

REALOGY HOLDINGS CORP.

Form 10-Q

August 03, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

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)

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have 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 Registrants have submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrants were required to submit and post such files).

Realogy Holdings Corp. Yes ☒ No ☐ Realogy Group LLC Yes ☒ No ☐

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

Accelerated Non-accelerated filer

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Realogy Holdings Corp. Yes ☐ No ☒ Realogy Group LLC Yes ☐ No ☒

There were 124,021,855 shares of Common Stock, \$0.01 par value, of Realogy Holdings Corp. outstanding as of August 1, 2018.

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INTRODUCTORY NOTE

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"). 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 Amended and Restated Credit Agreement dated as of March 5, 2013, as amended from time to time (the "Senior Secured Credit Facility") and the Term Loan A Agreement dated as of October 23, 2015, as amended from time to time (the "Term Loan A Facility") and certain references in this report to our consolidated indebtedness exclude Realogy Holdings with respect to indebtedness under the Senior Secured Credit Facility and Term Loan A Facility. In addition, while Realogy Holdings is a guarantor of Realogy Group's obligations under its unsecured notes, Realogy Holdings is not subject to the restrictive covenants in the indentures governing such indebtedness.

As used in this Quarterly Report on Form 10-Q, the terms "4.50% Senior Notes," "5.25% Senior Notes" and "4.875% Senior Notes" refer to our 4.50% Senior Notes due 2019, our 5.25% Senior Notes due 2021 and our 4.875% Senior Notes due 2023, respectively, and are referred to collectively as the "Unsecured Notes."

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act").

Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as "believe," "expect," "anticipate," "intend," "project," "estimate," "plan," 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.

In particular, information appearing under "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, it is based on management's current plans and expectations, expressed in good faith and believed to have a reasonable basis. However, we can give no assurance that any such expectation or belief will result or will be achieved or accomplished.

The following include some, but not all, of the factors that could affect our future results and cause actual results to differ materially from those expressed in the forward-looking statements:

- adverse developments or the absence of sustained improvement in general business, economic and political conditions or 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 or a reduction in the affordability of housing;

- increasing mortgage rates and/or constraints on the availability of mortgage financing;

- insufficient or excessive home inventory levels by market and price point;

- a lack of improvement or deceleration in the building of new housing and/or irregular timing or volume of new development closings;

- the potential negative impact of certain provisions of the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") (i) on home values over time in states with high property, sales and state and local income taxes and (ii) on homeownership rates; and/or

- a deterioration in other economic factors that particularly impact the residential real estate market and the business segments in which we operate whether broadly or by geography and price segments;

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increased competition in the industry and for independent sales agents whether through traditional competitors, competitors with alternative business models or other industry participants otherwise competing for a portion of gross commission income;

• continuing pressure on the share of gross commission income paid by our company owned brokerages and our affiliated franchisees to their independent affiliated sales agents;

• our geographic and high-end market concentration;

• our inability to enter into franchise agreements with new franchisees or renew existing franchise agreements at current contractual royalty rates without increasing the amount and prevalence of sales incentives;

• the lack of revenue growth or declining profitability of our franchisees and company owned brokerage operations;

• changes in corporate relocation practices resulting in fewer employee relocations, reduced relocation benefits, increasing competition in corporate relocation or the loss of one or more significant affinity clients;

• an increase in the experienced claims losses of our title underwriter;

• our failure or alleged failure to comply with laws, regulations and regulatory interpretations and any changes or stricter interpretations of any of the foregoing, including but not limited to (1) state or federal employment laws or regulations that would require reclassification of independent contractor sales agents to employee status, (2) privacy or data security laws and regulations and (3) RESPA or federal or state consumer protection or similar laws;

• risks relating to our ability to return capital to stockholders pursuant to our stock repurchase program;

• risks and growing costs related to cybersecurity threats to our data and customer, franchisee, employee and independent sales agent data; and

• 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.

More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K"), particularly under the captions "Forward-Looking Statements," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." You should consider these factors in connection with any forward-looking statements that may be made by us and our businesses generally.

All forward-looking statements herein speak only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in or incorporated by reference into this report. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this report. For any forward-looking statement contained in this 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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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Results of Review of Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Realogy Holdings Corp. and its subsidiaries as of June 30, 2018, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2018 and 2017, including the related notes (collectively referred to as the “interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2017, and the related consolidated statements of operations, comprehensive income, equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 27, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
August 3, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of Realogy Group LLC

Results of Review of Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Realogy Group LLC and its subsidiaries as of June 30, 2018, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2018 and 2017, including the related notes (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2017, and the related consolidated statements of operations, comprehensive income, equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 27, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our reviews in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB or in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

August 3, 2018

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	2017		2017	
Revenues				
Gross commission income	\$1,388	\$1,374	\$2,290	\$2,255
Service revenue	263	255	460	449
Franchise fees	114	110	193	185
Other	55	54	106	107
Net revenues	1,820	1,793	3,049	2,996
Expenses				
Commission and other agent-related costs	1,009	970	1,654	1,575
Operating	392	385	784	768
Marketing	69	70	136	132
General and administrative	75	98	164	187
Former parent legacy benefit, net	—	(11)	—	(11)
Restructuring costs, net	6	2	36	7
Depreciation and amortization	49	49	97	99
Interest expense, net	46	47	79	86
Loss on the early extinguishment of debt	—	—	7	4
Total expenses	1,646	1,610	2,957	2,847
Income before income taxes, equity in (earnings) losses and noncontrolling interests	174	183	92	149
Income tax expense	52	73	33	64
Equity in (earnings) losses of unconsolidated entities	(2)	—	2	3
Net income	124	110	57	82
Less: Net income attributable to noncontrolling interests	(1)	(1)	(1)	(1)
Net income attributable to Realogy Holdings and Realogy Group	\$123	\$109	\$56	\$81
Earnings per share attributable to Realogy Holdings:				
Basic earnings per share	\$0.97	\$0.79	\$0.44	\$0.58
Diluted earnings per share	\$0.96	\$0.78	\$0.43	\$0.58
Weighted average common and common equivalent shares of Realogy Holdings outstanding:				
Basic	126.5	137.6	128.4	138.6
Diluted	127.6	138.9	129.7	139.9
Cash dividends declared per share	\$0.09	\$0.09	\$0.18	\$0.18

See Notes to Condensed Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$124	\$110	\$57	\$82
Currency translation adjustment	(3)	1	(2)	2
Defined benefit pension plan - amortization of actuarial loss to periodic pension cost	—	—	1	—
Other comprehensive income (loss), before tax	(3)	1	(1)	2
Income tax expense related to items of other comprehensive income amounts	—	—	—	—
Other comprehensive income (loss), net of tax	(3)	1	(1)	2
Comprehensive income	121	111	56	84
Less: comprehensive income attributable to noncontrolling interests	(1)	(1)	(1)	(1)
Comprehensive income attributable to Realogy Holdings and Realogy Group	\$120	\$110	\$55	\$83

See Notes to Condensed Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$230	\$ 227
Restricted cash	9	7
Trade receivables (net of allowance for doubtful accounts of \$9 and \$11)	198	153
Relocation receivables	336	223
Other current assets	156	179
Total current assets	929	789
Property and equipment, net	283	289
Goodwill	3,711	3,710
Trademarks	749	749
Franchise agreements, net	1,260	1,294
Other intangibles, net	269	284
Other non-current assets	290	222
Total assets	\$7,491	\$ 7,337
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$178	\$ 156
Securitization obligations	261	194
Current portion of long-term debt	788	127
Accrued expenses and other current liabilities	413	478
Total current liabilities	1,640	955
Long-term debt	2,812	3,221
Deferred income taxes	341	327
Other non-current liabilities	256	212
Total liabilities	5,049	4,715
Commitments and contingencies (Note 8)		
Equity:		
Realogy Holdings preferred stock: \$.01 par value; 50,000,000 shares authorized, none issued and outstanding at June 30, 2018 and December 31, 2017	—	—
Realogy Holdings common stock: \$.01 par value; 400,000,000 shares authorized, 124,647,343 shares issued and outstanding at June 30, 2018 and 131,636,870 shares issued and outstanding at December 31, 2017	1	1
Additional paid-in capital	5,073	5,285
Accumulated deficit	(2,588)	(2,631)
Accumulated other comprehensive loss	(47)	(37)
Total stockholders' equity	2,439	2,618
Noncontrolling interests	3	4
Total equity	2,442	2,622
Total liabilities and equity	\$7,491	\$ 7,337

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Six Months Ended		
	June 30,		
	2018		2017
Operating Activities			
Net income	\$	57	\$ 82
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	97		99
Deferred income taxes	22		57
Amortization of deferred financing costs and discount	7		8
Loss on the early extinguishment of debt	7		4
Equity in losses of unconsolidated entities	2		3
Stock-based compensation	21		25
Mark-to-market adjustments on derivatives	(13	)	5
Other adjustments to net income	1		(1)
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:			
Trade receivables	(44	)	(26)
Relocation receivables	(114	)	(47)
Other assets	(18	)	(29)
Accounts payable, accrued expenses and other liabilities	(13	)	11
Dividends received from unconsolidated entities	1		2
Other, net	(4	)	(7)
Net cash provided by operating activities	9		186
Investing Activities			
Property and equipment additions	(49	)	(48)
	(1	)	(4)

Payments for acquisitions, net of cash acquired				
Investment in unconsolidated entities	(15	)	(3)
Proceeds from investments in unconsolidated entities	19		—	
Other, net	1		(1)
Net cash used in investing activities	(45	)	(56)
Financing Activities				
Net change in revolving credit facility	242		(10)
Payments for refinancing of Term Loan B	(4)	—	
Proceeds from refinancing of Term Loan A & A-1	17		—	
Amortization payments on term loan facilities	(10	)	(21)
Net change in securitization obligations	67		18	
Debt issuance costs	(16	)	(6)
Repurchase of common stock	(200	)	(121)
Dividends paid on common stock	(23	)	(25)
Proceeds from exercise of stock options	—		3	
Taxes paid related to net share settlement for stock-based compensation	(10	)	(10)
Payments of contingent consideration related to acquisitions	(4	)	(4)
Other, net	(17	)	(10)
Net cash provided by (used in) financing activities	42		(186)
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	(1	)	1	
Net increase (decrease) in cash, cash equivalents and restricted cash	5		(55)
Cash, cash equivalents and restricted cash, beginning of period	234		281	

Cash, cash equivalents and restricted cash, end of period	\$	239	\$	226
Supplemental Disclosure of Cash Flow Information				
Interest payments (including securitization interest of \$4 and \$3 for the periods presented)	\$	87	\$	86
Income tax payments, net			8	

See Notes to Condensed Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise noted, all amounts are in millions)

(Unaudited)

1. BASIS OF PRESENTATION

Realogy Holdings Corp. ("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. Realogy, through its subsidiaries, is a global provider of residential real estate services. 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, comprehensive income and cash flows of Realogy Holdings, Realogy Intermediate and Realogy Group are the same.

The accompanying Condensed 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 Condensed Consolidated Financial Statements.

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

In management's opinion, the accompanying unaudited Condensed Consolidated Financial Statements reflect all normal and recurring adjustments necessary for a fair statement of Realogy Holdings and Realogy Group's financial position as of June 30, 2018 and the results of operations and comprehensive income for the three and six months ended June 30, 2018 and 2017 and cash flows for the six months ended June 30, 2018 and 2017. The Consolidated Balance Sheet at December 31, 2017 was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. The Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2017.

Fair Value Measurements

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

Level Input: Input Definitions:

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

The availability of observable inputs can vary from asset to asset and is affected by a wide variety of factors, including, for example, the type of asset, whether the asset is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or

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unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level III. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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

The Company measures financial instruments at fair value on a recurring basis and recognizes transfers within the fair value hierarchy at the end of the fiscal quarter in which the change in circumstances that caused the transfer occurred. The following table summarizes fair value measurements by level at June 30, 2018 for assets and liabilities measured at fair value on a recurring basis:

	Level I	Level II	Level III	Total
Deferred compensation plan assets (included in other non-current assets)	\$ 3	\$ —	\$ —	\$ 3
Interest rate swaps (included in other non-current assets)	—	12	—	12
Interest rate swaps (included in other non-current liabilities)	—	7	—	7
Contingent consideration for acquisitions (included in accrued expenses and other current liabilities and other non-current liabilities)	—	—	29	29

The following table summarizes fair value measurements by level at December 31, 2017 for assets and liabilities measured at fair value on a recurring basis:

	Level I	Level II	Level III	Total
Deferred compensation plan assets (included in other non-current assets)	\$ 3	\$ —	\$ —	\$ 3
Interest rate swaps (included in other current and non-current liabilities)	—	13	—	13
Contingent consideration for acquisitions (included in accrued expenses and other current liabilities and other non-current liabilities)	—	—	34	34

The fair value of the Company's contingent consideration for acquisitions is measured using a probability weighted-average discount rate to estimate future cash flows based upon the likelihood of achieving future operating results for individual acquisitions. These assumptions are deemed to be unobservable inputs and as such the Company's contingent consideration is classified within Level III of the valuation hierarchy. The Company reassesses the fair value of the contingent consideration liabilities on a quarterly basis.

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

	Level III
Fair value of contingent consideration at December 31, 2017	\$ 34
Additions: contingent consideration related to acquisitions completed during the period	—
Reductions: payments of contingent consideration	(4)
Changes in fair value (reflected in the Consolidated Statement of Operations)	(1)
Fair value of contingent consideration at June 30, 2018	\$ 29

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

Debt	June 30, 2018		December 31, 2017	
	Principal Amount	Estimated Fair Value (a)	Principal Amount	Estimated Fair Value (a)
Senior Secured Credit Facility:				
Revolving Credit Facility	\$312	\$ 312	\$ 70	\$ 70
Term Loan B	1,075	1,071	1,083	1,085
Term Loan A Facility:				
Term Loan A	745	745	391	393
Term Loan A-1	—	—	342	343
4.50% Senior Notes	450	450	450	457
5.25% Senior Notes	550	549	550	569
4.875% Senior Notes	500	470	500	495
Securitization obligations	261	261	194	194

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

Equity Method Investments

At June 30, 2018 and December 31, 2017, the Company had various equity method investments aggregating \$56 million and \$74 million, respectively, which are recorded within other non-current assets on the accompanying Condensed Consolidated Balance Sheets. The \$56 million investment balance at June 30, 2018 included \$48 million for the Company's investment in Guaranteed Rate Affinity, LLC ("Guaranteed Rate Affinity"). The Company's interest in PHH Home Loans, LLC ("PHH Home Loans") was sold to a subsidiary of PHH Corporation in the first quarter of 2018. The \$74 million investment balance at December 31, 2017 included \$48 million for the Company's investment in Guaranteed Rate Affinity and \$19 million for the Company's remaining investment in PHH Home Loans. The Company received net cash proceeds of \$19 million reducing the investment balance to zero in the first quarter of 2018.

For the three months ended June 30, 2018, the Company recorded equity earnings of \$2 million at the Title and Settlement Services segment. For the six months ended June 30, 2018, the Company recorded equity losses of \$2 million at the Title and Settlement Services segment primarily related to costs associated with the ramp up of operations of Guaranteed Rate Affinity during the first quarter of 2018. The Company recorded no earnings related to its equity investments for the three months ended June 30, 2017 and \$3 million in losses primarily related to the recognition of certain exit costs at PHH Home Loans for the six months ended June 30, 2017.

The Company received \$1 million and \$2 million in cash dividends from equity method investments during the six months ended June 30, 2018 and 2017, respectively. The Company invested \$4 million into Guaranteed Rate Affinity during the first quarter of 2018.

Income Taxes

The Company's provision for income taxes in interim periods is computed by applying its estimated annual effective tax rate against the income before income taxes for the period. In addition, non-recurring or discrete items are recorded in the period in which they occur. The provision for income taxes was an expense of \$52 million and \$73 million for the three months ended June 30, 2018 and 2017, respectively, and an expense of \$33 million and \$64 million for the six months ended June 30, 2018 and 2017, respectively. There were no changes to the net benefit recorded during the year ended December 31, 2017 relating to the 2017 Tax Act which was a provisional amount that reflected the Company's reasonable estimate at the time.

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, British Pound, Swiss Franc and Canadian Dollar. The Company has not elected to utilize hedge accounting for these forward contracts; therefore, any change in fair value is recorded in the Condensed

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Consolidated Statements of Operations. However, the fluctuations in the value of these forward contracts generally offset the impact of changes in the value of the underlying risk that they are intended to economically hedge. As of June 30, 2018, the Company had outstanding foreign currency forward contracts in a liability position with a fair value of \$1 million and a notional value of \$23 million. As of December 31, 2017, the Company had outstanding foreign currency forward contracts in a liability position with a fair value of less than \$1 million and a notional value of \$25 million.

