

MIZUHO FINANCIAL GROUP INC  
Form 6-K  
November 26, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16**

**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of November 2010**

**Commission File Number 001-33098**

**Mizuho Financial Group, Inc.**

(Translation of registrant's name into English)

**5-1, Marunouchi 2-chome**

**Chiyoda-ku, Tokyo 100-8333**

**Japan**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_ .



**SIGNATURES**

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

Date: November 26, 2010

Mizuho Financial Group, Inc.

By: /s/ Takeo Nakano

Name: Takeo Nakano

Title: Managing Director / CFO

**1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(1) CONSOLIDATED BALANCE SHEET**

	<i>Millions of yen</i>	
	As of	September 30, 2010
<b>Assets</b>		
Cash and Due from Banks	¥	*8 3,650,486
Call Loans and Bills Purchased		290,921
Receivables under Resale Agreements		8,389,628
Guarantee Deposits Paid under Securities Borrowing Transactions		6,376,329
Other Debt Purchased		1,801,283
Trading Assets		*2*8 15,463,760
Money Held in Trust		102,452
Securities		*1*2*8*16 44,159,283
Loans and Bills Discounted		*3*4*5*6*7*8*9 62,069,897
Foreign Exchange Assets		*7 779,968
Derivatives other than for Trading Assets		7,123,116
Other Assets		*8 3,104,688
Tangible Fixed Assets		*8*10*11 942,494
Intangible Fixed Assets		424,974
Deferred Tax Assets		459,541
Customers Liabilities for Acceptances and Guarantees		3,459,319
Reserves for Possible Losses on Loans		(843,664)
Reserve for Possible Losses on Investments		(17)
<b>Total Assets</b>	<b>¥</b>	<b>157,754,464</b>

	<i>Millions of yen</i>	
	<i>As of</i>	
	<b>September 30, 2010</b>	
<b>Liabilities</b>		
Deposits	¥	*8 75,612,075
Negotiable Certificates of Deposit		10,531,592
Debentures		1,127,527
Call Money and Bills Sold		*8 5,493,654
Payables under Repurchase Agreements		*8 12,443,878
Guarantee Deposits Received under Securities Lending Transactions		*8 6,319,242
Trading Liabilities		8,631,124
Borrowed Money		*8 *12 9,941,009
Foreign Exchange Liabilities		205,619
Short-term Bonds		524,597
Bonds and Notes		*13 5,001,381
Due to Trust Accounts		1,032,497
Derivatives other than for Trading Liabilities		6,231,233
Other Liabilities		4,282,603
Reserve for Bonus Payments		34,143
Reserve for Employee Retirement Benefits		35,733
Reserve for Director and Corporate Auditor Retirement Benefits		2,049
Reserve for Possible Losses on Sales of Loans		2,815
Reserve for Contingencies		14,120
Reserve for Reimbursement of Deposits		14,912
Reserve for Reimbursement of Debentures		11,615
Reserves under Special Laws		1,376
Deferred Tax Liabilities		12,497
Deferred Tax Liabilities for Revaluation Reserve for Land		*10 98,583
Acceptances and Guarantees		3,459,319
<b>Total Liabilities</b>		<b>151,065,208</b>
<b>Net Assets</b>		
Common Stock and Preferred Stock		2,181,375
Capital Surplus		937,680
Retained Earnings		1,060,637
Treasury Stock		(3,195)
<b>Total Shareholders Equity</b>		<b>4,176,496</b>
Net Unrealized Gains on Other Securities, net of Taxes		32,505
Net Deferred Hedge Gains, net of Taxes		142,572
Revaluation Reserve for Land, net of Taxes		*10 137,952
Foreign Currency Translation Adjustments		(100,371)
<b>Total Valuation and Translation Adjustments</b>		<b>212,659</b>
<b>Stock Acquisition Rights</b>		<b>2,778</b>
<b>Minority Interests</b>		<b>2,297,321</b>
<b>Total Net Assets</b>		<b>6,689,256</b>
<b>Total Liabilities and Net Assets</b>	¥	<b>157,754,464</b>

**(2) CONSOLIDATED STATEMENT OF INCOME**

	<i>Millions of yen</i>	
	<b>For the six months ended</b>	
	<b>September 30, 2010</b>	
<b>Ordinary Income</b>	¥	1,449,871
Interest Income		733,453
<i>Interest on Loans and Bills Discounted</i>		454,147
<i>Interest and Dividends on Securities</i>		179,472
Fiduciary Income		24,058
Fee and Commission Income		271,146
Trading Income		177,612
Other Operating Income		185,542
Other Ordinary Income	*1	58,058
<b>Ordinary Expenses</b>		1,026,042
Interest Expenses		179,908
<i>Interest on Deposits</i>		58,381
<i>Interest on Debentures</i>		3,986
Fee and Commission Expenses		51,976
Other Operating Expenses		59,031
General and Administrative Expenses		639,393
Other Ordinary Expenses	*2	95,731
<b>Ordinary Profits</b>		423,829
<b>Extraordinary Gains</b>	*3	34,961
<b>Extraordinary Losses</b>	*4	7,713
<b>Income before Income Taxes and Minority Interests</b>		451,076
Income Taxes:		
Current		11,236
Deferred		47,250
Total Income Taxes		58,486
<b>Net Income before Minority Interests</b>		392,590
<b>Minority Interests in Net Income</b>		50,831
<b>Net Income</b>	¥	341,759

**(3) CONSOLIDATED STATEMENT OF CASH FLOWS**

	<i>Millions of yen</i>	
	<b>For the six months</b>	
	<b>ended September 30,</b>	
	<b>2010</b>	
<b>Cash Flow from Operating Activities</b>		
Income before Income Taxes and Minority Interests	¥	451,076
Depreciation		80,559
Losses on Impairment of Fixed Assets		2,545
Equity in (Income) from Investments in Affiliates		(2,503)
Increase (Decrease) in Reserves for Possible Losses on Loans		(34,592)
Increase (Decrease) in Reserve for Possible Losses on Investments		(11)
Increase (Decrease) in Reserve for Possible Losses on Sales of Loans		(11,648)
Increase (Decrease) in Reserve for Contingencies		(688)
Increase (Decrease) in Reserve for Bonus Payments		(13,640)
Increase (Decrease) in Reserve for Employee Retirement Benefits		1,552
Increase (Decrease) in Reserve for Director and Corporate Auditor Retirement Benefits		(62)
Increase (Decrease) in Reserve for Reimbursement of Deposits		163
Increase (Decrease) in Reserve for Reimbursement of Debentures		790
Interest Income - accrual basis		(733,453)
Interest Expenses - accrual basis		179,908
Losses (Gains) on Securities		(121,664)
Losses (Gains) on Money Held in Trust		8
Foreign Exchange Losses (Gains) - net		401,471
Losses (Gains) on Disposition of Fixed Assets		2,093
Decrease (Increase) in Trading Assets		(1,745,636)
Increase (Decrease) in Trading Liabilities		1,237,934
Decrease (Increase) in Derivatives other than for Trading Assets		(152,191)
Increase (Decrease) in Derivatives other than for Trading Liabilities		(289,340)
Decrease (Increase) in Loans and Bills Discounted		(441,726)
Increase (Decrease) in Deposits		(213,566)
Increase (Decrease) in Negotiable Certificates of Deposit		397,936
Increase (Decrease) in Debentures		(390,269)
Increase (Decrease) in Borrowed Money (excluding Subordinated Borrowed Money)		308,477
Decrease (Increase) in Due from Banks (excluding Due from Central Banks)		(139,940)
Decrease (Increase) in Call Loans, etc.		(1,298,433)
Decrease (Increase) in Guarantee Deposits Paid under Securities Borrowing Transactions		(631,428)
Increase (Decrease) in Call Money, etc.		898,201
Increase (Decrease) in Guarantee Deposits Received under Securities Lending Transactions		(296,270)
Decrease (Increase) in Foreign Exchange Assets		(91,596)
Increase (Decrease) in Foreign Exchange Liabilities		32,981
Increase (Decrease) in Short-term Bonds (Liabilities)		32,200
Increase (Decrease) in Bonds and Notes		304,734
Increase (Decrease) in Due to Trust Accounts		7,066
Interest and Dividend Income - cash basis		778,365
Interest Expenses - cash basis		(206,172)
Other - net		156,267
Subtotal		(1,540,502)
Cash Refunded (Paid) in Income Taxes		(16,731)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>¥</b>	<b>(1,557,234)</b>

	<i>Millions of yen</i>	
	<b>For the six months</b>	
	<b>ended September 30,</b>	
	<b>2010</b>	
<b>Cash Flow from Investing Activities</b>		
Payments for Purchase of Securities	¥	(53,207,930)
Proceeds from Sale of Securities		47,606,416
Proceeds from Redemption of Securities		5,454,543
Payments for Increase in Money Held in Trust		(25,685)
Proceeds from Decrease in Money Held in Trust		42,620
Payments for Purchase of Tangible Fixed Assets		(40,065)
Payments for Purchase of Intangible Fixed Assets		(52,137)
Proceeds from Sale of Tangible Fixed Assets		56
Proceeds from Sale of Intangible Fixed Assets		9
<b>Net Cash Provided by (Used in) Investing Activities</b>		<b>(222,172)</b>
<b>Cash Flow from Financing Activities</b>		
Repayments of Subordinated Borrowed Money		(10,000)
Payments for Redemption of Subordinated Bonds		(319,093)
Proceeds from Issuance of Common Stock		761,354
Proceeds from Investments by Minority Shareholders		735
Cash Dividends Paid		(133,659)
Cash Dividends Paid to Minority Shareholders		(51,432)
Payments for Repurchase of Treasury Stock		(1)
Proceeds from Sale of Treasury Stock		3
<b>Net Cash Provided by (Used in) Financing Activities</b>		<b>247,907</b>
<b>Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(16,527)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(1,548,026)</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>		<b>4,678,783</b>
<b>Cash and Cash Equivalents at the end of the period</b>	¥	*1 3,130,756



(CHANGES OF FUNDAMENTAL AND IMPORTANT MATTERS FOR THE PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS)

For the six months ended September 30, 2010

(Accounting Standard for Financial Instruments)

MHFG has applied Accounting Standard for Financial Instruments (ASBJ Statement No. 10, March 10, 2008) and Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 10, 2008) from the end of the previous fiscal year.

As a result, Other Debt Purchased increased by ¥684 million, Securities increased by ¥26,317 million, Deferred Tax Assets decreased by ¥11,769 million, Reserves for Possible Losses on Loans decreased by ¥17,678 million, Net Unrealized Gains (Losses) on Other Securities, net of Taxes increased by ¥17,408 million, Minority Interests increased by ¥160 million, Income before Income Taxes and Minority Interests increased by ¥595 million, and Net Income increased by ¥596 million, compared with the corresponding amounts under the previously applied method.

(Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method)

Mizuho Financial Group has applied Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, March 10, 2008) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24, March 10, 2008) beginning with this interim period.

This application does not affect the financial statements.

(Adoption of Accounting Standard for Asset Retirement Obligation)

Mizuho Financial Group has applied Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008) beginning with this interim period.

As a result, Income before Income Taxes and Minority Interests decreased by ¥3,445 million. The change in Asset Retirement Obligations (which is in Other Liabilities) due to commencement of application of the accounting standards is ¥6,257 million.

(NOTES)

(NOTES TO CONSOLIDATED BALANCE SHEET)

Notes as of September 30, 2010

1. Securities include shares of ¥175,695 million and investments of ¥421 million in non-consolidated subsidiaries and affiliates.
2. Unsecured loaned securities which the borrowers have the right to sell or repledge amounted to ¥4,296 million and are included in trading securities under Trading Assets. MHFG has the right to sell or repledge some of unsecured borrowed securities, securities purchased under resale agreements and securities borrowed with cash collateral. Among them, the total of securities repledged was ¥8,944,051 million and securities neither repledged nor re-loaned was ¥3,198,441 million, respectively.

3. Loans and Bills Discounted include Loans to Bankrupt Obligors of ¥68,232 million and Non-Accrual Delinquent Loans of ¥722,387 million.

Loans to Bankrupt Obligors are loans, excluding loans written-off, on which delinquencies in payment of principal and/or interest have continued for a significant period of time or for some other reason there is no prospect of collecting principal and/or interest ( Non-Accrual Loans ), as per Article 96, Paragraph 1, Item 3, Subsections 1 to 5 or Item 4 of the Corporate Tax Law Enforcement Ordinance (Government Ordinance No. 97, 1965).

Non-Accrual Delinquent Loans represent Non-Accrual Loans other than (i) Loans to Bankrupt Obligors and (ii) loans on which interest payments have been deferred in order to assist or facilitate the restructuring of the obligors.

4. Balance of Loans Past Due for Three Months or More: ¥27,940 million

Loans Past Due for Three Months or More are loans on which payments of principal and/or interest have not been made for a period of three months or more since the next day following the first due date without such payments, and which are not included in Loans to Bankrupt Obligors, or Non-Accrual Delinquent Loans.

5. Balance of Restructured Loans: ¥510,031 million

Restructured Loans represent loans whose contracts were amended in favor of obligors (e.g., reduction of, or exemption from, stated interest, deferral of interest payments, extension of maturity dates and renunciation of claims) in order to assist or facilitate the restructuring of the obligors. Loans to Bankrupt Obligors, Non-Accrual Delinquent Loans and Loans Past Due for Three Months or More are not included.

6. Total balance of Loans to Bankrupt Obligors, Non-Accrual Delinquent Loans, Loans Past Due Three Months or More, and Restructured Loans: ¥1,328,591 million.

The amounts given in Notes 3 through 6 above are gross amounts before deduction of amounts for the Reserves for Possible Losses on Loans.

7. In accordance with JICPA Industry Audit Committee Report No. 24, bills discounted are accounted for as financing transactions. The banking subsidiaries have rights to sell or pledge these bankers' acceptances, commercial bills, documentary bills and foreign exchange bills purchased. The face value of these bills amounted to ¥639,824 million.

8. The following assets were pledged as collateral:

Cash and Due from Banks:	¥	130 million
Trading Assets:	¥	6,781,451 million
Securities:	¥	12,973,324 million
Loans and Bills Discounted:	¥	9,533,730 million
Other Assets:	¥	9,811 million
Tangible Fixed Assets:	¥	147 million

The following liabilities were collateralized by the above assets:

Deposits:	¥	703,432 million
Call Money and Bills Sold:	¥	1,899,000 million
Payables under Repurchase Agreements:	¥	5,176,996 million
Guarantee Deposits Received under Securities Lending Transactions:	¥	5,775,779 million
Borrowed Money:	¥	8,386,388 million

In addition to the above, the settlement accounts of foreign and domestic exchange transactions or derivatives transactions and others were collateralized, and margins for futures transactions were substituted by Cash and Due from Banks of ¥8,225 million, Trading Assets of ¥242,301 million and Securities of ¥2,556,105 million and Loans and Bills Discounted of ¥16,764 million.

None of the assets was pledged as collateral in connection with borrowings by the non-consolidated subsidiaries and affiliates.

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Other Assets include guarantee deposits of ¥107,443 million, collateral pledged for derivatives transactions of ¥306,644 million, margins for futures transactions of ¥43,810 million and other guarantee deposits of ¥26,660 million.

Rediscount of bills is conducted as financial transaction based on the JICPA Industry Audit Committee Report No. 24. As a result there was no balance for bankers' acceptances, commercial bills, documentary bills or foreign exchange bills purchased.

9. Overdraft protection on current accounts and contracts of the commitment line for loans are contracts by which banking subsidiaries are bound to extend loans up to the prearranged amount, at the request of customers, unless the customer is in breach of contract conditions. The unutilized balance of these contracts amounted to ¥56,028,769 million. Of this amount, ¥49,142,871 million relates to contracts of which the original contractual maturity is one year or less, or which are unconditionally cancelable at any time.

Since many of these contracts expire without being exercised, the unutilized balance itself does not necessarily affect future cash flows. A provision is included in many of these contracts that entitles the banking subsidiaries to refuse the execution of loans, or reduce the maximum amount under contracts when there is a change in the financial situation, necessity to preserve a claim or other similar reasons. The banking subsidiaries require collateral such as real estate and securities when deemed necessary at the time the contract is entered into. In addition, they periodically monitor customers' business conditions in accordance with internally established standards and take necessary measures to manage credit risks such as amendments to contracts.

10. In accordance with the Land Revaluation Law (Proclamation No.34 dated March 31, 1998), land used for business operations of domestic consolidated banking subsidiaries was revalued. The applicable income taxes on the entire excess of revaluation are included in Deferred Tax Liabilities for Revaluation Reserve for Land under Liabilities, and the remainder, net of applicable income taxes, is stated as Revaluation Reserve for Land, net of Taxes included in Net Assets.

Revaluation date: March 31, 1998

Revaluation method as stated in Article 3, Paragraph 3 of the above law: Land used for business operations was revalued by calculating the value on the basis of the valuation by road rating stipulated in Article 2, Paragraph 4 of the Enforcement Ordinance relating to the Land Revaluation Law (Government Ordinance No.119 promulgated on March 31, 1998) with reasonable adjustments to compensate for sites with long depth and other factors, and also on the basis of the appraisal valuation stipulated in Paragraph 5.

11. Accumulated Depreciation of Tangible Fixed Assets amounted to ¥792,099 million.

12. Borrowed Money includes subordinated borrowed money of ¥649,260 million with a covenant that performance of the obligation is subordinated to that of other obligations.

13. Bonds and Notes include subordinated bonds of ¥1,763,042 million.

14. The principal amounts of money trusts and loan trusts with contracts indemnifying the principal amounts, which are entrusted to domestic consolidated trust banking subsidiaries, are ¥887,879 million and ¥14,967 million, respectively.

15. Liabilities for guarantees on corporate bonds included in Securities, which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Law) amounted to ¥1,094,188 million.

(NOTES TO CONSOLIDATED STATEMENT OF INCOME)

For the six months ended September 30, 2010

1. Other Ordinary Income includes gains on sales of stocks of ¥36,438 million.

2. Other Ordinary Expenses includes losses on write-offs of loans of ¥29,429 million, losses on impairment (devaluation) of stocks of ¥28,665 million, and losses on sales of stocks of ¥19,379 million.

3. Extraordinary Gains includes gains on recovery of written-off claims of ¥27,749 million and gains on reversal of reserves for possible losses on loans of ¥5,772 million.

4. Extraordinary losses include losses of ¥3,058 million at the beginning of the period due to the adoption of Accounting Standard for Asset Retirement Obligation described in Changes of Fundamental and Important Matters for the Preparation of Interim Consolidated Financial Statements, losses on impairment of fixed assets of ¥2,545 million, and losses on disposition of fixed assets of ¥2,110 million.

(NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS)

For the six months ended September 30, 2010

1. Cash and Cash Equivalents at the end of the period on the consolidated statement of cash flows reconciles to Cash and Due from Banks on the consolidated balance sheet as follows:

(as of September 30, 2010)	<i>Millions of yen</i>
Cash and Due from Banks	¥ 3,650,486
Due from Banks excluding central banks	(519,729)
Cash and Cash Equivalents	¥ 3,130,756

(SECURITIES)

\*1. In addition to Securities on the consolidated balance sheet, trading securities, negotiable certificates of deposit (NCDs), commercial paper and certain other items in Trading Assets, NCDs in Cash and Due from Banks, certain items in Other Debt Purchased and certain items in Other Assets are also included.

\*2. Stocks of Subsidiaries and Affiliates with Fair Values is stated as a note to the financial statements.

For the six months ended September 30, 2010

1. Bonds Held to Maturity (as of September 30, 2010)

		<i>(Millions of yen)</i>
		<b>Consolidated</b>
		<b>Balance</b>
		<b>Sheet</b>
		<b>Amount</b>
	<b>Type</b>	<b>Fair</b>
		<b>Value</b>
		<b>Difference</b>
Bonds Whose Fair Values Exceed the Consolidated Balance Sheet Amount	Japanese Government Bonds	900,697
	Japanese Corporate Bonds	2,915
		913,089
		2,926
		12,391
		11
Total		903,613
		916,015
		12,402

## 2. Other Securities (as of September 30, 2010)

*(Millions of yen)*

	Type	Consolidated Balance Sheet Amount	Acquisition Cost	Difference
Other Securities Whose Consolidated Balance Sheet Amount Exceeds Acquisition Cost	Stocks	1,369,407	992,081	377,325
	Bonds	24,984,252	24,838,155	146,096
	Japanese Government Bonds	22,265,540	22,184,405	81,135
	Japanese Local Government Bonds	180,524	175,589	4,935
	Japanese Corporate Bonds	2,538,186	2,478,160	60,025
	Other	6,656,209	6,510,999	145,210
	Foreign Bonds	5,671,530	5,579,260	92,270
	Other Debt Purchased	658,308	637,647	20,660
	Other	326,370	294,091	32,279
	Sub-total	33,009,869	32,341,236	668,632
Other Securities Whose Consolidated Balance Sheet Amount Does Not Exceed Acquisition Cost	Stocks	1,246,480	1,536,992	(290,512)
	Bonds	6,322,129	6,350,214	(28,084)
	Japanese Government Bonds	5,163,298	5,165,096	(1,798)
	Japanese Local Government Bonds	15,903	15,904	(1)
	Japanese Corporate Bonds	1,142,928	1,169,212	(26,284)
	Other	3,362,856	3,616,013	(253,156)
	Foreign Bonds	1,984,525	2,043,679	(59,154)
	Other Debt Purchased	606,459	634,515	(28,055)
	Other	771,870	937,817	(165,946)
	Sub-total	10,931,466	11,503,219	(571,753)
<b>Total</b>		<b>43,941,335</b>	<b>43,844,456</b>	<b>96,879</b>

(Note) Unrealized Gains (Losses) includes ¥ 5,562 million which was recognized in the statement of income by applying the fair-value hedge method.

## 3. Impairment ( Devaluation ) of Securities

Securities (excluding Trading Securities ) which have readily determinable fair value are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the period (impairment (devaluation)), if the fair value (primarily the closing market price at the consolidated balance sheet date) has significantly deteriorated compared with the acquisition cost (including amortized cost), and unless it is deemed that there is a possibility of a recovery in the fair value. The amount of impairment (devaluation) for the period was ¥28,658 million.

The criteria for determining whether a security's fair value has significantly deteriorated are outlined as follows:

Securities whose fair value is 50% or less of the acquisition cost

Securities whose fair value exceeds 50% but is 70% or less of the acquisition cost and the quoted market price maintains a certain level or lower.

(NOTES TO MONEY HELD IN TRUST)

For the six months ended September 30, 2010

1. Money Held in Trust Held to Maturity (as of September 30, 2010)  
There was no Money Held in Trust held to maturity.

2. Other in Money Held in Trust (other than for investment purposes and held to maturity purposes)

(as of September 30, 2010)

				<i>(Millions of yen)</i>	
	<b>Consolidated Balance Sheet Amount</b>	<b>Acquisition Cost</b>	<b>Difference</b>	<b>Other in Money Held in Trust Whose Consolidated Balance Sheet Amount Exceeds Acquisition Cost</b>	<b>Other in Money Held in Trust Whose Consolidated Balance Sheet Amount Does Not Exceed Acquisition Cost</b>
Other in Money Held in Trust	1,020	1,050	(30)		(30)

(Note) Other in Money Held in Trust Whose Consolidated Balance Sheet Amount Exceeds Acquisition Cost and Other in Money Held in Trust Whose Consolidated Balance Sheet Amount Does Not Exceed Acquisition Cost are components of Difference.

(BUSINESS SEGMENT INFORMATION)

For the six months ended September 30, 2010

1. Summary of reportable segment

The MHFG Group's operating segments are based on the nature of the products and services provided, the type of customer and the Group's management organization.

The reportable segment information, set forth below, is derived from the internal management reporting systems used by management to measure the performance of the Group's operating segments. The management measures the performance of each of the operating segments primarily in terms of net business profits (excluding the amounts of credit costs of trust accounts, before reversal of (provision for) general reserve for losses on loans) in accordance with internal managerial accounting rules and practices.

MHFG manages its business portfolio through the three Global Groups: the Global Corporate Group, the Global Retail Group and the Global Asset & Wealth Management Group. The Global Corporate Group consists primarily of MHCB and MHSC, the Global Retail Group consists primarily of MHBK and MHIS, and the Global Asset & Wealth Management Group consists primarily of MHTB.

Operating segments of MHCB and MHBK are aggregated within each entity based on customer characteristics and functions. Operating segments of MHCB are aggregated into three reportable segments, domestic, international, and trading and others. Operating segments of MHBK are also aggregated into three reportable segments, retail banking, corporate banking, and trading and others. In addition to the three Global Groups, subsidiaries which provide services to a wide range of customers and which do not belong to a specific Global Group are aggregated as Others.

**[The Global Corporate Group]**

**[MHCB ]**

MHCB is the main operating company of the Global Corporate Group and provides banking and other financial services to large corporations, financial institutions, public sector entities, foreign corporations, including foreign subsidiaries of Japanese corporations, and foreign governmental entities.

**(Domestic )**

This segment consists of the following three units of MHCB: corporate banking, global investment banking, and global transaction banking. This segment provides a variety of financial products and services to large corporations, financial institutions and public sector entities in Japan. The products and services it offers include commercial banking, advisory services, syndicated loan arrangements and structured finance.

**(International )**

This segment primarily offers commercial banking and foreign exchange transaction services to foreign corporations, including foreign subsidiaries of Japanese corporations, through MHCB's overseas network.

**(Trading and others )**

This segment consists of the global markets unit, and the global asset management unit. This segment supports the domestic and international segments in offering derivatives and other risk hedging products to satisfy MHCB's customers' financial and business risk control requirements. It is also engaged in MHCB's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also includes costs incurred by headquarters functions of MHCB.

**[MHSC ]**

Mizuho Securities is the securities arm of the Global Corporate Group and provides full-line securities services to corporations, financial institutions, public sector entities and individuals.

The former Mizuho Securities and Shinko Securities merged to form the new Mizuho Securities in May 2009.



[Others ]

This segment consists of MHCB's subsidiaries other than MHSC. These subsidiaries offer financial products and services in specific areas of business or countries mainly to customers of the Global Corporate Group.

**[The Global Retail Group]**

[MHBK ]

MHBK is the main operating company of the Global Retail Group. MHBK provides banking and other financial services primarily to individuals, SMEs and middle-market corporations through its domestic branch and ATM network.

(Retail banking )

This segment offers banking products and services, including housing and other personal loans, credit cards, deposits, investment products and consulting services, to MHBK's individual customers through its nationwide branch and ATM network, as well as telephone and Internet banking services.

(Corporate banking )

This segment provides loans, syndicated loan arrangements, structured finance, advisory services, other banking services and capital markets financing to SMEs, middle-market corporations, local governmental entities and other public sector entities in Japan.

(Trading and others )

This segment supports the retail banking and corporate banking segments in offering derivatives and other risk hedging products to satisfy MHBK's customers' financial and business risk control requirements. It is also engaged in MHBK's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also includes costs incurred by headquarters functions of MHBK.

[MHIS ]

MHIS offers securities services to individuals and corporate customers of the Global Retail Group and provides those corporate customers with support in procuring funds through capital markets.

[Others ]

This segment consists of MHBK's subsidiaries other than MHIS. These subsidiaries, such as Mizuho Capital and Mizuho Business Financial Center, offer financial products and services in specific areas of business to customers of the Global Retail Group.

**[The Global Asset & Wealth Management Group]**

[MHTB ]

MHTB is the main operating company of the Global Asset & Wealth Management Group and offers products and services related to trust, real estate, securitization and structured finance, pension and asset management, and stock transfers.

[Others ]

This segment includes companies other than MHTB which are part of the Global Asset & Wealth Management Group. These companies include Trust & Custody Service Bank, Mizuho Asset Management and Mizuho Private Wealth Management. They offer products and services related to private banking, trust and custody, and asset management.

**[Others ]**

This segment consists of MHFG and its subsidiaries that do not belong to a specific Global Group but provide their services to a wide range of customers. Under this segment, the MHFG Group offers non-banking services including research and consulting services through Mizuho

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Research Institute, information technology-related services through Mizuho Information & Research Institute and advisory services to financial institutions through Mizuho Financial Strategy.

2. Calculating method of Gross profits (excluding the amounts of credit costs of trust accounts), Net business profits (excluding the amounts of credit costs of trust accounts, before reversal of (provision for) general reserve for losses on loans), and the amount of Assets by reportable segment

The following information of reportable segment is based on internal management reporting.

Gross profits (excluding the amounts of credit costs of trust accounts) is the total amount of Interest income, Fiduciary income, Fee and commission income, Trading income, and Other operating income.

Net business profits (excluding the amounts of credit costs of trust accounts, before reversal of (provision for) general reserve for losses on loans) is the amount of which General administrative expenses (excluding non-recurring expenses) and Other (Equity in income from investments in affiliates and certain other consolidation adjustments) are deducted from Gross profits (excluding the amounts of credit costs of trust accounts).

Asset information by segment is not prepared on the grounds that management does not use asset information of each segment for the purpose of asset allocation or performance evaluation.

Gross profits (excluding the amounts of credit costs of trust accounts) relating to transactions between segments is based on the current market price.

