12.375%	April 2015	190	188	—
<b>Extended Maturity Notes:</b>					
Senior Notes (6)	11.50%	April 2017	492	489	—
Senior Notes (7)	12.00%	April 2017	130	129	—
Senior Subordinated Notes	13.375%	April 2018	10	10	—
Convertible Notes	11.00%	April 2018	2,110	2,110	—
<b>Securitization obligations: (8)</b>					
Apple Ridge Funding LLC		December 2013	400	270	130
Cartus Financing Limited (9)		Various	64	32	32

\$8,073      \$ 7,534      \$453

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The available capacity under this facility was reduced by \$80 million of outstanding letters of credit. On May 1, (1) 2012, the Company had \$197 million outstanding on the extended revolving credit facility and \$79 million of outstanding letters of credit, leaving \$81 million of available capacity.

Interest rates with respect to revolving loans under the senior secured credit facility are based on, at Realogy's (2) option, adjusted LIBOR plus 3.25% or ABR plus 2.25% in each case subject to reductions based on the attainment of certain leverage ratios.

Interest rates with respect to term loans under the senior secured credit facility are based on, at Realogy's option, (a) (3) adjusted LIBOR plus 4.25% or (b) the higher of the Federal Funds Effective Rate plus 1.75% and JPMorgan Chase Bank, N.A.'s prime rate ("ABR") plus 3.25%.

Consists of revolving credit facilities that are supported by letters of credit issued under the senior secured credit (4) facility; \$8 million of capacity which expires in August 2012, \$50 million due in January 2013 and \$50 million due in July 2013.

(5) Consists of \$190 million of 12.375% Senior Subordinated Notes due 2015, less a discount of \$2 million.

(6) Consists of \$492 million of 11.50% Senior Notes due 2017, less a discount of \$3 million.

(7) Consists of \$130 million of 12.00% Senior Notes due 2017, less a discount of \$1 million.

(8) Available capacity is subject to maintaining sufficient relocation related assets to collateralize these securitization obligations.

(9) Consists of a £35 million facility which expires in August 2015 and a £5 million working capital facility which expires in August 2012.

**Indebtedness Incurred in Connection with the Merger and Subsequent Debt Transactions**

Realogy incurred indebtedness in 2007 in connection with the Merger, which included borrowings under Realogy's senior secured credit facility (the "Senior Secured Credit Facility") and the issuance of unsecured notes. Realogy borrowed an initial amount of \$3,170 million term loan facility under the Senior Secured Credit Facility (consisting of \$1,950 million initial term loan facility and a \$1,220 million delayed draw term loan facility) with original maturity dates of October 2013. The \$1,950 million initial term loan facility was used by Realogy to finance a part of the Merger, including, without limitation, payment of fees and expenses contemplated thereby. In addition, Realogy used the \$1,220 million delayed draw term loan facility to finance the refinancing or discharge of Realogy's previously existing senior notes, including, without limitation, the payment of fees and expenses. Realogy issued an original aggregate principal amount of \$3,125 million of unsecured notes with maturity dates in 2014 and 2015 (the "Existing Notes") to finance a part of the Merger, including, without limitation, payment of fees and expenses.

In 2009, 2011 and 2012, Realogy completed various debt transactions, which are detailed below, that accomplished one or more of the following: (1) provided additional cushion under the senior secured leverage ratio; (2) extended the maturity of certain portions of our indebtedness; (3) provided additional liquidity to fund operations; and (4) issued \$2,110 million of Convertible Notes that if converted to equity would improve Realogy's liquidity position.

In September and October 2009, Realogy incurred \$650 million of Second Lien Loans (the "Second Lien Loans") under the Senior Secured Credit Facility, the net proceeds of which were used to pay down outstanding balances on the revolving credit facility under the Senior Secured Credit Facility and for working capital as well as to exchange \$150 million of Second Lien Loans for \$221 million aggregate principal amount of outstanding Senior Toggle Notes.

In January and February of 2011, Realogy completed a series of transactions, referred to herein as the "2011 Refinancing Transactions," to refinance portions of its Senior Secured Credit Facility and the Existing Notes.

On January 5, 2011, Realogy completed private exchange offers, relating to its then outstanding Existing Notes (the "Debt Exchange Offering"). As a result of the Debt Exchange Offering, \$2,110 million of Existing Notes were tendered for Convertible Notes due 2018, \$632 million of Existing Notes due 2014 and 2015 were tendered for Extended Maturity Notes due 2017 and 2018 and \$303 million of Existing Notes remained outstanding.

Effective February 3, 2011, we entered into a first amendment to our senior secured credit facility (the “Senior Secured Credit Facility Amendment”) and an incremental assumption agreement, which resulted in the following: (i) extended the maturity of a significant portion of our first lien term loans to October 10, 2016; (ii) extended the maturity of a significant portion of the loans and commitments under our revolving credit facility to April 10, 2016, and converted a portion of the extended revolving loans to extended term loans (\$98 million in the aggregate); (iii) extended the maturity of a significant portion of the commitments under our synthetic letter of credit facility to October 10, 2016; and (iv) allowed for the issuance of First and a Half Lien Notes, which would not be counted as senior secured debt for purposes of determining the Company's compliance with the senior secured leverage covenant under the Senior Secured Credit Facility. On February 3, 2011, the Company issued \$700 million aggregate principal amount of Existing First and a Half Lien Notes due 2019 in a

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private offering exempt from the registration requirements of the Securities Act, the net proceeds of which, along with cash on hand, were used to prepay \$700 million of certain of the first lien term loans that were extended in connection with the Senior Secured Credit Facility Amendment.

On February 2, 2012, Realogy issued \$593 million of First Lien Notes due 2020 and \$325 million of New First and a Half Lien Notes due 2020 in a private offering exempt from the registration requirements of the Securities Act, referred to herein as the “2012 Senior Secured Notes Offering.” The Company used the proceeds from the offering, of approximately \$918 million, to: (i) prepay \$629 million of its non-extended term loan borrowings under its senior secured credit facility which were due to mature in October 2013, (ii) repay all of the \$133 million in outstanding borrowings under its non-extended revolving credit facility which was due to mature in April 2013, and (iii) repay \$156 million of the outstanding borrowings under its extended revolving credit facility. In conjunction with the repayments of \$289 million described in clauses (ii) and (iii), the Company reduced the commitments under its non-extended revolving credit facility by a like amount, thereby terminating the non-extended revolving credit facility.

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#### Senior Secured Credit Facility

The Senior Secured Credit Facility consists of (i) term loan facilities, (ii) revolving credit facilities, (iii) a synthetic letter of credit facility (the facilities described in clauses (i), (ii) and (iii), as amended by the Senior Secured Credit Facility Amendment, collectively referred to as the “First Lien Facilities”), and (iv) an incremental (or accordion) loan facility, a portion of which as summarized above was utilized in connection with the incurrence of Second Lien Loans. Realogy uses the revolving credit facility for, among other things, working capital and other general corporate purposes.

The loans under the First Lien Facilities (the “First Lien Loans”) are secured to the extent legally permissible by substantially all of the assets of Realogy, Intermediate and the subsidiary guarantors, including but not limited to (i) a first-priority pledge of substantially all capital stock held by Realogy or any subsidiary guarantor (which pledge, with respect to obligations in respect of the borrowings secured by a pledge of the stock of any first-tier foreign subsidiary, is limited to 100% of the non-voting stock (if any) and 65% of the voting stock of such foreign subsidiary), and (ii) perfected first-priority security interests in substantially all tangible and intangible assets of Realogy and each subsidiary guarantor, subject to certain exceptions.

The Second Lien Loans are secured by liens on the assets of Realogy and by the guarantors that secure the First Lien Loans. However, such liens are junior in priority to the First Lien Loans, the First Lien Notes and the First and a Half Lien Notes. The Second Lien Loans interest payments are payable semi-annually on April 15 and October 15 of each year. The Second Lien Loans mature on October 15, 2017 and there are no required amortization payments.

