REALOGY GROUP LLC
Form 10-Q
November 01, 2012


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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

T QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 001-35674
REALOGY HOLDINGS CORP.
(Exact name of registrants as specified in its charter)

Commission File No. 333-179896
REALOGY GROUP LLC
(Exact name of registrants as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction<br>of incorporation or organization) | 20-8050955 and 20-4381990<br>(I.R.S. Employer<br>Identification Numbers) |
| One Campus Drive<br>Parsippany, NJ<br>(Address of principal executive offices) | 07054<br>(Zip Code) |

(973) 407-2000
(Registrants' telephone number, including area code)

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Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrants have submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer o | Accelerated filer o |
| Non-accelerated filer x<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).    Yes  o    No  x

There were 140,043,849 shares of Common Stock, $0.01 par value, of Realogy Holdings Corp. outstanding as of October 30, 2012.

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INTRODUCTORY NOTE

Except as otherwise indicated or unless the context otherwise requires, the terms “we,” “us,” “our,” “our company” and the “Company” refer to Realogy Holdings Corp. (previously known as Domus Holdings Corp.), a Delaware corporation (“Holdings”), and its consolidated subsidiaries, including Realogy Intermediate Holdings LLC (“Intermediate”) and Realogy Group LLC (“Realogy”). On October 11, 2012, Intermediate and Realogy converted their form of business organization from a Delaware corporation to a Delaware limited liability company and upon such conversions, Intermediate and Realogy changed their names from "Domus Intermediate Holdings Corp." to "Realogy Intermediate Holdings LLC" and from "Realogy Corporation" to “Realogy Group LLC." Neither Holdings, the indirect parent of Realogy, nor Intermediate, the direct parent company of Realogy, conducts any operations other than with respect to its respective direct or indirect ownership of Realogy. As a result, the condensed consolidated financial positions, results of operations and cash flows of Holdings, Intermediate and Realogy are the same.

Holdings is not a party to the senior secured credit facility and certain references in this report to our consolidated indebtedness exclude Holdings with respect to indebtedness under the senior secured credit facility. In addition, while Holdings is a guarantor of Realogy's obligations under the Unsecured Notes, the First Lien Notes and the First and a Half Lien Notes, Holdings is not subject to the restrictive covenants in the agreements governing such indebtedness.

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In October 2012, Holdings closed its initial public offering (the “IPO”) of 46 million shares of its common stock, at a price to the public of $27.00 per share, which included 6 million shares of common stock issued upon the exercise in full of the underwriters’ option to purchase additional shares. The Company has used, and intends to use, the net proceeds from the sale of 46 million shares (net of underwriters’ discounts and commissions and estimated offering expenses) of approximately $1.2 billion primarily to repay outstanding indebtedness.

In connection with the closing of the IPO, certain significant holders of the Convertible Notes (i) converted approximately $1.9 billion aggregate principal amount of Convertible Notes into approximately 72.9 million shares of common stock, (ii) were issued approximately 9.1 million additional shares of common stock (representing 0.125 shares for each share received upon conversion) issued to the significant holders pursuant to letter agreements with the Company and received a cash payment of approximately $105 million pursuant to the letter agreements. A redemption notice was issued to holders of the remaining approximately $209 million of Convertible Notes to redeem such notes at 90% of their principal amount on November 16, 2012, to the extent they have not been converted into common stock of the Company.  On or prior to October 30, 2012, we issued to certain other holders of the Convertible Notes an additional 3.7 million shares of common stock, representing the conversion of $93 million of Convertible Notes. The Convertible Note transactions are described in “Note 5—Short and Long-Term Debt—Convertible Notes." The shares discussed above are included in the shares outstanding as of October 30, 2012 which are set forth on the cover of this report. Assuming conversion of all of the remaining Convertible Notes into common stock prior to the November 16th redemption date, the Company would have approximately 144.8 million shares of common stock outstanding.

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The term "Existing Notes" refers, collectively, to the 10.50% Senior Notes due 2014 (the "10.50% Senior Notes"), the 11.00%/11.75% Senior Toggle Notes due 2014 (the "Senior Toggle Notes") and the 12.375% Senior Subordinated Notes due 2015 (the "12.375% Senior Subordinated Notes").

The term "Extended Maturity Notes" refers collectively to the 11.50% Senior Notes due 2017 (the "11.50% Senior Notes"), the 12.00% Senior Notes due 2017 (the "12.00% Senior Notes") and the 13.375% Senior Subordinated Notes due 2018 (the "13.375% Senior Subordinated Notes") issued on January 5, 2011.

The term "Convertible Notes" refers, collectively, to the 11.00% Series A Convertible Notes due 2018, the 11.00% Series B Convertible Notes due 2018 and the 11.00% Series C Convertible Notes due 2018 issued on January 5, 2011.

The term "Unsecured Notes" refers, collectively, to the Existing Notes, the Extended Maturity Notes and the Convertible Notes.

The term "Senior Subordinated Notes" refers, collectively, to the 12.375% Senior Subordinated Notes and the 13.375% Senior Subordinated Notes.

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The term "Existing First and a Half Lien Notes" refers to the 7.875% Senior Secured Notes due 2019, issued on February 3, 2011. The term "New First and a Half Lien Notes" refers to the 9.00% Senior Secured Notes due 2020, issued on February 2, 2012 and the term "First and a Half Lien Notes" refers, collectively, to the Existing First and a Half Lien Notes and the New First and a Half Lien Notes.
The term "First Lien Notes" refers to the 7.625% Senior Secured First Lien Notes due 2020 issued on February 2, 2012.
The term "2012 Senior Secured Notes Offering" refers to the issuance and sale of the First Lien Notes and the New First and a Half Lien Notes on February 2, 2012 in a private offering and the application of the proceeds therefrom.

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FORWARD-LOOKING STATEMENTS

Forward-looking statements included in this report and our other public filings or other public statements that we make from time to time are based on various facts and derived utilizing numerous important assumptions and are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives, as well as projections of macroeconomic and industry trends, which are inherently unreliable due to the multiple factors that impact economic trends, and any such variations may be material. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors could affect our future results and cause actual results to differ materially from those expressed in the forward-looking statements:

- risks associated with our substantial indebtedness and interest obligations, including risks related to having to dedicate a substantial portion of our cash flows from operations to service our debt, risks related to our ability to refinance our indebtedness and to incur additional indebtedness, risks associated with our ability to comply with our senior secured leverage ratio covenant under our senior secured credit facility, interest rate risk, and risks related to an event of default under our outstanding indebtedness;
- risks related to general business, economic, employment and political conditions and the U.S. residential real estate markets, either regionally or nationally, including but not limited to:
  - a lack of improvement in the number of homesales, stagnant or declining home prices and/or a deterioration in other economic factors that particularly impact the residential real estate market and the business segments in which we operate;
  - a lack of improvement in consumer confidence;
  - the impact of future recessions, slow economic growth, disruptions in the banking system and high levels of unemployment in the U.S. and abroad;
  - increasing mortgage rates and down payment requirements and/or constraints on the availability of mortgage financing, including but not limited to the potential impact of various provisions of the Dodd-Frank Act and regulations that may be promulgated thereunder relating to mortgage financing;
  - legislative, tax or regulatory changes that would adversely impact the residential real estate market, including potential reforms of Fannie Mae and Freddie Mac and potential tax code reform, which could reduce the amount that taxpayers would be allowed to deduct for home mortgage interest;
  - negative trends and/or a negative perception of the market trends in value for residential real estate;
  - renewed high levels of foreclosure activity including but not limited to the release of homes already held for sale by financial institutions;
  - excessive or insufficient regional home inventory levels;
  - the inability or unwillingness of homeowners to enter into homesale transactions due to negative equity in their existing homes; and
  - lower homeownership rates or failure of homeownership rates to return to more typical levels;
- our geographic and high-end market concentration, particularly with respect to our company owned brokerage operations;
- our inability to securitize certain assets of our relocation business, which would require us to find an alternative source of liquidity that may not be available, or if available, may not be on favorable terms;
- limitations on flexibility in operating our business due to restrictions contained in our debt agreements;
- our inability to sustain the improvements we have realized during the past several years in our operating efficiency through cost savings and business optimization efforts;
- our inability to enter into franchise agreements with new franchisees or to realize royalty revenue growth from them;
- our inability to renew existing franchise agreements or maintain franchisee satisfaction with our brands;

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- the inability of our existing franchisees to survive the cumulative impact of the downturn in the real estate market or to grow their businesses;
- disputes or issues with entities that license us their trade names for use in our business that could impede our franchising of those brands;
- actions by our franchisees that could harm our business or reputation, non-performance of our franchisees, controversies with our franchisees or actions against us by third parties with which our franchisees have business relationships;
- competition in our existing and future lines of business;
- our failure to comply with laws and regulations and any changes in laws and regulations;
- seasonal fluctuations in the residential real estate brokerage business which could adversely affect our business, financial condition and liquidity;
- the loss of any of our senior management or key managers or employees or other significant labor or employment issues;
- adverse effects of natural disasters or environmental catastrophes;
- risks related to our international operations;
- any remaining resolutions or outcomes with respect to Cendant's contingent liabilities under the Separation and Distribution Agreement and the Tax Sharing Agreement, including any adverse impact on our future cash flows;
- the cumulative effect of adverse litigation, governmental proceedings or arbitration awards against us and the adverse effect of new regulatory interpretations, rules and laws; and
- new types of taxes or increases in state, local or federal taxes that could diminish profitability or liquidity.

