

REALOGY HOLDINGS CORP.  
Form 10-K  
February 26, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

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

For the fiscal year ended December 31, 2014

OR

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

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

Commission File No. 001-35674

REALOGY HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

20-8050955

(I.R.S. Employer Identification Number)

Commission File No. 333-148153

REALOGY GROUP LLC

(Exact name of registrant as specified in its charter)

20-4381990

(I.R.S. Employer Identification Number)

Delaware

(State or other jurisdiction of incorporation or organization)

175 Park Avenue

Madison, NJ 07940

(Address of principal executive offices) (Zip Code)

(973) 407-2000

(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

	Title of each class	Name of each exchange on which registered
Realogy Holdings Corp.	Common Stock, par value \$0.01 per share	New York Stock Exchange
Realogy Group LLC	None	None

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Realogy Holdings Corp. Yes  No  Realogy Group LLC Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Realogy Holdings Corp. Yes  No  Realogy Group LLC Yes  No

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Realogy Holdings Corp. Yes  No  Realogy Group LLC Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Realogy Holdings Corp. Yes  No  Realogy Group LLC Yes  No

Indicate by check mark if disclosure of delinquent filer pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Realogy Holdings Corp.  Realogy Group LLC

Indicate by check mark whether the Registrant is a large accelerated filer, accelerated filer, non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
Realogy Holdings Corp. <input checked="" type="checkbox"/>	..	..	..
Realogy Group LLC <input type="checkbox"/>	..	<input checked="" type="checkbox"/>	..

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Realogy Holdings Corp. Yes  No  Realogy Group LLC Yes  No

The aggregate market value of the voting and non-voting common equity of Realogy Holdings Corp. held by non-affiliates as of the close of business on June 30, 2014 was \$5.5 billion. There were 146,396,713 shares of Common Stock, \$0.01 par value, of Realogy Holdings Corp. outstanding as of February 23, 2015.

Realogy Group LLC meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format applicable to Realogy Group LLC.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement prepared for the 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

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

- risks 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 or a decline in the number of homesales, stagnant or declining home prices and/or a deterioration in other economic factors that particularly impact the residential real estate market and the business segments in which we operate;
  - a decrease in consumer confidence;
  - the impact of recessions, slow economic growth, disruptions in the U.S. government or banking system and high levels of unemployment in the U.S. and abroad;
  - increasing mortgage rates and/or constraints on the availability of mortgage financing;
  - legislative, tax or regulatory changes that would adversely impact the residential real estate market, including potential reforms of Fannie Mae and Freddie Mac, and potential tax code reform, which could reduce or eliminate the amount that taxpayers would be allowed to deduct for home mortgage interest;
  - a decrease in housing affordability;
  - high levels of foreclosure activity;
  - insufficient or excessive home inventory levels by market;
  - changing attitudes towards home ownership, particularly among potential first-time homebuyers who may delay, or decide not to, purchase a home; and
  - the inability or unwillingness of current homeowners to purchase their next home due to various factors, including limited or negative equity in their current home, difficult mortgage underwriting standards, attractive rates on existing mortgages and the lack of available inventory;
- our geographic and high-end market concentration, particularly with respect to our company owned brokerage operations;
- our inability to enter into franchise agreements with new franchisees at current royalty rates or at all, or to realize royalty revenue growth from them;
- our inability to renew existing franchise agreements at current royalty rates or at all, or to maintain or enhance our value proposition to franchisees;
- the lack of revenue growth or declining profitability of our franchisees;
- disputes or issues with entities that license us their tradenames for use in our business that could impede our franchising of those brands;
- our inability to realize the benefits from acquisitions, including the 2014 acquisition of ZipRealty, due to the loss of key personnel of the acquired companies, as well as the possibility that expected benefits and synergies of the transactions may not be achieved in a timely manner or at all;
- 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 whether through traditional competitors or competitors with alternative business models, competition for our independent sales associates;

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the general impact of emerging technologies on our business;

our failure to comply with laws, regulations and regulatory interpretations and any changes in laws, regulations and regulatory interpretations, including but not limited to (1) state or federal employment laws or regulations that would require classification of independent contractor sales associates to employee status for prior and future periods, the application of wage and hour regulations and the provision of employee benefits mandated by law; and (2) challenges to certain of our business arrangements under the Real Estate Settlement Procedures Act or state consumer protection or similar laws;

- any adverse resolution of litigation, governmental or regulatory proceedings or arbitration awards;

our inability to obtain new technologies and systems, to replace or introduce new technologies and systems as quickly as our competitors and in a cost-effective manner or to achieve the benefits anticipated from new technologies or systems;

the failure or significant disruption of our operations from various causes related to our critical information technologies and systems including cybersecurity threats to our data and customer/franchisee data as well as reputational or financial risks associated with a loss of any such data;

adverse effects of natural disasters or environmental catastrophes that affect local housing markets in which we operate;

- risks related to our international operations, including compliance with the Foreign Corrupt Practices Act and similar anti-corruption laws as well as risks relating to the master franchisor model that we deploy internationally;
- risks associated with our substantial indebtedness and interest obligations and restrictions contained in our debt agreements, including risks relating to having to dedicate a significant portion of our cash flows from operations to service our debt;
- risks relating to our ability to refinance our indebtedness or incur additional debt;
- changes in corporate relocation practices resulting in fewer employee relocations or reduced relocation benefits;
- an increase in the claims rate of our title underwriter and an increase in mortgage rates could adversely impact the revenue stream of our title and settlement services segment;

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;

risks that could materially adversely impact our equity investment in PHH Home Loans LLC, our joint venture with PHH Corporation ("PHH"), including increases in mortgage interest rates, the impact of regulatory changes, litigation, investigations and inquiries or a change in control of PHH;

any remaining resolutions or outcomes with respect to Cendant Corporation's contingent liabilities under the Separation and Distribution Agreement and the Tax Sharing Agreement, including any adverse impact on our future cash flows; 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 "Item 1A.—Risk Factors" and "Item 7.—Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report, may also cause actual results to differ materially from those described in our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our control. You should consider these factors in connection with considering any forward-looking statements that may be made by us and our businesses generally.

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



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**TRADEMARKS AND SERVICE MARKS**

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that appear in this Annual Report include the CENTURY 21<sup>®</sup>, COLDWELL BANKER<sup>®</sup>, ERA<sup>®</sup>, THE CORCORAN GROUP<sup>®</sup>, COLDWELL BANKER COMMERCIAL<sup>®</sup>, SOTHEBY'S INTERNATIONAL REALTY<sup>®</sup>, BETTER HOMES AND GARDENS<sup>®</sup> and ZIPREALTY<sup>®</sup> marks, which are registered in the United States and/or registered or pending registration in other jurisdictions, as appropriate, to the needs of our relevant business. Each trademark, trade name or service mark of any other company appearing in this Annual Report is owned by such company.

**MARKET AND INDUSTRY DATA AND FORECASTS**

This Annual Report includes data, forecasts and information obtained from independent trade associations, industry publications and surveys and other information available to us. Some data is also based on our good faith estimates, which are derived from management's knowledge of the industry and independent sources. As noted in this Annual Report, the National Association of Realtors ("NAR"), the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") were the primary sources for third-party industry data and forecasts. 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 hindered 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 use of average price for historical periods.

Additionally, NAR historical data is subject to periodic review and revision and these revisions could be material. NAR and Fannie Mae generally update their forecasts on a monthly basis and subsequent forecasts may change materially from those previously issued. 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.

Forecasts regarding rates of home ownership, median sales price, volume of homesales, and other metrics included in this Annual Report to describe the housing industry are inherently uncertain or speculative in nature and actual results for any period could materially differ. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but such information may not be accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on market data currently available to us. While we are not aware of any misstatements regarding industry data provided herein, our estimates involve risks and uncertainties and are subject to change based upon various factors, including those discussed under the headings "Risk Factors" and "Forward-Looking Statements." Similarly, we believe our internal research is reliable, even though such research has not been verified by any independent sources.



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PART I

Except as otherwise indicated or unless the context otherwise requires, the terms "we," "us," "our," "our company," "Realogy," "Realogy Holdings" and the "Company" refer to Realogy Holdings Corp., a Delaware corporation, and its consolidated subsidiaries, including Realogy Intermediate Holdings LLC, a Delaware limited liability company ("Realogy Intermediate"), and Realogy Group LLC, a Delaware limited liability company ("Realogy Group"), and its consolidated subsidiaries. Neither Realogy Holdings, the indirect parent of Realogy Group, nor Realogy Intermediate, the direct parent company of Realogy Group, conducts any operations other than with respect to its respective direct or indirect ownership of Realogy Group. As a result, the consolidated financial positions, results of operations and cash flows of Realogy Holdings, Realogy Intermediate and Realogy Group are the same.

Realogy Holdings is not a party to the senior secured credit facility and certain references in this report to our consolidated indebtedness exclude Realogy Holdings with respect to indebtedness under the senior secured credit facility. In addition, while Realogy Holdings is a guarantor of Realogy Group's obligations under its secured and unsecured notes, Realogy Holdings is not subject to the restrictive covenants in the indentures governing such indebtedness.

As used in this report, the term "3.375% Senior Notes" refers to our 3.375% Senior Notes due 2016. The term "4.50% Senior Notes" refers to our 4.50% Senior Notes due 2019. The term "5.25% Senior Notes" refers to our 5.25% Senior Notes due 2021. The term "7.875% First and a Half Lien Notes" refers to the 7.875% Senior Secured Note due 2019, which were retired in 2014. The term "9.00% First and a Half Lien Notes" refers to our 9.00% Senior Secured Notes due 2020. The term "7.625% First Lien Notes" refers to our 7.625 Senior Secured Notes due 2020. The term "Unsecured Notes" refers to our 3.375% Senior Notes, our 4.50% Senior Notes and our 5.25% Senior Notes. The term "First and a Half Lien Notes" refers to our 7.875% First and a Half Lien Notes and our 9.00% First and a Half Lien Notes. The term "Secured Notes" refers to our 7.625% First Lien Notes and our 9.00% First and a Half Lien Notes.

Item 1. Business.

Our Company

We are the preeminent and most integrated provider of residential real estate services in the U.S. We are the world's largest franchisor of residential real estate brokerages with some of the most recognized brands in the real estate industry, the largest owner of U.S. residential real estate brokerage offices, the largest U.S. and a leading global provider of outsourced employee relocation services and a significant provider of title and settlement services. Our owned and franchised brokerage businesses are more than two and a half times larger than their nearest competitor and in 2014. We were involved in approximately 27% of domestic existing homesale transaction volume that involved a real estate brokerage firm. Our revenue is derived on a fee-for-service basis, and given our breadth of complementary service offerings, we are able to generate fees from multiple aspects of a residential real estate transaction. Our operating platform is supported by our portfolio of industry leading franchise brokerage brands, including Century 21<sup>®</sup>, Coldwell Banker<sup>®</sup>, Coldwell Banker Commercial<sup>®</sup>, ERA<sup>®</sup>, Sotheby's International Realty<sup>®</sup> and Better Homes and Gardens<sup>®</sup> Real Estate and we also own and operate The Corcoran Group<sup>®</sup> and Citi Habitats brands. Our multiple brands and operations allow us to derive revenue from many different segments of the residential real estate market, in many different geographies and at varying price points.

Segment Overview

We report our operations in four segments, each of which receives fees based upon services performed for our customers: Real Estate Franchise Services ("RFG"), Company Owned Real Estate Brokerage Services ("NRT"), Relocation Services ("Cartus<sup>®</sup>") and Title and Settlement Services ("TRG"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements, including the notes thereto, included elsewhere in this Annual Report, for further information on our reportable segments.

Real Estate Franchise Services. We are the largest franchisor of residential real estate brokerages in the world through our portfolio of well-known brokerage brands, including Century 21<sup>®</sup>, Coldwell Banker<sup>®</sup>, Coldwell Banker Commercial<sup>®</sup>, ERA<sup>®</sup>, Sotheby's International Realty<sup>®</sup> and Better Homes and Gardens<sup>®</sup> Real Estate. At December 31, 2014, our real estate franchise systems (inclusive of our company owned brokerage operations) had approximately

13,500 offices worldwide in 104 countries and territories. This included approximately 6,000 brokerage offices in the U.S. and approximately 251,300 independent sales associates worldwide, including approximately 174,600 independent sales associates operating under our franchise and proprietary brands in the U.S. The average tenure among U.S. franchisees is approximately 20 years as of December 31, 2014. Our franchisees pay us fees for the right to operate under one of our trademarks and to enjoy the benefits of the systems and business enhancing tools provided by our real estate franchise operations. In addition to highly

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competitive brands that provide unique offerings to our franchisees, we support our franchisees with dedicated national marketing and servicing programs, technology, training and education to facilitate our franchisees in growing their business and increasing their revenue and profitability. We believe that one of our strengths is the strong relationships that we have with our franchisees, as evidenced by our 98% retention rate through December 31, 2014. Our retention rate represents the annual gross commission income as of December 31 of the previous year generated by our franchisees that remain in the franchise systems one year later, measured against the annual gross commission income of all franchisees as of December 31 of the previous year. In 2014, we acquired ZipRealty, an innovative residential real estate brokerage and developer of proprietary technology platforms for real estate brokerages, independent sales associates and customers. During 2015, we expect to introduce ZipRealty's comprehensive, turnkey integrated "Zap" technology platform to certain of our franchisees, ahead of a broader rollout of these tools that we believe will increase the value proposition to our franchisees, their independent sales associates and their customers. Company Owned Real Estate Brokerage Services. We own and operate the largest residential real estate brokerage business in the U.S. under the Coldwell Banker<sup>®</sup>, Corcoran Group<sup>®</sup>, Sotheby's International Realty<sup>®</sup>, ZipRealty<sup>®</sup> and Citi Habitats brand names. We offer full-service residential brokerage services through more than 725 company owned brokerage offices with approximately 45,000 independent sales agents in more than 45 of the 100 largest metropolitan areas of the U.S. As a result of our attractive geographic and market positioning, the average sales price of an NRT transaction is approximately twice the national average. NRT, as the broker for a home buyer or seller, derives revenues primarily from gross commission income received at the closing of real estate transactions. In addition, we participate in the mortgage process through our 49.9% ownership of PHH Home Loans LLC ("PHH Home Loans"), our home mortgage venture with PHH. To complement its residential brokerage services, NRT offers home ownership services that include comprehensive single-family residential property management in many of the nation's largest rental markets.

Relocation Services. We are a leading global provider of outsourced employee relocation services. We are the largest provider of such services in the U.S. and also operate in key international relocation destinations. We offer a broad range of world-class employee relocation services designed to manage all aspects of an employee's move to facilitate a smooth transition in what otherwise may be a complex and difficult process for the employee and employer. Our relocation services business serves corporations, including 56% of the Fortune 50 companies. We also service affinity organizations such as insurance companies and credit unions that provide our services to their members. In 2014, we assisted in over 171,000 corporate and affinity relocations in nearly 150 countries for approximately 1,100 active clients. As of December 31, 2014, our top 25 relocation clients had an average tenure of approximately 19 years with us.

Title and Settlement Services. We assist with the closing of real estate transactions by providing full-service title and settlement (i.e., closing and escrow) services to customers, real estate companies, including our company owned real estate brokerage and relocation services businesses, as well as a targeted channel of large financial institution clients, including PHH. In 2014, TRG was involved in the closing of approximately 141,000 transactions of which approximately 58,000 related to NRT. In addition to our own title and settlement services, we also coordinate a nationwide network of attorneys, title agents and notaries to service financial institution clients on a national basis. We also serve as an underwriter of title insurance policies in connection with residential and commercial real estate transactions.

\* \* \*

Our headquarters is located at 175 Park Avenue, Madison, New Jersey 07940. Our general telephone number is (973) 407-2000. We were incorporated on December 14, 2006 in the State of Delaware. The Company files electronically with the Securities and Exchange Commission (the "SEC") required reports on Form 8-K, Form 10-Q and Form 10-K; proxy materials; ownership reports for insiders as required by Section 16 of the Securities Exchange Act of 1934; registration statements and other forms or reports as required. Certain of the Company's officers and directors also file statements of changes in beneficial ownership on Form 4 with the SEC. The public may read and copy any materials that the Company has filed with the SEC at the SEC's Public Reference Room located at 100 F

Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 800-SEC-0330. Such materials may also be accessed electronically on the SEC's Internet site ([www.sec.gov](http://www.sec.gov)). We maintain an Internet website at <http://www.realogy.com> and make available free of charge on or through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 reports and any amendments to these reports in the Investor Relations section of our website as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is provided as an inactive textual reference. The contents of our website are not incorporated by reference herein or otherwise a part of this Annual Report.

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### Industry Trends

**Industry definition.** We primarily operate in the U.S. residential real estate industry, which is approximately a \$1.4 trillion industry based on 2014 transaction volume (i.e. average homesale price times number of new and existing homesale transactions), as compared to \$2.1 trillion in 2006, and derive substantially all of our revenues from serving the needs of buyers and sellers of existing homes rather than those of new homes. Residential real estate brokerage companies typically realize revenues in the form of a commission that is based on a percentage of the price of each home sold. As a result, the real estate industry generally benefits from rising home prices and increasing homesale transactions (and conversely is adversely impacted by falling prices and lower homesale transactions). We believe that existing homesale transactions and the services associated with these transactions, such as mortgage origination, title services and relocation services, represent the most attractive segment of the residential real estate industry for the following reasons:

- the existing homesales segment represents a significantly larger addressable market than new homesales. Of the approximately 5.4 million homesales in the U.S. in 2014, NAR estimates that approximately 4.9 million were existing homesales, representing approximately 92% of the overall sales as measured in units;

- existing homesales afford us the opportunity to represent either the buyer or the seller and in some cases both the buyer and the seller; and

- we are able to generate revenues from ancillary services provided to our customers.

We also believe that the traditional broker-assisted business model compares favorably to alternative channels of the residential brokerage industry, such as discount brokers and "for sale by owner" for the following reasons:

- a real estate transaction has certain characteristics that we believe are best suited for full-service brokerages, such as: the average homesale transaction size is very high and generally is the largest transaction one does in a lifetime; homesale transactions occur infrequently;

- there is a high variance in price, depending on neighborhood, floor plan, architecture, fixtures, and outdoor space;

- there is a compelling need for personal service as home preferences are unique to each buyer;

- a high level of support is required given the complexity associated with the process; and

- there is a need for specific marketing and technology services and support given the complexity of the transaction.

while substantially all homebuyers start their search for a home using the internet, according to NAR, 88% of homes were sold using an agent or broker in 2014 compared to 79% in 2001. We believe that the enhanced service and value offered by a traditional agent or broker is such that using a traditional agent or broker will continue to be the primary method of buying and selling a home in the long term.

**Cyclical nature of industry.** The U.S. residential real estate industry is cyclical in nature and has historically shown strong growth. Based on information published by NAR, existing homesale units increased at a compound annual growth rate, or CAGR, of 1.8% from 1972 through 2014, with 26 annual increases, versus 16 annual decreases.

During that same period, median existing homesale prices increased at a CAGR of 4.9% (not adjusted for inflation) from 1972 through 2014, a period that included four economic recessions. According to NAR, the existing homesale transaction volume (median homesale price times existing homesale transactions) was approximately \$1 trillion in 2014 and grew at a CAGR of 6.8% from 1972 through 2014 period.

Commencing in the second half of 2005 and continuing through 2011, the U.S. residential real estate industry was in a significant and lengthy downturn. Based upon data published by NAR from 2005 to 2011, the number of annual U.S. existing homesale units declined by 40% and the median existing homesale price declined by 24%. Based upon data published by NAR from 2011 to 2014, the number of annual U.S. existing homesale units and the median existing homesale price improved by 16% and 26%, respectively.

According to NAR, beginning in 2012, the U.S. residential real estate industry began its recovery. In the first two years of the current housing recovery—2012 and 2013—homesale transaction volume (average homesale price multiplied by homesale transactions) improved 15% and 19%, respectively. We believe that the improvement in 2012 and 2013 was driven by high affordability of home ownership and demand that built up during an extended period of economic



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uncertainty, as well as historically low interest rates and lower home inventory levels leading to increases in homesale prices.

According to NAR, homesale transaction volume growth slowed to 1% in 2014 compared to 2013. The small homesale transaction volume gain in 2014 was primarily driven by recovering home prices. In fact, the number of homesale transactions in 2014 declined year-over-year which we believe is due to continued economic uncertainty, lower inventory levels, an increase in mortgage rates and home prices, continuing tight mortgage underwriting standards which are significantly impacting first time homebuyers and other financial obstacles for various homebuyers.

According to Fannie Mae, in 2014, refinancing originations significantly declined to \$506 billion resulting in a 55% decline from 2013 levels. The reduction in refinancing activity in 2014 adversely impacted our share of earnings from our PHH Home Loans venture as well as refinancing related revenue and profitability at our title and settlement services operations.

As of their most recent releases, Fannie Mae and NAR are forecasting a 5% and 7% increase in existing homesale transactions in 2015 compared to 2014, respectively. With respect to homesale prices, Fannie Mae and NAR are forecasting a 4% and 5% increase in median existing homesale prices for 2015 compared to 2014, respectively. For 2016, Fannie Mae and NAR are forecasting a 2% and 4% increase in homesale transactions compared to 2015, respectively. With respect to homesale prices, Fannie Mae and NAR are both forecasting a 4% increase in median existing homesale prices in 2016 compared to 2015. NAR believes that the improvement in the number of homesale transactions in 2015 will be due to a strengthening economy and solid job gains.

Favorable long-term demographics. We believe that long-term demand for housing and the growth of our industry is primarily driven by affordability, the economic health of the U.S. 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 factors. We believe that the residential real estate market will benefit over the long term from expected positive fundamentals, including the following factors:

based on U.S. Census data and NAR, from 1991 through 2014, the average number of existing homesale transactions as a percentage of U.S. households was approximately 4.4%, compared to an average of approximately 3.8% from 2007 through 2014. During the same period, the number of U.S. households grew from 94 million in 1991 to 123 million in 2014, increasing at a 1% CAGR. We believe that as the U.S. economy stabilizes, the number of existing homesale transactions as a percentage of U.S. households will progress to the 4.4% mean level and the number of annual existing homesale transactions will increase;

according to the 2014 State of the Nation's Housing Report compiled by the Harvard Joint Center for Housing Studies:

the number of U.S. households is projected to grow between 11.6 million and 13.2 million by 2025 depending on immigration trends; and

the millennial generation is expected to account for 24 million new households in the next decade, thus driving up demand for housing; and

we believe that buying a home will be less expensive than renting a home due to rising rents vs. increases in home equity over the long term.

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## Participation in Multiple Aspects of the Residential Real Estate Market

We participate in services associated with many aspects of the residential real estate market. Our four complementary businesses and mortgage joint venture work together, allowing us to generate revenue at various points in a residential real estate transaction, including listing of homes, assisting buyers in home searches, corporate relocation and affinity services, settlement and title services, and franchising of our brands. The businesses each benefit from our deep understanding of the industry, strong relationships with real estate brokers, sale associates and other real estate professionals and expertise across the transactional process. Unlike other industry participants who offer only one or two services, we can offer homeowners, our franchisees and our corporate and affinity clients ready access to numerous associated services that facilitate and simplify the home purchase and sale process. These services provide further revenue opportunities for our owned businesses and those of our franchisees. Specifically, our brokerage offices and those of our franchisees participate in purchases and sales of homes involving relocations of corporate transferees and affinity members using Cartus® relocation services and we offer customers (purchasers and sellers) of both our owned and franchised brokerage businesses convenient title and settlement services. These services produce incremental revenues for our businesses and franchisees. In addition, we participate in the mortgage process through our 49.9% ownership of PHH Home Loans. All four of our businesses and our mortgage joint venture can derive revenue from the same real estate transaction.

## Our Brands

Our brands are among the most well-known and established real estate brokerage brands in the real estate industry. In 2014, based on NAR's historical survey data and our own results, we were involved, either through our franchise operations or our company owned brokerages, in approximately 27% of all existing homesale transaction volume (sides times average price) for domestic transactions involving a real estate brokerage firm.

Our real estate franchise brands are listed in the following chart, which includes information as of December 31, 2014 for both our franchised and company owned offices:

Franchise Brands <sup>(1)</sup>

Worldwide Offices <sup>(2)</sup>	6,900	3,000	2,300	760	280	150
Worldwide Brokers and Sales Associates <sup>(2)</sup>	101,200	86,000	33,400	16,600	9,150	2,200
U.S. Annual Sides	394,989	705,322	116,533	87,420	57,335	N/A
# of Countries with Owned or Franchised Operations	78	43	35	60	2	43
Characteristics	World's largest residential real estate sales organization	Longest running national real estate brand in the U.S. (since 1906)	Driving value through innovation and collaboration	Synonymous with luxury	Growing real estate brand launched in July 2008	A commercial real estate franchise organization
	Identified by consumers as the most recognized name in real estate	Known for innovative consumer services, marketing	Highest percentage of international offices among international brands	Strong ties to auction house established in 1744	Unique relationship with a leading media company, including largest	Serves a wide range of clients from corporations to small businesses to individual



Significant and  
international technology  
office footprint

lifestyle clients and  
magazine in investors  
the U.S.

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(1) Does not include The Corcoran Group®, ZipRealty® and Citi  
Habitats.

(2) Includes offices and related brokers and sales associates of franchisees of master franchisors.

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Real Estate Franchise Services

Our primary objectives as the largest franchisor of residential real estate brokerages in the world are to sell new franchises, retain existing franchises, create or acquire new brands and, most importantly, provide branding and support to our franchisees. At December 31, 2014, our real estate franchise systems had approximately 13,500 offices worldwide in 104 countries and territories in North and South America, Europe, Asia, Africa, the Middle East and Australia, including approximately 6,000 brokerage offices in the U.S.

We derive substantially all of our real estate franchising revenues from royalties received under long-term franchise agreements with our domestic franchisees (typically ten years in duration) and NRT. These royalties are based on a percentage of the franchisees' sales commission earned from closed homesale sides (either the "buy" side or the "sell" side of a real estate transaction), which we refer to as gross commission income. Our franchisees pay us royalties, net of volume incentives achieved (other than NRT), for the right to operate under one of our trademarks and to utilize the benefits of the franchise systems. We provide our franchisees with certain systems and tools that are designed to help our franchisees serve their customers and attract new or retain existing independent sales associates, and support our franchisees with servicing programs, technology, education and market information, as well as branding-related marketing which is funded through contributions by our franchisees and us (including our company owned brokerage offices). We operate and maintain an Internet-based reporting system for our domestic franchisees which generally allows them to electronically transmit listing information and other relevant reporting data to our websites. We also own and operate websites for each of our brands for the benefit of our franchisees.

The 2014 acquisition of ZipRealty reflects the Company's ongoing commitment to enhancing the value proposition we provide to our franchisees, including technology-enabled solutions. Its Zap platform, when rolled out to franchisees, is expected to aid in generating additional business opportunities for our franchisees and their independent sales associates, connect those associates to a predictive customer relationship management (CRM) tool and inform them with valuable client insight to help those associates increase their productivity. ZipRealty has developed the Zap platform from a real estate brokerage perspective to enhance the real estate transaction experience for customers, independent sales associates and our franchisees.

RFG's domestic annual net royalty revenues from franchisees other than our company owned brokerages are calculated by multiplying (1) that year's total number of closed homesale sides in which those franchisees participated by (2) the average sale price of those homesales by (3) the average brokerage commission rate charged by these franchisees by (4) RFG's net effective royalty rate. The net effective royalty rate represents the average percentage of our franchisees' commission revenues paid to us as a royalty, net of volume incentives achieved. The net effective royalty rate does not include the effect of non-standard incentives granted to some franchisees. The domestic royalty revenue from NRT is also calculated by multiplying homesale sides by average sale price by average brokerage commission rate by 6% royalty rate. NRT does not get volume incentives. In addition to domestic royalty revenue, RFG earns royalty revenue from international affiliates, marketing fees, upfront international fees and preferred alliance program and other revenue. The following chart illustrates the key drivers for revenue earned by RFG: We believe one of our strengths is the strong relationships that we have with our franchisees as evidenced by the franchisee retention rate of 98% through December 31, 2014. Our retention rate represents the annual gross commission income as of December 31 of the previous year generated by our franchisees that remain in the franchise systems on an annual basis, measured against the annual gross commission income of all franchisees as of December 31 of the previous year. On average, our domestic franchisees' tenure with our brands was approximately 20 years as of December 31, 2014. During 2014, none of our franchisees (other than our company owned brokerage operations) generated more than 1% of our real estate franchise business revenues.