The senior secured credit facility also provides for a synthetic letter of credit facility which is for: (i) the support of Realogy’s obligations with respect to Cendant contingent and other liabilities assumed under the Separation and Distribution Agreement and (ii) general corporate purposes in an amount not to exceed \$100 million. The synthetic letter of credit facility capacity is \$186 million at March 31, 2012, of which \$43 million will expire in October 2013 and \$143 million will expire in October 2016. As of March 31, 2012, the capacity was being utilized by a \$70 million letter of credit with Cendant for any remaining potential contingent obligations and \$100 million of letters of credit for general corporate purposes.

Realogy’s senior secured credit facility contains financial, affirmative and negative covenants and requires Realogy to maintain a senior secured leverage ratio not to exceed a maximum amount on the last day of each fiscal quarter. Specifically, Realogy’s total senior secured net debt to trailing twelve month EBITDA may not exceed 4.75 to 1.0. EBITDA, as defined in the senior secured credit facility, includes certain adjustments and is calculated on a “pro forma” basis for purposes of calculating the senior secured leverage ratio. In this report, the Company refers to the term “Adjusted EBITDA” to mean EBITDA as so defined for purposes of determining compliance with the senior secured leverage covenant. Total senior secured net debt does not include the First and a Half Lien Notes, Second Lien Loans, other bank indebtedness not secured by a first lien on Realogy or its subsidiaries assets, securitization obligations or the unsecured notes. At March 31, 2012, Realogy’s senior secured leverage ratio was 4.02 to 1.0.

Realogy has the right to cure an event of default of the senior secured leverage ratio in three of any of the four consecutive quarters through the issuance of additional Intermediate equity for cash, which would be infused as capital into Realogy. The effect of such infusion would be to increase Adjusted EBITDA for purposes of calculating the senior secured leverage ratio for the applicable twelve-month period and reduce net senior secured indebtedness upon actual receipt of such capital. If Realogy is unable to maintain compliance with the senior secured leverage ratio and fails to remedy a default

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through an equity cure as described above, there would be an “event of default” under the senior secured credit facility. Other events of default under the senior secured credit facility include, without limitation, nonpayment, material misrepresentations, insolvency, bankruptcy, certain material judgments, change of control and cross-events of default on material indebtedness.

If an event of default occurs under the senior secured credit facility, and Realogy fails to obtain a waiver from the lenders, Realogy’s financial condition, results of operations and business would be materially adversely affected. Upon the occurrence of an event of default under the senior secured credit facility, the lenders:

- would not be required to lend any additional amounts to Realogy;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- could require Realogy to apply all of its available cash to repay these borrowings; or
- could prevent Realogy from making payments on the First and a Half Lien Notes or the unsecured notes; any of which could result in an event of default under the First and a Half Lien Notes, the unsecured notes and the Company’s Apple Ridge Funding LLC securitization program.

If the Company were unable to repay those amounts, the lenders under the senior secured credit facility could proceed against the collateral granted to secure the senior secured credit facility and its other secured indebtedness. The Company has pledged the majority of its assets as collateral to secure such indebtedness. If the lenders under the senior secured credit facility were to accelerate the repayment of borrowings, then the Company may not have sufficient assets to repay the senior secured credit facility and its other indebtedness, including the First Lien Notes, the First and a Half Lien Notes, the Second Lien Loans and the Unsecured Notes, or be able to borrow sufficient funds to refinance such indebtedness. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to the Company.

### First Lien Notes

The \$593 million of First Lien Notes are senior secured obligations of the Company and mature on January 15, 2020. The First Lien Notes bear interest at a rate of 7.625% per annum and interest is payable semiannually on January 15 and July 15 of each year, commencing July 15, 2012. The First Lien Notes are guaranteed on a senior secured basis by Intermediate and each domestic subsidiary of the Company that is a guarantor under the Senior Secured Credit Facility and certain of the Company’s outstanding securities. The First Lien Notes are also guaranteed by Holdings, on an unsecured senior subordinated basis. The First Lien Notes are secured by the same collateral as the Company’s existing secured obligations under its Senior Secured Credit Facility. The priority of the collateral liens securing the First Lien Notes is (i) equal to the collateral liens securing the Company’s first lien obligations under the Senior Secured Credit Facility, (ii) senior to the collateral liens securing the Company’s other secured obligations not secured by a first priority lien, including the First and a Half Lien Notes and the Second Lien Loans.

### First and a Half Lien Notes

The First and a Half Lien Notes are senior secured obligations of the Company. The \$700 million of Existing First and a Half Lien Notes mature on February 15, 2019 and bear interest at a rate of 7.875% per annum, payable semiannually on February 15 and August 15 of each year. The New First and a Half Lien Notes mature on January 15, 2020. The \$325 million of New First and a Half Lien Notes bear interest at a rate of 9.0% per annum and interest is payable semiannually on January 15 and July 15 of each year, commencing July 15, 2012. The First and a Half Lien Notes are guaranteed on a senior secured basis by Intermediate and each domestic subsidiary of the Company that is a guarantor under the Senior Secured Credit Facility and certain of the Company’s outstanding securities. The First and a Half Lien Notes are also guaranteed by Holdings, on an unsecured senior subordinated basis. The First and a Half Lien Notes are secured by the same collateral as the Company’s existing secured obligations under its Senior Secured Credit Facility, but the priority of the collateral liens securing the First and a Half Lien Notes is (i) junior to the collateral liens securing the Company’s first lien obligations under its Senior Secured Credit Facility and the First Lien Notes, and (ii) senior to the collateral liens securing the Company’s second lien obligations under its Senior Secured Credit Facility. The priority of the collateral liens securing each series of the First and a Half Lien Notes is equal to one another.



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## Other Bank Indebtedness

Realogy has separate revolving U.S. credit facilities under which it could borrow up to \$100 million at March 31, 2012 and \$125 million at December 31, 2011 and a separate U.K. credit facility under which it could borrow up to £5 million (\$8 million) at March 31, 2012 and December 31, 2011. These facilities are not secured by assets of Realogy or any of its subsidiaries but are supported by letters of credit issued under the senior secured credit facility. The facilities generally have a one-year term with certain options for renewal. As of March 31, 2012, Realogy had outstanding borrowings of \$100 million under these credit facilities. In April 2012, Realogy extended the \$50 million facility that was due in July 2012 to July 2013. As a result, Realogy has \$8 million of capacity which expires in August 2012, \$50 million due in January 2013 and \$50 million due in July 2013. For the three months ended March 31, 2012 and March 31, 2011, the weighted average interest rate under the U.S. credit facilities was 2.9% with interest payable either monthly or quarterly.

## Unsecured Notes

On April 10, 2007, Realogy issued in a private placement \$1,700 million of Senior Notes due 2014, \$550 million of Senior Toggle Notes due 2014 and \$875 million of Senior Subordinated Notes due 2015. On February 15, 2008, Realogy completed an exchange offer to register the privately placed notes under the Securities Act. The registration statement was filed on Form S-4 (File No. 333-148153 declared effective by the SEC on January 9, 2008). The term "Existing Notes" refers to the privately placed notes and the exchange notes.

The 10.50% Senior Notes mature on April 15, 2014 and bear interest payable semiannually on April 15 and October 15 of each year. The 11.50% Senior Notes mature on April 15, 2017 and bear interest payable semiannually on April 15 and October 15 of each year.