Other factors not identified above, including those described under the headings “Forward-Looking Statements,” “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2011, as amended (the “2011 Form 10-K”), filed with the Securities and Exchange Commission (“SEC”), may also cause actual results to differ materially from those described in our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our control. You should consider these factors in connection with considering any forward-looking statements that may be made by us and our businesses generally.

Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless we are required to do so by law. For any forward-looking statement contained in our public filings or other public statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Stockholders of Realogy Holdings Corp.:
We have reviewed the accompanying condensed consolidated balance sheet of Realogy Holdings Corp. (formerly known as Domus Holdings Corp.) and its subsidiaries as of September 30, 2012, and the related condensed consolidated statements of operations and comprehensive loss for the three and nine-month periods ended September 30, 2012 and September 30, 2011 and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2012 and September 30, 2011. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2011, and the related consolidated statements of operations, comprehensive loss, equity (deficit), and cash flows for the year then ended (not presented herein), and in our report dated March 2, 2012, except with respect to our opinion on the consolidated financial statements insofar as it relates to the effects of the reverse stock split and the NRT franchise agreement matter as described in Note 1, as to which the date is September 27, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2011, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
November 1, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of Realogy Group LLC:

We have reviewed the accompanying condensed consolidated balance sheet of Realogy Group LLC (formerly known as Realogy Corporation) and its subsidiaries as of September 30, 2012, and the related condensed consolidated statements of operations and comprehensive loss for the three and nine-month periods ended September 30, 2012 and September 30, 2011 and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2012 and September 30, 2011. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2011, and the related consolidated statements of operations, comprehensive loss, equity (deficit), and cash flows for the year then ended (not presented herein), and in our report dated March 2, 2012, except with respect to our opinion on the consolidated financial statements insofar as it relates to the effects of the reverse stock split and the NRT franchise agreement matter as described in Note 1, as to which the date is September 27, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2011, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
November 1, 2012

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | |
| Gross commission income | $939 | $831 | $2,528 | $2,279 |
| Service revenue | 231 | 211 | 611 | 567 |
| Franchise fees | 76 | 73 | 206 | 194 |
| Other | 35 | 40 | 120 | 125 |
| Net revenues | 1,281 | 1,155 | 3,465 | 3,165 |
| Expenses | | | | |
| Commission and other agent-related costs | 633 | 547 | 1,697 | 1,498 |
| Operating | 336 | 324 | 979 | 959 |
| Marketing | 44 | 45 | 147 | 142 |
| General and administrative | 74 | 62 | 230 | 189 |
| Former parent legacy costs (benefit), net | (1) | (3) | (4) | (17) |
| Restructuring costs | 2 | 3 | 7 | 8 |
| Depreciation and amortization | 42 | 46 | 131 | 139 |
| Interest expense, net | 187 | 159 | 533 | 499 |
| Loss on the early extinguishment of debt | — | — | 6 | 36 |
| Other (income)/expense, net | — | — | 1 | — |
| Total expenses | 1,317 | 1,183 | 3,727 | 3,453 |
| Loss before income taxes, equity in earnings and noncontrolling interests | (36) | (28) | (262) | (288) |
| Income tax expense | 18 | 10 | 33 | 12 |
| Equity in earnings of unconsolidated entities | (21) | (11) | (46) | (15) |
| Net loss | (33) | (27) | (249) | (285) |
| Less: Net income attributable to noncontrolling interests | (1) | (1) | (2) | (2) |
| Net loss attributable to Holdings and Realogy | $(34) | $(28) | $(251) | $(287) |
| | | | | |
| Earnings (loss) per share attributable to Holdings: | | | | |
| Basic loss per share: | $(4.24) | $(3.49) | $(31.31) | $(35.80) |
| Diluted loss per share: | $(4.24) | $(3.49) | $(31.31) | $(35.80) |
| Weighted average common and common equivalent shares of Holdings outstanding: | | | | |
| Basic: | 8.0 | 8.0 | 8.0 | 8.0 |
| Diluted: | 8.0 | 8.0 | 8.0 | 8.0 |

See Notes to Condensed Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net loss | $(33) | $(27) | $(249) | $(285) |
| Currency Translation Adjustment | 2 | (2) | 3 | (1) |
| Defined Benefit Pension Plan - amortization of actuarial loss to periodic pension cost | 1 | 1 | 4 | 1 |
| Cash Flow Hedges: | | | | |
| Less: interest rate hedge losses to interest expense | — | — | — | (1) |
| Less: de-designation of interest rate hedges to interest expense | — | — | — | (17) |
| Cash flow hedges | — | — | — | 18 |
| Other comprehensive income, before tax | 3 | (1) | 7 | 18 |
| Income tax expense related to other comprehensive income amounts | 1 | — | 2 | 8 |
| Other comprehensive income, net of tax | 2 | (1) | 5 | 10 |
| Comprehensive loss | (31) | (28) | (244) | (275) |
| Less: comprehensive income attributable to noncontrolling interests | (1) | (1) | (2) | (2) |
| Comprehensive loss attributable to Holdings and Realogy | $(32) | $(29) | $(246) | $(277) |

See Notes to Condensed Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 141 | $ 143 |
| Trade receivables (net of allowance for doubtful accounts of $54 and $64) | 145 | 120 |
| Relocation receivables | 413 | 378 |
| Relocation properties held for sale | 8 | 11 |
| Deferred income taxes | 56 | 66 |
| Other current assets | 105 | 88 |
| Total current assets | 868 | 806 |
| Property and equipment, net | 161 | 165 |
| Goodwill | 3,304 | 3,299 |
| Trademarks | 732 | 732 |
| Franchise agreements, net | 1,646 | 1,697 |
| Other intangibles, net | 408 | 439 |
| Other non-current assets | 232 | 212 |
| Total assets | $ 7,351 | $ 7,350 |
| LIABILITIES AND EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | $ 201 | $ 184 |
| Securitization obligations | 310 | 327 |
| Due to former parent | 74 | 80 |
| Revolving credit facilities and current portion of long-term debt | 120 | 325 |
| Accrued expenses and other current liabilities | 647 | 520 |
| Total current liabilities | 1,352 | 1,436 |
| Long-term debt | 7,121 | 6,825 |
| Deferred income taxes | 438 | 421 |
| Other non-current liabilities | 182 | 167 |
| Total liabilities | 9,093 | 8,849 |
| Commitments and contingencies (Notes 8 and 9) | | |
| Equity (deficit): | | |
| Holdings common stock: $.01 par value; 178,000,000 shares authorized at September 30, 2012 and December 31, 2011, 4,200 Class A shares outstanding, 8,018,325 Class B shares outstanding at September 30, 2012 and 4,200 Class A shares outstanding, 8,017,080 Class B shares outstanding at December 31, 2011 (Realogy common stock: $.01 par value, 100 shares authorized, issued and outstanding at September 30, 2012 and December 31, 2011) | — | — |
| Additional paid-in capital | 2,035 | 2,033 |
| Accumulated deficit | (3,753) | (3,502) |
| Accumulated other comprehensive loss | (26) | (32) |
| Total stockholders' deficit | (1,744) | (1,501) |
| Noncontrolling interests | 2 | 2 |
| Total equity (deficit) | (1,742) | (1,499) |

| | | |
|---|---|---|
| Total liabilities and equity (deficit) | $ 7,351 | $ 7,350 |

See Notes to Condensed Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2012 | 2011 |
| Operating Activities | | |
| Net loss | $ (249) | $ (285) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 131 | 139 |
| Deferred income taxes | 25 | 5 |
| Amortization of deferred financing costs and discount on unsecured notes | 12 | 13 |
| Loss on the early extinguishment of debt | 6 | 36 |
| De-designation of interest rate hedges | — | 17 |
| Equity in earnings of unconsolidated entities | (46) | (15) |
| Other adjustments to net loss | 11 | 8 |
| Net change in assets and liabilities, excluding the impact of acquisitions and dispositions: | | |
| Trade receivables | (24) | (28) |
| Relocation receivables and advances | (34) | (64) |
| Relocation properties held for sale | 4 | 4 |
| Other assets | (2) | 4 |
| Accounts payable, accrued expenses and other liabilities | 144 | 51 |
| Due (to) from former parent | (6) | (25) |
| Other, net | 27 | 11 |
| Net cash used in operating activities | (1) | (129) |
| Investing Activities | | |
| Property and equipment additions | (34) | (37) |
| Net assets acquired (net of cash acquired) and acquisition-related payments | (5) | (5) |
| (Purchases of) proceeds from certificates of deposit, net | (6) | 9 |
| Change in restricted cash | (6) | 2 |
| Other, net | — | (5) |
| Net cash used in investing activities | (51) | (36) |
| Financing Activities | | |
| Net change in revolving credit facilities | (188) | 20 |
| Proceeds from term loan extension | — | 98 |
| Repayments of term loan credit facility | (640) | (705) |
| Proceeds from issuance of First Lien Notes | 593 | — |
| Proceeds from issuance of First and a Half Lien Notes | 325 | 700 |
| Net change in securitization obligations | (18) | 1 |
| Debt issuance costs | (17) | (34) |
| Other, net | (6) | (5) |
| Net cash provided by financing activities | 49 | 75 |
| Effect of changes in exchange rates on cash and cash equivalents | 1 | — |
| Net decrease in cash and cash equivalents | (2) | (90) |
| Cash and cash equivalents, beginning of period | 143 | 192 |
| Cash and cash equivalents, end of period | $ 141 | $ 102 |

Supplemental Disclosure of Cash Flow Information

| | | |
|---|---|---|
| Interest payments (including securitization interest expense) | $ 415 | $ 354 |
| Income tax payments, net | 5 | 3 |

See Notes to Condensed Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise noted, all amounts are in millions)
(Unaudited)