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The franchise agreements impose restrictions on the business and operations of the franchisees and require them to comply with the operating and identity standards set forth in each brand's policy and procedures manuals. A franchisee's failure to comply with these restrictions and standards could result in a termination of the franchise agreement. The franchisees generally are not permitted to terminate the franchise agreements prior to their expiration, and in those cases where termination rights do exist, they are very limited (e.g., if the franchisee retires, becomes disabled or dies). Generally, new domestic franchise agreements have a term of ten years and require the franchisees to pay us an initial franchise fee for the franchisee's principal office plus, upon the receipt of any commission income, a royalty fee in most cases equal to 6% of their commission income. Each of our franchise systems (other than Coldwell Banker Commercial<sup>®</sup>) offers a volume incentive program, whereby each franchisee is eligible to receive a refund of a portion of the royalties paid upon the satisfaction of certain conditions. The amount of the volume incentive varies depending upon the franchisee's annual gross revenue subject to royalty payments for each calendar year. Under the current form of the franchise agreements, the volume incentive varies for each franchise system, and ranges from zero to 3% of gross revenues. We provide a detailed table to each franchisee that describes the gross revenue thresholds required to achieve a volume incentive and the corresponding incentive amounts. We reserve the right to increase or decrease the percentage and/or dollar amounts in the table on an annual basis, subject to certain limitations. Our company owned brokerage offices do not participate in the volume incentive program.

Each franchise system requires all franchisees and company owned offices to make monthly contributions to marketing funds maintained by each brand. These contributions are required to be used for the development, implementation, production, placement and payment of national and regional advertising, marketing, promotions, public relations and/or other programs to promote and further the recognition of each brand and its independent franchisees. We cannot use these contributions for other purposes and, as a result, marketing revenue is generally offset by an equal amount of marketing expense. In addition to the contributions from franchisees and company owned offices, the Real Estate Franchise Services group is required to make contributions to one of the marketing funds and may make discretionary contributions (at its option) to any of the marketing funds.

Under certain circumstances, we extend conversion notes (development advance notes were issued prior to 2009) to eligible franchisees for the purpose of providing an incentive to join the brand, to renew their franchise agreements, or to facilitate their growth opportunities. Growth opportunities include the expansion of franchisees' existing businesses by opening additional offices, through the consolidation of operations of other franchisees, as well as through the acquisition of independent sales agents and offices operated by independent brokerages. Many franchisees use the proceeds from the conversion notes to change stationery, signage and marketing materials, upgrade technology and websites, or to assist in acquiring companies. The notes are not funded until appropriate credit checks and other due diligence matters are completed and the business is opened and operating under one of our brands. Upon satisfaction of certain performance based thresholds, the notes are forgiven over the term of the franchise agreement.

In addition to offices owned and operated by our franchisees, we, through NRT, own and operate more than 725 offices primarily under the Coldwell Banker<sup>®</sup>, Coldwell Banker Commercial<sup>®</sup> and Sotheby's International Realty<sup>®</sup> brand names. NRT pays intercompany royalty fees and marketing fees to our Real Estate Franchise Services Segment in connection with its operation of these offices. These fees are recognized as income or expense by the applicable segment level and eliminated in the consolidation of our businesses. NRT is not eligible for any volume incentives.

In the U.S., we employ a direct franchising model whereby we contract with and provide services directly to independent owner-operators. Elsewhere, for all brands other than Sotheby's International Realty, we employ a master franchise model (with limited exceptions in Canada), whereby we contract with a qualified third party to build a franchise network in the country or region in which franchising rights have been granted. In the case of Sotheby's International Realty, a direct franchising model is generally utilized. Under both the direct and 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. Under the master franchise model, the ongoing royalties we receive are generally a percentage of the royalties received by the master franchisor from its franchisees with which it contracts. Under the direct franchise model, a royalty fee is paid to us on transactions conducted by our franchisees in the

applicable country or region.

We also offer third-party service providers an opportunity to market their products to our franchisees and their independent sales associates and customers through our preferred alliance program. To participate in this program, service providers generally agree to provide preferred pricing to our franchisees and/or their independent sales associates and to pay us some combination of an initial licensing or access fee, subsequent marketing fees and commissions based upon our franchisees' or independent sales associates' usage of the preferred alliance vendors. In connection with the spin-off of PHH, Cendant's former mortgage business, PHH Mortgage Corporation, the subsidiary of PHH that conducts mortgage

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financing, is the only provider of mortgages for customers of our franchisees that we endorse. We receive a fee from PHH for licensing our brands and an advertising fee for allowing PHH promotional opportunities on websites, in offices and at periodic group events.

We own the trademarks Century 21<sup>®</sup>, Coldwell Banker<sup>®</sup>, Coldwell Banker Commercial<sup>®</sup>, ERA<sup>®</sup> and related trademarks and logos, and such trademarks and logos are material to the businesses that are part of our real estate franchise segment. Our franchisees and our subsidiaries actively use these trademarks, and all of the material trademarks are registered (or have applications pending) with the United States Patent and Trademark Office as well as with corresponding trademark offices in major countries worldwide where these businesses have significant operations.

We have an exclusive license to own, operate and franchise the Sotheby's International Realty<sup>®</sup> brand to qualified residential real estate brokerage offices and individuals operating in eligible markets pursuant to a license agreement with SPTC Delaware LLC, a subsidiary of Sotheby's ("Sotheby's"). Such license agreement has a 100-year term, which consists of an initial 50-year term ending February 16, 2054 and a 50-year renewal option. In connection with our acquisition of such license, we also acquired the domestic residential real estate brokerage operations of Sotheby's which are now operated by NRT. We pay a licensing fee to Sotheby's for the use of the Sotheby's International Realty<sup>®</sup> name equal to 9.5% of the net royalties earned by our Real Estate Franchise Services Segment attributable to franchisees affiliated with the Sotheby's International Realty<sup>®</sup> brand, including our company owned offices.

In October 2007, we entered into a long-term license agreement to own, operate and franchise the Better Homes and Gardens<sup>®</sup> Real Estate brand from Meredith. The license agreement between Realogy and Meredith is for a 50-year term, with a renewal option for another 50 years at our option. We pay an annual minimum licensing fee which began in 2009 at \$0.5 million and has gradually increased on an annual basis to \$4 million in 2014 and will generally remain the same hereafter. At December 31, 2014, we had approximately 280 offices with approximately 9,150 independent sales associates operating under the Better Homes and Gardens<sup>®</sup> Real Estate brand name in the U.S. and Canada. Each of our brands has a consumer website that offers real estate listings, contacts and services. Century21.com, coldwellbanker.com, coldwellbankercommercial.com, sothebysrealty.com, era.com and bhgrealestate.com are the official websites for the Century 21<sup>®</sup>, Coldwell Banker<sup>®</sup>, Coldwell Banker Commercial<sup>®</sup>, Sotheby's International Realty<sup>®</sup>, ERA<sup>®</sup> and Better Homes and Gardens<sup>®</sup> Real Estate franchise systems, respectively. The contents of these websites are not incorporated by reference herein or otherwise a part of this Annual Report.

### Company Owned Real Estate Brokerage Services

Through our subsidiary, NRT, we own and operate a full-service real estate brokerage business in more than 45 of the 100 largest metropolitan areas in the U.S. Our company owned real estate brokerage business operates under the Coldwell Banker<sup>®</sup> and Sotheby's International Realty<sup>®</sup> franchised brands as well as proprietary brands that we own, but do not currently franchise, such as The Corcoran Group<sup>®</sup>, ZipRealty<sup>®</sup> and Citi Habitats. As of December 31, 2014, we had more than 725 company owned brokerage offices, approximately 4,900 employees and approximately 45,000 independent sales associates working with these company owned offices.

Our company owned real estate brokerage business derives revenue primarily from gross commission income received serving as the broker at the closing of real estate transactions. For the year ended December 31, 2014, our average homesale broker commission rate was 2.47% which represents the average commission rate earned on either the "buy" side or the "sell" side of a homesale transaction. Gross commission income is also earned on non-sale transactions such as home rentals. NRT, as a franchisee of RFG, pays a royalty fee of 6% per transaction to RFG from the commission earned on a real estate transaction. The following chart illustrates the key drivers for revenue earned by NRT:

In addition, as a full-service real estate brokerage company, we promote the complementary services of our relocation and title and settlement services businesses, in addition to PHH Home Loans. We believe we provide integrated services that enhance the customer experience.

When we assist the seller in a real estate transaction, independent sales associates generally provide the seller with a full service marketing program, which may include developing a direct marketing plan for the property, assisting the

seller in pricing the property and preparing it for sale, listing it on multiple listing services, advertising the property (including on websites), showing the property to prospective buyers, assisting the seller in sale negotiations, and assisting the seller in preparing for closing the transaction. When we assist the buyer in a real estate transaction, independent sales associates generally help the buyer in locating specific properties that meet the buyer's personal and financial specifications, show properties to the buyer, assist the buyer in negotiating (where permissible) and in preparing for closing the transaction.

At December 31, 2014, we operated approximately 90% of our offices under the Coldwell Banker® brand name, 5% of our offices under the Sotheby's International Realty® brand name and 5% of our offices under The Corcoran Group®, Citi Habitats and ZipRealty® brand names. Our offices are geographically diverse with a strong presence in the east and west coast areas, where home prices are generally higher. We operate our Coldwell Banker® offices in numerous regions throughout the U.S., our Sotheby's International Realty® offices in several regions throughout the U.S, and The Corcoran Group® offices in New York City, the Hamptons (New York), and Palm Beach, Florida. We intend to grow our business both organically and through strategic acquisitions. To grow organically, we will focus on working with office managers to attract, retain and effectively coordinate with independent sales associates who can successfully engage and promote transactions from new and existing clients.

We have a dedicated group of professionals whose function is to identify, evaluate and complete acquisitions. We are continuously evaluating acquisitions that will allow us to enter into new markets and to profitably expand our existing markets through "tuck-in" acquisitions. Following the completion of an acquisition, we consolidate the newly acquired operations with our existing operations. By consolidating operations, we reduce or eliminate duplicative costs, such as advertising, rent and administrative support. By utilizing our existing infrastructure to coordinate with a broader network of independent sales associates and revenue base, we can enhance the profitability of our operations. We also seek to enhance the profitability of newly acquired operations by strategies that increase the productivity of the newly affiliated independent sales associates. We offer these independent sales associates supplemental tools, marketing information that are often unavailable at smaller firms, such as access to sophisticated information technology and ongoing technical support, increased brand advertising and brand marketing support, relocation referrals, and a wide offering of brokerage-related services.

Our real estate brokerage business has a contract with Cartus under which the brokerage business provides brokerage services to relocating employees of the clients of Cartus. When receiving a referral from Cartus, our brokerage business seeks to assist the buyer in completing a homesale or home purchase. Upon completion of a homesale or home purchase, our brokerage business receives a commission on the purchase or sale of the property and is obligated to pay Cartus a portion of such commission as a referral fee. We believe that these fees are comparable to the fees charged by other relocation companies.

PHH Home Loans, our home mortgage venture with PHH, a publicly traded company, has a 50-year term, subject to earlier termination. We own 49.9% of the home mortgage venture and PHH owns the remaining 50.1%. Either party has the right to terminate the joint venture upon the occurrence of certain events, such as a material breach or the insolvency of the other party. In addition, we may terminate the joint venture upon a change of control of PHH involving certain entities enumerated by us (and which may be updated by us once every two years) or any competitor of ours. Upon any termination of the joint venture by us as a result of any of the events described in this paragraph, we may require that PHH purchase our interest or sell its interest to a buyer designated by us. If we terminate the venture pursuant to any of the events described in this paragraph, we are entitled to receive a termination fee.

In addition, we may terminate the joint venture at our election by providing two years' prior notice to PHH at any time after January 31, 2015, 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. If we exercise our two-year termination right, we may require that PHH purchase our interest or sell its interest to a buyer designated by us. The purchase price of the joint venture interest being sold by Realogy or PHH, as the case may be, will be the fair value of such interest determined through a valuation process and in the case of Realogy putting its shares to PHH, taking into account the automatic termination of all of the joint venture agreements.

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All mortgage loans originated by the venture are sold to PHH or other third-party investors after a hold period, and PHH Home Loans does not hold any mortgage loans for investment purposes or perform servicing functions for any loans it originates. Accordingly, we have no mortgage servicing rights asset risk.

### Relocation Services

Through our subsidiary, Cartus, we are a leading global provider of outsourced employee relocation services.

We primarily offer corporate clients employee relocation services, such as:

homesale assistance, including the valuation, inspection, purchasing and selling of a transferee's home; the issuance of home equity advances to transferees permitting them to purchase a new home before selling their current home (these advances are generally guaranteed by the client); certain home management services; assistance in locating a new home; and closing on the sale of the old home, generally at the instruction of the client;

expense processing, relocation policy counseling, relocation-related accounting, including international assignment compensation services, and other consulting services;

arranging household goods moving services, approximately 60,000 domestic and international shipments in 2014, and providing support for all aspects of moving a transferee's household goods, including the handling of insurance and claim assistance, invoice auditing and quality control;

coordinating visa and immigration support, intercultural and language training, and expatriation/repatriation counseling and destination services; and

group move management services providing coordination for moves involving a large number of transferees to or from a specific regional area over a short period of time.

The wide range of our services allows our clients to outsource their entire relocation programs to us.

In 2014, we assisted in over 171,000 corporate and affinity relocations in nearly 150 countries for approximately 1,100 active clients, including 56% of the Fortune 50 companies as well as affinity organizations. Cartus has operations in the U.S. as well as internationally in the United Kingdom, Canada, Hong Kong, Singapore, China, India, Brazil, Germany, France, Switzerland and the Netherlands.

Substantially all of our homesale service transactions that we provide to our clients are classified as "no risk." Under "no risk" business, the client is responsible for reimbursement of all direct expenses associated with the homesale. Such expenses include, but are not limited to, appraisal, inspection and real estate brokerage commissions. The client also bears the risk of loss on the resale of the transferee's home. Clients are responsible for reimbursement of all other direct costs associated with the relocation, including, but not limited to, costs to move household goods, mortgage origination points, temporary living and travel expenses. Generally, we fund the direct expenses associated with the homesale as well as those associated with the relocation on behalf of the client and the client then reimburses us for these costs plus interest charges on the advanced money. This limits our exposure on "no risk" homesale services to the credit risk of our clients rather than to the potential fluctuations in the real estate market or to the creditworthiness of the individual transferring employee. Historically, due to the credit quality of our clients, we have had minimal losses with respect to these "no risk" homesale services.

The "at risk" business that we conduct is minimal. In "at risk" homesale service transactions, we acquire the home being sold by relocating employees, pay for all direct expenses (acquisition, carrying and selling costs) associated with the homesale and bear any loss on the sale of the home.

Substantially all of our contracts with our relocation clients are terminable at any time at the option of the client and are non-exclusive. If a client terminates its contract, we will be compensated for all services performed up to the time of termination and reimbursed for all expenses incurred to the time of termination.

There are a number of different revenue streams associated with relocation services. We earn referral commissions primarily from real estate brokers and household goods moving companies that provide services to the transferee. Clients may also pay transactional fees for the services performed. We also earn net interest income which represents interest earned from clients on the funds we advance on behalf of the transferring employee net of costs associated with the securitization obligations used to finance these payments. Cartus measures operating performance based on initiations,





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which represent the total number of transferees and affinity members we serve, and referrals, which represent the number of referrals from which we earn revenue from real estate brokers.

About 12% of our relocation revenue in 2014 was derived from our affinity services, which provide real estate services, including home buying and selling assistance, as well as mortgage assistance to organizations such as insurance companies and credit unions that have established members who are buying or selling a home. Often these organizations offer our affinity services to their members at no cost and, where permitted, provide their members with a financial incentive for using these services. These member benefits and services help the organizations attract new members and retain current members.

The following chart illustrates the key drivers for revenue generated by Cartus:

We also manage the Cartus Broker Network, which is a network of real estate brokers consisting of our company owned brokerage operations, select franchisees and independent real estate brokers who have been approved to become members. Member brokers of the Cartus Broker Network receive referrals from our relocation services business in exchange for a referral fee. The Cartus Broker Network closed approximately 86,000 real estate transactions in 2014 related to relocation, affinity, and broker to broker activity.

**Title and Settlement Services**

Our title and settlement services business, TRG, provides full-service title and settlement (i.e., closing and escrow) services to real estate companies and financial institutions. We act in the capacity of a title agent and sell title insurance to property buyers and mortgage lenders. We are licensed as a title agent in 42 states and Washington, D.C., and have physical locations in 24 states and Washington, D.C. We issue title insurance policies on behalf of large national underwriters as well as through our Dallas-based subsidiary, Title Resources Guaranty Company ("Title Resources"). Title Resources is a title insurance underwriter licensed in 28 states and Washington, D.C. We operate mostly in major metropolitan areas. As of December 31, 2014, we had approximately 356 offices, approximately 209 of which are co-located within one of our company owned brokerage offices.

Virtually all lenders require their borrowers to obtain title insurance policies at the time mortgage loans are made on real property. The terms and conditions upon which the real property will be insured are determined in accordance with the standard policies and procedures of the title underwriter. When our title agencies sell title insurance, the title search and examination function is performed by the agent. The title agent and underwriter split the premium. The amount of such premium "split" is determined by agreement between the agency and underwriter, or is promulgated by state law. We derive revenue through fees charged in real estate transactions for rendering the services described above, fees charged for escrow and closing services, and a percentage of the title premium on each title insurance policy sold. We have entered into underwriting agreements with various underwriters, which state the conditions under which we may issue a title insurance policy on their behalf. For policies issued through our agency operations, assuming no negligence on our part, we typically are liable only for the first \$5 thousand of loss for such policies on a per claim basis, with the title insurer being liable for any remaining loss.

Our company owned brokerage operations are the principal source of our title and settlement services business for homesale transactions. Other sources of our title and settlement services homesale business include our real estate franchise business, Cartus and unaffiliated brokerage operations. For refinance transactions, we generate title and escrow revenues from PHH and other financial institutions throughout the mortgage lending industry. Many of our offices have subleased space from, and are co-located within, our company owned brokerage offices. The capture rate of our title and settlement services business from company owned brokerage operations was approximately 41% in 2014.

We coordinate a national network of escrow and closing agents (some of whom are our employees, while others are attorneys in private practice and independent title companies) to provide full-service title and settlement services to a broad-based group that includes lenders, home buyers and sellers, developers, and independent real estate sales associates. Our role is generally that of an intermediary managing the completion of all the necessary documentation and services required to complete a real estate transaction.

Our title and settlement services business measures operating performance based on purchase and refinance closing units and the related title premiums and escrow fees earned on such closings. In addition, we measure net title premiums earned for title policies issued by our underwriting operation. The following chart illustrates the key drivers for revenue generated by our title and settlement services business:

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We intend to grow our title and settlement services business by attracting title and escrow sales associates in existing markets and by completing acquisitions to expand our geographic footprint or complement existing operations. We also intend to continue to increase our capture rate of title business from our NRT homesale sides. In addition, we expect to continue to grow and diversify our lender channel and our underwriting businesses by expanding and adding clients and increasing our agent base, respectively.

Competition

**Real Estate Franchise Business.** Competition among the national real estate brokerage brand franchisors to grow their franchise systems is intense. Our largest national competitors in this industry include, but are not limited to, three large franchisors: Keller Williams Realty, Inc.; HSF Affiliates LLC—a joint venture controlled by HomeServices of America that operates Berkshire Hathaway HomeServices, Prudential Real Estate and Real Living Real Estate; and RE/MAX International, Inc. In addition, a real estate broker may choose to affiliate with a regional chain or choose not to affiliate with a franchisor but to remain unaffiliated. We believe that competition for the sale of franchises in the real estate brokerage industry is based principally upon the perceived value and quality of the brand, tools and services, the nature of those services offered to franchisees, including the availability of financing, the fees the franchisees must pay and by the state of the housing industry.

The ability of our real estate brokerage franchisees to compete with other real estate brokerages is important to our prospects for growth. Their ability to compete may be affected by the quality of independent sales associates, the location of offices, the services provided to independent sales associates, the number of competing offices in the vicinity, affiliation with a recognized brand name, community reputation, technology and other factors. A franchisee's success may also be affected by general, regional and local economic conditions.

**Real Estate Brokerage Business.** The real estate brokerage industry is highly competitive, particularly in the metropolitan areas in which our owned brokerage businesses operate. In addition, the industry has relatively low barriers to entry for new participants, including participants pursuing non-traditional methods of marketing real estate, such as Internet-based listing services. Companies compete for sales and marketing business primarily on the basis of services offered, reputation, personal contacts, and brokerage commissions. We compete with other national independent real estate organizations, including HomeServices of America in certain of our markets, franchisees of our brands and of other national real estate franchisors, franchisees of local and regional real estate franchisors, regional independent real estate organizations such as Weichert Realtors and Long & Foster Real Estate, discount and online brokerages and smaller niche companies competing in local areas.

**Relocation Business.** Competition in our relocation business is based on capabilities, price and quality. We compete primarily with global and regional outsourced relocation services providers. The larger outsourced relocation services providers that we compete with include: Brookfield Global Relocation Services, SIRVA, Inc., and Weichert Relocation Resources, Inc. As the relocation business continues to become more global in nature with greater emphasis on relocation of employees throughout the world, we expect to face greater competition from firms that provide global services.

**Title and Settlement Business.** The title and settlement 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 business competes with a large, fragmented group of smaller underwriters and agencies. In addition, we compete with national competitors, including Fidelity National Title Insurance Company, First American Title Insurance Company, Stewart Title Guaranty Company and Old Republic Title Company.

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Marketing

Real Estate Franchise Operations. Each of our residential franchise brands operates a marketing fund and our commercial brand operates a commercial marketing fund that is funded by our franchisees and us. The primary focus of each marketing fund is to build and maintain brand awareness, which is accomplished through a variety of media, including increased use of Internet advertising. Our Internet presence, for the most part, features our entire listing inventory on our brand websites in our regional and national markets, plus community profiles, home buying and selling advice, relocation tips and mortgage financing information. Each brand manages a comprehensive system of marketing tools, systems and sales information and data that can be accessed through free-standing brand intranet sites to assist independent sales associates in becoming the best marketer of their listings. In addition to the Sotheby's International Realty® brand, a leading luxury brand, our franchisees and our company owned brokerages also participate in luxury marketing programs, such as Century 21 Fine Homes & Estates®, Coldwell Banker Previews International®, and ERA® International Collection.

According to NAR, 92% of homebuyers used the Internet in their search for a new home in 2014. Our marketing and technology strategies focus on capturing these consumers and connecting them with an independent sales associate or franchisee.

Advertising is primarily used by the brands to drive consumers to their respective websites. Significant focus is placed on developing websites for each brand to create value to the real estate consumer. Each brand website focuses on streamlined, easy search processes for listing inventory and rich descriptive details and multiple photos to market the real estate listing. Additionally, each brand website serves as a national distribution point for independent sales associates to market themselves to consumers to enhance the customer experience. We also place significant emphasis on distributing our real estate listings with third-party websites to expand a consumer's access to such listings, at times, enhancing the presentation of the listings on third-party websites to make the listings more attractive to consumers. Consumers seeking more detailed information about a particular listing on a third-party website are able to click through to a brand website or a company owned brokerage website or telephone the franchisee or company owned brokerage directly.

In order to improve our response times to buyers and sellers seeking real estate services, we developed LeadRouter™, our proprietary patented lead management system. We believe LeadRouter provides a competitive advantage by improving the speed at which a brokerage can begin working with a customer. The system converts text to voice and transfers the lead to our agents within a matter of seconds, providing our agents with the ability to quickly respond to the needs of a potential home buyer or seller. Additionally, LeadRouter provides the broker with an accountability tool to manage their agents and evaluate productivity.

During 2015, we expect to introduce ZipRealty's comprehensive, turnkey integrated Zap technology platform to certain of our franchisees, ahead of a broader rollout of these tools that we believe will increase the value proposition to our franchisees, their independent sales associates and their customers.

Company Owned Brokerage Operations. Our company owned brokerages sponsor a wide array of marketing programs, materials and opportunities to complement the sales work of our affiliated independent sales associates and increase brand awareness. The effectiveness and quality of marketing programs play a significant role in attracting and retaining independent sales associates.

NRT's sponsored marketing programs and initiatives primarily focus on attracting potential new home buyers and sellers to NRT's affiliated independent sales associates. These programs and initiatives also complement the awareness of our brands by increasing the local recognition of our agents and local brokerages.

Much of our marketing efforts are geared toward showcasing the inventory of our real estate listings and the affiliated independent sales associates who are the selling agents of these listings. In addition to prominently placing the listing property and related selling agent information on numerous real estate websites, we promote the selling agents and their properties on social media sites and offer tools and systems intended to enhance the home buying and home selling experiences of our customers. We also offer the independent sales associates broad-based advertising, mailings and other campaigns to generate interest and recognition.

The Internet has become the premier advertising channel in our industry and we have sought to become a leader among full-service residential real estate brokerage firms in the use and application of marketing technology. We place our property listings on hundreds of real estate websites and we operate a variety of our own websites.

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NRT also utilizes both proprietary and third-party technology to offer independent sales associates tools that may enhance their productivity and increase their understanding of their local markets and the impact of their marketing efforts. Some of these tools include the HomeBase Transaction Management and InTouch CRM systems, as well as MarketQuest and e-Marketing reporting tools.

### Employees

At December 31, 2014, we had approximately 10,700 employees, including approximately 850 employees outside of the U.S. None of our employees are represented by a union. We believe that our employee relations are good.

### Sales Associate Engagement, Education and Marketing Updates

Each real estate brand provides continuing education and marketing-related materials to its franchisees to assist them in engaging sales associates. Each brand's engagement program contains different materials and delivery methods. The marketing materials range from a detailed description of the services offered by our franchise systems (which will be available to the independent sales associate) in brochure or poster format to audio tape lectures from industry experts. Live instructors at conventions and orientation seminars deliver some engagement modules while other modules can be viewed by brokers anywhere in the world through virtual classrooms over the Internet. Most of the programs and materials are then made available in electronic form to franchisees over the respective system's private intranet site. Many of the materials are customizable to allow franchisees to achieve a personalized look and feel and make modifications to certain content as appropriate for their business and marketplace.

For our company owned brokerage operations, we focus on attracting and retaining sales associates through a number of programs in order to drive revenue growth.

### Government Regulation

**Franchise Regulation.** 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 the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. The states with relationship or other statutes governing the termination of franchises include Arkansas, California, Connecticut, Delaware, Hawaii, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, Virginia, Washington and Wisconsin. Puerto Rico and the Virgin Islands also have statutes governing termination of franchises. Some franchise relationship statutes require a mandated notice period for termination and some require a notice and cure period. In addition, some require that the franchisor demonstrate good cause for termination. These statutes do not have a substantial effect on our operations because our franchise agreements generally comport with the statutory requirements for cause for termination, and they provide notice and cure periods for most defaults. When the franchisee is granted a statutory period longer than permitted under the franchise agreement, we extend our notice and/or cure periods to match the statutory requirements. In some states, case law requires a franchisor to renew a franchise agreement unless a franchisee has given cause for non-renewal. Failure to comply with these laws could result in civil liability to the affected franchisees. While our franchising operations have not been materially adversely affected by such existing regulation, we cannot predict the effect of any future federal or state legislation or regulation.