The Senior Toggle Notes mature on April 15, 2014. Interest is payable semiannually on April 15 and October 15 of each year. For any interest payment period after the initial interest payment period and through October 15, 2011, Realogy had the option to pay interest on the Senior Toggle Notes (i) entirely in cash ("Cash Interest"), (ii) entirely by increasing the principal amount of the outstanding Senior Toggle Notes or by issuing Senior Toggle Notes ("PIK Interest"), or (iii) 50% as Cash Interest and 50% as PIK Interest. Cash Interest on the Senior Toggle Notes accrues at a rate of 11.00% per annum. PIK Interest on the Senior Toggle Notes accrues at the Cash Interest rate per annum plus 0.75%. Beginning with the interest period which ended October 2008 through the interest period which ended April 2011, Realogy elected to satisfy its interest payment obligations by issuing additional Senior Toggle Notes. Realogy elected to pay Cash Interest for the interest period commencing April 15, 2011 and is required to make all future interest payments on the Senior Toggle Notes entirely in cash until they mature.

Realogy would be subject to certain interest deduction limitations if the Senior Toggle Notes were treated as "applicable high yield discount obligations" ("AHYDO") within the meaning of Section 163(i)(1) of the Internal Revenue Code, as amended. In order to avoid such treatment, Realogy is required to redeem for cash a portion of each Senior Toggle Note outstanding on April 15, 2012 for the periods that Realogy elected to pay PIK Interest. As a result, on April 16, 2012, Realogy redeemed \$11 million principal amount of the outstanding Senior Toggle Notes.

The 12.00% Senior Notes mature on April 15, 2017 and bear interest payable semiannually on April 15 and October 15 of each year. The 12.375% Senior Subordinated Notes mature on April 15, 2015 and bear interest payable semiannually on April 15 and October 15 of each year. The 13.375% Senior Subordinated Notes mature on April 15, 2018 and bear interest payable on April 15 and October 15 of each year.

The Senior Notes are guaranteed on an unsecured senior basis, and the Senior Subordinated Notes are guaranteed on an unsecured senior subordinated basis, in each case, by each of Realogy's existing and future U.S. subsidiaries that is a guarantor under the senior secured credit facility or that guarantees certain other indebtedness in the future, subject to certain exceptions. The Senior Notes are guaranteed by Holdings on an unsecured senior subordinated basis and the Senior Subordinated Notes are guaranteed by Holdings on an unsecured junior subordinated basis.

On June 24, 2011, Realogy completed offers of exchange notes for Extended Maturity Notes issued in the Debt Exchange Offering. The term "exchange notes" refers to the 11.50% Senior Notes due 2017, the 12.00% Senior Notes due 2017 and the 13.375% Senior Subordinated Notes due 2018, all as registered under the Securities Act, pursuant to a Registration Statement on Form S-4 (File No. 333-173254 declared effective by the SEC on May 20, 2011). Each series of the exchange notes are substantially identical in all material respects to the Extended Maturity Notes of the

applicable series issued in the Debt Exchange Offering (except that the new registered exchange notes do not contain terms with respect to additional interest or transfer restrictions). Unless the context otherwise requires, the term “Extended Maturity Notes” refers

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to the exchange notes.

### Convertible Notes

The Series A Convertible Notes, Series B Convertible Notes and Series C Convertible Notes mature on April 15, 2018 and bear interest at a rate per annum of 11.00% payable semiannually on April 15 and October 15 of each year. The Convertible Notes are convertible into Class A Common Stock at any time prior to April 15, 2018. The Series A Convertible Notes and Series B Convertible Notes are initially convertible into 975.6098 shares of Class A Common Stock per \$1,000 aggregate principal amount of Series A Convertible Notes and Series B Convertible Notes, which is equivalent to an initial conversion price of approximately \$1.025 per share, and the Series C Convertible Notes are initially convertible into 926.7841 shares of Class A Common Stock per \$1,000 aggregate principal amount of Series C Convertible Notes, which is equivalent to an initial conversion price of approximately \$1.079 per share, subject to adjustment if specified distributions to holders of the Class A Common Stock are made or specified corporate transactions occur, in each case as set forth in the indenture governing the Convertible Notes. The Convertible Notes are guaranteed on an unsecured senior subordinated basis by each of Realogy's existing and future U.S. subsidiaries that is a guarantor under the senior secured credit facility or that guarantees certain other indebtedness in the future, subject to certain exceptions. The Convertible Notes are guaranteed on an unsecured junior subordinated basis by Holdings.

Following a Qualified Public Offering, Realogy may, at its option, redeem the Convertible Notes, in whole or in part, at a redemption price, payable in cash, equal to 90% of the principal amount of the Convertible Notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date.

On March 21, 2012, the SEC declared effective a Registration Statement on Form S-1 (File No. 333-179896) of Holdings and Realogy, which included the effectiveness of a Post-Effective Amendment to the registration statement initially declared effective on June 16, 2011. The Registration Statement registers for resale the outstanding Convertible Notes and the Class A Common Stock of Holdings issuable upon conversion of the Convertible Notes. Offers and sales of the Convertible Notes and Class A Common Stock may be made by selling securityholders named in the registration statement pursuant to the related prospectus, as amended or supplemented from time to time.

### Loss on the Early Extinguishment of Debt and Write-Off of Deferred Financing Costs

As a result of the 2012 Senior Secured Notes Offering, the Company recorded a loss on the early extinguishment of debt of \$6 million during the three months ended March 31, 2012.

As a result of the 2011 Refinancing Transactions, the Company recorded a loss on the early extinguishment of debt of \$36 million and wrote off deferred financing costs of \$7 million to interest expense as a result of debt modifications during the three months ended March 31, 2011.

### Securitization Obligations

Realogy has secured obligations through Apple Ridge Funding LLC, a securitization program with a borrowing capacity of \$400 million and expiration date of December 2013.

In 2010, Realogy, through a special purpose entity, Cartus Financing Limited, entered into agreements providing for a £35 million revolving loan facility which expires in August 2015 and a £5 million working capital facility which expires in August 2012. These Cartus Financing Limited facilities are secured by relocation assets of a U.K. government contract in a special purpose entity and are therefore classified as permitted securitization financings as defined in Realogy's senior secured credit facility and the indentures governing the Unsecured Notes.

The Apple Ridge entities and Cartus Financing Limited entity are consolidated special purpose entities that are utilized to securitize relocation receivables and related assets. These assets are generated from advancing funds on behalf of clients of Realogy's relocation business in order to facilitate the relocation of their employees. Assets of these special purpose entities are not available to pay Realogy's general obligations. Under the Apple Ridge program, provided no termination or amortization event has occurred, any new receivables generated under the designated relocation management agreements are sold into the securitization program and as new eligible relocation management agreements are entered into, the new agreements are designated to the program. The Apple Ridge program has restrictive covenants and trigger events, including performance triggers linked to the age and quality of the underlying assets, foreign obligor limits, multicurrency limits, financial reporting requirements, restrictions on mergers and change of control, breach of Realogy's senior secured leverage ratio under Realogy's senior secured credit

facility if uncured, and cross-defaults to Realogy's credit agreement, unsecured and secured notes or other material indebtedness. The occurrence of a trigger event under the Apple Ridge securitization

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facility could restrict our ability to access new or existing funding under this facility or result in termination of the facility, either of which would adversely affect the operation of our relocation business.

Certain of the funds that the Company receives from relocation receivables and related assets must be utilized to repay securitization obligations. These obligations were collateralized by \$362 million and \$366 million of underlying relocation receivables and other related relocation assets at March 31, 2012 and December 31, 2011, respectively. Substantially all relocation related assets are realized in less than twelve months from the transaction date. Accordingly, all of the Company's securitization obligations are classified as current in the accompanying Consolidated Balance Sheets.

Interest incurred in connection with borrowings under these facilities amounted to \$2 million and \$1 million for the three months ended March 31, 2012 and 2011, respectively. This interest is recorded within net revenues in the accompanying Consolidated Statements of Operations as related borrowings are utilized to fund the Company's relocation business where interest is generally earned on such assets. These securitization obligations represent floating rate debt for which the average weighted interest rate was 3.5% and 1.9% for the three months ended March 31, 2012 and 2011, respectively.