3. Gross profits (excluding the amounts of credit costs of trust accounts) and Net business profits or losses (excluding the amounts of credit costs of trust accounts, before reversal of (provision for) general reserve for losses on loans) by reportable segment

Global Corporate Group MHC B						Global Retail Group MHBK					Global Asset & Wealth Management Group				
Domestic	Inter- national	Trading and others	MHSC	Others	Others	Retail banking	Corporate banking	Trading and others	MHIS	Others	Others	MHTB	Others	Others	
															204,836
192,384	55,800	22,900	113,684	95,623	33,074	163,495	135,807	16,200	62,800	56,807	24,385	3,302	68,234	46,254	21,979
397,221	144,300	64,600	188,321	91,128	63,110	470,756	421,693	139,300	196,300	86,093	24,672	24,390	89,023	66,538	22,485
116,517	44,900	32,800	38,817	80,692	38,138	303,860	279,368	120,800	112,700	45,868	20,301	4,191	64,185	44,465	19,720
					(28,257)	(8,031)						(8,031)	(930)		(930)
280,703	99,400	31,800	149,503	10,436	(3,284)	158,864	142,325	18,500	83,600	40,225	4,371	12,167	23,908	22,073	1,834



Notes:

- (1) Gross profits (excluding the amounts of credit costs of trust accounts) are reported instead of sales reported by general corporations.
- (2) Others , Others and Others include elimination of transactions between companies within the Global Corporate Group, the Global Retail Group and the Global Asset & Wealth Management Group, respectively. Others includes elimination of transactions between the Global Groups.
4. The difference between the total amounts of reportable segments and the recorded amounts in Consolidated Statement of Income, and the contents of the difference (Matters relating to adjustment to difference)

The above amount of Gross profits (excluding the amounts of credit costs of trust accounts) and that of Net business profits (excluding the amounts of credit costs of trust accounts, before reversal of (provision for) general reserve for losses on loans) derived from internal management reporting by reportable segment are different from the amounts recorded in Consolidated Statement of Income.

The contents of the difference for the interim period are as follows:

- (1) The total of Gross profits (excluding the amounts of credit costs of trust accounts) of segment information and Ordinary Profits recorded in Consolidated Statement of Income

*Millions of yen*

**Gross profits:**

<b>(excluding the amounts of credit costs of trust accounts)</b>	<b>Amount</b>
Total amount of the above segment information	1,100,896
Other Ordinary Income	58,058
General and Administrative Expenses	(639,393)
Other Ordinary Expenses	(95,731)
Ordinary Profits recorded in Consolidated Statements of Income	423,829

(2) Net business profits (excluding the amounts of credit costs of trust accounts, before reversal of (provision for) general reserve for losses on loans) of segment information and Income before income taxes and minority interests recorded in Consolidated Statements of Income

Millions of yen

Net business profits

(excluding the amounts of credit costs of trust accounts,

before reversal of (provision for) general reserve for losses on loans)

Amount

Total amount of the above segment information	464,991
Credit Costs for Trust Accounts	
General and Administrative Expenses (non-recurring losses)	(42,455)
Expenses related to Portfolio Problems	(29,982)
Net Gains (Losses) related to Stocks	(10,567)
Net Extraordinary Gains (Losses)	27,247
Other	41,842

Income before income taxes and minority interests recorded in Consolidated Statements of Income  
(Additional Information)

451,076

Mizuho Financial Group has applied Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Statement No. 17, March 27, 2009) and Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Guidance No. 20, March 21, 2008) from this period.

[Related Information]

For the six months ended September 30, 2010

1. Information by region

(1) Ordinary Income

(Millions of yen)

Japan	Americas	Europe	Asia & Oceania	Total
1,261,646	66,777	61,717	59,730	1,449,871

(Notes)

- Geographic analyses are presented based on geographic contiguity, similarities in economic activities, and correlation between business operations. Ordinary Income is presented in lieu of Sales as utilized by non-financial companies.
- Japan includes Ordinary Income of MHFG and domestic consolidated subsidiaries (excluding overseas branches), Americas includes that of consolidated subsidiaries (including overseas branches) located in the United States of America, Canada, etc., Europe includes that of consolidated subsidiaries (including overseas branches) located in the United Kingdom, etc., and Asia/Oceania includes that of consolidated subsidiaries (including overseas branches) located in Hong Kong, the Republic of Singapore, etc.

(2) Tangible Fixed Assets

Record of tangible fixed assets is omitted on the grounds that the amount of tangible fixed assets of our group located in Japan exceeds 90% of the amount of tangible fixed assets recorded in Consolidated Balance Sheets.

3. Information by major customer

Record of information by major customer is omitted on the grounds that none of Ordinary income from specific customers accounts for more than 10% of Ordinary income recorded in Consolidated Statements of Income.

[Information on Losses on impairment of fixed assets by reportable segment]

For the six months ended September 30, 2010

(Millions of yen)

	Global Corporate Group MHC B				Global Retail Group MHBK				Global Asset & Wealth Management Group		Total
	Domestic	Inter- national	Trading and others	MHS Others	banking	corporate and banking others	MHIS	Others	MHTB	Others	
Losses on impairment of fixed assets	814	814	814	1,728	1,633	1,633	94	2	2	2,545	

[Information on Amortization of goodwill and unamortized balance by reportable segment]

For the six months ended September 30, 2010

(Millions of yen)

	Global Corporate Group MHC B				Global Retail Group MHBK				Global Asset & Wealth Management Group		Total
	Domestic	Inter- national	Trading and others	MHS Others	banking	corporate and banking others	MHIS	Others	MHTB	Others	
Amortization of Goodwill during this interim period				37			37			(37)	
Balance as of the end of this interim period				1,297			1,297			(1,297)	

[Information on Gains on negative goodwill incurred by reportable segment]

There is no applicable information.

family: Times New Roman" SIZE="2"> 62,225 69,927

Average price per closing unit <sup>(13)</sup>

\$1,237 \$1,386 \$1,409 \$1,386 \$1,317

- (1) These amounts include only those relating to third-party franchisees and do not include amounts relating to the Company Owned Real Estate Brokerage Services segment.
- (2) A closed home sale side represents either the buy side or the sell side of a homesale transaction.
- (3) Represents the average selling price of closed homesale transactions.
- (4) Represents the average commission rate earned on either the buy side or sell side of a homesale transaction.
- (5) Represents the average percentage of our franchisees' commission revenue (excluding NRT) paid to the Real Estate Franchise Services segment as a royalty. The net effective royalty rate does not include the effect of non-standard incentives granted to some franchisees.



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- (6) Represents net domestic royalties earned from our franchisees (excluding NRT) divided by the total number of our franchisees closed homesale sides.
- (7) Our real estate brokerage business has a significant concentration of offices and transactions in geographic regions where home prices are at the higher end of the U.S. real estate market, particularly the east and west coasts. The real estate franchise business has franchised offices that are more widely dispersed across the United States than our real estate brokerage operations. Accordingly, operating results and homesale statistics may differ between our brokerage and franchise businesses based upon geographic presence and the corresponding homesale activity in each geographic region.
- (8) Represents gross commission income divided by closed homesale sides. Gross commission income includes commissions earned in homesale transactions and certain other activities, primarily leasing and property management transactions.
- (9) Represents the total number of transferees served by the relocation services business.
- (10) Represents the number of referrals from which we earned revenue from real estate brokers.
- (11) Represents the number of title and closing units processed as a result of a home purchases.
- (12) Represents the number of title and closing units processed as a result of homeowners refinancing their home loans.
- (13) Represents the average fee we earn on purchase title and refinancing title units.

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**THE OFFERING**

Common stock offered	shares.
Common stock to be outstanding after this offering	shares ( shares if the underwriters exercise in full their option to purchase additional shares of common stock from us), assuming the conversion of all the Convertible Notes into shares of common stock as described below.
Listing	We intend to apply to list our common stock on the under the ticker symbol
Option to purchase additional shares	We have agreed to allow the underwriters to purchase up to additional shares from us, at the public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus.
Use of proceeds	<p>Assuming an initial public offering price of \$ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, we estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately \$955 million (or \$ if the underwriters exercise in full their option to purchase additional shares of common stock from us), after deducting estimated underwriting discounts and commissions and offering expenses.</p> <p>We currently intend to use the net proceeds received by us in this offering (i) to prepay all of the outstanding \$650 million principal amount of the Second Lien Loans, (ii) to repurchase or redeem approximately \$64 million principal amount of outstanding 10.50% Senior Notes, \$41 million principal amount of outstanding Senior Toggle Notes and, on or after April 15, 2013, \$160 million principal amount of outstanding 12.375% Senior Subordinated Notes and (iii) for working capital and general corporate purposes. The prepayment, repurchase or redemption of the foregoing indebtedness with the net proceeds of this offering will be in accordance with the respective agreements governing such indebtedness. See Use of Proceeds and Description of Indebtedness.</p>
Dividends	We do not currently anticipate paying dividends on our common stock following this offering. Any declaration and payment of future dividends to holders of our common stock may be limited by restrictive covenants in our debt agreements, and will be at the sole discretion of our board of directors (the Board of Directors ) and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends and other considerations that our Board of Directors deems relevant. See Dividend Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, and Description of Capital Stock Common Stock.
Risk factors	See Risk Factors for a discussion of factors you should carefully consider before deciding to invest in our common stock.



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Conflicts of interest Affiliates of Apollo Global Securities, LLC own more than 10% of our outstanding common stock. Because Apollo Global Securities, LLC is an underwriter for this offering, it is deemed to have a conflict of interest within the meaning of Rule 5121 of the Financial Industry Regulatory Authority ( FINRA ). Accordingly, this offering is being made in compliance with the requirements of FINRA Rule 5121. The rule requires that a qualified independent underwriter meeting certain standards participate in the preparation of the registration statement and prospectus and exercise the usual standards of due diligence with respect thereto. is assuming the responsibilities of acting as the qualified independent underwriter within the meaning of Rule 5121 in connection with this offering.

Except as otherwise indicated, all of the information in this prospectus assumes or reflects:

the effect of the -for-one reverse stock split described below;

the conversion of all of the Convertible Notes by the holders thereof, representing in the aggregate approximately \$2.1 billion principal amount of Convertible Notes, into shares of common stock;

the conversion of all outstanding shares of Class B common stock into shares of Class A common stock on a one-for-one basis;

no exercise of the underwriters option to purchase up to additional shares of common stock;

an initial public offering price of \$ , which is the midpoint of the offering price range set forth on the cover page of this prospectus; and

our amended and restated certificate of incorporation and amended and restated bylaws are in effect, pursuant to which the provisions described under Description of Capital Stock will become operative.

Prior to the date hereof, we effected a reverse stock split whereby holders of our outstanding shares of common stock received shares of common stock for each share of common stock held by them, as applicable, resulting in shares of common stock outstanding immediately following the reverse stock split. As a result of the reverse stock split and pursuant to the terms of the indenture governing the Convertible Notes, the conversion rates applicable to each series of Convertible Notes were adjusted as follows:

the conversion rate for the Series A Convertible Notes and the Series B Convertible Notes was adjusted from 975.6098 shares of common stock per \$1,000 principal amount of Series A Convertible Notes and Series B Convertible Notes to shares of common stock per \$1,000 principal amount of Series A Convertible Notes and Series B Convertible Notes, which is equivalent to an adjusted conversion price of \$ ; and

the conversion rate for the Series C Convertible Notes was adjusted from 926.7841 shares of common stock per \$1,000 principal amount of Series C Convertible Notes to shares of common stock per \$1,000 principal amount of Series C Convertible Notes, which is equivalent to an adjusted conversion price of \$ .

There will be no shares of Class B common stock outstanding following the completion of this offering. Upon the effectiveness of our amended and restated certificate of incorporation following the completion of this offering, we will only have one class of common stock.



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Certain of our securityholders, including Apollo and Paulson, have indicated that they intend to convert all of the Convertible Notes held by them into shares of common stock substantially concurrently with the closing of this offering. As of \_\_\_\_\_, 2012, such securityholders held in the aggregate approximately \$2.0 billion aggregate principal amount of Convertible Notes, which, once converted, will result in the issuance of an additional \_\_\_\_\_ shares of common stock substantially concurrently with the closing of this offering. Because the conversion price per share of the Convertible Notes is lower than \$ \_\_\_\_\_ (the bottom of the offering price range set forth on the cover page of this prospectus), we have assumed that the remaining holders of the approximately \$100 million principal amount of Convertible Notes will also convert their Convertible Notes substantially concurrently with the closing of this offering, which, once converted, will result in the issuance of an additional \_\_\_\_\_ shares of common stock substantially concurrently with the closing of this offering. All of the shares of common stock issuable upon conversion of the Convertible Notes have been registered for resale pursuant to an effective registration statement under the Securities Act of 1933, as amended (the Securities Act), filed by the Company prior to this offering, which we expect will be terminated substantially concurrently with the completion of this offering.

Following the conversion by Apollo of all of its Convertible Notes, all of the shares of Class B common stock outstanding immediately prior to such conversion will convert into shares of Class A common stock on a one-for-one basis. Pursuant to the terms of the indenture governing the Convertible Notes, we intend to use a portion of the net proceeds from this offering to redeem on the closing date of this offering or promptly thereafter any remaining Convertible Notes which have not been surrendered to us for conversion prior to such date at a redemption price equal to 90% of the principal amount thereof, plus accrued and unpaid interest. For every \$1,000 principal amount of Convertible Notes that is not converted by the holders thereof into common stock, the amount of net proceeds from this offering available to redeem or repurchase the 12.375% Senior Subordinated Notes will be reduced by \$1,000. See Use of Proceeds.

Prior to the completion of this offering and other related transactions, we intend to effect statutory conversions of Intermediate and Realogy into Delaware limited liability companies (the Statutory Conversions) in order to permit our Convertible Notes to be converted into shares of our common stock on a tax-free basis, and as a result facilitate such conversions. As a result of the Statutory Conversions, our ability to utilize certain of our net operating losses (NOLs) for state tax purposes will be eliminated, which we do not expect to have a significant impact on us.

The number of shares of common stock to be outstanding after completion of this offering is based on shares of our common stock to be sold by us in this offering and, except where we state otherwise, the information with respect to our common stock we present in this prospectus, including as set forth above, and:

does not give effect to \_\_\_\_\_ shares of common stock reserved for future issuance under the Holdings 2007 Stock Incentive Plan (as amended, the Stock Incentive Plan), including \_\_\_\_\_ shares of our common stock issuable upon the exercise of outstanding options as of \_\_\_\_\_, 2012, at a weighted average exercise price of \$ \_\_\_\_\_ per share and shares reserved for issuance pursuant to the terms of the 2012 Executive Incentive Plan and the 2012 Performance Plan (collectively, the 2012 Incentive Plan);

does not give effect to any shares of common stock reserved for future issuance under the Realogy Corporation Phantom Value Plan (the Phantom Value Plan); and

does not give effect to \_\_\_\_\_ shares of common stock reserved for future issuance under our new omnibus long-term incentive plan.

**Table of Contents****RISK FACTORS**

*You should carefully consider each of the following risk factors and all of the other information set forth in this prospectus before making any investment decision. The risk factors generally have been separated into three groups: (1) risks related to our indebtedness; (2) risks related to our business; and (3) risks related to an investment in our common stock and this offering. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company and our common stock. Additional risks and uncertainties not presently known to us may also adversely affect our business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. As a result, the trading price of our common stock could decline and you may lose all or part of your investment. You should carefully consider the following risk factors and all other information contained in this prospectus before making any investment decision.*

**Risks Related to Our Indebtedness**

***Our significant indebtedness and interest obligations could prevent us from meeting our obligations under our debt instruments and could adversely affect our ability to fund our operations, react to changes in the economy or our industry, or incur additional borrowings under our existing facilities.***

We are significantly encumbered by our debt obligations. As of March 31, 2012, our total debt, excluding our securitization obligations, was \$7,232 million (without giving effect to outstanding letters of credit under our senior secured credit facility). In addition, as of March 31, 2012, our current liabilities included \$302 million of securitization obligations which were collateralized by \$362 million of securitization assets that are not available to pay our general obligations. While our outstanding indebtedness upon completion of this offering and related transactions will be reduced by approximately \$3 billion, or 42% (assuming debt balances as of March 31, 2012), and our annualized interest expense will decline by approximately \$350 million (which includes the elimination of approximately \$232 million of annual interest expense relating to the Convertible Notes), we will remain highly leveraged.

Our indebtedness was principally incurred to finance our acquisition by Apollo in April 2007 and reflected our then current earnings and our expectations that the housing downturn would recover in the near term. Since the date of our acquisition, the industry and economy have experienced significant declines that have negatively impacted our operating results and we have had to incur additional debt to fund negative cash flows. Revenues for the year ended December 31, 2011 compared to the year ended December 31, 2007, on a pro forma combined basis, decreased by approximately 31%. There can be no assurance that we will be able to reduce the level of our indebtedness in the future.

Our substantial degree of leverage could have important consequences, including the following:

it causes a substantial portion of our cash flows from operations to be dedicated to the payment of interest and required amortization on our indebtedness and not be available for other purposes, including our operations, capital expenditures and future business opportunities or principal repayment. Our significant level of interest payments are challenging in periods when seasonal cash flows in the residential real estate market are at their lowest points;

it could cause us to be unable to maintain compliance with the senior secured leverage ratio covenant under our senior secured credit facility;

it could cause us to be unable to meet our debt service requirements under our senior secured credit facility or the indentures governing the Unsecured Notes, the First Lien Notes and the First and a Half Lien Notes or meet our other financial obligations;

it may limit our ability to incur additional borrowings under our existing facilities or securitizations, to obtain additional debt or equity financing for working capital, capital expenditures, business development, debt service requirements, acquisitions or general corporate or other purposes, or to refinance our indebtedness;

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it exposes us to the risk of increased interest rates because a portion of our borrowings, including borrowings under our senior secured credit facility, are at variable rates of interest;

it may limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors that have less debt;

it may cause a further downgrade of our debt and long-term corporate ratings;

it may limit our ability to attract acquisition candidates or to complete future acquisitions;

it may cause us to be more vulnerable to periods of negative or slow growth in the general economy or in our business, or may cause us to be unable to carry out capital spending that is important to our growth; and

it may limit our ability to attract and retain key personnel.

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

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. Historically, we have needed to incur additional debt in order to fund negative cash flow. We cannot assure you that we will maintain a level of cash flows from operating activities and from drawings on our revolving credit facilities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness or meet our operating expenses.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The senior secured credit facility and the indentures governing the 12.375% Senior Subordinated Notes, the Extended Maturity Notes, the First Lien Notes and the First and a Half Lien Notes restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or realize the related proceeds from them and these proceeds may not be adequate to meet any debt service obligations then due.

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

our debt holders could declare all outstanding principal and interest to be due and payable;

the lenders under our senior secured credit facility could terminate their commitments to lend us money and foreclose against the assets securing their borrowings; and

we could be forced into bankruptcy or liquidation.

Following the completion of the offering, we will continue to evaluate potential financing transactions, including refinancing certain tranches of our indebtedness and extending maturities. There can be no assurance that financing or refinancing will be available to us on acceptable terms or at all.



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

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*An event of default under our senior secured credit facility or the indentures governing our other material indebtedness would adversely affect our operations and our ability to satisfy obligations under our indebtedness.*

The senior secured credit facility contains restrictive covenants, including a requirement that we maintain a specified senior secured leverage ratio, which is defined as the ratio of our total senior secured debt (net of unrestricted cash and permitted investments) to trailing four quarter Adjusted EBITDA. Our senior secured leverage ratio may not exceed 4.75 to 1.0. Total senior secured debt, for purposes of this ratio, 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 indebtedness supported by letters of credit issued under our senior secured credit facility), including the Second Lien Loans, our securitization obligations or the Unsecured Notes. For the twelve months ended March 31, 2012, we were in compliance with the senior secured leverage ratio covenant with a ratio of 4.02 to 1.0. Based upon our financial forecast, we expect to remain in compliance with the senior secured leverage ratio covenant for at least the next 12 months. If a housing recovery is not sustained or is weak or if general macroeconomic or other factors do not continue to improve, we may be subject to additional pressure in maintaining compliance with our senior secured leverage ratio covenant. In future periods, if we are unable to renew or refinance bank indebtedness secured by letters of credit issued under the senior secured credit facility (which are not included in the calculation of the senior secured leverage ratio) and the letters of credit are drawn upon, the reimbursement obligations related to those letters of credit issued under the senior secured credit facility will be included in the calculation of the senior secured leverage ratio. A failure to maintain compliance with the senior secured leverage ratio covenant, or a breach of any of the other restrictive covenants, would result in a default under the senior secured credit facility.

We have the right to cure an event of default of the senior secured leverage ratio in three of any four consecutive quarters through the issuance of additional equity for cash, which would be infused as capital into Realogy to increase Adjusted EBITDA for purposes of calculating the senior secured leverage ratio for the applicable twelve-month period and reduce net senior secured indebtedness upon actual receipt of such capital. If we are unable to maintain compliance with the senior secured leverage ratio covenant and we fail to remedy or avoid a default through an equity cure permitted thereunder, there would be an event of default under the senior secured credit facility.

Other events of default include, without limitation, nonpayment of principal or interest, material misrepresentations, insolvency, bankruptcy, certain material judgments, change of control, and cross-events of default on material indebtedness as well as failure to obtain an unqualified audit opinion by 90 days after the end of any fiscal year. Upon the occurrence of any event of default under the senior secured credit facility, the lenders:

will not be required to lend any additional amounts to us;

could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable;

could require us to apply all of our available cash to repay these borrowings; or

could prevent us from making payments on the Unsecured Notes, the First Lien Notes or the First and a Half Lien Notes, any of which could result in an event of default under the indentures governing the First Lien Notes, the First and a Half Lien Notes and the Unsecured Notes or our Apple Ridge Funding LLC securitization program.

If we were unable to repay the amounts outstanding under our senior secured credit facility or meet our payment obligations with respect to the First Lien Notes and the First and a Half Lien Notes, the lenders and holders of such debt under our senior secured credit facility could proceed against the collateral granted to secure the senior secured credit facility and the First Lien Notes and the First and a Half Lien Notes. We have pledged a significant portion of our assets as collateral to secure such indebtedness. If the lenders under our senior secured

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credit facility or holders of the First Lien Notes and/or the First and a Half Lien Notes accelerate the repayment of borrowings, we may not have sufficient assets to repay the senior secured credit facility and our other indebtedness or borrow sufficient funds to refinance such indebtedness. In the future, we may need to seek new financing, or explore the possibility of amending the terms of our senior secured credit facility, and we may not be able to do so on commercially reasonable terms, or terms that are acceptable to us, if at all.

If an event of default is continuing under our senior secured credit facility, the indentures governing the Unsecured Notes, the First Lien Notes, the First and a Half Lien Notes or our other material indebtedness, such event could cause a termination of our ability to obtain future advances under, and amortization of, our Apple Ridge Funding LLC securitization program.

***Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.***

At March 31, 2012, \$1,922 million of our borrowings primarily under our senior secured credit facility and other bank indebtedness was at variable rates of interest thereby exposing us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income would decrease. Although we have entered into interest rate swaps, involving the exchange of floating for fixed rate interest payments, to reduce interest rate volatility for a portion of our variable rate borrowings, such interest rate swaps do not eliminate interest rate volatility for all of our variable rate indebtedness at March 31, 2012.

***Restrictive covenants under our indentures and the senior secured credit facility may limit the manner in which we operate.***

Our senior secured credit facility and the indentures governing the Extended Maturity Notes, the 12.375% Senior Subordinated Notes, the First Lien Notes and the First and a Half Lien Notes contain, and any future indebtedness we incur may contain, various covenants and conditions that limit our ability to, among other things:

incur or guarantee additional debt;

incur debt that is junior to senior indebtedness and, with respect to the Senior Subordinated Notes, senior to such Senior Subordinated Notes;

pay dividends or make distributions to Realogy's stockholders;

repurchase or redeem capital stock or subordinated indebtedness;

make loans, investments or acquisitions;

incur restrictions on the ability of certain of Realogy's subsidiaries to pay dividends or to make other payments to us;

enter into transactions with affiliates;

create liens;

merge or consolidate with other companies or transfer all or substantially all of Realogy's and its material subsidiaries' assets;

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transfer or sell assets, including capital stock of subsidiaries; and

prepay, redeem or repurchase the Unsecured Notes, the First Lien Notes, the First and a Half Lien Notes and debt that is junior in right of payment to loans under the senior secured credit facility, the Unsecured Notes, the First Lien Notes and the First and a Half Lien Notes.

As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs.

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### **Risks Related to Our Business**

*The residential real estate market is cyclical and we are negatively impacted by downturns in this market and general economic conditions.*

The residential real estate market tends to be cyclical and typically is affected by changes in general economic conditions which are beyond our control. The U.S. residential real estate market has most recently shown signs of modest growth after having been in a significant and prolonged downturn, which began in the second half of 2005. However, we cannot predict whether the modest recovery will continue or if and when the market and related economic forces will return the U.S. residential real estate industry to a period of sustained growth. We had net losses of \$192 million for the three months ended March 31, 2012 and \$439 million for the year ended December 31, 2011, primarily due to our high interest expense obligations combined with the downturn in the residential real estate market. If the residential real estate market or the economy as a whole does not improve, we may experience further adverse effects on our business, financial condition and liquidity, including our ability to access capital and grow our business.

Any of the following could halt or limit a recovery in the housing market and have a material adverse effect on our business by causing a lack of sustained growth or a decline in the number of homesales and/or prices which, in turn, could adversely affect our revenues and profitability:

continued high unemployment;

a period of slow economic growth or recessionary conditions;

weak credit markets;

a low level of consumer confidence in the economy and/or the residential real estate market;

instability of financial institutions;

legislative, tax or regulatory changes that would adversely impact the residential real estate market, including but not limited to potential reform relating to Fannie Mae, Freddie Mac and other government sponsored entities ( GSEs ) that provide liquidity to the U.S. housing and mortgage markets;

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 or other legislation and regulations that may be promulgated thereunder relating to mortgage financing, including restrictions imposed on mortgage originators as well as retention levels required to be maintained by sponsors to securitize certain mortgages;

excessive or insufficient regional home inventory levels;

renewed high levels of foreclosure activity including but not limited to the release of homes already held for sale by financial institutions;

adverse changes in local or regional economic conditions;

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the inability or unwillingness of homeowners to enter into homesale transactions due to negative equity in their existing homes;

a decrease in the affordability of homes;

our geographic and high-end market concentration relating in particular to our company-owned brokerage operations;

local, state and federal government laws or regulations that burden residential real estate transactions or ownership, including but not limited to changes in the tax laws, such as potential limits on, or elimination of, the deductibility of certain mortgage interest expense, the application of the alternative minimum tax, real property taxes and employee relocation expense;

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shifts in populations away from the markets that we or our franchisees serve;

decreasing home ownership rates, declining demand for real estate and changing social attitudes toward home ownership;

commission pressure from brokers who discount their commissions; and/or

acts of God, such as hurricanes, earthquakes and other natural disasters that disrupt local or regional real estate markets.

***Seasonal fluctuations in the residential real estate brokerage and relocation businesses could adversely affect our business.***

The residential real estate brokerage business is subject to seasonal fluctuations. Historically, operating results and revenues for all of our businesses have been strongest in the second and third quarters of the calendar year. A significant portion of the expenses we incur in our real estate brokerage operations are related to marketing activities and commissions and are, therefore, variable. However, many of our other expenses, such as interest payments, facilities costs and certain personnel-related costs, are fixed and cannot be reduced during a seasonal slowdown. For example, interest payments of approximately \$215 million are due on our Unsecured Notes and Second Lien Loans in October and April of each year. Accordingly, one of our significant interest payments falls in, or immediately following, the period of our lowest cash flow generation. Because of this asymmetry and the size of our cash interest obligations, if the housing market does not experience a sustained recovery, we may be required to seek additional sources of working capital for our future liquidity needs. There can be no assurance that we would be able to obtain additional financing on acceptable terms or at all.

***A prolonged decline or lack of sustained growth in the number of homesales and/or prices would adversely affect our revenues and profitability.***

Based upon data published by NAR, from 2005 to 2011, annual U.S. existing homesale units declined by 40% and the median homesale price declined by 24%. Our revenues for the year ended December 31, 2011 compared to the year ended December 31, 2007, on a pro forma combined basis, decreased approximately 31%. A further decline or lack of sustained growth in existing homesales, a continued decline in home prices or a decline in commission rates charged by brokers would further adversely affect our results of operations by reducing the royalties we receive from our franchisees and company owned brokerages, reducing the commissions our company owned brokerage operations earn, reducing the demand for our title and settlement services and reducing the referral fees earned by our relocation services business. For example, for 2011, a 100 basis point (or 1%) decline in either our homesale sides or the average selling price of closed homesale transactions, with all else being equal, would have decreased EBITDA by \$11 million for our Real Estate Franchise Services and our Company Owned Real Estate Brokerage Services segments on a combined basis.

***Our company owned brokerage operations are subject to geographic and high-end real estate market risks, which could continue to adversely affect our revenues and profitability.***

Our subsidiary, NRT, owns real estate brokerage offices located in and around large metropolitan areas in the U.S. Local and regional economic conditions in these locations could differ materially from prevailing conditions in other parts of the country. NRT has more offices and realizes more of its revenues in California, Florida and the New York metropolitan area than any other regions in the country. For the year ended December 31, 2011, NRT realized approximately 64% of its revenues from California (28%), the New York metropolitan area (25%) and Florida (11%). For the three months ended March 31, 2012, NRT realized approximately 66% of its revenues from California (29%), the New York metropolitan area (25%) and Florida (12%). A further downturn in residential real estate demand or economic conditions in these regions could result in a further decline in NRT's total gross commission income and profitability and have a material adverse effect on us. In addition, given the significant geographic overlap of our title and settlement services business with our company owned brokerage offices, such regional declines affecting our company owned brokerage operations

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could have an adverse effect on our title and settlement services business as well. A further downturn in residential real estate demand or economic conditions in these states could continue to result in a decline in our overall revenues and have a material adverse effect on us.