1. BASIS OF PRESENTATION

Realogy Holdings Corp. (previously known as Domus Holdings Corp.) (“Holdings”) is a holding company for its consolidated subsidiaries, Realogy Intermediate Holdings LLC (“Intermediate”) and Realogy Group LLC (“Realogy”). On October 11, 2012, Intermediate and Realogy converted their form of business organization from a Delaware corporation to a Delaware limited liability company and upon such conversions, Intermediate and Realogy changed their names from "Domus Intermediate Holdings Corp." to "Realogy Intermediate Holdings LLC" and from "Realogy Corporation" to “Realogy Group LLC." Neither Holdings, the indirect parent of Realogy, nor Intermediate, the direct parent company of Realogy, conducts any operations other than with respect to its respective direct or indirect ownership of Realogy. Holdings derives all of its operating income and cash flows from Realogy and its subsidiaries. Holdings was incorporated on December 14, 2006. On December 15, 2006, Holdings and its wholly owned subsidiary Domus Acquisition Corp., entered into an agreement and plan of merger (the “Merger”) with Realogy which was consummated on April 10, 2007 with Holdings becoming the indirect parent company of Realogy. As of September 30, 2012, Holdings was owned by investment funds affiliated with, or co-investment vehicles managed by, Apollo Management VI, L.P., an entity affiliated with Apollo Management, L.P. (collectively referred to as “Apollo”) and members of the Company's management. As of September 30, 2012, all of Realogy's issued and outstanding common stock was owned by Intermediate, a direct wholly owned subsidiary of Holdings.

Realogy is a global provider of residential real estate services. Realogy was incorporated in January 2006 to facilitate a plan by Cendant Corporation (now known as Avis Budget Group, Inc.) to separate into four independent companies—one for each of Cendant's business units—real estate services or Realogy, travel distribution services (“Travelport”), hospitality services, including timeshare resorts (“Wyndham Worldwide”), and vehicle rental (“Avis Budget Group”). On July 31, 2006, the separation (“Separation”) from Cendant became effective.

Realogy incurred indebtedness 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. See Note 5, “Short and Long-Term Debt” for additional information on the indebtedness incurred related to the Merger, indebtedness incurred following the Merger as well as additional information related to the senior secured leverage ratio that Realogy is required to maintain.

The accompanying Condensed Consolidated Financial Statements include the financial statements of both Holdings and Realogy and these statements have been prepared in accordance with accounting principles generally accepted in the United States of America and with Article 10 of Regulation S-X. Interim results may not be indicative of full year performance because of seasonal and short-term variations. The Company has eliminated all material intercompany transactions and balances between entities consolidated in these financial statements. In presenting the Condensed Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and the related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ materially from those estimates.

Holdings' only asset is its investment in the common stock of Intermediate, and Intermediate's only asset is its investment in the common stock of Realogy. Holdings' only obligations are its guarantees of certain borrowings and certain franchise obligations 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, comprehensive loss and cash flows of Holdings, Intermediate and Realogy are the same. In management's opinion, the accompanying Condensed Consolidated Financial Statements reflect all normal and recurring adjustments necessary to present fairly the Realogy and Holdings' financial position as of September 30, 2012 and the results of operations, and comprehensive loss for the three and nine months ended September 30, 2012 and 2011 and cash flows for the nine months ended September 30, 2012 and 2011.

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As the interim Condensed Consolidated Financial Statements are prepared using the same accounting principles and policies used to prepare the annual financial statements, they should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2011 included in the Annual Report on Form 10-K for the year ended December 31, 2011.

Amendment to Certificate of Incorporation and Reverse Stock Split

On September 11, 2012, the Board of Directors approved an amendment to its Certificate of Incorporation to effect a change in the name of the Company to Realogy Holdings Corp., to amend and restate its authorized capital stock and to approve a reverse stock split of the Company's Class A and Class B Common Stock at a ratio of 1 to 25 (the “Reverse Stock Split”). On the same day, the stockholders of the Company approved the foregoing amendments to the Company's Certificate of Incorporation.

On September 27, 2012, the Company filed a Certificate of Amendment to its Certificate of Incorporation (the “Certificate of Amendment”) with the Secretary of State of the State of Delaware to effect the change in authorized capital stock, the Reverse Stock Split and the name change. The Certificate of Amendment provides that the Reverse Stock Split became effective upon filing, at which time every twenty five (25) issued and outstanding shares of the Company's Class A Common Stock and Class B Common Stock were automatically combined into one (1) issued and outstanding share of the respective class of the Company's Common Stock, without any change in par value. The Company did not issue any fractional shares in connection with the Reverse Stock Split, but rounded those shares up to the next whole share. Pursuant to the terms of the Convertible Notes, the stated conversion rates applicable to each series of Convertible Notes were adjusted to reflect the Reverse Stock Split. In addition, pursuant to the terms of Holdings' 2007 Stock Incentive Plan, the number of shares reserved there under, as well as the number of options outstanding and their stated exercise prices, was adjusted to reflect the Reverse Stock Split. All amounts and per share data presented in the accompanying consolidated financial statements and related notes give retroactive effect to the Reverse Stock Split for all periods presented.

2012 Senior Secured Notes Offering

On February 2, 2012, Realogy issued $593 million of First Lien Notes and $325 million of New First and a Half Lien Notes to repay amounts outstanding under its senior secured credit facility. The First Lien Notes and the New First and a Half Lien Notes are senior secured obligations of the Company and will mature on January 15, 2020. Interest is payable semiannually on January 15 and July 15 of each year, commencing July 15, 2012. The First Lien Notes and the New First and a Half Lien Notes were issued in a private offering that is exempt from the registration requirements of the Securities Act.

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.

Under the terms of the Senior Secured Credit Facility, the New First and a Half Lien Notes (as well as the Existing First and a Half Lien Notes) do not constitute senior secured debt for purposes of calculating the senior secured leverage ratio maintenance covenant under our senior secured credit facility. This facility requires Realogy to maintain a senior secured leverage ratio of total senior secured net debt to trailing 12-month Adjusted EBITDA (as defined in Note 5, “Short and Long-Term Debt”), that may not exceed 4.75 to 1.0. Realogy was in compliance with the senior secured leverage covenant with a senior secured leverage ratio of 3.85 to 1.0 at September 30, 2012.

Earnings (loss) per share attributable to Holdings

Basic earnings per share is computed based upon weighted-average shares outstanding during the period. Dilutive earnings per share is computed consistently with the basic computation while giving effect to all dilutive potential common shares and common share equivalents that were outstanding during the period. Holdings uses the treasury stock method to reflect the potential dilutive effect of unvested stock awards and unexercised options.

The Company was in a net loss position for the three and nine months ended September 30, 2012 and therefore the impact of stock options, restricted stock and the convertible notes were excluded from the computation of dilutive earnings

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(loss) per share as the inclusion of such amounts would be anti-dilutive. At September 30, 2012, the number of shares of common stock issuable under the stock options, restricted stock and the convertible notes that were excluded from the computation was 2 million, 4 thousand and 81 million, respectively.

Derivative Instruments

The Company uses foreign currency forward contracts largely to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables and payables. The Company primarily manages its foreign currency exposure to the Swiss Franc, Canadian Dollar, British Pound and Euro. The Company has elected not to utilize hedge accounting for these forward contracts; therefore, any change in fair value is recorded in the Consolidated Statements of Operations. However, the fluctuations in the value of these forward contracts generally offset the impact of changes in the value of the underlying risk that they are intended to economically hedge. As of September 30, 2012, the Company had outstanding foreign currency forward contracts with a fair value of less than $1 million and a notional value of $22 million. As of December 31, 2011, the Company had outstanding foreign currency forward contracts with a fair value of less than $1 million and a notional value of $15 million.

The Company also enters into interest rate swaps to manage its exposure to changes in interest rates associated with its variable rate borrowings. The Company has three interest rate swaps with an aggregate notional value of $625 million to hedge the variability in cash flows resulting from the term loan facility. The first swap, with a notional value of $200 million, expires in December 2012, the second swap, with a notional value of $225 million, commenced on July 2012 and expires in October 2016, and the third swap with a notional value of $200 million, commences in January 2013 and expires in October 2016. The Company is utilizing pay fixed interest swaps (in exchange for floating LIBOR rate based payments) to perform this hedging strategy.

At December 31, 2010, the interest rate swap derivatives were being accounted for as cash flow hedges in accordance with the FASB's derivative and hedging guidance and the unfavorable fair market value of the swaps was recorded within Accumulated Other Comprehensive Income/(Loss) ("AOCI"). Following the completion of the 2011 Refinancing Transactions, the Company was not able to maintain hedge effectiveness in accordance with the accounting guidance. As a result, the interest rate swaps were de-designated as cash flow hedging instruments and the fair value of $17 million was reclassified from AOCI and recognized in interest expense in the Consolidated Statements of Operations during the first quarter of 2011.