The Company also enters into interest rate swaps to manage its exposure to changes in interest rates associated with its variable rate borrowings. Interest rate swaps with a notional value of \$425 million expired February 10, 2018. As of June 30, 2018, the Company had interest rate swaps with an aggregate notional value of \$1,600 million to offset the variability in cash flows resulting from the term loan facilities as follows:

Notional Value (in millions)	Commencement Date	Expiration Date
\$600	August 2015	August 2020
\$450	November 2017	November 2022
\$400	(a) August 2020	August 2025
\$150	(a) November 2022	November 2027

(a) During the second quarter of 2018, the Company entered into four new forward starting interest rate swaps, two with a notional value of \$125 million and two with a notional value of \$150 million.

The swaps help to protect our outstanding variable rate borrowings from future interest rate volatility. The Company has not elected to utilize hedge accounting for these interest rate swaps; therefore, any change in fair value is recorded in the Condensed Consolidated Statements of Operations.

The fair value of derivative instruments was as follows:

Not Designated as Hedging Instruments	Balance Sheet Location	June 30, 2018	December 31, 2017
Interest rate swap contracts	Other non-current assets	\$ 12	\$ —
	Other current and non-current liabilities	7	13

The effect of derivative instruments on earnings was as follows:

Derivative Instruments Not Designated as Hedging Instruments	Location of (Gain) or Loss Recognized for Derivative Instruments	(Gain) or Loss Recognized on Derivatives			
		Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Interest rate swap contracts	Interest expense	\$—	\$ 5	\$(12)	\$ 4
Foreign exchange contracts	Operating expense	\$(1)	\$ 1	\$(1)	\$ 1
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 \$9 million and \$7 million at June 30, 2018 and December 31, 2017, respectively.

Supplemental Cash Flow Information

Significant non-cash transactions during both the six months ended June 30, 2018 and 2017 included capital lease additions of \$8 million, which resulted in non-cash additions to property and equipment, net and other non-current liabilities.

Stock-Based Compensation

During the first quarter of 2018, the Company granted 0.4 million shares of non-qualified stock options for a weighted exercise price of \$25.35 and 1.1 million shares of restricted stock units ("RSUs") at a weighted average grant date fair value of \$25.45.

Effective March 1, 2018, the Board approved, subject to stockholder approval at the 2018 Annual Meeting, the Realogy Holdings Corp. 2018 Long-Term Incentive Plan, as amended (the "2018 LTIP"). Options and RSUs included in the 2018 LTIP were granted on March 1, 2018. In addition to these awards, RSUs and PSUs aggregating 0.8 million shares were also awarded on March 1, 2018, but the grant was subject to approval of the 2018 LTIP at the 2018 Annual Meeting of

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Stockholders held on May 2, 2018. The stockholders approved the 2018 LTIP at the May 2, 2018 Annual Meeting and the Company accordingly treated May 2, 2018 as the grant date for these awards and will expense these awards, which had a weighted average grant date fair value of \$25.04, from that date over the balance of the vesting or performance period.

Stock Repurchases

The Company may repurchase shares of its common stock under authorizations made from its Board of Directors. Shares repurchased are retired and not displayed separately as treasury stock on the consolidated financial statements. The par value of the shares repurchased and retired is deducted from common stock and the excess of the purchase price over par value is first charged against any available additional paid-in capital with the balance charged to retained earnings. Direct costs incurred to repurchase the shares are included in the total cost of the shares.

The Company's Board of Directors authorized a share repurchase program of up to \$275 million, \$300 million and \$350 million of the Company's common stock in February 2016, 2017 and 2018, respectively.

As of June 30, 2018, the Company had repurchased and retired 24.3 million shares of common stock for an aggregate of \$674 million at a total weighted average market price of \$27.80 per share, including 4.1 million shares of common stock repurchased during the second quarter of 2018 for \$101 million at a weighted average market price of \$24.94 per share. As of June 30, 2018, \$251 million remained available for repurchase under the February 2018 share repurchase program.

Dividend Policy

In August 2016, the Company's Board of Directors approved the initiation of a quarterly cash dividend policy of \$0.09 per share on its common stock. The Board declared and paid a quarterly cash dividend of \$0.09 per share of the Company's common stock during both the first and second quarters of 2018.

The declaration and payment of any future dividend will be subject to the discretion of the Board of Directors and will depend on a variety of factors, including the Company's financial condition and results of operations, contractual restrictions, including restrictive covenants contained in the Company's credit agreements, and the indentures governing the Company's outstanding debt securities, capital requirements and other factors that the Board of Directors deems relevant.

Pursuant to the Company's policy, the dividends payable in cash are treated as a reduction of additional paid-in capital since the Company is currently in a retained deficit position.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers" (the "new revenue standard"). The objective of the new 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. After a review of the Company's revenue streams, the Company determined that the new revenue standard did not have a material impact on financial results as the majority of the Company's revenue is recognized at the completion of a homesale transaction which did not result in a change in the timing of recognition of revenue transactions under the new revenue standard. The Company adopted the new revenue standard on January 1, 2018 using the modified retrospective transition method in which the cumulative effect of applying the new revenue standard was recognized as an adjustment to the opening balance of retained earnings. See Note 2, "Revenue Recognition" for further details.

In February 2018, the FASB issued a new standard which permits companies to reclassify certain income tax effects resulting from the 2017 Tax Act, called "stranded tax effects", from accumulated other comprehensive income ("AOCI") to retained earnings. According to the new guidance, the reclassification amount should include the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances, if any, at the date of enactment of the 2017 Tax Act related to items remaining in AOCI. The guidance is effective for all companies for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption is permitted. The Company early adopted this standard in the first quarter of 2018 which resulted in a debit to Accumulated other comprehensive loss and a credit to Accumulated deficit for \$9 million. The Company's accounting policy for releasing income tax effects from AOCI is to release those effects when our entire portfolio of the type of item is liquidated.

In June 2018, the FASB issued a new standard related to non-employee share-based payment accounting. The new guidance eliminates specific accounting for non-employee share-based payments and aligns the treatment for awards issued to employees and non-employees reducing the complexity of measurement of non-employee awards and creating a single

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accounting model. The new standard is applied to all new awards granted after the date of adoption. In addition, all liability-classified awards that have not been settled and equity-classified awards for which a measurement date has not been established by the adoption date should be remeasured at fair value as of the adoption date with a cumulative effect adjustment to opening retained earnings in the fiscal year of adoption. If early adoption of the new guidance is chosen in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company elected to early adopt this guidance during the second quarter of 2018. There was an immaterial impact upon adoption.

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs"). 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 February 2016, the FASB issued its new standard on leases which requires virtually all leases to be recognized on the balance sheet. Lessees will recognize a right-of-use asset and a lease liability for all leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, leases will be classified as either operating or finance leases. Operating leases will result in straight-line expense, similar to current operating leases, while finance leases will result in a front-loaded expense pattern, similar to current capital leases. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The new standard is effective for annual periods beginning after December 15, 2018, with early adoption permitted, requiring a modified retrospective transition approach. In July 2018, the FASB issued an ASU that allows entities to apply the provisions of the new guidance at the effective date (e.g., January 1, 2019), as opposed to the earliest period presented under the modified retrospective transition approach (January 1, 2017), and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company is still evaluating the impact of the standard on its consolidated financial statements. Future lease obligations are disclosed in Note 13. "Commitments and Contingencies" of the Annual Report on Form 10-K for the year ended December 31, 2017. The Company is in the process of evaluating its policies and internal controls as well as implementing a new lease management system which will be utilized to account for leases under the new guidance once adopted.

2. REVENUE RECOGNITION

Adoption of the New Revenue Standard

Effective January 1, 2018, the Company adopted the new revenue standard using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue standard; however, the comparative prior period amounts have not been restated and continue to be reported in accordance with historic accounting under ASC Topic 605. The majority of the Company's revenue continues to be recognized at the completion of a homesale transaction under the new revenue standard, however as a result of the adoption the Company recognized additional contract liabilities and deferred assets associated with certain other revenue streams. As of January 1, 2018, the Company recorded a net debit to its opening Accumulated deficit of \$22 million, net of tax, due to the cumulative impact of adopting the new revenue standard, with the impact primarily related to the recognition of additional contract liabilities for initial area development fees and deferred assets for prepaid commissions.

Contract Liabilities for Initial Area Development Fees ("ADF"):

Contract liabilities are recorded when cash payments are received or due in advance of the Company's performance. The Company records these as deferred revenues and are classified as current or non-current liabilities in the Condensed Consolidated Balance Sheets based on the expected timing of revenue recognition.

The Real Estate Franchise Services segment collects an initial ADF for international territory transactions, which are recorded as deferred revenue when received and recognized into revenue over the term of the agreement, typically 25 years, as consideration for the right to access and benefit from Realogy's brands. In the event an ADF agreement is terminated prior to the end of its term, the unamortized deferred revenue balance will be recognized into revenue immediately upon termination. ADFs were recognized as revenue upfront when received under historical guidance.

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Prepaid Commissions:

The incremental direct costs of obtaining a contract, which primarily consist of franchise sales commissions, are deferred and amortized generally over the estimated life of the customer relationship for domestic and international contracts. The Company classifies prepaid commissions as current or non-current assets in the Condensed Consolidated Balance Sheets based on the expected timing of recognizing expense.

The Real Estate Franchise Services segment recognizes a deferred asset for commissions paid to Realogy franchise sales employees upon the sale of a new franchise. The amount of commissions is calculated as a percentage of the anticipated gross commission income of the new franchisee or the amount of the ADF and is amortized on a straight-line basis over the estimated life of franchise customer relationships, 30 years for domestic franchise agreements, or the agreement term for international franchise agreements which is generally 25 years. Franchise sales commissions were expensed upfront when paid under historical guidance.

Practical Expedients and Exemptions:

The Company elected to apply the practical expedient that only requires the Company to apply the revenue standard to contracts that were open as of the beginning of the earliest period presented which impacted the amount of prepaid commissions capitalized.

The majority of the Company's contracts are transactional in nature or have a duration of one-year or less.

Accordingly, the Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

The cumulative effect of the changes made to the Condensed Consolidated Balance Sheets for the adoption of the new revenue standard were as follows:

	Balance Sheet accounts prior to the new revenue standard adoption adjustments	Adjustments due to the adoption of the new revenue standard	Balance Sheet accounts after the new revenue standard adoption adjustments
ASSETS			
Current assets:			
Trade receivables	\$ 153	\$ 1	\$ 154
Other current assets	179	2	181
Total current assets	789	3	792
Other non-current assets	222	23	245
Total assets	\$ 7,337	\$ 26	\$ 7,363
LIABILITIES AND EQUITY			
Current liabilities:			
Accrued expenses and other current liabilities	\$ 478	\$ 2	\$ 480
Total current liabilities	955	2	957
Deferred income taxes	327	(8)	319
Other non-current liabilities	212	54	266
Total liabilities	4,715	48	4,763
Equity:			
Accumulated deficit (a)	(2,622)	(22)	(2,644)
Accumulated other comprehensive loss (a)	(46)	—	(46)
Total stockholders' equity	2,618	(22)	2,596
Total equity	2,622	(22)	2,600
Total liabilities and equity	\$ 7,337	\$ 26	\$ 7,363

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- Beginning balances have been adjusted for the adoption of the accounting standard update on stranded tax effects related to the 2017 Tax Act which resulted in a debit to Accumulated other comprehensive loss and a credit to
- (a) Accumulated deficit of \$9 million. See Note 1, "Basis of Presentation" in the "Recently Adopted Accounting Pronouncements" section for additional information.

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The impact of adopting the new revenue standard, as compared to historic guidance under ASC Topic 605, was immaterial to the Company's Condensed Consolidated Financial Statements as of and for the six months ended June 30, 2018.

Revenue Recognition

Revenue is recognized upon the transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services in accordance with the new revenue standard. The Company's revenue is disaggregated by major revenue categories on our Condensed Consolidated Statements of Operations and further disaggregated by business segment as follows:

Three Months Ended June 30, 2018 vs June 30, 2017 (e)

	Real Estate Franchise Services		Company Owned Brokerage Services		Relocation Services		Title and Settlement Services		Corporate and Other		Total Company	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Gross commission income (a)	\$—	\$—	\$1,388	\$1,374	\$—	\$—	\$—	\$—	\$—	\$—	\$1,388	\$1,374
Service revenue (b)	—	—	2	3	104	101	157	151	—	—	263	255
Franchise fees (c)	203	199	—	—	—	—	—	—	(89)	(89)	114	110
Other (d)	34	38	18	15	1	1	5	6	(3)	(6)	55	54
Net revenues	\$237	\$237	\$1,408	\$1,392	\$105	\$102	\$162	\$157	\$(92)	\$(95)	\$1,820	\$1,793

Six Months Ended June 30, 2018 vs June 30, 2017 (e)

	Real Estate Franchise Services		Company Owned Brokerage Services		Relocation Services		Title and Settlement Services		Corporate and Other		Total Company	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Gross commission income (a)	\$—	\$—	\$2,290	\$2,255	\$—	\$—	\$—	\$—	\$—	\$—	\$2,290	\$2,255
Service revenue (b)	—	—	4	5	182	177	274	267	—	—	460	449
Franchise fees (c)	342	333	—	—	—	—	—	—	(149)	(148)	193	185
Other (d)	71	74	31	29	2	2	8	10	(6)	(8)	106	107
Net revenues	\$413	\$407	\$2,325	\$2,289	\$184	\$179	\$282	\$277	\$(155)	\$(156)	\$3,049	\$2,996

- (a) Approximately 75% of the Company's total net revenues related to gross commission income at the Company Owned Brokerage Services segment, which is recognized at a point in time at the closing of a homesale transaction. Approximately 15% of the Company's total net revenues related to service fees primarily consisting of title and escrow fees at the Title and Settlement Services segment, which are recognized at a point in time at the closing of a homesale transaction, and relocation fees at the Relocation Services segment, which are recognized as revenue when or as the related performance obligation is satisfied, which is dependent on the type of service performed.
- (b) Relocation fees at the Relocation Services segment primarily include: (i) referral fees which are recognized at a point in time of the closing of a homesale transaction, (ii) outsourcing fees, which are management fees charged to clients frequently related to a bundle of relocation services performed and are recognized over the average time period to complete a move, and (iii) referral commissions from third party suppliers which are recognized at the time of the completion of the related service.
- Approximately 5% of the Company's total net revenues related to franchise fees at the Real Estate Franchise Services segment, primarily domestic royalties, which are recognized at a point in time when the underlying franchisee revenue is earned (upon close of the homesale transaction).
- (c) Approximately 5% of the Company's total net revenues related to other revenue, which comprised of brand marketing funds received at the Real Estate Franchise Services segment from franchisees and other miscellaneous

revenues across all of the business segments.

- (e) Prior period amounts have not been adjusted under the modified retrospective method.

The Company's revenue streams are discussed further below by business segment:

Real Estate Franchise Services

The Company franchises its real estate brands to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of royalty and marketing fees from the Company's franchisees. The royalty received is primarily based on a percentage (generally 6%) of the franchisee's gross commission income.

Royalty

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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. Non-standard sales incentives are recorded as a reduction to revenue ratably over the related performance period or from the date of issuance through the remaining life of the related franchise agreement. Franchise revenue also includes initial franchise fees which are generally non-refundable and recognized by the Company as revenue upon the execution or opening of a new franchisee office to cover the upfront costs associated with opening the franchisee for business under one of Realogy's brands.

The Company also earns marketing fees from its franchisees and utilizes such fees to fund marketing campaigns on behalf of its franchisees. As such, brand marketing fund fees are recorded as deferred revenue when received and recognized into revenue as earned when these funds are spent on marketing activities. The balance for deferred brand marketing fund fees decreased from \$13 million at January 1, 2018 to \$7 million at June 30, 2018 primarily due to amounts recognized into revenue matching expenses for marketing activities partially offset by additional fees received from franchisees during the first half of 2018.

The Company collects initial ADFs for international territory transactions, which are recorded as deferred revenue when received and recognized into revenue over the average 25 year life of the related franchise agreement as consideration for the right to access and benefit from Realogy's brands. The balance for deferred ADFs decreased from \$58 million at January 1, 2018 to \$57 million at June 30, 2018 due to revenues of \$2 million recognized during the first half of 2018 that were included in the deferred revenue balance at the beginning of the period, partially offset by \$1 million of additional area development fees received during the six months ended June 30, 2018.

In addition, the Company recognizes a deferred asset for commissions paid to Realogy franchise sales employees upon the sale of a new franchise as these are considered costs of obtaining a contract with a customer that are expected to provide benefits to the Company for longer than one year. The amount of commissions is calculated as a percentage of the anticipated gross commission income of the new franchisee or ADF and is amortized over 30 years for domestic franchise agreements or the agreement term for international franchise agreements (generally 25 years). The amount of prepaid commissions was \$25 million at June 30, 2018 and \$24 million at January 1, 2018.