NRT has a significant concentration of transactions at the higher end of the U.S. real estate market. A shift in NRT's mix of property transactions from the high range to lower and middle range homes would adversely affect the average price of NRT's closed homesales.

### ***Loss or attrition among our senior management or other key employees could adversely affect our financial performance.***

Our success is largely dependent on the efforts and abilities of our senior management and other key employees. Our ability to retain our employees is generally subject to numerous factors, including the compensation and benefits we pay, the mix between the fixed and variable compensation we pay our employees and prevailing compensation rates. Given the lengthy and prolonged downturn in the real estate market and the cost-cutting measures we implemented during the downturn, certain of our employees have received, and may in the near term continue to receive, less incentive compensation. As such, we may suffer significant attrition among our current key employees. If we were to lose key employees and not promptly fill their positions with comparably qualified individuals, our business may be materially adversely affected.

### ***Tightened mortgage underwriting standards could continue to reduce homebuyers' ability to access the credit market on reasonable terms.***

During the past several years, many lenders have significantly tightened their underwriting standards, and many subprime and other alternative mortgage products are no longer being made available in the marketplace. If these trends continue and mortgage loans continue to be difficult to obtain, including in the jumbo mortgage markets important to our higher value and luxury brands, the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes will be adversely affected, which will adversely affect our operating results.

### ***Adverse developments in general business, economic and political conditions could have a material adverse effect on our financial condition and our results of operations.***

Our business and operations and those of our franchisees are sensitive to general business and economic conditions in the U.S. and worldwide. These conditions include short-term and long-term interest rates, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence and the general condition of the U.S. and the world economy.

The residential real estate market also depends upon the strength of financial institutions, which are sensitive to changes in the general macroeconomic environment. Lack of available credit or lack of confidence in the financial sector could materially and adversely affect our business, financial condition and results of operations. For example, negative macroeconomic conditions could exacerbate the fragility of financial institutions, heightening our exposure to counterparty risk under certain of our agreements which require counterparties to maintain, among other things, certain credit quality levels.

A host of factors beyond our control could cause fluctuations in these conditions, including the political environment and acts or threats of war or terrorism. Adverse developments in these general business and economic conditions could have a material adverse effect on our financial condition and our results of operations.

### ***Potential reform of Freddie Mac and Fannie Mae or a reduction in U.S. government support for the housing market could have a material impact on our operations.***

In September 2008, the U.S. government placed Fannie Mae and Freddie Mac in conservatorship and has provided funding of billions of dollars to these entities to backstop shortfalls in their capital requirements.



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

At present, the U.S. government also is attempting, through various avenues, to increase loan modifications for home owners with negative equity. There can be no assurance that these measures or any other governmental action will support a sustained recovery in the housing market.

***The Dodd-Frank Act and other financial reform legislation may, among other things, result in new rules and regulations that may adversely affect the housing industry.***

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

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

***Monetary policies of the federal government and its agencies may have a material impact on our operations.***

Our business is significantly affected by the monetary policies of the federal government and its agencies. We are particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the U.S. The Federal Reserve Board's policies affect the real estate market through their effect on interest rates as well as the pricing on our interest-earning assets and the cost of our interest-bearing liabilities.

We are affected by any rising interest rate environment. Changes in the Federal Reserve Board's policies, the interest rate environment and mortgage market are beyond our control, are difficult to predict and could have

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a material adverse effect on our business, results of operations and financial condition. Additionally, the possibility of the elimination of the mortgage interest deduction could have an adverse effect on the housing market by reducing incentives for buying or refinancing homes and negatively affecting property values.

***Competition in the residential real estate and relocation business is intense and may adversely affect our financial performance.***

We generally face intense competition in the residential real estate services business. As a real estate brokerage franchisor, our products are our brand names and the support services we provide to our franchisees. Upon the expiration of a franchise agreement, a franchisee may choose to franchise with one of our competitors or operate as an independent broker. Competitors may offer franchisees whose franchise agreements are expiring similar products and services at rates that are lower than we charge. Our largest national competitors in this industry include Brookfield Residential Property Services, an affiliate of Brookfield Asset Management, Inc. ( Brookfield ), which in December 2011 acquired Prudential Real Estate and Relocation Services and also operates the brands, Real Living in the U.S. and Royal LePage in Canada; RE/MAX International, Inc.; and Keller Williams Realty, Inc. Some of these companies may have greater financial resources than we do, including greater marketing and technology budgets, and may be less leveraged. Regional and local franchisors provide additional competitive pressure in certain areas. To remain competitive in the sale of franchises and to retain our existing franchisees, we may have to reduce the fees we charge our franchisees to be competitive with those charged by competitors, which may accelerate if market conditions deteriorate. In addition, we face the risk that at the time of contract renewal, our franchisees will decide not to renew their agreements with us, or that unaffiliated brokers will decide to remain independent because they believe they can compete effectively in the market without the need to license a brand of a franchisor and receive services offered by a franchisor.

Our company owned brokerage business, like that of our franchisees, is generally in intense competition. We compete with other national independent real estate organizations, including Home Services of America, franchisees of our brands and of other national real estate franchisors, franchisees of local and regional real estate franchisors, regional independent real estate organizations, discount brokerages, and smaller niche companies competing in local areas. Competition is particularly severe in the densely populated metropolitan areas in which we operate. In addition, the real estate brokerage industry has minimal barriers to entry for new participants, including participants pursuing non-traditional methods of marketing real estate, such as Internet-based brokerage or brokers who discount their commissions. Discount brokers have had varying degrees of success and, while they were negatively impacted by the prolonged downturn in the residential housing market, they may adjust their model and increase their market presence in the future. Listing aggregators and other web-based real estate service providers may also begin to compete for part of the service revenue through referral or other fees. Real estate brokers compete for sales and marketing business primarily on the basis of services offered, reputation, utilization of technology, personal contacts and brokerage commission. As with our real estate franchise business, a decrease in the average brokerage commission rate may adversely affect our revenues. We also compete for the services of qualified licensed independent sales associates. Some of the firms competing for sales associates use a different model of compensating agents, in which agents are compensated for the revenue generated by other agents that they recruit to those firms. This business model may be appealing to certain agents and hinder our ability to attract and retain those agents. The ability of our company owned brokerage offices to retain independent sales associates is generally subject to numerous factors, including the sales commissions they receive and their perception of brand value. Given our substantial debt and negative perceptions in the media relating to our financial condition, our company owned brokerage offices may not be successful in attracting or maintaining independent sales associates. In addition, competition for sales associates could reduce the commission amounts retained by our company after giving effect to the split with independent sales associates and possibly increase the amounts that we spend on marketing. Our average homesale commission rate per side in our Company Owned Real Estate Services segment has declined from 2.62% in 2002 to 2.50% in 2011.

In our relocation services business, we compete primarily with global and regional outsourced relocation service providers. The larger outsourced relocation service providers that we compete with include: Brookfield

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Global Relocation Services, an affiliate of Brookfield (including the recently acquired operations of Prudential Real Estate and Relocation Services), SIRVA, Inc., and Weichert Relocation Resources, Inc. As the relocation business becomes more global in nature with greater emphasis on relocation of employees throughout the world, we will face greater competition from firms that provide services on a global basis.

The title and settlement services business is highly competitive and fragmented. The number and size of competing companies vary in the different areas in which we conduct business. We compete with other title insurers, title agents and vendor management companies. The title and settlement services business competes with a large, fragmented group of smaller underwriters and agencies as well as national competitors.

***Several of our businesses are highly regulated and any failure to comply with such regulations or any changes in such regulations could adversely affect our business.***

Several of our businesses are highly regulated. The sale of franchises is regulated by various state laws as well as by the Federal Trade Commission (the "FTC"). The FTC requires that franchisors make extensive disclosure to prospective franchisees but does not require registration. A number of states require registration and/or disclosure in connection with franchise offers and sales. In addition, several states have franchise relationship laws or business opportunity laws that limit the ability of franchisors to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements.

Our real estate brokerage business must comply with the requirements governing the licensing and conduct of real estate brokerage and brokerage-related businesses in the jurisdictions in which we do business. These laws and regulations contain general standards for and prohibitions on the conduct of real estate brokers and sales associates, including those relating to licensing of brokers and sales associates, fiduciary and agency duties, administration of trust funds, collection of commissions, advertising and consumer disclosures. Under state law, our real estate brokers have certain duties to supervise and are responsible for the conduct of their brokerage business.

Several of the litigation matters we are involved with allege claims based upon breaches of fiduciary duties by our licensed brokers, violations of state laws relating to business practices or consumer disclosures, claims alleging that we improperly terminated franchises, and with respect to compliance with wage and hour regulations. We cannot predict with certainty the cost of defense or the ultimate outcome of these or other litigation matters filed by or against us, including remedies or awards, and adverse results in any such litigation, including treble damages, may harm our business and financial condition.

Our company owned real estate brokerage business, our relocation business, our mortgage origination joint venture, our title and settlement service business and the businesses of our franchisees (excluding commercial brokerage transactions) must comply with the Real Estate Settlement Procedures Act ("RESPA"). RESPA and comparable state statutes, among other things, restrict payments which real estate brokers, agents and other settlement service providers may receive for the referral of business to other settlement service providers in connection with the closing of real estate transactions. Such laws may to some extent restrict preferred vendor arrangements involving our franchisees and our company owned brokerage business. RESPA and similar state laws also require timely disclosure of certain relationships or financial interests that a broker has with providers of real estate settlement services. Pursuant to the Dodd-Frank Act, administration of RESPA has been moved from the Department of Housing and Urban Development ("HUD") to the new Consumer Financial Protection Bureau (the "CFPB") and it is possible that the practice of HUD taking very expansive readings of RESPA will continue or accelerate at the CFPB creating increased regulatory risk.

Our title insurance business also is subject to regulation by insurance and other regulatory authorities in each state in which we provide title insurance. State regulations may impede or impose burdensome conditions on our ability to take actions that we may want to take to enhance our operating results.

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There is a risk that we could be adversely affected by current laws, regulations or interpretations or that more restrictive laws, regulations or interpretations will be adopted in the future that could make compliance more difficult or expensive. There is also a risk that a change in current laws could adversely affect our business. For example, the Bush tax cuts, which have reduced ordinary income and capital gains rates on federal taxes, have been extended until the end of 2012, after which these tax cuts are due to expire. There can be no assurance that these tax cuts will be extended or if extended, the extension may apply only to a portion of the tax cuts and/or the extension could be limited in duration. Other potential federal tax legislation includes the elimination or narrowing of mortgage tax deductions. Higher federal income tax rates or further limits on mortgage tax deductions could negatively impact the purchase and sale of residential homes. In addition, any adverse changes in regulatory interpretations, rules and laws that would place additional limitations or restrictions on affiliated transactions could have the effect of limiting or restricting collaboration among our business units. We cannot assure you that future legislative or regulatory changes will not adversely affect our business operations.

Regulatory authorities also have relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, such regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our financial condition or our practices were found not to comply with the then current regulatory or licensing requirements or any interpretation of such requirements by the regulatory authority. Our failure to comply with any of these requirements or interpretations could limit our ability to renew current franchisees or sign new franchisees or otherwise have a material adverse effect on our operations.

We are also, to a lesser extent, subject to various other rules and regulations such as:

the Gramm-Leach-Bliley Act which governs the disclosure and safeguarding of consumer financial information;

various state and federal privacy laws protecting consumer data;

the USA PATRIOT Act;

restrictions on transactions with persons on the Specially Designated Nationals and Blocked Persons list promulgated by the Office of Foreign Assets Control of the Department of the Treasury;

federal and state Do Not Call, Do Not Fax, and Do Not E-Mail laws;

controlled business statutes, which impose limitations on affiliations between providers of title and settlement services, on the one hand, and real estate brokers, mortgage lenders and other real estate providers, on the other hand, or similar laws or regulations that would limit or restrict transactions among affiliates in a manner that would limit or restrict collaboration among our businesses;

the Affiliated Marketing Rule, which prohibits or restricts the sharing of certain consumer credit information among affiliated companies without notice and/or consent of the consumer;

the Fair Housing Act;

laws and regulations, including the Foreign Corrupt Practices Act and U.K. Bribery Act, that impose sanctions on improper payments;

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laws and regulations in jurisdictions outside the United States in which we do business;

state and federal employment laws and regulations, including any changes that would require classification of independent contractors to employee status, and wage and hour regulations;

increases in state, local or federal taxes that could diminish profitability or liquidity; and

consumer fraud statutes that are broadly written.

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Our failure to comply with any of the foregoing laws and regulations may subject us to fines, penalties, injunctions and/ or potential criminal violations. Any changes to these laws or regulations or any new laws or regulations may make it more difficult for us to operate our business and may have a material adverse effect on our operations.

***Changes in accounting standards, subjective assumptions and estimates used by management related to complex accounting matters could have an adverse effect on results of operations.***

Generally accepted accounting principles in the United States and related accounting pronouncements, implementation guidance and interpretations with regard to a wide range of matters, such as stock-based compensation, asset impairments, valuation reserves, income taxes and fair value accounting, are highly complex and involve many subjective assumptions, estimates and judgments made by management. Changes in these rules or their interpretations or changes in underlying assumptions, estimates or judgments made by management could significantly change our reported results.

***We may not have the ability to complete future acquisitions.***

We have pursued an active acquisition strategy as a means of strengthening our businesses and have sought to integrate acquisitions into our operations to achieve economies of scale. Our company owned brokerage business has completed over 350 acquisitions since its formation in 1997 and, in 2004, we acquired the Sotheby's International Realty® residential brokerage business and entered into an exclusive license agreement for the rights to the Sotheby's International Realty® trademarks which are used in the Sotheby's International Realty® franchise system. In January 2006, we acquired our title insurance underwriter and certain title agencies. In addition, in 2010, we expanded the Cartus global footprint through the acquisition of Primacy. As a result of these and other acquisitions, we have derived a substantial portion of our growth in revenues and net income from acquired businesses. The success of our future acquisition strategy will continue to depend upon our ability to fund such acquisitions given our total outstanding indebtedness, find suitable acquisition candidates on favorable terms and to finance and complete these transactions.

***We may not realize anticipated benefits from future acquisitions.***

Integrating acquired companies involves complex operational and personnel-related challenges. Future acquisitions may present similar challenges and difficulties, including:

the possible defection of a significant number of employees and independent sales associates;

increased amortization of intangibles;

the disruption of our respective ongoing businesses;

possible inconsistencies in standards, controls, procedures and policies;

the failure to maintain important business relationships and contracts;

unanticipated costs of terminating or relocating facilities and operations;

unanticipated expenses related to integration; and

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potential unknown liabilities associated with acquired businesses.

A prolonged diversion of management's attention and any delays or difficulties encountered in connection with the integration of any business that we have acquired or may acquire in the future could prevent us from realizing the anticipated cost savings and revenue growth from our acquisitions.

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*We may be unable to maintain anticipated cost savings and other benefits from our restructuring activities.*

We have achieved cost savings from various restructuring initiatives targeted at reducing costs and enhancing organizational effectiveness while consolidating existing processes and facilities and will continue to identify additional cost savings. We may not be able to achieve or maintain the anticipated cost savings and other benefits from these restructuring initiatives that are described elsewhere in this prospectus. If our cost savings or the benefits are less than our estimates or take longer to implement than we project, the savings or other benefits we projected may not be fully realized.

*Our financial results are affected by the operating results of franchisees.*

Our real estate franchise services segment receives revenue in the form of royalties, which are based on a percentage of gross commission income earned by our franchisees. Accordingly, the financial results of our real estate franchise services segment are dependent upon the operational and financial success of our franchisees. If industry trends or economic conditions are not sustained or do not continue to improve, our franchisees' financial results may worsen and our royalty revenues may decline. Gross closed commission income of our new franchisees may never materialize and accordingly we may not receive any material royalty revenues from new franchisees. In addition, we may have to increase our bad debt and note reserves. We may also have to terminate franchisees more frequently due to non-reporting and non-payment. Further, if franchisees fail to renew their franchise agreements, or if we decide to restructure franchise agreements in order to induce franchisees to renew these agreements, then our royalty revenues may decrease, and profitability from new franchisees may be lower than in the past due to reduced royalty rates, non-standard incentives and higher expenses from licensing fees.

The success of our franchisees is largely dependent on the efforts and abilities of the independent sales associates, which is subject to numerous factors, including the sales commissions they receive and their perception of brand value. Given our substantial debt and negative perceptions in the media relating to our financial condition, our independent franchisees may not be successful in attracting or maintaining independent sales associates. If our franchisees fail to attract and retain independent sales associates, our business may be materially adversely affected.

*Our franchisees and independent sales associates could take actions that could harm our business.*

Our franchisees are independent business operators and the sales associates that work with our company owned brokerage operations are independent contractors, and, as such, neither are our employees, and we do not exercise control over their day-to-day operations. Our franchisees may not successfully operate a real estate brokerage business in a manner consistent with industry standards, or may not hire and train qualified independent sales associates or employees. If our franchisees and independent sales associates were to provide diminished quality of service to customers, our image and reputation may suffer materially and adversely affect our results of operations. Improper actions by our franchisees may also lead to direct claims against us based on theories of vicarious liability and negligence.

Additionally, franchisees and independent sales associates may engage or be accused of engaging in unlawful or tortious acts such as, for example, violating the anti-discrimination requirements of the Fair Housing Act. Such acts or the accusation of such acts could harm our and our brands' image, reputation and goodwill.

Franchisees, as independent business operators, may from time to time disagree with us and our strategies regarding the business or our interpretation of our respective rights and obligations under the franchise agreement. This may lead to disputes with our franchisees and we expect such disputes to occur from time to time in the future as we continue to offer franchises. To the extent we have such disputes, the attention of our management and our franchisees will be diverted, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.



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***Clients of our relocation business may terminate their contracts and clients of our lender channel business may terminate their relationships with us at any time.***

Substantially all of our contracts with our relocation clients are terminable at any time at the option of the client. If a client terminates its contract, we will only be compensated for all services performed up to the time of termination and reimbursed for all expenses incurred up to the time of termination. In addition, TRG's lender channel business is highly dependent on our relationships with institutional clients who have not historically entered into contracts with us. If a significant number of our relocation clients terminate their contracts with us or if our relationships with the institutional clients in TRG's lender channel business deteriorate, our results of operations would be materially adversely affected.

***Our marketing arrangement with PHH Home Loans may limit our ability to work with other key lenders to grow our business.***

Under our Strategic Relationship Agreement relating to PHH Home Loans, we are required to recommend PHH Home Loans as originator of mortgage loans to the independent sales associates, customers and employees of our company owned and operated brokerage offices. This provision may limit our ability to enter into beneficial business relationships with other lenders and mortgage brokers.

***We do not control the joint venture PHH Home Loans and PHH as the managing partner of that venture may make decisions that are contrary to our best interests.***

Under our Operating Agreement with PHH relating to PHH Home Loans, we own a 49.9% equity interest but do not have control of the operations of the joint venture. Rather, our joint venture partner, PHH, is the managing partner of the venture and may make decisions with respect to the operation of the venture, which may be contrary to our best interests and may adversely affect our results of operations. In addition, our joint venture may be materially adversely impacted by changes affecting the mortgage industry, including but not limited to regulatory changes, increases in mortgage interest rates and decreases in operating margins.

***In the event of a termination of our joint venture PHH Home Loans, our earnings derived from the business that had been conducted by the joint venture and the related marketing fees that our franchise segment earns from PHH could be materially adversely affected.***

Either party has the right to terminate the joint venture upon the occurrence of certain events, such as a material breach by the other party of any representation, warranty, covenant or other agreement contained in the Operating Agreement, Strategic Relationship Agreement or certain other related agreements that is not cured following any applicable notice or cure period, or the insolvency of the other party. In addition, we may terminate the joint venture at our election at any time after January 31, 2015 by providing two years' prior notice to PHH, and PHH may terminate the venture at its election effective January 31, 2030 by notice delivered no earlier than three years, but not later than two years, before such date. Upon any termination of the joint venture by us, we may require that PHH purchases our interest or sells its interest to a buyer designated by us. Upon any termination of the joint venture by PHH, PHH will be entitled to purchase our interest. In each case, the purchase price would be the fair market value of the interest sold.

If the joint venture is terminated, we may not be able to replace PHH with a new joint venture partner on terms comparable to us as those contained in the existing agreements governing the joint venture and, even if successful in finding a replacement partner, may incur expenses or loss of mortgage related earnings during any such transition. We may also decide not to continue to engage in the loan origination business conducted by the joint venture. In the event of a termination of the joint venture, our earnings derived from the business that had been conducted by the joint venture and the related marketing fees that we earned from PHH could be materially adversely affected.

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***We may experience significant claims relating to our operations and losses resulting from fraud, defalcation or misconduct.***

We issue title insurance policies which provide coverage for real property to mortgage lenders and buyers of real property. When acting as a title agent issuing a policy on behalf of an underwriter, our insurance risk is typically limited to the first \$5,000 of claims on any one policy, though our insurance risk is not limited if we are negligent. The title underwriter which we acquired in January 2006 typically underwrites title insurance policies of up to \$1.5 million. For policies in excess of \$1.5 million, we typically obtain a reinsurance policy from a national underwriter to reinsure the excess amount. To date, our title underwriter has experienced claims losses that are significantly below the industry average; our claims experience could increase in the future, which could negatively impact the profitability of that business. We may also be subject to legal claims or additional claims losses arising from the handling of escrow transactions and closings by our owned titled agencies or our underwriter's independent title agents. Our subsidiary, NRT, carries errors and omissions insurance for errors made during the real estate settlement process of \$15 million in the aggregate, subject to a deductible of \$1 million per occurrence. In addition, we carry an additional errors and omissions insurance policy for Realogy and its subsidiaries for errors made for real estate related services up to \$35 million in the aggregate, subject to a deductible of \$2.5 million per occurrence. This policy also provides excess coverage to NRT creating an aggregate limit of \$50 million, subject to the NRT deductible of \$1 million per occurrence. The occurrence of a significant claim in excess of our insurance coverage in any given period could have a material adverse effect on our financial condition and results of operations during the period. In addition, insurance carriers may dispute coverage for various reasons and there can be no assurance that all claims will be covered by insurance.

Fraud, defalcation and misconduct by employees are also risks inherent in our business. We carry insurance covering the loss or theft of funds by employees of up to \$30 million annually in the aggregate, subject to a deductible of \$1 million per occurrence. We may also from time to time be subject to liability claims based upon the fraud or misconduct of our franchisees. To the extent that any loss or theft of funds substantially exceeds our insurance coverage, our business could be materially adversely affected.

In addition, we rely on the collection and use of personally identifiable information from customers to conduct our business. We disclose our information collection and dissemination practices in a published privacy statement on our websites, which we may modify from time to time. We may be subject to legal claims, government action and damage to our reputation if we act or are perceived to be acting inconsistently with the terms of our privacy statement, customer expectations or the law. In the event we or the vendors with which we contract to provide services on behalf of our customers were to suffer a breach of personally identifiable information, our customers, such as our Cartus corporate or affinity clients, could terminate their business with us. Further, we may be subject to claims to the extent individual employees or independent contractors breach or fail to adhere to company policies and practices and such actions jeopardize any personally identifiable information. In addition, concern among potential home buyers or sellers about our privacy practices could keep them from using our services or require us to incur significant expense to alter our business practices or educate them about how we use personally identifiable information.

***We could be subject to significant losses if banks do not honor our escrow and trust deposits.***

Our company owned brokerage business and our title and settlement services business act as escrow agents for numerous customers. As an escrow agent, we receive money from customers to hold until certain conditions are satisfied. Upon the satisfaction of those conditions, we release the money to the appropriate party. We deposit this money with various banks and while these deposits are not assets of the Company (and therefore excluded from our consolidated balance sheet), we remain contingently liable for the disposition of these deposits. The banks may hold a significant amount of these deposits in excess of the federal deposit insurance limit. If any of our depository banks were to become unable to honor any portion of our deposits, customers could seek to hold us responsible for such amounts and, if the customers prevailed in their claims, we could be subject to significant losses. These escrow and trust deposits totaled \$380 million at March 31, 2012.

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### ***Title insurance regulations limit the ability of our insurance underwriter to pay cash dividends to us.***

Our title insurance underwriter is subject to regulations that limit its ability to pay dividends or make loans or advances to us, principally to protect policy holders. Generally, these regulations limit the total amount of dividends and distributions to a certain percentage of the insurance subsidiary's surplus, or 100% of statutory operating income for the previous calendar year. These restrictions could limit our ability to receive dividends from our insurance underwriter, make acquisitions or otherwise grow our business.

### ***We may be unable to continue to securitize certain of our relocation assets, which may adversely impact our liquidity or limit the scope of our relocation business.***

At March 31, 2012, \$302 million of securitization obligations were outstanding through special purpose entities monetizing certain assets of our relocation services business under two lending facilities. We have provided a performance guaranty which guarantees the obligations of our Cartus subsidiary and its subsidiaries, as originator and servicer under the Apple Ridge securitization program. The securitization markets have experienced significant disruptions which may have the effect of increasing our cost of funding or reducing our access to these markets in the future. If we are unable to continue to securitize these assets, we may be required to find additional sources of funding which may be on less favorable terms or may not be available at all. In such an event, without alternative sources of liquidity, our relocation segment's operations could be significantly curtailed.

### ***The occurrence of any trigger events under our Apple Ridge securitization facility could cause us to lose funding under that facility and therefore restrict our ability to fund the operation of our U.S. relocation business.***

The Apple Ridge securitization facility, which we use to advance funds on behalf of certain clients of our relocation business in order to facilitate the relocation of their employees, contains terms which if triggered may result in a termination or limitation of new or existing funding under the facility and/or may result in a requirement that all collections on the assets be used to pay down the amounts outstanding under such facility. The triggering events include but are not limited to: those tied to the age and quality of the underlying assets; a change of control; a breach of our senior secured leverage ratio covenant under our senior secured credit facility if uncured; and the acceleration of indebtedness under our senior secured credit facility, unsecured or 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.

We are highly dependent on the availability of the asset-backed securities market to finance the operations of our relocation business, and disruptions in this market or any adverse change or delay in our ability to access the market could have a material adverse effect on our financial position, liquidity or results of operations.

Our Apple Ridge securitization facility, as amended in December 2011, matures in December 2013. We could encounter difficulties in renewing this facility and if this source of funding is not available to us for any reason, we could be required to borrow under the revolving credit facility or incur other indebtedness to finance our working capital needs, and there can be no assurance in this regard, or we could require our clients to fund the home purchases themselves, which could have a material adverse effect on our ability to achieve our business and financial objectives.

### ***Our international operations are subject to risks not generally experienced by our U.S. operations.***

Our relocation services business operates worldwide, and to a lesser extent, our real estate franchise services segment has international franchisees and master franchisees. For each of the year ended December 31, 2011 and the three months ended March 31, 2012, revenues from these operations represented approximately 3% of our

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total revenues. Our international operations are subject to risks not generally experienced by our U.S. operations. The risks involved in our international operations and relationships that could result in losses against which we are not insured and therefore affect our profitability include:

fluctuations in foreign currency exchange rates;

exposure to local economic conditions and local laws and regulations, including those relating to our employees;

economic and/or credit conditions abroad;

potential adverse changes in the political stability of foreign countries or in their diplomatic relations with the U.S.;

restrictions on the withdrawal of foreign investment and earnings;

government policies against businesses owned by foreigners;

investment restrictions or requirements;

diminished ability to legally enforce our contractual rights in foreign countries;

difficulties in registering, protecting or preserving trade names and trademarks in foreign countries;

restrictions on the ability to obtain or retain licenses required for operation;

foreign exchange restrictions;

withholding and other taxes on remittances and other payments by subsidiaries;

changes in foreign taxation structures; and

compliance with the Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act or similar laws of other countries.

***We are subject to certain risks related to litigation filed by or against us, and adverse results may harm our business and financial condition.***

We cannot predict with certainty the cost of defense, the cost of prosecution, insurance coverage or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies or damage awards, and adverse results in such litigation and other proceedings may harm our business and financial condition. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, franchising arrangements, negligence and fiduciary duty claims arising from franchising arrangements or

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company owned brokerage operations, actions against our title company arising out of coverage questions or mortgage fraud, standard brokerage disputes like the failure to disclose hidden defects in the property such as mold, vicarious liability based upon conduct of individuals or entities outside of our control, including franchisees and independent sales associates, antitrust claims, general fraud claims and employment law claims, including claims challenging the classification of our sales associates as independent contractors, and claims alleging violations of RESPA or state consumer fraud statutes. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that is subject to third party patents or other third party intellectual property rights. In addition, we may be required to enter into licensing agreements (if available on acceptable terms or at all) and pay royalties.

We are also party to an action pending in the United States District Court for the Central District of California, arising from the relationship of two of our subsidiaries with a former Coldwell Banker Commercial franchisee, whose 40.5% shareholder allegedly utilized the Coldwell Banker Commercial name in the offer and sale of securities that were improperly sold. As of June 5, 2012, the Company entered into a memorandum of

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understanding memorializing the principal terms of a proposed settlement of this action. On July 19, 2012 we entered into a definitive settlement agreement. The settlement is subject to court approval and there can be no assurance that the court will grant such approval. See Business Legal Proceedings.