The fair value of derivative instruments was as follows:

| Liability Derivatives Not Designated as Hedging Instruments | Balance Sheet Location | Fair Value September 30, 2012 | Fair Value December 31, 2011 |
|---|---|---|---|
| Interest rate swap contracts | Other current liabilities | $1 | $7 |
| | Other non-current liabilities | 28 | 10 |
| | | $29 | $17 |

| Derivatives in Cash Flow Hedge Relationships | Gain or (Loss) Recognized in Other Comprehensive Income Nine Months Ended September 30, 2012 | September 30, 2011 | Location of Gain or (Loss) Reclassified from AOCI into Income | Gain or (Loss) Reclassified from AOCI into Income Nine Months Ended September 30, 2012 | September 30, 2011 |
|---|---|---|---|---|---|
| Interest rate swap contracts | $— | $— | Interest expense | $— | $(17) |

| Derivative Instruments Not Designated as Hedging Instruments | Location of Gain or (Loss) Recognized in Income for Derivative Instruments | Gain or (Loss) Recognized in Income on Derivative Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|---|
| Interest rate swap contracts | Interest expense | $2 | $3 | $2 | $7 |
| | Operating expense | (1) | 1 | (1) | — |

Foreign exchange
contracts

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Financial Instruments

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

| Level Input: | Input Definitions: |
| --- | --- |
| Level I | Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date. |
| Level II | Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date. |
| Level III | Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. |

The availability of observable inputs can vary from asset to asset and is affected by a wide variety of factors, including, for example, the type of asset, whether the asset is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level III. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of financial instruments is generally determined by reference to quoted market values. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques, as appropriate. The fair value of interest rate swaps is determined based upon a discounted cash flow approach that incorporates counterparty and performance risk and therefore is categorized in Level III.

The following table summarizes fair value measurements by level at September 30, 2012 for assets/liabilities measured at fair value on a recurring basis:

| | Level I | Level II | Level III | Total |
| --- | --- | --- | --- | --- |
| Interest rate swaps (included in other current and non-current liabilities) | $— | $— | $29 | $29 |
| Deferred compensation plan assets (included in other non-current assets) | 1 | — | — | 1 |

The following table summarizes fair value measurements by level at December 31, 2011 for assets/liabilities measured at fair value on a recurring basis:

| | Level I | Level II | Level III | Total |
| --- | --- | --- | --- | --- |
| Interest rate swaps (included in other current and non-current liabilities) | $— | $— | $17 | $17 |
| Deferred compensation plan assets (included in other non-current assets) | 1 | — | — | 1 |

The following table presents changes in Level III financial liabilities measured at fair value on a recurring basis:

| | |
| --- | --- |
| Fair value at December 31, 2011 | $17 |
| Loss reflected in the statement of operations | 12 |
| Fair value at September 30, 2012 | $29 |

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The following table summarizes the carrying amount of the Company’s indebtedness compared to the estimated fair value, primarily determined by quoted market values, at:

| | September 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value (a) | Carrying Amount | Estimated Fair Value (a) |
| Debt | | | | |
| Senior Secured Credit Facility: | | | | |
| Non-extended revolving credit facility | $— | $— | $78 | $78 |
| Extended revolving credit facility | 20 | 20 | 97 | 97 |
| Non-extended term loan facility | — | — | 629 | 590 |
| Extended term loan facility | 1,822 | 1,803 | 1,822 | 1,630 |
| First Lien Notes | 593 | 648 | — | — |
| Existing First and a Half Lien Notes | 700 | 728 | 700 | 606 |
| New First and a Half Lien Notes | 325 | 353 | — | — |
| Second Lien Loans | 650 | 652 | 650 | 655 |
| Other bank indebtedness | 100 | 100 | 133 | 133 |
| Existing Notes: | | | | |
| 10.50% Senior Notes | 64 | 66 | 64 | 56 |
| 11.00%/11.75% Senior Toggle Notes | 41 | 41 | 52 | 43 |
| 12.375% Senior Subordinated Notes | 188 | 192 | 187 | 144 |
| Extended Maturity Notes: | | | | |
| 11.50% Senior Notes | 489 | 523 | 489 | 367 |
| 12.00% Senior Notes | 129 | 135 | 129 | 95 |
| 13.375% Senior Subordinated Notes | 10 | 9 | 10 | 7 |
| 11.00% Convertible Notes | 2,110 | 2,026 | 2,110 | 1,189 |
| Securitization obligations | 310 | 310 | 327 | 327 |

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(a) The fair value of the Company's indebtedness is categorized as Level I.

Income Taxes

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 nine months ended September 30, 2012 was $33 million, inclusive of a prior period adjustment of $7 million. This expense included $26 million for an increase in deferred tax liabilities associated with indefinite-lived intangible assets and $7 million was recognized for foreign and state income taxes for certain jurisdictions.

Restricted Cash

Restricted cash primarily relates to amounts specifically designated as collateral for the repayment of outstanding borrowings under the Company’s securitization facilities. Such amounts approximated $13 million and $7 million at September 30, 2012 and December 31, 2011, respectively and are primarily included within Other current assets on the Company’s Condensed Consolidated Balance Sheets.

Defined Benefit Pension Plan

The net periodic pension cost for the three months ended September 30, 2012 was $1 million and was comprised of interest cost and amortization of actuarial loss of $3 million offset by a benefit of $2 million for the expected return on assets. The net periodic pension cost for the three months ended September 30, 2011 was less than $1 million and was comprised of interest cost and amortization of actuarial loss of $2 million offset by a benefit of $2 million for the expected return on assets.

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The net periodic pension cost for the nine months ended September 30, 2012 was $4 million and was comprised of interest cost and amortization of actuarial loss of $9 million offset by a benefit of $5 million for the expected return on assets. The net periodic pension cost for the nine months ended September 30, 2011 was $2 million and was comprised of interest cost and amortization of actuarial loss of $7 million offset by a benefit of $5 million for the expected return on assets.

Recently Issued Accounting Pronouncements

In July 2012, the FASB amended the guidance on impairment testing for indefinite-lived intangible assets that allows an entity to elect to qualitatively assess whether it is necessary to perform the current two-step impairment test. If the qualitative assessment determines that it is not more-likely-than-not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, then performing the two-step test is unnecessary. If the entity elects to bypass the qualitative assessment for any indefinite-lived intangible asset and proceed directly to Step One of the test and validate the conclusion by measuring fair value, it can resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, however early adoption is permitted. The Company will consider utilizing the new qualitative analysis for its impairment test to be performed in the fourth quarter of 2012.

Recently Adopted Accounting Pronouncements

In September 2011, the FASB amended the guidance on testing for goodwill impairment that allows an entity to elect to qualitatively assess whether it is necessary to perform the current two-step goodwill impairment test. If the qualitative assessment determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step test is unnecessary. If the entity elects to bypass the qualitative assessment for any reporting unit and proceed directly to Step One of the test and validate the conclusion by measuring fair value, it can resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will consider utilizing the new qualitative analysis for its goodwill impairment test to be performed in the fourth quarter of 2012.

In May 2011, the FASB amended the guidance on Fair Value Measurement that result in common measurement of fair value and disclosure requirements between U.S. GAAP and the International Financial Reporting Standards (“IFRS”). The amendments mainly change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments are effective prospectively for interim and annual periods beginning after December 15, 2011. The Company adopted the amendments on January 1, 2012 and the adoption did not have a significant impact on the consolidated financial statements.

2. ACQUISITIONS

2012 ACQUISITIONS

During the nine months ended September 30, 2012, the Company acquired six real estate brokerage operations through its wholly owned subsidiary, NRT, for total consideration of $5 million. These acquisitions resulted in goodwill of $5 million that was assigned to the Company Owned Brokerage Services segment.

None of the 2012 acquisitions were significant to the Company’s results of operations, financial position or cash flows individually or in the aggregate.

2011 ACQUISITIONS

During the year ended December 31, 2011, the Company acquired thirteen real estate brokerage operations through its wholly owned subsidiary, NRT, for total consideration of $4 million. These acquisitions resulted in goodwill of $3 million that was assigned to the Company Owned Brokerage Services segment.

None of the 2011 acquisitions were significant to the Company’s results of operations, financial position or cash flows individually or in the aggregate.

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## 3. INTANGIBLE ASSETS

Goodwill by segment and changes in the carrying amount are as follows:

| | Real Estate Franchise Services | Company Owned Brokerage Services | Relocation Services | Title and Settlement Services | Total Company |
|---|---|---|---|---|---|
| Gross Goodwill as of December 31, 2011 | $3,264 | $783 | $641 | $397 | $5,085 |
| Accumulated impairment losses | (1,023) | (158) | (281) | (324) | (1,786) |
| Balance at December 31, 2011 | 2,241 | 625 | 360 | 73 | 3,299 |
| Goodwill acquired | — | 5 | — | — | 5 |
| Balance at September 30, 2012 | $2,241 | $630 | $360 | $73 | $3,304 |

Intangible assets are as follows:

| | As of September 30, 2012 | | | As of December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortizable—Franchise agreements [a] | $2,019 | $ 373 | $1,646 | $2,019 | $ 322 | $1,697 |
| Unamortizable—Trademarks [b] | $732 | $ — | $732 | $732 | $ — | $732 |
| Other Intangibles | | | | | | |
| Amortizable—License agreements [c] | $45 | $ 5 | $40 | $45 | $ 4 | $41 |
| Amortizable—Customer relationships [d] | 529 | 173 | 356 | 529 | 144 | 385 |
| Unamortizable—Title plant shares [e] | 10 | — | 10 | 10 | — | 10 |
| Amortizable—Other [f] | 12 | 10 | 2 | 17 | 14 | 3 |
| Total Other Intangibles | $596 | $ 188 | $408 | $601 | $ 162 | $439 |

(a) Generally amortized over a period of 30 years.

(b) Relates to the Century 21, Coldwell Banker, ERA, The Corcoran Group, Coldwell Banker Commercial and Cartus tradenames, which are expected to generate future cash flows for an indefinite period of time.

(c) Relates to the Sotheby's International Realty and Better Homes and Gardens Real Estate agreements which are being amortized over 50 years (the contractual term of the license agreements).

(d) Relates to the customer relationships at the Title and Settlement Services segment and the Relocation Services segment. These relationships are being amortized over a period of 5 to 20 years.