**Real Estate Regulation.** Real Estate Settlement Procedures Act ("RESPA") and state real estate brokerage laws restrict payments which real estate brokers, title agencies, mortgage bankers, mortgage brokers and other settlement service providers may receive or pay in connection with the sales of residences and referral of settlement services (e.g., mortgages, homeowners insurance and title insurance). Such laws may to some extent restrict preferred alliance and other arrangements involving our real estate franchise, real estate brokerage, settlement services and relocation businesses. In addition, with respect to our company owned real estate brokerage, relocation and title and settlement services businesses, RESPA and similar state laws require timely disclosure of certain relationships or financial interests with providers of real estate settlement services.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), administration of RESPA has been moved from the Department of Housing and Urban Development ("HUD") to the new Consumer Financial Protection Bureau (the "CFPB"). The CFPB is taking an expansive reading of RESPA and has been more active in enforcement efforts, which we believe creates increased regulatory risk to the mortgage and title and settlement services industries. RESPA also has been invoked by plaintiffs in private litigation for various purposes.

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Our company owned real estate brokerage business is also subject to numerous federal, state and local laws and regulations that contain general standards for and limitations on the conduct of real estate brokers and sales associates, including those relating to the licensing of brokers and sales associates, fiduciary and agency duties, administration of trust funds, collection of commissions, restrictions on information sharing with affiliates, fair housing standards and advertising and consumer disclosures. Under state law, our company owned real estate brokers have certain duties to supervise and are responsible for the conduct of their brokerage businesses. Although real estate sales agents historically have been classified as independent contractors, newer rules and interpretations of state and federal employment laws and regulations, including those governing employee classification and wage and hour regulations, may impact industry practices and our company owned brokerage operations. Real estate licensing laws generally permit brokers to engage sales associates as independent contractors but require that the broker supervise their activities. Several of our pending litigation matters include claims alleging employee misclassification and non-compliance with wage and hour regulations, and an adverse outcome in any such litigation could harm our business and financial condition.

Regulation of Title Insurance and Settlement Services. Many states license and regulate title agencies/settlement service providers or certain employees and underwriters through their Departments of Insurance or other regulatory body. In many states, title insurance rates are either promulgated by the state or are required to be filed with each state by the agent or underwriter, and some states promulgate the split of title insurance premiums between the agent and underwriter. States sometimes unilaterally lower the insurance rates relative to loss experience and other relevant factors. States also require title agencies and title underwriters to meet certain minimum financial requirements for net worth and working capital. In addition, the insurance laws and regulations of Texas, the jurisdiction in which our title insurance underwriter subsidiary, TRGC, 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. Our insurance underwriter is also subject to a holding company act in its state of domicile, which regulates, among other matters, investment policies and the ability to pay dividends.

Certain states in which we operate have "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 service providers, on the other hand. We are aware of the states imposing such limits and monitor the others to ensure that if they implement such a limit that we will be prepared to comply with any such rule. "Controlled business" typically is defined as sources controlled by, or which control, directly or indirectly, the title insurer or agent. Pursuant to legislation enacted in the State of New York in late 2014 requiring the licensing of title agents, the New York Department of Insurance has issued regulations that provide that title agents with affiliated businesses may not accept referrals from affiliated sources unless they also have significant and multiple sources of non-affiliated business. We are not aware of any other recent or pending controlled business legislation. A company's failure to comply with such statutes could result in the non-renewal of the Company's license to provide title and settlement services. We provide our services not only to our affiliates but also to third-party businesses in the geographic areas in which we operate. Accordingly, we manage our business in a manner to comply with any applicable "controlled business" statutes by ensuring that we generate sufficient business from sources we do not control. We have never been cited for failing to comply with a "controlled business" statute.

Dodd-Frank Act. Dodd-Frank endows the CFPB with rulemaking, examination and enforcement authority involving consumer financial products and services, including mortgage finance. CFPB has issued a myriad of proposed and final rules which could materially and adversely affect the mortgage and housing industries. Dodd-Frank establishes new standards and practices for mortgage originators, including determining a prospective borrower's ability to repay its mortgage and restricting the fees that mortgage originators may collect.



On January 10, 2013, the CFPB issued a final rule implementing portions of Dodd-Frank requiring creditors to make a "reasonable, good faith determination of a consumer's ability to repay" mortgage loans and also creates protections from liability for certain loans that satisfy the requirements of "qualified mortgages." The rule became effective on January 10, 2014. While there are various nuances and exceptions to the rule, the general criteria to be considered a qualified mortgage include: (1) the loan cannot contain certain undesirable terms or features (negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years); (2) the loan must be purchased or guaranteed by a Government Sponsored Enterprise ("GSE") or not have an excessive debt-to-income ratio; (3) the creditor must verify income or assets; and (4) the points and fees cannot exceed 3 percent of the loan amount. Fees paid to an affiliated title company are included within the "points and fees" when calculating whether a loan satisfies the 3 percent criteria, while fees paid to an unaffiliated company are not included with the definition of points and fees. This differing treatment means that in certain situations, whether a

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loan is considered a qualified mortgage will depend on whether the title company was affiliated with the lender. This 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. Additionally, this could negatively impact the volume of loans originated by PHH Home Loans.

In October 2014, final regulations were issued defining "qualified residential mortgages" ("QRM"). The definition of QRM in the final rule aligns with the CFPB's definition of "qualified mortgages." The final rule will become effective on December 24, 2015 for residential mortgage-backed securitizations and December 24, 2016 for all other securitizations.

In November 2013, the CFPB issued a final rule, effective August 2015, integrating certain mortgage disclosure forms and outlining new requirements related to the closing of certain real estate transactions. The new rule mandates use of a new Closing Disclosure and requires that the Closing Disclosure be delivered three business days before closing on the loan. Implementing the rule will require changes to multiple technology platforms within TRG as well as require training for all TRG personnel directly involved in the closing process.

Item 1A. Risk Factors.

You should carefully consider each of the following risk factors and all of the other information set forth in this Annual Report. The risk factors generally have been separated into three groups: (1) risks relating to our business; (2) risks relating to our indebtedness; and (3) risks relating to an investment in our common stock. 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. However, the risks and uncertainties are not limited to those set forth in the risk factors described below. 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.

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. From mid-2005 through 2011, the residential real estate market sustained a deep and prolonged downturn. Beginning in 2012, the U.S. residential real estate industry began its current recovery. According to NAR, in the first two years of the current housing recovery—2012 and 2013—homesale transaction volume (average homesale price multiplied by homesale transactions) improved 15% and 19%, respectively. According to NAR, homesale transaction volume growth slowed to 1% in 2014 compared to 2013. We cannot predict the duration or continued strength of the housing recovery. If the residential real estate market or the economy as a whole does not continue to improve or worsens, our business, financial condition and liquidity may be materially adversely affected, 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:

- high levels of unemployment and the continued slow recovery of wages;
- 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;
- economic instability stemming from ongoing high levels of U.S. government debt;
  - legislative or regulatory changes that would adversely impact the residential real estate market and federal and/or state income tax changes that impact our industry, such as the loss or caps on the deductions including potential limits on, or elimination of, the deductibility of certain mortgage interest expense; and other tax reform affecting real estate and/or real estate transactions;
  -

increasing mortgage rates and down payment requirements and/or constraints on the availability of mortgage financing;  
insufficient or excessive regional home inventory levels;

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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;

the inability or unwillingness of homeowners to enter into homesale transactions due to first-time homebuyer

concerns about investing in a home and move-up buyers having limited or negative equity in their existing homes;

a decrease in the affordability of homes;

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

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

A decline or lack of sustained growth in existing homesales would also reduce the demand for our title and settlement services and reduce the referral fees earned by our relocation services business.

A continuing housing recovery should result in an increase in our revenues but could put downward pressure on brokerage commissions, which could negatively impact the rate of our revenue growth. In addition, in a growing housing market, sales associates, under certain circumstances, may achieve a higher proportion of the commissions earned on a homesale transaction, which could adversely affect the operating margins of our Company owned residential brokerages. Similarly, our revenue growth could be negatively affected if the net effective royalty rate on royalties our real estate franchise segment receives from our franchisees falls. In general, most of our third-party franchisees are entitled to volume incentives. These incentives decrease during times of declining homesale transaction volumes and increase during market recoveries when there is a corresponding increase in homesale transaction volume.

Adverse developments in general business and economic 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.

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 which could have a material adverse effect on our financial condition and our results of operations.

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

During the past several years, many lenders have significantly tightened their underwriting standards, and many alternative mortgage products have become less available in the marketplace. Underwriting standards could be further tightened, as a result of changes in regulations, including regulations enacted to increase guarantee fees of federally insured mortgages and/or to reduce the maximum loan limits on mortgage guarantees by Fannie Mae and Freddie Mac. More stringent mortgage underwriting standards could adversely affect the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes, which would adversely affect our operating results. 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.

Numerous pieces of legislation seeking various types of changes for GSEs have been introduced in Congress to reform the U.S. housing finance market, including, among other things, changes designed to reduce government support for housing finance and the winding down of Freddie Mac and Fannie Mae over a period of years. Legislation, if enacted, or additional regulation 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 effect on the housing market in general and our operations in particular.

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Rules and regulations implemented under Dodd-Frank may, among other things, adversely affect the housing industry and our business.

On July 21, 2010, Dodd-Frank was signed into law for the express purpose of regulating the financial services industry. Dodd-Frank and regulations promulgated pursuant to such legislation could:

- materially and adversely affect the mortgage and housing industries;
- result in heightened federal regulation and oversight of the mortgage and housing industries;
- increase mortgage costs and, as a result, limit mortgage availability;

- curtail affiliated business transactions;
- and/or

• result in increased costs and potential litigation for housing market participants.

As a participant in the housing industry, and a company that has affiliated businesses, existing as well as new regulations implemented under Dodd-Frank could have a material adverse impact on our operations.

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 cost of our interest-bearing liabilities.

Interest rates are at near historic lows and we could be negatively impacted by any rising interest rate environment. As mortgage rates rise, the number of homesale transactions may decrease as potential home sellers choose to stay with their lower mortgage rate rather than sell their home and pay a higher mortgage rate with the purchase of another home, and potential home buyers choose to rent rather than pay higher mortgage rates. An increase in mortgage rates would also be expected to reduce the number of homesale refinancing transactions, which could materially adversely impact our earnings from the PHH Home Loans joint venture as well as impact the revenue stream of our title and settlement services segment. 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 a material adverse effect on our business, results of operations and financial condition.

Our company owned brokerage operations are subject to geographic and high-end real estate market risks, which could 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 realizes 62% of its revenues in California, Florida and the New York metropolitan area. For the year ended December 31, 2014, NRT realized approximately 28% of its revenues from California, 24% from the New York metropolitan area and 10% from Florida. A downturn in residential real estate demand or economic conditions that is concentrated in these regions could result in a decline in NRT's total gross commission income and profitability disproportionate to the downturn experienced throughout the U.S. and could 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 could have a disproportionate adverse effect on our title and settlement services business as well. A downturn in residential real estate demand or economic conditions in these states could 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. Such a shift, absent an increase in transactions, would have an adverse effect on our operating results.

Our financial results are affected by the operating results of our 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. In addition, we may have to increase our bad debt and note reserves. We may also have to terminate franchisees due to non-reporting and non-payment. Gross closed commission income of our new franchisees may never

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materialize and accordingly we may not receive any material royalty revenues from new franchisees. 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 net royalty rates, non-standard incentives and higher expenses from licensing fees.

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

Our franchisees are independent business operators and their sales associates 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 affiliate with effective independent sales associates or employees. If our franchisees or their 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 involving our franchisees, including regarding their relationships with independent sales associates and employees, may also lead to direct claims against us based on theories of vicarious liability, negligence and joint employer liability.

Additionally, franchisees and their 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 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.

We may not be able to successfully develop, license and scale our Zap technology to our franchisees, which could adversely affect our ability to retain existing franchisees and recruit new franchisees.

In 2014, we acquired ZipRealty, an innovative residential real estate brokerage and developer of proprietary technology platforms for real estate brokerages, independent sales associates and customers. During 2015, we expect to introduce ZipRealty's comprehensive, turnkey integrated Zap technology platform, that includes a CRM system, to certain of our franchisees, ahead of a broader rollout of these tools. We may incur unforeseen expenses in the development of a scalable Zap platform and may encounter delays in the roll out of this product to our franchisees. To provide this platform to franchisees, we will need to obtain MLS data throughout the U.S. in the markets in which our franchisees operate. We expect to obtain MLS data as a vendor of the franchisees that license the Zap platform, but we may encounter delays in obtaining that data from local MLSs. There also can be no assurance that even if the Zap platform becomes scalable, that our franchisees will have a demand for the Zap platform or related products. Further, franchisees that seek a CRM tool may license products from third parties, and franchisees that have existing CRM systems may not switch to the Zap platform. Our inability to successfully license the Zap platform to a significant portion of our franchisee base could adversely affect our ability to retain existing franchisees or recruit new franchisees.

Clients of our relocation business may terminate their contracts at any time, and clients of our lender channel business at TRG 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 and are non-exclusive. If a client terminates its contract, we will only be compensated for services performed up to the time of termination and reimbursed for 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 business could also be materially adversely affected if there is a material



reduction in the volume of business we receive from these customers.

We are reliant on third-party suppliers to perform services on our behalf.

Aspects of our business, such as our relocation segment, are performed on our behalf by third-party suppliers. In many instances these suppliers are in direct contact with our customers in order to deliver services on our behalf. If our third-party suppliers were to provide diminished services to our customers, our image and reputation could be materially adversely

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affected. In addition, we could also be subject to litigation and regulatory claims arising out of the performance of our third-party suppliers based on theories of vicarious liability, negligence or failure to comply with laws and regulations including the Foreign Corrupt Practices Act.

Actions by the independent sales associated engaged by our Company owned brokerages could materially and adversely affect our reputation and subject us to liability.

Our Company owned brokerage operations rely on the performance of independent sales associates. If the independent sales associates were to provide diminished services to our customers, our image and reputation could be materially adversely affected. In addition, we could also be subject to litigation and regulatory claims arising out of their performance, which if adversely determined, could materially and adversely affect us.

Loss or attrition among our senior executives or other key employees could adversely affect our financial performance.

Our success is largely dependent on the efforts and abilities of our executive officers and other key employees, particularly those who have many years of experience in the residential real estate market. Our ability to retain our executive officers and key employees is generally subject to numerous factors, including the compensation and benefits we pay. If we were to lose several of our executive officers or key employees in a relatively short period of time and were unable to promptly fill their positions with comparably qualified individuals, our business may be adversely affected.

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, including treble damages and penalties. Adverse outcomes 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 company owned brokerage operations, employment law claims, including claims challenging the classification of sales associates as independent contractors (see Bararsani litigation described under "Item 3 -Legal Proceedings"), actions against our title company for defalcations on closing payments or alleging it knew or should have known others were committing mortgage fraud, standard brokerage disputes like the failure to disclose hidden defects in the property such as mold, vicarious liability based upon conduct of individuals or entities outside of our control, including franchisees and independent sales associates, antitrust and anti-competition claims, general fraud claims and compliance with wage and hour regulations, and claims alleging violations of RESPA or state consumer fraud statutes. In addition, class action lawsuits can often be particularly vexatious litigation given the breadth of claims, the large potential damages claimed and the significant costs of defense. The risks of litigation become magnified, and the costs of settlement increase, in class actions in which the courts grant partial or full certification of a large class. 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.

Adverse decisions in litigation against companies unrelated to us could impact our business practices and those of our franchisees in a manner that adversely impacts our financial condition and results of operations.

Litigation and claims against other participants in the residential real estate industry may impact the Company when the rulings in those cases cover practices common to the broader industry. Examples may include claims associated with RESPA compliance, broker fiduciary duties, and sales agent classification. Similarly, the Company may be impacted by litigation and other claims against companies in other industries. Rulings on matters such as the enforcement of arbitration agreements and worker classification may adversely affect the Company and other residential real estate industry participants as a result of the classification of sales agents as independent contractors,

irrespective of the fact that the parties subject to the rulings are in a different industry. There is active worker classification litigation in numerous jurisdictions, including Massachusetts, California, New Jersey and New York, against a variety of industries where the plaintiffs seek to reclassify independent contractors as employees or to challenge the use of federal and state minimum wage and overtime exemptions. To the extent the defendants are unsuccessful in these types of litigation matters, and we or our franchisees cannot distinguish our or their practices (or our industry's practices), we and our franchisees could face significant liability and we and our franchisees could be required to modify certain business relationships, either of which could materially and adversely impact our financial condition and results of operations.

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Our relationship with our employees is subject to an array of different employment, tax reporting and regulatory obligations and any significant failure to comply with these obligations could materially and adversely affect our business.

These obligations relate to federal and state tax codes, federal and state wage and hour laws, state unemployment, workers' compensation and disability tax laws, and anti-discrimination and workplace safety laws. Each state has unique wage and hour laws, which have been the subject of increasing litigation nationwide. In addition, each state has its own rules and tests for classification of independent contractors as well as to determine whether employees meet exemptions from minimum wages and overtime laws. These tests consider many factors that also vary from state to state. The tests have evolved based on state case law decisions, regulations and legislative changes, and frequently involve factual analysis. In addition, states have laws and regulations concerning the licensing of real estate agents. While these laws and regulations may have separate provisions related to the classification of sales agents as independent contractors, there can be no assurance that courts will follow the tests in these real estate specific laws and regulations when they differ from those in labor statutes and regulations. When companies are found to have misclassified workers as independent contractors instead of employees, courts can impose significant penalties and damages.

The legal relationship between residential real estate brokers and licensed sales agents throughout the industry historically has been that of independent contractor. The Company is now faced with a case in southern California alleging improper classification of real estate sales agents. Although we believe our classification practices are proper and consistent with the legal framework for such classification, to the extent challenges and claims develop further, our Company owned brokerage operations could face substantial litigation or disputes in other states, including the risk of court or regulatory determinations that certain groups of real estate agents should be reclassified as employees and entitled to unpaid minimum wage, overtime, benefits, expense reimbursement and other employment obligations. Significant reclassification determinations in the absence of available exemptions from minimum wage or overtime laws, including damages and penalties for prior periods, could be disruptive to our business, constrain our operations in certain jurisdictions and have a material adverse effect on the operational and financial performance of the Company. In addition, real estate agent reclassification could have a material adverse effect on the operational and financial performance of our franchisees and our competitors.

We are reliant upon information technology to operate our business and maintain our competitiveness.

Our business, including our ability to attract employees and independent sales agents, increasingly depends upon the use of sophisticated information technologies and systems, including technology and systems (mobile and otherwise) utilized for communications, marketing, productivity tools, lead generation, records of transactions, business records (employment, accounting, tax, etc.), 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 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.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.

Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures known as advanced persistent threats, directed at the Company and/or its third party service providers. In the ordinary course of our business, we and our third-party service providers collect and store sensitive data, including our proprietary business information and

intellectual property, and that of our clients and personally identifiable information of our customers. Additionally, we increasingly rely on third-party data storage providers, including cloud storage solution providers. The secure processing, maintenance and transmission of this information are critical to our operations and with respect to information collected and stored by our third-party service providers, we are reliant upon their security procedures. While we and our third-party service providers have experienced, and expect to continue to experience, these types of threats and incidents, none of them to date have been material to the Company. Although we employ comprehensive measures to prevent, detect, address and mitigate these

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threats (including access controls, data encryption, vulnerability assessments and maintenance of backup and protective systems), and conduct diligence on the security measures employed by key third-party service providers, cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties, including personally identifiable information) and the disruption of business operations. Our business interruption insurance may be insufficient to compensate us for losses that may occur. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, diminution in the value of the services we provide to our customers, and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations.

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

Our trademarks, trade names, domain names 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 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 our competitive advantages 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 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 our international Sotheby's International Realty® franchisees and the material terms of our international franchise agreements governing our relationships with our Sotheby's International Realty® franchisees located outside the U.S., which approval cannot be unreasonably withheld or delayed. If Sotheby's

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unreasonably withholds or delays its approval for new international franchisees, our relationship with Sotheby's 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. In addition, any significant difficulties in the business of the brand owners could negatively reflect on the brand and the brand value. 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 harm the joint venture or be contrary to our best interests and may adversely affect our results of operations or equity interest in the joint venture.

The earnings and dividends we receive from our joint venture PHH Home Loans may continue to be materially adversely affected by developments in the mortgage industry as well as operational or liquidity risks to the joint venture or PHH.

Our joint venture may continue to 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. Earnings and dividends from PHH Home Loans and the related marketing fees that our franchise segment earns from PHH also could be materially adversely affected by the impact and outcome of litigation and investigations affecting the joint venture or PHH as well as operational or liquidity risks to the joint venture or PHH.

In the event of a termination of our joint venture PHH Home Loans, we may not be able to find an alternative partner, which could negatively impact our business.

Either party has the right to terminate the joint venture upon the occurrence of certain events, such as a material breach, or the insolvency of the other party. In addition, we may terminate the joint venture upon a change of control of PHH involving certain entities that we have enumerated (and which may be updated by us once every two years) or any competitor of ours. Upon any termination of the joint venture by us as a result of any of the events described in this paragraph, we may require that PHH purchase our interest or sell its interest to a buyer designated by us.

In addition, we may terminate the joint venture at our election by providing two years' prior notice to PHH at any time after January 31, 2015, 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. If we exercise our two-year termination right, we may require that PHH purchase our interest or sell its interest to a buyer designated by us. The purchase price of the joint venture interest being sold by Realogy or PHH, as the case may be, pursuant to the termination right described in this paragraph will be the fair value of such interest determined through a valuation process and taking into account all relevant facts and circumstances, including, in the case of Realogy putting its shares to PHH, the consequences of such put (including, but not limited to, the automatic termination of all of the joint venture agreements).

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. In addition, we might be unsuccessful in engaging in the loan origination business without a partner. 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.

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 five thousand dollars for claims on any one policy, though our insurance risk is not limited if we are negligent. Our title underwriter 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; however, 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 title agencies or our underwriter's independent title agents. We carry errors and omissions insurance for errors made by our

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company owned brokerage business during the real estate settlement process as well as errors by us related to real estate services. Our franchise agreements also require our franchisees to name us as an additional insured on their errors and omissions and general liability insurance policies. The occurrence of a significant claim in excess of our insurance coverage (including any coverage under franchisee insurance policies) 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, particularly given our high transactional volumes in our company owned brokerage, title and settlement services and our relocation businesses. 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. 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 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, franchisees, independent sales agents and lender channel 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 \$251 million at December 31, 2014.

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, and therefore limit our ability to 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. At December 31, 2014, \$269 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, and may again

experience, significant disruptions which may have the effect of increasing our cost of funding or reducing our access to these markets in the future.

In addition, the Apple Ridge securitization facility 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: (1) those tied to the age and quality of the underlying assets; (2) a change of control; (3) a breach of our senior secured leverage

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ratio covenant under our senior secured credit facility if uncured; and (4) 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. If securitization financing is not available to us for any reason, we could be required to borrow under the revolving credit facility, which would adversely impact our liquidity, or we may be required to find additional sources of funding which may be on less favorable terms or may not be available at all.

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 and our ability to grow our franchisor business is also dependent on the operational and financial success of 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 or prospective franchisees products and services similar to us at rates that are lower than we charge.

We face the risk that currently unaffiliated brokers may not enter into franchise agreements with us 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. Additionally, unaffiliated brokers may decide not to enter into a franchise relationship with us as they may believe that their business will be more attractive to a prospective purchaser without the existence of an existing franchise relationship.

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.

Our ability to succeed as a franchisor is largely dependent on the efforts and abilities of our franchisees to attract and retain independent sales associates, which is subject to numerous factors, including the sales commissions they receive and their perception of brand value. If our franchisees fail to attract and retain successful independent sales associates, our business as a franchisor may be materially adversely affected.

Listing aggregators and other web-based real estate service providers may also begin to compete for part of our franchisor service revenue through referral or other fees and could disintermediate our relationships with our franchisees and our franchisees' relationships with their independent sales agents and buyers and sellers of homes. Our company owned brokerage business, like that of our franchisees, generally faces intense competition. We compete with other national independent real estate organizations, 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. 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.

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 our company owned brokerage business by establishing relationships with independent sales agents and/or buyers and sellers of homes.

Our average homesale commission rate per side in our Company Owned Real Estate Services segment has declined from 2.62% in 2002 to 2.47% for the year ended December 31, 2014. 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 attract to those firms. This business model may be appealing to certain agents

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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. 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.

In our relocation services business, we compete primarily with global and regional outsourced relocation service providers. As the relocation business continues to become more global in nature with greater emphasis on relocation of employees throughout the world, we expect to 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.

The sale of franchises is regulated by various state laws as well as by 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 company owned 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 limitations 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 and are responsible for the conduct of their brokerage business.

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 Dodd-Frank, administration of RESPA has been moved from HUD to the CFPB. The CFPB is taking an expansive reading of RESPA and has been more active in enforcement efforts, which we believe creates increased regulatory risk to the mortgage and title and settlement services industries.

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.

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

Pursuant to legislation enacted in the State of New York in late 2014 requiring the licensing of title agents, the New York Department of Insurance has issued regulations that provide that title agents with affiliated businesses may not

accept referrals from affiliated sources unless they also have significant and multiple sources of non-affiliated business.

In all of our business units there is a risk that we could be adversely affected by current laws, regulations or interpretations or that more restrictive laws, regulations or interpretations that could increase responsibilities and duties to customers and franchisees and other parties. The adoption of which could make compliance more difficult or expensive.

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There is also a risk that a change in current laws could adversely affect our business. 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. Our international business activities, and in particular our relocation business, must comply with applicable laws and regulations, including the Foreign Corrupt Practices Act and U.K. Bribery Act that impose sanctions on improper payments.

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.

At varying times, 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. 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 and for target companies to find our acquisition proposals more favorable than those made by companies with which we compete.

We may not realize anticipated benefits from acquisitions.

Integrating acquired companies involves complex operational and personnel related challenges, 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

• 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.

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. We may not be able to maintain



these cost savings and other benefits in the future.

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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 the year ended December 31, 2014, revenues from these operations represented approximately 2% of our 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;
- onerous employment laws;
- diminished ability to legally enforce our contractual rights and use of our trademarks in foreign countries;
- difficulties in registering, protecting or preserving trade names and trademarks in foreign countries;
- difficulties in complying with franchise disclosure and registration requirements in foreign countries;
- restrictions on the ability to obtain or retain licenses required for operations;
- withholding and other taxes on third party cross-border transactions as well as remittances and other payments by subsidiaries;
- changes in foreign taxation structures;
- compliance with the Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act or similar laws of other countries; and
- data protection and privacy laws.

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, 2014, for financial reporting purposes, we estimated that required cash contributions will be between \$9 million and \$10 million each year for the next five years and approximately \$51 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 net operating losses ("NOLs") and other tax attributes may be limited.

Our ability to utilize NOLs and other tax attributes could be limited by the "ownership change" we underwent within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of the sale of our common stock in our initial public offering and the related transactions. An ownership change is generally defined as a greater than 50 percentage point increase in equity ownership by 5% stockholders in any three-year period. Pursuant to rules under Section 382 of the Code and a published Internal Revenue Service (the "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 the limitation on our ability to utilize our NOLs resulting from our ownership change should be significantly reduced as a result of our net unrealized built-in gain. Even assuming we are able to use our unrealized built-in gain, the cash tax benefit from our NOLs is dependent upon our ability to generate sufficient taxable income. Although we believe that we will be able to generate sufficient taxable income to fully utilize our NOLs, we may be unable to earn enough taxable income prior to the expiration of our NOLs.



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

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 Group has assumed partial liability under the Separation and Distribution Agreement (as defined below) could be material with respect to our earnings or cash flows in any given reporting period.