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 at a point in time which is upon the closing of a real estate transaction (i.e., purchase or sale of a home). These revenues 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 Condensed Consolidated Statements of Operations.

The Company has relationships with developers, primarily in major cities, to provide marketing and brokerage services in new developments. New development closings generally have a development period of between 18 and 24 months from contracted date to closing. In some cases, the Company receives advanced commissions which are recorded as deferred revenue when received and recognized as revenue when the new development closes. The balance of advanced commissions related to developments was a liability of \$10 million at both January 1, 2018 and June 30, 2018. During the six months ended June 30, 2018, the balance increased \$3 million related to additional commissions received for new developments offset by a \$3 million decrease due to revenues recognized on units closed.

Relocation Services

The Company provides relocation services to corporate and government clients for the transfer of their employees ("transferees"). Such services include homesale assistance including the purchasing and/or selling of a transferee's home and providing home equity advances to transferees (generally guaranteed by the individual's employer), arranging household goods moving services, and other relocation services such as expense processing, relocation policy counseling, relocation-related accounting, coordinating visa and immigration support, intercultural and language training and destination services. In the majority of relocation transactions, the gain or loss on the sale of a transferee's home is generally borne by the individual's employer. Clients may pay an outsourcing management fee

that can cover several of the relocation services listed above, according to the clients' specific needs. In addition, the Company provides home buying and selling assistance to members of Affinity organizations.

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The Company earns referral commission revenue primarily from real estate brokers for the home sale and purchase for transferees and Affinity members, which is recognized at a point in time when the underlying property closes, and revenues from other third-party service providers where the Company earns a referral commission, which is recognized at the point in time at the completion of services. Furthermore, 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 Condensed Consolidated Statements of Operations.

The Company earns revenues from outsourcing management fees charged to clients for the performance and facilitation of relocation services. Outsourcing management fees are recorded as deferred revenue when billed (usually at the start of the relocation) and are recognized as revenue over the average time period required to complete the transferee's move, or a phase of the move that the fee covers, which is typically 3 to 6 months depending on the move type. The balance for outsourcing management fees increased from \$5 million on January 1, 2018 to \$8 million on June 30, 2018. The increase was primarily due to additions of \$33 million during the first half of 2018 primarily related to new management fees billed on new relocation files in advance of the Company satisfying its performance obligation, partially offset by a \$30 million decrease as a result of revenues recognized during the first half of 2018 as the performance obligations were satisfied.

The Relocation Services segment manages 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. Network fees are billed in the fourth quarter of the previous year for the following year's membership and recognized into revenue on a straight-line basis each month during the membership period. The balance for Cartus Broker Membership decreased from \$8 million at January 1, 2018 to \$4 million at June 30, 2018 primarily due to \$5 million of revenues recognized during the first half of 2018 that were included in the deferred revenue balance at the beginning of the period, partially offset by a \$1 million increase related to new network fees.

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 a point in time which occurs 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.

Contract Balances (Deferred Revenue)

The following table shows the change in the Company's contract liabilities related to revenue contracts by reportable segment for the period:

	Six Months Ended June 30, 2018			
	Beginning Balance at January 1, 2018	Additions during the period	Recognized as Revenue during the period	Ending Balance at June 30, 2018
Real Estate Franchise Services (a)	\$79	\$ 59	\$ (65)	\$ 73
Company Owned Real Estate Brokerage Services	17	6	(8)	15
Relocation Services	18	45	(45)	18
Total	\$114	\$ 110	\$ (118)	\$ 106

(a)

Revenues recognized include intercompany marketing fees paid by the Company Owned Real Estate Brokerage Services segment.

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3. INTANGIBLE ASSETS

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

	Real Estate Franchise Services	Company Owned Brokerage Services	Relocation Services	Title and Settlement Services	Total Company
Gross goodwill as of December 31, 2017	\$ 3,315	\$ 1,062	\$ 641	\$ 478	\$ 5,496
Accumulated impairment losses	(1,023)	(158)	(281)	(324)	(1,786)
Balance at December 31, 2017	2,292	904	360	154	3,710
Goodwill acquired (a)	—	1	—	—	1
Balance at June 30, 2018	\$ 2,292	\$ 905	\$ 360	\$ 154	\$ 3,711

(a) Goodwill acquired during the six months ended June 30, 2018 relates to the acquisition of two real estate brokerage operations.

Intangible assets are as follows:

	As of June 30, 2018			As of December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable—Franchise agreements (a)	\$2,019	\$ 759	\$ 1,260	\$2,019	\$ 725	\$ 1,294
Indefinite life—Trademarks (b)	\$749		\$ 749	\$749		\$ 749
Other Intangibles						
Amortizable—License agreements (c)	\$45	\$ 10	\$ 35	\$45	\$ 10	\$ 35
Amortizable—Customer relationships (d)	\$49	347	202	549	335	214
Indefinite life—Title plant shares (e)	18		18	18		18
Amortizable—Pendings and listings (f)	—	—	—	2	1	1
Amortizable—Other (g)	33	19	14	33	17	16
Total Other Intangibles	\$645	\$ 376	\$ 269	\$647	\$ 363	\$ 284

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

(b) Primarily relates to the Century 21®, Coldwell Banker®, ERA®, Corcoran®, Coldwell Banker Commercial® and

(c) Cartus tradenames, which are expected to generate future cash flows for an indefinite period of time.

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

(e) Relates to the customer relationships at the Relocation Services segment, the Title and Settlement Services segment and our Company Owned Real Estate Brokerage Services segment. These relationships are being amortized over a period of 2 to 20 years.

(f) Ownership in a title plant is required to transact title insurance in certain states. The Company expects to generate future cash flows for an indefinite period of time.

(g) Generally amortized over a period of 5 months.

(h) Consists of covenants not to compete which are amortized over their contract lives and other intangibles which are generally amortized over periods ranging from 5 to 10 years.

Intangible asset amortization expense is as follows:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2017
Franchise agreements	\$17	\$17
	\$34	\$34

License agreements	—	—	—	—
Customer relationships	6	7	12	13
Pendings and listings	—	—	1	1
Other	1	1	2	3
Total	\$24	\$25	\$49	\$51

Based on the Company's amortizable intangible assets as of June 30, 2018, the Company expects related amortization expense for the remainder of 2018, the four succeeding years and thereafter to be approximately \$49 million, \$97 million, \$95 million, \$93 million, \$92 million and \$1,085 million, respectively.

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of:

	June 30, December 31,	
	2018	2017
Accrued payroll and related employee costs	\$ 111	\$ 140
Accrued volume incentives	26	41
Accrued commissions	40	38
Restructuring accruals	10	5
Deferred income	62	68
Accrued interest	18	13
Contingent consideration for acquisitions	21	26
Due to former parent	18	18
Other	107	129
Total accrued expenses and other current liabilities	\$ 413	\$ 478

5. SHORT AND LONG-TERM DEBT

Total indebtedness is as follows:

	June 30, December 31,	
	2018	2017
Senior Secured Credit Facility:		
Revolving Credit Facility	\$ 312	\$ 70
Term Loan B	1,058	1,063
Term Loan A Facility:		
Term Loan A	740	390
Term Loan A-1	—	339
4.50% Senior Notes	446	444
5.25% Senior Notes	547	546
4.875% Senior Notes	497	496
Total Short-Term & Long-Term Debt	\$ 3,600	\$ 3,348
Securitization Obligations:		
Apple Ridge Funding LLC	\$ 247	\$ 181
Cartus Financing Limited	14	13
Total Securitization Obligations	\$ 261	\$ 194

Indebtedness Table

As of June 30, 2018, the Company's borrowing arrangements were as follows:

	Interest Rate	Expiration Date	Principal Amount	Unamortized Discount and Debt Issuance Costs	Net Amount
Senior Secured Credit Facility:					
Revolving Credit Facility (1)	(2)	February 2023	\$ 312	\$ *	\$ 312
Term Loan B	(3)	February 2025	1,075	17	1,058

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Term Loan A Facility:

Term Loan A	(4)	February 2023	745	5	740
Senior Notes	4.50%	April 2019	450	4	446
Senior Notes	5.25%	December 2021	550	3	547
Senior Notes	4.875%	June 2023	500	3	497
Securitization obligations: (5)					
Apple Ridge Funding LLC (6)		June 2019	247	*	247
Cartus Financing Limited (7)		August 2018	14	*	14
Total (8)			\$ 3,893	\$ 32	\$ 3,861

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* The debt issuance costs related to our Revolving Credit Facility and securitization obligations are classified as a deferred financing asset within other assets.

As of June 30, 2018, the Company had \$1,400 million of borrowing capacity under its Revolving Credit Facility, leaving \$1,088 million of available capacity. The Revolving Credit Facility expires in February 2023, but is (1) classified on the balance sheet as current due to the revolving nature of the facility. On August 1, 2018, the Company had \$270 million in outstanding borrowings under the Revolving Credit Facility, leaving \$1,130 million of available capacity.

Interest rates with respect to revolving loans under the Senior Secured Credit Facility at June 30, 2018 were based on, at the Company's option, (a) adjusted London Interbank Offering Rate ("LIBOR") plus an additional margin or (2) (b) JP Morgan Chase Bank, N.A.'s prime rate ("ABR") plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.25% and the ABR margin was 1.25% for the three months ended June 30, 2018.

The Term Loan B provides for quarterly amortization payments totaling 1% per annum of the original principal amount. The interest rate with respect to term loans under the Term Loan B is based on, at the Company's option, (3) (a) adjusted LIBOR plus 2.25% (with a LIBOR floor of 0.75%) or (b) ABR plus 1.25% (with an ABR floor of 1.75%).

The Term Loan A provides for quarterly amortization payments, which commence on June 30, 2018, totaling per annum 2.5%, 2.5%, 5.0%, 7.5% and 10.0% of the original principal amount of the Term Loan A, with the last amortization payment to be made on February 8, 2023. The interest rates with respect to term loans under the Term (4) Loan A are based on, at the Company's option, (a) adjusted LIBOR plus an additional margin or (b) ABR plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.25% and the ABR margin was 1.25% for the three months ended June 30, 2018.

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

In June 2018, Realogy Group extended the existing Apple Ridge Funding LLC securitization program utilized by (6) Cartus until June 2019. As of June 30, 2018, the Company had \$250 million of borrowing capacity under the Apple Ridge Funding LLC securitization program leaving \$3 million of available capacity.

Consists of a £10 million revolving loan facility and a £5 million working capital facility. As of June 30, 2018, the (7) Company had \$20 million of borrowing capacity under the Cartus Financing Limited securitization program leaving \$6 million of available capacity.

(8) Not included in this table is the Company's Unsecured Letter of Credit Facility which had a capacity of \$74 million with \$65 million utilized at a weighted average rate of 3.24% at June 30, 2018.

Maturities Table

As of June 30, 2018, the combined aggregate amount of maturities for long-term borrowings, excluding securitization obligations, for the remainder of 2018 and each of the next four years is as follows:

Year	Amount
Remaining 2018 (a)	\$ 326
2019	480
2020	44
2021	613
2022	81

Remaining 2018 includes amortization payments totaling \$9 million and \$5 million for the Term Loan A and Term Loan B facilities, respectively, as well as \$312 million of revolver borrowings under the Revolving Credit Facility which expires in February 2023, but is classified on the balance sheet as current due to the revolving nature of the facility. The current portion of long term debt of \$788 million shown on the condensed consolidated balance sheet (a) consists of \$446 million of 4.50% Senior Notes due April 2019, four quarters of amortization payments totaling \$19 million and \$11 million for the Term Loan A and Term Loan B facilities, respectively, and \$312 million of revolver borrowings under the Revolving Credit Facility. The Company is evaluating different alternatives to repay the 4.50% Senior Notes due in April 2019 including refinancing or using existing available liquidity.

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Senior Secured Credit Facility

In February 2018, the Company entered into fifth and sixth amendments to the Amended and Restated Senior Secured Credit Agreement dated as of March 5, 2013 (as amended, amended and restated, modified or supplemented from time to time, the "Senior Secured Credit Agreement") that respectively (i) replaced the approximately \$1,100 million Term Loan B due July 2022 with a new \$1,080 million Term Loan B due February 2025 and (ii) increased the borrowing capacity under its Revolving Credit Facility to \$1,400 million from the prior \$1,050 million and extended the maturity date to February 2023 from October 2020.

The Senior Secured Credit Agreement provides for:

- the Term Loan B issued in the original aggregate principal amount of \$1,080 million with a maturity date of February 2025. The Term Loan B has quarterly amortization payments totaling 1% per annum of the initial
- (a) aggregate principal amount. The interest rate with respect to term loans under the Term Loan B is based on, at Realogy Group's option, adjusted LIBOR plus 2.25% (with a LIBOR floor of 0.75%) or ABR plus 1.25% (with an ABR floor of 1.75%); and
- a \$1,400 million Revolving Credit Facility with a maturity date of February 2023, which includes a \$125 million letter of credit subfacility. The interest rate with respect to revolving loans under the Revolving Credit Facility is
- (b) based on, at Realogy Group's option, adjusted LIBOR or ABR plus an additional margin subject to the following adjustments based on the Company's then current senior secured leverage ratio:

Senior Secured Leverage Ratio	Applicable LIBOR Margin	Applicable ABR Margin
Greater than 3.50 to 1.00	2.50%	1.50%
Less than or equal to 3.50 to 1.00 but greater than or equal to 2.50 to 1.00	2.25%	1.25%
Less than 2.50 to 1.00 but greater than or equal to 2.00 to 1.00	2.00%	1.00%
Less than 2.00 to 1.00	1.75%	0.75%

The Senior Secured 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 Senior Secured Credit Agreement also permits us to issue senior secured or unsecured notes in lieu of any incremental facility.

The obligations under the Senior Secured 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 Senior Secured Credit Agreement contains financial, affirmative and negative covenants and requires Realogy Group to maintain (so long as the Revolving Credit Facility is outstanding) a senior secured leverage ratio, not to exceed 4.75 to 1.00. The leverage ratio is tested quarterly regardless of the amount of borrowings outstanding and letters of credit issued under the revolver at the testing date. Total senior secured net debt does not include unsecured indebtedness, including the Unsecured Notes as well as the securitization obligations. At June 30, 2018, Realogy Group was in compliance with the senior secured leverage ratio covenant.

Term Loan A Facility

In February 2018, Realogy Group entered into a second amendment to the Term Loan A senior secured credit agreement. Under the amendment, the Company aggregated the existing \$435 million Term Loan A and \$355 million Term Loan A-1 tranches due October 2020 and July 2021, respectively, into a new single tranche of \$750 million Term Loan A due February 2023. The Term Loan A provides for quarterly amortization payments totaling per annum 2.5%, 2.5%, 5.0%, 7.5% and 10.0% of the original principal amount of the Term Loan A, which commence on June 30, 2018 and continue through February 8, 2023. The interest rates with respect to the Term Loan A are based on, at our option, adjusted LIBOR or ABR plus an additional margin subject to the following adjustments based on the Company's then current senior secured leverage ratio:

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Senior Secured Leverage Ratio	Applicable LIBOR Margin	Applicable ABR Margin
Greater than 3.50 to 1.00	2.50%	1.50%
Less than or equal to 3.50 to 1.00 but greater than or equal to 2.50 to 1.00	2.25%	1.25%
Less than 2.50 to 1.00 but greater than or equal to 2.00 to 1.00	2.00%	1.00%
Less than 2.00 to 1.00	1.75%	0.75%

Consistent with the Senior Secured Credit Agreement, the Term Loan A Facility permits the Company to obtain up to \$500 million of additional credit facilities from lenders reasonably satisfactory to the administrative agent and the Company, without the consent of the existing lenders under the Term Loan A, plus an unlimited amount if the Company's senior secured leverage ratio is less than 3.50 to 1.00 on a pro forma basis. Subject to certain restrictions, the Term Loan A Facility also permits us to issue senior secured or unsecured notes in lieu of any incremental facility.

Unsecured Notes

The 4.50% Senior Notes, 5.25% Senior Notes and 4.875% Senior Notes (collectively the "Unsecured Notes") are unsecured senior obligations of Realogy Group that mature on April 15, 2019, December 1, 2021 and June 1, 2023, respectively. Interest on the Unsecured Notes is payable each year semiannually on April 15 and October 15 for the 4.50% Senior Notes and June 1 and December 1 for both the 5.25% Senior Notes and 4.875% Senior Notes.

The Unsecured 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 and are guaranteed by Realogy Holdings on an unsecured senior subordinated basis. The indentures governing the Unsecured Notes contain affirmative and negative covenants of Realogy Group and the subsidiary guarantors.