(e) Primarily related to the Texas American Title Company title plant shares. Ownership in a title plant is required to transact title insurance in certain states. The Company expects to generate future cash flows for an indefinite period of time.

(f) Generally amortized over periods ranging from 2 to 10 years.

Intangible asset amortization expense is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Franchise agreements | $17 | $17 | $51 | $51 |
| License agreement | — | — | 1 | — |
| Customer relationships | 10 | 9 | 29 | 28 |
| Other | — | 2 | 2 | 5 |
| Total | $27 | $28 | $83 | $84 |

Based on the Company's amortizable intangible assets as of September 30, 2012, the Company expects related amortization expense for the remainder of 2012, the four succeeding years and thereafter to approximate $27 million, $105 million, $105 million, $95 million, $94 million and $1,618 million, respectively.

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## 4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Accrued payroll and related employee costs | $126 | $69 |
| Accrued volume incentives | 17 | 17 |
| Accrued commissions | 20 | 14 |
| Restructuring accruals | 15 | 20 |
| Deferred income | 60 | 76 |
| Accrued interest | 247 | 139 |
| Relocation services home mortgage obligations | 5 | 9 |
| Other | 157 | 176 |
| | $647 | $520 |

## 5. SHORT AND LONG-TERM DEBT

Total indebtedness is as follows:

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Senior Secured Credit Facility: | | |
| Non-extended revolving credit facility | $— | $78 |
| Extended revolving credit facility | 20 | 97 |
| Non-extended term loan facility | — | 629 |
| Extended term loan facility | 1,822 | 1,822 |
| First Lien Notes | 593 | — |
| Existing First and a Half Lien Notes | 700 | 700 |
| New First and a Half Lien Notes | 325 | — |
| Second Lien Loans | 650 | 650 |
| Other bank indebtedness | 100 | 133 |
| Existing Notes: | | |
| 10.50% Senior Notes | 64 | 64 |
| 11.00%/11.75% Senior Toggle Notes | 41 | 52 |
| 12.375% Senior Subordinated Notes | 188 | 187 |
| Extended Maturity Notes: | | |
| 11.50% Senior Notes | 489 | 489 |
| 12.00% Senior Notes | 129 | 129 |
| 13.375% Senior Subordinated Notes | 10 | 10 |
| 11.00% Convertible Notes | 2,110 | 2,110 |
| Securitization Obligations: | | |
| Apple Ridge Funding LLC | 284 | 296 |
| Cartus Financing Limited | 26 | 31 |
| | $7,551 | $7,477 |

See Note 12, "Subsequent Events" for information related to the Company's initial public offering, conversion of convertible notes and repayment of certain indebtedness.

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Indebtedness Table

As of September 30, 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 |
|---|---|---|---|---|---|
| Senior Secured Credit Facility: | | | | | |
| Extended revolving credit facility (1) | (2) | April 2016 | $363 | $20 | $248 |
| 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 |
| Existing Notes: | | | | | |
| Senior Notes | 10.50% | April 2014 | 64 | 64 | — |
| Senior Toggle Notes | 11.00% | April 2014 | 41 | 41 | — |
| Senior Subordinated Notes (5) | 12.375% | April 2015 | 190 | 188 | — |
| Extended Maturity Notes: | | | | | |
| 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 | — |
| Securitization obligations: (8) | | | | | |
| Apple Ridge Funding LLC | | December 2013 | 400 | 284 | 116 |
| Cartus Financing Limited (9) | | Various | 65 | 26 | 39 |
| | | | $8,063 | $7,551 | $411 |

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(1) The available capacity under this facility was reduced by $95 million of outstanding letters of credit. On October 30, 2012, the Company had $65 million outstanding on the extended revolving credit facility and $42 million of outstanding letters of credit, leaving $256 million of available capacity.

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

(3) Interest rates with respect to term loans under the senior secured credit facility are based on, at Realogy's option, (a) 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%.

(4) Consists of revolving credit facilities that are supported by letters of credit issued under the senior secured credit facility, a portion of which are issued under the synthetic letter of credit facility: $50 million due in January 2013, $50 million due in July 2013 and $8 million of capacity which expires in August 2013. In October 2012, the Company repaid and terminated the $50 million facility which would have expired in January 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 2013.

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 resulted in the following: (1) additional flexibility with respect to compliance with Realogy's senior secured leverage ratio under the senior secured credit facility; (2) the extension of the maturities of certain portions of our indebtedness; (3) additional liquidity to fund operations; and (4) the issuance of $2,110 million of Convertible Notes.

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 ratio 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 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 all of their domestic subsidiaries, other than certain excluded

subsidiaries, 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, Intermediate and by the subsidiary 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 bear interest at a rate of 13.50% per year and interest payments are payable semi-annually with the first interest payment made on April 15, 2010. 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 $185 million at September 30, 2012, of which $43 million will expire in October 2013 and $142 million will expire in October 2016. As of September 30, 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, other indebtedness secured by a lien on our assets pari passu or junior in priority to the liens securing the First and a Half Lien Notes, including the Second Lien Loans, our securitization obligations or the unsecured notes. At September 30, 2012, Realogy’s senior secured leverage ratio was 3.85 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 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 Realogy 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, which assets also secure its other secured indebtedness. Realogy 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 Realogy may not have sufficient

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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 Realogy is able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to Realogy.

First Lien Notes

The $593 million of First Lien Notes are senior secured obligations of Realogy 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 (the first interest payment was July 15, 2012). The First Lien Notes are guaranteed on a senior secured basis by Intermediate and each domestic subsidiary of Realogy that is a guarantor under the Senior Secured Credit Facility and certain of Realogy'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 (the first interest payment date was July 15, 2012). The First and a Half Lien Notes are guaranteed on a senior secured basis by Intermediate and each domestic subsidiary of Realogy that is a guarantor under the Senior Secured Credit Facility and certain of Realogy'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 Second Lien Loans. The priority of the collateral liens securing each series of the First and a Half Lien Notes is equal to one another.

Other Bank Indebtedness

Realogy has separate revolving U.S. credit facilities under which it could borrow up to $100 million at September 30, 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 September 30, 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, including the synthetic letter of credit facility. The facilities generally have a one-year term with certain options for renewal. As of September 30, 2012, Realogy had outstanding borrowings of $100 million under these credit facilities. Realogy has $50 million due in January 2013, $50 million due in July 2013 and an $8 million capacity facility which expires in August 2013. For the nine months ended September 30, 2012 and September 30, 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. On January 5, 2011, Realogy settled the Debt Exchange Offering to exchange its Existing Senior Notes and the 12.375% Senior Subordinated Notes for the Extended Maturity Notes and the Convertible Notes. On the settlement date of the Debt Exchange Offering, Realogy issued (i) $492 million aggregate principal amount of 11.50% Senior Notes, (ii) $130 million aggregate principal amount of 12.00% Senior Notes and (iii) $10 million aggregate principal amount of 13.375% Senior Subordinated

Notes.

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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 domestic subsidiary of Realogy that is a guarantor under the senior secured credit facility or certain of Realogy's outstanding securities. 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 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 Common Stock at any time prior to April 15, 2018. The Series A Convertible Notes and Series B Convertible Notes are convertible into 39.0244 shares of Common Stock per $1,000 aggregate principal amount of Series A Convertible Notes and Series B Convertible Notes, which is equivalent to a conversion price of approximately $25.625 per share, and the Series C Convertible Notes are convertible into 37.0714 shares of Common Stock per $1,000 aggregate principal amount of Series C Convertible Notes, which is equivalent to a conversion price of approximately $26.975 per share, subject to adjustment if specified distributions to holders of the 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.

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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.

On September 4, 2012, the Company entered into letter agreements (the “Agreements”) with certain holders of its Convertible Notes, including RCIV Holdings, an affiliate of Apollo (collectively, the “Significant Holders”), which together held approximately $1.9 billion of the total approximately $2.1 billion of the Convertible Notes.

Under the terms of the Agreements, each Significant Holder agreed (i) not to transfer their respective Convertible Notes from the date of the agreement, (ii) to enter into a lock-up agreement with the underwriters in the initial public offering ("IPO") (covering all shares of common stock that each such Significant Holder owns) for a period of 180 days, subject to certain exceptions pursuant to the terms of the lock-up agreement, and (iii) to convert all of their respective Convertible Notes substantially concurrently with the closing of the IPO.

In return, each Significant Holder will receive (i) 0.125 shares of common stock for each share of common stock issued upon conversion of their Convertible Notes and (ii) a cash payment equal to approximately $105 million, or $55.00 for each $1,000 aggregate principal amount of Convertible Notes converted.

The Company also entered into letter agreements (the “Letter Agreements”) with other eligible holders (collectively the “Other Holders”) of Convertible Notes who together held approximately $127 million of the Convertible Notes.

Under the terms of the Letter Agreements, each Other Holder agreed (i) not to transfer their respective Convertible Notes from the date of the agreement (unless the transferee agrees to assume the restrictions on transfer and lock up obligations contained in the Letter Agreements) and (ii) to enter into a lock-up agreement with the underwriters in the IPO (covering all shares of common stock that it owns) for a period of 180 days, subject to certain exceptions pursuant to the terms of the lock-up agreement.

In return, each Other Holder will receive 0.125 shares of common stock for each share of common stock issued upon conversion of their Convertible Notes. The Other Holders are under no obligation to convert their Convertible Notes but are not entitled to receive the additional shares of common stock except in the event of conversion of their Convertible Notes.

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 nine months ended September 30, 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 nine months ended September 30, 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 2013. 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

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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 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 $395 million and $366 million of underlying relocation receivables and other related relocation assets at September 30, 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 Condensed Consolidated Balance Sheets.