***We are reliant upon information technology to operate our business and maintain our competitiveness, and any disruption or reduction in our information technology capabilities could harm our business.***

Our business depends upon the use of sophisticated information technologies and systems, including technology and systems utilized for communications, records of transactions, procurement, call center operations and administrative systems. The operation of these technologies and systems is dependent upon third party technologies, systems and services, for which there are no assurances of continued or uninterrupted availability and support by the applicable third party vendors on commercially reasonable terms. We also cannot assure you that we will be able to continue to effectively operate and maintain our information technologies and systems. In addition, our information technologies and systems are expected to require refinements and enhancements on an ongoing basis, and we expect that advanced new technologies and systems will continue to be introduced. We may not be able to obtain such new technologies and systems, or to replace or introduce new technologies and systems as quickly as our competitors or in a cost-effective manner. Also, we may not achieve the benefits anticipated or required from any new technology or system, and we may not be able to devote financial resources to new technologies and systems in the future.

In addition, our information technologies and systems and those of our suppliers are vulnerable to breach, damage or interruption from various causes, including: (1) natural disasters, war and acts of terrorism, (2) power losses, computer systems failure, Internet and telecommunications or data network failures, operator error, losses and corruption of data, and similar events and (3) computer viruses, penetration by individuals seeking to disrupt operations or misappropriate information and other physical or electronic breaches of security. We maintain certain disaster recovery capabilities for critical functions in most of our businesses, including certain disaster recovery services from International Business Machines Corporation. We also have certain protections designed to protect against breaches. However, these capabilities may not successfully prevent a disruption to or material adverse effect on our businesses or operations in the event of a disaster, theft of data or other business interruption. Any extended interruption in our technologies or systems or significant breach could significantly curtail our ability to conduct our business and generate revenue. Additionally, our business interruption insurance may be insufficient to compensate us for losses that may occur.

***We do not own two of our brands and must manage cooperative relationships with both owners.***

The Sotheby's International Realty® and Better Homes and Gardens® Real Estate brands are owned by the companies that founded these brands. We are the exclusive party licensed to run brokerage services in residential real estate under those brands, whether through our franchisees or our company owned operations. Our future operations and performance with respect to these brands requires the continued cooperation from the owners of those brands and successful protection of those brands. In particular, Sotheby's has the right to approve the master franchisors of, and the material terms of our master franchise agreements governing our relationships with, our Sotheby's franchisees located outside the U.S., which approval cannot be unreasonably withheld or delayed. If Sotheby's unreasonably withholds or delays its approval for new international master franchisors, our relationship with them could be disrupted. Any significant disruption of the relationships with the owners of these brands could impede our franchising of those brands and have a material adverse effect on our operations and performance.

***The weakening or unavailability of our intellectual property rights could adversely impact our business.***

Our trademarks, trade names, domain names, trade dress and other intellectual property rights are fundamental to our brands and our franchising business. The steps we take to obtain, maintain and protect our intellectual property rights may not be adequate and, in particular, we may not own all necessary registrations for our intellectual property. Applications we have filed to register our intellectual property may not be approved by

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the appropriate regulatory authorities. Our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented or challenged. We may be unable to prevent third parties from using our intellectual property rights without our authorization or independently developing technology that is similar to ours. Also third parties may own rights in similar trademarks. Any unauthorized use of our intellectual property by third parties could reduce any competitive advantage we have developed or otherwise harm our business and brands. If we had to litigate to protect these rights, any proceedings could be costly, and we may not prevail. Our intellectual property rights, including our trademarks, may fail to provide us with significant competitive advantages in the U.S. and in foreign jurisdictions that do not have or do not enforce strong intellectual property rights.

We cannot be certain that our intellectual property does not and will not infringe issued intellectual property rights of others. We may be subject to legal proceedings and claims in the ordinary course of our business, including claims of alleged infringement of the patents, trademarks and other intellectual property rights of third parties. Any such claims, whether or not meritorious, could result in costly litigation. Depending on the success of these proceedings, we may be required to enter into licensing or consent agreements (if available on acceptable terms or at all), or to pay damages or cease using certain service marks or trademarks.

We franchise our brands to franchisees. While we try to ensure that the quality of our brands is maintained by all of our franchisees, we cannot assure that these franchisees will not take actions that hurt the value of our intellectual property or our reputation.

Our license agreement with Sotheby's for the use of the Sotheby's International Realty brand is terminable by Sotheby's prior to the end of the license term if certain conditions occur, including but not limited to the following: (1) we attempt to assign any of our rights under the license agreement in any manner not permitted under the license agreement, (2) we become bankrupt or insolvent, (3) a court issues a non-appealable, final judgment that we have committed certain breaches of the license agreement and we fail to cure such breaches within 60 days of the issuance of such judgment, or (4) we discontinue the use of all of the trademarks licensed under the license agreement for a period of twelve consecutive months.

Our license agreement with Meredith Corporation (Meredith) for the use of the Better Homes and Gardens Real Estate brand is terminable by Meredith prior to the end of the license term if certain conditions occur, including but not limited to the following: (1) we attempt to assign any of our rights under the license agreement in any manner not permitted under the license agreement, (2) we become bankrupt or insolvent, or (3) a trial court issues a final judgment that we are in material breach of the license agreement or any representation or warranty we made was false or materially misleading when made.

***We may incur substantial and unexpected liabilities arising out of our pension plan.***

We have a defined benefit pension plan for which participation was frozen as of July 1, 1997, however, the plan is subject to minimum funding requirements. Although the Company to date has met its minimum funding requirements, the pension plan represents a liability on our balance sheet and will generate substantial cash requirements for us, which may increase beyond our expectations in future years based on changing market conditions. For example, as of the end of the fiscal year ended December 31, 2011, for financial reporting purposes, we estimated that required cash contributions will be between \$8 million and \$9 million each year for the next five years and approximately \$48 million over the succeeding five years. In addition, changes in interest rates, mortality rates, health care costs, early retirement rates, investment returns and the market value of plan assets can affect the funded status of our pension plan and cause volatility in the future funding requirements of the plan.

***Our ability to use our NOLs and other tax attributes may be limited if we undergo an ownership change.***

Our ability to utilize our NOLs and other tax attributes could be limited if we undergo an ownership change within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the Code). An

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ownership change is generally defined as a greater than 50 percentage point increase in equity ownership by 5% shareholders in any three-year period. It is possible that an ownership change occurs as a result of the sale of our common stock pursuant to this offering, the conversion of the Convertible Notes, prior and future equity issuances, or the cumulative effect of such transactions. Pursuant to rules under Section 382 of the Code and a published Internal Revenue Service ( IRS ) notice, a company's net unrealized built-in gain within the meaning of Section 382 of the Code may reduce the limitation on such company's ability to utilize NOLs resulting from an ownership change. Although there can be no assurance in this regard, we believe that, to the extent we undergo an ownership change, the resulting limitation on our ability to utilize our NOLs should be significantly reduced as a result of our net unrealized built-in gain.

### ***The Statutory Conversions will eliminate certain of our NOLs for state tax purposes.***

Prior to the completion of this offering and other related transactions, we intend to effect the Statutory Conversions in order to permit our Convertible Notes to be converted into shares of our common stock on a tax-free basis, and as a result facilitate such conversions. As a result of the Statutory Conversions, our ability to utilize certain of our NOLs for state tax purposes will be eliminated, which we do not expect to have a significant impact on us.

### ***We are responsible for certain of Cendant's contingent and other corporate liabilities.***

Under the Separation and Distribution Agreement dated July 27, 2006 the ( Separation and Distribution Agreement ) among Realogy, Cendant Corporation ( Cendant ), which changed its name to Avis Budget Group, Inc. ( Avis Budget ) in August 2006, Wyndham Worldwide Corporation ( Wyndham Worldwide ) and Travelport Inc. ( Travelport ), and other agreements, subject to certain exceptions contained in the Tax Sharing Agreement dated as of July 28, 2006, as amended (the Tax Sharing Agreement ), among Realogy, Wyndham Worldwide and Travelport, Realogy and Wyndham Worldwide have each assumed and are generally responsible for 62.5% and 37.5%, respectively, of certain of Cendant's contingent and other corporate liabilities not primarily related to the businesses of Travelport, Realogy, Wyndham Worldwide or Avis Budget Group. The due to former parent balance was \$76 million at March 31, 2012 and represents Realogy's accrual of its share of potential Cendant contingent and other corporate liabilities.

If any party responsible for Cendant contingent and other corporate liabilities were to default in its payment, when due, of any such assumed obligations related to any such contingent and other corporate liability, each non-defaulting party (including Cendant) would be required to pay an equal portion of the amounts in default. Accordingly, Realogy may, under certain circumstances, be obligated to pay amounts in excess of its share of the assumed obligations related to such contingent and other corporate liabilities, including associated costs and expenses.

Although we have resolved various Cendant contingent and other corporate liabilities and have established reserves for most of the remaining unresolved claims of which we have knowledge, adverse outcomes from the unresolved Cendant liabilities for which Realogy has assumed partial liability under the Separation and Distribution Agreement could be material with respect to our earnings or cash flows in any given reporting period.

### **Risks Related to an Investment in Our Common Stock and this Offering**

***There is no existing market for our common stock and we do not know if one will develop, which could impede your ability to sell your shares and depress the market price of our common stock.***

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in the company will lead to the development of an active trading market on the or otherwise, or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the



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common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. See Underwriting. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering.

*The price of our common stock may fluctuate significantly and you could lose all or part of your investment.*

Volatility in the market price of our common stock may prevent you from being able to sell your shares of common stock at or above the price you paid for them. The market price for our common stock could fluctuate significantly for various reasons, many of which are outside our control, including those described above and the following:

our operating and financial performance and prospects, including but not limited to the incurrence of additional indebtedness or other adverse changes relating to our debt;

our quarterly or annual earnings or those of other companies in our industry;

conditions that impact demand for our products and services, including the condition of the U.S. residential housing market;

future announcements concerning our business or our competitors' businesses;

the public's reaction to our press releases, other public announcements and filings with the SEC;

changes in earnings estimates or recommendations by securities analysts who track our common stock;

market and industry perception of our success, or lack thereof, in pursuing our growth strategy;

strategic actions by us or our competitors, such as acquisitions or restructurings;

changes in government and environmental regulation;

housing and mortgage finance markets;

changes in accounting standards, policies, guidance, interpretations or principles;

arrival and departure of key personnel;

the number of shares to be publicly traded after this offering;

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sales of common stock by us, Apollo, Paulson, or members of our management team;

adverse resolution of new or pending litigation against us;

changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events; and

material weakness in our internal controls over financial reporting.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above the initial public offering price or may not be able to resell them at all. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

***Apollo controls us and Paulson will be a significant stockholder, and their interests may conflict with or differ from your interests as a stockholder.***

Following the completion of this offering and related transactions, funds affiliated with our equity sponsor, Apollo, will indirectly beneficially own approximately % of our common stock, assuming the underwriters do not exercise their option to purchase additional shares. If the underwriters exercise in full their option to purchase

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additional shares, funds affiliated with Apollo will indirectly beneficially own approximately % of our common stock. As a result, subject to Paulson’s right to designate one director, Apollo will have the power to elect all of our directors. Therefore, Apollo effectively will have the ability to prevent any transaction that requires the approval of our Board of Directors or our stockholders, including the approval of significant corporate transactions such as restructurings, mergers and the sale of substantially all of our assets and Apollo will continue to be able to significantly influence or effectively control our decisions. See Certain Relationships and Related Party Transactions and Description of Capital Stock Composition of Board of Directors; Election and Removal of Directors.

In addition, following the completion of this offering, Paulson will indirectly beneficially own approximately % of our common stock, assuming the underwriters do not exercise their option to purchase additional shares. If the underwriters exercise in full their option to purchase additional shares, Paulson will indirectly beneficially own approximately % of our common stock. Pursuant to a securityholders agreement we have entered into with Paulson (the Paulson Securityholders Agreement), Paulson also has the right to nominate a member of our Board of Directors or designate a non-voting observer to attend meetings of our Board of Directors, in addition to certain other rights.

The interests of Apollo could conflict with or differ from your interests as a holder of our common stock. For example, the concentration of ownership held by Apollo could delay, defer or prevent a change of control of the company or impede a merger, takeover or other business combination that you as a stockholder may otherwise view favorably. In addition, pursuant to our amended and restated certificate of incorporation, Apollo, and any of our directors who are affiliated with Apollo, will continue to have the right to, and will have no duty to abstain from, exercising such right to, conduct business with any business that is competitive or in the same line of business as us, do business with any of our clients, customers or vendors, or make investments in the kind of property in which we may make investments. Apollo is in the business of making or advising on investments in companies and may hold, and may from time to time in the future acquire interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. Apollo may also pursue acquisitions that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. So long as Apollo continues to own a significant amount of our common stock, even if such amount is less than 50%, Apollo will continue to be able to strongly influence or effectively control our decisions.

Furthermore, a sale of a substantial number of shares of stock in the future by funds affiliated with Apollo or Paulson could cause our stock price to decline.

*We are a controlled company within the meaning of the rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.*

Upon the closing of this offering, funds affiliated with Apollo will continue to control a majority of our voting common stock. As a result, we expect to qualify as a controlled company within the meaning of the corporate governance standards. Under the rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

the requirement that a majority of the Board of Directors consists of independent directors;

the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities;

the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and

the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

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Following this offering, we intend to utilize these exemptions. As a result, we will not have a majority of independent directors nor will our nominating/corporate governance and compensation committees consist entirely of independent directors, and we will not be required to have an annual performance evaluation of the nominating/corporate governance and compensation committees. See Management. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to such corporate governance requirements.

***Texas insurance laws and regulations may delay or impede your ability to purchase our common stock.***

The insurance laws and regulations of Texas, the jurisdiction in which our title insurance underwriter subsidiary is domiciled, generally provide that no person may acquire control, directly or indirectly, of a Texas domiciled insurer, unless the person has provided required information to, and the acquisition is approved or not disapproved by, the Texas Department of Insurance. Generally, any person acquiring beneficial ownership of 10% or more of our voting securities would be presumed to have acquired indirect control of our title insurance underwriter subsidiary unless the Texas Department of Insurance, upon application, determines otherwise. Apollo and Paulson have previously received approvals for their current holdings from the Texas Department of Insurance. Certain purchasers of our common stock could be subject to similar approvals which could significantly delay or otherwise impede your ability to complete such purchase.

***We have no plans to pay regular dividends on our common stock, so you may not receive funds without selling your common stock.***

We have no plans to pay regular dividends on our common stock. Any declaration and payment of future dividends to holders of our common stock will be at the sole discretion of our Board of Directors and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board of Directors deems relevant.

Certain of our debt instruments contain covenants that restrict the ability of our subsidiaries to pay dividends to us. See Description of Indebtedness and Description of Capital Stock Common Stock. Furthermore, we will be permitted under the terms of our debt instrument to incur additional indebtedness, which may restrict or prevent us from paying dividends on our common stock. Agreements governing any future indebtedness, in addition to those governing our current indebtedness, may not permit us to pay dividends on our common stock.

***Future sales or the perception of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.***

Future sales or the availability for sale of substantial amounts of our common stock in the public market could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities.

Our amended and restated certificate of incorporation will authorize us to issue \_\_\_\_\_ million shares of common stock, of which \_\_\_\_\_ shares will be outstanding following the completion of this offering and related transactions. This number includes \_\_\_\_\_ shares that we are selling in this offering and \_\_\_\_\_ shares of common stock that will be issued upon the assumed conversion by holders of the Convertible Notes (other than our affiliates) which will be freely transferable without restriction or further registration under the Securities Act. The remaining \_\_\_\_\_ shares of our common stock outstanding, including the shares of common stock owned by certain of our securityholders, including our affiliates, and by certain members of our management, will be restricted from immediate resale pursuant to lock-up agreements with the underwriters, but may be sold in the near future. See Underwriting. Following the expiration of the applicable lock-up period, \_\_\_\_\_ shares of our common stock will be freely transferable without restriction or further registration under the Securities Act, except for any shares which are held or may be acquired by any of our affiliates as that term is defined in

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Rule 144 under the Securities Act, which will be subject to the resale limitations of Rule 144. See **Shares Eligible for Future Sale** for a discussion of the shares of our common stock that may be sold into the public market in the future. Pursuant to our securityholders agreements with Apollo and Paulson, each of Apollo and Paulson have certain rights to demand underwritten registered offerings in respect of the approximately \_\_\_\_\_ shares of common stock that they will own immediately following this offering and we have granted Apollo, Paulson and certain members of management incidental registration rights, in respect of shares of common stock. Upon the effectiveness of such a registration statement, all shares covered by the registration statement would be freely transferable. See **Certain Relationships and Related Party Transactions**.

As soon as practicable following the completion of this offering, we intend to file one or more registration statements on Form S-8 under the Securities Act covering \_\_\_\_\_ shares of our common stock reserved for issuance upon exercise of outstanding options under the Stock Incentive Plan and the 2012 Incentive Plan. Accordingly, shares of our common stock registered under such registration statements will be immediately available for sale in the open market upon exercise by the holders, subject to vesting restrictions, Rule 144 limitations applicable to our affiliates and the contractual lock-up provisions described above.

We may issue shares of our common stock or other securities from time to time as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of our common stock or other securities in connection with any such acquisitions and investments.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

***Delaware law and our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.***

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, provisions of our amended and restated certificate of incorporation and bylaws that will be effective upon completion of this offering may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our Board of Directors. Among other things, these provisions:

classify our Board of Directors so that only some of our directors are elected each year;

do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;

delegate the sole power to a majority of the Board of Directors to fix the number of directors;

provide the power of our Board of Directors to fill any vacancy on our Board of Directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;

authorize the issuance of blank check preferred stock without any need for action by stockholders;

eliminate the ability of stockholders to call special meetings of stockholders;

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prohibit stockholders from acting by written consent if less than 50.1% of our outstanding common stock is controlled by Apollo;  
and

establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

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The foregoing factors, as well as the significant common stock ownership by funds affiliated with Apollo, could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock and your ability to realize any potential change-in-control premium. See Description of Capital Stock.

***We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.***

Our amended and restated certificate of incorporation will authorize us to issue one or more series of preferred stock. Our Board of Directors will have the authority to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our common stock.

***You will suffer immediate and substantial dilution in the net tangible book value of the common stock you purchase.***

Prior investors have paid substantially less per share than the price in this offering. The initial public offering price is substantially higher than the net tangible book value per share of the outstanding common stock after giving effect to this offering and related transactions. Accordingly, based on an assumed initial public offering price of \$        per share (the midpoint of the offering price range set forth on the cover page of this prospectus), and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the net proceeds from such sale as described in Use of Proceeds, and assuming the conversion of all of the Convertible Notes owned by certain of our securityholders, including Apollo and Paulson, purchasers of common stock in this offering will experience immediate and substantial dilution of approximately \$        per share. Additionally, investors in our common stock will be further diluted in the event that the underwriters exercise their option to purchase additional shares. See Dilution.

***We are a holding company and accordingly are dependent upon distributions from our subsidiaries to generate the funds necessary to meet our financial obligations and pay dividends.***

We are a holding company and have no business operations of our own. Our only material asset is our indirect interest in all of the outstanding capital stock of Realogy, through which we conduct our business. We have no independent means of generating revenue. As a result, we are dependent on loans, dividends and other payments from Realogy to generate the funds necessary to pay our expenses and to pay any cash dividends. There can be no assurance that Realogy will generate sufficient cash flow to dividend or distribute funds to us or that applicable state law and contractual restrictions, including negative covenants in our senior secured credit facility and indentures, will permit such dividends or distributions. Our senior secured credit facility and indentures currently restrict Realogy from paying dividends or making distributions to us.

***If securities analysts do not publish research or reports about our company, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.***

The trading market for our common stock will depend in part on the research and reports that third-party securities analysts publish about our company and our industry. We may be unable or slow to attract research coverage and if one or more analysts cease coverage of our company, we could lose visibility in the market. In addition, one or more of these analysts could downgrade our common stock or issue other negative commentary about our company or our industry. As a result of one or more of these factors, the trading price of our common stock could decline.

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**FORWARD-LOOKING STATEMENTS**

Forward-looking statements included in this prospectus 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 associated with our ability to comply with our senior secured leverage ratio covenant under our senior secured credit facility, interest rate risk, risks related to an event of default under our outstanding indebtedness, risks related to our ability to refinance our indebtedness and to incur additional indebtedness, and risks related to having to dedicate a substantial portion of our cash flows from operations to service our debt;

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, further declines in 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;

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;

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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;

the inability of our existing franchisees to survive the challenges 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;

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 "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," may also cause actual results to differ materially from those described in our forward-looking

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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.

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**USE OF PROCEEDS**

Assuming an initial public offering price of \$        per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, we estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately \$955 million (or \$        million if the underwriters exercise in full their option to purchase additional shares of common stock from us), after deducting estimated underwriting discounts and commissions and offering expenses.

We intend to use the net proceeds that we receive in this offering (i) to prepay all of the outstanding \$650 million principal amount of the Second Lien Loans, (ii) to repurchase or redeem approximately \$64 million principal amount of outstanding 10.50% Senior Notes, \$41 million principal amount of outstanding Senior Toggle Notes and, on or after April 15, 2013, \$160 million principal amount of outstanding 12.375% Senior Subordinated Notes and (iii) for working capital and general corporate purposes. We expect that the prepayment of the Second Lien Loans and the repurchase or redemption of the 10.50% Senior Notes and the Senior Toggle Notes will occur substantially concurrently with the closing of this offering. Pursuant to certain of our indentures, the 12.375% Senior Subordinated Notes may not be repurchased or redeemed prior to April 15, 2013. The prepayment, repurchase or redemption of the foregoing indebtedness with the net proceeds of this offering will be in accordance with the respective agreements governing such indebtedness.

Certain of our securityholders, including Apollo and Paulson, have indicated that they intend to convert all of their Convertible Notes into common stock, representing in the aggregate approximately \$2.0 billion principal amount of outstanding Convertible Notes, substantially concurrently with the closing of this offering. Because the conversion price per share of the Convertible Notes is lower than \$        (the bottom of the offering price range set forth on the cover page of this prospectus), we have assumed that the remaining holders of the approximately \$100 million principal amount of Convertible Notes will also convert their Convertible Notes substantially concurrently with the closing of this offering. To the extent that any such Convertible Notes are not surrendered to us for conversion prior to the closing date of this offering, the portion of the net proceeds of this offering that would have been used to repurchase or redeem the 12.375% Senior Subordinated Notes will instead be used to redeem such Convertible Notes at a redemption price of 90% of the principal amount thereof, plus accrued and unpaid interest, on the closing date of this offering or promptly thereafter.

The Second Lien Loans bear interest at a rate of 13.50% per year and mature on October 15, 2017. The 10.50% Senior Notes and the Senior Toggle Notes bear interest at rates of 10.50% and 11.00% per annum, respectively, and mature on April 15, 2014. The 12.375% Senior Subordinated Notes bear interest at a rate of 12.375% per annum and mature on April 15, 2015. The Convertible Notes bear interest at a rate of 11.00% per annum and mature on April 15, 2018. See [Description of Indebtedness](#) for further information on the terms of our outstanding indebtedness.

Affiliates of certain of the underwriters hold certain of our indebtedness and will receive proceeds to the extent such indebtedness is prepaid, repurchased or redeemed as described above. See [Underwriting](#) [Other Relationships](#).

A \$1.00 increase (decrease) in the assumed initial public offering price of \$        per share, the midpoint of the offering price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by \$        million (or \$        million if the underwriters exercise in full their option to purchase additional shares of common stock from us) assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and offering expenses.

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2012:

on an actual basis;

on a pro forma basis giving effect to the assumed conversion of all of the Convertible Notes substantially concurrently with the closing of this offering; and

on a pro forma as adjusted basis giving effect to our sale of \_\_\_\_\_ shares of common stock in this offering at an initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and our expected use of the net proceeds of this offering to repay certain outstanding indebtedness, as described in Use of Proceeds. For every \$1,000 principal amount of Convertible Notes that is not converted by the holders thereof into common stock, the amount of net proceeds from this offering available to redeem or repurchase the 12.375% Senior Subordinated Notes will be reduced by \$1,000 and will instead be applied to redeem such Convertible Notes at a redemption price of 90% of the principal amount thereof, plus accrued and unpaid interest.

You should read this table in conjunction with the information included under the headings Unaudited Pro Forma Financial Information, Selected Historical Consolidated and Combined Financial Statements, Use of Proceeds, Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included elsewhere in this prospectus.

	As of March 31, 2012		
	Actual	Pro Forma (In millions)	Pro Forma As Adjusted
<b>Capitalization (excluding securitization obligations)</b>			
Cash and cash equivalents <sup>(1)</sup>	\$ 148	\$ 148	\$ 188
Long-term debt (including current portion):			
Senior Secured Credit Facility:			
Extended revolving credit facility <sup>(2)</sup>			
Extended term loan facility <sup>(3)</sup>	1,822	1,822	1,822
7.625% First Lien Notes due 2020	593	593	593
7.875% First and a Half Lien Notes due 2019	700	700	700
9.000% First and a Half Lien Notes due 2020	325	325	325
Second Lien Loans <sup>(4)</sup>	650	650	
Other bank indebtedness <sup>(5)</sup>	100	100	100
10.50% Senior Notes due 2014	64	64	
11.00/11.75% Senior Toggle Notes due 2014 <sup>(6)</sup>	52	52	11
12.375% Senior Subordinated Notes due 2015 <sup>(7)</sup>	188	188	28
11.50% Senior Notes due 2017 <sup>(8)</sup>	489	489	489
12.00% Senior Notes due 2017 <sup>(9)</sup>	129	129	129
13.375% Senior Subordinated Notes due 2018	10	10	10
11.00% Convertible Notes due 2018 <sup>(10)</sup>	2,110		
<b>Total long-term debt (including current portion)</b>	<b>7,232</b>	<b>5,122</b>	<b>4,207</b>

Equity:

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Common stock; authorized shares; shares issued and outstanding (actual); shares issued and outstanding (pro forma); shares issued and outstanding (pro forma as adjusted)				
Additional paid-in capital				
Accumulated deficit				
Accumulated other comprehensive income (loss)				
Total equity (deficit) <sup>(11)</sup>	(1,698)	405		1,351
Total capitalization <sup>(12)</sup>	\$ 5,534	\$ 5,527	\$	5,558

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- (1) Readily available cash as of March 31, 2012 was \$109 million. Readily available cash includes cash and cash equivalents less statutory cash required for our title business. Does not include the payment of accrued and unpaid interest, redemption premiums and other fees and expenses anticipated to be paid in connection with the repayment of certain of our indebtedness as described in Use of Proceeds, which the Company estimates will be approximately \$ million assuming that the closing of the offering occurs on , 2012. Readily available cash following the use of the net proceeds from this offering will be correspondingly reduced by such amount.
- (2) Interest rates with respect to revolving loans under the senior secured credit facility are based on, at our option, (a) adjusted LIBOR plus 3.25% or (b) JPMorgan Chase Bank, N.A.'s prime rate ( ABR ) plus 2.25% in each case subject to reductions based on the attainment of certain leverage ratios. The available capacity under this facility was reduced by \$80 million of outstanding letters of credit as of March 31, 2012. On , 2012, the Company had \$ million outstanding on the extended revolving credit facility and \$ million of outstanding letters of credit, leaving \$ million of available capacity.
- (3) Interest rates with respect to term loans under the senior secured credit facility are based on, at our 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 plus 3.25%.
- (4) The Second Lien Loans accrue interest at a rate of 13.50% per annum.
- (5) 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; \$8 million of capacity is due in August 2012, \$50 million is due in January 2013 and \$50 million is due in July 2013.
- (6) On April 16, 2012, the Company redeemed \$11 million principal amount of the outstanding Senior Toggle Notes at par.
- (7) Consists of \$190 million of 12.375% Senior Subordinated Notes, less a discount of \$2 million. Assuming the conversion of all the Convertible Notes, we intend to redeem approximately \$160 million of the 12.375% Senior Subordinated Notes with a portion of the net proceeds of this offering, as described in Use of Proceeds.
- (8) Consists of \$492 million of 11.50% Senior Notes, less a discount of \$3 million.
- (9) Consists of \$130 million of 12.00% Senior Notes, less a discount of \$1 million.
- (10) Certain of our securityholders, including Apollo and Paulson, have indicated that they intend to convert all of their Convertible Notes into common stock, representing in the aggregate approximately \$2.0 billion principal amount of outstanding Convertible Notes. Because the conversion price per share of the Convertible Notes is lower than \$ (the bottom of the offering price range set forth on the cover page of this prospectus), we have assumed that the remaining holders of the approximately \$100 million principal amount of Convertible Notes will also convert their Convertible Notes substantially concurrently with the closing of this offering.
- (11) We expect to have a loss on the extinguishment of debt in 2012 and 2013 (relating to the redemption of 12.375% Senior Subordinated Notes) due to the conversion of Convertible Notes as well as the repayment of portions of our outstanding indebtedness.
- (12) Total capitalization excludes our securitization obligations which are collateralized by relocation related assets and appear in our current liabilities.

**Table of Contents****DILUTION**

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock upon completion of this offering and related transactions. Dilution results from the fact that the per share offering price of our common stock is substantially in excess of the book value per share attributable to our existing equityholders.