Other Debt Facilities

The Company has an Unsecured Letter of Credit Facility to provide for the issuance of letters of credit required for general corporate purposes by the Company. At June 30, 2018, the capacity of the facility was \$74 million with \$65 million being utilized and at December 31, 2017, the capacity of the facility was \$74 million with \$69 million being utilized. The facility's expiration dates are as follows:

Capacity (in millions)	Expiration Date
------------------------	-----------------

\$8	September 2018
-----	----------------

\$66	December 2019
------	---------------

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.

Securitization Obligations

Realogy Group has secured obligations through Apple Ridge Funding LLC under a securitization program. In June 2018, Realogy Group extended the program until June 2019. The program has a capacity of \$250 million. At June 30, 2018, Realogy Group had \$247 million of outstanding borrowings under the facility.

Realogy Group, through a special purpose entity known as Cartus Financing Limited, has agreements providing for a £10 million revolving loan facility and a £5 million working capital facility, both of which expire in August 2018.

There were \$14 million of outstanding borrowings on the facilities at June 30, 2018. 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 Realogy Group's Senior Secured Credit Facility and the indentures governing the Unsecured 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

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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 \$333 million and \$218 million of underlying relocation receivables and other related relocation assets at June 30, 2018 and December 31, 2017, 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 Condensed Consolidated Balance Sheets.

Interest incurred in connection with borrowings under these facilities amounted to \$2 million for both the three months ended June 30, 2018 and 2017, and \$4 million and \$3 million for the six months ended June 30, 2018 and 2017, respectively. This interest is recorded within net revenues in the accompanying Condensed 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 3.7% and 3.4% for the six months ended June 30, 2018 and 2017, respectively.

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

As a result of the refinancing transactions in February 2018, the Company recorded a loss on the early extinguishment of debt of \$7 million and wrote off financing costs of \$2 million to interest expense during the first half of 2018.

As a result of a refinancing transaction completed in January 2017, the Company recorded a loss on the early extinguishment of debt of \$4 million during the first half of 2017.

6.RESTRUCTURING COSTS

Restructuring charges were \$6 million and \$36 million for the three and six months ended June 30, 2018, respectively, and \$2 million and \$7 million for the three and six months ended June 30, 2017, respectively. The components of the restructuring charges for the three and six months ended June 30, 2018 and 2017 were as follows:

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2017	
Personnel-related costs (1)	\$ 3	\$ 1	\$ 17	\$ 6
Facility-related costs (2)	3	1	12	1
Internal use software impairment (3)	—	—	7	—
Total restructuring charges (4)	\$ 6	\$ 2	\$ 36	\$ 7

(1) Personnel-related costs consist of severance costs provided to employees who have been terminated and duplicate payroll costs during transition.

(2) Facility-related costs consist of costs associated with planned facility closures such as contract termination costs, lease payments, net of applicable sublease income, that will continue to be incurred under the contract for its remaining term without economic benefit to the Company, accelerated depreciation on asset disposals and other facility and employee relocation related costs.

(3) Internal use software impairment relates to development costs capitalized for a project that was determined to not meet the Company's strategic goals when analyzed by the Company's new leadership team.

(4) The three and six months ended June 30, 2018 includes \$5 million and \$34 million, respectively, of expense related to the Leadership Realignment and Other Restructuring Activities program and \$1 million and \$2 million,

respectively, of expense related to the Business Optimization Initiative program.

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Leadership Realignment and Other Restructuring Activities

Beginning in the first quarter of 2018, the Company commenced the implementation of a plan to drive its business forward and enhance stockholder value. The key aspects of this plan include senior leadership realignment, an enhanced focus on technology and talent, as well as further attention on office footprint and other operational efficiencies, including the consolidation of certain support services provided to the Company Owned Real Estate Brokerage Services and Real Estate Franchise Services segments.

The following is a reconciliation of the beginning and ending reserve balances for the restructuring program related to Leadership Realignment and Other Restructuring Activities:

	Personnel-related costs	Facility-related costs	Internal use software impairment	Total
Balance at December 31, 2017	\$ —	\$ —	\$ —	\$—
Restructuring charges	17	10	7	34
Costs paid or otherwise settled	(13)	(3)	(7)	(23)
Balance at June 30, 2018	\$ 4	\$ 7	\$ —	\$ 11

The following table shows the total costs currently expected to be incurred by type of cost the restructuring program related to Leadership Realignment and Other Restructuring Activities:

	Total amount expected to be incurred	Amount incurred to date	Total amount remaining to be incurred
Personnel-related costs	\$ 23	\$ 17	\$ 6
Facility-related costs	18	10	8
Internal use software impairment	7	7	—
Total	\$ 48	\$ 34	\$ 14

The following table shows the total costs currently expected to be incurred by reportable segment for the restructuring program related to Leadership Realignment and Other Restructuring Activities:

	Total amount expected to be incurred	Amount incurred to date	Total amount remaining to be incurred
Real Estate Franchise Services	\$ 2	\$ 2	\$ —
Company Owned Real Estate Brokerage Services	29	20	9
Relocation Services	9	9	—
Title and Settlement Services	1	1	—
Corporate and Other	7	2	5
Total	\$ 48	\$ 34	\$ 14

Business Optimization Initiative

During the fourth quarter of 2015, the Company began a business optimization initiative that focused on maximizing the efficiency and effectiveness of the cost structure of each of the Company's business units. The action was designed to improve client service levels across each of the business units while enhancing the Company's profitability and incremental margins. The plan focused on several key areas of opportunity which include process improvement efficiencies, office footprint optimization, leveraging technology and media spend, centralized procurement, outsourcing administrative services and organizational design. The expected costs of activities undertaken in connection with the restructuring plan are largely complete. At December 31, 2017, the remaining liability was \$7 million. During the six months ended June 30, 2018, the Company incurred facility-related costs of \$2 million and paid or settled costs of \$5 million, resulting in a remaining accrual of \$4 million.

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7. EARNINGS PER SHARE

Earnings per share attributable to Realogy Holdings

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share data)	2018	2017	2018	2017
Net income attributable to Realogy Holdings shareholders	\$123	\$109	\$56	\$81
Basic weighted average shares	126.5	137.6	128.4	138.6
Stock options, restricted stock units and performance share units (a)	1.1	1.3	1.3	1.3
Weighted average diluted shares	127.6	138.9	129.7	139.9
Earnings Per Share:				
Basic	\$0.97	\$0.79	\$0.44	\$0.58
Diluted	\$0.96	\$0.78	\$0.43	\$0.58

The three and six months ended June 30, 2018 respectively exclude 7.3 million and 7.1 million shares of common stock issuable for incentive equity awards, which includes performance share units based on the achievement of target amounts, that are anti-dilutive to the diluted earnings per share computation. The three and six months ended (a) June 30, 2017 both exclude 5.8 million shares of common stock issuable for incentive equity awards, which includes performance share units based on the achievement of target amounts, that are anti-dilutive to the diluted earnings per share computation.

In the second quarter of 2018, the Company repurchased and retired 4.1 million shares of common stock for \$101 million at a weighted average market price of \$24.94 per share. In the first half of 2018, the Company repurchased and retired 7.8 million shares of common stock for \$200 million at a weighted average market price of \$25.73 per share. The purchase of shares under this plan reduces the weighted-average number of shares outstanding in the basic earnings per share calculation.

8.COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in claims, legal proceedings, alternative dispute resolution and governmental inquiries related to alleged contract disputes, business practices, intellectual property and other commercial, employment, regulatory and tax matters. Examples of such matters include but are not limited to allegations: that residential real estate sales agents engaged by NRT—under certain state or federal laws—are potentially employees instead of independent contractors, and they or regulators therefore may bring claims against NRT for breach of contract, wage and hour classification claims, wrongful discharge, unemployment and workers' compensation and could seek benefits, back wages, overtime, indemnification, penalties related to classification practices and expense reimbursement available to employees; concerning other employment law matters, including wage and hour claims; that the Company is vicariously liable for the acts of franchisees under theories of actual or apparent agency; by current or former franchisees that franchise agreements were breached including improper terminations; concerning claims for alleged RESPA or state real estate law violations; concerning claims generally against the company owned brokerage operations for negligence, misrepresentation or breach of fiduciary duty in connection with the performance of real estate brokerage or other professional services as well as other brokerage claims associated with listing information and property history;

related to copyright law, including infringement actions alleging improper use of copyrighted photographs on websites or in marketing materials without consent of the copyright holder;

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concerning claims generally against the title company contending that, as the escrow company, the company knew or should have known that a transaction was fraudulent or concerning other title defects or settlement errors; concerning information security and cyber-crime, including claims under new and emerging data privacy laws related to the protection of customer, employee or third-party information, as well as those related to the diversion of homesale transaction closing funds; concerning anti-trust and anti-competition matters; and those related to general fraud claims.

Real Estate Business Litigation

Dodge, et al. v. PHH Corporation, et al., formerly captioned Strader, et al. and Hall v. PHH Corporation, et al. (U.S. District Court for the Central District of California). This is a purported class action brought by four California residents against 15 defendants, including Realogy and certain of its subsidiaries, PHH Corporation and PHH Home Loans, LLC (a joint venture between Realogy and PHH), alleging violations of Section 8(a) of RESPA. On May 19, 2017, the parties held a mediation session, at which they agreed in principle to a settlement of the action, pursuant to which the Company would pay approximately \$8 million (or one-half of the settlement). In settling the matter, the Company specifically denied any wrongdoing with respect to the claims asserted in the case. As a result of the settlement, the Company accrued \$8 million in the second quarter of 2017 and the liability is included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. On January 29, 2018, the Court issued an order granting preliminary approval of the settlement, directed class notices to be sent by February 2018 and set the hearing on final approval of the settlement for August 16, 2018. Class notices were sent in February 2018.

The Company is involved in certain other claims and legal actions arising in the ordinary course of our business. Such litigation, regulatory actions and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, franchising arrangements, the fiduciary duties of brokers, 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 accurate square footage or 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 agents, antitrust and anti-competition claims, general fraud claims (including wire fraud associated with third-party diversion of funds from a brokerage transaction), employment law claims, including claims challenging the classification of our sales agents 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. In addition, with the increasing requirements resulting from government laws and regulations concerning data breach notifications and data privacy and protection obligations, claims associated with these laws may become more common.

* * *

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.

Cendant Corporate Liabilities and Guarantees to Cendant and Affiliates

Realogy Group (then Realogy Corporation) separated from Cendant on July 31, 2006 (the "Separation"), pursuant to a plan by Cendant (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 Group), travel distribution services ("Travelport"), hospitality services, including timeshare resorts ("Wyndham Worldwide"), and vehicle rental ("Avis Budget Group"). Pursuant to the Separation and Distribution Agreement dated as of July 27, 2006 among Cendant, Realogy Group, Wyndham

Worldwide and Travelport (the "Separation and Distribution Agreement"), each of Realogy Group, Wyndham
Worldwide and Travelport

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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.

The due to former parent balance was \$18 million at both June 30, 2018 and December 31, 2017, respectively. The due to former parent balance was comprised of the Company's portion of the following: (i) Cendant's remaining state and foreign contingent tax liabilities, (ii) accrued interest on contingent tax liabilities, (iii) potential liabilities related to Cendant's terminated or divested businesses, and (iv) potential liabilities related to the residual portion of accruals for Cendant operations.

Tax Matters

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

Escrow and Trust Deposits

As a service to its customers, the Company administers escrow and trust deposits which represent undisbursed amounts received for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to \$250 thousand. These escrow and trust deposits totaled \$656 million at June 30, 2018 and \$469 million at December 31, 2017. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the accompanying Condensed Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

9. SEGMENT INFORMATION

The reportable segments presented below represent the Company's operating segments for which separate financial information is available and which is utilized on a regular basis by its chief operating decision maker to assess performance and to allocate resources. In identifying its reportable segments, the Company also considers the nature of services provided by its operating segments. Management evaluates the operating results of each of its reportable segments based upon revenue and Operating EBITDA. Operating 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), income taxes, and other items that are not core to the operating activities of the Company such as restructuring charges, former parent legacy items, losses on the early extinguishment of debt, asset impairments, gains or losses on discontinued operations and gains or losses on the sale of investments or other assets. The Company's presentation of Operating EBITDA may not be comparable to similar measures used by other companies.

	Revenues (a) (b)			
	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Real Estate Franchise Services	\$237	\$237	\$413	\$407
Company Owned Real Estate Brokerage Services	1,408	1,392	2,325	2,289
Relocation Services	105	102	184	179
Title and Settlement Services	162	157	282	277
Corporate and Other (c)	(92)	(95)	(155)	(156)
Total Company	\$1,820	\$1,793	\$3,049	\$2,996

Transactions between segments are eliminated in consolidation. Revenues for the Real Estate Franchise Services segment include intercompany royalties and marketing fees paid by the Company Owned Real Estate Brokerage (a) Services segment of \$92 million and \$155 million for the three and six months ended June 30, 2018, respectively, and \$95 million and \$156 million for the three and six months ended June 30, 2017, respectively. Such amounts are eliminated through the Corporate and Other line.

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- Revenues for the Relocation Services segment include intercompany referral commissions paid by the Company Owned Real Estate Brokerage Services segment of \$12 million and \$20 million for both the three and six months ended June 30, 2018 and 2017. Such amounts are recorded as contra-revenues by the Company Owned Real Estate Brokerage Services segment. There are no other material intersegment transactions.
- (c) Includes the elimination of transactions between segments.

	Operating EBITDA			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (a)	2018	2017 (a)
Real Estate Franchise Services	\$173	\$167	\$278	\$269
Company Owned Real Estate Brokerage Services	61	78	16	57
Relocation Services	34	27	33	28
Title and Settlement Services	31	26	25	28
Corporate and Other (b)	(23)	(29)	(42)	(52)
Total Company	\$276	\$269	\$310	\$330
Less: Depreciation and amortization (c)	\$49	\$49	\$99	\$99
Interest expense, net	46	47	79	86
Income tax expense	52	73	33	64
Restructuring costs, net (d)	6	2	36	7
Former parent legacy benefit (e)	—	(11)	—	(11)
Loss on the early extinguishment of debt (e)	—	—	7	4
Net income attributable to Realogy Holdings and Realogy Group	\$123	\$109	\$56	\$81

(a) Includes an \$8 million expense related to the settlement of the Strader legal matter in Corporate and Other.

(b) Includes the elimination of transactions between segments.

Depreciation and amortization for the six months ended June 30, 2018 includes \$2 million of amortization expense (c) related to Guaranteed Rate Affinity's purchase accounting included in the "Equity in (earnings) losses of unconsolidated entities" line on the Condensed Consolidated Statement of Operations.

The three months ended June 30, 2018 includes restructuring charges of \$4 million in the Company Owned Real Estate Brokerage Services segment, \$1 million in the Relocation Services segment and \$1 million at Title and Settlement Services segment.

The three months ended June 30, 2017 includes restructuring charges of \$1 million in the Real Estate Franchise Services segment and \$1 million in the Company Owned Real Estate Brokerage Services segment.

The six months ended June 30, 2018 includes restructuring charges of \$2 million in the Real Estate Franchise Services segment, \$21 million in the Company Owned Real Estate Brokerage Services segment, \$9 million in the Relocation Services segment, \$2 million at Title and Settlement Services segment and \$2 million in the Corporate and Other segment.

The six months ended June 30, 2017 includes restructuring charges of \$1 million in the Real Estate Franchise Services segment and \$6 million in the Company Owned Real Estate Brokerage Services segment.

(e) Former parent legacy items and loss on the early extinguishment of debt are recorded in the Corporate and Other segment.

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

The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and accompanying notes thereto included elsewhere herein and with our Consolidated Financial Statements and accompanying notes included in the 2017 Form 10-K. Unless otherwise noted, all dollar amounts in tables are in millions. 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 condensed consolidated financial positions, results of operations and cash flows of Realogy Holdings, Realogy Intermediate and Realogy Group are the same. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See "Forward-Looking Statements" in this report and "Forward-Looking Statements" and "Risk Factors" in our 2017 Form 10-K for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements.

OVERVIEW

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

Real Estate Franchise Services (known as Realogy Franchise Group or RFG)—franchises the Century 21 Coldwell Banker®, Coldwell Banker Commercial®, ERA®, Sotheby's International Realty® and Better Homes and Gardens® Real Estate brand names. As of June 30, 2018, our real estate franchise systems and proprietary brands had approximately 294,000 independent sales agents worldwide (which included approximately 50,100 company owned brokerage independent sales agents), including approximately 192,000 independent sales agents operating in the U.S. As of June 30, 2018, our real estate franchise systems and proprietary brands had approximately 15,600 offices (which included approximately 770 company owned brokerage offices) worldwide in 115 countries and territories, including approximately 6,000 brokerage offices in the U.S.