**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 December 31, 2014, our total debt, excluding our securitization obligations, was \$3,910 million (without giving effect to outstanding letters of credit). Our liquidity position has been, and is expected to continue to be, negatively impacted by the substantial interest expense on our debt obligations. While we intend to use a substantial portion of future free cash flow generation to reduce our outstanding indebtedness, there can be no assurance that we will be able to generate free cash flow from operations or reduce the level of our indebtedness in the future.

Our 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;

it could cause us to be unable to comply 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 and the Secured 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;

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 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.

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. If we are unable to comply with the senior secured leverage ratio covenant or other restrictive covenants and we fail to remedy or avoid a default as permitted under the senior secured credit facility, 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;

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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 or the Secured Notes, any of which could result in an event of default under the indentures governing the Secured 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 Secured 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 Secured Notes. We have pledged a significant portion of our assets as collateral to secure such indebtedness. If the lenders under our senior secured credit facility or holders of the Secured 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.

In addition, if an event of default is continuing under our senior secured credit facility, the indentures governing the Unsecured Notes, the Secured 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 December 31, 2014, \$1,887 million of our borrowings under our senior secured credit facility was at variable rates of interest thereby exposing us to interest rate risk. If interest rates increase from their current historically low rates, 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 December 31, 2014.

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 Unsecured Notes and the Secured Notes contain various negative covenants that restrict our ability to engage in various activities, including but not limited to incurring additional debt, paying dividends, repurchasing or redeeming capital stock or making loans, investments or acquisitions. Additional indebtedness permitted to be incurred under our current debt agreements as well as future indebtedness we may incur also may contain negative covenants restricting our ability to engage in various activities. 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.

**Risks Related to an Investment in Our Common Stock**

The price of our common stock may fluctuate significantly.

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:

sales of common stock by members of our management team or future sales of substantial amounts of our common stock in the public market, including but not limited to shares we may issue from time to time as consideration for future acquisitions or investments;

our operating and financial performance and prospects;

housing and mortgage finance markets;

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;

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;

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• changes in earnings estimates or recommendations by sell-side securities analysts who track our common stock or ratings changes or commentary by rating agencies on our debt;

• 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;

• actual or potential changes in laws, regulations and regulatory interpretations;

• changes in demographics relating to housing such as household formation;

• changing consumer attitudes concerning home ownership;

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

• arrival and departure of key personnel;

• adverse resolution of new or pending litigation, arbitration or regulatory proceedings against us; and

• 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. 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.

Texas insurance laws and regulations may delay or impede purchases of 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. Certain purchasers of our common stock could be subject to approvals from the Texas Department of Insurance which could significantly delay or otherwise impede their ability to complete such purchase.

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

We have no plans to pay regular dividends on our common stock and anticipate that a significant amount of any free cash flow generated from our operations will be utilized to redeem or prepay outstanding indebtedness and accordingly would not be available for dividends. 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. 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. 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 amended and restated bylaws 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:

- 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;





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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;

prohibit stockholders from acting by written consent; 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.

The foregoing factors 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 our investors' ability to realize any potential change-in-control premium. 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 authorizes 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.

Item 2. Properties.

Corporate headquarters. Our corporate headquarters is located at 175 Park Avenue in Madison, New Jersey with a lease term expiring in December 2029. The lease consists of approximately 270,000 square feet and the payment of base rent began in July 2014.

Real estate franchise services. Our real estate franchise business conducts its main operations at our leased office at 175 Park Avenue in Madison, New Jersey.

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Company owned real estate brokerage services. As of December 31, 2014, our company owned real estate brokerage segment leased approximately 4.6 million square feet of domestic office space under approximately 933 leases. Its corporate headquarters and one regional headquarters facility are located in leased offices at 175 Park Avenue, Madison, New Jersey. As of December 31, 2014, NRT leased 7 facilities serving as regional headquarters, 22 facilities serving as local administration, training facilities or storage, and more than 725 brokerage sales offices under 863 leases. These offices are generally located in shopping centers and small office parks, generally with lease terms of one to five years. Included in the 933 leases are 40 leases which are vacant and/or subleased offices, principally relating to brokerage sales office consolidations.

Relocation services. Our relocation business has its main corporate operations in a leased building in Danbury, Connecticut with a lease term expiring in November 2030. There are leased offices in the U.S., located in Lisle, Illinois; Irving, Texas; Omaha, Nebraska; Memphis, Tennessee; Folsom, California; Irvine, California; St. Louis Park, Minnesota; and Bellevue, Washington. International offices include leased facilities in the United Kingdom, Hong Kong, Singapore, China, Brazil, Germany, France, Switzerland, Canada and the Netherlands.

Title and settlement services. Our title and settlement services business conducts its main operations at a leased facility in Mount Laurel, New Jersey, pursuant to a lease expiring in December 2021. As of December 31, 2014, this business also has leased regional and branch offices in 24 states and Washington, D.C.

We believe that all of our properties and facilities are well maintained.

Item 3. Legal Proceedings.

Legal—Real Estate Business

*Bararsani v. Coldwell Banker Residential Brokerage Company.* On November 15, 2012, plaintiff Ali Bararsani filed a putative class action complaint in Los Angeles Superior Court, California, against Coldwell Banker Residential Brokerage Company ("CBRBC") alleging that CBRBC had misclassified current and former affiliated sales associates as independent contractors when they were actually employees. The complaint, as amended, further alleges that, because of the misclassification, CBRBC has violated several sections of the California Labor Code including one for failing to reimburse the plaintiff and purported class for business related expenses and a second for failing to keep proper records. The amended complaint also asserts an Unfair Business Practices claim for misclassifying the sales associates. The Plaintiff, on behalf of a purported class, seeks the benefit of the California labor laws for expenses and other sums, plus asserted penalties, attorneys' fees and interest. The Company believes that CBRBC has properly classified the sales associates as independent contractors and that it has and continues to operate in a manner consistent with applicable law, and longstanding, widespread industry practice for many decades.

On July 31, 2013, CBRBC filed a Demurrer with the Court seeking to dismiss the amended complaint. The Demurrer asserted that the claims raised by the plaintiff were without basis under California law because the California Business and Professions Code sets out the applicable three-part test for classification of real estate sales associates as independent contractors and all elements of the test have been satisfied by CBRBC and the affiliated sales associates. Plaintiff filed an Opposition on August 12, 2013 and a hearing was held on August 28, 2013. The Court denied the Demurrer and stated that it would look to the more complex multi-factor common law test to determine whether the plaintiff was misclassified. CBRBC filed a Petition for a Writ of Mandate with the California Court of Appeal seeking its discretionary review of that decision on September 30, 2013 and on November 8, 2013, the Court of Appeal denied the Petition.

On March 25, 2014, the Court denied plaintiff's ex parte application which sought, in part, to invalidate, for purposes of this litigation, arbitration clauses with class action waivers in independent contractor agreements executed by some putative members of the class following the commencement of the litigation. Plaintiffs filed a Writ of Mandate with the California Court of Appeal seeking its discretionary review of the Court's decision to deny plaintiff's application. On June 2, 2014, the Court of Appeal summarily denied the petition. The case is now in the discovery phase. The next case status conference is scheduled for March 2, 2015.

The case raises significant classification claims that potentially apply to the real estate industry in general and that have not been previously challenged in any significant manner in California or many other jurisdictions. As with all

class action litigation, the case is inherently complex and subject to many uncertainties. We believe that CBRBC has properly classified the current and former affiliated sales associates. There can be no assurance, however, that if the action continues and a large class is subsequently certified, the plaintiffs will not seek a substantial damage award, penalties and other remedies. Given the stage of this case, the novel claims and issues presented and the great uncertainties regarding which sales

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associates, if any, may be part of a class, if one is certified, we cannot estimate a range of reasonably potential losses for this litigation. The Company believes it has complied with all applicable laws and regulations and will vigorously defend this action.

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

Legal—Cendant Corporate Litigation

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

\* \* \*

The Company believes that it has adequately accrued for legal matters as appropriate. The Company records litigation accruals for legal matters which are both probable and estimable.

Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. In addition, class action lawsuits can be costly to defend and, depending on the class size and claims, could be costly to settle. As such, the Company could incur judgments or enter into settlements of claims with liability that are materially in excess of amounts accrued and these settlements could have a material adverse effect on the Company's financial condition, results of operations or cash flows in any particular period.

Litigation and claims against other participants in the residential real estate industry may impact the Company when the rulings in those cases cover practices common to the broader industry. Examples may include claims associated with RESPA compliance, broker fiduciary duties, and sales agent classification. Similarly, the Company may be impacted by litigation and other claims against companies in other industries. Rulings on matters such as the enforcement of arbitration agreements and worker classification may adversely affect the Company and other residential real estate industry participants as a result of the classification of sales agents as independent contractors, irrespective of the fact that the parties subject to the rulings are in a different industry. There is active worker classification litigation in numerous jurisdictions, including Massachusetts, California, New Jersey and New York, against a variety of industries where the plaintiffs seek to reclassify independent contractors as employees or to challenge the use of federal and state minimum wage and overtime exemptions. To the extent the defendants are unsuccessful in these types of litigation matters, and we or our franchisees cannot distinguish our or their practices (or our industry's practices), we and our franchisees could face significant liability and we and our franchisees could be required to modify certain business relationships, either of which could materially and adversely impact our financial condition and results of operations.

Item 4. Mine Safety Disclosures.

None.

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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

## Market Price of Common Stock

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "RLGY". As of February 23, 2015, the number of stockholders of record was 60. The following table sets forth the quarterly high and low sales prices per share of RLGY common stock as reported by the NYSE, for the years ended December 31, 2013 and 2014:

2013	High	Low
First Quarter	\$50.33	\$40.36
Second Quarter	\$55.28	\$42.23
Third Quarter	\$51.80	\$40.61
Fourth Quarter	\$50.33	\$39.58
2014	High	Low
First Quarter	\$51.35	\$43.05
Second Quarter	\$45.04	\$34.77
Third Quarter	\$41.86	\$35.99
Fourth Quarter	\$46.94	\$32.91

## Dividend Policy

We do not currently anticipate paying dividends on our common stock. 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 "Item 1A.—Risk Factors—Risks Related to an Investment in Our Common Stock—We have no plans to pay regular dividends on our common stock, so stockholders may not receive funds without selling their common stock." Because Realogy Holdings is a holding company and has 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. 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 policyholders. 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.

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## Stock Performance Graph

The stock performance graph set forth below is not deemed filed with the Securities and Exchange Commission and shall not be deemed incorporated by reference into any of our prior or future filings made with the Securities and Exchange Commission.

The following graph compares Realogy's cumulative total shareholder return with the cumulative total return of the S&P 500 index and a peer group of companies. Since Realogy is the preeminent and most integrated provider of residential real estate services in the U.S., as well as the largest franchisor of residential real estate brokerages in the world, we selected a group of franchising companies and real estate related companies as a peer group. The cumulative total shareholder return for the index as well as the peer group includes the reinvestment of dividends. The graph assumes that the value of the investment in the Company's common shares, the index and the peer group was \$100 on October 11, 2012 and updates the value through December 31, 2014.

## Cumulative Total Return

	October 11, 2012	December 31, 2012	December 31, 2013	December 31, 2014
Realogy Holdings Corp.	\$ 100.00	\$ 122.69	\$ 144.65	\$ 130.09
S&P 500	\$ 100.00	\$ 100.07	\$ 132.48	\$ 150.62
Other real estate related and franchise companies (a)	\$ 100.00	\$ 103.53	\$ 140.87	\$ 181.09

Other real estate related and franchise companies include H&R Block, G&K Services, Cintas, CBRE Group, Jones (a) Lang LaSalle, HFF, Marriott, Intercontinental Hotels Group, Weight Watchers, Dunkin' Brands Group, Domino's Pizza, Rollins and Choice Hotels.



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## Item 6. Selected 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, 2014, 2013, and 2012 and the consolidated balance sheet data as of December 31, 2014 and 2013 have been derived from our audited consolidated financial statements included elsewhere herein. The statement of operations data for the year ended December 31, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2012, 2011 and 2010 have been derived from our consolidated financial statements not included elsewhere herein.

Neither Realogy Holdings, the indirect parent of Realogy Group, nor Realogy Intermediate, the direct parent company of Realogy Group, conducts any operations other than with respect to its respective direct or indirect ownership of Realogy Group. As a result, the consolidated financial positions and results of operations of Realogy Holdings, Realogy Intermediate and Realogy Group are the same.

The selected historical consolidated financial data and operating statistics presented below should be read in conjunction with our annual consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein. Our annual consolidated financial information may not be indicative of our future performance.

	As of or for the Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In millions, except per share data and operating statistics)				
Statement of Operations Data:					
Net revenue	\$5,328	\$5,289	\$4,672	\$4,093	\$4,090
Total expenses	5,103	5,114	5,235	4,526	4,084
Income (loss) before income taxes, equity in earnings and noncontrolling interests	225	175	(563)	(433)	6
Income tax expense (benefit) (a)	87	(242)	39	32	133
Equity in earnings of unconsolidated entities	(9)	(26)	(62)	(26)	(30)
Net income (loss)	147	443	(540)	(439)	(97)
Less: Net income attributable to noncontrolling interests	(4)	(5)	(3)	(2)	(2)
Net income (loss) attributable to Realogy Holdings and Realogy Group	\$143	\$438	\$(543)	\$(441)	\$(99)
Earnings (loss) per share attributable to Realogy Holdings:					
Basic earnings (loss) per share	\$0.98	\$3.01	\$(14.41)	\$(55.01)	\$(12.35)
Diluted earnings (loss) per share	\$0.97	\$2.99	\$(14.41)	\$(55.01)	\$(12.35)
Weighted average common and common equivalent shares used in:					
Basic	146.0	145.4	37.7	8.0	8.0
Diluted	147.2	146.6	37.7	8.0	8.0
Balance Sheet Data:					
Cash and cash equivalents	\$313	\$236	\$376	\$143	\$192
Securitization assets (b)	286	268	299	357	384
Total assets	7,538	7,326	7,445	7,350	7,569
Securitization obligations	269	252	261	327	331
Long-term debt, including short-term portion	3,910	3,905	4,366	7,150	6,892
Equity (deficit)	2,183	2,013	1,519	(1,499)	(1,063)



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	For the Year Ended December 31,					
	2014	2013	2012	2011	2010	
Operating Statistics:						
Real Estate Franchise Services (c)						
Closed homesale sides (d)	1,065,339	1,083,424	988,624	909,610	922,341	
Average homesale price (e)	\$250,214	\$233,011	\$213,575	\$198,268	\$198,076	
Average homesale brokerage commission rate (f)	2.52	% 2.54	% 2.54	% 2.55	% 2.54	%
Net effective royalty rate (g)	4.49	% 4.49	% 4.63	% 4.84	% 5.00	%
Royalty per side (h)	\$296	\$276	\$262	\$256	\$262	
Company Owned Real Estate Brokerage Services (i)						
Closed homesale sides (d)	308,332	316,640	289,409	254,522	255,287	
Average homesale price (e)	\$500,589	\$471,144	\$444,638	\$426,402	\$435,500	
Average homesale brokerage commission rate (f)	2.47	% 2.50	% 2.49	% 2.50	% 2.48	%
Gross commission income per side (j)	\$13,072	\$12,459	\$11,826	\$11,461	\$11,571	
Relocation Services						
Initiations (k)	171,210	165,705	158,162	153,269	148,304	
Referrals (l)	96,755	91,373	79,327	72,169	69,605	
Title and Settlement Services						
Purchasing title and closing units (m)	113,074	115,572	105,156	93,245	94,290	
Refinance title and closing units (n)	27,529	76,196	89,220	62,850	62,225	
Average fee per closing unit (o)	\$1,780	\$1,504	\$1,362	\$1,409	\$1,386	

For the year ended December 31, 2013, the Company recorded an income tax benefit of \$242 million which was (a) primarily due to a \$341 million release of the domestic deferred tax valuation allowance, partially offset by income taxes for 2013 income.

Represents the portion of relocation receivables and advances and other related assets that collateralize our (b) securitization obligations. Refer to Note 8, "Short and Long-Term Debt" in the consolidated financial statements for further information.

These amounts include only those relating to third-party franchisees and do not include amounts relating to the (c) Company Owned Real Estate Brokerage Services segment.

(d) A closed homesale side represents either the "buy" side or the "sell" side of a homesale transaction.

(e) Represents the average selling price of closed homesale transactions.

(f) Represents the average commission rate earned on either the "buy" side or "sell" side of a homesale transaction.

(g) Represents the average percentage of our franchisees' commission revenue (excluding NRT) paid to the Real Estate Franchise Services segment as a royalty, net of volume incentives achieved. The net effective royalty rate does not include the effect of non-standard incentives granted to some franchisees. Royalty fees are charged to all franchisees pursuant to the terms of the relevant franchise agreements and are included in each of the real estate brands' franchise disclosure documents. Non-standard incentives are occasionally used as consideration for new or renewing franchisees. Due to the limited number of franchisees that receive these non-standard incentives, we believe excluding such incentives from the net effective royalty rate provides a more meaningful average for typical franchisees. We anticipate that as the housing market recovers and our franchise revenues increase, the impact of these non-standard incentives on the net effective royalty rate will decrease accordingly. The inclusion of these non-standard incentives would reduce the net effective royalty rate by approximately 18, 16 and 16 basis

points for the years ended December 31, 2014, 2013 and 2012, respectively.

(h) Represents net domestic royalties earned from our franchisees (excluding NRT) divided by the total number of our franchisees' closed homesale sides.

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

(i) 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.

Represents gross commission income divided by closed homesale sides. Gross commission income includes

(j) commissions earned in homesale transactions and certain other activities, primarily leasing and property management transactions.

(k) Represents the total number of transferees and affinity members served by the relocation services business.

(l) Represents the number of referrals from which we earned revenue from real estate brokers.

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(m) Represents the number of title and closing units processed as a result of home purchases.

(n) Represents the number of title and closing units processed as a result of homeowners refinancing their home loans.

(o) Represents the average fee we earn on purchase title and refinancing title units.

In presenting the financial data above in conformity with general accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported. See "Item 7.—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.

Item 7. 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 contain forward-looking statements. See "Forward-Looking Statements" and "Item 1A.—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®, Coldwell Banker Commercial®, ERA®, Sotheby's International Realty® and Better Homes and Gardens® Real Estate brand names. As of December 31, 2014, our franchise systems had approximately 13,500 franchised and company owned offices and approximately 251,300 independent sales associates operating under our franchise and proprietary brands in the U.S. and 103 other countries and territories around the world. 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 and provide certain systems, programs and tools that are designed to help our franchisees serve their customers and attract new or retain existing independent sales associates. Such systems and tools include national and local marketing programs, listing and agent affiliation tools as well as technology, education and purchasing discounts through our preferred vendor programs. Franchise revenue principally consists of royalty and marketing fees from our franchisees. 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. 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 whereby we contract with and provide services directly to independent owner-operators. In other parts of the world, we employ either a master franchise model, whereby we contract with a qualified, experienced third party to build a franchise enterprise in such third party's country or region or a direct franchising model in the case of Sotheby's International Realty. 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 2014, we acquired ZipRealty, an innovative residential real estate brokerage and developer of proprietary technology platforms for real estate brokerages, independent sales associates and customers. During 2015, we expect to introduce ZipRealty's comprehensive, turnkey integrated Zap technology platform to certain of our franchisees, ahead of a broader rollout of these tools that we believe will increase the value proposition to our franchisees, their independent sales associates and their customers.

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Company Owned Real Estate Brokerage Services (known as NRT)—operates a full-service real estate brokerage business principally under the Coldwell Banker®, Corcoran Group®, Sotheby’s International Realty®, Citi Habitats and ZipRealty® brand names with approximately 45,000 independent sales agents. 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. In addition, we participate in the mortgage process through our 49.9% ownership of PHH Home Loans, our home mortgage venture with PHH.

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PHH Home Loans is the exclusive recommended provider of mortgages for our real estate brokerage and relocation service customers (unless exclusivity is waived by PHH). We also assist landlords and tenants through property management and leasing services.

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, coordinating visa and immigration support, intercultural and language training and group move management services. We provide these relocation services to corporate clients for the transfer of their employees. In addition, we provide home buying and selling assistance to members of affinity clients. 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 based on 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 earn referral commissions 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 commission, which is recognized at the time of completion of services. In addition, 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.

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 (also known as settlement 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.

### RECENT DEVELOPMENTS

In November 2014, the Company issued \$300 million of 5.25% Senior Notes in a private offering. In December 2014, the Company used the net proceeds from the offering of the 5.25% Senior Notes of approximately \$296 million, along with cash on hand, to redeem the \$332 million of outstanding 7.875% First and a Half Lien Notes plus a premium and accrued and unpaid interest.

### CURRENT INDUSTRY TRENDS

Commencing in the second half of 2005 and continuing through 2011, the U.S. residential real estate industry was in a significant and lengthy downturn. Based upon data published by NAR from 2005 to 2011, the number of annual U.S. existing homesale units declined by 40% and the median existing homesale price declined by 24%.

Beginning in 2012, the U.S. residential real estate industry began its current recovery. According to NAR, in the first two years of the current housing recovery—2012 and 2013—homesale transaction volume (average homesale price multiplied by homesale transactions) improved 15% and 19%, respectively, and the industry experienced significant refinancing activity. We believe that the improvement in 2012 and 2013 was driven by high affordability of home ownership and demand that built up during an extended period of economic uncertainty, as well as historically low mortgage rates and lower home inventory levels leading to increases in homesale prices.

According to NAR, homesale transaction volume growth slowed to 1% in 2014 compared to 2013. The homesale transaction volume gain in 2014 was primarily driven by increasing average home prices, while the number of

homesale transactions in 2014 declined year-over-year.

During 2014, we experienced an increase in homesale transaction volume of 5% due to strong demand at the high end of the housing market coinciding with lower inventory levels causing the average homesale price to increase. At the low end of the market, we believe there was a limitation on first-time buyer activity due to various factors, including an increase



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in mortgage rates in July 2013 that remained through April 2014, a continuation of difficult mortgage underwriting standards, increased down payment requirements, the impact of a slowly growing economy and lower inventory levels. These factors resulted in a shift in the mix of business away from lower-priced homes, thereby leading to a higher average homesale price, and a year-over-year decrease in the total number of homesale transactions in 2014. According to NAR, the inventory of existing homes for sale in the U.S. was 1.9 million homes at the end of December 2014 and December 2013. The December 2014 inventory represents a national average supply of 4.4 months at the current homesales pace which represents a lower than normal level of inventory.

For 2014, NAR reported in their monthly Realtor Confidence Survey that first time home buyers accounted for 29% of transactions compared to 34% for the period from August 2009 (when NAR began compiling this information) through December 2014. According to NAR's annual survey, the share of first-time buyers fell to its lowest point in nearly three decades and is preventing the housing market from reaching its full potential.

As reported by NAR, the housing affordability index has continued to be at historically favorable levels as a result of the cumulative homesale price declines that began in 2007 and historically low interest rates. An index above 100 signifies that a family earning the median income has sufficient income to purchase a median-priced home, assuming a 20 percent down payment and ability to qualify for a mortgage. The composite housing affordability index was 164 for 2014, 177 for 2013 and 197 for 2012. The housing affordability index, which has declined over the past two years as housing prices and mortgage rates increased, is still significantly higher than the average of 117 for the period from 1970 through 2005. In addition, as rental prices have continued to rise, the cost of owning a home is lower than the rental of a comparable property in the vast majority of U.S. metropolitan areas.

Mortgage rates continue to be at low levels by historical standards, which we believe has helped stimulate demand in the residential real estate market. According to Freddie Mac, mortgage rates on commitments for a 30-year, conventional, fixed-rate first mortgage averaged 6.5% for 2000 to 2005, 5.7% for 2006 to 2010 and 4.0% for 2011 through 2013. The average mortgage rate was 4.2% for 2014 and in late 2014 mortgage rates became available for under 4.0%. In addition, consumers continue to have financing alternatives such as adjustable rate mortgages which can be utilized to obtain a lower mortgage rate than a 30-year fixed-rate mortgage.

Partially offsetting the positive impact of low mortgage rates are conservative mortgage underwriting standards, increased down payment requirements and certain homeowners having limited or negative equity in homes. Mortgage credit conditions tightened significantly during the recent housing downturn, with banks limiting credit availability to more creditworthy borrowers and requiring larger down payments, stricter appraisal standards, and more extensive mortgage documentation. Although mortgage credit conditions appear to be easing slightly, mortgages remain less available to some borrowers and it frequently takes longer to close a homesale transaction due to current mortgage and underwriting requirements.

Mortgage refinancing activity also declined significantly in 2014 compared to levels experienced in 2013 and 2012. According to Fannie Mae, in 2012 refinancing originations totaled \$1,540 billion and decreased to \$1,123 billion in 2013. In 2014, refinancing originations significantly declined further to \$506 billion resulting in a 55% decline from 2013 levels. The reduction in refinancing activity in 2014 adversely impacted our share of earnings from our PHH Home Loans venture as well as refinancing related revenue and profitability at our title and settlement services operations.

Final regulations under the Dodd-Frank Act pertaining to qualified mortgages and qualified residential mortgages became effective in 2014, which we believe is a positive step towards expanding credit availability. In addition, regulators have put into effect many programs during the last quarter of 2014 and January 2015 that could result in greater homesale levels including a reduction of FHA fees charged to qualified buyers, greater clarity around guidelines for lenders being required to repurchase imperfect loans and lower down payment requirements for loans generated by Fannie Mae and Freddie Mac which we believe will help to increase the number of first-time homebuyers.



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## Homesales

According to NAR, homesale transactions for 2014 decreased to 4.9 million homes or down 3% compared to 2013. For the year ended December 31, 2014, RFG and NRT homesale transactions decreased 2% and 3%, respectively, due to an overall decrease in homebuyer activity compared to 2013 and are in line with NAR estimates. The annual and quarterly year-over-year trends in homesale transactions are as follows:

	2012 vs. 2011		2013 vs. 2012		2014 vs. 2013			
Number of Homesales								
Industry								
NAR (a)	9	%	9	%	(3	)%		
Fannie Mae (b)	9	%	9	%	(3	)%		
Realogy								
Real Estate Franchise Services	9	%	10	%	(2	)%		
Company Owned Real Estate Brokerage Services	14	%	9	%	(3	)%		
	2014 vs. 2013							
	First	Second	Third	Fourth				
	Quarter	Quarter	Quarter	Quarter				
Number of Homesales								
Industry								
NAR (a)	(7	)%	(5	)%	(4	)%	3	%
Fannie Mae (b)	(7	)%	(5	)%	(4	)%	2	%
Realogy								
Real Estate Franchise Services	(3	)%	(3	)%	(3	)%	2	%
Company Owned Real Estate Brokerage Services	(2	)%	(5	)%	(4	)%	2	%

(a) Historical existing homesale data is as of the most recent NAR press release.

(b) Existing homesale data, on a seasonally adjusted basis, is as of the most recent Fannie Mae press release. As of their most recent releases, NAR is forecasting existing homesales to increase 7% in 2015 compared to 2014 while Fannie Mae is forecasting an increase in existing homesale transactions of 5% for 2015 compared to 2014. In addition, NAR and Fannie Mae are forecasting an increase of 4% and 2% in existing homesale transactions for 2016 compared to 2015, respectively. NAR believes that the improvement in the number of homesale transactions in 2015 will be due to a strengthening economy and solid job gains. We also believe that more consumer friendly mortgage underwriting standards, a recent decline in mortgage rates below 2014 levels and improving consumer confidence may contribute to an increase in homesale transactions in 2015.