The tables and calculations below also assume that all of the Convertible Notes are converted into common stock. For every \$1,000 principal amount of Convertible Notes that is not converted by the holders thereof into common stock, the amount of net proceeds from this offering available to redeem or repurchase the 12.375% Senior Subordinated Notes will be reduced by \$1,000 and will instead be applied to redeem such Convertible Notes at a redemption price of 90% of the principal amount thereof, plus accrued and unpaid interest. See Use of Proceeds.

Our pro forma net tangible book value (deficit) as of March 31, 2012 was \$       million, or \$       per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding as of that date, assuming the conversion of all of the Convertible Notes.

After giving effect to the sale by us of shares of common stock in this offering at the assumed initial public offering price of \$       per share (the midpoint of the offering price range set forth on the cover page of this prospectus), and after deducting estimated underwriting discounts and commissions and offering expenses, and the application of the net proceeds from such sale as described in Use of Proceeds, our pro forma as adjusted net tangible book value (deficit) as of March 31, 2012 would have been \$       million, or \$       per share. This amount represents an immediate dilution of \$       per share to new investors. The following table illustrates this dilution per share:

Assumed initial public offering price per share of common stock	\$
Pro forma net tangible book value (deficit) per share of common stock as of March 31, 2012 <sup>(1)</sup>	\$
Increase in net tangible book value per share attributable to this offering	
Pro forma as adjusted net tangible book value (deficit) per share of common stock as of March 31, 2012 after this offering	
Dilution in pro forma as adjusted net tangible book value (deficit) per share to new investors	\$

(1) Net tangible book value (deficit) is calculated by subtracting goodwill, intangible assets, net deferred tax liabilities and deferred financing costs from total net assets.

If the underwriters exercise their option to purchase additional shares in full, our pro forma as adjusted net tangible book value (deficit) will increase to \$       per share, representing an increase to existing holders of \$       per share, and there will be an immediate dilution of \$       per share to new investors.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and offering expenses in connection with this offering, a \$1.00 increase (decrease) in the assumed public offering price of \$       per share would increase (decrease) the pro forma as adjusted net tangible book value (deficit) attributable to this offering by \$       per share and decrease (increase) the dilution to new investors by \$       per share and decrease (increase) the pro forma as adjusted net tangible book deficit after this offering, by \$       per share.



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The following table summarizes, as of March 31, 2012, on a pro forma as adjusted basis to give effect to this offering and related transactions, the difference between the number of shares of our common stock purchased from us, the total consideration paid to us, and the average price per share paid by existing stockholders and by new investors, at the assumed initial public offering price of \$ per share (the midpoint of the offering price range set forth on the cover page of this prospectus), before deducting the estimated underwriting discounts and commissions and offering expenses in connection with this offering:

	Shares Purchased		Total Consideration Amount		Average Price
	Number	Percent	(in millions)	Percent	Per Share
Existing stockholders		%	\$	%	\$
New investors in this offering		%	\$	%	\$
<b>Total</b>		100%	\$	100%	\$

The tables and calculations above assume no exercise of stock options outstanding as of , 2012 to purchase shares of common stock at a weighted average exercise price of \$ per share. If these options were exercised at the weighted average exercise price, the additional dilution per share to new investors would be \$ million. The tables and calculations also do not include any shares reserved for issuance under the Stock Incentive Plan, the 2012 Incentive Plan or our new omnibus long-term incentive plan.

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**DIVIDEND POLICY**

We do not currently anticipate paying dividends on our common stock following this offering. Any declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends and other considerations that our Board of Directors deems relevant. See [Risk Factors](#) [Risks Related to an Investment in Our Common Stock](#) and this Offering. We have no plans to pay regular dividends on our common stock, so you may not receive funds without selling your common stock. Because we are a holding company and have no direct operations, we will only be able to pay dividends from our available cash on hand and any funds we receive from our subsidiaries. The terms of our indebtedness restrict our subsidiaries from paying dividends to us. Under Delaware law, dividends may be payable only out of surplus, which is our net assets minus our liabilities and our capital, or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. As a result, we may not pay dividends according to our policy or at all, if, among other things, we do not have sufficient cash to pay the intended dividends, if our financial performance does not achieve expected results or the terms of our indebtedness prohibit it. See [Description of Indebtedness](#) and [Description of Capital Stock](#).

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

We derived the unaudited pro forma financial data set forth below by the application of pro forma adjustments to the audited and unaudited consolidated financial statements included elsewhere in this prospectus.

The unaudited pro forma condensed consolidated balance sheet at March 31, 2012 and pro forma consolidated statement of operations for the year ended December 31, 2011 and the pro forma condensed consolidated statement of operations for the three months ended March 31, 2012 have been presented:

on a pro forma basis, which gives effect to the conversion of all of the Convertible Notes substantially concurrently with the closing of this offering; and

on a pro forma as adjusted basis, which gives effect to our sale of \_\_\_\_\_ shares of common stock in this offering at an initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and our expected use of the net proceeds of this offering to repay certain outstanding indebtedness, as described in Use of Proceeds.

The pro forma condensed consolidated balance sheet gives effect to the pro forma adjustments as if they occurred on March 31, 2012 and the pro forma consolidated statement of operations gives effect to the pro forma adjustments as if they occurred on January 1, 2011.

The pro forma adjustments set forth below were based on available information and certain assumptions made by our management and may be revised as additional information becomes available. The unaudited pro forma financial information is presented for informational purposes only, and does not purport to represent what our balance sheet and results of operations would actually have been if the transactions had occurred on the dates indicated, nor does it purport to project our results of operations or financial condition that we may achieve in the future.

You should read our unaudited pro forma financial information and the accompanying notes in conjunction with all of the historical financial statements and related notes included elsewhere in this prospectus and the financial and other information appearing elsewhere in this prospectus, including information contained in Risk Factors, Selected Historical Consolidated Financial Data, Use of Proceeds, Capitalization and Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Table of Contents****DOMUS HOLDINGS CORP.****PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET**

March 31, 2012

(In millions)

	Actual	Convertible Notes Pro Forma Adjustments <sup>(1)</sup>	Pro Forma	Offering Transaction Adjustments <sup>(2)</sup>	Pro Forma As Adjusted
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	148		148	40	188
Trade receivables	122		122		122
Relocation receivables	385		385		385
Relocation properties held for sale	7		7		7
Deferred income taxes	62		62		62
Other current assets	101		101		101
<b>Total current assets</b>	<b>825</b>		<b>825</b>	<b>40</b>	<b>865</b>
Property and equipment, net	155		155		155
Goodwill	2,617		2,617		2,617
Trademarks	732		732		732
Franchise agreements, net	2,825		2,825		2,825
Other intangibles, net	428		428		428
Other non-current assets	215	(7)	208	(9)	199
<b>Total assets</b>	<b>7,797</b>	<b>(7)</b>	<b>7,790</b>	<b>31</b>	<b>7,821</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>					
Current liabilities:					
Accounts payable	180		180		180
Securitization obligations	302		302		302
Due to former parent	76		76		76
Revolving credit facilities and current portion of long-term debt	111		111		111
Accrued expenses and other current liabilities	641		641		641
<b>Total current liabilities</b>	<b>1,310</b>		<b>1,310</b>		<b>1,310</b>
Long-term debt	7,121	(2,110)	5,011	(915)	4,096
Deferred income taxes	892		892		892
Other non-current liabilities	172		172		172
<b>Total liabilities</b>	<b>9,495</b>	<b>(2,110)</b>	<b>7,385</b>	<b>(915)</b>	<b>6,470</b>
<b>Total equity (deficit)</b>	<b>(1,698)</b>	<b>2,103</b>	<b>405</b>	<b>946</b>	<b>1,351</b>
<b>Total liabilities and equity (deficit)</b>	<b>7,797</b>	<b>(7)</b>	<b>7,790</b>	<b>31</b>	<b>7,821</b>

See Notes to Unaudited Pro Forma Financial Information.



**Table of Contents****DOMUS HOLDINGS CORP.****PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS****YEAR ENDED DECEMBER 31, 2011****(In millions)**

	Actual	Convertible Notes Pro Forma Adjustments <sup>(3)</sup>	Pro Forma	Offering Transaction Adjustments <sup>(4)</sup>	Pro Forma As Adjusted
<b>Revenues</b>					
Gross commission income	2,926		2,926		2,926
Service revenue	752		752		752
Franchise fees	256		256		256
Other	159		159		159
Net revenues	4,093		4,093		4,093
<b>Expenses</b>					
Commission and other agent-related costs	1,932		1,932		1,932
Operating	1,270		1,270		1,270
Marketing	185		185		185
General and administrative	254		254		254
Former parent legacy costs (benefit), net	(15)		(15)		(15)
Restructuring costs	11		11		11
Merger costs	1		1		1
Depreciation and amortization	186		186		186
Interest expense, net	666	(233)	433	(120)	313
Loss on the early extinguishment of debt	36		36		36
Total expenses	4,526	(233)	4,293	(120)	4,173
<b>Loss before income taxes, equity in earnings and noncontrolling interests</b>					
	(433)	233	(200)	120	(80)
Income tax expense	32		32		32
Equity in earnings of unconsolidated entities	(26)		(26)		(26)
<b>Net loss</b>	(439)	233	(206)	120	(86)
Less: Net income attributable to noncontrolling interests	(2)		(2)		(2)
<b>Net loss attributable to Domus Holdings</b>	(441)	233	(208)	120	(88)
<b>Loss per share attributable to Domus Holdings:</b>					
Basic loss per share:					
Diluted loss per share:					
<b>Weighted average common and common equivalent shares of Domus Holdings outstanding:</b>					
Basic:					
Diluted:					

See Notes to Unaudited Pro Forma Financial Information.

**Table of Contents****DOMUS HOLDINGS CORP.****PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****THREE MONTHS ENDED MARCH 31, 2012****(In millions)**

	Actual	Convertible Notes Pro Forma Adjustments <sup>(5)</sup>	Pro Forma	Offering Transaction Adjustments <sup>(6)</sup>	Pro Forma As Adjusted
<b>Revenues</b>					
Gross commission income	606		606		606
Service revenue	172		172		172
Franchise fees	54		54		54
Other	43		43		43
Net revenues	875		875		875
<b>Expenses</b>					
Commission and other agent-related costs	402		402		402
Operating	318		318		318
Marketing	51		51		51
General and administrative	77		77		77
Former parent legacy costs (benefit), net	(3)		(3)		(3)
Restructuring costs	3		3		3
Depreciation and amortization	45		45		45
Interest expense, net	170	(58)	112	(30)	82
Loss on the early extinguishment of debt	6		6		6
Other (income)/expense, net	1		1		1
Total expenses	1,070	(58)	1,012	(30)	982
<b>Loss before income taxes, equity in earnings and noncontrolling interests</b>					
	(195)	58	(137)	30	(107)
Income tax expense	7		7		7
Equity in earnings of unconsolidated entities	(10)		(10)		(10)
<b>Net loss</b>	(192)	58	(134)	30	(104)
Less: Net income attributable to noncontrolling interests					
<b>Net loss attributable to Domus Holdings</b>	(192)	58	(134)	30	(104)
<b>Loss per share attributable to Domus Holdings:</b>					
Basic loss per share:					
Diluted loss per share:					
<b>Weighted average common and common equivalent shares of Domus Holdings outstanding:</b>					
Basic:					
Diluted:					



See Notes to Unaudited Pro Forma Financial Information.

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**Notes to Unaudited Pro Forma Financial Information**

*Balance Sheet*

- (1) Pro forma adjustments give effect to the assumed conversion of all \$2,110 million of the 11.00% Convertible Notes held by our securityholders. The Company has included in the balance sheet a loss on the extinguishment of debt of \$7 million as a result of the conversion.
- (2) Pro forma as adjusted gives effect to the sale of common stock in this offering and our expected use of \$1 billion of proceeds (i) to pay approximately \$45 million in transaction related costs; (ii) to prepay all of the outstanding \$650 million principal amount of the Second Lien Loans, (iii) to repurchase or redeem approximately \$64 million principal amount of outstanding 10.50% Senior Notes, \$41 million principal amount of outstanding Senior Toggle Notes and, on or after April 15, 2013, \$160 million principal amount of outstanding 12.375% Senior Subordinated Notes; and (iv) \$40 million for working capital and general corporate purposes. The Company has included in the balance sheet a loss on the extinguishment of debt of \$9 million as a result of the prepayment of outstanding debt.

*Statement of Operations for the year ended December 31, 2011*

- (3) Pro forma adjustments give effect to the reduction in interest expense due to the conversion of all \$2,110 million of the 11.00% Convertible Notes held by our securityholders as of January 1, 2011. The adjustment to interest expense includes a \$232 million reduction in interest expense due to the assumed conversion of the Convertible Notes and a \$1 million reduction in deferred financing costs amortized to interest expense. The Company has not included in the statement of operations the loss on the extinguishment of debt as it is non-recurring.
- (4) Pro forma as adjusted gives effect to (i) the prepayment of \$650 million principal amount of the Second Lien Loans, and (ii) the repurchase or redemption of approximately \$64 million principal amount of the 10.50% Senior Notes, \$41 million principal amount of the Senior Toggle Notes and, on or after April 15, 2013, \$160 million principal amount of the 12.375% Senior Subordinated Notes. The adjustment to interest expense includes a \$118 million reduction in interest expense due to the prepayment of outstanding debt and a \$2 million reduction in deferred financing costs amortized to interest expense.

*Statement of Operations for the three months ended March 31, 2012*

- (5) Pro forma adjustments give effect to the reduction in interest expense due to the assumed conversion of all \$2,110 million of the 11.00% Convertible Notes held by our securityholders as of January 1, 2011. The adjustment to interest expense includes a \$58 million reduction in interest expense due to the assumed conversion of the Convertible Notes. The Company has not included in the statement of operations the loss on the extinguishment of debt as it is non-recurring.
- (6) Pro forma as adjusted gives effect to (i) the prepayment of \$650 million principal amount of the Second Lien Loans, and (ii) the repurchase or redemption of approximately \$64 million principal amount of the 10.50% Senior Notes, \$41 million principal amount of the Senior Toggle Notes and, on or after April 15, 2013, \$160 million principal amount of the 12.375% Senior Subordinated Notes. The adjustment to interest expense includes a \$30 million reduction in interest expense due to the prepayment of outstanding debt.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table presents our selected historical consolidated financial data and operating statistics. The consolidated statement of operations data for the years ended December 31, 2011, 2010, and 2009 and the consolidated balance sheet data as of December 31, 2011 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The statement of operations data for the year ended December 31, 2008 and the periods from April 10, 2007 through December 31, 2007 and January 1, 2007 through April 9, 2007 (Predecessor Period as described below) and the consolidated balance sheet data as of December 31, 2009, 2008 and 2007 have been derived from our consolidated financial statements not included in this prospectus.

The consolidated statement of operations data for the three months ended March 31, 2012 and 2011 and the consolidated balance sheet data as of March 31, 2012 and 2011 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus and, in the opinion of management, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position and results of operations as of the dates and for the periods indicated.

The financial data for 2007 are presented for two periods: January 1 through April 9, 2007 (the Predecessor Period or Predecessor, as context requires) and April 10 through December 31, 2007 (the Successor Period or Successor, as context requires), which relate to the period preceding the Merger and the period succeeding the Merger, respectively. The results of the Successor are not comparable to the results of the Predecessor due to the difference in the basis of presentation of purchase accounting as compared to historical cost. In the opinion of management, the statement of operations data for 2007 include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations as of the dates and for the periods indicated.

The selected historical consolidated financial data and operating statistics presented below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and accompanying notes thereto included elsewhere in this prospectus. Historical results are not necessarily indicative of results that may be expected for any future period.

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	Three Months Ended March 31,		Successor Year Ended December 31,				For the Period From April 10 Through December 31, 2007	Predecessor For the Period From January 1 Through April 9, 2007
	2012	2011	2011	2010	2009	2008		
(In millions, except per share data)								
<b>Statement of Operations Data:</b>								
Net revenue	\$ 875	\$ 831	\$ 4,093	\$ 4,090	\$ 3,932	\$ 4,725	\$ 4,472	\$ 1,492
Total expenses	1,070	1,067	4,526	4,084	4,266	6,988	5,708	1,560
Income (loss) before income taxes, equity in earnings and noncontrolling interests	(195)	(236)	(433)	6	(334)	(2,263)	(1,236)	(68)
Income tax expense (benefit)	7	1	32	133	(50)	(380)	(439)	(23)
Equity in (earnings) losses of unconsolidated entities	(10)		(26)	(30)	(24)	28	(2)	(1)
Net loss	(192)	(237)	(439)	(97)	(260)	(1,911)	(795)	(44)
Less: Net income attributable to noncontrolling interests			(2)	(2)	(2)	(1)	(2)	
Net loss attributable to Realogy	\$ (192)	\$ (237)	\$ (441)	\$ (99)	\$ (262)	\$ (1,912)	\$ (797)	\$ (44)
Net loss attributable to Holdings	\$ (192)	\$ (237)	\$ (441)	\$ (99)	\$ (262)	\$ (1,912)	\$ (797)	\$
<b>Earnings (loss) per share:</b>								
Basic loss per share								\$ (0.20)
Diluted loss per share								\$ (0.20)
Weighted average common and common equivalent shares used in:								
Basic								217.5
Diluted								217.5
(In millions, except operating statistics)								
<b>Balance Sheet Data:</b>								
	As of March 31,		As of December 31,					
	2012	2011	2011	2010	2009	2008	2007	
Cash and cash equivalents	\$ 148	\$ 93	\$ 143	\$ 192	\$ 255	\$ 437	\$ 153	
Securitization assets	362	390	366	393	364	845	1,300	
Total assets	7,797	7,913	7,810	8,029	8,041	8,912	11,172	
Securitization obligations	302	311	327	331	305	703	1,014	
Long-term debt, including short-term portion	7,232	6,973	7,150	6,892	6,706	6,760	6,239	
Equity (deficit)	(1,698)	(1,297)	(1,508)	(1,072)	(981)	(740)	1,203	

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	Three Months Ended March 31,		For the Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
<b>Operating Statistics:</b>							
<b>Real Estate Franchise Services<sup>(a)</sup></b>							
Closed homesale sides <sup>(b)</sup>	197,458	184,643	909,610	922,341	983,516	995,622	1,221,206
Average homesale price <sup>(c)</sup>	\$ 194,071	\$ 193,710	\$ 198,268	\$ 198,076	\$ 190,406	\$ 214,271	\$ 230,346
Average homesale brokerage commission rate <sup>(d)</sup>	2.56%	2.54%	2.55%	2.54%	2.55%	2.52%	2.49%
Net effective royalty rate <sup>(e)</sup>	4.75%	4.87%	4.84%	5.00%	5.10%	5.12%	5.03%
Royalty per side <sup>(f)</sup>	\$ 248	\$ 251	\$ 256	\$ 262	\$ 257	\$ 287	\$ 298
<b>Company Owned Real Estate Brokerage Services<sup>(g)</sup></b>							
Closed homesale sides <sup>(b)</sup>	55,273	51,200	254,522	255,287	273,817	275,090	325,719
Average homesale price <sup>(c)</sup>	\$ 403,115	\$ 414,164	\$ 426,402	\$ 435,500	\$ 390,688	\$ 479,301	\$ 534,056
Average homesale brokerage commission rate <sup>(d)</sup>	2.51%	2.50%	2.50%	2.48%	2.51%	2.48%	2.47%
Gross commission income per side <sup>(h)</sup>	\$ 10,959	\$ 11,188	\$ 11,461	\$ 11,571	\$ 10,519	\$ 12,612	\$ 13,806
<b>Relocation Services</b>							
Initiations <sup>(i)</sup>	37,470	35,108	153,269	148,304	114,684	136,089	132,343
Referrals <sup>(i)</sup>	14,266	12,813	72,169	69,605	64,995	71,743	78,828
<b>Title and Settlement Services</b>							
Purchasing title and closing units <sup>(k)</sup>	20,565	18,971	93,245	94,290	104,689	110,462	138,824
Refinance title and closing units <sup>(l)</sup>	22,016	16,826	62,850	62,225	69,927	35,893	37,204
Average price per closing unit <sup>(m)</sup>	\$ 1,237	\$ 1,386	\$ 1,409	\$ 1,386	\$ 1,317	\$ 1,500	\$ 1,471

- (a) These amounts include only those relating to third-party franchisees and do not include amounts relating to the Company Owned Real Estate Brokerage Services segment.
- (b) A closed homesale side represents either the buy side or the sell side of a homesale transaction.
- (c) Represents the average selling price of closed homesale transactions.
- (d) Represents the average commission rate earned on either the buy side or sell side of a homesale transaction.
- (e) Represents the average percentage of our franchisees' commission revenue (excluding NRT) paid to the Real Estate Franchise Services segment as a royalty. The net effective royalty rate does not include the effect of non-standard incentives granted to some franchisees.
- (f) Represents net domestic royalties earned from our franchisees (excluding NRT) divided by the total number of our franchisees' closed homesale sides.
- (g) Our real estate brokerage business has a significant concentration of offices and transactions in geographic regions where home prices are at the higher end of the U.S. real estate market, particularly the east and west coasts. The real estate franchise business has franchised offices that are more widely dispersed across the United States than our real estate brokerage operations. Accordingly, operating results and homesale statistics may differ between our brokerage and franchise businesses based upon geographic presence and the corresponding homesale activity in each geographic region.
- (h) Represents gross commission income divided by closed homesale sides. Gross commission income includes commissions earned in homesale transactions and certain other activities, primarily leasing and property management transactions.
- (i) Represents the total number of transferees served by the relocation services business. The amounts presented for the year ended December 31, 2010 include 26,087 initiations as a result of the acquisition of Primacy in January 2010.

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- (j) Represents the number of referrals from which we earned revenue from real estate brokers. The amounts presented for the year ended December 31, 2010 include 4,997 referrals as a result of the acquisition of Primacy in January 2010.
- (k) Represents the number of title and closing units processed as a result of home purchases.
- (l) Represents the number of title and closing units processed as a result of homeowners refinancing their home loans.
- (m) Represents the average fee we earn on purchase title and refinancing title units.

In presenting the financial data above in conformity with GAAP, we are required to make estimates and assumptions that affect the amounts reported. See Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies for a detailed discussion of the accounting policies that we believe require subjective and complex judgments that could potentially affect reported results.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with our consolidated financial statements and accompanying notes thereto included elsewhere herein. Unless otherwise noted, all dollar amounts in tables are in millions. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See Forward-Looking Statements and Risk Factors for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements.*

**Overview**

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

**Real Estate Franchise Services** (known as Realogy Franchise Group or RFG) franchises the Century 21, Coldwell Banker®, ERA®, Sotheby's International Realty®, Coldwell Banker Commercial® and Better Homes and Gardens® Real Estate brand names. As of March 31, 2012, our franchise system had approximately 13,800 franchised and company owned offices and 241,000 independent sales associates (which included approximately 41,500 independent sales agents working with our company owned brokerage offices) operating under our franchise and proprietary brands in the U.S. and 102 other countries and territories around the world (internationally, generally through master franchise agreements). We franchise our real estate brokerage franchise systems to real estate brokerage businesses that are independently owned and operated. We provide a license to use the brand names, plus operational and administrative services and certain systems and tools that are designed to help our franchisees serve their customers and attract new, or retain existing, independent sales associates. Such services include national and local advertising programs, listing and agent-recruitment tools, including technology, training and purchasing discounts through our preferred vendor programs. Franchise revenue principally consists of royalty and marketing fees from our franchisees. The royalty received is primarily based on a percentage of the franchisee's gross commission income. Royalty fees are accrued as the underlying franchisee revenue is earned (upon closing of the homesale transaction). Annual volume incentives given to certain franchisees on royalty fees are recorded as a reduction to revenue and are accrued for in relative proportion to the recognition of the underlying gross franchise revenue. In the U.S. and generally in Canada, we employ a direct franchising model, however, in other parts of the world, we usually employ a master franchise model, whereby we contract with a qualified, experienced third party to build a franchise enterprise. Under the master franchise model, we typically enter into long term franchise agreements (often 25 years in duration) and receive an initial area development fee and ongoing royalties. Royalty increases or decreases are recognized with little corresponding increase or decrease in expenses due to the operating efficiency within the franchise operations. In addition to royalties received from our independently owned franchisees, our Company Owned Real Estate Brokerage Services segment pays royalties to the Real Estate Franchise Services segment.

**Company Owned Real Estate Brokerage Services** (known as NRT) operates a full-service real estate brokerage business principally under the Coldwell Banker®, ERA®, Corcoran Group®, Sotheby's International Realty® and CitiHabitats brand names. As an owner-operator of real estate brokerages, we assist home buyers and sellers in listing, marketing, selling and finding homes. We earn commissions for these services, which are recorded upon the closing of a real estate transaction (i.e., purchase or sale of a home), which we refer to as gross commission income. We then pay commissions to independent real estate agents, which are recognized concurrently with associated revenues. We also operate a large independent residential REO asset manager. These REO operations facilitate the maintenance and sale of foreclosed homes on behalf of lenders.

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**Relocation Services** (known as Cartus) primarily offers clients employee relocation services such as homesale assistance, providing home equity advances to transferees (generally guaranteed by the client), home finding and other destination services, expense processing, relocation policy counseling and consulting services, arranging household goods moving services, visa and immigration support, intercultural and language training and group move management services. We provide these relocation services to corporate and affinity clients for the transfer of their employees. We earn revenues from fees charged to clients for the performance and/or facilitation of these services and recognize such revenue as services are provided. In the majority of relocation transactions, the gain or loss on the sale of a transferee's home is generally borne by the client. For all homesale transactions, the value paid to the transferee is either the value per the underlying third party buyer contract with the transferee, which results in no gain or loss, or the appraised value as determined by independent appraisers. We generally earn interest income on the funds we advance on behalf of the transferring employee, which is typically based on prime rate or London Interbank Offer Rate ( LIBOR ) and recorded within other revenue (as is the corresponding interest expense on the securitization borrowings) in the consolidated statement of operations included elsewhere in this prospectus. Additionally, we earn revenue from real estate brokers and other third-party service providers. We recognize such fees from real estate brokers at the time the underlying property closes. For services where we pay a third-party provider on behalf of our clients, we generally earn a referral fee or commission, which is recognized at the time of completion of services.

**Title and Settlement Services** (known as Title Resource Group or TRG) provides full-service title, settlement and vendor management services to real estate companies, affinity groups, corporations and financial institutions with many of these services provided in connection with the Company's real estate brokerage and relocation services business. We provide title and closing services, which include title search procedures for title insurance policies, homesale escrow and other closing services. Title revenues, which are recorded net of amounts remitted to third party insurance underwriters, and title and closing service fees are recorded at the time a homesale transaction or refinancing closes. We provide many of these services to third party clients in connection with transactions generated by our Company Owned Real Estate Brokerage and Relocation Services segments as well as various financial institutions in the mortgage lending industry. We also serve as an underwriter of title insurance policies in connection with residential and commercial real estate transactions.

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

**July 2006 Separation from Cendant**

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

Before the Separation, Realogy entered into a Separation and Distribution Agreement, a Tax Sharing Agreement and several other agreements with Cendant and Cendant's other businesses to effect the separation and distribution and provide a framework for Realogy's relationships with Cendant and Cendant's other businesses after the Separation. These agreements govern the relationships among Realogy, Cendant, Wyndham Worldwide and Travelport subsequent to the completion of the separation plan and provide for the allocation among Realogy, Cendant, Wyndham Worldwide and Travelport of Cendant's assets, liabilities and obligations attributable to periods prior to the Separation. Matters governed by these agreements have been substantially concluded other than the resolution of certain Cendant tax and other liabilities attributable to periods prior to the Separation.



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### **April 2007 Merger Agreement with Affiliates of Apollo**

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

Realogy incurred substantial indebtedness in connection with the Merger, the aggregate proceeds of which were sufficient to pay the aggregate merger consideration, repay a portion of Realogy's then outstanding indebtedness and pay fees and expenses related to the Merger. Specifically, Realogy entered into the senior secured credit facility, issued unsecured notes and refinanced the credit facilities governing Realogy's relocation securitization programs. In addition, investment funds affiliated with, or co-investment vehicles managed by, Apollo, as well as members of management who purchased our common stock with cash or through rollover equity, contributed \$2,001 million to Realogy to complete the Merger Transactions, which was treated as a contribution to Realogy's equity.

### **Current Industry Trends**

Our businesses compete primarily in the domestic residential real estate market. This market is cyclical in nature and we believe that we are experiencing the beginning of a recovery. The market has most recently shown signs of modest growth after having been in a significant and prolonged downturn, which began in the second half of 2005. Based upon data published by NAR from 2005 to 2011, the number of annual U.S. existing homesale units has declined by 40% and the median existing homesale price has declined by 24%. The signs of modest growth in the first quarter of 2012 were particularly evident with respect to year-over-year unit growth, due to favorable affordability trends reflective of low mortgage rates and lower home prices. NAR reported a year-over-year increase of 7% in homesales in the first quarter of 2012 compared to the first quarter of 2011 and is forecasting a 9% increase in existing homesale transactions in 2012 compared to 2011. Fannie Mae is forecasting a 8% increase in 2012 for existing homesale transactions compared to 2011. In June 2012, NAR reported total existing homesales increased 5% and median existing home price increased approximately 8% as compared to June 2011 and the most recent NAR forecast estimates that the volume of existing homesales (i.e., median homesale price times existing homesale transactions) will increase 13% for the full year 2012 compared to 2011. In addition, NAR is forecasting a further increase in volume of 13% in 2013 compared to 2012.