Covenants under the Senior Secured Credit Facility and Certain Indentures

The senior secured credit facility and the indentures governing the First Lien Notes, First and a Half Lien Notes, the Extended Maturity Notes and the 12.375% Senior Subordinated Notes contain various covenants that limit Realogy's ability to, among other things:

- incur or guarantee additional debt;
  - incur debt that is junior to senior indebtedness and senior to the Senior Subordinated Notes;
  - pay dividends or make distributions to Realogy's stockholders;
  - repurchase or redeem capital stock or subordinated indebtedness;
  - make loans, investments or acquisitions;
  - incur restrictions on the ability of certain of our subsidiaries to pay dividends or to make other payments to Realogy;
  - enter into transactions with affiliates;
  - create liens;
  - merge or consolidate with other companies or transfer all or substantially all of our assets;
  - transfer or sell assets, including capital stock of subsidiaries; and
  - prepay, redeem or repurchase the Unsecured Notes, the First Lien Notes and the First and a Half Lien Notes and debt that is junior in right of payment to the Unsecured Notes, the First Lien Notes and the First and a Half Lien Notes.
- In connection with the Debt Exchange Offering, Realogy received consents from the holders of the 10.50% Senior Notes and Senior Toggle Notes to amend the respective indentures governing the terms of such Existing Notes to remove substantially all of the restrictive covenants and certain other provisions previously contained in such indentures.

As a result of the covenants to which we remain subject, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, on the last day of each fiscal quarter, the financial covenant in the senior secured credit facility requires us to maintain on a quarterly basis a senior secured leverage ratio not to exceed a maximum amount. Specifically, Realogy's total senior secured net debt to trailing twelve month EBITDA may not exceed 4.75 to 1.0. EBITDA, as defined in the senior secured credit facility, includes certain adjustments and also is calculated on a pro forma basis for purposes of calculating the senior secured leverage ratio. In this report, the Company refers to the term "Adjusted EBITDA" to mean EBITDA as so defined for purposes of determining compliance with the senior secured leverage ratio covenant. Total senior secured net debt does not include the Second Lien Loans, securitization obligations, the First and a Half Lien Notes or the Unsecured Notes or other indebtedness secured by a lien that is pari passu or junior in priority to the First and a Half Lien Notes. At March 31, 2012, the Company's senior secured leverage ratio was 4.02 to 1.0.

To maintain compliance with the senior secured leverage ratio for the twelve-month periods ending June 30, 2012, September 30, 2012, December 31, 2012 and March 31, 2013 (or to avoid an event of default thereof), the Company will



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need to achieve a certain amount of Adjusted EBITDA and/or reduced levels of total senior secured net debt. The factors that will impact the foregoing include: (a) changes in homesale transactions and/or the price of existing homesales, (b) the ability to continue to implement cost-savings and business productivity enhancement initiatives, (c) increasing new franchise sales, sales associate recruitment and/or brokerage and other acquisitions, (d) obtaining additional equity financing from our parent company, (e) obtaining additional debt financing from affiliated or non-affiliated debt holders, or (f) a combination thereof. Factors (b) through (e) may be insufficient to overcome macroeconomic conditions affecting the Company.

Based upon the Company's financial forecast, the Company believes that it will continue to be in compliance with the senior secured leverage ratio covenant during the next twelve months. While the housing market has shown signs of stabilization, there remains substantial uncertainty with respect to the timing and scope of a housing recovery and if a housing recovery is delayed or is weak, we may be subject to additional pressure in maintaining compliance with our senior secured leverage ratio.

The Company's financial forecast of Adjusted EBITDA considers numerous factors including open homesale contract trends, industry forecasts and macroeconomic factors, local market dynamics and concentrations in the markets in which we operate. Our twelve month forecast is updated monthly to consider the actual results of the Company and incorporates current homesale contract activity, updated industry forecasts and macroeconomic factors and changes in local market dynamics as well as additional cost savings and business optimization initiatives underway or to be implemented by management. As such initiatives are implemented, management, as permitted by the existing agreement, will pro forma the effect of such measures and add back the savings or enhanced revenue from those initiatives as if they had been implemented at the beginning of the trailing twelve-month period.

The Company has the right to cure an event of default of the senior secured leverage ratio in three of any of the four consecutive quarters through the issuance of additional Intermediate equity for cash, which would be infused as capital into the Company. The effect of such infusion would be to increase Adjusted EBITDA for purposes of calculating the senior secured leverage ratio for the applicable twelve-month period and reduce net senior secured indebtedness upon actual receipt of such capital. If we are unable to maintain compliance with the senior secured leverage ratio and we fail to remedy a default through an equity cure as described above, there would be an "event of default" under the senior secured credit agreement. Other events of default under the senior secured credit facility include, without limitation, nonpayment, material misrepresentations, insolvency, bankruptcy, certain material judgments, change of control and cross-events of default on material indebtedness.

If an event of default occurs under the senior secured credit facility and we fail to obtain a waiver from our lenders, our financial condition, results of operations and business would be materially adversely affected. Upon the occurrence of an event of default under the senior secured credit facility, the lenders:

- would not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable;
- could require us to apply all of our available cash to repay these borrowings; or
- could prevent us from making payments on the First Lien Notes, the First and a Half Lien Notes or the Unsecured Notes;

any of which could result in an event of default under the First Lien Notes, the First and a Half Lien Notes or the Unsecured Notes or our Apple Ridge Funding LLC securitization program.

If we were unable to repay those amounts, the lenders under the senior secured credit facility could proceed against the collateral granted to them to secure that indebtedness. We have pledged the majority of our assets as collateral under the senior secured credit facility and the indentures governing the First Lien Notes and the First and a Half Lien Notes. If the lenders under the senior secured credit facility were to accelerate the repayment of borrowings thereunder, then we may not have sufficient assets to repay the First Lien Loans under the senior secured credit facility and our other indebtedness, including the First Lien Notes, the First and a Half Lien Notes, the Second Lien Loans and the Unsecured Notes, or be able to borrow sufficient funds to refinance such indebtedness. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us.



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## Non-GAAP Financial Measures

The SEC has adopted rules to regulate the use in filings with the SEC and in public disclosures of “non-GAAP financial measures,” such as EBITDA, EBITDA before restructuring and other items and Adjusted EBITDA and the ratios related thereto. These measures are derived on the basis of methodologies other than in accordance with GAAP. EBITDA is defined by us as net income (loss) before depreciation and amortization, interest (income) expense, net (other than relocation services interest for securitization assets and securitization obligations) and income taxes. EBITDA before restructuring and other items is defined by us as EBITDA adjusted for merger costs, restructuring costs, former parent legacy cost (benefit) items, net, and (gain) loss on the early extinguishment of debt. Adjusted EBITDA is presented to demonstrate our compliance with the senior secured leverage ratio covenant in the senior secured credit facility. We present EBITDA, EBITDA before restructuring and other items and Adjusted EBITDA because we believe EBITDA, EBITDA before restructuring and other items and Adjusted EBITDA are useful as supplemental measures in evaluating the performance of our operating businesses and provides greater transparency into our results of operations. Our management, including our chief operating decision maker, use EBITDA and EBITDA before restructuring and other items as a factor in evaluating the performance of our business. EBITDA, EBITDA before restructuring and other items and Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations data prepared in accordance with GAAP.

We believe EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations in capital structures (affecting net interest expense), taxation, the age and book depreciation of facilities (affecting relative depreciation expense) and the amortization of intangibles, which may vary for different companies for reasons unrelated to operating performance. We believe EBITDA before restructuring and other items also facilitates company-to-company operating performance comparisons by backing out those items in EBITDA as well as certain historical cost (benefit) items which may vary for different companies for reasons unrelated to operating performance. We further believe that EBITDA is frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present an EBITDA measure when reporting their results.