Company Owned Real Estate Brokerage Services (known as NRT)—operates a full-service real estate brokerage business with approximately 770 owned and operated brokerage offices with approximately 50,100 independent sales agents principally under the Coldwell Banker®, Corcoran®, Sotheby's International Realty®, ZipRealty® Citi HabitatsSM and Climb Real Estate® brand names in more than 50 of the 100 largest metropolitan areas in the U.S. This segment also included the Company's share of earnings for our PHH Home Loans venture, which was sold to PHH in the first quarter of 2018 and we transitioned to our new mortgage origination joint venture with Guaranteed Rate Affinity, which is included in the financial results of the Title and Settlement Services segment.

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 individual's employer), 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. In addition, we provide home buying and selling assistance to members of affinity clients.

Title and Settlement Services (known as Title Resource Group or TRG)—provides full-service title and settlement 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. This segment also includes the Company's share of earnings, including start-up costs, for our Guaranteed Rate Affinity joint venture. We pursue technology-enabled solutions for the real estate brokerages and independent sales agents in our franchise system as well as their customers, including through ZapLabs LLC, our wholly-owned subsidiary and developer of our proprietary technology platform.

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RECENT DEVELOPMENTS

Key Strategic Imperatives

The core of our integrated business strategy is aimed at growing the base of productive independent sales agents at our company owned and franchisee brokerages and providing them with compelling data and technology products and services to make them more productive and their businesses more profitable. This strategy seeks to capitalize on the addressable market of commission revenues, which was an estimated \$70 billion in 2017, and which we believe will continue to expand over the coming years due to strong demographic tailwinds.

NRT remains focused on the recruitment, retention and development of productive independent sales agents, which we anticipate will be strengthened by our increasing utilization of advanced data analytics. We believe our adoption of a more data-driven strategy, together with strong product and services offerings, will further sharpen our productivity, recruitment and retention objectives. This is intended to allow us to provide more competitive and consistent products, services and pricing to existing and newly recruited independent sales agents, including through the expanded use of service and compensation models other than the traditional model.

In addition, RFG is in the initial stages of implementing strategic initiatives intended to add new franchisees, thereby expanding the base of independent sales agents affiliated with our franchisees. These initiatives are expected to build on our current technology offerings and include greater differentiation of RFG's brands. We also expect to expand RFG's historical scope of potential franchisee candidates.

We believe that the successful execution of these strategies and the associated increase in productive independent sales agents and homesale transaction volume will generate Operating EBITDA growth over time.

Leadership Realignment and Other Restructuring Activities

Beginning in the first quarter of 2018, the Company commenced the implementation of a plan to drive our business forward and enhance stockholder value. The key aspects of this plan include senior leadership realignment, an enhanced focus on technology and talent, as well as further attention on office footprint and other operational efficiencies, including the consolidation of certain support services provided to NRT and RFG.

Total expected restructuring costs of approximately \$48 million are currently anticipated to be incurred through the end of 2018. As of June 30, 2018, cost savings related to the restructuring activities were estimated to be approximately \$50 million on an annual run rate basis.

The following table reflects the total amount of restructuring costs for the Company's restructuring program related to leadership realignment and other restructuring activities by reportable segment:

	Total amount expected to be incurred	Amount incurred to date	Total amount remaining to be incurred
RFG	\$ 2	\$ 2	\$ —
NRT	29	20	9
Cartus	9	9	—
TRG	1	1	—
Corporate and Other	7	2	5
Total	\$ 48	\$ 34	\$ 14

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CURRENT INDUSTRY TRENDS

According to the National Association of Realtors ("NAR"), during the first half of 2018, homesale transaction volume increased 1% due to a 4% increase in the average homesale price offset by a 2% decrease in the number of homesale transactions. We believe the increase in the average homesale price is primarily a function of high demand against a limited supply of homes for sale. Low housing inventory levels continue to be an industry-wide concern. According to NAR, the inventory of existing homes for sale in the U.S. was 2.0 million and 1.9 million at the end of June 2018 and June 2017, respectively. The June 2018 inventory represents a national average supply of 4.3 months at the current homesales pace which is significantly below the 5.9 month 25-year average as of December 31, 2017. As reported by NAR, the composite housing affordability index decreased to 141 for May 2018 from 157 for May 2017, which puts it slightly below the 25-year average of 142. We believe the year-over-year decline is a result of lower inventory levels, which puts upward pressure on home prices, and higher mortgage rates, partially offset by increasing wages. 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. According to Freddie Mac, mortgage rates on commitments for a 30-year, conventional, fixed-rate first mortgage averaged 3.99% for 2017 and the rate at June 30, 2018 was 4.57%. Although mortgage rates have increased approximately 70 basis points to 4.57% as of June 30, 2018 from 3.90% as of June 2017, they continue to be lower than the 25-year average of 5.95%. While this increase in mortgage rates adversely impacts housing affordability, we believe that rising wages, the potential availability of alternative mortgage arrangements, increasing rent prices and a continuation of low inventory levels for the mainstream housing market may offset, in whole or in part, rising mortgage rates and home prices and may result in continued favorable demand conditions. Nevertheless, we could be negatively impacted by any rising interest rate environment. For example, a rise in mortgage rates could result in decreased homesale transaction volume if 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 or, similarly, if potential home buyers choose to rent rather than pay higher mortgage rates.

We believe that the main reason for the decline in homesale transactions in the first half of 2018 compared to 2017 was constrained inventory. A number of other factors may have also contributed to the decline, including reduced affordability due to higher average sales price and mortgage rates, as well as personal income tax reform, stock market volatility and inclement weather in the Northeast and Midwest in the first quarter of 2018, however, we are unable to extrapolate the relative impact that each of these factors may have had on regional and local markets in the United States.

RFG and NRT homesale transaction volume on a combined basis increased 4% in the first half of 2018 compared to the first half of 2017. NRT's transaction volume increased 2%, as a result of a 2% increase in average homesale price and flat existing homesale transactions. RFG's transaction volume increased 5% as a result of a 7% increase in average homesale price, partially offset by a 2% decrease in existing homesale transactions.

Recruitment and retention of independent sales agents and independent sales agent teams are critical to the business and financial results of a brokerage, including our company owned brokerages and those operated by our affiliated franchisees.

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Competition for independent sales agents in our industry, including within our franchise system, is high, in particular with respect to more productive sales agents. Most of a brokerage's real estate listings are sourced through the sphere of influence of their independent sales agents, notwithstanding the growing influence of internet-generated leads.

Competition for independent sales agents is generally subject to numerous factors, including:

- remuneration (such as sales commission percentage and other financial incentives paid to independent sales agents);
- other expenses borne by independent sales agents;
- leads or business opportunities generated for the independent sales agent from the brokerage;
- independent sales agents' perception of the value of the broker's brand affiliation;
- marketing and advertising efforts by the brokerage or franchisor;
- the office manager, staff and fellow independent sales agents with whom they collaborate daily; and
- technology, continuing professional education, and other services provided by the brokerage or franchisor.

We believe that the influence of independent sales agents and independent sales agent teams has increased in recent years and, together with the increasing competition from other brokerages, has negatively impacted the recruitment and retention of independent sales agents and put upward pressure on the average share of commissions earned by affiliated independent sales agents.

Currently, there are several different compensation models being utilized by real estate brokerages to compensate their independent sales agents. One of the most common models has been the "traditional model", also called a graduated commission plan, where the independent sales agent receives a percentage of the brokerage commission that increases as the independent sales agent increases his or her volume of homesale transactions, and the brokerage frequently provides independent sales agents with a broad set of support offerings and promotion of properties. Other common models include a desk rental or 100% plan model, a fixed transaction fee model, and a capped commission model. A capped commission model generally blends aspects of the traditional model with the 100% plan model. Increasingly, independent sales agents have affiliated with brokerages that offer a different mix of services to the independent sales agents, allowing the independent sales agent to select the services that they believe allow them to retain a greater percentage of the commission. However, independent sales agents will generally then need to purchase desired marketing, technology and professional education products and services on an à la carte basis.

In addition, outside capital has continued to invest in competitors that seek to access a portion of the significant addressable market of commission revenues, including competitors that utilize the models described above as well as those that employ arrangements meant to disrupt these models and those that seek to otherwise capture a share of the gross commission income generated by homesale transactions.

As discussed under the caption "Key Strategic Imperatives" above, NRT and RFG have launched strategic initiatives intended to address these current market dynamics by expanding our base of affiliated independent sales agents and affiliated franchisees. This includes initiatives at NRT that are expected to include the expanded use of service and compensation models other than the traditional model and initiatives at RFG that are expected to build on our current technology offerings and include greater differentiation of RFG's brands.

NRT has relationships with developers, primarily in major cities, to provide marketing and brokerage services in new developments. New development closings generally have a development period of between 18 and 24 months from contracted date to closing. During 2017, NRT experienced stronger growth in its new development business with a significant increase in the number of closed transactions from 2016. This growth was largely due to the timing of closings of several major developments during the year. During the first half of 2018, there was a decrease in revenue related to our new development business as a result of lower closing volume due to long cycle times with irregular project completion timing. Our current new development pipeline remains robust and we expect a significantly lower year over year decrease in the new development business in the second half of 2018.

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Existing Homesales

For the quarters ended March 31, 2018 and June 30, 2018, compared to the same periods in 2017, NAR existing homesale transactions decreased 2% for both periods and was at 1.1 million and 1.6 million homes, respectively. For the quarters ended March 31, 2018 and June 30, 2018, RFG and NRT homesale transactions on a combined basis decreased 1% and 2%, respectively, compared to the same periods in 2017. The annual and quarterly year-over-year trends in homesale transactions are as follows:

-
- (a) Historical existing homesale data is as of the most recent NAR press release, which is subject to sampling error.
 - (b) Forecasted existing homesale data, on a seasonally adjusted basis, is as of the most recent NAR forecast.
 - (c) Forecasted 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 2% in 2019 while Fannie Mae is forecasting an increase in existing homesale transactions of 1% in 2019.

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Existing Homesale Price

For the quarters ended March 31, 2018 and June 30, 2018, compared to the same periods in 2017, NAR existing homesale average price increased 4% and 3%, respectively. For both the quarters ended March 31, 2018 and June 30, 2018, RFG and NRT average homesale price on a combined basis increased 5% compared to the same periods in 2017. For the quarters ended March 31, 2018 and June 30, 2018, RFG's average homesale price increased 6% and 7%, respectively, while NRT's average homesale price increased 3% and 2%, respectively. The difference between the average homesale price increase for RFG compared to NRT is due to lower closing volume in NRT's new development business which is typically at a higher price point as well as lower transaction volume in the New York metropolitan market. The annual and quarterly year-over-year trends in the price of homes are as follows:

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

(b) Forecasted homesale price data is for median price and is as of the most recent NAR forecast.

(c) 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 is forecasting an increase in median existing homesale price of 4% in 2019 while Fannie Mae is forecasting a 5% increase in 2019.

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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, demographic trends such as population growth, the increase in household formation, mortgage rate levels and mortgage availability, certain tax benefits, job growth, the inherent attributes of homeownership versus renting and the influence of local housing dynamics of supply versus demand. At this time, most of these factors are generally trending favorably. Factors that may negatively affect continued growth in the housing industry include:

- continued insufficient inventory levels;
- higher mortgage rates due to increases in long-term interest rates as well as reduced availability of mortgage financing;
- further reduction in the affordability of homes;
- certain provisions of the 2017 Tax Act that directly impact traditional incentives associated with home ownership and may reduce the financial distinction between renting and owning a home, including those that reduce the amount that certain taxpayers would be allowed to deduct for home mortgage interest or state, local and property taxes;
- lack of building of new housing or irregular timing of new development closings leading to lower unit sales at NRT, which has relationships with developers, primarily in major cities, to provide marketing and brokerage services in new developments;
- changing attitudes towards home ownership;
- an increase in potential homebuyers with low credit ratings or inability to afford down payments;
- 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;
- economic stagnation or contraction in the U.S. economy;
- increased levels of unemployment in the U.S.;
- a decline in home ownership levels in the U.S.;
- other legislative or regulatory reforms, including but not limited to reform that adversely impacts the financing of the U.S. housing market; and
- geopolitical and economic instability.

Many of the trends impacting our businesses that derive revenue from homesales also impact Cartus, which is a global provider of outsourced employee relocation services. In addition to general residential housing trends, key drivers of Cartus are global corporate spending on relocation services, which continue to shift to lower cost relocation benefits as corporate clients engage in cost reduction initiatives and/or restructuring programs as well as changes in employment relocation trends. Cartus 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. Moreover, the 2017 Tax Act suspends the deductibility of certain home moving expenses, which may result in fewer instances of specific relocation services.

* * *

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 and estimates in their historical reports and forecasting models, which are subject to sampling error, whereas we use data based on actual reported results;
- there are geographical differences and concentrations in the markets in which we operate versus the national market. For example, many of our company owned brokerage offices are geographically located where average homesale prices are generally higher than the national average and therefore NAR survey data will not correlate with NRT's results;
- comparability is also diminished 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;
- NAR historical data is subject to periodic review and revision and these revisions have been material in the past, and could be material in the future; and

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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 RFG and NRT, we measure operating performance using the following key operating metrics: (i) closed homesale sides, which represents either the "buy" side or the "sell" side of a homesale transaction, (ii) average homesale price, which represents the average selling price of closed homesale transactions, and (iii) average homesale broker commission rate, which represents the average commission rate earned on either the "buy" side or "sell" side of a homesale transaction. For RFG, we also use net royalty per side, which represents the royalty payment to RFG for each homesale transaction side taking into account royalty rates, volume incentives achieved and non-standard incentives. We utilize net royalty revenue per transaction as it reflects the impact of changes in average homesale price and represents the royalty revenue impact of each incremental side.

Within Cartus, 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.

In TRG, 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 TRG; however, the financial results are not significantly impacted by a change in homesale price. We believe that further increases in mortgage rates in the future will most likely have a negative impact on refinancing title and closing units. The following table presents our drivers for the three and six months ended June 30, 2018 and 2017. See "Results of Operations" below for a discussion as to how these drivers affected our business for the periods presented.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
RFG (a)						
Closed homesale sides	313,278	322,745	(3 %)	537,268	547,995	(2 %)
Average homesale price	\$312,087	\$291,355	7 %	\$303,955	\$284,973	7 %
Average homesale broker commission rate	2.48 %	2.50 %	(2) bps	2.49 %	2.50 %	(1) bps
Net royalty per side (b)	\$336	\$316	6 %	\$325	\$309	5 %
NRT						
Closed homesale sides	100,745	101,043	— %	166,842	167,613	— %
Average homesale price	\$537,748	\$528,518	2 %	\$532,706	\$520,844	2 %
Average homesale broker commission rate	2.43 %	2.44 %	(1) bps	2.44 %	2.45 %	(1) bps
Gross commission income per side	\$13,804	\$13,625	1 %	\$13,750	\$13,480	2 %
Cartus						
Initiations	53,230	50,798	5 %	91,183	87,313	4 %
Referrals	26,662	25,284	5 %	42,693	40,487	5 %
TRG						
Purchase title and closing units	46,189	47,008	(2 %)	77,930	78,305	— %
Refinance title and closing units	4,782	6,324	(24 %)	10,192	14,857	(31 %)
Average fee per closing unit	\$2,282	\$2,139	7 %	\$2,231	\$2,080	7 %

(a) Includes all franchisees except for NRT.

Net royalty per side amounts include the effect of volume incentives and non-standard incentives granted to franchisees. For the three and six months ended June 30, 2018 the net royalty per side increased 6% and 5%,
(b) respectively, while average homesale price increased 7% for both the three and six months ended June 30, 2018.
The differential between growth in net royalty per side and

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average homesale price was due to an increase in sales incentives, a decrease in the average broker commission rate and a shift in mix to our top 250 franchisees.

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 agents.

Since 2014, we have experienced approximately a one basis point decline in the average broker commission rate each year and we expect that over the long term the average brokerage commission rates will continue to modestly decline as a result of increases in average homesale prices and, to a lesser extent, competitors providing fewer or similar services for a reduced fee.

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. Most of our third-party franchisees are subject to a 6% royalty rate and entitled to volume incentives. Volume incentives are calculated as a progressive percentage of the applicable franchisee's eligible annual gross income and generally result in a net royalty rate ranging from 6% to 3% for the franchisee. Volume incentives increase or decrease as the franchisee's gross commission income generated increases or decreases, respectively. We have the right to adjust the annual volume incentive tables on an annual basis in response to changing market conditions. In addition, some of our larger franchisees have a flat royalty rate of less than 6% and are not eligible for volume incentives.

Transaction volume growth has exceeded royalty revenue growth due primarily to the growth in gross commission income generated by our top 250 franchisees and our increased use of non-standard sales incentives, both of which directly impact royalty revenue. Over the past several years, our top 250 franchisees have grown faster than our other franchisees through organic growth and market consolidation. If the amount of gross commission income generated by our top 250 franchisees continue to grow at a quicker pace relative to our other franchisees, we would expect our royalty revenue to continue to increase, but at a slower pace than homesale transaction volume. Likewise, our royalty revenue would continue to increase, but at a slower pace than homesale transaction volume, if the gross commission income generated by all of our franchisees grows faster than the applicable annual volume incentive table increase or if we increase our use of standard volume or non-standard incentives. However, we expect that any such increases in gross commission income will result in increased overall royalty payments to us.