## Homesale Price

In 2014, the percentage change in the average price of homes brokered by our franchisees and company owned offices increased 7% and 6%, respectively. For our franchisees, this increase was slightly higher than the percentage change in median home price reported by Fannie Mae and existing homesale average price reported by NAR. For our company owned offices, the increase was slightly lower than those reported by NAR and Fannie Mae. We believe that the improvement in price in 2014 was due to strong demand at the high end of the housing market coinciding with lower inventory levels. The annual and quarterly year-over-year trends in the price of homes are as follows:

	2012 vs. 2011		2013 vs. 2012		2014 vs. 2013	
Price of Homes						
Industry						
NAR (a)	5	%	9	%	4	%
Fannie Mae (b)	7	%	11	%	5	%

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Realogy						
Real Estate Franchise Services	8	%	9	%	7	%
Company Owned Real Estate Brokerage Services	4	%	6	%	6	%

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	2014 vs. 2013							
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
Price of Homes Industry								
NAR (a)	7	%	3	%	3	%	4	%
Fannie Mae (b)	9	%	4	%	4	%	5	%
Realogy								
Real Estate Franchise Services	12	%	7	%	6	%	6	%
Company Owned Real Estate Brokerage Services	14	%	7	%	5	%	2	%

(a) Historical homesale price data is for existing homesale average price and is as of the most recent NAR press release.

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

As of their most recent releases, NAR and Fannie Mae are forecasting a 5% and 4% increase in the 2015 median existing homesale price compared to 2014, respectively. For 2016, NAR and Fannie Mae are both forecasting an increase of 4% in median existing homesale price compared to 2015.

\* \* \*

We believe that long-term demand for housing and the growth of our industry are primarily driven by the affordability of housing, the economic health of the U.S. economy, positive demographic trends such as population growth, the increase in household formation, historically low interest rates, job growth, the inherent attributes of homeownership vs. renting and the influence of local housing dynamics of supply vs. demand. Factors that may negatively affect a sustained housing recovery include:

- higher mortgage rates due to increases in long-term interest rates as well as reduced availability of mortgage financing;

- insufficient inventory levels leading to lower unit sales;

- changing attitudes towards home ownership, particularly among potential first-time homebuyers who may delay, or decide not to, purchase homes;

- the impact of limited or negative equity of current homeowners, as well as the lack of available inventory may limit their proclivity to purchase an alternative home;

- reduced affordability of homes;

- 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 decline 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 residential housing trends, key drivers of our Relocation Services business are global corporate spending on relocation services, which has not returned to levels that existed prior to the most recent recession, as well as employment relocation trends. Our Relocation Services business is subject to a competitive pricing environment and lower average revenue per relocation as a result of a shift in the mix of services and number of services being delivered per move. These factors have, and may continue to, put pressure on the growth and profitability of this segment.

\* \* \*

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

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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 historical data is subject to periodic review and revision and these revisions could be material. NAR and Fannie Mae generally update their forecasts on a monthly basis and a subsequent forecast may change materially from a forecast that was previously issued. 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 could materially differ.

**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, (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 and (iv) 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.

From 2007 through December 2013, the average broker commission rate remained fairly stable; however, in 2014 we had a modest decline in the average broker commission rate. We expect that over the long term the average brokerage commission rates could modestly decline as a result of increases in average homesale prices. A continuing housing recovery should result in an increase in our revenues but could put pressure on brokerage commissions.

In general, most of our third-party franchisees are entitled to volume incentives. These incentives decrease during times of declining homesale transaction volumes and increase during market recoveries when there is a corresponding increase in homesale transaction volume. As a result, the net effective royalty rate may be impacted by the cyclical residential housing market. In addition, these tiered volume incentives only impact the incremental revenues recorded and the calculation of the net effective royalty rate. From 2009 to 2013, the net effective royalty rate declined due to several factors including a consolidation of distressed franchisees into viable affiliates and company owned operations, the termination of certain franchisees who generally were not sizable enough to earn significant rebates, and in 2012 and 2013, an increase in overall homesale transaction volume. In 2014, the net effective royalty rate remained at the 2013 level.

Royalty fees are charged to all franchisees pursuant to the terms of the relevant franchise agreements and are included in each of the real estate brands' franchise disclosure documents. Non-standard incentives are sometimes used as consideration for new or renewing franchisees. Most of our franchisees do not receive these non-standard incentives and in contrast to royalties and volume incentives they are not homesale transaction based. We have accordingly excluded the non-standard incentives from the calculation of the net effective royalty rate. Had these non-standard incentives been included, the net effective royalty rate would be lower by approximately 18, 16 and 16 basis points for the years ended December 31, 2014, 2013 and 2012, respectively.

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. In addition, the share of commissions earned by sales associates directly impacts the margin earned by our Company Owned Real Estate Brokerage Services segment. Such share of commissions earned by sales associates varies by region and can increase as sales associates increase their level of homesale transactions. It also is impacted by the level of recruitment by competitors of sales associates affiliated with our brokerage. Competitive pressures can increase the commissions necessary to attract and maintain relationships with productive sales associates. Commission

schedules are generally progressive to incentivize sales associates to achieve higher levels of production. The level of commissions earned by sales associates are generally subject to review and reset on the anniversary of the sales associates' engagement with the broker.

Within our Relocation Services segment, we measure operating performance using the following key operating statistics: (i) initiations, which represent the total number of new transferees and the total number of real estate closings for affinity members and (ii) referrals, which represent the number of referrals from which we earn revenue from real estate brokers.



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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 fee per closing unit, which represents the average fee we earn on purchase title and refinancing title sides. An increase or decrease in homesale transactions will impact the financial results of our Title and Settlement Services segment; however, the financial results are not significantly impacted by a change in homesale price. In addition, an increase in mortgage rates will most likely have a negative impact on refinancing title and closing units.

A decline in the number of homesale transactions and decline in homesale prices could adversely affect our results of operations by: (i) reducing the royalties we receive from our franchisees, (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 or greater commission payments to sales associates.

The following table presents our drivers for the years ended December 31, 2014, 2013 and 2012. See "Results of Operations" below for a discussion as to how these drivers affected our business for the periods presented.

	Year Ended December 31,			Year Ended December 31,				
	2014	2013	% Change	2013	2012	% Change		
Real Estate Franchise Services (a)								
Closed homesale sides	1,065,339	1,083,424	(2 %)	1,083,424	988,624	10 %		
Average homesale price	\$250,214	\$233,011	7 %	\$233,011	\$213,575	9 %		
Average homesale broker commission rate	2.52	% 2.54	% (2) bps	2.54	% 2.54	% —		
Net effective royalty rate	4.49	% 4.49	% —	4.49	% 4.63	% (14) bps		
Royalty per side	\$296	\$276	7 %	\$276	\$262	5 %		
Company Owned Real Estate Brokerage Services								
Closed homesale sides (b)	308,332	316,640	(3 %)	316,640	289,409	9 %		
Average homesale price (c)	\$500,589	\$471,144	6 %	\$471,144	\$444,638	6 %		
Average homesale broker commission rate	2.47	% 2.50	% (3) bps	2.50	% 2.49	% 1 bps		
Gross commission income per side	\$13,072	\$12,459	5 %	\$12,459	\$11,826	5 %		
Relocation Services								
Initiations	171,210	165,705	3 %	165,705	158,162	5 %		
Referrals	96,755	91,373	6 %	91,373	79,327	15 %		
Title and Settlement Services								
Purchase title and closing units	113,074	115,572	(2 %)	115,572	105,156	10 %		
Refinance title and closing units	27,529	76,196	(64 %)	76,196	89,220	(15 %)		
Average fee per closing unit	\$1,780	\$1,504	18 %	\$1,504	\$1,362	10 %		

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

(b) Closed homesale sides, excluding the impact of larger acquisitions with an individual purchase price greater than \$20 million, would have decreased 5% for the year ended December 31, 2014 compared to 2013.

(c) Average homesale price, excluding the impact of larger acquisitions with an individual purchase price greater than \$20 million, would have increased 6% for the year ended December 31, 2014 compared to 2013.



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The following table sets forth the impact on EBITDA for the year ended December 31, 2014 assuming either our homesale sides or average selling price of closed homesale transactions, with all else being equal, increased or decreased by 1%. The impact to net income would be approximately 40% lower than the impact to EBITDA as a result of income taxes for each hypothetical change in homesale sides and average price. 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 other factors, such as changes to the average broker commission rate, agent commissions and overhead costs. Additionally, EBITDA generated by our relocation services and title and settlement services segments are not impacted by homesale sides or average selling price in the same manner as our real estate franchise services and company owned real estate brokerage services segments.

	Homesale Sides/Average Price (1)		Impact on EBITDA (in millions)	
	(units and price in thousands)		Decrease of 1%	Increase of 1%
Homesale sides change impact on:				
Real Estate Franchise Services (2)	1,065	sides	\$(3 )	\$3
Company Owned Real Estate Brokerage Services (3)	308	sides	\$(11 )	\$11
Homesale average price change impact on:				
Real Estate Franchise Services (2)	\$250		\$(3 )	\$3
Company Owned Real Estate Brokerage Services (3)	\$501		\$(11 )	\$11

(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.

Increase/(decrease) includes \$9 million of EBITDA for the company owned real estate brokerage operations and

(3) \$2 million of intercompany royalties paid by our company owned real estate brokerage operations to our real estate franchise services operations.

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## 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 (income) expense, net (other than Relocation Services interest securitization assets and securitization obligations) and income taxes, each of which is presented on our Consolidated Statements of Operations. Our presentation of EBITDA may not be comparable to similarly titled measures used by other companies.

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

Our consolidated results were comprised of the following:

	Year Ended December 31,		
	2014	2013	Change
Net revenues	\$5,328	\$5,289	\$39
Total expenses (1)	5,103	5,114	(11 )
Income before income taxes, equity in earnings and noncontrolling interests	225	175	50
Income tax expense (benefit)	87	(242 )	329
Equity in earnings of unconsolidated entities	(9 )	(26 )	17
Net income (2)	147	443	(296 )
Less: Net income attributable to noncontrolling interests	(4 )	(5 )	1
Net income attributable to Realogy Holdings and Realogy Group	\$143	\$438	\$(295 )

Total expenses for the year ended December 31, 2014 includes \$47 million related to the loss on the early extinguishment of debt, \$10 million of transaction and integration costs related to the ZipRealty acquisition and \$2 million related to the Phantom Value Plan, partially offset by a net benefit of \$10 million for former parent legacy (1) items and the reversal of prior year restructuring reserves of \$1 million. Total expenses for the year ended December 31, 2013 include \$68 million related to the loss on the early extinguishment of debt, \$47 million related to the Phantom Value Plan and \$4 million of restructuring costs, partially offset by a net benefit of \$4 million for former parent legacy items.

Net income for the year ended December 31, 2013, includes an income tax benefit of \$242 million which was (2) primarily due to a \$341 million release of the domestic deferred tax valuation allowance, partially offset by income taxes for 2013 income.

Net revenues increased \$39 million (1%) for the year ended December 31, 2014 compared with the year ended December 31, 2013, principally due to an increase in revenues for the Company Owned Real Estate Brokerage Services segment and Real Estate Franchise Services segment primarily driven by an increase in homesale price, partially offset by lower refinancing transactions at the Title and Settlement Services segment.

Total expenses decreased \$11 million primarily due to:

• \$55 million decrease in operating and general and administrative expenses driven by:

a \$50 million decrease in variable operating costs at our Title and Settlement Services segment as a result of a decrease in refinancing and refinance-related underwriter transactions; and

a \$37 million decrease in employee-related costs primarily due to a \$45 million decrease in Phantom Value Plan charges and a \$33 million decrease in annual bonus, partially offset by a \$41 million increase in other employee-related expenses;

partially offset by

a \$33 million increase in costs primarily related to NRT brokerage acquisitions completed during the year ended December 31, 2014; and  
a \$10 million increase in transaction and integration costs related to the ZipRealty acquisition;  
a \$21 million decrease in the loss on the early extinguishment of debt due to the refinancing transactions, note redemption and note repurchase transactions completed in 2014 vs. 2013; and

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a \$14 million decrease in interest expense for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to \$50 million of lower interest expense as a result of a lower weighted average interest rate due to refinancing activities, partially offset by a net increase of \$36 million due to the impact of mark-to-market adjustments for our interest rate swaps which resulted in losses of \$32 million in 2014 compared to gains of \$4 million in the same period of 2013;

partially offset by,

a \$64 million increase in commission and other sales associate-related costs, due to the increase in revenue and the impact of a higher proportion of transactions occurring in regions with less favorable commission splits; and

a \$15 million increase in marketing expense related to advertising initiatives for the brands, online marketing costs incurred by ZipRealty and the ERA rebranding.

Equity in earnings of unconsolidated entities decreased \$17 million primarily due to lower earnings from our investment in PHH Home Loans as a result of the significant decrease in refinancing transaction volume as well as a decrease in margins in the mortgage origination business.

The provision for income taxes was an expense of \$87 million for the year ended December 31, 2014 compared to a benefit of \$242 million for the year ended December 31, 2013. Our effective tax rate for 2014 was 37% and is not comparable to 2013 due to the income tax benefit recognized. In 2013, the Company recorded an income tax benefit of \$242 million which was primarily due to a \$341 million release of the domestic deferred tax valuation allowance, partially offset by income taxes for 2013 income.

Following is a more detailed discussion of the results of each of our reportable segments for the years ended December 31, 2014 and 2013:

	Revenues (a)			EBITDA (b)			Margin		
	2014	2013	% Change	2014	2013	% Change	2014	2013	Change
Real Estate Franchise Services	\$716	\$690	4	\$463	\$448	3	65	65	—
Company Owned Real Estate Brokerage Services	4,078	3,990	2	193	206	(6)	5	5	—
Relocation Services	419	419	—	102	104	(2)	24	25	(1)
Title and Settlement Services	398	467	(15)	36	50	(28)	9	11	(2)
Corporate and Other	(283)	(277)	*	(107)	(155)	*			
Total Company	\$5,328	\$5,289	1	\$687	\$653	5	13	12	1
Less: Depreciation and amortization				190	176				
Interest expense, net				267	281				
Income tax expense (benefit)				87	(242)				
Net income attributable to Realogy Holdings and Realogy Group				\$143	\$438				

\* not meaningful

Includes the elimination of transactions between segments, which consists of intercompany royalties and marketing (a) fees paid by our Company Owned Real Estate Brokerage Services segment of \$283 million and \$277 million during the year ended December 31, 2014 and 2013, respectively.

(b) EBITDA for the year ended December 31, 2014 includes \$47 million related to the loss on early extinguishment of debt, \$10 million of transaction and integration costs related to the ZipRealty acquisition and \$2 million related to the Phantom Value Plan, partially offset by a net benefit of \$10 million for former parent legacy items and the

reversal of prior year restructuring reserves of \$1 million. EBITDA for the year ended December 31, 2013 includes \$68 million related to the loss on early extinguishment of debt, \$47 million related to the Phantom Value Plan and \$4 million of restructuring costs, partially offset by a net benefit of \$4 million for former parent legacy items.

Excluding the items noted above, the Total Company margin would have been 14% and 15% for the year ended December 31, 2014 and 2013, respectively.

As described in the aforementioned table, EBITDA margin for "Total Company" expressed as a percentage of revenues increased 1 percentage point to 13% from 12% the year ended December 31, 2014 compared to the same period in 2013 primarily due to a \$45 million decrease in Phantom Value Plan charges and a \$21 million decrease in the loss on the early

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extinguishment of debt, offset by a \$16 million decrease in earnings from our investment in PHH Home Loans and an increase in net marketing expense.

On a segment basis, the Real Estate Franchise Services segment margin remained flat at 65%. The Company Owned Real Estate Brokerage Services segment margin remained flat at 5% due to lower PHH Home Loans earnings of \$16 million as a result of the significant decrease in refinancing transaction volume and higher operating expenses primarily driven by recently completed brokerage acquisitions, offset by an increase in gross commission income per transaction. The Relocation Services segment margin decreased 1 percentage point to 24% from 25%. The Title and Settlement Services segment margin decreased 2 percentage points to 9% from 11% due to a significant decrease in refinancing transactions as well as a decrease in refinance-related underwriter revenue.

Corporate and Other EBITDA for the year ended December 31, 2014 improved \$48 million to negative \$107 million primarily due to a \$21 million decrease in the loss on the early extinguishment of debt, a \$26 million decrease in employee-related costs primarily due to the Phantom Value Plan charges incurred in 2013 and a \$6 million net benefit for former parent legacy items, partially offset by a \$10 million increase in transaction and integration costs related to the ZipRealty acquisition.

#### Real Estate Franchise Services

Revenues increased \$26 million to \$716 million and EBITDA increased \$15 million to \$463 million for the year ended December 31, 2014 compared with the same period in 2013.

The increase in revenue was primarily driven by a \$13 million increase in third-party domestic franchisee royalty revenue net of incentives due to a 7% increase in the average homesale price, partially offset by a 2% decrease in the number of homesale transactions. Marketing revenue and expense increased \$8 million and \$10 million, respectively primarily due to higher advertising for the brands and the ERA rebranding in 2014.

The increase in revenue was also attributable to a \$4 million increase in royalties received from our Company Owned Real Estate Brokerage Services segment to our Real Estate Franchise Services segment. These intercompany royalties of \$269 million and \$265 million during the year ended 2014 and 2013, respectively, are eliminated in consolidation. See "Company Owned Real Estate Brokerage Services" for a discussion of the drivers related to intercompany royalties paid to the Real Estate Franchise Services segment.

The \$15 million increase in EBITDA was principally due to the \$17 million increase in domestic royalty revenues discussed above, partially offset by an increase of \$2 million in licensing fees primarily related to higher revenues for the Sotheby's brand and the \$2 million increase in net marketing expense discussed above.

#### Company Owned Real Estate Brokerage Services

Revenues increased \$88 million to \$4,078 million and EBITDA decreased \$13 million to \$193 million for the year ended December 31, 2014 compared with the same period in 2013.

The increase in revenues of \$88 million was due to an increase in commission income earned on homesale transactions which was primarily driven by a 6% increase in the average homesale price, partially offset by a 3% decrease in the number of homesale transactions. The 6% increase in the average price of homes is benefiting from a shift in activity away from the low end of the housing market and is being impacted by constrained inventory in many of our markets. The 3% decrease in homesale transactions was due to lower activity in most of the geographic regions we serve. Without the addition of larger acquisitions (in excess of a \$20 million purchase price) in the last year, homesale transactions would have decreased 5% for the year.

EBITDA decreased \$13 million primarily due to:

- a \$64 million increase in commission expenses paid to independent real estate sales associates as a result of the increase in revenues;

- an \$18 million net increase in other operating expense due to a \$33 million increase in costs related to NRT brokerage acquisitions completed during the year ended December 31, 2014 and \$3 million in integration-related costs due to office closures for ZipRealty, partially offset by an \$18 million decrease in costs related to existing operations;





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a \$16 million decrease in equity earnings related to our investment in PHH Home Loans as a result of a significant decrease in refinancing transaction volume;

a \$4 million increase in royalties paid to the Real Estate Franchise Services segment; and

a \$5 million increase in marketing expenses primarily due to \$3 million of online marketing costs incurred by ZipRealty and other advertising initiatives;

partially offset by,

the \$88 million increase in revenues discussed above; and

a \$7 million decrease in employee-related costs primarily related to a \$21 million decrease in annual bonus and a \$5 million decrease in Phantom Value Plan charges, partially offset by a \$19 million increase in other employee-related expenses.

## Relocation Services

Revenues remained flat at \$419 million and EBITDA decreased \$2 million to \$102 million for the year ended December 31, 2014 compared with the same period in 2013.

Revenues remained flat as a \$6 million increase in affinity referrals due to growth in transaction volume and a \$6 million net increase in other relocation fees were offset by a \$7 million decrease in relocation referrals, a \$2 million decrease in international revenue and a \$3 million decrease in at-risk revenue, all of which were primarily driven by lower volume.

EBITDA decreased \$2 million as a result of a \$3 million increase in employee-related costs, partially offset by a \$1 million net impact resulting from foreign currency exchange rate gains in 2014 compared to losses in 2013.

## Title and Settlement Services

Revenues decreased \$69 million to \$398 million and EBITDA decreased \$14 million to \$36 million for the year ended December 31, 2014 compared with the same period in 2013.

The decrease in revenues was primarily driven by a \$50 million decrease in refinancing revenue and a \$20 million decrease in refinance-related underwriter revenue. Refinance title and closing units decreased 64% and resale title and closing units decreased 2% while average price per closing increased 18% for the year ended December 31, 2014 compared with the same period in 2013 as a result of a shift in business to resale activities where we earn a higher fee. EBITDA decreased \$14 million as a result of the \$69 million decrease in revenues discussed above, partially offset by a \$50 million decrease in variable operating costs as a result of the decrease in refinancing and underwriter transactions and a \$6 million decrease in employee-related costs primarily related to management incentives and Phantom Value Plan charges.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Our consolidated results were comprised of the following:

	Year Ended December 31,		
	2013	2012	Change
Net revenues	\$5,289	\$4,672	\$617
Total expenses (1)	5,114	5,235	(121 )
Income (loss) before income taxes, equity in earnings and noncontrolling interests	175	(563 )	738
Income tax (benefit) expense	(242 )	39	(281 )
Equity in earnings of unconsolidated entities	(26 )	(62 )	36
Net income (loss)	443	(540 )	983
Less: Net income attributable to noncontrolling interests	(5 )	(3 )	(2 )
Net income (loss) attributable to Realogy Holdings and Realogy Group	\$438	\$(543 )	\$981

(1)

Total expenses for the year ended December 31, 2013 include \$68 million loss on the early extinguishment of debt, \$47 million related to the Phantom Value Plan and \$4 million of restructuring costs, partially offset by a net benefit of \$4 million of former parent legacy items. Total expenses for the year ended December 31, 2012 include \$361 million of IPO related costs for Convertible Notes, \$39 million expense for the Apollo management fee termination agreement, \$24 million loss on the early

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extinguishment of debt and \$12 million of restructuring costs, partially offset by a net benefit of \$8 million of former parent legacy items.

Net revenues increased \$617 million (13%) for the year ended December 31, 2013 compared with the year ended December 31, 2012 principally due to an increase in revenues for the Real Estate Franchise Services segment and Company Owned Real Estate Brokerage Services segment driven by an increase in homesale transactions and homesale price, as well as an increase in revenues for the Title and Settlement Services segment due to higher resale volume and underwriter volume.

Total expenses decreased \$121 million (2%) primarily due to:

- the absence of \$361 million of IPO related costs (of which \$256 million was non-cash and related to the issuance of additional shares and \$105 million was a cash fee payment) for the Convertible Notes in the fourth quarter of 2012;
- a \$247 million decrease in interest expense for the year ended December 31, 2013 compared to the year ended December 31, 2012 as a result of reduced and refinanced indebtedness;

- a \$39 million decrease due to absence of the Apollo management fee which was terminated in 2012;

- a \$26 million decrease in employee-related costs related to the absence of the two year retention plan implemented in November 2010; and

- a \$17 million decrease in legal expenses for the Real Estate Franchise Services segment primarily due to the settlement of legal matters in 2012.

These decreases were partially offset by:

- a \$372 million increase in commission and other sales associate-related costs due to the increase in transaction volume and the impact of top producing sales associates completing a higher proportion of homesale transactions;

- a \$50 million increase in operating expenses driven by transaction volume increases across the business units;

- a \$47 million increase in employee-related costs under the Phantom Value Plan as a result of the secondary equity offerings completed in April 2013 and July 2013;

- a \$44 million net increase in the loss on early extinguishment of debt related to the redemption of the 11.50% Senior Notes, 12.00% Senior Notes, 12.375% Senior Subordinated Notes and 13.375% Senior Subordinated Notes in the second quarter of 2013 and the repurchase of \$100 million of the 9.00% First and a Half Lien Notes in the third quarter of 2013, partially offset by the loss on early extinguishment of debt related to 2012 debt repayments and refinancings;

- a \$15 million increase in other general and administrative expenses primarily related to employee costs; and

- a \$9 million increase in equity compensation expense.

For the year ended December 31, 2013, the Company recorded an income tax benefit of \$242 million which was primarily due to a \$341 million release of the domestic deferred tax valuation allowance, partially offset by income taxes for 2013 income. For the year ended December 31, 2012, the Company recorded income tax expense of \$39 million primarily due to the recognition of a full valuation allowance for domestic operations in 2012.

At December 31, 2013, the Company evaluated all available positive and negative evidence and determined that substantially all of the valuation allowance totaling \$341 million associated with all U.S. federal and certain state deferred tax assets should be reversed because the Company believed that it had become more likely than not that the value of those deferred tax assets would be realized. In the Company's evaluation of the need for and amount of a valuation allowance on its deferred tax assets at December 31, 2013, the Company placed the most weight on all objectively verifiable direct evidence, including its recent and historical operating results and the significant improvement in its debt leverage position.

While the reversal of the valuation allowance had a material positive effect on the Company's results of operations for the year ended December 31, 2013, the reversal will have the effect of reducing the Company's net income in subsequent periods as a result of an increase in the provision for income taxes relating to anticipated positive operating results in such periods. As a result of the Company's realization of its deferred tax assets from net operating losses, the increase in the provision for income taxes will have a limited impact on the Company's cash outflows until such time as the net operating losses are fully utilized.



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Equity in earnings of unconsolidated entities decreased \$36 million primarily related to lower earnings from our investment in PHH Home Loans as a result of a significant decrease in refinancing transaction volume and a decrease in margins in the mortgage origination business.

Following is a more detailed discussion of the results of each of our reportable segments for the years ended December 31, 2013 and 2012:

	Revenues (a)			EBITDA (b)(c)			Margin (d)		
	2013	2012	% Change	2013	2012	% Change	2013	2012	Change
Real Estate Franchise Services	\$690	\$604	14 %	\$448	\$364	23 %	65 %	60 %	5 %
Company Owned Real Estate Brokerage Services	3,990	3,469	15	206	165	25	5	5	—
Relocation Services	419	423	(1 )	104	103	1	25	24	1
Title and Settlement Services	467	421	11	50	38	32	11	9	2
Corporate and Other	(277 )	(245 )	*	(155 )	(473 )	*			
Total Company	\$5,289	\$4,672	13 %	\$653	\$197	231 %	12 %	4 %	8 %
Less: Depreciation and amortization				176	173				
Interest expense, net				281	528				
Income tax (benefit) expense				(242 )	39				
Net income (loss) attributable to Realogy Holdings and Realogy Group				\$438	\$(543 )				

\* not meaningful

Includes the elimination of transactions between segments, which consists of intercompany royalties and marketing (a) fees paid by our Company Owned Real Estate Brokerage Services segment of \$277 million and \$245 million during the year ended December 31, 2013 and 2012, respectively.

EBITDA for the year ended December 31, 2013 includes \$68 million loss on the early extinguishment of debt, \$47 (b) million related to the Phantom Value Plan and \$4 million of restructuring costs, partially offset by a net benefit of \$4 million of former parent legacy items.

EBITDA for the year ended December 31, 2012 includes \$361 million of IPO related costs, \$39 million (c) expense for the Apollo management fee termination agreement, \$24 million related to the loss on the early extinguishment of debt and \$12 million of restructuring costs, partially offset by a net benefit of \$8 million of former parent legacy items.

Excluding the items noted above in footnote (b) and (c), the Total Company margin would have been 15% and (d) 13% for the year ended December 31, 2013 and 2012, respectively.

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, 2013 compared to the same period in 2012. The increase was primarily due to the absence of \$361 million of IPO related costs for Convertible Notes which occurred in the fourth quarter of 2012 and improved margins at the Real Estate Franchise Services segment due to higher homesale transaction volume and homesale price, partially offset by a \$44 million net increase in the loss on early extinguishment of debt, as well as \$47 million of expense related to the Phantom Value Plan as a result of the secondary equity offerings completed in April 2013 and July 2013.

On a segment basis, the Real Estate Franchise Services segment margin increased 5 percentage points from 60% to 65% due to an increase in franchisee royalty revenue driven by an increase in homesale transactions and higher price

along with a decrease in legal and bad debt expenses. The Company Owned Real Estate Brokerage Services segment margin remained flat at 5% due to an increase in the number of homesale transactions and higher price offset by an increase in commission expense and a decrease in equity earnings related to our investment in PHH Home Loans as a result of a significant decrease in refinancing transaction volume. The Relocation Services segment margin increased 1 percentage point from 24% to 25%. The Title and Settlement Services segment margin increased 2 percentage points from 9% to 11% due to an increase in resale transactions and underwriting revenue partially offset by a decrease in refinancing transactions.