EBITDA and EBITDA before restructuring and other items have limitations as analytical tools, and you should not consider EBITDA or EBITDA before restructuring and other items either in isolation or as substitutes for analyzing our results as reported under GAAP. Some of these limitations are:

- these measures do not reflect changes in, or cash requirement for, our working capital needs;
- these measures do not reflect our interest expense (except for interest related to our securitization obligations), or the cash requirements necessary to service interest or principal payments on our debt;
- these measures do not reflect our income tax expense or the cash requirements to pay our taxes;
- these measures do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often require replacement in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies may calculate these measures differently so they may not be comparable.

Adjusted EBITDA as used herein corresponds to the definition of “EBITDA,” calculated on a “pro forma basis,” used in the senior secured credit facility to calculate the senior secured leverage ratio.

Like EBITDA and EBITDA before restructuring and other items, Adjusted EBITDA has limitations as an analytical tool, and you should not consider Adjusted EBITDA either in isolation or as a substitute for analyzing our results as reported under GAAP. In addition to the limitations described above with respect to EBITDA and EBITDA before restructuring and other items, Adjusted EBITDA includes pro forma cost savings, the pro forma effect of business optimization initiatives and the pro forma full year effect of acquisitions and new franchisees. These adjustments may not reflect the actual cost savings or pro forma effect recognized in future periods.

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A reconciliation of net loss attributable to Realogy to EBITDA and Adjusted EBITDA for the twelve months ended March 31, 2012 is set forth in the following table:

	Year Ended	Less Three Months Ended	Equals Nine Months Ended	Plus Three Months Ended	Equals Twelve Months Ended
	December 31, 2011	March 31, 2011	December 31, 2011	March 31, 2012	March 31, 2012
Net loss attributable to Realogy <sup>(a)</sup>	\$ (441)	) \$ (237)	) \$ (204)	) \$ (192)	) \$ (396)
Income tax expense	32	1	31	7	38
Income before income taxes	(409)	) (236)	) (173)	) (185)	) (358)
Interest expense, net	666	179	487	170	657
Depreciation and amortization	186	46	140	45	185
EBITDA <sup>(b)</sup>	443	(11)	) 454	30	484
Covenant calculation adjustments:					
Restructuring costs, merger costs and former parent legacy costs (benefit), net <sup>(c)</sup>					(3)
Loss on the early extinguishment of debt					6
EBITDA before restructuring and other items					487
Pro forma cost savings for 2012 restructuring initiatives <sup>(d)</sup>					3
Pro forma cost savings for 2011 restructuring initiatives <sup>(e)</sup>					7
Pro forma effect of business optimization initiatives <sup>(f)</sup>					47
Non-cash charges <sup>(g)</sup>					5
Non-recurring fair value adjustments for purchase accounting <sup>(h)</sup>					4
Pro forma effect of acquisitions and new franchisees <sup>(i)</sup>					6
Apollo management fees <sup>(i)</sup>					15
Incremental securitization interest costs <sup>(k)</sup>					3
Adjusted EBITDA					\$ 577
Total senior secured net debt <sup>(l)</sup>					\$ 2,317
Senior secured leverage ratio					4.02

Net loss attributable to Realogy consists of: (i) a loss of \$22 million for the second quarter of 2011; (ii) a loss of (a) \$28 million for the third quarter of 2011; (iii) a loss of \$154 million for the fourth quarter of 2011 and (iv) a loss of \$192 million for the first quarter of 2012.

EBITDA consists of: (i) \$187 million for the second quarter of 2011; (ii) \$187 million for the third quarter of 2011; (b) (iii) \$80 million for the fourth quarter of 2011 and (iv) \$30 million for the first quarter of 2012.

(c) Consists of \$12 million of restructuring costs and \$1 million of merger costs offset by a net benefit of \$16 million for former parent legacy items.

(d) Represents actual costs incurred that are not expected to recur in subsequent periods due to restructuring activities initiated during the first three months of 2012. From this restructuring, we expect to reduce our operating costs by approximately \$3 million on a twelve-month run-rate basis and estimate that less than \$1 million of such savings were realized from the time they were put in place. The adjustment shown represents the impact the savings would have had on the period from April 1, 2011 through the time they were put in place had those actions been effected on April 1, 2011.

(e) Represents actual costs incurred that are not expected to recur in subsequent periods due to restructuring activities initiated during the year ended December 31, 2011. From this restructuring, we expect to reduce our operating costs by approximately \$21 million on a twelve-month run-rate basis and estimate that \$14 million of such savings were realized from the time they were put in place. The adjustment shown represents the impact the savings would have had on the period from April 1, 2011 through the time they were put in place had those actions been effected on April 1, 2011.

(f)

Represents the twelve-month pro forma effect of business optimization initiatives that have been completed to reduce costs, including \$2 million related to our Relocation Services integration costs and acquisition related non-cash adjustments, \$5 million related to vendor renegotiations and \$40 million for employee retention accruals. The employee retention accruals reflect the employee retention plans that have been implemented in lieu of our customary bonus plan, due to the ongoing and prolonged downturn in the housing market in order to ensure the retention of executive officers and other key personnel, principally within our corporate services unit and the corporate offices of our four business units.

Represents the elimination of non-cash expenses, including \$6 million of stock-based compensation expense and (g) \$6 million of other items less \$7 million for the change in the allowance for doubtful accounts and notes reserves from April 1, 2011 through March 31, 2012.

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(h) Reflects the adjustment for the negative impact of fair value adjustments for purchase accounting at the operating business segments primarily related to deferred rent.

Represents the estimated impact of acquisitions and new franchisees as if they had been acquired or signed on April 1, 2011. Franchisee sales activity is comprised of new franchise agreements as well as growth acquired by (i) existing franchisees with our assistance. We have made a number of assumptions in calculating such estimate and there can be no assurance that we would have generated the projected levels of EBITDA had we owned the acquired entities or entered into the franchise contracts as of April 1, 2011.

(j) Represents the elimination of annual management fees payable to Apollo for the twelve months ended March 31, 2012.

(k) Incremental borrowing costs incurred as a result of the securitization facilities refinancing for the twelve months ended March 31, 2012.

Represents total borrowings under the senior secured credit facility which are secured by a first priority lien on our assets of \$2,415 million plus \$11 million of capital lease obligations less \$109 million of readily available cash as (l) of March 31, 2012. Pursuant to the terms of the senior secured credit facility, senior secured net debt does not include First and a Half Lien Notes, Second Lien Loans, and other indebtedness that is secured by a lien that is pari passu or junior to the First and a Half Lien Notes or securitization obligations.

### Liquidity Risks

Our liquidity position may be negatively affected as a result of the following specific liquidity risks.

#### Negative Cash Flows; Seasonality and Cash Requirements

Our liquidity position has been and is expected to continue to be negatively impacted by the ongoing unfavorable conditions in the real estate market resulting in negative cash flows and the substantial interest expense on our debt obligations. Our business segments are also subject to seasonal fluctuations. Historically, operating results and revenues for all of our businesses have been strongest in the second and third quarters of the calendar year. A significant portion of the expenses we incur in our real estate brokerage operations are related to marketing activities and commissions and are, therefore, variable. However, many of our other expenses, such as interest payments, facilities costs and certain personnel-related costs, are fixed and cannot be reduced during a seasonal slowdown. For example, interest payments of approximately \$215 million are due on our Unsecured Notes and Second Lien Loans in October and April of each year. Accordingly, the two most significant interest payments fall in, or immediately following, periods of our lowest cash flow generation. Because of this asymmetry and the size of our cash interest obligations, if unfavorable conditions in the real estate market and general macroeconomic conditions do not significantly improve, we would be required to seek additional sources of working capital for our future liquidity needs, including obtaining additional financing from affiliated or non-affiliated debt holders and deferring or reducing spending. There can be no assurance that we would be able to defer or reduce expenses or that any such actions would not materially and adversely impact our business and results of operations or that we would be able to obtain financing on acceptable terms or at all.