Interest incurred in connection with borrowings under these facilities amounted to $2 million and $7 million for the three and nine months ended September 30, 2012, respectively and $1 million and $4 million for the three and nine months ended September 30, 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 3.4% and 1.9% for the nine months ended September 30, 2012 and 2011, respectively.

## 6. RESTRUCTURING COSTS

### 2012 Restructuring Program

During the first nine 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 $11 million in 2012. As of September 30, 2012, the Company Owned Real Estate Brokerage Services recognized $2 million of personnel related expense and $3 million of facility related expenses. The Relocation Services and the Title and Settlement Services segments each recognized $1 million of facility related expenses. At September 30, 2012, the remaining liability is $3 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 segment recognized $1 million of facility related expenses. At September 30, 2012, the remaining liability is $1 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 nine months ended September 30, 2012, the Company utilized $6 million of the remaining accrual resulting in a remaining liability of $11 million related to future lease payments.

## 7. STOCK-BASED COMPENSATION

### Incentive Equity Awards Granted by Holdings

In April 2007, Holdings adopted the Realogy Holdings Corp. 2007 Stock Incentive Plan (the "Plan") under which non-qualified stock options, rights to purchase shares of common stock, restricted stock and other awards settleable in, or based upon, Holdings common stock may be issued to employees, consultants or directors of Realogy. The original stock options granted were either time vesting or performance based awards with an exercise price equal to the grant date fair price of the underlying shares and a contractual term of 10 years. The time vesting options are subject to ratable vesting over the requisite service period.

In November 2010, Holdings exchanged almost all of the original stock options granted to employees (0.41 million) for new stock options as described below. Each original option held by eligible employees was exchanged on a one-for-one

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basis for a new option with different terms. The original options had an exercise price of $250.00 per share and were 50% time vested and 50% performance based awards. These awards were exchanged for all time vested new awards. The new options were unvested on the date of grant and vest at a rate of 25% a year over a four-year period, which began on July 1, 2010 with a 10-year contractual term beginning on the date of grant. The exercise price for 30% of the new options issued to certain senior executives was $137.50 per share and the exercise price of all other new options issued was $20.75 per share, which represented the fair market value of Common Stock of Holdings as determined by its Compensation Committee as of the date of grant of the new options. The exchange resulted in an incremental stock compensation expense of $4 million that will be recognized over a four-year vesting period, which began on July 1, 2010.

The fair value of the time vesting options and Phantom Value Plan (see discussion below) options was estimated on the date of grant using the Black-Scholes option-pricing model utilizing the following assumptions. Expected volatility was based on historical volatilities of comparable companies. The expected term of the options granted represents the period of time that options were expected to be outstanding. The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of the grant, which corresponds to the expected term of the options.

In February 2012, the Holdings Board granted four thousand time vesting stock options to an independent director of Realogy. In April and May 2012, the Holdings Board granted 0.97 million of time vesting stock options to senior management employees. The options have a term of 10 years, an exercise price of $17.50 per share and a fair market value of $20.50 per share on the date of grant. The options become exercisable over a four-year period at the rate of 25% per year, commencing one year from the date of grant. In addition, in April 2012, 0.08 million of performance based stock options were granted under the Phantom Value Plan. The performance based stock options have a term of 7 years, an exercise price of $17.50 per share and a fair market value of $20.50 per share on the date of grant.

On April 30, 2012, the Holdings Compensation Committee approved a further amendment to the plan to increase the number of shares reserved thereunder by 1 million to 2.69 million reserved shares. As of September 30, 2012, the total number of shares available for future grant was approximately 1.12 million shares.

| | 2012 Time Vesting Options | Phantom Plan Options |
|---|---|---|
| Weighted average grant date fair value | $10.25 | $9.75 |
| Expected volatility | 46.8% | 50.3% |
| Expected term (years) | 6.25 | 4.75 |
| Risk-free interest rate | 1.1% | 0.79% |
| Dividend yield | — | — |

Equity Award Activity

A summary of 2012 option and restricted share activity is presented below (number of shares in millions):

| | Time Vesting Options | Performance Based Options | Restricted Stock |
|---|---|---|---|
| Outstanding at January 1, 2012 | 0.53 | 0.18 | * |
| Granted | 0.98 | 0.08 | — |
| Exercised | — | — | — |
| Vested | — | — | — |
| Forfeited | (0.11) | (0.10) | — |
| Outstanding as of September 30, 2012 | 1.40 | 0.16 | * |

* The outstanding amount is four thousand shares of restricted stock.

| Options Vested | Weighted Average Exercise Price | Weighted Average Remaining Contractual | Aggregate Intrinsic Value |
|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| | | | Term | |
| Exercisable at September 30, 2012 | 0.21 | 46.93 | 8.09 years | — |

As of September 30, 2012, there was approximately $10 million of unrecognized compensation cost related to the time vesting options and restricted stock under the Plan and $2 million of unrecognized compensation cost related to performance based options issued under the Phantom Value Plan described below. Unrecognized cost for the time vesting options and

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restricted stock will be recorded in future periods as compensation expense as the awards vest over the 4 year period from the date of grant with a remaining weighted average period of approximately 2.7 years. The Company recorded stock-based compensation expense related to the incentive equity awards of $1 million and $2 million for the three and nine months ended September 30, 2012, respectively, and $2 million and $5 million related to the incentive equity awards for the three and nine months ended September 30, 2011.

Phantom Value Plan

On January 5, 2011, the Board of Directors of Holdings approved the Realogy Group LLC Phantom Value Plan (the “Phantom Value Plan”), which is intended to provide certain of Realogy’s executive officers with an incentive (the “Incentive Awards”) to remain in the service of Realogy, increase interest in the success of Realogy and create the opportunity to receive compensation based upon Realogy’s success. On January 5, 2011, the Board of Directors of the Company made initial grants of Incentive Awards in an aggregate amount of $22 million to certain executive officers of Realogy. The amount of the Incentive Awards granted to certain of Realogy’s executive officers was determined by the sum of (1) the shares of common stock purchased by the executives at $250.00 per share in April 2007 (representing an aggregate purchase price of $18.5 million) and (2) the implied $250.00 per share grant date value in April 2007 of the executive's restricted stock grant (representing an aggregate of $3.3 million). Incentive Awards are immediately cancelable and forfeitable in the event of the termination of a participant’s employment for any reason. The Incentive Awards terminate 10 years from the date of grant.

Incentive Awards under the Phantom Value Plan

Under the Phantom Value Plan, each participant is eligible to receive a cash payment with respect to an Incentive Award relating to the Convertible Notes that RCIV Holdings (“RCIV”), an affiliate of Apollo, purchased ($1.3 billion aggregate principal amount) for which RCIV receives cash upon the discharge or third-party sale of not less than $267 million of the aggregate principal amount of the Convertible Notes (the “Plan Notes”). Any cash payments made under the Phantom Value Plan will be recorded as compensation expense when RCIV receives cash upon the discharge or third-party sale of the Plan Notes (or the shares underlying the Plan Notes).

Stock Option Awards under the Phantom Value Plan

On each date RCIV receives cash interest on the Plan Notes, certain executive officers of Realogy may be granted stock options under the Holdings 2007 Stock Incentive Plan. The aggregate value of stock options granted (determined by the Holdings Board or its Compensation Committee in its sole discretion) is equal to an amount which bears the same ratio to the aggregate dollar amount of the participant’s Incentive Award as the aggregate amount of cash interest received by RCIV on such date bears to the aggregate principal amount of the Plan Notes held by RCIV on the date of grant of the Incentive Award. Generally, each grant of stock options vests over a three year period subject to the participant’s continued employment, however, the vested stock options do not become exercisable until one year following a qualified public offering. As such, compensation expense will begin to be recorded after a public offering becomes probable of occurring. The stock options have a term of 7.5 years. In April 2012, Holdings issued 0.08 million stock options under the Phantom Value Plan in conjunction with RCIV receiving cash interest on the Plan Notes.

8. SEPARATION ADJUSTMENTS, TRANSACTIONS WITH FORMER PARENT AND SUBSIDIARIES AND RELATED PARTIES

Transfer of Cendant Corporate Liabilities and Issuance of Guarantees to Cendant and Affiliates

The Company has certain guarantee commitments with Cendant (pursuant to the assumption of certain liabilities and the obligation to indemnify Cendant, Wyndham Worldwide and Travelport for such liabilities). These guarantee arrangements primarily relate to certain contingent litigation liabilities, contingent tax liabilities, and other corporate liabilities, of which the Company assumed and is generally responsible for 62.5%. Upon separation from Cendant, the liabilities assumed by the Company were comprised of certain Cendant corporate liabilities which were recorded on the historical books of Cendant as well as additional liabilities which were established for guarantees issued at the date of Separation related to certain unresolved contingent matters that could arise during the guarantee period. Regarding the guarantees, if any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs

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or expenses related to any such liability, the Company would be responsible for a portion of the defaulting party or parties' obligation. To the extent such recorded liabilities are in excess or are not adequate to cover the ultimate payment amounts, such deficiency or excess will be reflected in the results of operations in future periods.

The due to former parent balance was $74 million and $80 million at September 30, 2012 and December 31, 2011, respectively. At September 30, 2012, the due to former parent balance was comprised of the Company's portion of the following: (i) Cendant's remaining state and foreign contingent tax liabilities, (ii) accrued interest on contingent tax liabilities, (iii) potential liabilities related to Cendant's terminated or divested businesses, and (iv) potential liabilities related to the residual portion of accruals for Cendant operations.