With respect to homesale prices, NAR's most recent release is forecasting median homesale prices for 2012 to increase 3% compared to 2011. Fannie Mae's most recent forecast shows a 2% decrease in median homesale price for 2012 compared to 2011. For 2013, NAR is forecasting a 7% increase in homesales to 5.0 million units compared to 2012, although it noted in its May 2012 release that the number of homesales could rise to as many as 5.3 million units, or a 14% increase compared to 2012, with a return to more normal mortgage lending standards. NAR is also forecasting a 6% increase in median existing homesale prices in 2013 compared to 2012.

According to NAR, the housing affordability index has continued to improve as a result of the cumulative homesale price declines that began in 2007. An index above 100 signifies that a family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20 percent down payment. The housing affordability index improved to 184 as of May 2012 and 185 for 2011 compared to 174 for 2010 and 169 for 2009 and the overall improvement in this index could favorably impact a housing recovery. In addition, as rental prices have recently continued to rise, the cost of owning a home is now lower than the rental of a comparable property in the vast majority of U.S. metropolitan areas.

Interest rates continue to be at low levels by historical standards, which we believe has helped stimulate demand in the residential real estate market, thereby reducing the rate of sales volume decline. According to

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Freddie Mac, interest rates on commitments for 30-year, fixed-rate first mortgages have decreased from 5.3% in December 2008 to 3.7% in June 2012. Continuing constraints on the housing market include conservative mortgage underwriting standards, increased down payment requirements and homeowners having limited or negative equity in homes in certain markets. Mortgage credit conditions have tightened significantly during this housing downturn, with banks limiting credit availability to more creditworthy borrowers and requiring larger down payments, stricter appraisal standards, and more extensive mortgage documentation. As a result, mortgages are less available to borrowers and it frequently takes longer to close a homesale transaction due to the enhanced mortgage and underwriting requirements.

CoreLogic, one of several third parties that track residential housing statistics, in their March 2012 press release, disclosed that there were 1.6 million units of shadow inventory (i.e., properties where the homeowner is seriously delinquent in meeting its mortgage obligations or where the property is in some stage of foreclosure or already a REO) as of January 2012 which is slightly down from 1.8 million units as of January 2011. Shadow inventory consists of 1.6 million properties, of which 800,000 units are seriously delinquent (90 days or more), 410,000 are in some stage of foreclosure and 400,000 are already in REO. Florida, California and Illinois account for more than a third of the shadow inventory. Although there have been concerns about significant shadow inventory, we do not believe that this will have a significant impact on our business, as the concentration of the shadow inventory is limited to a few regions of the country and the potential increase in unit sales activity will offset in whole or in part the adverse impact on home prices in these regions. Furthermore, according to NAR, the percentage of distressed properties has declined from 30% of sales in June 2011 to 25% of sales in June 2012, and institutions holding distressed mortgages have increasingly shifted activity away from REOs and focused on short sales, which are less disruptive to the market.

According to NAR, the inventory of existing homes for sale is 2.4 million homes at June 2012 and the inventory level has trended down from a record 4.0 million homes in July 2007, and is 24% below a year ago. The June 2012 inventory represents a supply of 6.6 months at the current sales pace. The inventory supply is returning to a more typical level and acting as a stabilizing force on home prices; however, the supply could increase due to the release of homes for sale by financial institutions and this factor could add downward pressure on the price of existing homesales. In addition, in many markets at certain price points there are low levels of inventory, which could limit sales activity over the near term.

***Recent Legislative and Regulatory Matters***

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

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

*Potential Reform of the U.S. Housing Finance Market and Potential Wind-Down of Freddie Mac and Fannie Mae.* In September 2008, the U.S. government placed Fannie Mae and Freddie Mac in conservatorship and has provided funding of billions of dollars to these entities to backstop shortfalls in their capital requirements. Congress also has held hearings on the future of Freddie Mac and Fannie Mae and other GSEs with a view towards further legislative reform. On February 11, 2011, the Obama Administration issued a report to the U.S. Congress outlining proposals to reform the U.S. housing finance market, including, among other things, reform designed to reduce government support for housing finance and the winding down of Freddie Mac and Fannie Mae over a period of years. Numerous pieces of legislation seeking various types of reform for the GSEs have been introduced in Congress. Legislation, if enacted, which curtails Freddie Mac and/or Fannie Mae's activities and/or results in the wind down of these entities could increase mortgage costs and could result in more stringent underwriting guidelines imposed by lenders or cause other disruptions in the mortgage industry, any of which could have a materially adverse affect on the housing market in general and our operations in particular. Given the current uncertainty with respect to the extent, if any, of such reform, it is difficult to predict either the long-term or short-term impact of government action that may be taken. At present, the U.S. government also is attempting, through various avenues, to increase loan modifications for home owners with negative equity.

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We believe that long-term demand for housing and the growth of our industry is primarily driven by affordability of housing, the economic health of the domestic economy, positive demographic trends such as population growth, increases in the number of U.S. households, low interest rates, increases in renters that qualify as homebuyers and locally based dynamics such as housing demand relative to housing supply. While the housing market has shown modest signs of a recovery, there remains substantial uncertainty with respect to the timing and scope of a sustained housing recovery. Factors that may negatively affect a sustained housing recovery include:

higher mortgage rates as well as reduced availability of mortgage financing;

lower unit sales, due to reduced inventory levels in certain markets at lower price points, the reluctance of first time homebuyers to purchase due to concerns about investing in a home and move-up buyers having limited or negative equity in homes;

lower average homesale price, particularly if banks and other mortgage servicers liquidate foreclosed properties that they are currently holding in certain concentrated affected markets;

continuing high levels of unemployment and associated lack of consumer confidence;

unsustainable economic recovery in the U.S. or a weak recovery resulting in only modest economic growth;

a lack of stability or improvement in home ownership levels in the U.S.; and

legislative or regulatory reform, including but not limited to reform that adversely impacts the financing of the U.S. housing market or amends the Internal Revenue Code in a manner that negatively impacts home ownership such as reform that reduces the amount that certain taxpayers would be allowed to deduct for home mortgage interest.

Many of the trends impacting our businesses that derive revenue from homesales also impact our Relocation Services business, which is a global provider of outsourced employee relocation services. In addition to general



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residential housing trends, key drivers of our Relocation Services business are corporate spending and employment trends which have shown modest signs of a recovery; however, there can be no assurance that corporate spending on relocation services will return to previous levels following any economic recovery.

**Homesales**

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

	2012 vs. 2011							Full Year 2012 vs. 2011 Forecast
	Full Year 2009 vs. 2008	Full Year 2010 vs. 2009	Full Year 2011 vs. 2010	First Quarter	Second Quarter Forecast	Third Quarter Forecast	Fourth Quarter Forecast	
<b>Number of Homesales</b>								
<b>Industry</b>								
NAR <sup>(a)</sup>	6%	(3)%	2%	5%	10%	10%	9%	9%
Fannie Mae <sup>(a)</sup>	6%	(3)%	2%	5%	10%	8%	5%	8%
<b>Realty</b>								
Real Estate Franchise Services	(1)%	(6)%	(1)%	7%				
Company Owned Real Estate Brokerage Services	%	(7)%	%	8%				

(a) Existing homesale data, on a seasonally adjusted basis, is as of the most recent NAR and Fannie Mae press release. As of their most recent releases, NAR is forecasting a 9% increase in existing homesale transactions in 2012, while Fannie Mae is forecasting an increase of 8%. For 2013, NAR is forecasting an increase in existing homesale transactions of 7% compared to 2012 and Fannie Mae is forecasting an increase of 3% compared to 2012.

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In 2010, the percentage decrease in the average price of homes brokered by our franchisees and company owned offices significantly outperformed the percentage change in median home price reported by NAR, due to the geographic areas they serve, as well as, a greater impact from increased activity in the mid and higher price point segment of the housing market and less distressed homesale activity in our company owned offices compared to the prior year. NAR reported homesale price declines of 4% for the year ended December 31, 2011 compared to 2010 while our price was flat for RFG and down 2% for NRT. We believe that one significant reason, other than our geographic footprint, that accounts for the difference between our average homesale price and the median homesale price of NAR in 2011 is due to the high level of distressed sales included in NAR's data. For the three months ended March 31, 2012, average homesale price was flat for RFG which was consistent with NAR's first quarter forecast and down 3% for NRT due to a shift in the mix of business to more lower priced homes. The quarterly and annual year over year trend in the price of homes is as follows:

	2012 vs. 2011							
	Full Year 2009 vs. 2008	Full Year 2010 vs. 2009	Full Year 2011 vs. 2010	First Quarter	Second Quarter Forecast	Third Quarter Forecast	Fourth Quarter Forecast	Full Year 2012 vs. 2011 Forecast
<b>Price of Homes</b>								
<b>Industry</b>								
NAR <sup>(a)</sup>	(13)%	%	(4)%	%	7%	3%	3%	3%
Fannie Mae <sup>(a)</sup>	(13)%	%	(4)%	%	(3)%	(2)%	(1)%	(2)%
<b>Realty</b>								
Real Estate Franchise Services	(11)%	4%	%	%				
Company Owned Real Estate								
Brokerage Services	(18)%	11%	(2)%	(3)%				

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

As of their most recent releases, NAR is forecasting an increase of 3% in median homesale prices for 2012 compared to 2011, while Fannie Mae is forecasting a decrease of 2% in median homesale prices for 2012 compared to 2011. In addition, NAR is forecasting an increase of 6% in median homesale prices for 2013 compared to 2012 and Fannie Mae is forecasting a decrease of 1% in median homesale prices.

\*\*\*\*

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

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### ***Other Factors***

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

### **Key Drivers of Our Businesses**

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

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

The net effective royalty rate has been declining over the past three years. We would expect that, over the near term, the net effective royalty rate will continue to modestly decline due to an increased concentration of business in larger franchisees which earn higher volume rebates as well as our focus on strategic growth through relationships with larger established real estate companies which may pay a lower royalty rate. The net effective rate can also be affected by a shift in volume amongst our brands which operate under different royalty rate arrangements.

Our Company Owned Real Estate Brokerage Services segment has a significant concentration of real estate brokerage offices and transactions in geographic regions where home prices are at the higher end of the U.S. real estate market, particularly the east and west coasts, while our Real Estate Franchise Services segment has franchised offices that are more widely dispersed across the United States. Accordingly, operating results and homesale statistics may differ between our Company Owned Real Estate Brokerage Services segment and our Real Estate Franchise Services segment based upon geographic presence and the corresponding homesale activity in each geographic region.

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

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

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The following table presents our drivers for the three months ended March 31, 2011 and 2012 and the years ended December 31, 2011, 2010 and 2009. See Results of Operations below for a discussion as to how the material drivers affected our business for the periods presented.

	Three Months Ended March 31,			Year Ended December 31,			Year Ended December 31,		
	2012	2011	% Change	2011	2010	% Change	2010	2009	% Change
<b>Real Estate Franchise Services <sup>(a)</sup></b>									
Closed homesale sides	197,458	184,643	7%	909,610	922,341	(1%)	922,341	983,516	(6%)
Average homesale price	\$ 194,071	\$ 193,710	%	\$ 198,268	\$ 198,076	%	\$ 198,076	\$ 190,406	4%
Average homesale broker commission rate	2.56%	2.54%	2 bps	2.55%	2.54%	1 bps	2.54%	2.55%	(1) bps
Net effective royalty rate	4.75%	4.87%	(12) bps	4.84%	5.00%	(16) bps	5.00%	5.10%	(10) bps
Royalty per side	\$ 248	\$ 251	(1%)	\$ 256	\$ 262	(2%)	\$ 262	\$ 257	2%
<b>Company Owned Real Estate Brokerage Services</b>									
Closed homesale sides	55,273	51,200	8%	254,522	255,287	%	255,287	273,817	(7%)
Average homesale price	\$ 403,115	\$ 414,164	(3%)	\$ 426,402	\$ 435,500	(2%)	\$ 435,500	\$ 390,688	11%
Average homesale broker commission rate	2.51%	2.50%	1 bps	2.50%	2.48%	2 bps	2.48%	2.51%	(3) bps
Gross commission income per side	\$ 10,959	\$ 11,188	(2%)	\$ 11,461	\$ 11,571	(1%)	\$ 11,571	\$ 10,519	10%
<b>Relocation Services</b>									
Initiations <sup>(b)</sup>	37,470	35,108	7%	153,269	148,304	3%	148,304	114,684	29%
Referrals <sup>(c)</sup>	14,266	12,813	11%	72,169	69,605	4%	69,605	64,995	7%
<b>Title and Settlement Services</b>									
Purchase title and closing units	20,565	18,971	8%	93,245	94,290	(1%)	94,290	104,689	(10%)
Refinance title and closing units	22,016	16,826	31%	62,850	62,225	1%	62,225	69,927	(11%)
Average price per closing unit	\$ 1,237	\$ 1,386	(11%)	\$ 1,409	\$ 1,386	2%	\$ 1,386	\$ 1,317	5%

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

(b) Includes initiations of 26,087 for the year ended December 31, 2010, related to the Primacy acquisition in January 2010.

(c) Includes referrals of 4,997 for the year ended December 31, 2010, related to the Primacy acquisition in January 2010.

The following table sets forth the impact on EBITDA for the year ended December 31, 2011 assuming either our homesale sides or average selling price of closed homesale transactions, with all else being equal, increased or decreased by 1%, 3% and 5%. We believe that homesale sides and average selling prices are the two most important drivers of our business. However, the impact to EBITDA included in the table below is an estimate, and may change as a result of factors not considered, such as changes to the average broker commission rate, agent commissions and overhead costs.

Decline of

Increase of



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Homesale Sides/Average Price <sup>(1)</sup> (units and price in thousands)	5%	3%	1%	1%	3%	5%
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(\$ in millions)

**Homesale sides change impact on:**

Real Estate Franchise Services <sup>(2)</sup>	910 sides	\$ (12)	\$ (7)	\$ (2)	\$ 2	\$ 7	\$ 12
Company Owned Real Estate Brokerage Services <sup>(3)</sup>	255 sides	\$ (43)	\$ (26)	\$ (9)	\$ 9	\$ 26	\$ 43

**Homesale average price change impact on:**

Real Estate Franchise Services <sup>(2)</sup>	\$198	\$ (12)	\$ (7)	\$ (2)	\$ 2	\$ 7	\$ 12
Company Owned Real Estate Brokerage Services <sup>(3)</sup>	\$426	\$ (43)	\$ (26)	\$ (9)	\$ 9	\$ 26	\$ 43

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- (1) Average price represents the average selling price of closed homesale transactions.
- (2) Increase/(decrease) relates to impact on non-company owned real estate brokerage operations only.
- (3) Increase/(decrease) represents impact on company owned real estate brokerage operations and related intercompany royalties to our real estate franchise services operations.

**Results of Operations**

Discussed below are our consolidated results of operations and the results of operations for each of our reportable segments. The reportable segments presented below represent our operating segments for which separate financial information is available and which is utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also consider the nature of services provided by our operating segments. Management evaluates the operating results of each of our reportable segments based upon revenue and EBITDA. EBITDA is defined as net income (loss) before depreciation and amortization, interest expense, net (other than Relocation Services interest for securitization assets and securitization obligations) and income taxes, each of which is presented on our consolidated statements of operations included elsewhere in this prospectus. Our presentation of EBITDA may not be comparable to similarly-titled measures used by other companies. See Prospectus Summary Summary Historical Consolidated Financial Data for further discussion of our presentation of EBITDA and a reconciliation of EBITDA to the nearest GAAP measure.

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

Our consolidated results comprised the following:

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

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

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

Total expenses increased \$3 million primarily due to:

a \$42 million increase in commission and other agent-related costs, operating, marketing and general and administrative expenses primarily related to:

a \$28 million increase in commission expense for the Company Owned Real Estate Brokerage Services segment due to increased volume partially offset by \$11 million lower operating expenses primarily as a result of restructuring and cost-saving activities;

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an increase in expenses for the Real Estate Franchise Service segment, primarily due to an \$8 million increase in marketing expenses, \$3 million of incremental legal expenses, and \$3 million of incremental employee related costs;

a \$4 million increase in variable operating expense for the Relocation Services segment primarily as a result of increases in volume and \$3 million of incremental employee related costs; and

an increase in variable operating expenses for the Title and Settlement segment of \$3 million as a result of increases in underwriter and resale volume.

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

offset by a decrease of \$30 million related to the loss on the early extinguishment of debt which was \$6 million for the three months ended March 31, 2012 compared to \$36 million for the three months ended March 31, 2011; and

a decrease of \$9 million in interest expense compared to the three months ended March 31, 2011 primarily because the first quarter of 2011 included incremental interest expense of \$17 million as a result of the de-designation of interest rate swaps and \$7 million due to the write-off of financing costs as a result of the 2011 Refinancing Transactions.

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

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

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

\* not meaningful

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- (a) Includes the elimination of transactions between segments, which consists of intercompany royalties and marketing fees paid by our Company Owned Real Estate Brokerage Services segment of \$47 million and \$44 million during the three months ended March 31, 2012 and 2011, respectively.
- (b) EBITDA for the three months ended March 31, 2012 includes \$10 million of expense for the 2012 bonus plan in addition to \$11 million of expense for the 2011-2012 retention plan, \$3 million of restructuring costs and \$6 million related to the loss on the early extinguishment of debt, partially offset by \$3 million of former parent legacy benefits. EBITDA for the three months ended March 31, 2011 includes \$11 million of expense for the 2011-2012 retention plan, \$2 million of restructuring costs and \$36 million related to the loss on the early extinguishment of debt, partially offset by \$2 million of former parent legacy benefits.
- (c) Includes \$24 million of interest expense in the three months ended March 31, 2011 due to the de-designation of interest rate swaps and write-off of deferred financing costs as a result of the 2011 Refinancing Transactions.

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

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

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

**Real Estate Franchise Services**

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

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

The increase in revenue was also attributable to a \$2 million increase in royalties received from our Company Owned Real Estate Brokerage Services segment which pays royalties to our Real Estate Franchise Services segment. These intercompany royalties of \$44 million and \$42 million during the first quarter of 2012

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and 2011, respectively, are eliminated in consolidation. See **Company Owned Real Estate Brokerage Services** for a discussion of the drivers related to this period over period revenue increase for the Real Estate Franchise Services segment.

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

### **Company Owned Real Estate Brokerage Services**

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

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

EBITDA increased \$20 million due to:

\$30 million increase in revenues discussed above;

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

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

These increases were partially offset by a \$28 million increase in commission expenses paid to real estate agents as a result of the increase in revenues, a \$2 million increase in royalties paid to the Real Estate Franchise Services segment and a \$2 million increase in employee related costs due to the 2012 bonus plan on top of the retention plan. Commission expense as a percentage of gross commission income increased slightly compared to the same period in 2011, caused by the mix of business. Commission schedules are generally progressive to incentivize agents with higher levels of production. When more of our gross commission income is earned through higher producing agents who have achieved their threshold targets, commission expense as a percentage of gross commission income will increase.

### **Relocation Services**

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

The increase in revenues was primarily driven by \$5 million of incremental international revenue due to increased transaction volume partially offset by a \$2 million decrease in at-risk revenue driven primarily by a lower at-risk transaction volume compared to the same quarter in 2011. Other factors that offset the revenue increase were higher cost of funds on securitization obligations and lower home values offsetting higher referral volume.

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EBITDA decreased \$6 million as a result of a \$4 million increase in operating costs. The increase in operating costs is higher than the increase in revenues in the three months ended March 31, 2012 compared with the same quarter in 2011, primarily because of incremental staffing associated with an increase in initiations, where related revenues will be recognized in later periods as services are provided. EBITDA was further impacted by a \$3 million increase in employee related costs due to the 2012 bonus plan on top of the retention plan, \$1 million of higher foreign currency exchange rate losses and \$1 million of restructuring costs partially offset by the increase in revenues discussed above.

### **Title and Settlement Services**

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

The increase in revenues was primarily driven by a \$3 million increase in resale volume, a \$1 million increase in underwriter revenue and a \$1 million increase in refinancing transactions. The decrease in the average price per closing unit was primarily due to a greater percentage of total closing units being derived from refinancing closings, which have a lower average price than purchase closings. EBITDA remained flat as a result of the increase in revenues offset by an increase of \$3 million in variable operating costs as a result of the increase in volume, \$1 million of incremental claims reserves due to the timing of claims and the increase in underwriter transactions and \$1 million of restructuring costs.

#### *2012 Restructuring Program*

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

#### *2011 Restructuring Program*

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

#### *Prior Restructuring Programs*

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



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Our consolidated results were comprised of the following:

	Year Ended December 31,		
	2011	2010	Change
Net revenues	\$ 4,093	\$ 4,090	\$ 3
Total expenses <sup>(1)</sup>	4,526	4,084	442
Income (loss) before income taxes, equity in earnings and noncontrolling interests	(433)	6	(439)
Income tax expense (benefit)	32	133	(101)
Equity in earnings of unconsolidated entities	(26)	(30)	4
Net loss	(439)	(97)	(342)
Less: Net income attributable to noncontrolling interests	(2)	(2)	
Net loss attributable to Holdings	\$ (441)	\$ (99)	\$ (342)

(1) Total expenses for the year ended December 31, 2011 include \$11 million of restructuring costs, \$1 million of merger costs and \$60 million related to the 2011 Refinancing Transactions, partially offset by a net benefit of \$15 million of former parent legacy items. Total expenses for the year ended December 31, 2010 include \$21 million of restructuring costs and \$1 million of merger costs, offset by a net benefit of \$323 million of former parent legacy items primarily as a result of tax and other liability adjustments.

Net revenues increased \$3 million for the year ended December 31, 2011 compared with the year ended December 31, 2010 principally due to an increase in revenues for the Title and Settlement Services segment due to higher refinance and title insurance premiums and the Relocation Services segment due to volume increases. These increases were offset by decreases in homesale transaction volume at the Real Estate Franchise Services segment and Company Owned Real Estate Brokerage Services segment as a result of the absence of the homebuyer tax credit in 2011.

Total expenses increased \$442 million (11%) primarily due to:

the absence of a net benefit of \$323 million of parent legacy items as a result of tax and other liability adjustments which occurred in 2010 compared to a net benefit of \$15 million of former parent legacy items in 2011;

the impact of the 2011 Refinancing Transactions, which resulted in a \$36 million loss on the early extinguishment of debt as well as an increase in interest expense of \$17 million as a result of the de-designation of interest rate swaps and \$7 million due to the write-off of financing costs; and

a \$51 million increase in operating, marketing and general and administrative expenses primarily due to:

an increase in variable operating expenses for the Title and Settlement Services segment of \$25 million as a result of increases in underwriter and refinancing volume and \$3 million increase in legal expenses;

an increase in expenses for the Real Estate Franchise Service segment, primarily due to \$10 million of incremental legal expenses, \$7 million of incremental employee related costs, \$5 million of incremental expenses related to the international business conferences for all of our brands in 2011 that were not held in 2010 and a \$4 million increase in marketing expenses;

an increase in variable operating expenses for the Relocation Services segment of \$11 million primarily as a result of increases in international volume and \$5 million of incremental employee related costs; and

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partially offset by a decrease of \$30 million in operating expenses at the Company Owned Real Estate Brokerage Services segment due to restructuring and cost-saving activities as well as reduced employee related costs.

Our income tax expense for the year ended December 31, 2011 was \$32 million and was comprised of the following:

\$19 million of income tax expense which was primarily due to an increase in deferred tax liabilities associated with indefinite-lived intangible assets; and

\$13 million of income tax expense for foreign and state income taxes in certain jurisdictions.

No federal income tax benefit was recognized for the current period due to the recognition of a full valuation allowance for domestic operations.

Following is a more detailed discussion of the results of each of our reportable segments for the years ended December 31, 2011 and 2010:

	Revenues <sup>(a)</sup>			EBITDA <sup>(b) (c)</sup>			Margin		
	2011	2010	% Change	2011	2010	% Change	2011	2010	Change
Real Estate Franchise Services	\$ 557	\$ 560	(1)%	\$ 320	\$ 352	(9)%	57%	63%	(6)
Company Owned Real Estate Brokerage Services	2,970	3,016	(2)	56	80	(30)	2	3	(1)
Relocation Services	423	405	4	115	109	6	27	27	
Title and Settlement Services	359	325	10	29	25	16	8	8	
Corporate and Other	(216)	(216)	*	(77)	269	*			
Total Company	\$ 4,093	\$ 4,090	%	\$ 443	\$ 835	(47)%	11%	20%	(9)
Less: Depreciation and amortization				186	197				
Interest expense, net <sup>(d)</sup>				666	604				
Income tax expense (benefit)				32	133				
Net loss attributable to Holdings				\$ (441)	\$ (99)				

\* not meaningful

(a) Revenues include elimination of transactions between segments, which primarily consists of intercompany royalties and marketing fees paid by our Company Owned Real Estate Brokerage Services segment of \$216 million and \$216 million during the years ended December 31, 2011 and 2010, respectively.

(b) EBITDA for the year ended December 31, 2011 includes \$11 million of restructuring costs, \$1 million of merger costs and \$36 million loss on the early extinguishment of debt, partially offset by a net benefit of \$15 million of former parent legacy items.

(c) EBITDA for the year ended December 31, 2010 includes \$21 million of restructuring costs and \$1 million of merger costs, offset by a net benefit of \$323 million of former parent legacy items primarily as a result of tax and other liability adjustments.

(d) Includes \$24 million of incremental interest expense in 2011 which is comprised of \$17 million due to the de-designation of interest rate swaps from an accounting perspective and \$7 million due to the write-off of financing costs as a result of the 2011 Refinancing Transactions.

As described in the aforementioned table, EBITDA margin for Total Company expressed as a percentage of revenues decreased 9 percentage points for the year ended December 31, 2011 compared to the same period in 2010 primarily due to a net benefit of \$323 million of former parent legacy items resulting from tax and other liability adjustments in 2010 compared to a net benefit of \$15 million of former parent legacy items for 2011. In addition, there was a decrease in current year EBITDA due to a \$36 million loss on the early extinguishment of



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debt as well as a decrease in homesale transaction volume at the Real Estate Franchise Services segment and Company Owned Real Estate Brokerage Services segment as well as increased expenses at the Real Estate Franchise Services segment.

On a segment basis, the Real Estate Franchise Services segment margin decreased 6 percentage points to 57% from 63% in the comparable prior period due to an increase in legal expenses, employee related expenses, incremental expenses related to the international business conferences and other expenses. The Company Owned Real Estate Brokerage Services segment margin decreased 1 percentage point to 2% from 3% in the comparable prior period due to a slight decrease in the number of homesale transactions and a decrease in equity earnings related to our investment in PHH Home Loans, partially offset by lower operating expenses primarily as a result of restructuring and cost-saving activities. The Relocation Services segment margin remained at 27% and the Title and Settlement Services segment margin remained at 8%.

Corporate and Other EBITDA for the year ended December 31, 2011 decreased \$346 million to negative \$77 million primarily due to a net benefit of \$323 million in 2010 of former parent legacy items resulting from tax and other liability adjustments compared to a net benefit of \$15 million in 2011 from former parent legacy items for the same comparable period and a \$36 million loss on the early extinguishment of debt as a result of the 2011 Refinancing Transactions.

### *Real Estate Franchise Services*

Revenues decreased \$3 million to \$557 million and EBITDA decreased \$32 million to \$320 million for the year ended December 31, 2011 compared with the same period in 2010.

The decrease in revenue was driven by a \$10 million decrease in third-party domestic franchisee royalty revenue due to a 1% decrease in the number of homesale transactions and a lower net effective royalty rate as our larger affiliates are achieving higher volume levels. Average homesale price remained flat compared to 2010.

The decrease in revenue was also attributable to a \$2 million decrease in royalties received from our Company Owned Real Estate Brokerage Services segment which pays royalties to our Real Estate Franchise Services segment. These intercompany royalties of \$204 million and \$206 million during 2011 and 2010, respectively, are eliminated in consolidation. See *Company Owned Real Estate Brokerage Services* for a discussion of the drivers related to this period over period revenue decrease for Real Estate Franchise Services segment.

These decreases were partially offset by a \$7 million increase in marketing revenue compared to the same period in 2010 and a \$3 million increase in area development fees.

The decrease in EBITDA was due to the decrease in revenues discussed above, as well as:

- a \$10 million increase in legal expenses primarily due to higher legal costs and legal reserves and the reversal of litigation accruals in 2010 due to a favorable legal outcome and an insurance reimbursement;

- an increase in employee related costs of \$7 million;

- incremental expenses of \$5 million related to the international business conferences for all of our brands in 2011;

- an increase in marketing expense of \$4 million; and

- a \$2 million impairment of a cost method investment.

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### *Company Owned Real Estate Brokerage Services*

Revenues decreased \$46 million to \$2,970 million and EBITDA decreased \$24 million to \$56 million for the year ended December 31, 2011 compared with the same period in 2010.

Excluding REO revenues, revenues decreased \$33 million primarily due to decreased commission income earned on homesale transactions. This decrease was driven by a 2% decrease in the average price of homes sold while the number of homesale transactions remained flat and an increase in the average broker commission rate. We believe the 2% decrease in the average price of homes sold and flat homesale transactions were reflective of industry trends in the markets we served. Separately, revenues from our REO asset management company decreased by \$13 million to \$23 million in the year ended December 31, 2011 compared to the same period in 2010 due to reduced inventory levels of foreclosed properties being made available for sale. Our REO operations facilitate the maintenance and sale of foreclosed homes on behalf of lenders.