#### Senior Secured Credit Facility Covenant Compliance

On the last day of each fiscal quarter, the financial covenant in the senior secured credit facility requires us to maintain on a quarterly basis a senior secured leverage ratio not to exceed a maximum amount. Specifically, our total senior secured net debt to trailing twelve month Adjusted EBITDA may not exceed 4.75 to 1.0.

As of March 31, 2012, we were in compliance with the senior secured leverage ratio covenant with a ratio of 4.02 to 1.0. While the housing market has shown signs of stabilization, there remains substantial uncertainty with respect to the timing and scope of a housing recovery and if a housing recovery is delayed or is weak, we may be subject to additional pressure in maintaining compliance with our senior secured leverage ratio as a result of negative cash flows due to our significant annual interest payments.

To maintain compliance with the senior secured leverage ratio for the twelve-month periods ending June 30, 2012, September 30, 2012, December 31, 2012 and March 31, 2013 (or to avoid an event of default thereof), the Company will need to achieve a certain amount of Adjusted EBITDA and/or reduced levels of total senior secured net debt. The factors that will impact the foregoing include: (a) changes in homesale transactions and/or the price of existing homesales, (b) the ability to continue to implement cost-savings and business productivity enhancement initiatives, (c)

increasing new franchise sales, sales associate recruitment and/or brokerage and other acquisitions, (d) obtaining additional equity financing from our parent company, (e) obtaining additional debt financing from affiliated or non-affiliated debt holders, or (f) a combination thereof. Factors (b) through (e) may be insufficient to overcome macroeconomic conditions affecting the Company.

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If we fail to maintain the senior secured leverage ratio or otherwise default under our senior secured credit facility and if we fail to obtain a waiver from our lenders, then our financial condition, results of operations and business would be materially adversely affected.

We will continue to evaluate potential financing transactions, including refinancing certain tranches of our indebtedness, issuing incremental debt, obtaining incremental letters of credit and extending maturities as well as potential transactions pursuant to which third parties, Apollo or its affiliates may provide financing to us or otherwise engage in transactions to provide liquidity to us. There can be no assurance as to which, if any, of these alternatives we may pursue as the choice of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our existing financing agreements and the consents we may need to obtain under the relevant documents. There also can be no assurance that financing or refinancing will be available to us on acceptable terms or at all. The conversion of all or a portion of our approximately \$2.1 billion in outstanding Convertible Notes into equity at the option of the holders thereof would increase our liquidity, although the holders of the Convertible Notes are not obligated to do so.

**Interest Rate Risk**

Certain of our borrowings, primarily borrowings under our senior secured credit facility, our other bank indebtedness and our securitization arrangements, are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net loss would increase further. We have entered into interest rate swaps, involving the exchange of floating for fixed rate interest payments, to reduce interest rate volatility for a portion of our floating interest rate debt facilities.

**Securitization Programs**

Funding requirements of our relocation business are primarily satisfied through the issuance of securitization obligations to finance relocation receivables and advances. The Apple Ridge program has restrictive covenants and trigger events, including performance triggers linked to the age and quality of the underlying assets, foreign obligor limits, multicurrency limits, financial reporting requirements, restrictions on mergers and change of control, breach of Realty's senior secured leverage ratio under Realty's senior secured credit facility if uncured, and cross-defaults to Realty's credit agreement, unsecured and secured notes or other material indebtedness.

**Contractual Obligations**

The following table summarizes our future contractual obligations as of March 31, 2012:

	Remaining						Total
	2012	2013	2014	2015	2016	Thereafter	
Extended term loan facility <sup>(a)</sup>	\$ —	\$ —	\$ —	\$ —	\$ 1,822	\$ —	\$ 1,822
First Lien Notes <sup>(b)</sup>	—	—	—	—	—	593	593
Existing First and a Half Lien Notes <sup>(c)</sup>	—	—	—	—	—	700	700
New First and a Half Lien Notes <sup>(c)</sup>	—	—	—	—	—	325	325
Second Lien Loans <sup>(e)</sup>	—	—	—	—	—	650	650
Other bank indebtedness <sup>(d)</sup>	—	100	—	—	—	—	100
10.50% Senior Notes <sup>(f)</sup>	—	—	64	—	—	—	64
11.50% Senior Notes <sup>(g)</sup>	—	—	—	—	—	492	492
11.00%/11.75% Senior Toggle Notes <sup>(e) (f)</sup>	11	—	41	—	—	—	52
12.00% Senior Notes <sup>(g)</sup>	—	—	—	—	—	130	130
12.375% Senior Subordinated Notes <sup>(f)</sup>	—	—	—	190	—	—	190
13.375% Senior Subordinated Notes <sup>(g)</sup>	—	—	—	—	—	10	10
11.00% Convertible Notes <sup>(g)</sup>	—	—	—	—	—	2,110	2,110
Securitized obligations <sup>(h)</sup>	302	—	—	—	—	—	302
Operating leases <sup>(i)</sup>	105	108	73	49	26	120	481
Capital leases (including imputed interest)	5	4	3	1	—	—	13
Purchase commitments <sup>(j)</sup>	43	25	12	10	9	257	356
Total <sup>(k) (l)</sup>	\$ 466	\$ 237	\$ 193	\$ 250	\$ 1,857	\$ 5,387	\$ 8,390



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- The Company's extended term loan facility matures in October 2016. The interest rate for the variable rate debt of \$1,822 million will be determined by the interest rates in effect during each period. There is no scheduled amortization of principal. The Company has entered into derivative instruments to fix the interest rate over the next twelve months for \$408 million of its \$1,822 million variable rate term loan debt, which will result in interest payments of \$27 million annually. The interest rate for the remaining portion of the variable rate term loan debt of \$1,414 million will be determined by the interest rates in effect during each period.
- (a) The Company's First Lien Notes bear an annual interest rate of 7.625%. Interest payments are due semi-annually and the annual interest expense for the First Lien Notes is approximately \$45 million.
- The Company's Existing First and a Half Lien Notes bear an annual interest rate of 7.875%, the New First and a Half Lien Notes bear an annual interest rate of 9.00% and the Second Lien Loans bear an annual interest rate of 13.50%. Interest payments are due semi-annually and the annual interest expense for the First and a Half Lien Notes and the Second Lien Loans is approximately \$172 million.
- (c) Consists of revolving credit facilities that are supported by letters of credit issued under the senior secured credit facility; \$50 million due in January 2013 and \$50 million due in July 2013. The interest rate for the revolving credit facilities is variable and will be determined by the interest rates in effect during each period.
- The Company utilized the PIK Interest option to satisfy interest payment obligations for the Senior Toggle Notes which increased the principal amount of the Senior Toggle Notes from October 2008 through April 2011. As a result, the Company would be subject to certain interest deduction limitations if the Senior Toggle Notes were treated as AHYDO within the meaning of Section 163(i)(1) of the Internal Revenue Code. In order to avoid such treatment, the Company redeemed \$11 million principal amount of the Senior Toggle Notes on April 16, 2012.
- (e) Annual interest expense for the 10.50% Senior Notes, 12.375% Senior Subordinated Notes and Senior Toggle Notes is approximately \$36 million.
- (f) Annual interest expense for the 11.50% Senior Notes, 12.00% Senior Notes, 13.375% Senior Subordinated Notes and the Convertible Notes is approximately \$306 million.
- (g) The Company's securitization obligations are variable rate debt and the interest payments will be determined by the interest rates in effect during each period. The Apple Ridge agreement expires in December 2013 and the Cartus Financing Limited agreements expire in August 2012 and August 2015. These obligations are classified as current on the balance sheet due to the current classification of the underlying assets that collateralize the obligations.
- (h) The operating lease amounts included in the above table do not include variable costs such as maintenance, insurance and real estate taxes.
- (i) Purchase commitments include a minimum licensing fee that the Company is required to pay to Sotheby's from 2009 through 2054. The annual minimum licensing fee is approximately \$2 million. The purchase commitments also include a minimum licensing fee to be paid to Meredith from 2009 through 2057. The annual minimum fee began at \$0.5 million in 2009 and will increase to \$4 million by 2014 and generally remains the same thereafter.
- (j) In April 2007, the Company established a standby irrevocable letter of credit for the benefit of Avis Budget Group Inc. in accordance with the Separation and Distribution Agreement. At March 31, 2012, the letter of credit was at \$70 million. This letter of credit is not included in the contractual obligations table above.
- (k) The contractual obligations table does not include the annual Apollo management fee and does not include other non-current liabilities such as pension liabilities of \$63 million and unrecognized tax benefits of \$46 million as the Company is not able to estimate the year in which these liabilities could be paid.
- (l)