Non-standard incentives may also be used as consideration to attract, retain and help grow certain franchisees. Most of our franchisees do not receive these non-standard incentives and in contrast to volume incentives, the majority are not homesale transaction based. We expect that the trend of increasing non-standard incentives will continue in the future in order to attract, retain, and help grow certain franchisees. This may result in slower growth in our net royalty per side as compared to homesale transaction volume.

NRT 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 RFG has franchised offices that are more widely dispersed across the United States. Accordingly, operating results and homesale statistics may differ between NRT and RFG based upon geographic presence and the corresponding homesale activity in each geographic region. In addition, the share of commissions earned by independent sales agents directly impacts the margin earned by NRT. Such share of commissions earned by independent sales agents varies by region and commission schedules are generally progressive to incentivize sales agents to achieve higher levels of production. We expect that commission share will continue to be subject to upward pressure in favor of the independent sales agent because of the increased bargaining power of independent sales agents and teams as well as more aggressive recruitment and retention activities taken by us and our competitors.

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RESULTS OF OPERATIONS

Discussed below are our condensed consolidated results of operations and the results of operations for each of our reportable segments. The reportable segments presented below represent our operating segments for which separate financial information is available and which is utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also consider the nature of services provided by our operating segments. Management evaluates the operating results of each of our reportable segments based upon revenue and Operating EBITDA. Operating 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), income taxes, and other items that are not core to the operating activities of the Company such as restructuring charges, former parent legacy items, losses on the early extinguishment of debt, asset impairments, gains or losses on discontinued operations and gains or losses on the sale of investments or other assets.

Our presentation of Operating EBITDA may not be comparable to similarly titled measures used by other companies. Three Months Ended June 30, 2018 vs. Three Months Ended June 30, 2017

Our consolidated results comprised the following:

	Three Months Ended June 30,		
	2018	2017	Change
Net revenues	\$1,820	\$1,793	\$ 27
Total expenses (1)	1,646	1,610	36
Income before income taxes, equity in earnings and noncontrolling interests	174	183	(9)
Income tax expense	52	73	(21)
Equity in earnings of unconsolidated entities	(2)	—	(2)
Net income	124	110	14
Less: Net income attributable to noncontrolling interests	(1)	(1)	—
Net income attributable to Realogy Holdings and Realogy Group	\$123	\$109	\$ 14

(1) Total expenses for the three months ended June 30, 2018 includes \$6 million of restructuring charges. Total expenses for the three months ended June 30, 2017 includes an \$8 million expense related to the settlement of the Strader legal matter, \$5 million of losses related to mark-to-market adjustments for our interest rate swaps and \$2 million of restructuring charges, partially offset by a net benefit of \$11 million of former parent legacy items.

Net revenues increased \$27 million or 2% for the three months ended June 30, 2018 compared with the three months ended June 30, 2017, principally due to increases in gross commission income and franchise fees as a result of higher homesale transaction volume of 3% on a combined basis for NRT and RFG and an increase in underwriter and resale revenues at TRG.

Total expenses increased \$36 million or 2% primarily due to:

- a \$39 million increase in commission and other sales agent-related costs due to the impact of initiatives focused on growing and retaining our productive independent sales agent base and higher homesale transaction volume, including a shift in mix in 2018 to lower closing volume in the new development business, which typically has lower commission expense compared to traditional brokerage operations, as well as an increase in commission expense related to acquisitions;

- the absence of former parent legacy benefits of \$11 million related to the settlement of a Cendant legacy tax matter during the three months ended June 30, 2017; and

- \$6 million of restructuring costs primarily for the Company's restructuring program related to leadership realignment and other restructuring activities during the second quarter of 2018 compared to \$2 million of restructuring costs incurred for the same period in 2017 related to the Company's business optimization plan;

The increases were partially offset by:

- a \$16 million decrease in operating expenses and general and administrative expenses primarily driven by:

an \$18 million decrease in employee related costs primarily due to lower incentive accruals and cost savings initiatives; and
the absence of an \$8 million expense related to the settlement of the Strader legal matter during the second quarter of 2017;

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partially offset by:

a \$6 million increase in costs at TRG primarily due to an increase in underwriter revenue.

a \$1 million net decrease in interest expense to \$46 million in the second quarter of 2018 from \$47 million in the second quarter of 2017 primarily due to mark-to-market adjustments for our interest rate swaps that resulted in no gain or loss during the second quarter of 2018 compared to \$5 million in losses during the second quarter of 2017, partially offset by an increase in interest expense due to LIBOR rates increases.

Earnings from equity investments were \$2 million during the second quarter of 2018 compared to no earnings during the second quarter of 2017.

During the second quarter of 2018, we incurred \$6 million of restructuring costs primarily related to the Company's restructuring program related to leadership realignment and other restructuring activities which began in the first quarter of 2018 compared to \$2 million of costs related to the Company's business optimization initiatives in the second quarter of 2017. The Company expects to incur an additional \$14 million related to the current restructuring plan bringing the estimated total cost of the plan to \$48 million. See Note 6, "Restructuring Costs", in the Condensed Consolidated Financial Statements for additional information.

The Company's provision for income taxes in interim periods is computed by applying its estimated annual effective tax rate against the income or loss before income taxes for the period. In addition, non-recurring or discrete items are recorded in the period in which they occur. The provision for income taxes was \$52 million for the three months ended June 30, 2018 compared to \$73 million for the three months ended June 30, 2017. Our federal and state blended statutory rate is estimated to be 27% for 2018 and our full year effective tax rate is estimated to be 30%. Our effective tax rate was 30% and 40% for the three months ended June 30, 2018 and June 30, 2017, respectively. There were no changes to the net benefit recorded during the year ended December 31, 2017 relating to the 2017 Tax Act which was a provisional amount that reflected the Company's reasonable estimate at the time.

The following table reflects the results of each of our reportable segments during the three months ended June 30, 2018 and 2017:

	Revenues (a)		\$	%	Operating EBITDA (b)		\$	%	Operating EBITDA Margin		Change
	2018	2017	Change	Change	2018	2017	Change	Change	2018	2017	
RFG	\$237	\$237	\$ —	— %	\$173	\$167	\$ 6	4 %	73 %	70 %	3
NRT	1,408	1,392	16	1	61	78	(17)	(22)	4	6	(2)
Cartus	105	102	3	3	34	27	7	26	32	26	6
TRG	162	157	5	3	31	26	5	19	19	17	2
Corporate and Other	(92)	(95)	3	*	(23)	(29)	6	*			
Total Company	\$1,820	\$1,793	\$ 27	2 %	\$276	\$269	\$ 7	3 %	15 %	15 %	—
Less: Depreciation and amortization					49	49					
Interest expense, net					46	47					
Income tax expense					52	73					
Restructuring costs, net (c)					6	2					
Former parent legacy benefit, net (d)					—	(11)					
Net income attributable to Realogy Holdings and Realogy Group					\$123	\$109					

* not meaningful

Includes the elimination of transactions between segments, which consists of intercompany royalties and marketing (a) fees paid by NRT of \$92 million and \$95 million during the three months ended June 30, 2018 and 2017, respectively.

(b)

Includes an \$8 million expense related to the settlement of the Strader legal matter in the Corporate and Other segment for the three months ended June 30, 2017.

Restructuring charges incurred for the three months ended June 30, 2018 include \$4 million at NRT, \$1 million at (c)Cartus and \$1 million at TRG. Restructuring charges incurred for the three months ended June 30, 2017 include \$1 million at RFG and \$1 million at NRT.

(d)Former parent legacy items are recorded in the Corporate and Other segment.

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As described in the aforementioned table, Operating EBITDA margin for "Total Company" expressed as a percentage of revenues remained flat at 15% for the three months ended June 30, 2018 compared to the same period in 2017. On a segment basis, RFG's margin increased 3 percentage points to 73% from 70% primarily due to an increase in third-party domestic franchisee royalty revenue and a decrease in employee related costs. NRT's margin decreased 2 percentage points to 4% from 6% primarily due to higher sales commission percentages paid to its independent sales agents during the second quarter of 2018 compared to the same period in 2017 and the impact of lower closing volume in our new development business, which typically has higher margins. Cartus' margin increased 6 percentage points to 32% from 26% primarily due to an increase in affinity revenue and a decrease in employee related costs as a result of cost savings initiatives. TRG's margin increased 2 percentage points to 19% from 17% primarily due to a decrease in employee-related costs and an increase in earnings from equity investments during the second quarter of 2018 compared to the second quarter of 2017.

Corporate and Other Operating EBITDA for the three months ended June 30, 2018 improved \$6 million to negative \$23 million primarily due to the absence of an \$8 million expense related to the settlement of the Strader legal matter during the second quarter of 2017.

Real Estate Franchise Services (RFG)

Revenues remained flat at \$237 million and Operating EBITDA increased \$6 million to \$173 million for the three months ended June 30, 2018 compared with the same period in 2017.

Revenues remained flat as a result of a \$3 million increase in third-party domestic franchisee royalty revenue primarily due a 4% increase in homesale transaction volume, offset by a \$3 million decrease in brand marketing fund revenue, primarily due to the lower level of advertising spend during the second quarter of 2018 compared with 2017. The \$3 million decrease in brand marketing fund revenue was offset by a \$3 million decrease in brand marketing fund expense.

RFG revenue includes intercompany royalties received from NRT of \$89 million during both the second quarter of 2018 and 2017 which are eliminated in consolidation against the expense reflected in NRT's segment results.

The \$6 million increase in Operating EBITDA was principally due to the \$3 million increase in third-party domestic franchisee royalty revenue discussed above as well as a \$2 million decrease in employee related costs.

Company Owned Real Estate Brokerage Services (NRT)

Revenues increased \$16 million to \$1,408 million and Operating EBITDA decreased \$17 million to \$61 million for the three months ended June 30, 2018 compared with the same period in 2017.

The revenue increase of \$16 million was comprised of a \$7 million increase in commission income earned on homesale transactions by our existing brokerage operations, despite a decrease in revenue from our new development business, and a \$9 million increase in commission income earned from acquisitions. The increase in commission income earned on homesale transactions was primarily driven by a 1% increase in homesale transaction volume due to NRT's average homesale price increase of 2%. This was due to lower inventory of homes for sale and NRT's strategic recruiting efforts. The increase in price was partially offset by lower closing volume in NRT's new development business and lower transaction volume in the New York metropolitan market, each of which are generally at a higher price point.

Operating EBITDA decreased \$17 million primarily due to:

- a \$39 million increase in commission expenses paid to independent sales agents from \$970 million in the second quarter of 2017 to \$1,009 million in the second quarter of 2018. The \$39 million increase is comprised of a \$33 million increase in commission expense due to our existing brokerage operations as a result of the impact of initiatives focused on growing and retaining our productive independent sales agent base and higher homesale transaction volume, including a shift in mix in 2018 to lower closing volume in the new development business, which typically has lower commission expense compared to traditional brokerage operations, as well as a \$6 million increase in commission expense related to acquisitions; and

- a \$3 million increase in other costs including a \$1 million increase in occupancy costs.

These Operating EBITDA decreases were partially offset by:

- the \$16 million increase in revenues discussed above; and

- a \$7 million decrease in employee related costs primarily due to lower incentive accruals.

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RFG and NRT on a Combined Basis

The following table reflects RFG and NRT results before the intercompany royalties and marketing fees as well as on a combined basis to show the Operating EBITDA contribution of these business units to the overall Operating EBITDA of the Company. The Operating EBITDA margin for the combined segments decreased 1 percentage point from 16% to 15% primarily due to higher sales commission percentages paid to independent sales agents affiliated with NRT and the impact of lower closing volume in NRT's new development business, which typically has higher margins:

	Revenues		Change	% Change	Operating EBITDA		Change	% Change	Operating EBITDA Margin		Change
	2018	2017			2018	2017			2018	2017	
RFG (a)	\$145	\$142	\$ 3	2 %	\$81	\$72	\$ 9	13 %	56%	51 %	5
NRT (a)	1,408	1,392	16	1	153	173	(20)	(12)	11	12	(1)
RFG and NRT Combined	\$1,553	\$1,534	\$ 19	1 %	\$234	\$245	\$ (11)	(4 %)	15 %	16 %	(1)

The RFG and NRT segment numbers noted above do not reflect the impact of intercompany royalties and (a)marketing fees paid by NRT to RFG of \$92 million and \$95 million during the three months ended June 30, 2018 and June 30, 2017, respectively.

Relocation Services (Cartus)

Revenues increased \$3 million to \$105 million and Operating EBITDA increased \$7 million to \$34 million for the three months ended June 30, 2018 compared with the same period in 2017.

Revenues increased \$3 million primarily as a result of a \$3 million increase in affinity revenue and a \$2 million increase in international revenue both primarily due to higher volume, partially offset by a \$2 million decrease in other referral revenue.

Operating EBITDA increased \$7 million primarily as a result of the \$3 million increase in revenues discussed above and a \$5 million decrease in employee related costs primarily due to cost savings initiatives.

Title and Settlement Services (TRG)

Revenues increased \$5 million to \$162 million and Operating EBITDA increased \$5 million to \$31 million for the three months ended June 30, 2018 compared with the same period in 2017.

Revenues increased as a result of a \$4 million increase in underwriter revenue due to an increase of underwriter premiums, as well as a \$2 million increase in resale revenue due to an increase in average fees, partially offset by a \$1 million decrease in refinancing revenue due to an overall decrease in activity in the refinance market.

Operating EBITDA increased \$5 million as a result of the \$5 million increase in revenues discussed above, a \$3 million decrease in employee-related costs primarily due to timing and a \$2 million increase in earnings from equity investments, partially offset by an increase of \$6 million in costs primarily due to an increase in underwriter revenue.

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Six Months Ended June 30, 2018 vs. Six Months Ended June 30, 2017

Our consolidated results comprised the following:

	Six Months Ended June 30,		
	2018	2017	Change
Net revenues	\$3,049	\$2,996	\$ 53
Total expenses (1)	2,957	2,847	110
Income before income taxes, equity in losses and noncontrolling interests	92	149	(57)
Income tax expense	33	64	(31)
Equity in losses of unconsolidated entities	2	3	(1)
Net income	57	82	(25)
Less: Net income attributable to noncontrolling interests	(1)	(1)	—
Net income attributable to Realogy Holdings and Realogy Group	\$56	\$81	\$ (25)

Total expenses for the six months ended June 30, 2018 includes \$36 million of restructuring charges and \$7 million related to loss on the early extinguishment of debt as a result of the debt transactions in the first quarter of 2018, partially offset by \$12 million of gains related to mark-to-market adjustments for our interest rate swaps. Total (1) expenses for the six months ended June 30, 2017 includes an \$8 million expense related to the settlement of the Strader legal matter, \$7 million of restructuring charges, \$4 million of losses related to mark-to-market adjustments for our interest rate swaps and \$4 million related to loss on the early extinguishment of debt, partially offset by a net benefit of \$11 million of former parent legacy items.

Net revenues increased \$53 million or 2% for the six months ended June 30, 2018 compared with the same period in 2017, principally due to increases in gross commission income and franchise fees as a result of higher homesale transaction volume of 4% on a combined basis for NRT and RFG.

Total expenses increased \$110 million or 4% primarily due to:

- a \$79 million increase in commission and other sales agent-related costs due to the impact of initiatives focused on growing and retaining our productive independent sales agent base and higher homesale transaction volume including a shift in mix in 2018 to lower closing volume in the new development business, which typically has lower commission expense compared to traditional brokerage operations, as well as an increase in commission expense related to acquisitions;

- \$36 million of restructuring costs primarily for the Company's restructuring program related to leadership realignment and other restructuring activities for the six months ended June 30, 2018 compared to \$7 million of restructuring costs incurred for the same period in 2017 related to the Company's business optimization plan;

- the absence of former parent legacy benefits of \$11 million related to the settlement of a Cendant legacy tax matter during the six months ended June 30, 2017; and

- a \$4 million increase in marketing expenses.

The increases were partially offset by:

- a \$7 million decrease in operating and general and administrative expenses primarily driven by:

- a \$17 million decrease in employee related costs primarily due to lower incentive accruals and cost savings initiatives; and

- the absence of an \$8 million expense related to the settlement of the Strader legal matter during the second quarter of 2017;

partially offset by,

- a \$10 million increase in other costs at NRT including a \$3 million increase in occupancy costs, a \$3 million increase in outsourcing costs and a \$2 million increase in earn-out costs; and

- an \$8 million increase in costs at TRG primarily due to an increase in underwriter revenue;

a \$7 million net decrease in interest expense to \$79 million for the six months ended June 30, 2018 from \$86 million for the six months ended June 30, 2017 primarily due to mark-to-market adjustments for our interest rate swaps that resulted in gains of \$12 million for the six months ended June 30, 2018 compared to losses of \$4 million for the same period in 2017, partially offset by an increase in interest expense due to LIBOR rates increases and a \$2 million write off of financing costs to interest expense as a result of the refinancing transactions in February of 2018.