Corporate and Other EBITDA for the year ended December 31, 2013 improved by \$318 million primarily due to the absence of \$361 million in IPO related costs for Convertible Notes and \$39 million for the Apollo management fee termination agreement. These changes were partially offset by a \$44 million net increase in the loss on early extinguishment

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of debt and a \$30 million charge related to the corporate portion of the expense recognized under the Phantom Value Plan for the secondary equity offerings completed in April 2013 and July 2013.

Real Estate Franchise Services

Revenues increased \$86 million to \$690 million and EBITDA increased \$84 million to \$448 million for the year ended December 31, 2013 compared with the same period in 2012.

The increase in revenue was driven by a \$40 million increase in third-party domestic franchisee royalty revenue due to a 10% increase in the number of homesale transactions along with a 9% increase in the average homesale price, partially offset by a 3% decrease in the net effective royalty rate driven by our larger affiliates continuing to achieve higher volume levels as well as a shift in the mix of volume amongst our brands which operate under different royalty rate arrangements. Revenue also increased \$7 million related to master franchise area development agreements entered into with third parties to service a particular country or territory using one of the Company's tradenames, including a \$5 million payment related to a contract amendment. Marketing revenue and related expense increased \$2 million and \$1 million, respectively, primarily due to higher advertising spending during 2013 compared to 2012.

The increase in revenue was also attributable to a \$31 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 \$265 million and \$234 million for 2013 and 2012, 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 \$84 million increase in EBITDA was principally due to the \$78 million increase in royalty and area development revenues discussed above, a \$17 million decrease in legal expenses primarily due to the settlement of legal matters in 2012 and reduced bad debt expense of \$3 million compared to 2012. These EBITDA increases were partially offset by a \$3 million increase in licensing fees related to our agreements to operate and franchise the Sotheby's International Realty and Better Homes and Gardens Real Estate brands and a \$4 million increase in employee-related costs primarily related to the Phantom Value Plan.

Company Owned Real Estate Brokerage Services

Revenues increased \$521 million to \$3,990 million and EBITDA increased \$41 million to \$206 million for the year ended December 31, 2013 compared with the same period in 2012.

The increase in revenues was primarily due to higher commission income earned on homesale transactions which was driven by a 9% increase in the number of homesale transactions and a 6% increase in the average price of homes. The 9% increase in homesale transactions was due to higher activity in most of the geographic regions we serve. The 6% increase in the average price of homes is reflective of a continuation in the shift in sales activity to NRT's lower priced markets and generally reflects a trend that we have been seeing for the past two and a half years. In addition, homesale price in many of our markets is being impacted by the effects of constrained inventory.

EBITDA increased \$41 million primarily due to the \$521 million increase in revenues discussed above, partially offset by:

a \$372 million increase in commission expenses paid to independent real estate sales associates as a result of the increase in revenues and a higher percentage of gross commission income paid to sales associates due to higher volume;

a \$36 million decrease in equity earnings related to our investment in PHH Home Loans as a result of a significant decrease in refinancing transaction volume. Rising interest rates have significantly slowed mortgage refinancings, resulting in downward pressure on margins for mortgage lenders;

a \$31 million increase in royalties paid to our Real Estate Franchise Services segment;

a \$21 million increase in employee-related costs of which \$5 million relates to the Phantom Value Plan;

a \$10 million increase in other operating expenses; and

a \$7 million increase in marketing expenses due to additional transaction volume.





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Commission expense as a percentage of gross commission income increased compared to the same period in 2012 caused by a continuation of the trend we experienced throughout 2012 whereby our independent sales associates who command higher commissions completed a higher proportion of the closings this year compared to last year. Commission schedules are generally progressive to incentivize independent sales associates with higher levels of production.

Relocation Services

Revenues decreased \$4 million to \$419 million and EBITDA increased \$1 million to \$104 million for the year ended December 31, 2013 compared with the same period in 2012.

The decrease in revenues was driven by a \$15 million decrease in relocation revenue primarily due to lower domestic relocation volume and a \$3 million decrease in at-risk revenue due to lower at-risk transaction volume, partially offset by a \$13 million increase in other referral commission fees primarily due to growth in affinity transaction volume as well as higher home values.

EBITDA increased \$1 million primarily as a result of a \$10 million decrease in variable operating expense due to lower relocation volume, a \$3 million reduction in restructuring costs, a \$2 million reduction in costs for at-risk transactions, and \$1 million in lower foreign currency exchange rate losses, partially offset by the \$4 million decrease in revenue discussed above, a \$9 million increase in employee-related costs including \$4 million of expense related to the Phantom Value Plan and \$4 million related to a lower insurance loss reserve adjustment in 2013 compared to 2012.

Title and Settlement Services

Revenues increased \$46 million to \$467 million and EBITDA increased \$12 million to \$50 million for the year ended December 31, 2013 compared with the same period in 2012.

The increase in revenues was primarily driven by a \$30 million increase in resale volume and a \$24 million increase in underwriter volume, partially offset by a \$6 million decrease in refinancing transactions. Resale title and closing units increased 10% due to the increase in homesale sides at our company owned real estate brokerage operations as well as improved capture rates. Refinance title and closing units decreased 15%, and the average price per closing increased 10% for the year ended December 31, 2013 compared with the same period in 2012.

EBITDA increased \$12 million as a result of the \$46 million increase in revenues discussed above, partially offset by a \$34 million increase in variable operating costs, primarily related to increases in resale and underwriter volume.

2013 Corporate Headquarters Relocation

During the second quarter of 2013, the Company completed the relocation of its corporate headquarters from Parsippany, New Jersey to Madison, New Jersey. As a result of this relocation, the Company recognized a \$4 million restructuring charge in 2013 which is primarily comprised of lease payments on the former corporate headquarters through October 2013. For the year ended December 31, 2013, the Company utilized all \$4 million of the restructuring accrual.

2012 Restructuring Program

During 2012, the Company committed to various initiatives targeted principally at reducing costs, enhancing organizational efficiencies and consolidating existing facilities. The Company incurred restructuring charges of \$12 million in 2012. The Company Owned Real Estate Brokerage Services segment recognized \$3 million of facility related expenses, \$3 million of personnel related expense and \$1 million of expenses related to asset impairments. The Relocation Services segment recognized \$3 million of facility related expenses. The Title and Settlement Services segment recognized \$2 million of facility related expenses. At December 31, 2014, the Company had a remaining liability of \$1 million.

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## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

## Financial Condition

	December 31, 2014	December 31, 2013	Change
Total assets	\$7,538	\$7,326	\$212
Total liabilities	5,355	5,313	42
Total equity	2,183	2,013	170

For the year ended December 31, 2014, total assets increased \$212 million primarily due to a \$142 million increase in goodwill and a \$28 million increase in fixed assets primarily related to acquisitions, a \$77 million increase in cash and a \$27 million increase in relocation receivables as a result of increases in volume. Other non-current assets increased \$20 million primarily due to deferred financing costs capitalized for the issuance of Senior Notes during 2014 and an increase in equity method investments. These increases were partially offset by the amortization of franchise agreements and other intangible assets of \$91 million.

Total liabilities increased \$42 million due to a \$57 million increase in other non-current liabilities primarily related to the mark-to-market changes on the Company's interest rate swap agreements, an increase in the pension liability and liabilities related to contingent consideration from acquisitions, a \$17 million increase in securitization obligations and a \$13 million increase in deferred tax liabilities. These increases were partially offset by a \$43 million decrease in accrued expenses and other current liabilities primarily due to a decrease in bonus accruals.

Total equity increased \$170 million primarily due to \$143 million of net income for the year ended December 31, 2014 and \$42 million of additional paid in capital related to stock-based compensation.

## Liquidity and Capital Resources

In October 2012, the Company raised net proceeds of approximately \$1,176 million in the initial public offering of its common stock. In addition, in connection with the initial public offering, holders of approximately \$2,110 million of Convertible Notes converted all of their Convertible Notes into common stock.

After giving effect to the application of net proceeds from the initial public offering, conversion of our Convertible Notes, the debt refinancing transactions completed during 2013 and 2014 and debt repurchases from cash generated from operations, our outstanding indebtedness has been reduced by approximately \$3.3 billion since September 30, 2012. As a result of these transactions, our liquidity position has significantly improved but continues to be impacted by our remaining interest expense and would be adversely impacted by: (i) a halt in the recovery of the residential real estate market, (ii) an unanticipated increase in LIBOR or ABR, or (iii) our inability to access our relocation securitization programs.

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 revolving credit facilities and securitization facilities. Given the significant reduction in our indebtedness and annual interest expense that resulted from our October 2012 initial public offering and related transactions, as well as our recent indebtedness repayments and refinancings, we generated positive cash flows from operations in 2013 and 2014. We intend to use future cash flow primarily to further reduce indebtedness. We may from time to time seek to repurchase our outstanding notes, through tender offers, open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

We believe that we are experiencing a recovery in the residential real estate market; however, we are not certain of the length, timing or improvement level that may be associated with this recovery. Moreover, if the residential real estate market or the economy as a whole does not continue to improve or worsens, our business, financial condition and liquidity may be materially adversely affected, including our ability to access capital and grow our business.

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 therefore are 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 quarter of every year.

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We will continue to evaluate potential refinancing and financing transactions. 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 can be no assurance that financing will be available to us on acceptable terms or at all.

## Cash Flows

Year ended December 31, 2014 vs. Year ended December 31, 2013

At December 31, 2014, we had \$313 million of cash and cash equivalents, an increase of \$77 million compared to the balance of \$236 million at December 31, 2013. The following table summarizes our cash flows for the years ended December 31, 2014 and 2013:

	Year Ended December 31,		
	2014	2013	Change
Cash provided by (used in):			
Operating activities	\$423	\$492	\$(69 )
Investing activities	(298 )	(102 )	(196 )
Financing activities	(46 )	(530 )	484
Effects of change in exchange rates on cash and cash equivalents	(2 )	—	(2 )
Net change in cash and cash equivalents	\$77	\$(140 )	\$217

For the year ended December 31, 2014, \$69 million less cash was provided by operating activities compared to the same period in 2013. For the year ended December 31, 2014, \$423 million of cash was provided by operating activities primarily due to positive cash flows from operating results of \$505 million, partially offset by a \$53 million decrease in accounts payable, accrued expenses and other liabilities primarily due to the payment of the 2013 bonus in the first quarter of 2014, whereas substantially all of the 2012 bonus was paid in December 2012, and an increase of \$29 million in relocation receivables. For the year ended December 31, 2013, \$492 million of cash was provided by operating activities primarily due to positive cash flows from operating results of \$428 million as well as a decrease in relocation receivables of \$55 million and \$42 million of cash dividends received from unconsolidated entities, partially offset by \$22 million of cash utilized for taxes paid related to net share settlements of stock-based compensation.

We received cash dividends from PHH Home Loans of \$3 million and \$40 million during the year ended December 31, 2014 and 2013, respectively. We expect that PHH Home Loans will generate annual earnings and will be able to provide corresponding dividends, although the level of future dividends will fluctuate and is dependent upon the financial results of PHH Home Loans.

For the year ended December 31, 2014, we used \$196 million more cash for investing activities compared to the same period in 2013. For the year ended December 31, 2014, our \$298 million use of cash was primarily due to \$215 million of cash paid for acquisitions and \$71 million of property and equipment additions. For the year ended December 31, 2013, our \$102 million use of cash was comprised of \$62 million of property and equipment additions, \$32 million of cash paid for acquisitions and a \$5 million increase in restricted cash.

For the year ended December 31, 2014, \$484 million less cash was used in financing activities compared to the same period in 2013. For the year ended December 31, 2014, our \$46 million use of cash was comprised of the repurchases of \$729 million of First and a Half Lien Notes, \$44 million of debt transaction costs primarily related to the issuance of the 4.50% Senior Notes, including a portion of premiums, and the 5.25% Senior Notes, \$19 million of repayments of the term loan facility and \$27 million of other financing related payments, partially offset by net cash provided by financing activities as a result of \$750 million proceeds from issuances of the 4.50% Senior Notes and 5.25% Senior Notes and a \$17 million increase in net securitization obligations borrowings. For the year ended December 31, 2013, \$530 million of cash was used for:

- the redemption of Realogy Group's 11.50% Senior Notes, 12.00% Senior Notes, 12.375% Senior Subordinated Notes and 13.375% Senior Subordinated Notes of \$821 million;

the repurchase of \$100 million of the 9.00% First and a Half Lien Notes;  
a net repayment of revolver borrowings of \$110 million;  
payment of \$28 million of debt transaction costs;

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quarterly amortization payments on the term loan facility of \$15 million; and  
 \$31 million of other financing related payments;  
 partially offset by,  
 \$500 million of net proceeds from the issuance of 3.375% Senior Notes; and  
 \$79 million of additional net proceeds from the extension of the term loan facility.

Year ended December 31, 2013 vs. Year ended December 31, 2012

At December 31, 2013, we had \$236 million of cash and cash equivalents, a decrease of \$140 million compared to the balance of \$376 million at December 31, 2012. The following table summarizes our cash flows for the years ended December 31, 2013 and 2012:

	Year Ended December 31,		
	2013	2012	Change
Cash provided by (used in):			
Operating activities	\$492	\$(103)	\$595
Investing activities	(102)	(66)	(36)
Financing activities	(530)	401	(931)
Effects of change in exchange rates on cash and cash equivalents	—	1	(1)
Net change in cash and cash equivalents	\$(140)	\$233	\$(373)

For the year ended December 31, 2013, \$595 million more cash was provided by operations compared to the same period in 2012. For the year ended December 31, 2013, \$492 million of cash was provided by operating activities primarily due to positive cash flows from operating results of \$428 million as well as a decrease in relocation receivables of \$55 million and \$42 million of cash dividends received from unconsolidated entities, partially offset by \$22 million of cash utilized for taxes paid related to net share settlements of stock-based compensation. For the year ended December 31, 2012, \$103 million of cash was used in operating activities primarily due to negative cash flows from operating results of \$83 million after \$571 million of cash interest payments and a \$105 million non-recurring cash fee payment. In addition, accrued expenses and other liabilities decreased \$128 million, partially offset by cash provided by a decrease in relocation receivables of \$55 million and cash dividends received from unconsolidated entities of \$43 million, primarily PHH Home Loans.

We received cash dividends from PHH Home Loans of \$40 million and \$41 million during the year ended December 31, 2013 and 2012, respectively. We expect that PHH Home Loans will continue to generate annual earnings and will be able to provide dividends as a continuing source of our cash flows, although the level of future dividends will fluctuate and will continue to be dependent upon the financial results of PHH Home Loans.

For the year ended December 31, 2013, we used \$36 million more cash for investing activities compared to the same period in 2012. For the year ended December 31, 2013, our \$102 million use of cash was comprised of \$62 million of property and equipment additions, \$32 million of acquisition related payments and a \$5 million increase in restricted cash. For the year ended December 31, 2012, our \$66 million use of cash was comprised of \$54 million of property and equipment additions, \$7 million of net purchases of certificates of deposit, \$3 million of acquisition related payments and a \$2 million increase in restricted cash.

For the year ended December 31, 2013, \$931 million more cash was used in financing activities compared to the same period in 2012. For the year ended December 31, 2013, \$530 million of cash was used for:

the redemption of Realogy Group's 11.50% Senior Notes, 12.00% Senior Notes, 12.375% Senior Subordinated Notes and 13.375% Senior Subordinated Notes of \$821 million;

the repurchase of \$100 million of the 9.00% First and a Half Lien Notes;

a net repayment of revolver borrowings of \$110 million;

payment of \$28 million of debt transaction costs;

quarterly amortization payments on the term loan facility of \$15 million; and

\$31 million of other financing related payments;





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partially offset by,

\$500 million of net proceeds from the issuance of 3.375% Senior Notes; and

\$79 million of additional net proceeds from the extension of the term loan facility.

For the year ended December 31, 2012, \$401 million of cash was provided by financing activities as a result of \$1,176 million of net proceeds from the issuance of common stock associated with the Company's IPO, the issuance of \$593 million of 7.625% First Lien Notes and \$325 million of 9.00% First and a Half Lien Notes, partially offset by \$745 million of term loan facility and unsecured notes repayments, \$650 million of Second Lien Loan repayments, the payment of \$17 million of debt transaction costs and net repayments of revolver borrowings and securitization obligations of \$198 million and \$67 million, respectively.

## Financial Obligations

## Indebtedness Table

As of December 31, 2014, the total capacity, outstanding borrowings and available capacity under the Company's borrowing arrangements were as follows:

	Interest Rate	Expiration Date	Total Capacity	Outstanding Borrowings	Available Capacity
Senior Secured Credit Facility:					
Revolving credit facility (1)	(2)	March 2018	\$475	\$—	\$475
Term loan facility	(3)	March 2020	1,887	1,871	—
First Lien Notes	7.625%	January 2020	593	593	—
First and a Half Lien Notes	9.00%	January 2020	196	196	—
Senior Notes	3.375%	May 2016	500	500	—
Senior Notes	4.50%	April 2019	450	450	—
Senior Notes	5.25%	December 2021	300	300	—
Securitization obligations: (4)					
Apple Ridge Funding LLC		June 2015	325	255	70
Cartus Financing Limited (5)		August 2015	39	14	25
Total (6)			\$4,765	\$4,179	\$570

(1) On February 23, 2015, the Company had no outstanding borrowings on the revolving credit facility and no outstanding letters of credit on such facility, leaving \$475 million of available capacity.

Interest rates with respect to revolving loans under the senior secured credit facility are based on, at Realogy

(2) Group's option, (a) adjusted LIBOR plus 2.75% or (b) JPMorgan Chase Bank, N.A.'s prime rate ("ABR") plus 1.75%.

(3) Consists of a \$1,887 million term loan, less a discount of \$16 million. There is 1% per annum amortization of principal. The interest rate with respect to the term loan under the senior secured credit facility is based on, at Realogy Group's option, (a) adjusted LIBOR plus 3.00% (with a LIBOR floor of 0.75%) or (b) JPMorgan Chase Bank, N.A.'s prime rate ("ABR") plus 2.00% (with an ABR floor of 1.75%).

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

(5) Consists of a £20 million facility and a £5 million working capital facility.

(6) Not included in this table, the Company had \$133 million of outstanding letters of credit at December 31, 2014, of which \$53 million was under the synthetic letter of credit facility with a rate of 4.5% and \$80 million was under the unsecured letter of credit facility with a rate of 3.0%.

## Senior Secured Credit Facility

On March 5, 2013, Realogy Group entered into an amended and restated senior secured credit agreement (the "Amended and Restated Credit Agreement"), which as described below was further amended in March 2014. The Amended and Restated Credit Agreement replaced the agreement that had been entered into on April 10, 2007 and refinanced the prior term loan facility and prior revolving credit facility.

The Amended and Restated Credit Agreement provides for: (a) a seven-year term loan facility initially issued in the aggregate principal amount of \$1,920 million at 99% of par with a maturity date of March 5, 2020, the proceeds of which were utilized to pay off the \$1,822 million principal amount of the existing term loan borrowings under the prior facility, plus accrued interest, and to pay the fees and expenses incurred in connection with the refinancing and for general corporate purposes; and (b) a five-year, \$475 million revolving credit facility with a maturity date of March 5, 2018, which includes (i) a \$250 million letter of credit subfacility and (ii) a swingline loan subfacility. Initial borrowings under the new revolving credit facility were used to repay the outstanding indebtedness under the prior revolving credit facility.

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On March 10, 2014, Realogy Group entered into a first amendment (the "First Amendment") to its Amended and Restated Credit Agreement, dated as of March 5, 2013. The First Amendment repriced the remaining \$1,905 million of term loan issued under the Amended and Restated Credit Agreement through a refinancing of the existing term loan with a new term loan. The term loan facility has quarterly amortization payments totaling 1% per annum of the \$1,905 million of term loan principal issued under the First Amendment with the balance payable in March 2020. The interest rate with respect to the new term loan is based on, at Realogy Group's option, adjusted LIBOR plus 3.00% (with a LIBOR floor of 0.75%) or ABR plus 2.00% (with an ABR floor of 1.75%). The interest rate with respect to revolving loans under the revolving credit facility is based on, at Realogy Group's option, adjusted LIBOR plus 2.75% or ABR plus 1.75%. The maturity date for the new term loan remains March 5, 2020, and all other material provisions under the Credit Agreement remain unchanged.

The Amended and Restated Credit Agreement retained a synthetic letter of credit facility which matures on October 10, 2016. The synthetic letter of credit facility may be utilized for general corporate purposes, including the support of Realogy Group's obligations with respect to Cendant contingent and other liabilities assumed under the Separation and Distribution Agreement. The synthetic letter of credit facility has quarterly amortization payments totaling 1% per annum of the principal amount of the synthetic letter of credit facility outstanding with the balance payable upon the final maturity date. In 2014, the Company entered into a new, unsecured letter of credit facility and issued approximately \$80 million of letters of credit thereunder, which had previously been issued under the synthetic letter of credit facility. The new facility is discussed below under "Other Debt Facilities." As of December 31, 2014, the capacity under the synthetic letter of credit facility was reduced to \$55 million from \$119 million as of December 31, 2013 and the facility was being utilized for a \$53 million letter of credit with Cendant for potential contingent obligations.

The Amended and Restated Credit Agreement permits the Company to obtain up to \$500 million of additional credit facilities from lenders reasonably satisfactory to the administrative agent and us, without the consent of the existing lenders under the new senior secured credit facility, plus an unlimited amount if Realogy Group's senior secured leverage ratio is less than 3.50 to 1.00 on a pro forma basis. Subject to certain restrictions, the Amended and Restated Credit Agreement also permits us to issue senior secured or unsecured notes in lieu of any incremental facility. The obligations under the Amended and Restated Credit Agreement are secured to the extent legally permissible by substantially all of the assets of Realogy Group, Realogy Intermediate and all of their domestic subsidiaries, other than certain excluded subsidiaries.

Realogy Group's Amended and Restated Credit Agreement contains financial, affirmative and negative covenants and requires Realogy Group to maintain a senior secured leverage ratio, in certain circumstances, not to exceed 4.75 to 1.00. Maintenance of this ratio is required if the amount of borrowings outstanding under the revolving credit facility together with the amount of letters of credit issued under the revolving credit facility at the end of the quarter exceed 25% of the revolving credit facility capacity. In this report, the Company refers to the term "Adjusted EBITDA" to mean EBITDA as so defined for purposes of determining compliance with the senior secured leverage covenant. The senior secured leverage ratio measured at any applicable quarter end is Realogy Group's total senior secured net debt divided by the trailing twelve-month adjusted EBITDA. Total senior secured net debt does not include the 9.00% First and a Half Lien Notes, other indebtedness secured by a lien that is pari passu or junior in priority to the 9.00% First and a Half Lien Notes, unsecured indebtedness, including the Unsecured Notes, as well as the securitization obligations. At December 31, 2014, Realogy Group's borrowings and outstanding letters of credit issued under the revolving credit facility did not exceed 25% of the revolving credit facility capacity; however, the Company has continued to calculate the senior secured leverage ratio. At December 31, 2014, Realogy Group's senior secured leverage ratio was 2.88 to 1.00.

Realogy Group has the right to cure an event of default of the senior secured leverage ratio in three of any of the four consecutive quarters through the issuance of additional equity for cash, which would be infused as capital into Realogy Group. If Realogy Group is unable to maintain compliance with the senior secured leverage ratio and fails to remedy a default through an equity cure as described above, there would be an "event of default" under the senior

secured credit facility. Other events of default under the senior secured credit facility include, without limitation, nonpayment, material misrepresentations, insolvency, bankruptcy, certain material judgments, change of control and cross-events of default on material indebtedness.

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

• would not be required to lend any additional amounts to Realogy Group;

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

could require Realogy Group to apply all of its available cash to repay these borrowings; or

could prevent Realogy Group from making payments on the Secured Notes or the Unsecured Notes;

any of which could result in an event of default under the Secured Notes, the Unsecured Notes and the Company's Apple Ridge Funding LLC securitization program.

If Realogy Group were unable to repay those amounts, the lenders under the senior secured credit facility could proceed against the collateral granted to secure the senior secured credit facility, which assets also secure its other secured indebtedness. Realogy Group has pledged the majority of its assets as collateral to secure such indebtedness.

If the lenders under the senior secured credit facility were to accelerate the repayment of borrowings, then Realogy Group may not have sufficient assets to repay the senior secured credit facility and other indebtedness, or be able to borrow sufficient funds to refinance such indebtedness. Even if Realogy Group is able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to Realogy Group.

First Lien Notes

The \$593 million of First Lien Notes are senior secured obligations of Realogy Group 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 Lien Notes are guaranteed on a senior secured basis by Realogy Intermediate and each domestic subsidiary of Realogy Group that is a guarantor under the Senior Secured Credit Facility and Realogy Group's outstanding debt securities. The First Lien Notes are also guaranteed by Realogy Holdings, on an unsecured senior subordinated basis. The First Lien Notes are secured by the same collateral as the Company's existing secured obligations under its Senior Secured Credit Facility and the First and a Half Lien Notes. The priority of the collateral liens securing the First Lien Notes is (i) equal to the collateral liens securing the Company's first lien obligations under the Senior Secured Credit Facility, and (ii) senior to the collateral liens securing the Company's other secured obligations not secured by a first priority lien, including the First and a Half Lien Notes.

First and a Half Lien Notes

The First and a Half Lien Notes are senior secured obligations of Realogy Group. The First and a Half Lien Notes are guaranteed on a senior secured basis by Realogy Intermediate and each domestic subsidiary of Realogy Group that is a guarantor under the Senior Secured Credit Facility and Realogy Group's outstanding debt securities. The First and a Half Lien Notes are also guaranteed by Realogy Holdings, on an unsecured senior subordinated basis. The First and a Half Lien Notes are secured by the same collateral as the Company's existing secured obligations under its Senior Secured Credit Facility and the First Lien Notes. The priority of the collateral liens securing the First and a Half Lien Notes is junior to the collateral liens securing the Company's first lien obligations under its Senior Secured Credit Facility and the First Lien Notes. The priority of the collateral liens securing the First and a Half Lien Notes is equal to one another. The 9.00% First and a Half Lien Notes mature in January 2020 and interest is payable semiannually on January 15 and July 15 of each year. The 7.875% First and a Half Lien Notes were due to mature in February 2019 and interest was payable semiannually on February 15 and August 15 of each year.

In the first quarter of 2014, the Company repurchased \$29 million of its 9.00% First and a Half Lien Notes through open market purchases for an aggregate purchase price of \$35 million, including \$1 million of accrued interest and a premium of \$5 million.

In March and April 2014, the Company repurchased \$368 million of its 7.875% First and a Half Lien Notes through open market purchases for an aggregate purchase price of \$406 million, including \$4 million of accrued interest and a premium of \$34 million.

In December 2014, the Company redeemed the remaining \$332 million of its 7.875% First and a Half Lien Notes at a redemption price equal to 104.99%, together with accrued interest. The Company used the net proceeds from the offering of the 5.25% Senior Notes of approximately \$296 million, along with cash on hand, to redeem the \$332 million of outstanding 7.875% Senior Secured Notes at an aggregate purchase price of \$358 million including a redemption premium of \$17 million and accrued interest of \$9 million.



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## Unsecured Notes

The 3.375% Senior Notes are unsecured senior obligations of Realogy Group that mature on May 1, 2016. Interest on the 3.375% Senior Notes is payable semiannually on May 1 and November 1 of each year. The 3.375% Senior Notes are guaranteed on an unsecured senior basis by each domestic subsidiary of Realogy Group that is a guarantor under the Senior Secured Credit Facility and Realogy Group's outstanding debt securities. The 3.375% Senior Notes are guaranteed by Realogy Holdings on an unsecured senior subordinated basis.