Potential Debt Purchases or Sales

Our affiliates have purchased a portion of our indebtedness and we or our affiliates from time to time may sell such indebtedness or purchase additional portions of our indebtedness. Any such future purchases or sales may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as we or any such affiliates may determine. Affiliates who own portions of our indebtedness earn interest on a consistent basis with third party owners of such indebtedness.

Critical Accounting Policies

In presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it could result in a material adverse impact to our combined results of operations, financial position and liquidity. We believe that the estimates and assumptions we used

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when preparing our financial statements were the most appropriate at that time.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2011, which includes a description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results.

### Recently Adopted Accounting Pronouncements

See Note 1 of the Notes to the Condensed Consolidated Financial Statements for a discussion of recently adopted accounting pronouncements.

### Item 3. Quantitative and Qualitative Disclosures about Market Risks.

Our principal market exposure is interest rate risk. At March 31, 2012, our primary interest rate exposure was to interest rate fluctuations in the United States, specifically LIBOR, due to its impact on our variable rate borrowings. Due to our senior secured credit facility which is benchmarked to U.S. LIBOR, this rate will be the primary market risk exposure for the foreseeable future. We do not have significant exposure to foreign currency risk nor do we expect to have significant exposure to foreign currency risk in the foreseeable future.

We assess our market risk based on changes in interest rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact on earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest rates. In performing the sensitivity analysis, we are required to make assumptions regarding the fair values of relocation receivables and advances and securitization borrowings, which approximate their carrying values due to the short-term nature of these items. We believe our interest rate risk is further mitigated as the rate we incur on our securitization borrowings and the rate we earn on relocation receivables and advances are based on similar variable indices.

Our total market risk is influenced by various factors, including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses presented. While probably the most meaningful analysis, these analyses are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

At March 31, 2012, we had total long-term debt of \$7,232 million, excluding \$302 million of securitization obligations. Of the \$7,232 million of long-term debt, the Company has \$1,922 million of variable interest rate debt primarily based on LIBOR. We have entered into four floating to fixed interest rate swap agreements and effectively fixed our interest rate on that portion of variable interest rate debt. One swap, with a notional value of \$225 million, expires in July 2012, the second swap, with a notional value of \$200 million, expires in December 2012, the third swap, with a notional value of \$225 million, commences in July 2012 and expires in October 2016, and the fourth swap with a notional value of \$200 million, commences in January 2013 and expires in October 2016. After considering these interest rate swaps a portion of our variable interest rate debt is still subject to market rate risk as our interest payments will fluctuate as a result of market changes. We have determined that the impact of a 100 bps change in LIBOR (1% change in the interest rate) on our term loan facility variable rate borrowings would affect our annual interest expense by approximately \$15 million. While these results may be used as benchmarks, they should not be viewed as forecasts.

At March 31, 2012, the fair value of our long-term debt approximated \$6,649 million, which was determined based on quoted market prices. Since considerable judgment is required in interpreting market information, the fair value of the long-term debt is not necessarily indicative of the amount that could be realized in a current market exchange. A 10% decrease in market rates would have a \$211 million impact on the fair value of our long-term debt.

### Item 4. Controls and Procedures.

#### Controls and Procedures for Domus Holdings Corp.

Domus Holdings Corp. (“Holdings”) maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its filings under the Securities Exchange Act of 1934, as amended (the (a) “Exchange Act”), is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to its



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management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Holdings' management, including the Chief Executive Officer and the Chief Financial Officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this quarterly report on Form 10-Q, Holdings has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Holdings' disclosure controls and procedures are effective at the "reasonable assurance" level.

There has not been any change in Holdings' internal control over financial reporting during the period covered by this quarterly report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Controls and Procedures for Realogy Corporation

Realogy Corporation ("Realogy") maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Realogy's management, including the Chief Executive Officer and the Chief Financial Officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this quarterly report on Form 10-Q, Realogy has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Realogy's disclosure controls and procedures are effective at the "reasonable assurance" level.

There has not been any change in Realogy's internal control over financial reporting during the period covered by this quarterly report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Legal—Real Estate Business

Frank K. Cooper Real Estate #1, Inc. v. Cendant Corp. and Century 21 Real Estate Corporation (N.J. Super. Ct. L. Div., Morris County, New Jersey). In 2002, Frank K. Cooper Real Estate #1, Inc. filed a putative class action against Cendant and Cendant's subsidiary, Century 21 Real Estate Corporation ("Century 21"). The complaint alleged breach of certain provisions of the Real Estate Franchise Agreement entered into between Century 21 and the plaintiffs, breach of the implied duty of good faith and fair dealing, violation of the New Jersey Consumer Fraud Act and breach of certain express and implied fiduciary duties. The complaint alleged, among other things, that Cendant diverted money and resources from Century 21 franchisees and allotted them to NRT owned brokerages and otherwise improperly charged expenses to marketing funds. The complaint sought unspecified compensatory and punitive damages, injunctive relief, interest, attorney's fees and costs. On August 17, 2010, the court certified a class consisting of Century 21 franchisees at any time between August 1, 1995 and April 17, 2002 whose franchise agreements contain New Jersey choice of law and venue provisions and who have not executed releases releasing the claim (unless the release was a provision of a franchise renewal agreement).

As of January 24, 2012, Realogy entered into a memorandum of understanding memorializing the principal terms of a proposed settlement of this action. The structure of the proposed settlement involves both monetary and non-monetary consideration as well as contributions from insurance carriers. The non-monetary consideration includes but is not limited to waivers and modifications of certain fees and payments of incentive fees. On February 16, 2012, the parties executed a Stipulation of Settlement finalizing the terms of the settlement reflected in the memorandum of understanding. The Stipulation of Settlement and related settlement documents were submitted to the Court on February 17th by the plaintiffs to obtain preliminary approval. The court granted preliminary approval on February 22nd. Notice of the settlement was made to the class. A fairness hearing will be held on June 4, 2012 when the court will determine whether to grant final approval of the settlement. Realogy accrued the amount that would be payable beyond carrier contributions in our financial results for the year ended December 31, 2011.