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Losses from equity investments were \$2 million during the first half of 2018 primarily related to costs associated with the ramp up of operations of Guaranteed Rate Affinity compared to losses from equity investments of \$3 million during the first half of 2017 primarily related to the recognition of certain exit costs at PHH Home Loans.

During the first half of 2018, we incurred \$36 million of restructuring costs primarily related to the Company's restructuring program related to leadership realignment and other restructuring activities, which began in the first quarter of 2018, compared to \$7 million of costs related to the Company's business optimization initiatives in the first half of 2017. The Company expects to incur an additional \$14 million related to the current restructuring plan bringing the estimated total cost of the plan to \$48 million. See Note 6, "Restructuring Costs", in the Condensed Consolidated Financial Statements for additional information.

The Company's provision for income taxes in interim periods is computed by applying its estimated annual effective tax rate against the income or loss before income taxes for the period. In addition, non-recurring or discrete items are recorded in the period in which they occur. The provision for income taxes was \$33 million for the six months ended June 30, 2018 compared to \$64 million for the six months ended June 30, 2017. Our federal and state blended statutory rate is estimated to be 27% for 2018 and our full year effective tax rate is estimated to be 30%. Our effective tax rate was 37% and 44% for the six months ended June 30, 2018 and June 30, 2017, respectively. The effective tax rate in each reporting period was primarily impacted by a discrete item related to equity awards for which the market value at vesting was lower than at the date of grant. There were no changes to the net benefit recorded during the year ended December 31, 2017 relating to the 2017 Tax Act which was a provisional amount that reflected the Company's reasonable estimate at the time.

The following table reflects the results of each of our reportable segments during the six months ended June 30, 2018 and 2017:

	Revenues (a)		\$	%	Operating EBITDA (b)		\$	%	Operating EBITDA Margin		Change
	2018	2017	Change	Change	2018	2017	Change	Change	2018	2017	
RFG	\$413	\$407	\$ 6	1 %	\$278	\$269	\$ 9	3 %	67%	66%	1
NRT	2,325	2,289	36	2	16	57	(41)	(72)	1	2	(1)
Cartus	184	179	5	3	33	28	5	18	18	16	2
TRG	282	277	5	2	25	28	(3)	(11)	9	10	(1)
Corporate and Other	(155)	(156)	1	*	(42)	(52)	10	*			
Total Company	\$3,049	\$2,996	\$ 53	2 %	\$310	\$330	\$ (20)	(6 %)	10%	11%	(1)
Less: Depreciation and amortization (c)					99	99					
Interest expense, net					79	86					
Income tax expense					33	64					
Restructuring costs, net (d)					36	7					
Former parent legacy benefit, net (e)					—	(11)					
Loss on the early extinguishment of debt (e)					7	4					
Net income attributable to Realogy Holdings and Realogy Group					\$56	\$81					

* not meaningful

Includes the elimination of transactions between segments, which consists of intercompany royalties and marketing (a) fees paid by NRT of \$155 million and \$156 million during the six months ended June 30, 2018 and 2017, respectively.

(b) Includes an \$8 million expense related to the settlement of the Strader legal matter in the Corporate and Other segment for the six months ended June 30, 2017.

(c)

Depreciation and amortization for the six months ended June 30, 2018 includes \$2 million of amortization expense related to Guaranteed Rate Affinity's purchase accounting included in the "Equity in (earnings) losses of unconsolidated entities" line on the Condensed Consolidated Statement of Operations.

Restructuring charges incurred for the six months ended June 30, 2018 include \$2 million at RFG, \$21 million at (d) NRT, \$9 million at Cartus, \$2 million at TRG and \$2 million at Corporate and Other. Restructuring charges incurred for the six months ended June 30, 2017 include \$1 million at RFG and \$6 million at NRT.

(e) Former parent legacy items and loss on the early extinguishment of debt are recorded in the Corporate and Other segment.

As described in the aforementioned table, Operating EBITDA margin for "Total Company" expressed as a percentage of revenues decreased 1 percentage point to 10% from 11% for the six months ended June 30, 2018 compared to the same

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period in 2017. On a segment basis, RFG's margin increased 1 percentage point to 67% from 66% primarily due to an increase in third-party domestic franchisee royalty revenue and a decrease in employee related costs. NRT's margin decreased 1 percentage point to 1% from 2% primarily due to higher sales commission percentages paid to its independent sales agents during the first half of 2018 compared to the same period in 2017 and the impact of lower closing volume in our new development business, which typically has higher margins. Cartus' margin increased 2 percentage points to 18% from 16% primarily due to an increase in affinity revenue and a decrease in employee related costs as a result of cost savings initiatives. TRG's margin decreased 1 percentage point to 9% from 10% primarily as a result of an increase in personnel and operating costs, which were primarily due to an increase in underwriter revenue and market expansion.

Corporate and Other Operating EBITDA for the six months ended June 30, 2018 improved \$10 million to negative \$42 million primarily due to the absence of an \$8 million expense related to the settlement of the Strader legal matter during the second quarter of 2017.

Real Estate Franchise Services (RFG)

Revenues increased \$6 million to \$413 million and Operating EBITDA increased \$9 million to \$278 million for the six months ended June 30, 2018 compared with the same period in 2017.

The increase in revenue was driven by a \$6 million increase in third-party domestic franchisee royalty revenue primarily due to a 5% increase in homesale transaction volume and a \$3 million increase in international revenues. These increases were partially offset by a \$2 million increase in non-standard incentives.

RFG revenue includes intercompany royalties received from NRT of \$149 million and \$148 million during the six months ended June 30, 2018 and 2017, respectively, which are eliminated in consolidation against the expense reflected in NRT's segment results.

The \$9 million increase in Operating EBITDA was principally due to the \$6 million increase in revenues discussed above and a \$3 million decrease in employee related costs.

Company Owned Real Estate Brokerage Services (NRT)

Revenues increased \$36 million to \$2,325 million and Operating EBITDA decreased \$41 million to \$16 million for the six months ended June 30, 2018 compared with the same period in 2017.

The revenue increase of \$36 million was comprised of a \$21 million increase in commission income earned on homesale transactions by our existing brokerage operations, despite a decrease in revenue from our new development business, and a \$15 million increase in commission income earned from acquisitions. The increase was primarily driven by a 2% increase in homesale transaction volume due to NRT's average homesale price increase of 2%. This is due to lower inventory of homes for sale and NRT's strategic recruiting efforts. The increase in price was partially offset by lower closing volume in NRT's new development business and lower transaction volume in the New York metropolitan market, each of which are generally at a higher price point.

Operating EBITDA decreased \$41 million primarily due to:

- a \$79 million increase in commission expenses paid to independent sales agents from \$1,575 million for the six months ended June 30, 2017 to \$1,654 million for the six months ended June 30, 2018. The \$79 million increase is comprised of a \$69 million increase in commission expense due to our existing brokerage operations as a result of the impact of initiatives focused on growing and retaining our productive independent sales agent base and higher homesale transaction volume including a shift in mix in 2018 to lower closing volume in the new development business, which typically has lower commission expense compared to traditional brokerage operations, as well as a \$10 million increase in commission expense related to acquisitions; and

- a \$10 million increase in other costs including a \$3 million increase in occupancy costs, a \$3 million increase in outsourcing costs and a \$2 million increase in earn-out costs.

These Operating EBITDA decreases were partially offset by:

- the \$36 million increase in revenues discussed above;

- a \$10 million decrease in employee related costs primarily due to lower incentive accruals; and

- the absence of \$4 million in losses from our equity method investment in PHH Home Loans for the six months ended June 30, 2017.

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RFG and NRT on a Combined Basis

The following table reflects RFG and NRT results before the intercompany royalties and marketing fees as well as on a combined basis to show the Operating EBITDA contribution of these business units to the overall Operating EBITDA of the Company. The Operating EBITDA margin for the combined segments decreased 2 percentage points from 13% to 11% primarily due to higher sales commission percentages paid to independent sales agents affiliated with NRT and the impact of lower closing volume in NRT's new development business, which typically has higher margins:

	Revenues			Change	% Change	Operating EBITDA			Change	% Change	Operating EBITDA Margin			Change
	2018	2017				2018	2017				2018	2017		
RFG (a)	\$258	\$251	\$ 7		3 %	\$123	\$113	\$ 10		9 %	48%	45 %		3
NRT (a) (b)	2,325	2,289	36		2	171	213	(42)		(20)	7	9		(2)
RFG and NRT Combined	\$2,583	\$2,540	\$ 43		2 %	\$294	\$326	\$(32)		(10 %)	11 %	13 %		(2)

The RFG and NRT segment numbers noted above do not reflect the impact of intercompany royalties and (a)marketing fees paid by NRT to RFG of \$155 million and \$156 million during the six months ended June 30, 2018 and June 30, 2017, respectively.

(b) NRT Operating EBITDA includes \$4 million of equity losses from PHH Home Loans for the six months ended June 30, 2017.

Relocation Services (Cartus)

Revenues increased \$5 million to \$184 million and Operating EBITDA increased \$5 million to \$33 million for the six months ended June 30, 2018 compared with the same period in 2017.

Revenues increased \$5 million primarily as a result of a \$4 million increase in affinity revenue and a \$3 million increase in other revenue both primarily due to higher volume, partially offset by a \$2 million decrease in other referral revenue.

Operating EBITDA increased \$5 million primarily as a result of the \$5 million increase in revenues discussed above and a \$5 million decrease in employee related costs primarily due to cost savings initiatives, partially offset by a \$3 million net negative impact from foreign currency exchange rates on expenses.

Title and Settlement Services (TRG)

Revenues increased \$5 million to \$282 million and Operating EBITDA decreased \$3 million to \$25 million for the six months ended June 30, 2018 compared with the same period in 2017.

Revenues increased as a result of an \$8 million increase in resale revenue due to an increase in averages fees, as well as a \$5 million increase in underwriter revenue due to an increase of underwriter premiums, partially offset by a \$7 million decrease in refinancing revenue due to an overall decrease in activity in the refinance market.

Operating EBITDA decreased \$3 million as a result of an increase of \$8 million in costs primarily due to an increase in underwriter revenue and a \$1 million decrease in earnings from equity investments primarily related to costs associated with the ramp up of operations of Guaranteed Rate Affinity in the first quarter of 2018, partially offset by the \$5 million increase in revenues discussed above.

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FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

	June 30, December 31,		Change
	2018	2017	
Total assets	\$ 7,491	\$ 7,337	\$ 154
Total liabilities	5,049	4,715	334
Total equity	2,442	2,622	(180)

For the six months ended June 30, 2018, total assets increased \$154 million primarily due to a \$158 million increase in trade and relocation receivables due to seasonal increases in volume and a \$68 million increase in other non-current assets primarily due to the adjustment to prepaid expenses as a result of the adoption of the new revenue standard related to commissions paid to Realogy franchise sales employees, an increase in interest rate swaps, an increase in long-term investments and an increase in deferred financing costs related to the debt transactions that occurred during the first quarter of 2018. These increases were partially offset by a \$49 million net decrease in franchise agreements and other amortizable intangible assets primarily due to amortization, a \$23 million decrease in other current assets and a \$6 million decrease in property and equipment.

Total liabilities increased \$334 million due to a \$252 million increase in corporate debt primarily due to additional borrowings under the Revolving Credit Facility, a \$67 million increase in securitization obligations, a \$44 million increase in other non-current liabilities primarily due to deferred income for area development fees for international transactions as a result of the adoption of the new revenue standard, a \$22 million increase in accounts payable and a \$14 million increase in deferred tax liabilities. These increases were partially offset by a \$65 million decrease in accrued expenses and other current liabilities primarily due to the payment of annual bonuses.

Total equity decreased \$180 million primarily due to a \$212 million decrease in additional paid in capital, related to the Company's repurchase of \$200 million of common stock and \$23 million of dividend payments, partially offset by stock-based compensation activity of \$11 million. The decrease in total equity was partially offset by a \$43 million increase which consists of net income of \$56 million for the six months ended June 30, 2018 partially offset by \$13 million due to the cumulative impact of adopting new accounting standards.

Liquidity and Capital Resources

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 Facility and securitization facilities. In February 2018, the Company increased the borrowing capacity under its Revolving Credit Facility from \$1,050 million to \$1,400 million and extended the maturities of the Revolving Credit Facility, Term Loan A and Term Loan B.

We intend to use future cash flow primarily to acquire stock under our share repurchase program, pay dividends, enter into strategic relationships and reduce indebtedness. In February 2018, the Company's Board of Directors authorized a new share repurchase program of up to \$350 million of the Company's common stock which was incremental to the remaining authorization under the share repurchase program authorized in 2017. Repurchases under these programs may be made at management's discretion from time to time on the open market, pursuant to Rule 10b5-1 trading plans or privately negotiated transactions. The size and timing of these repurchases will depend on price, market and economic conditions, legal and contractual requirements and other factors. The repurchase programs have no time limit and may be suspended or discontinued at any time.

As of June 30, 2018, the Company has repurchased and retired 24.3 million shares of common stock for an aggregate of \$674 million under the share repurchase programs at a weighted average market price of \$27.80 per share. Included in the 24.3 million shares of common stock repurchased to date, the Company repurchased 4.1 million shares of common stock for \$101 million at a weighted average market price of \$24.94 per share during the second quarter of 2018. As of June 30, 2018, \$251 million remained available for repurchase under the February 2018 share repurchase program.

During the period July 1, 2018 through August 1, 2018, we repurchased an additional 0.9 million shares at a weighted average market price of \$23.24 per share. Giving effect to these repurchases, we had approximately \$231 million of remaining capacity authorized under the February 2018 share repurchase program as of August 1, 2018.

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Beginning in August 2016, we initiated and paid a quarterly cash dividend of \$0.09 per share and paid \$0.09 per share cash dividends in every subsequent quarter. During the first half of 2018, we returned \$23 million to stockholders through the dividend payments. The declaration and payment of any future dividend will be subject to the discretion of the Board of Directors and will depend on a variety of factors, including the Company's financial condition and results of operations, contractual restrictions (including restrictive covenants contained in the Company's credit agreements, and the indentures governing the Company's outstanding debt securities), capital requirements and other factors that the Board of Directors deems relevant.

We may also 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.

If the residential real estate market or the economy as a whole does not continue to improve or weakens, 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 the seasonal fluctuations in the business. Consequently, our debt balances are generally at their highest levels at or around the end of the first quarter of every year.

Our liquidity position continues to be impacted by our remaining interest expense and would be adversely impacted by stagnation or a downturn of the residential real estate market or a significant increase in LIBOR or ABR.

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

At June 30, 2018, we had \$239 million of cash, cash equivalents and restricted cash, an increase of \$5 million compared to the balance of \$234 million at December 31, 2017. The following table summarizes our cash flows for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30, 20182017			Change
Cash provided by (used in):				
Operating activities	\$9	\$186	\$(177)	
Investing activities	(45)	(56)	) 11	
Financing activities	42	(186)	) 228	
Effects of change in exchange rates on cash, cash equivalents and restricted cash	(1)	1	(2)	
Net change in cash, cash equivalents and restricted cash	\$5	\$(55)	) \$60	

For the six months ended June 30, 2018, \$177 million less cash was provided by operating activities compared to the same period in 2017. The change was principally due to \$85 million less cash provided by the net change in relocation and trade receivables, \$81 million less cash provided by operating results and \$24 million more cash used for accounts payable, accrued expenses and other liabilities, partially offset by \$11 million less cash used for other assets.

For the six months ended June 30, 2018, we used \$11 million less cash for investing activities compared to the same period in 2017 primarily due to \$19 million of net cash proceeds received from the dissolution of our interest in PHH Home Loans, LLC and \$3 million less cash used for acquisition related payments, partially offset by \$12 million more cash used for investment in unconsolidated entities.

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For the six months ended June 30, 2018, \$42 million of cash was provided by financing activities compared to \$186 million of cash used during the same period in 2017. For the six months ended June 30, 2018, \$42 million of cash was provided by:

\$242 million of additional borrowings under the Revolving Credit Facility; and

\$67 million net increase in securitization borrowings;

partially offset by,

\$200 million for the repurchase of our common stock;

\$23 million of dividend payments;

\$17 million of other financing payments primarily related to capital leases;

\$10 million of tax payments related to net share settlement for stock-based compensation;

\$10 million of quarterly amortization payments on the term loan facilities;

\$4 million for payments of contingent consideration; and

\$3 million for cash paid as a result of the refinancing transactions in February 2018 related to \$16 million of debt issuance costs and \$4 million repayment of borrowings under the Term Loan B Facility, partially offset by \$17 million of proceeds received under the Term Loan A Facility.