EBITDA decreased \$24 million due to the decrease in revenues discussed above, as well as:

\$14 million related to additional operating costs related to late 2010 acquisitions; and

a \$4 million decrease in equity earnings related to our investment in PHH Home Loans; partially offset by,

a \$44 million decrease in operating expenses, net of inflation, due to restructuring and cost-saving activities as well as reduced employee costs; and

a \$2 million decrease in royalties paid to our Real Estate Franchise Services segment.

### *Relocation Services*

Revenues increased \$18 million to \$423 million and EBITDA increased \$6 million to \$115 million for the year ended December 31, 2011 compared with the same period in 2010.

The increase in revenues was primarily driven by \$19 million of incremental international revenue due to increased transaction volume and a \$4 million increase in relocation service fee revenues primarily due to higher domestic transaction volume. These increases were partially offset by a \$5 million decrease in at-risk revenue due to fewer closings in 2011 compared to 2010.

EBITDA increased \$6 million primarily as a result of the increase in revenues discussed above and a \$3 million decrease in restructuring expenses, partially offset by an \$8 million increase in operating expenses due to higher volume related international costs and an \$8 million increase due to higher employee related costs.

### *Title and Settlement Services*

Revenues increased \$34 million to \$359 million and EBITDA increased \$4 million to \$29 million for the year ended December 31, 2011 compared with the same period in 2010.

The increase in revenues was primarily driven by a \$32 million increase in underwriter revenue and a \$2 million increase in volume from refinancing transactions. EBITDA increased \$4 million as a result of the increase in revenues discussed above partially offset by an increase of \$25 million in variable operating costs as a result of the increase in underwriter and refinancing volume noted above and \$3 million increase in legal expenses.

### *2011 Restructuring Program*

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During 2011, we 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

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facility related expenses and \$4 million of personnel related expenses. The Relocation Services and Title and Settlement Services segments each recognized \$1 million of facility and personnel related expenses. At December 31, 2011, the remaining liability was \$3 million.

*2010 Restructuring Program*

During 2010, we committed to various initiatives targeted principally at reducing costs, enhancing organizational efficiencies and consolidating facilities. We recognized \$21 million for the year ended December 31, 2010. The Company Owned Real Estate Brokerage Services segment recognized \$9 million of facility related expenses, \$3 million of personnel related expenses and \$1 million of expense related to asset impairments. The Relocation Services segment recognized \$2 million of facility related expenses and \$1 million of personnel related expenses. The Title and Settlement Services segment recognized \$2 million of facility related expenses and \$1 million of personnel related expenses. The Corporate and Other segment recognized \$2 million of facility related expenses. At December 31, 2011, the remaining liability was \$3 million.

*Year Ended December 31, 2010 vs. Year Ended December 31, 2009*

Our consolidated results were comprised of the following:

	Year Ended December 31,		
	2010	2009	Change
Net revenues	\$ 4,090	\$ 3,932	\$ 158
Total expenses <sup>(1)</sup>	4,084	4,266	(182)
Income (loss) before income taxes, equity in earnings and noncontrolling interests	6	(334)	340
Income tax benefit	133	(50)	183
Equity in (earnings) losses of unconsolidated entities	(30)	(24)	(6)
Net loss	(97)	(260)	163
Less: Net income attributable to noncontrolling interests	(2)	(2)	
Net loss attributable to Holdings	\$ (99)	\$ (262)	\$ 163

(1) Total expenses for the year ended December 31, 2010 include \$21 million of restructuring costs and \$1 million of merger costs, offset by a net benefit of \$323 million of former parent legacy items primarily as a result of tax and other liability adjustments. Total expenses for the year ended December 31, 2009 include \$70 million of restructuring costs and \$1 million of merger costs offset by a benefit of \$34 million of former parent legacy items (comprised of a benefit of \$55 million recorded at Cartus related to Wright Express Corporation ( WEX ) partially offset by \$21 million of expenses recorded at Corporate) and a gain on the extinguishment of debt of \$75 million.

Net revenues increased \$158 million (4%) for the year ended December 31, 2010 compared with the year ended December 31, 2009 principally due to an increase in the average price of homes sold and the impact of the Primacy acquisition.

Total expenses decreased \$182 million (4%) primarily due to a net benefit of \$323 million of former parent legacy items primarily as a result of tax and other liability adjustments compared to a net benefit of \$34 million of former parent legacy items during the same period in 2009 which was primarily comprised of \$55 million of tax receivable payments from WEX, as well as a decrease in restructuring expenses of \$49 million compared to the same period in 2009. The decrease in expenses was partially offset by an \$82 million increase in commission expenses paid to real estate agents due to increased gross commission income, the absence of a \$75 million gain on the extinguishment of debt included in expenses in 2009, as well as a \$21 million increase in interest expense.



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Our income tax expense for the year ended December 31, 2010 was \$133 million and was comprised of the following:

\$109 million of income tax expense was recorded for the reduction of certain deferred tax assets as a result of our former parent company's IRS examination settlement of Cendant's taxable years 2003 through 2006;

\$22 million of income tax expense was recorded for an increase in deferred tax liabilities associated with indefinite-lived intangible assets; and

\$2 million of income tax expense was recognized primarily for foreign and state income taxes for certain jurisdictions.

No Federal income tax benefit was recognized for the current period due to the recognition of a full valuation allowance for domestic operations.

Following is a more detailed discussion of the results of each of our reportable segments for the years ended December 31, 2010 and 2009.

	Revenues <sup>(a)</sup>			EBITDA <sup>(b) (c)</sup>			Margin		
	2010	2009	% Change	2010	2009	% Change	2010	2009	Change
Real Estate Franchise Services	\$ 560	\$ 538	4%	\$ 352	\$ 323	9%	63%	60%	3
Company Owned Real Estate Brokerage Services	3,016	2,959	2	80	6	1,233	3		3
Relocation Services	405	320	27	109	122	(11)	27	38	(11)
Title and Settlement Services	325	328	(1)	25	20	25	8	6	2
Corporate and Other <sup>(d)</sup>	(216)	(213)	*	269	(6)	*			
<b>Total Company</b>	<b>\$ 4,090</b>	<b>\$ 3,932</b>	<b>4%</b>	<b>\$ 835</b>	<b>\$ 465</b>	<b>80%</b>	<b>20%</b>	<b>12%</b>	<b>8</b>
Less: Depreciation and amortization				197	194				
Interest expense, net				604	583				
Income tax expense (benefit)				133	(50)				
<b>Net loss attributable to Holdings</b>				<b>\$ (99)</b>	<b>\$ (262)</b>				

\* not meaningful

- (a) Revenues include elimination of transactions between segments, which consists of intercompany royalties and marketing fees paid by our Company Owned Real Estate Brokerage Services segment of \$216 million and \$213 million during the year ended December 31, 2010 and 2009, respectively.
- (b) EBITDA for the year ended December 31, 2010 includes \$21 million of restructuring costs and \$1 million of merger costs, offset by a net benefit of \$323 million of former parent legacy items primarily as a result of tax and other liability adjustments.
- (c) EBITDA for the year ended December 31, 2009 includes \$70 million of restructuring costs and \$1 million of merger costs offset by a benefit of \$34 million of former parent legacy items (comprised of a benefit of \$55 million recorded at Cartus related to WEX partially offset by \$21 million of expenses recorded at Corporate).
- (d) EBITDA includes unallocated corporate overhead and a gain on the extinguishment of debt of \$75 million for the year ended December 31, 2009.

As described in the aforementioned table, EBITDA margin for Total Company expressed as a percentage of revenues increased 8 percentage points for the year ended December 31, 2010 compared to the same period in 2009 primarily due to a \$289 million increase in former parent legacy benefits as well as improvements in operating results from our Real Estate Franchise Services and Company Owned Real Estate Brokerage Services segments.



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On a segment basis, the Real Estate Franchise Services segment margin increased 3 percentage points to 63% from 60% in the prior period. The year ended December 31, 2010 reflected a decline in homesale transactions, primarily in the second half of the year, largely offset by higher average homesale prices. In addition, the segment had lower bad debt and notes reserve expense.

The Company Owned Real Estate Brokerage Services segment margin increased 3 percentage points to 3% from zero in the comparable prior period. The year ended December 31, 2010 reflected an increase in the average homesale price and lower operating expenses primarily as a result of restructuring and cost-saving activities partially offset by a decrease in the number of homesale transactions. Sales volume for the year ended December 31, 2010 benefited from the homebuyer tax credit in the first half of the year as well as a notable increase in activity at the mid and higher end of the housing market throughout the year.

The Relocation Services segment margin decreased 11 percentage points to 27% from 38% in the comparable prior period primarily due to the absence in 2010 of \$55 million of tax receivable payments from WEX in 2009, partially offset by reduced employee costs and other cost saving initiatives.

The Title and Settlement Services segment margin increased 2 percentage points to 8% from 6% in the comparable prior period primarily due to cost reductions which more than offset the slight decrease in revenue.

Corporate and Other EBITDA for the year ended December 31, 2010 increased \$275 million to \$269 million due to a net benefit of \$323 million of former parent legacy items primarily as a result of tax and other liability adjustments compared to a net cost of \$21 million of former parent legacy items for the same period in 2009. The increase was also due to the absence in 2010 versus 2009 of a \$14 million writedown of a cost method investment. The net increase was partially offset by the absence in 2010 versus 2009 of a \$75 million gain on debt extinguishment and \$11 million of proceeds from a legal settlement.

### *Real Estate Franchise Services*

Revenues increased \$22 million to \$560 million and EBITDA increased \$29 million to \$352 million for the year ended December 31, 2010 compared with the same period in 2009.

Intercompany royalties from our Company Owned Real Estate Brokerage Services segment increased \$4 million from \$202 million in 2009 to \$206 million in 2010. These intercompany royalties are eliminated in consolidation through the Corporate and Other segment and therefore have no impact on consolidated revenues and EBITDA, but do affect segment level revenues and EBITDA. See *Company Owned Real Estate Brokerage Services* for a discussion as to the drivers related to this period over period revenue increase for real estate franchise services.

International revenue increased \$4 million during the year ended December 31, 2010, while third-party domestic franchisee royalty revenue decreased \$11 million compared to the prior year due to a 6% decrease in the number of homesale transactions partially offset by a 4% increase in the average homesale price. In addition, marketing revenue and related marketing expenses increased \$27 million and \$22 million, respectively.

The \$29 million increase in EBITDA was principally due to the increase in revenues discussed above, a \$17 million decrease in bad debt and note reserves expense as a result of improved collection activities compared to the prior period and a \$7 million decrease in expenses related to conferences and franchisee events.

### *Company Owned Real Estate Brokerage Services*

Revenues increased \$57 million to \$3,016 million and EBITDA increased \$74 million to \$80 million for the year ended December 31, 2010 compared with the same period in 2009.

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Excluding REO revenues, revenues increased \$87 million primarily due to increased commission income earned on homesale transactions which was driven by an 11% increase in the average price of homes sold, partially offset by a 7% decrease in the number of homesale transactions and a decrease in the average broker commission rate. The increase in the average homesale price and lower average broker commission rate are primarily the result of a shift in homesale activity from lower to higher price points. We believe the 7% decrease in homesale transactions is reflective of industry trends in the markets we serve and the decrease may have been higher if the housing market was not aided by the 2010 homebuyer tax credit program in the first half of 2010, particularly in locations which have lower average homesale prices. Separately, revenues from our REO asset management company decreased by \$30 million to \$36 million in the year ended December 31, 2010 compared to the same period in 2009 due to generally reduced inventory levels of foreclosed properties being made available for sale. Our REO operations facilitate the maintenance and sale of foreclosed homes on behalf of lenders.

EBITDA increased \$74 million due to the \$57 million increase in revenues discussed above as well as:

a decrease in restructuring expense of \$35 million for the year ended December 31, 2010 compared to the same period in the prior year;

a decrease of \$60 million in other operating expenses, net of inflation, primarily due to restructuring and cost-saving activities as well as reduced employee costs;

an increase of \$6 million in equity earnings related to our investment in PHH Home Loans; and

a decrease of \$5 million in marketing costs due to cost reduction initiatives;  
partially offset by:

an increase of \$82 million in commission expenses paid to real estate agents as a result of the increase in revenues earned on homesale transactions; and

an increase of \$4 million in royalties paid to our Real Estate Franchise Services segment as a result of the increase in revenues earned on homesale transactions.

### *Relocation Services*

Revenues increased \$85 million to \$405 million, including \$75 million related to Primacy, and EBITDA decreased \$13 million to \$109 million, despite an increase of \$14 million related to Primacy, for the year ended December 31, 2010 compared with the same period in 2009.

Relocation revenue, excluding the Primacy acquisition, increased \$10 million and was primarily driven by a \$7 million increase in international revenue due to higher transaction volume. The acquisition of Primacy in January 2010 contributed \$75 million of revenue during the year ended December 31, 2010, which primarily consisted of \$31 million of referral and domestic relocation service fee revenue, \$25 million of government at-risk revenue and \$14 million of international revenue.

EBITDA, excluding the Primacy acquisition, decreased \$27 million for the year ended December 31, 2010 compared with the same period in 2009 due to the absence in 2010 of \$55 million of tax receivable payments from WEX. Absent the impact of the WEX tax receivable payments and the Primacy results, EBITDA increased \$28 million primarily as a result of a \$12 million decrease in other operating expenses as a result of reduced employee costs and other cost-saving initiatives, a \$9 million decrease in restructuring expenses, and a \$4 million year over year reduction in legal expenses. EBITDA, excluding the impact of the WEX tax receivable payments, increased \$42 million.



**Table of Contents***Title and Settlement Services*

Revenues decreased \$3 million to \$325 million and EBITDA increased \$5 million to \$25 million for the year ended December 31, 2010 compared with the same period in 2009.

The decrease in revenues was primarily driven by an \$11 million decrease in resale volume and a \$7 million decrease in volume from refinancing transactions partially offset by a \$13 million increase in underwriter revenue. The refinancing activity was weighted towards the second half of 2010 when mortgage rates fell below 5% for an extended period of time. EBITDA increased \$5 million primarily due to \$7 million of cost reductions offset by the decrease in revenues discussed above.

*2010 and 2009 Restructuring Programs*

During the years ended December 31, 2010 and 2009, we committed to various initiatives targeted principally at reducing costs and enhancing organizational efficiencies while consolidating existing processes and facilities. The following are total restructuring charges by segment as of December 31:

	2010 Expense Recognized and Other Additions	2009 Expense Recognized and Other Additions <sup>(b)</sup>
Real Estate Franchise Services	\$	\$ 3
Company Owned Real Estate		
Brokerage Services	13	52
Relocation Services	4 <sup>(a)</sup>	9
Title and Settlement Services	3	3
Corporate and Other	2	7
	\$ 22	\$ 74

- (a) Includes \$1 million of unfavorable lease liability recorded in purchase accounting for Primacy which was reclassified to restructuring liability as a result of us restructuring certain facilities after the acquisition date.
- (b) During the year ended December 31, 2009, we reversed \$4 million in the Consolidated Statement of Operations related to restructuring accruals established in 2006 through 2008.

**Financial Condition, Liquidity and Capital Resources***Financial Condition*

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

*Three Months Ended March 31, 2012*

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



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

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

*Year Ended December 31, 2011*

	December 31, 2011	December 31, 2010	Change
Total assets	\$ 7,810	\$ 8,029	\$ (219)
Total liabilities	9,318	9,101	217
Total equity (deficit)	(1,508)	(1,072)	(436)

For the year ended December 31, 2011, total assets decreased \$219 million primarily as a result of a decrease in cash and cash equivalents of \$49 million, a \$21 million decrease in other current assets, a decrease in franchise agreements intangible assets, other intangibles and property and equipment of \$67 million, \$39 million and \$21 million, respectively, due to amortization and depreciation and an \$10 million decrease in deferred taxes.

Total liabilities increased \$217 million principally due to a \$258 million increase in long term debt, primarily as a result of the 2011 Refinancing Transactions, partially offset by a \$24 million decrease in due to former parent and a \$19 million decrease in accounts payable.

Total equity (deficit) decreased \$436 million primarily due to the net loss attributable to Holdings of \$441 million for the year ended December 31, 2011.

***Liquidity and Capital Resources***

Our liquidity position has been negatively affected by the substantial interest expense on our debt obligations and the unfavorable conditions in the real estate market resulting in negative operating cash flows. Our liquidity position would also be adversely impacted by our inability to access our relocation securitization programs and could be adversely impacted by our inability to access the capital markets. In addition, our short-term liquidity position from time to time has been and may continue to be negatively affected by seasonal fluctuations in the residential real estate brokerage business.

Following the completion of this offering and related transactions, our outstanding indebtedness (assuming debt balances as of March 31, 2012) will be reduced by approximately \$3 billion, or 42%, and our annualized interest expense will decline by approximately \$350 million (including the elimination of approximately \$232 million of annual interest expense relating to the Convertible Notes), which would have represented a reduction of approximately 53% of our \$666 million of interest expense for the year ended December 31, 2011. In addition to the expected reduction of our outstanding indebtedness in connection with this offering and related transactions, we believe that we are experiencing the beginning of a recovery in the residential real estate market and we have seen improvement in affordability and an increase in homesale sides at our Company Owned Real Estate Brokerage Services segment and our Real Estate Franchise Services segment. However, we are not certain whether such improvement will lead to a sustained recovery and cannot predict when the residential real estate industry will return to a period of sustainable growth. Moreover, if the residential real estate market or the economy as a whole does not improve or deteriorates, we may experience further adverse effects on our business, financial condition and liquidity, including our ability to access capital and grow our business.

Our primary liquidity needs have been to service our debt and finance our working capital and capital expenditures, which we have historically satisfied with cash flows from operations and funds available under our



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revolving credit facilities and securitization facilities. Primarily as a consequence of our cash interest obligations and before giving effect to this offering and related transactions, we expect to experience negative cash flows in 2012 given our operating environment. However, assuming conditions in the real estate market do not deteriorate, given our availability under our extended revolving credit facility and other sources of liquidity which we believe are available to us, we believe we will be able to meet our cash flow needs through March 31, 2013. Given the expected significant reduction of indebtedness and related interest expense in connection with this offering and related transactions, we believe our ability to meet our cash flow needs will be significantly enhanced, and we expect that we will generate free cash flows which we intend to utilize to further reduce our overall indebtedness.

Historically, operating results and revenues for all of our businesses have been strongest in the second and third quarters of the calendar year. A significant portion of the expenses we incur in our real estate brokerage operations are related to marketing activities and commissions and are, therefore, variable. However, many of our other expenses, such as interest payments, facilities costs and certain personnel-related costs, are fixed and cannot be reduced during a seasonal slowdown. Consequently, our debt balances are generally at their highest levels at or around the end of the first and fourth quarters of every year.

We will continue to evaluate potential financing transactions, including refinancing certain tranches of our indebtedness and extending maturities. There can be no assurance that financing or refinancing will be available to us on acceptable terms or at all.

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

**Cash Flows*****Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011***

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

	<b>Three Months Ended March 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
Cash provided by (used in):			
Operating activities	\$ (32)	\$ (87)	\$ 55
Investing activities	(20)	(19)	(1)
Financing activities	56	6	50
Effects of change in exchange rates on cash and cash equivalents	1	1	
Net change in cash and cash equivalents	\$ 5	\$ (99)	\$ 104

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

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well as an increase in trade receivables and relocation receivables of \$9 million and \$7 million, respectively. These uses of cash were partially offset by an increase in accounts payable, accrued expenses and other liabilities of \$62 million.

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

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

***Year Ended December 31, 2011 vs. Year Ended December 31, 2010***

At December 31, 2011, we had \$143 million of cash and cash equivalents, a decrease of \$49 million compared to the balance of \$192 million at December 31, 2010. The following table summarizes our cash flows for the years ended December 31, 2011 and 2010:

	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
Cash provided by (used in):			
Operating activities	\$ (192)	\$ (118)	\$ (74)
Investing activities	(49)	(70)	21
Financing activities	192	124	68
Effects of change in exchange rates on cash and cash equivalents		1	(1)
Net change in cash and cash equivalents	\$ (49)	\$ (63)	\$ 14

For the year ended December 31, 2011, we used \$74 million of additional cash in operations compared to the same period in 2010. For the year ended December 31, 2011, \$192 million of cash was used in operating activities due to negative cash flows from operating results of \$201 million after \$608 million of cash interest payments, partially offset by an increase in accounts payable, accrued expenses and other liabilities of \$23 million. For the year ended December 31, 2010, \$118 million of cash was used in operating activities due to uses of cash related to trade receivables and relocation receivables of \$9 million and \$27 million, respectively, as well as by negative cash flows from operating results of \$152 million after \$550 million of cash interest payments, partially offset by sources of cash related to accounts payable and relocation properties held for sale of \$30 million and \$43 million, respectively.

For the year ended December 31, 2011, we used \$21 million less cash for investing activities compared to the same period in 2010. For the year ended December 31, 2011, \$49 million of cash was used in investing activities primarily due to \$49 million of property and equipment additions and acquisition related payments of

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\$6 million, partially offset by a \$6 million change in restricted cash and net proceeds from certificates of deposit of \$5 million. For the year ended December 31, 2010, \$70 million of cash was used in investing activities and was primarily due to \$49 million of property and equipment additions, \$17 million related to acquisition related payments and the purchase of certificates of deposit for \$9 million, partially offset by proceeds from the sale of assets of \$5 million.

For the year ended December 31, 2011, we generated \$68 million more cash from financing activities compared to the same period in 2010. For the year ended December 31, 2011, \$192 million of cash was provided by financing activities and was comprised of \$700 million of proceeds from the issuance of the Existing First and a Half Lien Notes, \$98 million related to the proceeds from the extension of the term loan facility and an increase in incremental revolver borrowings of \$145 million, partially offset by \$706 million of term loan facility repayments and the payment of \$35 million of debt issuance costs. On December 14, 2011, Realty entered into agreements to amend and extend the existing Apple Ridge Funding LLC securitization program which resulted in the pay off of the 2007 securitization notes and issuance of the 2011 securitization notes under the extended securitization facility. For the year ended December 31, 2010, \$124 million of cash was provided by financing activities and was comprised of \$142 million of proceeds from drawings on our unsecured revolving credit facilities and additional securitization obligations of \$27 million, partially offset by \$32 million of term loan facility repayments.

***Year Ended December 31, 2010 vs. Year Ended December 31, 2009***

At December 31, 2010, we had \$192 million of cash and cash equivalents, a decrease of \$63 million compared to the balance of \$255 million at December 31, 2009. The following table summarizes our cash flows for the years ended December 31, 2010 and 2009:

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>Change</b>
Cash provided by (used in):			
Operating activities	\$ (118)	\$ 341	\$ (459)
Investing activities	(70)	(47)	(23)
Financing activities	124	(479)	603
Effects of change in exchange rates on cash and cash equivalents	1	3	(2)
Net change in cash and cash equivalents	\$ (63)	\$ (182)	\$ 119

For the year ended December 31, 2010 we used \$459 million of additional cash in operations compared to the same period in 2009. For the year ended December 31, 2010, \$118 million of cash was used in operating activities due to uses of cash related to trade receivables and relocation receivables of \$9 million and \$27 million, respectively, as well as by negative cash flows from operating results of \$152 million after \$550 million of cash interest payments, partially offset by sources of cash related to accounts payable and relocation properties held for sale of \$30 million and \$43 million, respectively. For the year ended December 31, 2009, \$341 million of cash was provided by operating activities and was comprised of sources of cash related to relocation receivables and relocation properties held for sale of \$442 million and \$22 million, respectively, and trade receivables and accounts payable of \$40 million and \$26 million, respectively, partially offset by negative cash flows from operating results of \$200 million after \$487 million of cash interest payments.

For the year ended December 31, 2010 we used \$23 million more cash for investing activities compared to the same period in 2009. For the year ended December 31, 2010, \$70 million of cash was used in investing activities and was primarily due to \$49 million of property and equipment additions, \$17 million related to acquisition related payments and the purchase of certificates of deposit for \$9 million, partially offset by proceeds from the sale of assets of \$5 million. For the year ended December 31, 2009, \$47 million of cash was used in investing activities and was primarily comprised of \$40 million of property and equipment additions and \$5 million related to acquisition related payments.

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For the year ended December 31, 2010 we provided \$603 million more cash from financing activities compared to the same period in 2009. For the year ended December 31, 2010, \$124 million of cash was provided by financing activities and was comprised of \$142 million of proceeds from drawings on our unsecured revolving credit facilities and additional securitization obligations of \$27 million, partially offset by \$32 million of term loan facility repayments. For the year ended December 31, 2009, \$479 million of cash was used in financing activities and was comprised of \$410 million of securitization obligation repayments, a decrease in incremental revolver borrowings of \$515 million and \$32 million of term loan facility repayments, partially offset by proceeds of \$500 million related to the issuance of the Second Lien Loans.

**Financial Obligations****Indebtedness Table**

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

	Interest Rate	Expiration Date	Total Capacity	Outstanding Borrowings	Available Capacity
<b>Senior Secured Credit Facility:</b>					
Extended revolving credit facility <sup>(1)</sup>	<sup>(2)</sup>	April 2016	\$ 363	\$	\$ 283
Extended term loan facility	<sup>(3)</sup>	October 2016	1,822	1,822	
First Lien Loans	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 <sup>(4)</sup>		Various	108	100	8
<b>Existing Notes:</b>					
Senior Notes	10.50%	April 2014	64	64	
Senior Toggle Notes <sup>(5)</sup>	11.00%	April 2014	52	52	
Senior Subordinated Notes <sup>(6)</sup>	12.375%	April 2015	190	188	
<b>Extended Maturity Notes:</b>					
Senior Notes <sup>(7)</sup>	11.50%	April 2017	492	489	
Senior Notes <sup>(8)</sup>	12.00%	April 2017	130	129	
Senior Subordinated Notes	13.375%	April 2018	10	10	
Convertible Notes	11.00%	April 2018	2,110	2,110	
<b>Securitization obligations: <sup>(9)</sup></b>					
Apple Ridge Funding LLC		December 2013	400	270	130
Cartus Financing Limited <sup>(10)</sup>		Various	64	32	32
			\$ 8,073	\$ 7,534	\$ 453

- (1) The available capacity under this facility was reduced by \$80 million of outstanding letters of credit as of March 31, 2012. On , 2012, the Company had \$ million outstanding on the extended revolving credit facility and \$ million of outstanding letters of credit, leaving \$ million of available capacity.
- (2) Interest rates with respect to revolving loans under the senior secured credit facility are based on, at our option, (a) adjusted LIBOR plus 3.25% or (b) 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 our option, (a) adjusted LIBOR plus 4.25% or (b) the higher of the Federal Funds Effective Rate plus 1.75% and 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; \$8 million of capacity is due in August 2012, \$50 million is due in January 2013, and \$50 million is due in July 2013.



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- (5) On April 16, 2012, the Company redeemed \$11 million principal amount of the outstanding Senior Toggle Notes at par.
  - (6) Consists of \$190 million of 12.375% Senior Subordinated Notes due 2015, less a discount of \$2 million. We intend to redeem approximately \$160 million of the 12.375% Senior Subordinated Notes with a portion of the net proceeds of this offering as described in Use of Proceeds.
  - (7) Consists of \$492 million of 11.50% Senior Notes due 2017, less a discount of \$3 million.
  - (8) Consists of \$130 million of 12.00% Senior Notes due 2017, less a discount of \$1 million.
  - (9) Available capacity is subject to maintaining sufficient relocation related assets to collateralize these securitization obligations.
  - (10) Consists of a £35 million facility which expires in August 2015 and a £5 million working capital facility which expires in August 2012.
- Indebtedness Incurred in Connection with the Merger and Subsequent Debt Transactions**

We incurred indebtedness in 2007 in connection with the Merger, which included borrowings under our senior secured credit facility and the issuance of unsecured notes. We 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 us to finance a part of the Merger, including, without limitation, payment of fees and expenses contemplated thereby. In addition, we used the \$1,220 million delayed draw term loan facility to finance the refinancing or discharge of our previously existing senior notes, including, without limitation, the payment of fees and expenses. We issued an original aggregate principal amount of \$3,125 million of the Existing Notes with maturity dates in 2014 and 2015 to finance a part of the Merger, including, without limitation, payment of fees and expenses.

In 2009, 2011 and 2012, we completed various debt transactions, which are detailed below, which resulted in the following: (1) additional flexibility with respect to compliance with our senior secured leverage ratio under our 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 approximately \$2,110 million of Convertible Notes.

In September and October 2009, we incurred \$650 million of 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.

On January 5, 2011, we completed private exchange offers, relating to our 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 our compliance with the senior secured leverage ratio covenant under the senior secured credit facility.

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On February 3, 2011, we issued \$700 million aggregate principal amount of Existing First and a Half Lien Notes 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.

The Debt Exchange Offering, the Senior Secured Credit Facility Amendment, the offering of the Existing First and a Half Lien Notes and the related transactions are collectively referred to herein as the 2011 Refinancing Transactions.

On February 2, 2012, we 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. We used the proceeds from the offering, of approximately \$918 million, to: (i) prepay \$629 million of our non-extended term loan borrowings under our senior secured credit facility which were due to mature in October 2013, (ii) repay all of the \$133 million in outstanding borrowings under our non-extended revolving credit facility which was due to mature in April 2013, and (iii) repay \$156 million of the outstanding borrowings under our extended revolving credit facility. In conjunction with the repayments of \$289 million described in clauses (ii) and (iii), we reduced the commitments under our non-extended revolving credit facility by a like amount, thereby terminating the non-extended revolving credit facility.