Transactions with PHH Corporation

In January 2005, Cendant completed the spin-off of its former mortgage, fleet leasing and appraisal businesses in a tax free distribution of 100% of the common stock of PHH to its stockholders. In connection with the spin-off, the Company entered into a venture, PHH Home Loans, with PHH for the purpose of originating and selling mortgage loans primarily sourced through the Company's real estate brokerage and relocation businesses. The Company owns 49.9% of the venture. In connection with the venture, the Company entered into an agreement with PHH and PHH Home Loans regarding the operation of the venture and a marketing agreement with PHH whereby PHH is the recommended provider of mortgage products and services promoted by the Company to its independently owned and operated franchisees. The Company also entered into a license agreement with PHH whereby PHH Home Loans was granted a license to use certain of the Company's real estate brand names. The Company also maintains a relocation agreement with PHH whereby PHH outsources its employee relocation function to the Company and the Company subleases office space to PHH Home Loans. In connection with these agreements, the Company recorded net revenues of $1 million and $4 million, for the three and nine months ended September 30, 2012, respectively and $1 million and $4 million for the three and nine months ended September 30, 2011, respectively. In addition, the Company recorded equity earnings of $20 million and $45 million for the three and nine months ended September 30, 2012, respectively and $11 million and $15 million for the three and nine months ended September 30, 2011, respectively. The Company received cash dividends from PHH Home Loans of $26 million and $15 million during the nine months ended September 30, 2012 and 2011, respectively.

Transactions with Related Parties

The Company has entered into certain transactions in the normal course of business with entities that are owned by affiliates of Apollo. For the three and nine months ended September 30, 2012 and 2011, the Company has recognized revenue related to these transactions of $1 million or less in each of the periods.

9. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in claims, legal proceedings and governmental inquiries related to alleged contract disputes, business practices, intellectual property and other commercial, employment, regulatory and tax matters. Examples of such matters include but are not limited to allegations:

- that the Company is vicariously liable for the acts of franchisees under theories of actual or apparent agency;
- by former franchisees that franchise agreements were breached including improper terminations;
- that residential real estate agents engaged by NRT—in certain states—are potentially common law employees instead of independent contractors, and therefore may bring claims against NRT for breach of contract, wrongful discharge and negligent supervision and obtain benefits available to employees under various state statutes;
- concerning claims for alleged RESPA or state law violations including but not limited to claims challenging the validity of sales associates indemnification and administrative fees;
- concerning claims generally against the company owned brokerage operations for negligence or breach of fiduciary duty in connection with the performance of real estate brokerage or other professional services; and
- concerning claims generally against the title company contending that, as the escrow company, the company knew or should have known that a transaction was fraudulent.

Real Estate Business Litigation

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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. 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.

On February 16, 2012, as a matter of litigation avoidance, the Company executed a Stipulation of Settlement and on June 4, 2012, the Court granted final approval of the settlement. The settlement involves both monetary and non-monetary consideration as well as contributions from insurance carriers. During the second quarter of 2012, the monetary consideration of the settlement was funded by the Company and the insurance carriers into an escrow account established to fund claims made by class participants. The non-monetary consideration includes, but is not limited to, waivers and modifications of certain fees and payments of incentive fees. The Company accrued the amount that would be payable beyond carrier contributions in its financial results for the year ended December 31, 2011. The full amount of this settlement was subsequently accrued during the quarter ended June 30, 2012 as the amounts were funded by the insurance carriers and final court approval during that quarter.

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 the Company's 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 that were improperly sold. On March 26, 2012, the Court granted plaintiffs motion to certify a class as to all claims except for false advertising. 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. Our primary insurance carrier disclaimed coverage of either liability or defense costs. Two mediation sessions were held and at the end of the mediation session held on June 5, 2012, as a matter of litigation avoidance, we entered into a memorandum of understanding memorializing the principal terms of a settlement of this action. On July 19, 2012, we entered into a definitive settlement agreement. Substantially all of the settlement will be funded directly by the Company with only a modest contribution by its insurance carrier. The settlement is subject to court approval and other conditions and there can be no assurance that the court will grant such approval. The Company accrued for the settlement in June 2012.

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 believes that it has adequately accrued for legal matters as appropriate. The Company records litigation accruals for legal matters which are both probable and estimable. 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 $10 million at September 30, 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.

Tax Matters

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The Company is subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and recording related assets and liabilities. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities whereby the outcome of the audits is uncertain. The Company believes there is appropriate support for positions taken on its tax returns. The liabilities that have been recorded represent the best estimates of the probable loss on certain positions and are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. However, the outcome of tax audits are inherently uncertain.

Under the Tax Sharing Agreement with Cendant, Wyndham Worldwide and Travelport, the Company is generally responsible for 62.5% of payments made to settle claims with respect to tax periods ending on or prior to December 31, 2006 that relate to income taxes imposed on Cendant and certain of its subsidiaries, the operations (or former operations) of which were determined by Cendant not to relate specifically to the respective businesses of Realogy, Wyndham Worldwide, Avis Budget or Travelport.

With respect to any remaining legacy Cendant tax liabilities, the Company and its former parent believe there is appropriate support for the positions taken on Cendant’s tax returns. However, tax audits and any related litigation, including disputes or litigation on the allocation of tax liabilities between parties under the Tax Sharing Agreement, could result in outcomes for the Company that are different from those reflected in the Company’s historical financial statements.

Contingent Liability Letter of Credit

In April 2007, the Company established a standby irrevocable letter of credit for the benefit of Avis Budget Group in accordance with the Separation and Distribution Agreement. The synthetic letter of credit was utilized to support the Company’s payment obligations with respect to its share of Cendant contingent and other corporate liabilities. The stated amount of the standby irrevocable letter of credit is subject to periodic adjustment to reflect the then current estimate of Cendant contingent and other liabilities. The letter of credit was $70 million at September 30, 2012 and December 31, 2011. The standby irrevocable letter of credit will be terminated if (i) the Company’s senior unsecured credit rating is raised to BB by Standard and Poor’s or Ba2 by Moody’s or (ii) the aggregate value of the former parent contingent liabilities falls below $30 million.

Apollo Management Fee Agreement

In connection with the Merger, Apollo entered into a management fee agreement with the Company which allows Apollo Management VI, L.P. and its affiliates to provide certain management consulting services to the Company through the end of 2016 (subject to possible extension). The Company pays Apollo Management VI, L.P. an annual management fee for this service up to the sum of the greater of $15 million or 2.0% of the Company’s annual Adjusted EBITDA for the immediately preceding year, plus out-of-pocket costs and expenses in connection therewith. At September 30, 2012, the Company had $26 million accrued for the payment of Apollo Management VI, L.P. management fees.

In addition, in the absence of an express agreement to the contrary, at the closing of any merger, acquisition, financing and similar transaction with a related transaction or enterprise value equal to or greater than $200 million, Apollo Management VI, L.P. will receive a fee equal to 1% of the aggregate transaction or enterprise value paid to or provided by such entity or its stockholders (including the aggregate value of (x) equity securities, warrants, rights and options acquired or retained, (y) indebtedness acquired, assumed or refinanced and (z) any other consideration or compensation paid in connection with such transaction). Apollo waived any fees payable to it pursuant to the management fee agreement in connection with the 2011 Refinancing Transactions and 2012 Senior Secured Notes Offering. The Company has agreed to indemnify Apollo Management VI, L.P. and its affiliates and their directors, officers and representatives for potential losses relating to the services to be provided under the management fee agreement.

See Note 12, "Subsequent Events" for information related to the termination of the Apollo Management Fee Agreement.

Escrow and Trust Deposits

As a service to the Company’s customers, it administers escrow and trust deposits which represent undisbursed amounts received for settlements of real estate transactions. With the passage of the Dodd-Frank Act in July 2010, deposits at FDIC-insured institutions are permanently insured up to $250 thousand. In addition, the Dodd-Frank Act temporarily provides unlimited coverage for non-interest-bearing transaction accounts from December 31, 2010 through December 31, 2012. These escrow and trust deposits totaled approximately $385 million and $272 million at September 30, 2012 and

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December 31, 2011, respectively. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the accompanying Condensed Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

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## 10. SEGMENT INFORMATION

The reportable segments presented below represent the Company’s operating segments for which separate financial information is available and which is utilized on a regular basis by its chief operating decision maker to assess performance and to allocate resources. In identifying its reportable segments, the Company also considers the nature of services provided by its operating segments. Management evaluates the operating results of each of its reportable segments based upon revenue and EBITDA, which is defined as net income (loss) before depreciation and amortization, interest (income) expense, net (other than Relocation Services interest for secured assets and obligations) and income taxes, each of which is presented in the Company’s Condensed Consolidated Statements of Operations. The Company’s presentation of EBITDA may not be comparable to similar measures used by other companies.

| | Revenues (a) (b) | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Real Estate Franchise Services | $161 | $151 | $460 | $429 |
| Company Owned Real Estate Brokerage Services | 948 | 841 | 2,559 | 2,312 |
| Relocation Services | 124 | 126 | 321 | 323 |
| Title and Settlement Services | 114 | 95 | 308 | 268 |
| Corporate and Other [c] | (66) | (58) | (183) | (167) |
| Total Company | $1,281 | $1,155 | $3,465 | $3,165 |

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(a) Revenues for the Real Estate Franchise Services segment include intercompany royalties and marketing fees paid by the Company Owned Real Estate Brokerage Services segment of $66 million and $183 million for the three and nine months ended September 30, 2012, respectively, and $58 million and $167 million for the three and nine months ended September 30, 2011, respectively. Transactions between segments are eliminated in consolidation. Such amounts are eliminated through the Corporate and Other line.