For the six months ended June 30, 2017, \$186 million of cash was used for:

\$121 million for the repurchase of our common stock;

\$25 million of dividend payments;

\$21 million of quarterly amortization payments on the term loan facilities;

\$10 million repayment of borrowings under the Revolving Credit Facility;

\$10 million of tax payments related to net share settlement for stock-based compensation;

\$10 million of other financing payments primarily related to capital leases and interest rate swaps;

\$6 million of debt issuance costs; and

\$4 million for payments of contingent consideration;

partially offset by an \$18 million net increase in securitization borrowings.

Financial Obligations

Indebtedness Table

As of June 30, 2018, the Company's borrowing arrangements were as follows:

	Interest Rate	Expiration Date	Principal Amount	Unamortized Discount and Debt Issuance Costs	Net Amount
Senior Secured Credit Facility:					
Revolving Credit Facility (1)	(2)	February 2023	\$ 312	\$ *	\$ 312
Term Loan B	(3)	February 2025	1,075	17	1,058
Term Loan A Facility:					
Term Loan A	(4)	February 2023	745	5	740
Senior Notes	4.50%	April 2019	450	4	446
Senior Notes	5.25%	December 2021	550	3	547
Senior Notes	4.875%	June 2023	500	3	497
Securitization obligations: (5)					
Apple Ridge Funding LLC (6)		June 2019	247	*	247
Cartus Financing Limited (7)		August 2018	14	*	14
Total (8)			\$ 3,893	\$ 32	\$ 3,861

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* The debt issuance costs related to our Revolving Credit Facility and securitization obligations are classified as a deferred financing asset within other assets.

As of June 30, 2018, the Company had \$1,400 million of borrowing capacity under its Revolving Credit Facility leaving \$1,088 million of available capacity. The Revolving Credit Facility expires in February 2023, but is (1) classified on the balance sheet as current due to the revolving nature of the facility. On August 1, 2018, the Company had \$270 million in outstanding borrowings under the Revolving Credit Facility, leaving \$1,130 million of available capacity.

Interest rates with respect to revolving loans under the Senior Secured Credit Facility at June 30, 2018 were based on, at the Company's option, (a) adjusted London Interbank Offering Rate ("LIBOR") plus an additional margin or (2) (b) JP Morgan Chase Bank, N.A.'s prime rate ("ABR") plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.25% and the ABR margin was 1.25% for the three months ended June 30, 2018.

The Term Loan B provides for quarterly amortization payments totaling 1% per annum of the original principal amount. The interest rate with respect to term loans under the Term Loan B is based on, at the Company's option, (3) (a) adjusted LIBOR plus 2.25% (with a LIBOR floor of 0.75%) or (b) ABR plus 1.25% (with an ABR floor of 1.75%).

The Term Loan A provides for quarterly amortization payments, which commence on June 30, 2018, totaling per annum 2.5%, 2.5%, 5.0%, 7.5% and 10.0% of the original principal amount of the Term Loan A, with the last amortization payment to be made on February 8, 2023. The interest rates with respect to term loans under the Term (4) Loan A are based on, at the Company's option, (a) adjusted LIBOR plus an additional margin or (b) ABR plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.25% and the ABR margin was 1.25% for the three months ended June 30, 2018.

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

In June 2018, Realogy Group extended the existing Apple Ridge Funding LLC securitization program utilized by (6) Cartus until June 2019. As of June 30, 2018, the Company had \$250 million of borrowing capacity under the Apple Ridge Funding LLC securitization program leaving \$3 million of available capacity.

Consists of a £10 million revolving loan facility and a £5 million working capital facility. As of June 30, 2018, the (7) Company had \$20 million of borrowing capacity under the Cartus Financing Limited securitization program leaving \$6 million of available capacity.

(8) Not included in this table is the Company's Unsecured Letter of Credit Facility which had a capacity of \$74 million with \$65 million utilized at a weighted average rate of 3.24% at June 30, 2018.

See Note 5, "Short and Long-Term Debt", to the Condensed Consolidated Financial Statements for additional information on the Company's indebtedness.

Covenants under the Senior Secured Credit Facility, Term Loan A Facility and Indentures

The Senior Secured Credit Facility, Term Loan A Facility, the Unsecured Letter of Credit Facility and the indentures governing 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;

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 and Term Loan A Facility require us to maintain a senior secured leverage ratio.

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The senior secured leverage ratio is tested quarterly and may not exceed 4.75 to 1.00. The senior secured leverage ratio is measured by dividing Realogy Group's total senior secured net debt by the trailing twelve month EBITDA calculated on a Pro Forma Basis, as those terms are defined in the senior secured credit facilities. Total senior secured net debt does not include unsecured indebtedness, including the Unsecured Notes, or the securitization obligations. EBITDA calculated on a Pro Forma Basis, as defined in the senior secured credit facilities, 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. The Company was in compliance with the senior secured leverage ratio covenant at June 30, 2018.

See Note 5, "Short and Long-Term Debt—Senior Secured Credit Facility" and "Short and Long-Term Debt—Term Loan A Facility" to the Condensed Consolidated Financial Statements 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 Operating EBITDA. These measures are derived on the basis of methodologies other than in accordance with GAAP.

Operating 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), income taxes, and other items that are not core to the operating activities of the Company such as restructuring charges, former parent legacy items, losses on the early extinguishment of debt, asset impairments, gains or losses on discontinued operations and gains or losses on the sale of investments or other assets. Operating EBITDA is our primary non-GAAP measure.

We present Operating EBITDA because we believe it is useful as a supplemental measure in evaluating the performance of our operating businesses and provides greater transparency into our results of operations. Our management, including our chief operating decision maker, uses Operating EBITDA as a factor in evaluating the performance of our business. Operating 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 Operating 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, as well as other items that are not core to the operating activities of the Company such as restructuring charges, losses on the early extinguishment of debt, former parent legacy items, asset impairments, gains or losses on discontinued operations and gains or losses on the sale of investments or other assets, which may vary for different companies for reasons unrelated to operating performance. We further believe that Operating EBITDA is frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present an Operating EBITDA measure when reporting their results.

Operating EBITDA has limitations as an analytical tool, and you should not consider Operating EBITDA either in isolation or as a substitute for analyzing our results as reported under GAAP. Some of these limitations are:

- this measure does not reflect changes in, or cash required for, our working capital needs;
- this measure does 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;
- this measure does not reflect our income tax expense or the cash requirements to pay our taxes;
- this measure does 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 this measure does not reflect any cash requirements for such replacements; and
- other companies may calculate this measure differently so they may not be comparable.

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Contractual Obligations

See Note 5, "Short and Long-Term Debt—Senior Secured Credit Facility" and "Short and Long-Term Debt—Term Loan A Facility", to the Condensed Consolidated Financial Statements included elsewhere in this Report for a description of the Company's debt transactions which occurred during the first quarter of 2018. All other future contractual obligations as of June 30, 2018 have not changed materially from the amounts reported in our 2017 Form 10-K.

Critical Accounting Policies

In presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it could result in a material adverse impact to our combined results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2017, which includes a description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results.

Recently Issued Accounting Pronouncements

See Note 1, "Basis of Presentation", to the Condensed Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

We are exposed to market risk from changes in interest rates primarily through our senior secured debt. At June 30, 2018, our primary interest rate exposure was to interest rate fluctuations, specifically LIBOR, due to its impact on our variable rate borrowings of our Revolving Credit Facility and Term Loan B under the Senior Secured Credit Facility and the Term Loan A Facility. Given that our borrowings under the Senior Secured Credit Facility and Term Loan A Facility 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 June 30, 2018, we had variable interest rate long-term debt outstanding under our Senior Secured Credit Facility and Term Loan A Facility of \$2,132 million, which excludes \$261 million of securitization obligations. The weighted average interest rate on the outstanding amounts under our Senior Secured Credit Facility and Term Loan A Facility at June 30, 2018 was 4.34%. The interest rate with respect to the Term Loan B is based on adjusted LIBOR plus 2.25% (with a LIBOR floor of 0.75%). The interest rates with respect to the Revolving Credit Facility and term loans under the Term Loan A Facility are based on adjusted LIBOR plus an additional margin subject to adjustment based on the current senior secured leverage ratio. Based on the June 30, 2018 senior secured leverage ratio, the LIBOR margin was 2.25%. At June 30, 2018, the one-month LIBOR rate was 2.09%; therefore, we have estimated that a 0.25% increase in LIBOR would have a \$5 million impact on our annual interest expense.

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As of June 30, 2018, we had interest rate swaps with a notional value of \$1,600 million to manage a portion of our exposure to changes in interest rates associated with our \$2,132 million of variable rate borrowings. Interest rates swaps with a notional value of \$425 million expired on February 10, 2018. Our remaining interest rate swaps are as follows:

Notional Value (in millions)	Commencement Date	Expiration Date
\$600	August 2015	August 2020
\$450	November 2017	November 2022
\$400	(a) August 2020	August 2025
\$150	(a) November 2022	November 2027

- (a) During the second quarter of 2018, the Company entered into four new forward starting interest rate swaps, two with a notional value of \$125 million and two with a notional value of \$150 million.

The swaps help protect our outstanding variable rate borrowings from future interest rate volatility. The fixed interest rates on the swaps range from 2.07% to 3.11%. The Company had an asset of \$12 million and a liability of \$7 million for the fair value of the interest rate swaps at June 30, 2018. 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 \$14 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 4. Controls and Procedures.

Controls and Procedures for Realogy Holdings Corp.

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

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

Controls and Procedures for Realogy Group LLC

- (a) 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.

- (b) As of the end of the period covered by this quarterly report on Form 10-Q, 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.

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

Other Financial Information

The Condensed Consolidated Financial Statements as of June 30, 2018 and for the three and six-month periods ended June 30, 2018 and 2017 have been reviewed by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their reports, dated August 3, 2018, are included on pages 3 and 4. The reports of PricewaterhouseCoopers LLP state that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the "Act") for their report on the unaudited financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 8, "Commitments and Contingencies—Litigation", to the Condensed Consolidated Financial Statements included elsewhere in this Report for additional information on the Company's legal proceedings, including a description of the Dodge, et al. v. PHH Corporation, et al. litigation, formerly captioned Strader, et al. and Hall v. PHH Corporation, et al. and which we refer to as the Strader legal matter.

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 or regulatory proceedings challenging practices that have broad impact 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. The Company also may be impacted by litigation and other claims against companies in other industries. Rulings on matters related to 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 and involve different facts and circumstances. For example, a recent decision by the California Supreme Court involving delivery workers adopts a significantly more restrictive classification test than the test historically used by the California courts in wage and hour cases. Under the new test, an individual is considered an employee unless the hiring entity satisfies three specific criteria that focus on control of the performance of the work and whether the nature of the work involves a separate trade that is outside the usual course of the hiring entity's business. Notwithstanding the new test, California and a number of other states have separate statutory structures and existing case law that articulate different, less stringent standards for real estate agents operating as independent contractors. How these differing tests will be reconciled is presently unclear, and given the evolving nature of this issue, we are currently unable to estimate, what impact, if any, this would have on our operations or financial results. Changes in current legislation, regulations or interpretations that are applicable to the residential real estate service industry may also impact the Company. In June 2018, the Federal Trade Commission ("FTC") and Department of Justice ("DOJ") held a joint public workshop to explore competition issues in the residential real estate brokerage industry since the publication of the FTC and DOJ's 2007 Report on Competition in the Real Estate Brokerage Industry, including the impact of Internet-enabled technologies on the industry and potential barriers to competition. The Company submitted comments and participated in the workshop.

Item 1A. Risk Factors.

Our significant business risks are described in Part I, Item 1A. in our 2017 Form 10-K. You should be aware that these risk factors may not describe every risk and uncertainty facing our Company. Set forth below is an update to one of our risk factors relating to worker classification previously disclosed in our 2017 Form 10-K.

There may be adverse financial and operational consequences to us and our franchisees if independent sales agents are reclassified as employees.

The legal relationship between residential real estate brokers and licensed sales agents throughout the industry historically has been that of independent contractor. Although we believe our classification practices are proper and consistent with the legal framework for such classification, our company owned brokerage operations could face substantial litigation or disputes in direct claims or regulatory procedures, 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.

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Federal agencies and each state have their 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. There is active worker classification litigation in numerous jurisdictions 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.

Certain jurisdictions, including California where NRT generated approximately 27% of its revenue in 2017, have adopted standards that are significantly more restrictive than those historically used in wage and hour cases. Under the newer test, an individual is considered an employee unless the hiring entity satisfies three specific criteria that focus on control of the performance of the work and whether the nature of the work involves a separate trade that is outside the usual course of the hiring entity's business.

Notwithstanding the newer test, California and a number of other states have separate statutory structures and existing case law that articulate different, less stringent standards for real estate agents operating as independent contractors. How these differing tests will be reconciled is presently unclear, and given the evolving nature of this issue, we are currently unable to estimate, what impact, if any, this would have on our operations or financial results.

Significant sales agent reclassification determinations in the absence of available exemptions from minimum wage or overtime laws, including damages and penalties for prior periods (if assessed), could be disruptive to our business, constrain our operations in certain jurisdictions and could have a material adverse effect on the operational and financial performance of the Company. Franchisees affiliated with one of the Company's brands face the same risks with respect to their affiliated independent sales agents.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table sets forth information relating to repurchase of shares of our common stock during the quarter ended June 30, 2018:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs ⁽¹⁾
April 1 - 30, 2018	1,269,633	\$26.25	1,269,633	\$317,349,327
May 1 - 31, 2018	1,528,244	\$24.54	1,528,244	\$279,846,219
June 1 - 30, 2018	1,211,910	\$24.07	1,211,910	\$250,675,545

In February 2018, the Board authorized a new share repurchase program of up to \$350 million of the Company's common stock, which was in addition to the remaining authorization available under the February 2017 share repurchase program. Repurchases under each program may be made at management's discretion from time to time (1) on the open market, pursuant to Rule 10b5-1 trading plans or through privately negotiated transactions. The size and timing of these repurchases will depend on price, market and economic conditions, legal and contractual requirements and other factors, and each share repurchase program has no time limit and may be suspended or discontinued at any time. All of the repurchased common stock has been retired.

During the period July 1, 2018 through August 1, 2018, we repurchased an additional 0.9 million shares at a weighted average market price of \$23.24 per share. Giving effect to these repurchases, we had approximately \$231 million of remaining capacity authorized under the February 2018 share repurchase program as of August 1, 2018.

Item 6. Exhibits.

See Exhibit Index.

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SIGNATURES

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

REALOGY HOLDINGS CORP.

and

REALOGY GROUP LLC

(Registrants)

Date: August 3, 2018

/S/ ANTHONY E. HULL

Anthony E. Hull

Executive Vice President and
Chief Financial Officer

Date: August 3, 2018

/S/ TIMOTHY B. GUSTAVSON

Timothy B. Gustavson

Senior Vice President,
Chief Accounting Officer and
Controller

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EXHIBIT INDEX

Exhibit Description

- Eleventh Omnibus Amendment, dated as of June 8, 2018, among Cartus Corporation, Cartus Financial Corporation, Apple Ridge Services Corporation, Apple Ridge Funding LLC, Realogy Group LLC, U.S. Bank National Association, the managing agents party to the Note Purchase Agreement dated December 14, 2011, as amended, and Crédit Agricole Corporate and Investment Bank (Incorporated by reference to Exhibit 10.1 to the Registrants' Current Report on Form 8-K filed on June 11, 2018).
- 10.1 Letter Regarding Unaudited Interim Financial Statements.
- 15.1* Certification of the Chief Executive Officer of Realogy Holdings Corp. pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
- 31.1* Certification of the Chief Financial Officer of Realogy Holdings Corp. pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
- 31.2* Certification of the Chief Executive Officer of Realogy Group LLC pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
- 31.3* Certification of the Chief Financial Officer of Realogy Group LLC pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
- 31.4* Certification for Realogy Holdings Corp. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification for Realogy Group LLC pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* 101.INS ^ XBRL Instance Document.
- 101.INS ^ XBRL Instance Document.
- 101.SCH ^ XBRL Taxonomy Extension Schema Document.
- 101.SCH ^ XBRL Taxonomy Extension Schema Document.
- 101.CAL ^ XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.CAL ^ XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF ^ XBRL Taxonomy Extension Definition Linkbase Document.
- 101.DEF ^ XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB ^ XBRL Taxonomy Extension Label Linkbase Document.
- 101.LAB ^ XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE ^ XBRL Taxonomy Extension Presentation Linkbase Document.
- 101.PRE ^ XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

^Furnished electronically with this report.