\* \* \* \*

***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, which was utilized in connection with the incurrence of Second Lien Loans.

We use 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, 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 interest payments are payable semi-annually on April 15 and October 15 of each year. The Second Lien Loans mature on October 15, 2017 and there are no required amortization payments. We intend to use a portion of the net proceeds from this offering to prepay, substantially concurrently with the closing of this offering, all of the outstanding Second Lien Loans in accordance with the terms of our senior secured credit facility.

The senior secured credit facility also provides for a synthetic letter of credit facility which is for: (i) the support of our obligations with respect to Cendant contingent and other liabilities assumed under the Separation and Distribution Agreement and (ii) general corporate purposes in an amount not to exceed \$100 million. The synthetic letter of credit facility capacity is \$186 million at March 31, 2012, of which \$43 million will expire in

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October 2013 and \$143 million will expire in October 2016. As of March 31, 2012, the capacity was being utilized by a \$70 million letter of credit with Cendant for any remaining potential contingent obligations and \$100 million of letters of credit for general corporate purposes.

Our senior secured credit facility contains financial, affirmative and negative covenants and requires us to maintain a senior secured leverage ratio not to exceed a maximum amount on the last day of each fiscal quarter. Specifically, our 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 prospectus, we refer 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 March 31, 2012, our senior secured leverage ratio was 4.02 to 1.0.

We have 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 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 we are unable to maintain compliance with the senior secured leverage ratio and fail 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 we fail to obtain a waiver from the lenders, our financial condition, results of operations and business would be materially adversely affected. Upon the occurrence of an event of default under the senior secured credit facility, the lenders:

would not be required to lend any additional amounts to us;

could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;

could require us to apply all of our available cash to repay these borrowings; or

could prevent us from making payments on the First 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 our Apple Ridge Funding LLC securitization program.

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

***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 date was July 15, 2012). The First Lien Notes are



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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 the Company, on an unsecured senior subordinated basis. The First Lien Notes are secured by the same collateral as Realogy'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 Realogy's first lien obligations under the senior secured credit facility, and (ii) senior to the collateral liens securing Realogy'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 Realogy. 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 Realogy'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 Realogy'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 March 31, 2012 and \$125 million at December 31, 2011 and a separate U.K. credit facility under which it could borrow up to £5 million (approximately \$8 million) at each of March 31, 2012 and December 31, 2011. These facilities are not secured by assets of Realogy or any of its subsidiaries but are supported by letters of credit issued under the senior secured credit facility, including the synthetic letter of credit facility. The facilities generally have a one-year term with certain options for renewal. As of March 31, 2012, Realogy had outstanding borrowings of \$100 million under these credit facilities. In April 2012, Realogy extended the \$50 million facility that was due in July 2012 to July 2013. As a result, Realogy has \$8 million of capacity which expires in August 2012, \$50 million due in January 2013 and \$50 million due in July 2013. For the three months ended March 31, 2012 and March 31, 2011, the weighted average interest rate under the U.S. credit facilities was 2.9% with interest payable either monthly or quarterly.

***Unsecured Notes***

On April 10, 2007, Realogy issued in a private placement \$1,700 million of 10.50% Senior Notes, \$550 million of Senior Toggle Notes and \$875 million of 12.375% Senior Subordinated 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.

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.

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

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

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

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

We intend to use a portion of the net proceeds from this offering to repurchase or redeem (i) substantially concurrently with the closing of this offering all of the outstanding 10.50% Senior Notes and Senior Toggle Notes and (ii) on or after April 15, 2013, approximately \$160 million of the 12.375% Senior Subordinated Notes in accordance with the terms of the respective indentures. For every \$1,000 principal amount of Convertible Notes that is not converted by the holders thereof into common stock, the amount of net proceeds from this offering available to redeem or repurchase the 12.375% Senior Subordinated Notes will be reduced by \$1,000, and will instead be applied to redeem such Convertible Notes at a redemption price of 90% of the principal amount thereof, plus accrued and unpaid interest.

***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. Certain of our securityholders, including Apollo and Paulson, have indicated that they intend to convert all of their approximately \$2.0 billion aggregate principal amount of Convertible Notes into shares of common stock. Because the conversion price per share of the Convertible Notes is lower than \$ (the bottom of the offering price range set forth on the cover page of this prospectus), we have assumed that the remaining holders of the approximately \$100 million principal amount of Convertible Notes will also convert their Convertible Notes substantially concurrently with the closing of this offering. Pursuant to the terms of the indenture governing the Convertible Notes, we intend to use a portion of the net proceeds from this offering to redeem on the closing date of this offering or promptly thereafter any remaining Convertible Notes which have not been surrendered to us for conversion prior to such date at a redemption price equal to 90% of the principal amount thereof, plus accrued and unpaid interest.

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### ***Loss (Gain) on the Early Extinguishment of Debt and Write-Off of Deferred Financing Costs***

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

As a result of the 2011 Refinancing Transactions, we recorded a loss on the early extinguishment of debt of \$36 million and wrote off deferred financing costs of \$7 million to interest expense as a result of debt modifications during the three months ended March 31, 2012.

On September 24, 2009, Realogy and certain affiliates of Apollo entered into an agreement with a third party pursuant to which Realogy exchanged approximately \$221 million aggregate principal amount of Senior Toggle Notes held by it for \$150 million aggregate principal amount of Second Lien Loans. The third party also sold the balance of the Senior Toggle Notes it held for cash to an affiliate of Apollo in a privately negotiated transaction and used a portion of the cash proceeds to participate as a lender in the Second Lien Loan transaction. The transaction with the third party closed concurrently with the initial closing of the Second Lien Loans. As a result of the exchange, the Company recorded a gain on the extinguishment of debt of \$75 million.

### ***Securitization Obligations***

We have 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, we, through a special purpose entity, Cartus Financing Limited, entered into agreements providing for a £35 million revolving loan facility which expires in August 2015 and a £5 million working capital facility which expires in August 2012. These Cartus Financing Limited facilities are secured by relocation assets of a U.K. government contract in a special purpose entity and are therefore classified as permitted securitization financings as defined in our 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 our relocation business in order to facilitate the relocation of their employees. Assets of these special purpose entities are not available to pay our 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 our senior secured leverage ratio under our senior secured credit facility if uncured, and cross-defaults to our 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 we receive from relocation receivables and related assets must be utilized to repay securitization obligations. These obligations were collateralized by \$362 million and \$366 million of underlying relocation receivables and other related relocation assets at March 31, 2012 and December 31, 2011, respectively. Substantially all relocation related assets are realized in less than twelve months from the transaction date. Accordingly, all of our securitization obligations are classified as current in the accompanying consolidated balance sheets included elsewhere in this prospectus.

Interest incurred in connection with borrowings under these facilities amounted to \$2 million and \$1 million for the three months ended March 31, 2012 and 2011, respectively, and \$6 million and \$7 million for the year

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ended December 31, 2011 and 2010, respectively. This interest is recorded within net revenues in the accompanying Consolidated Statements of Operations as related borrowings are utilized to fund our relocation business where interest is generally earned on such assets. These securitization obligations represent floating rate debt for which the average weighted interest rate was 3.5% and 1.9% for the three months ended March 31, 2012 and 2011, respectively and 2.1% and 2.4% for the year ended December 31, 2011 and 2010, respectively.

***Covenants under the Senior Secured Credit Facility and Certain Indentures***

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

incur or guarantee additional debt;

incur debt that is junior to senior indebtedness and, with respect to the Senior Subordinated Notes, senior to such Senior Subordinated Notes;

pay dividends or make distributions to Realogy's stockholders;

repurchase or redeem capital stock or subordinated indebtedness;

make loans, investments or acquisitions;

incur restrictions on the ability of certain of Realogy's subsidiaries to pay dividends or to make other payments to Realogy;

enter into transactions with affiliates;

create liens;

merge or consolidate with other companies or transfer all or substantially all of Realogy's and its material subsidiaries' assets;

transfer or sell assets, including capital stock of subsidiaries; and

prepay, redeem or repurchase the Unsecured Notes, the First Lien Notes and the First and a Half Lien Notes and debt that is junior in right of payment to the Unsecured Notes, the First Lien Notes and the First and a Half Lien Notes.

In connection with the Debt Exchange Offering, Realogy received consents from the holders of the 10.50% Senior Notes and Senior Toggle Notes to amend the respective indentures governing the terms of such Existing Notes to remove substantially all of the restrictive covenants and certain other provisions previously contained in such indentures.

As a result of the covenants to which we remain subject, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, on the last day of each fiscal quarter, the financial covenant in the senior secured credit facility requires us to maintain on a quarterly basis a senior secured leverage ratio not to exceed a maximum amount. Specifically, Realogy's total senior secured net debt to trailing twelve month EBITDA may not exceed 4.75 to 1.0. See

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Description of Indebtedness. At March 31, 2012, our senior secured leverage ratio was 4.02 to 1.0.

Based upon our financial forecast, we believe that we will continue to be in compliance with the senior secured leverage ratio covenant during the next twelve months. While the housing market has shown modest signs of a recovery, there remains substantial uncertainty with respect to the timing and scope of a housing recovery and if a housing recovery is not sustained or is weak, we may be subject to additional pressure in maintaining compliance with our senior secured leverage ratio.

Our financial forecast of Adjusted EBITDA considers numerous factors including open homesale contract trends, industry forecasts and macroeconomic factors, local market dynamics and concentrations in the markets

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

### **Non-GAAP Financial Measures**

The SEC has adopted rules to regulate the use in filings with the SEC and in public disclosures of non-GAAP financial measures, such as EBITDA and Adjusted EBITDA and the ratios related thereto. These measures are derived on the basis of methodologies other than in accordance with GAAP.

EBITDA is defined by us as net income (loss) before depreciation and amortization, interest expense, net (other than relocation services interest for securitization assets and securitization obligations) and income taxes. Adjusted EBITDA is presented to demonstrate our compliance with the senior secured leverage ratio covenant in the senior secured credit facility. We present EBITDA and Adjusted EBITDA because we believe EBITDA and Adjusted EBITDA are useful as supplemental measures in evaluating the performance of our operating businesses and provide greater transparency into our results of operations. Our management, including our chief operating decision maker, use EBITDA as a factor in evaluating the performance of our business. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations data prepared in accordance with GAAP.

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

Adjusted EBITDA calculated for a twelve-month period corresponds to the definition of EBITDA, calculated on a pro forma basis, used in the senior secured credit facility to calculate the senior secured leverage ratio. Adjusted EBITDA includes adjustments to EBITDA for merger costs, restructuring costs, former parent legacy cost (benefit) items, net, gain (loss) on the early extinguishment of debt, pro forma cost savings, the pro forma effect of business optimization initiatives and the pro forma effect of acquisitions and new franchisees, in each case calculated as of the beginning of the twelve-month period.

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

these measures do not reflect changes in, or cash requirement for, our working capital needs;

these measures do not reflect our interest expense (except for interest related to our securitization obligations), or the cash requirements necessary to service interest or principal payments on our debt;

these measures do not reflect our income tax expense or the cash requirements to pay our taxes;

these measures do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often require replacement in the future, and these measures do not reflect any cash requirements for such replacements; and

other companies may calculate these measures differently so they may not be comparable.

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In addition to the limitations described above, Adjusted EBITDA includes pro forma cost savings, the pro forma effect of business optimization initiatives and the pro forma full year effect of acquisitions and new franchisees. These adjustments may not reflect the actual cost savings or pro forma effect recognized in future periods.

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

	Year Ended December 31, 2011	Less Three Months Ended March 31, 2011	Equals Nine Months Ended December 31, 2011	Plus Three Months Ended March 31, 2012	Equals Twelve Months Ended March 31, 2012	Twelve Months Ended December 31, 2011
Net loss attributable to Realogy	\$ (441)	\$ (237)	\$ (204)	\$ (192)	\$ (396) <sup>(a)</sup>	\$ (441)
Income tax expense	32	1	31	7	38	32
Loss before income taxes	(409)	(236)	(173)	(185)	(358)	(409)
Interest expense, net	666	179	487	170	657	666
Depreciation and amortization	186	46	140	45	185	186
EBITDA	443	(11)	454	30	484 <sup>(b)</sup>	443
Covenant calculation adjustments:						
Merger costs, restructuring costs and former parent legacy costs (benefit), net <sup>(c)</sup>					(3)	(3)
Loss on the early extinguishment of debt					6	36
Pro forma cost savings for 2012 restructuring initiatives <sup>(d)</sup>					3	
Pro forma cost savings for 2011 restructuring initiatives <sup>(e)</sup>					7	11
Pro forma effect of business optimization initiatives <sup>(f)</sup>					47	52
Non-cash charges <sup>(g)</sup>					5	4
Non-recurring fair value adjustments for purchase accounting <sup>(h)</sup>					4	4
Pro forma effect of acquisitions and new franchisees <sup>(i)</sup>					6	7
Apollo management fees <sup>(j)</sup>					15	15
Incremental securitization interest costs <sup>(k)</sup>					3	2
<i>Adjusted EBITDA</i>					\$ 577	\$ 571
Total senior secured net debt <sup>(l)</sup>					\$ 2,317	\$ 2,536
Senior secured leverage ratio					4.02x	4.44x

(a) For the twelve months ended March 31, 2012, net loss attributable to Realogy consists of: (i) a loss of \$22 million for the second quarter of 2011; (ii) a loss of \$28 million for the third quarter of 2011; (iii) a loss of \$154 million for the fourth quarter of 2011 and (iv) a loss of \$192 million for the first quarter of 2012.

(b) For the twelve months ended March 31, 2012, EBITDA consists of: (i) \$187 million for the second quarter of 2011; (ii) \$187 million for the third quarter of 2011; (iii) \$80 million for the fourth quarter of 2011 and (iv) \$30 million for the first quarter of 2012.

(c) For the twelve months ended March 31, 2012, consists of \$12 million of restructuring costs and \$1 million of merger costs offset by a net benefit of \$16 million for former parent legacy items. For the year ended December 31, 2011 consists of \$11 million of restructuring costs and \$1 million of merger costs offset by a benefit of \$15 million of former parent legacy items.

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



those actions been effected on April 1, 2011.

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- (e) Represents actual costs incurred that are not expected to recur in subsequent periods due to restructuring activities initiated during the year ended December 31, 2011. From this restructuring, we expect to reduce our operating costs by approximately \$21 million on a twelve-month run-rate basis and estimate that \$14 million and \$10 million for the twelve months ended March 31, 2012 and December 31, 2011, respectively, of such savings were realized from the time they were put in place. The adjustment shown for the twelve months ended March 31, 2012 represents the impact the savings would have had on the period from April 1, 2011 through the time they were put in place had those actions been effected on April 1, 2011. The adjustment shown for the twelve months ended December 31, 2011 represents the impact the savings would have had on the period from January 1, 2011 through the time they were put in place, had those actions been effected on January 1, 2011.
- (f) Represents the twelve-month pro forma effect of business optimization initiatives. For the twelve months ended March 31, 2012, \$2 million related to our Relocation Services integration costs and acquisition related non-cash adjustments, \$5 million related to vendor renegotiations and \$40 million for employee retention accruals. For the twelve months ended December 31, 2011, \$1 million related to our Relocation Services integration costs and acquisition related non-cash adjustments, \$6 million related to vendor renegotiations, \$41 million for employee retention accruals and \$4 million of other initiatives. The employee retention accruals reflect the employee retention plans that have been implemented in lieu of our customary bonus plan, due to the ongoing and prolonged downturn in the housing market in order to ensure the retention of executive officers and other key personnel, principally within our corporate services unit and the corporate offices of our four business units.
- (g) Represents the elimination of non-cash expenses. For the twelve months ended March 31, 2012, \$6 million of stock-based compensation expense and \$6 million of other items less \$7 million for the change in the allowance for doubtful accounts and notes reserves from April 1, 2011 through March 31, 2012. For the twelve months ended December 31, 2011, \$7 million of stock-based compensation expense and \$4 million of other items less \$7 million for the change in the allowance for doubtful accounts and notes reserves from January 1, 2011 through December 31, 2011.
- (h) Reflects the adjustment for the negative impact of fair value adjustments for purchase accounting at the operating business segments primarily related to deferred rent.
- (i) Represents the estimated impact of acquisitions and new franchisees as if they had been acquired or signed on April 1, 2011 for the twelve months ended March 31, 2012 and January 1, 2011 for the twelve months ended December 31, 2011. Franchisee sales activity is comprised of new franchise agreements as well as growth acquired by existing franchisees with our assistance. We have made a number of assumptions in calculating such estimate and there can be no assurance that we would have generated the projected levels of EBITDA had we owned the acquired entities or entered into the franchise contracts as of April 1, 2011 for the twelve months ended March 31, 2012 or January 1, 2011 for the twelve months ended December 31, 2011.
- (j) Represents the elimination of annual management fees payable to Apollo for the twelve months ended March 31, 2012 and December 31, 2011.
- (k) Incremental borrowing costs incurred as a result of the securitization facilities refinancing for the twelve months ended March 31, 2012 and December 31, 2011.
- (l) As of March 31, 2012 represents total borrowings under the senior secured credit facility which are secured by a first priority lien on our assets of \$2,415 million plus \$11 million of capital lease obligations less \$109 million of readily available cash as of March 31, 2012. As of December 31, 2011 represents total borrowings under the senior secured credit facility which are secured by a first priority lien on our assets of \$2,626 million plus \$11 million of capital lease obligations less \$101 million of readily available cash as of December 31, 2011. Pursuant to the terms of the senior secured credit facility, senior secured net debt does not include First and a Half Lien Notes, Second Lien Loans, and other indebtedness that is secured by a lien that is pari passu or junior to the First and a Half Lien Notes or securitization obligations.

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**Table of Contents****Liquidity Risks**

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

***Negative Cash Flows; Seasonality and Cash Requirements***

Our liquidity position has been negatively affected by the substantial interest expense on our debt obligations and the unfavorable conditions in the real estate market resulting in negative operating cash flows. Following the completion of this offering and related transactions, our liquidity position will continue to be negatively impacted by the substantial interest expense on our debt obligations, although such interest expense will be substantially reduced from its current level. Our business segments are also subject to seasonal fluctuations. Historically, operating results and revenues for all of our businesses have been strongest in the second and third quarters of the calendar year. A significant portion of the expenses we incur in our real estate brokerage operations are related to marketing activities and commissions and are, therefore, variable. However, many of our other expenses, such as interest payments, facilities costs and certain personnel-related costs, are fixed and cannot be reduced during a seasonal slowdown. For example, prior to this offering, interest payments of approximately \$215 million were due on our Unsecured Notes and Second Lien Loans in April and October of each year. Accordingly, the two most significant interest payments fall in, or immediately following, periods of our lowest cash flow generation. Following the completion of this offering and related transactions, our outstanding indebtedness (assuming debt balances as of March 31, 2012) will be reduced by approximately \$3 billion, or 42%, and our annualized interest expense will decline by approximately \$350 million (including the elimination of approximately \$232 million of annual interest expense relating to the Convertible Notes), which would have represented a reduction of approximately 53% of our \$666 million of interest expense for the year ended December 31, 2011, and our interest payments in April and October of each year will be \$ . Because of this asymmetry and the size of our cash interest obligations, if there is not a sustained recovery in the housing market, we may be required to seek additional sources of working capital for our future liquidity needs. There can be no assurance that we would be able to obtain financing on acceptable terms or at all.

***Senior Secured Credit Facility Covenant Compliance***

On the last day of each fiscal quarter, the financial covenant in the senior secured credit facility requires us to maintain on a quarterly basis a senior secured leverage ratio not to exceed a maximum amount. Specifically, our total senior secured net debt to trailing twelve month Adjusted EBITDA may not exceed 4.75 to 1.0. As of March 31, 2012, we were in compliance with the senior secured leverage ratio covenant with a ratio of 4.02 to 1.0.

While the housing market has shown modest signs of a recovery, there remains substantial uncertainty with respect to the timing and scope of a sustained housing recovery and if a housing recovery is not sustained or is weak, we will be subject to additional pressure in maintaining compliance with our senior secured leverage ratio.

To maintain compliance with the senior secured leverage ratio (or to avoid an event of default thereof), the Company will need to achieve a certain amount of Adjusted EBITDA and/or reduced levels of total senior secured net debt. We expect that as a result the offering and related transactions, our ability to remain in compliance with our senior secured credit facility will be greatly enhanced. Notwithstanding the foregoing, the factors that will impact covenant compliance include: (a) changes in homesale transactions and/or the price of existing homesales, (b) the ability to continue to implement cost-savings and business productivity enhancement initiatives, (c) increasing new franchise sales, sales associate recruitment and/or brokerage and other acquisitions, (d) obtaining additional equity financing, (e) obtaining additional debt financing from affiliated or non-affiliated debt holders, or (f) a combination thereof. Factors (b) through (e) may be insufficient to overcome macroeconomic conditions affecting the Company.

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

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We will continue to evaluate potential financing transactions, including refinancing certain tranches of our indebtedness and extending maturities. There can be no assurance that financing or refinancing will be available to us on acceptable terms or at all.

There can be no assurance as to which, if any, of these alternatives we may pursue as the choice of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our existing financing agreements and the consents we may need to obtain under the relevant documents. There also can be no assurance that financing or refinancing will be available to us on acceptable terms or at all.

### ***Interest Rate Risk***

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

### ***Securitization Programs***

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

**Table of Contents****Contractual Obligations**

The following table summarize our future contractual obligations as of March 31, 2012 but does not reflect (i) the assumed conversion of approximately \$2.1 billion of our outstanding Convertible Notes substantially concurrently with the closing of this offering and related transactions and (ii) the anticipated uses of the net proceeds of this offering, as described in Use of Proceeds :

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

- (a) Our extended term loan facility matures in October 2016. The interest rate for the variable rate debt of \$1,822 million will be determined by the interest rates in effect during each period. There is no scheduled amortization of principal. We have entered into derivative instruments to fix the interest rate over the next twelve months for \$408 million of its \$1,822 million variable rate term loan debt, which will result in interest payments of \$27 million annually. The interest rate for the remaining portion of the variable rate term loan debt of \$1,414 million will be determined by the interest rates in effect during each period.
- (b) The First Lien Notes bear an annual interest rate of 7.625%. Interest payments are due semi-annually and the annual interest expense for the First Lien Notes is approximately \$45 million.
- (c) The Existing First and a Half Lien Notes bear an annual interest rate of 7.875%, the New First and a Half Lien Notes bear an annual interest rate of 9.00% and the Second Lien Loans bear an annual interest rate of 13.50%. Interest payments are due semi-annually and the annual interest expense for the First and a Half Lien Notes and the Second Lien Loans is approximately \$172 million.
- (d) 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 and \$50 million due in July 2013. The interest rate for the revolving credit facilities is variable and will be determined by the interest rates in effect during each period.
- (e) We utilized the PIK Interest option to satisfy interest payment obligations for the Senior Toggle Notes which increased the principal amount of the Senior Toggle Notes from October 2008 through April 2011. As a result, we would be subject to certain interest deduction limitations if the Senior Toggle Notes were treated as AHYDO within the meaning of Section 163(i)(1) of the Internal Revenue Code. In order to avoid such treatment, we redeemed \$11 million principal amount of the Senior Toggle Notes on April 16, 2012.
- (f) Annual interest expense for the 10.50% Senior Notes, 12.375% Senior Subordinated Notes and Senior Toggle Notes is approximately \$36 million.

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- (g) Annual interest expense for the 11.50% Senior Notes, 12.00% Senior Notes, 13.375% Senior Subordinated Notes and the Convertible Notes is approximately \$306 million, which will be reduced by \$232 million following the completion of this offering and related transactions.
- (h) Our securitization obligations are variable rate debt and the interest payments will be determined by the interest rates in effect during each period. The Apple Ridge agreement expires in December 2013 and the Cartus Financing Limited agreements expire in August 2012 and August 2015. These obligations are classified as current on the balance sheet due to the current classification of the underlying assets that collateralize the obligations.
- (i) The operating lease amounts included in the above table do not include variable costs such as maintenance, insurance and real estate taxes.
- (j) Purchase commitments include a minimum licensing fee that we are required to pay to Sotheby's from 2009 through 2054. The annual minimum licensing fee is approximately \$2 million. The purchase commitments also include a minimum licensing fee to be paid to Meredith from 2009 through 2057. The annual minimum fee began at \$0.5 million in 2009 and will increase to \$4 million by 2014 and generally remains the same thereafter.
- (k) In April 2007, we established a standby irrevocable letter of credit for the benefit of Avis Budget Group Inc. in accordance with the Separation and Distribution Agreement. At March 31, 2012, the letter of credit was at \$70 million. This letter of credit is not included in the contractual obligations table above.
- (l) The contractual obligations table does not include the annual Apollo management fee and does not include other non-current liabilities such as pension liabilities of \$63 million and unrecognized tax benefits of \$46 million as the Company is not able to estimate the year in which these liabilities could be paid.

The following table summarizes our future contractual obligations as of December 31, 2011:

	2012	2013	2014	2015	2016	Thereafter	Total
Non-extended revolving credit facility <sup>(a)</sup>	\$	\$ 78	\$	\$	\$	\$	\$ 78
Extended revolving credit facility <sup>(a)</sup>					97		97
Non-extended term loan facility <sup>(b)</sup>	6	623					629
Extended term loan facility <sup>(c)</sup>					1,822		1,822
Existing First and a Half Lien Notes <sup>(d)</sup>						700	700
Second Lien Loans <sup>(d)</sup>						650	650
Other bank indebtedness <sup>(e)</sup>	83	50					133
10.50% Senior Notes <sup>(g)</sup>			64				64
11.50% Senior Notes <sup>(h)</sup>						492	492
11.00%/11.75% Senior Toggle Notes <sup>(f) (g)</sup>	11		41				52
12.00% Senior Notes <sup>(h)</sup>						130	130
12.375% Senior Subordinated Notes <sup>(g)</sup>				190			190
13.375% Senior Subordinated Notes <sup>(h)</sup>						10	10
11.00% Convertible Notes <sup>(h)</sup>						2,110	2,110
Securitized obligations <sup>(i)</sup>	327						327
Operating leases <sup>(j)</sup>	136	98	66	46	24	119	489
Capital leases (including imputed interest)	6	4	2	1			13
Purchase commitments <sup>(k)</sup>	48	22	11	10	9	253	353
<b>Total <sup>(l) (m)</sup></b>	<b>\$ 617</b>	<b>\$ 875</b>	<b>\$ 184</b>	<b>\$ 247</b>	<b>\$ 1,952</b>	<b>\$ 4,464</b>	<b>\$ 8,339</b>

- (a) Our senior secured credit facility provided for a \$652 million revolving credit facility, which included a \$289 million revolving facility expiring in April 2013 and a \$363 million extended revolving facility expiring in April 2016. As a result of the 2012 Senior Secured Notes Offering, all borrowings under the \$289 million non-extended revolver were repaid and the facility was terminated. Outstanding borrowings under this facility are classified on the balance sheet as current due to the revolving nature of the facility.
- (b) Our non-extended term loan facility provides for quarterly amortization payments totaling 1% per annum of the principal amount with the balance due on the final maturity date of October 2013. As a result of the 2012



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- Senior Secured Notes Offering, the non-extended term loan facility was repaid and the facility was terminated.
- (c) Our extended term loan facility matures in October 2016. The interest rate for the variable rate debt of \$1,822 million will be determined by the interest rates in effect during each period. There is no scheduled amortization of principal. We have entered into derivative instruments to fix the interest rate for \$650 million of its \$2,759 million variable rate debt, which will result in interest payments of \$24 million annually. The interest rate for the remaining portion of the variable rate debt of \$2,109 million will be determined by the interest rates in effect during each period.
  - (d) The Existing First and a Half Lien Notes bear an annual interest rate of 7.875% and the Second Lien Loans bear an annual interest rate of 13.50%. Interest payments are due semi-annually and the annual interest expense for the Existing First and a Half Lien Notes and the Second Lien Loans is approximately \$143 million. There is no scheduled amortization with either debt.
  - (e) 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, \$75 million is due in July 2012, \$8 million is due in August 2012, and \$50 million is due in January 2013. In January 2012, we repaid \$25 million of the outstanding borrowings and reduced the capacity of the credit facility due in July 2012 by \$25 million. In April 2012, we extended this \$50 million facility that was due in July 2012 to July 2013. These obligations are classified on the balance sheet as current due to the revolving nature of the facilities. The interest rate for the revolving credit facilities is variable and will be determined by the interest rates in effect during each period.
  - (f) We utilized the PIK Interest option to satisfy interest payment obligations for the Senior Toggle Notes which increased the principal amount of the Senior Toggle Notes from October 2008 through April 2011. As a result, we would be subject to certain interest deduction limitations if the Senior Toggle Notes were treated as AHYDO within the meaning of Section 163(i)(1) of the Code. In order to avoid such treatment, we redeemed \$11 million principal amount of the Senior Toggle Notes on April 16, 2012.
  - (g) Annual interest expense for the 10.50% Senior Notes, 12.375% Senior Subordinated Notes and Senior Toggle Notes is approximately \$36 million.
  - (h) Annual interest expense for the 11.50% Senior Notes, 12.00% Senior Notes, 13.375% Senior Subordinated Notes and the Convertible Notes is approximately \$306 million.
  - (i) Our securitization obligations are variable rate debt and the interest payments will be determined by the interest rates in effect during each period. The Apple Ridge agreement expires in December 2013 an