(b) Revenues for the Relocation Services segment include intercompany referral and relocation fees paid by the Company Owned Real Estate Brokerage Services segment of $12 million and $30 million for the three and nine months ended September 30, 2012, respectively, and $11 million and $29 million for the three and nine months ended September 30, 2011, respectively. Such amounts are recorded as contra-revenues by the Company Owned Real Estate Brokerage Services segment. There are no other material inter-segment transactions.

(c) Includes the elimination of transactions between segments.

| | EBITDA (a) (b) | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Real Estate Franchise Services | $107 | $92 | $267 | $251 |
| Company Owned Real Estate Brokerage Services | 67 | 47 | 128 | 58 |
| Relocation Services | 45 | 50 | 79 | 92 |
| Title and Settlement Services | 12 | 8 | 28 | 22 |
| Corporate and Other | (18) | (10) | (56) | (60) |
| Total Company | $213 | $187 | $446 | $363 |
| Less: | | | | |
| Depreciation and amortization | 42 | 46 | 131 | 139 |
| Interest expense, net | 187 | 159 | 533 | 499 |
| Income tax expense | 18 | 10 | 33 | 12 |
| Net loss attributable to Holdings and Realogy | $(34) | $(28) | $(251) | $(287) |

(a) Includes $2 million of restructuring costs, partially offset by a net benefit of $1 million of former parent legacy items for the three months ended September 30, 2012, compared to $3 million of restructuring costs, offset by a net benefit of $3 million of former parent legacy items for the three months ended September 30, 2011.

(b) Includes $7 million of restructuring costs and a $6 million loss on the early extinguishment of debt, partially offset by a net benefit of $4 million of former parent legacy items for the nine months ended September 30, 2012, compared to $8 million of restructuring costs and a $36 million loss on the early extinguishment of debt, partially offset by a net benefit of $17 million of former parent legacy items for the nine months ended September 30, 2011.

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11. GUARANTOR/NON-GUARANTOR SUPPLEMENTAL FINANCIAL INFORMATION

The following consolidating financial information presents the Condensed Consolidating Balance Sheets and Condensed Consolidating Statements of Operations and Cash Flows for: (i) Realogy Holdings Corp. (“Holdings”); (ii) its direct wholly owned subsidiary Realogy Intermediate Holdings Corp. (“Intermediate”); (iii) its indirect wholly owned subsidiary, Realogy Group LLC (“Realogy”); (iv) the guarantor subsidiaries of Realogy; (v) the non-guarantor subsidiaries of Realogy; (vi) elimination entries necessary to consolidate Holdings, Intermediate, Realogy and the guarantor and non-guarantor subsidiaries; and (vii) the Company on a consolidated basis. The guarantor subsidiaries of Realogy are comprised of 100% owned entities. Guarantor and non-guarantor subsidiaries are 100% owned by Realogy, either directly or indirectly. All guarantees are full and unconditional and joint and several, subject to release under certain customary circumstances, including but not limited to: (i) the sale, disposition or other transfer of the capital stock of a Guarantor made in compliance with the provisions of the applicable indenture; (ii) the designation of a Guarantor as "Unrestricted Subsidiary" (as that term is defined in the applicable indenture); (iii) subject to certain exceptions, the release or discharge of a Guarantor's guarantee of indebtedness under the Senior Secured Credit Facility; and (iv) Realogy's exercise of legal defeasance or covenant defeasance in accordance with the applicable indenture. Non-guarantor entities are comprised of securitization entities, foreign subsidiaries, unconsolidated entities, insurance underwriter subsidiaries and qualified foreign holding corporations. The guarantor and non-guarantor financial information is prepared using the same basis of accounting as the consolidated financial statements except for the investments in consolidated subsidiaries which are accounted for using the equity method.

Condensed Consolidating Statement of Operations and Comprehensive Loss
Three Months Ended September 30, 2012
(in millions)

| | Holdings | Intermediate | Realogy | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| Gross commission income | $— | $— | $— | $ 939 | $ — | $— | $ 939 |
| Service revenue | — | — | — | 155 | 76 | — | 231 |
| Franchise fees | — | — | — | 76 | — | — | 76 |
| Other | — | — | — | 35 | — | — | 35 |
| Net revenues | — | — | — | 1,205 | 76 | — | 1,281 |
| Expenses | | | | | | | |
| Commission and other agent-related costs | — | — | — | 633 | — | — | 633 |
| Operating | — | — | — | 286 | 50 | — | 336 |
| Marketing | — | — | — | 44 | — | — | 44 |
| General and administrative | — | — | 19 | 52 | 3 | — | 74 |
| Former parent legacy costs (benefit), net | — | — | (1) | — | — | — | (1) |
| Restructuring costs | — | — | — | 2 | — | — | 2 |
| Depreciation and amortization | — | — | 2 | 40 | — | — | 42 |
| Interest expense, net | — | — | 185 | 2 | — | — | 187 |
| Intercompany transactions | — | — | 1 | (1) | — | — | — |
| Total expenses | — | — | 206 | 1,058 | 53 | — | 1,317 |
| Income (loss) before income taxes, equity in earnings and noncontrolling interests | — | — | (206) | 147 | 23 | — | (36) |
| Income tax expense (benefit) | — | — | (69) | 70 | 17 | — | 18 |
| Equity in earnings of unconsolidated entities | — | — | — | — | (21) | — | (21) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Equity in (earnings) losses of subsidiaries | 34 | 34 | (103) | (26) | — | 61 | — |
| Net income (loss) | (34) | (34) | (34) | 103 | 27 | (61) | (33) |
| Less: Net income attributable to noncontrolling interests | — | — | — | — | (1) | — | (1) |
| Net income (loss) attributable to Holdings and Realogy | $ (34) | $ (34) | $ (34) | $ 103 | $ 26 | $ (61) | $ (34) |
| Comprehensive income (loss) attributable to Holdings and Realogy | $ (32) | $ (32) | $ (32) | $ 103 | $ 28 | $ (67) | $ (32) |

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Condensed Consolidating Statement of Operations and Comprehensive Loss
Three Months Ended September 30, 2011
(in millions)

| | Holdings | Intermediate | Realogy | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| Gross commission income | $— | $— | $— | $ 831 | $ — | $— | $ 831 |
| Service revenue | — | — | — | 140 | 71 | — | 211 |
| Franchise fees | — | — | — | 73 | — | — | 73 |
| Other | — | — | — | 38 | 2 | — | 40 |
| Net revenues | — | — | — | 1,082 | 73 | — | 1,155 |
| Expenses | | | | | | | |
| Commission and other agent-related costs | — | — | — | 547 | — | — | 547 |
| Operating | — | — | — | 273 | 51 | — | 324 |
| Marketing | — | — | — | 45 | — | — | 45 |
| General and administrative | — | — | 14 | 45 | 3 | — | 62 |
| Former parent legacy costs (benefit), net | — | — | (3) | — | — | — | (3) |
| Restructuring costs | — | — | — | 3 | — | — | 3 |
| Depreciation and amortization | — | — | 2 | 44 | — | — | 46 |
| Interest expense, net | — | — | 158 | 1 | — | — | 159 |
| Intercompany transactions | — | — | 1 | (1) | — | — | — |
| Total expenses | — | — | 172 | 957 | 54 | — | 1,183 |
| Income (loss) before income taxes, equity in earnings and noncontrolling interests | — | — | (172) | 125 | 19 | — | (28) |
| Income tax expense (benefit) | — | — | (55) | 55 | 10 | — | 10 |
| Equity in earnings of unconsolidated entities | — | — | — | — | (11) | — | (11) |
| Equity in (earnings) losses of subsidiaries | 28 | 28 | (89) | (19) | — | 52 | — |
| Net income (loss) | (28) | (28) | (28) | 89 | 20 | (52) | (27) |
| Less: Net income attributable to noncontrolling interests | — | — | — | — | (1) | — | (1) |
| Net income (loss) attributable to Holdings and Realogy | $ (28) | $ (28) | $ (28) | $ 89 | $ 19 | $ (52) | $ (28) |
| Comprehensive income (loss) attributable to Holdings and Realogy | $ (29) | $ (29) | $ (29) | $ 89 | $ 17 | $ (48) | $ (29) |

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Condensed Consolidating Statement of Operations and Comprehensive Loss
Nine Months Ended September 30, 2012
(in millions)

| | Holdings | Intermediate | Realogy | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| Gross commission income | $— | $ — | $— | $ 2,528 | $ — | $ — | $ 2,528 |
| Service revenue | — | — | — | 408 | 203 | — | 611 |
| Franchise fees | — | — | — | 206 | — | — | 206 |
| Other | — | — | — | 118 | 2 | — | 120 |
| Net revenues | — | — | — | 3,260 | 205 | — | 3,465 |
| Expenses | | | | | | | |
| Commission and other agent-related costs | — | — | — | 1,697 | — | — | 1,697 |
| Operating | — | — | — | 835 | 144 | — | 979 |
| Marketing | — | — | — | 145 | 2 | — | 147 |
| General and administrative | — | — | 53 | 167 | 10 | | 230 |
| Former parent legacy costs (benefit), net | — | — | (4) | — | — | — | (4) |
| Restructuring costs | — | — | — | 7 | — | — | 7 |
| Depreciation and amortization | — | — | 6 | 124 | 1 | — | 131 |
| Interest expense, net | — | — | 528 | 5 | — | — | 533 |
| Loss on the early extinguishment of debt | — | — | 6 | — | — | — | 6 |
| Other (income)/expense, net | — | — | — | 1 | — | — | 1 |
| Intercompany transactions | — | — | 3 | (3) | — | — | — |
| Total expenses | — | — | 592 | 2,978 | 157 | — | |