Larsen, et al. v. Coldwell Banker Real Estate Corporation, et al. (case formerly known as Joint Equity Committee of Investors of Real Estate Partners, Inc. v. Coldwell Banker Real Estate Corp., et al.). The case, pending in the United States District Court for the Central District of California, arises from the relationship of two of our subsidiaries with a former Coldwell Banker Commercial franchisee, whose 40.5% shareholder allegedly utilized the Coldwell Banker Commercial name in the offer and sale of securities. In an SEC civil proceeding asserting violations of various securities laws, by stipulated judgment dated September 2, 2009, the shareholder of the franchisee, Real Estate Partners, Inc. ("REP"), and REP's affiliated entities were ordered to disgorge approximately \$53 million in funds raised from investors. REP filed for Chapter 11 bankruptcy protection in 2007. The complaint, initially filed in April 2010 and subsequently amended twice, most recently in March 2011, alleges, among other things, that our subsidiaries Coldwell Banker Real Estate Corporation and Coldwell Banker Real Estate LLC, engaged in negligence, aiding and abetting fraud, negligent misrepresentation, and false advertising, and are vicariously liable for fraud and negligent misrepresentation, as they knew or should have known that REP was using the marks in connection with the promotion of securities but that the Coldwell Banker subsidiaries failed to take sufficient steps to stop that use. The Company disputes the allegations and has asserted numerous defenses - including lack of knowledge and participation in the fraud. The second amended complaint is a class action brought on behalf of REP investors. On September 8, 2011, the court granted and denied in part the Coldwell Banker subsidiaries' motion to dismiss on the second amended complaint. On August 22, 2011, plaintiffs filed their motion to certify a class. On March 26, 2012, the Court granted plaintiffs motion to certify a class as to all claims except for false advertising. On April 11, 2012, the Coldwell Banker subsidiaries filed a motion seeking permission to file an interlocutory appeal of the class certification order. Motions for summary judgment also were filed. On April 13, 2012, the court entered into an order stipulated by the parties to stay the case for 60 days while the parties pursue mediation. Trial is currently scheduled for November 2012. Our primary insurance carrier has disclaimed coverage of either liability or defense costs, which we are vigorously challenging.

This case involves a complex series of securities offerings and raises certain unusual claims that make its resolution subject to significant uncertainties. Although the parties will attempt a mediation there can be no assurance the mediation will be successful particularly given the substantial size of the claims and the absence of carrier participation.

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We are involved in certain other claims and legal actions arising in the ordinary course of our business. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, franchising arrangements, actions against our title company alleging it knew or should have known that others were committing mortgage fraud, standard brokerage disputes like the failure to disclose hidden defects in the property such as mold, vicarious liability based upon conduct of individuals or entities outside of our control, including franchisees and independent sales associates, antitrust claims, general fraud claims, employment law, including claims challenging the classification of our sales associates as independent contractors, and claims alleging violations of RESPA or state consumer fraud statutes. While the results of such claims and legal actions cannot be predicted with certainty, we do not believe based on information currently available to us that the final outcome of these proceedings will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

### Legal—Cendant Corporate Litigation

Pursuant to the Separation and Distribution Agreement dated as of July 27, 2006 among Cendant, Realogy, Wyndham Worldwide and Travelport, each of Realogy, Wyndham Worldwide and Travelport have assumed certain contingent and other corporate liabilities (and related costs and expenses), which are primarily related to each of their respective businesses. In addition, Realogy has assumed 62.5% and Wyndham Worldwide has assumed 37.5% of certain contingent and other corporate liabilities (and related costs and expenses) of Cendant or its subsidiaries, which are not primarily related to any of the respective businesses of Realogy, Wyndham Worldwide, Travelport and/or Cendant's vehicle rental operations, in each case incurred or allegedly incurred on or prior to the date of the separation of Travelport from Cendant.

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The Company records litigation accruals for legal matters which are both probable and estimable and believes that it has adequately accrued for legal matters as appropriate. For legal proceedings for which (1) there is a reasonable possibility of loss (meaning those losses for which the likelihood is more than remote but less than probable) and (2) the Company is able to estimate a range of reasonably possible loss, the Company estimates the range of reasonably possible losses to be between zero and \$20 million at March 31, 2012.

Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. In addition, class action lawsuits can be costly to defend and, depending on the class size and claims, could be costly to settle. Lastly, there may be greater risk of unfavorable resolutions in the current economic environment due to various factors including the absence of other defendants (due to business failures) that may be the real cause of the liability and greater negative sentiment toward corporate defendants. As such, the Company could incur judgments or enter into settlements of claims with liability that are materially in excess of amounts accrued and these settlements could have a material adverse effect on the Company's financial condition, results of operations or cash flows in any particular period.

The Company also monitors litigation and claims asserted against other industry participants together with new statutory and regulatory enactments for potential impacts to its business. Although the Company responds, as appropriate, to these developments, such developments may impose costs or obligations that adversely affect the Company's business operations or financial results. Two key RESPA issues currently being litigated in various courts by other industry participants and us are (1) whether RESPA's prohibition of unearned fees applies to all fees or only split fees and (2) whether RESPA impinges on the ability of a real estate broker to charge a two-part fee with fixed and variable components. These issues directly impact the fee structures of franchisees and our Company owned brokerage business in those states where fees frequently include both fixed and variable commission charges. In 2011, the U.S. Supreme Court agreed to hear *Freeman vs. Quicken Loans, Inc.*, where the issue presented is whether RESPA applies to a fee that is not split or shared with a third party. Oral argument in that case was heard on February 21, 2012. A decision in the *Quicken Loans* case or in other pending cases that interpret RESPA broadly could significantly increase the volume of RESPA litigation and could adversely impact us and our franchisees.

### Item 5. Other Information.

As of April 30, 2012, there were 42.2 million shares of Class A Common Stock reserved for issuance under the Amended and Restated Holdings 2007 Stock Incentive Plan. On April 30, 2012, the Compensation Committee of the

Holdings Board of Directors (the “Compensation Committee”) approved a further amendment to the plan to increase the number of shares reserved thereunder by 25 million to 67.2 million reserved shares and approved the grant of non-qualified options to purchase an aggregate of approximately 24.1 million shares to key employees of the Company, including the

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named executive officers. The options have a term of ten years and the exercise price of the options is \$0.70 per share, representing the fair market value per share of the Class A Common Stock of Holdings on the date of grant, as determined by the Compensation Committee. The options become exercisable over a four-year period at the rate of 25% per year, commencing one year from the date of grant. Pursuant to this action, the named executive officers received options to purchase the following number of shares:

Name	Title	Number of Shares Underlying April 30, 2012 Option Grant
Richard A. Smith	Chairman, Chief Executive Officer and President	3,000,000
Anthony E. Hull	Executive Vice President, Chief Financial Officer and Treasurer	825,000
Kevin J. Kelleher	President and Chief Executive Officer of Cartus Corporation	650,000
Alexander E. Perriello, III	President and Chief Executive Officer, Realogy Franchise Group	750,000
Bruce Zipf	President and Chief Executive Officer, NRT LLC	775,000

A copy of the Amended and Restated Holdings 2007 Stock Incentive Plan, as further amended on April 30, 2012, is attached as Exhibit 10.1 hereto and incorporated herein by reference.

Item 6. Exhibits.

See Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DOMUS HOLDINGS CORP.

and

REALOGY CORPORATION

(Registrants)

Date: May 2, 2012 /s/ Anthony E. Hull

Anthony E. Hull

Executive Vice President and

Chief Financial Officer

Date: May 2, 2012 /s/ Dea Benson

Dea Benson

Senior Vice President,

Chief Accounting Officer and

Controller

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EXHIBIT INDEX

Exhibit Description

10.1 Domus Holdings Corp. 2007 Stock Incentive Plan, as amended and restated on November 13, 2007 and as further amended and restated on November 9, 2010, August 2, 2011, February 27, 2012 and April 30, 2012

12.1 Ratio of Earnings to Fixed Charges.

31.1 Certification of the Chief Executive Officer of Domus Holdings Corp. pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.

31.2 Certification of the Chief Financial Officer of Domus Holdings Corp. pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.

31.3 Certification of the Chief Executive Officer of Realogy Corporation pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.

31.4 Certification of the Chief Financial Officer of Realogy Corporation pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.

32.1 Certification for Domus Holdings Corp. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification for Realogy Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS ^ XBRL Instance Document

101.SCH ^ XBRL Taxonomy Extension Schema Document

101.CAL^XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF ^ XBRL Taxonomy Extension Definition Linkbase Document

101.LAB ^ XBRL Taxonomy Extension Label Linkbase Document

101.PRE ^ XBRL Taxonomy Extension Presentation Linkbase Document

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^Furnished electronically with this report.