On April 7, 2014, Realogy Group issued \$450 million of 4.50% Senior Notes in a private offering. The 4.50% Senior Notes are unsecured senior obligations that mature on April 15, 2019. Interest on the 4.50% Senior Notes is payable semiannually on April 15 and October 15 of each year. The 4.50% Senior Notes are guaranteed on an unsecured senior basis by each domestic subsidiary of Realogy Group that is a guarantor under the Senior Secured Credit Facility and Realogy Group's outstanding debt securities. The 4.50% Senior Notes are guaranteed by Realogy Holdings on an unsecured senior subordinated basis. The Company used a portion of the net proceeds from the offering to repurchase a portion of the Company's 7.875% First and a Half Lien Notes.

On November 21, 2014, Realogy Group issued \$300 million of 5.25% Senior Notes in a private offering. The 5.25% Senior Notes are unsecured senior obligations that mature on December 1, 2021. Interest on 5.25% Senior Notes is payable semiannually on June 1 and December 1 of each year. The 5.25% Senior Notes are guaranteed on an unsecured senior basis by each domestic subsidiary of Realogy Group that is a guarantor under the Senior Secured Credit Facility and Realogy Group's outstanding debt securities. The 5.25% Senior Notes are guaranteed by Realogy Holdings on an unsecured senior subordinated basis. The Company used the net proceeds of \$296 million from the offering, together with cash on hand, to redeem all of the remaining outstanding 7.875% First and a Half Lien Notes.

## Convertible Notes

On January 5, 2011, Realogy Group issued Convertible Notes which bore interest at a rate per annum of 11.00% payable semiannually on April 15 and October 15 of each year and were convertible into shares of our common stock. In October 2012, the Company issued shares of common stock and raised net proceeds of approximately \$1,176 million in the initial public offering of its common stock. In conjunction with the closing of the offering, holders of approximately \$2,110 million of Convertible Notes converted all of their Convertible Notes into shares of common stock. Certain of these holders, upon conversion of their Convertible Notes, were issued additional shares of common stock pursuant to letter agreements with the Company. The issuance of the additional shares of common stock resulted in a non-cash expense of \$256 million. In addition, holders of approximately \$1,901 million of the Convertible Notes who converted their Convertible Notes on October 12, 2012 in advance of the October 15, 2012 semiannual interest payment date received a non-recurring cash fee of \$105 million upon conversion (attributable to the semiannual interest payment). These two expenses are recorded on the line "IPO related costs for Convertible Notes" in our Consolidated Statements of Operations.

## Other Debt Facilities

In June 2014, the Company entered into a three-year, unsecured letter of credit facility, which provides for the issuance of letters of credit required for general corporate purposes by the Company. In August 2014, the Company increased the capacity of the facility by \$54 million to \$81 million. The fixed pricing to the Company is based on a spread above the credit default swap rate for senior unsecured debt obligations of the Company over the applicable letter of credit period. Realogy Group's obligations under the unsecured letter of credit facility are guaranteed on an unsecured senior basis by each domestic subsidiary of Realogy Group that is a guarantor under the Senior Secured Credit Facility and Realogy Group's outstanding debt securities. As of December 31, 2014, \$80 million of the facility is being utilized.

## Securitization Obligations

Realogy Group has secured obligations through Apple Ridge Funding LLC under a securitization program with an expiration date in June 2015. At December 31, 2014, Realogy Group has \$255 million of outstanding borrowings under the facility with a total borrowing capacity of \$325 million.

Realogy Group, through a special purpose entity known as Cartus Financing Limited, has agreements providing for a £20 million revolving loan facility (which was reduced from £35 million in August 2014) and a £5 million working capital facility, both of which expire in August 2015. There are \$14 million of outstanding borrowings on the facilities at December 31, 2014. These Cartus Financing Limited facilities are secured by the relocation assets of a U.K. government contract in this special purpose entity and are therefore classified as permitted securitization financings as defined in



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Realogy Group's senior secured credit facility and the indentures governing the Unsecured Notes and the 9.00% First and a Half Lien Notes.

The Apple Ridge entities and the Cartus Financing Limited entity are consolidated special purpose entities that are utilized to securitize relocation receivables and related assets. These assets are generated from advancing funds on behalf of clients of Realogy Group's relocation business in order to facilitate the relocation of their employees. Assets of these special purpose entities are not available to pay Realogy Group's general obligations. Under the Apple Ridge program, provided no termination or amortization event has occurred, any new receivables generated under the designated relocation management agreements are sold into the securitization program and as new eligible relocation management agreements are entered into, the new agreements are designated to the program. The Apple Ridge program has restrictive covenants and trigger events, including performance triggers linked to the age and quality of the underlying assets, foreign obligor limits, multicurrency limits, financial reporting requirements, restrictions on mergers and change of control, any uncured breach of Realogy Group's senior secured leverage ratio under Realogy Group's senior secured credit facility, and cross-defaults to Realogy Group's 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 Realogy Group receives from relocation receivables and related assets must be utilized to repay securitization obligations. These obligations were collateralized by \$286 million and \$268 million of underlying relocation receivables and other related relocation assets at December 31, 2014 and 2013, respectively. Substantially all relocation related assets are realized in less than twelve months from the transaction date. Accordingly, all of Realogy Group's securitization obligations are classified as current in the accompanying Consolidated Balance Sheets. Interest incurred in connection with borrowings under these facilities amounted to \$6 million and \$7 million for the year ended December 31, 2014 and 2013, respectively. This interest is recorded within net revenues in the accompanying Consolidated Statements of Operations as related borrowings are utilized to fund Realogy Group's relocation business where interest is generally earned on such assets. These securitization obligations represent floating rate debt for which the average weighted interest rate was 2.3% and 3.0% for the year ended December 31, 2014 and 2013, respectively.

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

As a result of refinancing transactions, note repurchases and note redemptions, the Company recorded a loss on the early extinguishment of debt of \$47 million and wrote off deferred financing costs of \$3 million to interest expense during the year ended December 31, 2014.

As a result of the repayment and refinancing transactions, note redemptions and note repurchases, the Company recorded a loss on the early extinguishment of debt of \$68 million and wrote off deferred financing costs of \$2 million to interest expense during the year ended December 31, 2013.

As a result of repayment and refinancing of certain of the Company's indebtedness in 2012, the Company recorded a loss on the early extinguishment of debt of \$24 million during the year ended December 31, 2012.

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

The Senior Secured Credit Facility and the indentures governing the Secured Notes and the Unsecured Notes contain various covenants that limit (subject to certain exceptions) Realogy Group's ability to, among other things:

- incur or guarantee additional debt or issue disqualified stock or preferred stock;
- pay dividends or make distributions to Realogy Group's stockholders, including Realogy Holdings;
- repurchase or redeem capital stock;
- make loans, investments or acquisitions;
- incur restrictions on the ability of certain of Realogy Group's subsidiaries to pay dividends or to make other payments to Realogy Group;
- enter into transactions with affiliates;
- create liens;

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

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transfer or sell assets, including capital stock of subsidiaries; and  
prepay, redeem or repurchase subordinated indebtedness.

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, the senior secured credit facility requires us to maintain a senior secured leverage ratio in certain circumstances. See "Financial Obligations—Senior Secured Credit Facility" for additional information.

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 calculated for a twelve-month period is presented to demonstrate our compliance with the senior secured leverage ratio covenant in the senior secured credit facility. 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 restructuring costs, former parent legacy cost (benefit) items, net, loss on the early extinguishment of debt, non-cash charges and incremental securitization interest costs, as well as pro forma cost savings for restructuring initiatives, 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.

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, uses 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.

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 required 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.

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.



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A reconciliation of net income attributable to Realogy Group to EBITDA and Adjusted EBITDA for the year ended December 31, 2014 is set forth in the following table:

	For the Year Ended December 31, 2014
Net income attributable to Realogy Group	\$ 143
Income tax expense	87
Income before income taxes	230
Interest expense, net	267
Depreciation and amortization	190
EBITDA	687
Covenant calculation adjustments:	
Restructuring costs (reversals) and former parent legacy costs (benefit), net (a)	(11 )
Loss on the early extinguishment of debt	47
Pro forma effect of business optimization initiatives (b)	14
Non-cash charges (c)	30
Pro forma effect of acquisitions and new franchisees (d)	8
Incremental securitization interest costs (e)	4
Adjusted EBITDA	\$ 779
Total senior secured net debt (f)	\$ 2,242
Senior secured leverage ratio (g)	2.88x

(a) Consists of a net benefit of \$1 million for the reversal of a restructuring reserve and a net benefit of \$10 million for former parent legacy items.

Represents the twelve-month pro forma effect of business optimization initiatives including \$9 million of (b) transaction and integration costs incurred for the ZipRealty acquisition, \$3 million related to business cost cutting initiatives and \$2 million related to vendor renegotiations.

Represents the elimination of non-cash expenses, including \$43 million of stock-based compensation expense less (c) \$12 million for the change in the allowance for doubtful accounts and notes reserves and \$1 million of other items from January 1, 2014 through December 31, 2014.

Represents the estimated impact of acquisitions and new franchisees as if they had been acquired or signed on (d) January 1, 2014. 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 estimates 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 January 1, 2014.

(e) Incremental borrowing costs incurred as a result of the securitization facilities refinancing for the twelve months ended December 31, 2014.

Represents total borrowings under the senior secured credit facility and borrowings secured by a first priority lien (f) on our assets of \$2,480 million plus \$20 million of capital lease obligations less \$258 million of readily available cash as of December 31, 2014. Pursuant to the terms of our senior secured credit facility, total senior secured net debt does not include the 9.00% First and a Half Lien Notes, other indebtedness secured by a lien on our assets that is pari passu or junior in priority to the 9.00% First and a Half Lien Notes, our securitization obligations or unsecured indebtedness, including the Unsecured Notes.

Realogy Group's borrowings and outstanding letters of credit issued under the revolving credit facility did not (g) exceed 25% of the revolving credit facility's borrowing capacity at December 31, 2014, and accordingly the covenant was not applicable.



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## Contractual Obligations

The following table summarizes our future contractual obligations as of December 31, 2014:

	2015	2016	2017	2018	2019	Thereafter	Total
Term loan facility (a)	\$ 19	\$ 19	\$ 19	\$ 19	\$ 19	\$ 1,792	\$ 1,887
First Lien Notes	—	—	—	—	—	593	593
9.00% First and a Half Lien Notes	—	—	—	—	—	196	196
3.375% Senior Notes	—	500	—	—	—	—	500
4.50% Senior Notes	—	—	—	—	450	—	450
5.25% Senior Notes	—	—	—	—	—	300	300
Interest payments on long-term debt (b)	210	205	186	171	158	82	1,012
Securitized obligations (c)	269	—	—	—	—	—	269
Operating leases (d)	143	107	83	57	42	157	589
Capital leases (including imputed interest)	9	7	4	—	—	—	20
Purchase commitments (e)	62	20	12	8	6	240	348
Total (f)(g)(h)	\$ 712	\$ 858	\$ 304	\$ 255	\$ 675	\$ 3,360	\$ 6,164

(a) The Company's term loan facility has quarterly amortization payments totaling 1% per annum of the \$1,905 million of the term loan principal issued under the First Amendment with the balance payable in March 2020.

(b) Interest payments are based on applicable interest rates in effect at December 31, 2014 and include the impact of derivative instruments designed to fix the interest rate of a portion of the Company's variable rate debt.

(c) The Apple Ridge securitization facility expires in June 2015 and the Cartus Financing Limited agreements expire in 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.

(d) The operating lease amounts included in the above table do not include variable costs such as maintenance, insurance and real estate taxes.

(e) Purchase commitments include a minimum licensing fee that the Company is required to pay to Sotheby's from 2009 through 2054. The annual minimum licensing fee is approximately \$2 million. Purchase commitments also include a minimum licensing fee to be paid to Meredith from 2009 through 2058 for the licensing of the Better Homes and Gardens Real Estate brand. The annual minimum fee is \$4 million in 2014 and will generally remain the same thereafter.

(f) In April 2007, the Company established a standby irrevocable letter of credit for the benefit of Avis Budget Group Inc. in accordance with the Separation and Distribution Agreement. At December 31, 2014, the letter of credit was at \$53 million. This letter of credit is not included in the contractual obligations table above.

(g) The contractual obligations table does not include other non-current liabilities such as pension liabilities of \$43 million and unrecognized tax benefits of \$106 million as the Company is not able to estimate the year in which these liabilities could be paid.

(h) The contractual obligations table does not include non-standard incentives offered to some franchisees which are paid at certain points during the franchisee agreement period provided the franchisee maintains a certain level of annual gross commission income and the franchisee is in compliance with the terms of the franchise agreement at the time of payment. If current annual gross commission income levels are maintained by our franchisee's we would pay a total of \$7 million over the next two years.

## Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effects of matters that are inherently uncertain. Several of the estimates and assumptions we are

required to make relate to matters that are inherently uncertain as they pertain to future events. We consider the accounting policies discussed below to be critical to the understanding of our financial statements and involve subjective and complex judgments that could potentially affect reported results. Actual results could differ from our estimates and assumptions and any such differences could be material to our consolidated financial statements.

Allowance for doubtful accounts

We estimate the allowance necessary to provide for uncollectible accounts receivable. The estimate is based on historical experience, combined with a review of current developments, and includes specific accounts for which future



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payment is unlikely. The process by which we calculate the allowance begins in the individual business units where specific problem accounts are identified and reserved and an additional reserve is generally recorded driven by the age profile of the receivables. Our allowance for doubtful accounts was \$27 million and \$37 million at December 31, 2014 and 2013, respectively.

### Impairment of goodwill and other indefinite-lived intangible assets

Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Indefinite-lived intangible assets primarily consist of trademarks acquired in business combinations. Goodwill and indefinite-lived assets are not amortized, but are subject to impairment testing. The aggregate carrying value of our goodwill and other indefinite-lived intangible assets was \$3,477 million and \$746 million, respectively, at December 31, 2014 and are subject to impairment testing annually as of October 1, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value is reduced to fair value. In testing goodwill, the fair value of our reporting units is estimated using a discounted cash flow approach utilizing long-term cash flow forecasts and our annual operating plans adjusted for terminal value assumptions.

We determine the fair value of our reporting units utilizing our best estimate of future revenues, operating expenses, cash flows, market and general economic conditions as well as assumptions that we believe marketplace participants would utilize including discount rates, cost of capital, trademark royalty rates, and long-term growth rates. The trademark royalty rate was determined by reviewing similar trademark agreements with third parties. Although we believe our assumptions are reasonable, actual results may vary significantly. These impairment tests involve the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. To address this uncertainty we perform sensitivity analysis on key estimates and assumptions.

Based upon the impairment analysis performed in the fourth quarter of 2014, there was no impairment of goodwill or other indefinite-lived intangible assets for 2014. However, significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may have a negative effect on the fair values. Management evaluated the effect of lowering the estimated fair value for each of the reporting units by 10% and determined that no impairment of goodwill or other indefinite-lived intangible assets would have been recognized under this evaluation.

### Common stock valuation

On occasion, we grant stock-based awards to certain senior management, employees and directors. These awards are measured at the grant date based on the fair value as calculated using the Black-Scholes option pricing model and are recognized as expense over the service period based on the vesting requirements, or when requisite performance metrics or milestones are achieved. Determining the fair value of stock-based awards at the grant date requires considerable judgment, including estimating expected volatility, expected term and risk-free rate.

Our expected volatility for these options is based on the average volatility rates of similar actively traded companies since we only have trading history as a public company since October 2012. The expected holding period of the option is calculated based on the simplified method and is estimated to be 6.25 years for time vesting stock options and 4.75 years for performance based options. The risk-free rate is derived from the U.S. Treasuries, the period of which relates to the grant's holding period. If factors change and we employ different assumptions, the fair value of future awards and resulting stock-based compensation expense may differ significantly from what we have estimated historically.

### Income taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Our provision for income taxes is based on domestic and international statutory income tax rates in the jurisdictions in which we operate. Significant judgment is required in determining income tax provisions as well as

deferred tax asset and liability balances, including the estimation of valuation allowances and the evaluation of tax positions.

Net deferred tax assets and liabilities are primarily comprised of temporary differences, net operating loss carryforwards and tax credit carryforwards that are available to reduce taxable income in future periods. The determination of the amount of valuation allowance to be provided on deferred tax assets involves estimates regarding (1) the timing and

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amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional reserves for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum recognition threshold. The approach for evaluating certain and uncertain tax positions is defined by the authoritative guidance and this guidance determines when a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

\* \* \*

Recently Adopted Accounting Pronouncements

In July 2013, the FASB amended guidance requiring companies to present in the statement of financial position, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryforward. To the extent that a net operating loss carryforward or tax credit carryforward at the reporting date is not available under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, the unrecognized tax benefit would be presented in the statement of financial position as a liability. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company presents unrecognized tax benefits in accordance with the amended guidance and therefore the new standard had no impact on the Company's financial statement presentation.

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASU"). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

In May 2014, the FASB and IASB issued a converged standard on revenue recognition that will have an effect on most entities to some extent. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of revenue recognition. The new standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risks.

We are exposed to market risk from changes in interest rates primarily through our senior secured credit facilities. At December 31, 2014, our primary interest rate exposure was to interest rate fluctuations, specifically LIBOR, due to its impact on our variable rate borrowings of our revolving and term loan facilities under the senior secured credit agreement. Given that our borrowings under the senior secured credit agreement are generally based upon LIBOR, this rate will be the Company's primary market risk exposure for the foreseeable future. We do not have significant exposure to foreign currency risk nor do we expect to have significant exposure to foreign currency risk in the foreseeable future.

We assess our market risk based on changes in interest rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact on earnings, fair values and cash flows based on a hypothetical change (increase and decrease) in interest rates. We exclude the fair values of relocation receivables and advances and securitization borrowings from our sensitivity analysis because we believe the interest rate risk on these assets and liabilities is mitigated as the rate we earn on relocation receivables and advances and the rate we incur on our securitization

borrowings are based on similar variable indices.

At December 31, 2014, we had variable interest rate long-term debt from our outstanding term loan of \$1,887 million excluding \$269 million of securitization obligations. The weighted average interest rate on the outstanding term loan at December 31, 2014 was 3.75%. The interest rate with respect to the term loan is based on adjusted LIBOR plus 3.00%

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(with a LIBOR floor of 0.75%). At December 31, 2014 the one-month LIBOR rate was 0.17%; therefore we have estimated that a 0.25% increase in LIBOR would have no impact on our annual interest expense due to the 0.75% LIBOR floor.

We have entered into five interest rate swaps to manage a portion of our exposure to changes in interest rates associated with our variable rate borrowings. The first swap, with a notional value of \$225 million, commenced in July 2012 and expires in February 2018, the second swap, with a notional value of \$200 million, commenced in January 2013 and expires in February 2018, and the remaining three swaps each have a notional value of \$200 million, commence in August 2015 and expire in August 2020. The five swaps with an aggregate notional value of \$1,025 million help to protect our outstanding variable rate borrowings from future interest rate volatility. The fixed interest rates on the swaps range from 2.24% to 2.89%. The Company has recognized a liability of \$40 million for the fair value of the interest rate swaps at December 31, 2014. The fair value of these interest rate swaps is subject to movements in LIBOR and will fluctuate in future periods. We have estimated that a 0.25% increase in the LIBOR yield curve would increase the fair value of our interest rate swaps by \$10 million and would decrease interest expense. While these results may be used as a benchmark, they should not be viewed as a forecast of future results.

Item 8. Financial Statements and Supplementary Data.

See "Index to Financial Statements" on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Controls and Procedures for Realogy Holdings Corp.

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

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

There has not been any change in Realogy Holdings' internal control over financial reporting during the period (c) covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting for Realogy Holdings Corp.

Realogy Holdings' management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Realogy Holdings' internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Realogy Holdings' internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Realogy Holdings' assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the

Company are being made only in accordance with authorizations of Realogy Holdings' management and directors;  
and

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(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Realogy Holdings' assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Realogy Holdings' internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 Internal Control-Integrated Framework. Based on this assessment, management determined that Realogy Holdings maintained effective internal control over financial reporting as of December 31, 2014.

Auditor Report on the Effectiveness of Realogy Holdings Corp.'s Internal Control Over Financial Reporting PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report, has issued an attestation report on the effectiveness of Realogy Holdings' internal control over financial reporting, which is included within their audit opinion on page F-2.

\* \* \*

Controls and Procedures for Realogy Group LLC

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

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

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

Management's Report on Internal Control Over Financial Reporting for Realogy Group LLC

Realogy Group's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Realogy Group's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Realogy Group's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Realogy Group's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Realogy Group's management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Realogy Group's assets that could have a material effect on the financial statements.





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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Realogy Group's internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 Internal Control-Integrated Framework. Based on this assessment, management determined that Realogy Group maintained effective internal control over financial reporting as of December 31, 2014.

Auditor Report on the Effectiveness of Realogy Group LLC's Internal Control Over Financial Reporting  
PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report, has issued an attestation report on the effectiveness of Realogy Group's internal control over financial reporting, which is included within their audit opinion on page F-3.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Identification of Directors

The information required by this item is included in the Proxy Statement under the caption "Election of Directors" and is incorporated by reference to this report.

Identification of Executive Officers

The following provides information regarding individuals who served as executive officers of Realogy Group and Realogy Holdings at December 31, 2014. The age of each individual indicated below is as of February 20, 2015.

Richard A. Smith, age 61, has served as our President and Chief Executive Officer since November 13, 2007, as Chairman of the Board since March 2012, and as a director since our separation from Cendant in July 2006. Prior to November 13, 2007, he served as our Vice Chairman of the Board of Directors and President. Mr. Smith was Senior Executive Vice President of Cendant from September 1998 until our separation from Cendant in July 2006 and Chairman and Chief Executive Officer of Cendant's Real Estate Services Division from December 1997 until our separation from Cendant in July 2006. Mr. Smith was President of the Real Estate Division of HFS from October 1996 to December 1997 and Executive Vice President of Operations for HFS from February 1992 to October 1996. Under the terms of his employment agreement, Mr. Smith serves as a member of the Board of Directors of Realogy during his employment term. His current term of employment ends on April 9, 2016, subject to automatic renewal for an additional one year pursuant to the terms of the employment agreement if neither party provides a 90-day notice of non-renewal.

Anthony E. Hull, 56, has served as our Executive Vice President, Chief Financial Officer and Treasurer since our separation from Cendant in July 2006. From December 14, 2007 to February 3, 2008, Mr. Hull performed the functions of our Chief Accounting Officer. Mr. Hull was Executive Vice President, Finance of Cendant from October 2003 until our separation from Cendant in July 2006. From January 1996 to September 2003, Mr. Hull served as Chief Financial Officer for DreamWorks, a diversified entertainment company. From 1990 to 1994, Mr. Hull worked in various capacities for Paramount Communications, a diversified entertainment and publishing company. From 1984 to 1990, Mr. Hull worked in investment banking at Morgan Stanley.

Marilyn J. Wasser, 59, has served as our Executive Vice President, General Counsel and Corporate Secretary since May 10, 2007. From May 2005 until May 2007, Ms. Wasser was Executive Vice President, General Counsel and Corporate Secretary for Telcordia Technologies, a provider of telecommunications software and services. From 1983 until 2005, Ms. Wasser served in several positions of increasing responsibility with AT&T Corporation and AT&T Wireless Services. Most recently, from September 2002 to February 2005, Ms. Wasser served as Executive Vice President, Associate General Counsel and Corporate Secretary for AT&T Wireless Services. From 1995 until 2002, Ms. Wasser served as Secretary to the AT&T Board of Directors and Chief Compliance Officer.

David J. Weaving, 48, became Chief Administrative Officer of Realogy Franchise Group in January 2015 and continues to serve as the head of Realogy's human resources department, a role he has held since our separation from Cendant in July 2006. Mr. Weaving served as Executive Vice President and Chief Administrative Officer of Realogy from July 2006 to January 2015. Mr. Weaving was Senior Vice President and Chief Financial Officer of Cendant's Real Estate Division from September 2001 until our separation from Cendant in July 2006. From May 2001 through September 2001, he served as Vice President and Divisional Controller for Cendant's Real Estate Division. Mr. Weaving joined Cendant in 1999 as a Vice President of Finance. From 1995 to 1999, Mr. Weaving worked in increasing roles of responsibility for Cambrex Corporation, a diversified chemical manufacturer.

Kevin J. Kelleher, 61, has served as the President and Chief Executive Officer of Cartus (formerly known as Cendant Mobility Services Corporation) since 1997. From 1993 to 1997, he served as Senior Vice President and General Manager of Cendant Mobility's destination services unit. Mr. Kelleher has also held senior leadership positions in sales, client relations, network management and strategic planning.

Alexander E. Perriello, III, 67, has served as the President and Chief Executive Officer of Realogy Franchise Group (formerly known as Cendant Real Estate Franchise Group) since April 2004. From 1997 through 2004, he served as

President and Chief Executive Officer of Coldwell Banker Real Estate Corporation.

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Bruce Zipf, 58, has served as President and Chief Executive Officer of NRT LLC since March 2005 and as President and Chief Operating Officer from February 2004 to March 2005. From January 2003 to February 2004, Mr. Zipf served as Executive Vice President and Chief Administrative Officer of NRT and from 1998 through December 2002 he served as NRT's Senior Vice President for most of NRT's Eastern Operations. From 1996 to 1998, Mr. Zipf served as President and Chief Operating Officer for Coldwell Banker Residential Brokerage—New York. Prior to entering the real estate industry, Mr. Zipf was a senior audit manager for Ernst and Young.

Donald J. Casey, 53, has served as the President and Chief Executive Officer of TRG (formerly known as Cendant Settlement Services Group) since April 2002. From 1995 until April 2002, he served as Senior Vice President, Brands of PHH Mortgage. From 1993 to 1995, Mr. Casey served as Vice President, Government Operations of Cendant Mortgage. From 1989 to 1993, Mr. Casey served as a secondary marketing analyst for PHH Mortgage Services (prior to its acquisition by Cendant).

Dea Benson, 60, has served as our Senior Vice President, Chief Accounting Officer and Controller since February 2008. Prior to being named Chief Accounting Officer of the Company, from 1996 to January 2007, Ms. Benson held various financial and accounting positions with DreamWorks SKG/Paramount Pictures, most recently from November 2002 to January 2006 as Controller of DreamWorks SKG and from February 2006 to December 2006 as divisional CFO of the Worldwide Home Entertainment division of Paramount Pictures, subsequent to Paramount's acquisition of DreamWorks SKG. Ms. Benson is a certified public accountant.

#### Compliance with Section 16(a) of the Exchange Act

The information required by this item is included in the Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated by reference to this report.

#### Code of Ethics

The information required by this item is included in the Proxy Statement under the caption "Code of Business Conduct and Ethics" and is incorporated by reference to this report.

#### Corporate Governance

The information required by this item is included in the Proxy Statement under the caption "Governance of the Company" and is incorporated by reference to this report.

#### Item 11. Executive Compensation.

The information required by this item is included in the Proxy Statement under the captions "Governance of the Company—Compensation of Directors," "Governance of the Company—Committees of the Board" and "Executive Compensation" and is incorporated by reference to this report.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. Securities Authorized for Issuance Under Equity Compensation Plans as of December 31, 2014

Plan Category	Number of Securities to be Issued Upon Exercise or Vesting of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans	
Equity compensation plans approved by stockholders	4,796,363	(1) \$30.02	(2) 2,736,112	(3)
Equity compensation plan not approved by stockholders	None	Not Applicable	Not Applicable	

(1) Consists of 3,221,469 outstanding options, 85,616 shares subject to restricted stock awards, 743,307 restricted stock units, 719,434 performance stock units and 26,537 deferred stock units issuable under the

2007 Stock Incentive Plan and the 2012 Long Term Incentive Plan. The number of shares, if any, to be issued pursuant to the outstanding performance stock unit awards will be determined based upon the extent to which the performance goals are achieved. The amount set forth in the table assumes maximum payout under the outstanding performance share unit awards.

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Weighted average exercise price of outstanding stock options under the 2007 Stock Incentive Plan and the 2012 (2) Long Term Incentive Plan. The other outstanding awards do not have exercise prices and are accordingly excluded from this column.

(3) Consists of shares available for future grant under the 2007 Stock Incentive Plan and the 2012 Long Term Incentive Plan.

See Note 12, "Stock-Based Compensation", in the consolidated financial statements for additional information on the 2007 Stock Incentive Plan and the 2012 Long Term Incentive Plan.

The remaining information required by this item is included in the Proxy Statement under the caption "Governance of the Company—Ownership of Our Common Stock" and is incorporated by reference to this report.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is included in the Proxy Statement under the captions "Governance of the Company" and "Executive Compensation—Related Party Transactions" and is incorporated by reference to this report.

Item 14. Principal Accounting Fees and Services.

The information required by this item is included in the Proxy Statement under the captions "Disclosure About Fees" and "Pre-Approval of Audit and Non-Audit Services" under the section entitled "Ratification of the Appointment of the Independent Registered Public Accounting Firm" and is incorporated by reference to this report.

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PART IV

Item 15. Exhibits, Financial Statements and Schedules.

(A)(1) and (2) Financial Statements

The consolidated financial statements of the registrants listed in the "Index to Financial Statements" on page F-1 together with the reports of PricewaterhouseCoopers LLP, independent auditors, are filed as part of this Annual Report.

(A)(3) Exhibits

See Index to Exhibits.

The agreements included or incorporated by reference as exhibits to this report contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement. We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

(A)(4) Consolidated Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts.

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SIGNATURES

Pursuant to the requirements of Section 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this Annual Report on Form 10-K to be signed on their behalf by the undersigned, thereunto duly authorized, on the February 26, 2015.

REALOGY HOLDINGS CORP.

and

REALOGY GROUP LLC

(Registrants)

By: /S/ RICHARD A. SMITH

Name: Richard A. Smith

Title: Chairman of the Board, Chief Executive Officer  
and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard A. Smith, Anthony E. Hull and Marilyn J. Wasser, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully and for all intents and purposes as he or she might do or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.



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Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons in the capacities and on the dates indicated below on behalf of each of the Registrants.

Name	Title	Date
/s/ RICHARD A. SMITH Richard A. Smith	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	February 26, 2015
/s/ ANTHONY E. HULL Anthony E. Hull	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 26, 2015
/s/ DEA BENSON Dea Benson	Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 26, 2015
/s/ RAUL ALVAREZ Raul Alvarez	Director of Realogy Holdings Corp. and Manager of Realogy Group LLC	February 26, 2015
/s/ MARC E. BECKER Marc E. Becker	Director of Realogy Holdings Corp. and Manager of Realogy Group LLC	February 26, 2015
/s/ JESSICA M. BIBLIOWICZ Jessica M. Bibliowicz	Director of Realogy Holdings Corp. and Manager of Realogy Group LLC	February 26, 2015
/s/ FIONA P. DIAS Fiona P. Dias	Director of Realogy Holdings Corp. and Manager of Realogy Group LLC	February 26, 2015
/s/ V. ANN HAILEY V. Ann Hailey	Director of Realogy Holdings Corp. and Manager of Realogy Group LLC	February 26, 2015
/s/ SHERRY M. SMITH Sherry M. Smith	Director of Realogy Holdings Corp. and Manager of Realogy Group LLC	February 26, 2015
/s/ BRETT WHITE Brett White	Director of Realogy Holdings Corp. and Manager of Realogy Group LLC	February 26, 2015

/s/ MICHAEL J. WILLIAMS

Director of Realogy Holdings Corp. and Manager of  
Realogy Group LLC

February 26, 2015

Michael J. Williams

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	<u>Report of Independent Registered Public Accounting Firm for Realogy Holdings Corp.</u> F-2
	<u>Report of Independent Registered Public Accounting Firm for Realogy Group LLC</u> F-3
	<u>Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012</u> F-4
	<u>Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2014, 2013 and 2012</u> F-5
	<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u> F-6
	<u>Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012</u> F-7
	<u>Consolidated Statements of Equity (Deficit) for the years ended December 31, 2014, 2013 and 2012</u> F-8
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Realogy Holdings Corp.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), equity (deficit) and cash flows present fairly, in all material respects, the financial position of Realogy Holdings Corp. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (A)(4) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP  
Florham Park, New Jersey  
February 26, 2015



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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Realogy Group LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), equity (deficit) and cash flows present fairly, in all material respects, the financial position of Realogy Group LLC and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (A)(4) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 26, 2015



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

	Year Ended December 31,		
	2014	2013	2012
Revenues			
Gross commission income	\$4,028	\$3,946	\$3,428
Service revenue	802	867	821
Franchise fees	333	322	271
Other	165	154	152
Net revenues	5,328	5,289	4,672
Expenses			
Commission and other agent-related costs	2,755	2,691	2,319
Operating	1,350	1,371	1,313
Marketing	214	199	190
General and administrative	293	327	327
Former parent legacy costs (benefit), net	(10 )	(4 )	(8 )
Restructuring costs, net	(1 )	4	12
Depreciation and amortization	190	176	173
Interest expense, net	267	281	528
Loss on the early extinguishment of debt	47	68	24
IPO related costs for Convertible Notes	—	—	361
Other (income)/expense, net	(2 )	1	(4 )
Total expenses	5,103	5,114	5,235
Income (loss) before income taxes, equity in earnings and noncontrolling interests	225	175	(563 )
Income tax expense (benefit)	87	(242 )	39
Equity in earnings of unconsolidated entities	(9 )	(26 )	(62 )
Net income (loss)	147	443	(540 )
Less: Net income attributable to noncontrolling interests	(4 )	(5 )	(3 )
Net income (loss) attributable to Realogy Holdings and Realogy Group	\$143	\$438	\$(543 )
Earnings (loss) per share attributable to Realogy Holdings:			
Basic earnings (loss) per share	\$0.98	\$3.01	\$(14.41 )
Diluted earnings (loss) per share	\$0.97	\$2.99	\$(14.41 )
Weighted average common and common equivalent shares of Realogy Holdings outstanding:			
Basic	146.0	145.4	37.7
Diluted	147.2	146.6	37.7

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2014	2013	2012
Net income (loss)	\$ 147	\$ 443	\$(540)
Currency translation adjustment	(4)	—	3
Defined Benefit Plans:			
Actuarial (loss) gain for the plans	(24)	19	(8)
Less: amortization of actuarial loss to periodic pension cost	(1)	(2)	(6)
Defined benefit plans	(23)	21	(2)
Other comprehensive income (loss), before tax	(27)	21	1
Income tax expense (benefit) related to items of other comprehensive income (loss) amounts	(11)	9	—
Other comprehensive income (loss), net of tax	(16)	12	1
Comprehensive income (loss)	131	455	(539)
Less: comprehensive income attributable to noncontrolling interests	(4)	(5)	(3)
Comprehensive income (loss) attributable to Realogy Holdings and Realogy Group	\$ 127	\$ 450	\$(542)

See Notes to Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC  
 CONSOLIDATED BALANCE SHEETS  
 (In millions, except share data)

	December 31,	
	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$313	\$236
Trade receivables (net of allowance for doubtful accounts of \$27 and \$37)	116	121
Relocation receivables	297	270
Deferred income taxes	180	186
Other current assets	120	104
Total current assets	1,026	917
Property and equipment, net	233	205
Goodwill	3,477	3,335
Trademarks	736	732
Franchise agreements, net	1,495	1,562
Other intangibles, net	341	365
Other non-current assets	230	210
Total assets	\$7,538	\$7,326
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$128	\$123
Securitization obligations	269	252
Due to former parent	51	63
Current portion of long-term debt	19	19
Accrued expenses and other current liabilities	411	454
Total current liabilities	878	911
Long-term debt	3,891	3,886
Deferred income taxes	350	337
Other non-current liabilities	236	179
Total liabilities	5,355	5,313
Commitments and contingencies (Notes 13 and 14)		
Equity:		
Realogy Holdings preferred stock: \$.01 par value; 50,000,000 shares authorized, none issued and outstanding at December 31, 2014 and December 31, 2013.	—	—
Realogy Holdings common stock: \$.01 par value; 400,000,000 shares authorized, 146,382,923 shares outstanding at December 31, 2014 and 146,125,337 shares outstanding at December 31, 2013.	1	1
Additional paid-in capital	5,677	5,635
Accumulated deficit	(3,464)	(3,607)
Accumulated other comprehensive loss	(35)	(19)
Total stockholders' equity	2,179	2,010
Noncontrolling interests	4	3
Total equity	2,183	2,013
Total liabilities and equity	\$7,538	\$7,326

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2014	2013	2012
Operating Activities			
Net income (loss)	\$ 147	\$ 443	\$ (540 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	190	176	173
Deferred income taxes	77	(249 )	36
Amortization of deferred financing costs and discount on unsecured notes	17	12	15
Non-cash portion of the loss on the early extinguishment of debt	24	14	24
Incremental common stock issued for Convertible Notes	—	—	256
Equity in earnings of unconsolidated entities	(9 )	(26 )	(62 )
Stock-based compensation	42	61	24
Mark-to-market adjustments on derivatives	29	(4 )	17
Other adjustments to net income (loss)	(1 )	5	(9 )
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:			
Trade receivables	4	—	(1 )
Relocation receivables	(29 )	55	55
Other assets	(5 )	5	11
Accounts payable, accrued expenses and other liabilities	(53 )	(14 )	(128 )
Due to former parent	(11 )	(4 )	(10 )
Dividends received from unconsolidated entities	5	42	43
Taxes paid related to net share settlement for stock-based compensation	(6 )	(22 )	(7 )
Other, net	2	(2 )	—
Net cash provided by (used in) operating activities	423	492	(103 )
Investing Activities			
Property and equipment additions	(71 )	(62 )	(54 )
Payments for acquisitions, net of cash acquired	(215 )	(32 )	(3 )
Change in restricted cash	4	(5 )	(2 )
Other, net	(16 )	(3 )	(7 )
Net cash used in investing activities	(298 )	(102 )	(66 )
Financing Activities			
Net change in revolving credit facilities	—	(110 )	(198 )
Proceeds from amended term loan facility	—	79	—
Repayments of term loan facility	(19 )	(15 )	(640 )
Proceeds from issuance of First Lien Notes	—	—	593
Proceeds from issuance of First and a Half Lien Notes	—	—	325
Repurchases of First and a Half Lien Notes	(729 )	(100 )	—
Repayment of Second Lien Loans	—	—	(650 )
Proceeds from issuance of Senior Notes	750	500	—
Redemption of Senior Notes and Senior Subordinated Notes	—	(821 )	(105 )
Net change in securitization obligations	17	(9 )	(67 )
Debt transaction costs	(44 )	(28 )	(17 )
Proceeds from issuance of common stock	—	—	1,176
Proceeds from exercise of stock options	6	5	—

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Other, net	(27	)	(31	)	(16	)
Net cash (used in) provided by financing activities	(46	)	(530	)	401	
Effect of changes in exchange rates on cash and cash equivalents	(2	)	—		1	
Net increase (decrease) in cash and cash equivalents	77		(140	)	233	
Cash and cash equivalents, beginning of period	236		376		143	
Cash and cash equivalents, end of period	\$313		\$236		\$376	

Supplemental Disclosure of Cash Flow Information

Interest payments (including securitization interest of \$6, \$7 and \$9, respectively)	\$249		\$312		\$571	
Income tax payments, net	10		16		7	

See Notes to Consolidated Financial Statements.

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REALOGY HOLDINGS CORP.  
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)  
(In millions)

	Realogy Holdings Stockholders' Equity							Total Equity (Deficit)
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- controlling Interests		
	Shares	Amount						
Balance at January 1, 2012	8.0	\$—	\$2,033	\$ (3,502 )	\$ (32 )	\$2	\$ (1,499 )	
Net loss	—	—	—	(543 )	—	3	(540 )	
Other comprehensive income	—	—	—	—	1	—	1	
Issuance of common stock in conjunction with the initial public offering	46.0	—	1,176	—	—	—	1,176	
Issuance of common stock for Convertible Notes conversion	81.0	1	2,109	—	—	—	2,110	
Issuance of common stock pursuant to letter agreements with certain holders of Convertible Notes	9.7	—	256	—	—	—	256	
Stock-based compensation	0.6	—	17	—	—	—	17	
Dividends	—	—	—	—	—	(2 )	(2 )	
Balance at December 31, 2012	145.3	\$1	\$5,591	\$ (4,045 )	\$ (31 )	\$3	\$1,519	
Net income	—	—	—	438	—	5	443	
Other comprehensive income	—	—	—	—	12	—	12	
Exercise of stock options	0.2	—	5	—	—	—	5	
Stock-based compensation	—	—	19	—	—	—	19	
Issuance of shares under the Phantom Value Plan	0.9	—	42	—	—	—	42	
Issuance of shares for vesting of restricted stock awards, net of forfeitures	0.1	—	—	—	—	—	—	
Shares withheld for taxes on equity awards	(0.4 )	—	(22 )	—	—	—	(22 )	
Dividends	—	—	—	—	—	(5 )	(5 )	
Balance at December 31, 2013	146.1	\$1	\$5,635	\$ (3,607 )	\$ (19 )	\$3	\$2,013	
Net income	—	—	—	143	—	4	147	
Other comprehensive income	—	—	—	—	(16 )	—	(16 )	
Exercise of stock options	0.3	—	6	—	—	—	6	
Stock-based compensation	—	—	42	—	—	—	42	
Issuance of shares for vesting of restricted stock awards, net of forfeitures	0.1	—	—	—	—	—	—	
Shares withheld for taxes on equity awards	(0.1 )	—	(6 )	—	—	—	(6 )	
Dividends	—	—	—	—	—	(4 )	(4 )	
Capital contributions from noncontrolling interests	—	—	—	—	—	1	1	

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Balance at December 31, 2014	146.4	\$1	\$5,677	\$ (3,464	)	\$ (35	)	\$4	\$2,183
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See Notes to Consolidated Financial Statements.

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## REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise noted, all amounts are in millions, except per share amounts)

## 1. BASIS OF PRESENTATION

Realogy Holdings Corp. ("Realogy Holdings", "Realogy" or the "Company") is a holding company for its consolidated subsidiaries including Realogy Intermediate Holdings LLC ("Realogy Intermediate") and Realogy Group LLC ("Realogy Group") and its consolidated subsidiaries. Neither Realogy Holdings, the indirect parent of Realogy Group, nor Intermediate, the direct parent company of Realogy Group, conducts any operations other than with respect to its respective direct or indirect ownership of Realogy Group. As a result, the consolidated financial positions, results of operations, comprehensive income and cash flows of Realogy Holdings, Realogy Intermediate and Realogy Group are the same.

Realogy Holdings was incorporated on December 14, 2006. On April 10, 2007, Realogy Holdings, then wholly owned by investment funds affiliated with, or co-investment vehicles managed by, Apollo Management VI, L.P., an entity affiliated with Apollo Management, L.P. (collectively referred to as "Apollo"), acquired the outstanding shares of Realogy Group (then known as Realogy Corporation, a Delaware corporation) pursuant to a merger of its wholly owned subsidiary Domus Acquisition Corp., with and into Realogy Group with Realogy Holdings becoming the indirect parent company of Realogy Group. Prior to the consummation of the Realogy Holdings initial public offering and related transactions in October 2012, Realogy Holdings was owned by Apollo and members of the Company's management.

Realogy is a global provider of residential real estate services. Realogy Group (then Realogy Corporation) was incorporated in January 2006 to facilitate a plan by Cendant Corporation (now known as Avis Budget Group, Inc.) to separate into four independent companies—one for each of Cendant's business units—real estate services (Realogy), travel distribution services ("Travelport"), hospitality services, including timeshare resorts ("Wyndham Worldwide"), and vehicle rental ("Avis Budget Group"). On July 31, 2006, the separation ("Separation") from Cendant became effective. The accompanying Consolidated Financial Statements include the financial statements of Realogy Holdings and Realogy Group. Realogy Holdings' only asset is its investment in the common stock of Realogy Intermediate, and Realogy Intermediate's only asset is its investment in Realogy Group. Realogy Holdings' only obligations are its guarantees of certain borrowings and certain franchise obligations of Realogy Group. All expenses incurred by Realogy Holdings and Realogy Intermediate are for the benefit of Realogy Group and have been reflected in Realogy Group's consolidated financial statements. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany balances and transactions have been eliminated.

**Business Description**

The Company reports its operations in the following business segments:

**Real Estate Franchise Services** (known as Realogy Franchise Group or RFG)—franchises the Century 21 Coldwell Banker®, Coldwell Banker Commercial®, ERA®, Sotheby's International Realty®, and Better Homes and Gardens® Real Estate brand names. As of December 31, 2014, our franchise systems had approximately 13,500 franchised and company owned offices and approximately 251,300 independent sales associates operating under our franchise and proprietary brands in the U.S. and 103 other countries and territories around the world, which included approximately 725 of our company owned and operated brokerage offices with approximately 45,000 independent sales associates.

**Company Owned Real Estate Brokerage Services** (known as NRT)—operates a full-service real estate brokerage business principally under the Coldwell Banker®, Corcoran Group®, Sotheby's International Realty®, ZipRealty® and Citi Habitats brand names in more than 45 of the 100 largest metropolitan areas in the U.S. This segment also includes the Company's share of earnings for our PHH Home Loans venture.

**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, coordinating visa and immigration support, intercultural and language training and group move management services. Cartus also serves affinity organizations such as insurance companies and credit unions that provide Cartus' services to their members.

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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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

In presenting the consolidated financial statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ materially from those estimates.

REVENUE RECOGNITION

Real Estate Franchise Services

The Company franchises its real estate brokerage franchise systems to real estate brokerage businesses that are independently owned and operated. The Company provides operational and administrative services and systems to franchisees, which include marketing programs, systems and tools that are designed to help the Company's franchisees serve their customers and attract new or retain existing independent sales associates, training and volume purchasing discounts through the Company's preferred alliance program. Franchise revenue principally consists of royalty and marketing fees from the Company's 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 close 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. Franchise revenue also includes initial franchise fees, which are generally non-refundable and recognized by the Company as revenue when all material services or conditions relating to the sale have been substantially performed (generally when a franchised unit opens for business). The Company also earns marketing fees from its franchisees and utilizes such fees to fund marketing campaigns on behalf of its franchisees.

Company Owned Real Estate Brokerage Services

As an owner-operator of real estate brokerages, the Company assists home buyers and sellers in listing, marketing, selling and finding homes. Real estate commissions earned by the Company's real estate brokerage business are recorded as revenue on a gross basis upon the closing of a real estate transaction (i.e., purchase or sale of a home), which are referred to as gross commission income. The commissions the Company pays to real estate agents are recognized concurrently with associated revenues and presented as the commission and other agent-related costs line item on the accompanying Consolidated Statements of Operations.

Relocation Services

The Company provides relocation services to corporate and government clients for the transfer of their employees. Such services include the purchasing and/or selling of a transferee's home, providing home equity advances to transferees (generally guaranteed by the client), expense processing, arranging household goods moving services, home finding and other related services. The Company earns revenues from fees charged to clients for the performance and/or facilitation of these services and recognizes such revenue as services are provided, except for limited instances in which the Company assumes the risk of loss on the sale of a transferring employee's home ("at risk"). In such cases, revenues are recorded as earned with associated costs recorded within operating expenses. In the majority of relocation transactions, the gain or loss on the sale of a transferee's home is generally borne by the client. However, there are limited instances in which the Company assumes the risk of loss. Under "at risk" contracts, the Company records the value of the home on its Consolidated Balance Sheets within the Other current assets line item at the lower of cost or net realizable value less estimated direct costs to sell. The difference between the actual purchase price and proceeds received on the sale of the home is recorded within operating expenses on the Company's Consolidated Statements of Operations and the gain or loss was not material for any period presented. The aggregate selling price of such homes was \$46 million, \$62 million and \$81 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The Company also earns referral commission revenue from real estate brokers, which is recognized at the time the underlying property closes, and revenues from other third-party service providers where the Company earns a referral

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commission, which is recognized at the time of completion of services. Additionally, the Company generally earns interest income on the funds it advances on behalf of the transferring employee, which is recorded within other revenue (as is the corresponding interest expense on the securitization obligations) in the accompanying Consolidated Statements of Operations.

**Title and Settlement Services**

The Company provides 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. The Company also owns an underwriter of title insurance. For independent title agents, the underwriter recognizes policy premium revenue on a gross basis (before deduction of agent commission) upon notice of policy issuance from the agent. For affiliated title agents, the underwriter recognizes the incremental policy premium revenue upon the effective date of the title policy as the agent commission revenue is already recognized by the affiliated title agent.

**CONSOLIDATION**

Effective January 1, 2010, the Company adopted the FASB's amended guidance on the consolidation of Variable Interest Entities ("VIE"), in which the Company consolidates any VIE for which it is the primary beneficiary with a controlling financial interest. Also, the Company consolidates an entity not deemed a VIE if its ownership, direct or indirect, exceeds 50% of the outstanding voting shares of an entity and/or that it has the ability to control the financial or operating policies through its voting rights, board representation or other similar rights. For entities where the Company does not have a controlling interest (financial or operating), the investments in such entities are accounted for using the equity or cost method, as appropriate. The Company applies the equity method of accounting when it has the ability to exercise significant influence over operating and financial policies of an investee. The Company uses the cost method for all other investments.

**CASH AND CASH EQUIVALENTS**

The Company considers highly liquid investments with remaining maturities not exceeding three months at the date of purchase to be cash equivalents.

**RESTRICTED CASH**

Restricted cash primarily relates to amounts specifically designated as collateral for the repayment of outstanding borrowings under the Company's securitization facilities. Such amounts approximated \$10 million and \$14 million at December 31, 2014 and 2013, respectively and are primarily included within Other current assets on the Company's Consolidated Balance Sheets.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The Company estimates the allowance necessary to provide for uncollectible accounts receivable. The estimate is based on historical experience, combined with a review of current developments and includes specific accounts for which payment has become unlikely. The process by which the Company calculates the allowance begins in the individual business units where specific problem accounts are identified and reserved primarily based upon the age profile of the receivables and specific payment issues.

**ADVERTISING EXPENSES**

Advertising costs are generally expensed in the period incurred. Advertising expenses, recorded within the marketing expense line item on the Company's Consolidated Statements of Operations, were approximately \$188 million, \$174 million and \$166 million for the years ended December 31, 2014, 2013 and 2012, respectively.

**DEFERRED FINANCING COSTS**

Deferred financing costs include costs incurred in connection with obtaining debt and extending existing debt. These financing costs are capitalized and amortized on a straight-line basis over the term of the loan and are included as a component of interest expense.



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## INCOME TAXES

The Company's provision for income taxes is determined using the asset and liability method, under which deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using currently enacted tax rates. These differences are based upon estimated differences between the book and tax basis of the assets and liabilities for the Company. Certain tax assets and liabilities of the Company may be adjusted in connection with the finalization of income tax audits.

The Company's deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, it is more likely than not that all or some portion of the recorded deferred tax balances will not be realized in future periods. Decreases to the valuation allowance are recorded as reductions to the Company's provision for income taxes and increases to the valuation allowance result in additional provision for income taxes.

## DERIVATIVE INSTRUMENTS

The Company records derivatives and hedging activities on the balance sheet at their respective fair values. The Company uses foreign currency forward contracts largely to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables and payables. The Company primarily manages its foreign currency exposure to the Euro, Swiss Franc, Canadian Dollar and British Pound. The Company has elected not to utilize hedge accounting for these forward contracts; therefore, any change in fair value is recorded in the Consolidated Statements of Operations. However, the fluctuations in the value of these forward contracts generally offset the impact of changes in the value of the underlying risk that they are intended to economically hedge. The Company also enters into interest rate swaps to manage its exposure to changes in interest rates associated with its variable rate borrowings. The Company has five interest rate swaps with an aggregate notional value of \$1,025 million to offset a portion of the variability in cash flows resulting from interest payments on the term loan facility. The first swap, with a notional value of \$225 million, commenced in July 2012 and expires in February 2018 and the second swap, with a notional value of \$200 million, commenced in January 2013 and expires in February 2018. In the third quarter of 2013, the Company entered into three forwarding starting interest rate swaps, each with a notional value of \$200 million, which commence in August 2015 and expire in August 2020. The Company has not elected to utilize hedge accounting for these interest rate swaps; therefore, any change in fair value is recorded in the Consolidated Statements of Operations.

## INVESTMENTS

At December 31, 2014 and 2013, the Company had various equity method investments aggregating \$61 million and \$57 million, respectively, which are recorded within Other non-current assets on the accompanying Consolidated Balance Sheets. Included in such investments is a 49.9% interest in PHH Home Loans, a mortgage origination venture formed in 2005 created for the purpose of originating and selling mortgage loans primarily sourced through the Company's real estate brokerage and relocation businesses. PHH Corporation ("PHH") owns the remaining percentage. The Company has an agreement with PHH and PHH Home Loans regarding the operation of the venture and a marketing agreement with PHH whereby PHH is the recommended provider of mortgage products and services promoted by the Company to its independently owned and operated franchisees. The Company also entered into a license agreement with PHH whereby PHH Home Loans was granted a license to use certain of the Company's real estate brand names. The Company also maintains a relocation agreement with PHH whereby PHH outsources its employee relocation function to the Company and the Company subleases office space to PHH Home Loans. The Company's maximum exposure to loss with respect to its investment in PHH Home Loans is limited to its equity investment of \$54 million at December 31, 2014.

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In connection with these agreements, the Company recorded net revenues of \$6 million, \$5 million and \$6 million, for the years ended December 31, 2014, 2013 and 2012, respectively. In addition, the Company recorded equity earnings of \$8 million, \$24 million and \$60 million for the years ended December 31, 2014, 2013 and 2012, respectively. The Company received cash dividends from PHH Home Loans of \$3 million, \$40 million and \$41 million during the years ended December 31, 2014, 2013 and 2012, respectively. The following presents the summarized financial information for PHH Home Loans:

	December 31,		
	2014	2013	
Balance sheet data:			
Total assets	\$480	\$418	
Total liabilities	375	322	
Total members' equity	105	96	
	For the Year Ended December 31,		
	2014	2013	2012
Statement of operations data:			
Total revenues	\$200	\$282	\$377
Total expenses	185	235	256
Net income	15	47	121

**PROPERTY AND EQUIPMENT**

Property and equipment (including leasehold improvements) are initially recorded at cost, net of accumulated depreciation and amortization. Depreciation, recorded as a component of depreciation and amortization on the Consolidated Statements of Operations, is computed utilizing the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements, also recorded as a component of depreciation and amortization, is computed utilizing the straight-line method over the estimated benefit period of the related assets or the lease term, if shorter. Useful lives are 30 years for buildings, up to 20 years for leasehold improvements, and from 3 to 7 years for furniture, fixtures and equipment.

The Company capitalizes the costs of software developed for internal use which commences during the development phase of the project. The Company amortizes software developed or obtained for internal use on a straight-line basis, from 1 to 10 years, when such software is substantially ready for use. The net carrying value of software developed or obtained for internal use was \$85 million and \$74 million at December 31, 2014 and 2013, respectively.

**IMPAIRMENT OF GOODWILL, INTANGIBLE ASSETS AND OTHER LONG-LIVED ASSETS**

Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Indefinite-lived intangible assets primarily consist of trademarks acquired in business combinations. Goodwill and indefinite-lived assets are not amortized, but are subject to impairment testing. The aggregate carrying value of our goodwill and other indefinite-lived intangible assets was \$3,477 million and \$746 million, respectively, at December 31, 2014 and are subject to impairment testing annually as of October 1, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value is reduced to fair value. In testing goodwill, the fair value of our reporting units is estimated utilizing a discounted cash flow approach utilizing long-term cash flow forecasts and our annual operating plans adjusted for terminal value assumptions.

We determine the fair value of our reporting units utilizing our best estimate of future revenues, operating expenses, cash flows, market and general economic conditions as well as assumpti