

**Realogy Corporation**  
**Second Quarter 2010 Results Webcast Transcript**  
**Aug. 10, 2010**

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**Note:** *This is a verbatim transcription of the Realogy Corporation Second Quarter 2010 financial results conference call via webcast.*

**OPERATOR:** Good afternoon and welcome to the Realogy Corporation second quarter 2010 earnings conference call via Webcast. Today's call is being recorded, and a written transcript will be made available in the Investor Information section of the Company's Web site tomorrow morning. A webcast replay will also be made available on the Company's Web site. At this time, I would like to turn the conference over to Realogy Senior Vice President of Financial Planning, Alicia Swift. Please go ahead, Alicia.

**SWIFT:**

Thank you. Good afternoon and welcome to Realogy's second quarter 2010 earnings conference call. On the call with me today are Realogy's President & CEO, Richard Smith; and Chief Financial Officer, Tony Hull.

I would like to call your attention to three items.

First, you should have access to a copy of our financial results press release and our form 10-Q for the quarter ended June 30, 2010, both of which were issued earlier today, August 10, 2010, on the investor information section of our Web site, and filed with the Securities and Exchange Commission.

Second, the Company will be making statements about its future results and other forward-looking statements during this call. Statements about future results made during the call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and the current economic environment. Forward-looking statements and projections are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management. The Company cautions that these statements are not guarantees of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements.

Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements and projections are set forth under the headings "Forward-Looking Statements" and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009 and "Forward-Looking Statements" in our Form 10-Q for the quarter ended June 30, 2010 and in other periodic reports we file from time to time.

Third, we will be referring to certain non-GAAP financial measures during the call. Today's press release contains definitions of these terms, a reconciliation of these terms to their most comparable GAAP measure, and a discussion of why we believe these non-GAAP financial measures are useful to our investors.

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Let me briefly review the headlines from our release issued today regarding Realogy's second quarter 2010 results. Specifically for the quarter ended June 30, 2010, we reported:

- Revenue of \$1.3 billion,
- EBITDA of \$544 million; which is after \$4 million in restructuring costs and \$314 million benefit of net former parent legacy items, or \$234 million before restructuring and other items; and
- Net income attributable to Realogy of \$222 million – which includes the benefit of net former parent legacy items, and is after \$155 million of interest expense, and \$49 million of depreciation and amortization.

Now I will turn the call over to Realogy's President and CEO, Richard Smith.

**SMITH:**

Thank you, Alicia. Good afternoon and thank you for joining our Webcast.

As is our practice, I will review the business and operating environment, followed by Tony's review of our financial results.

We anticipated that the second quarter of 2010 would be much improved compared to the same period in the prior year and far better than the first quarter of 2010. Our outlook was based on the push by consumers to complete eligible home sales under the Homebuyer Tax Credit by the closing deadline of June 30 as well as the normal seasonal uptick in home sales during the second quarter. Clearly, it was a strong quarter for us.

On a year-over-year basis, Realogy reported significant increases in revenues and earnings in the second quarter. Specifically, revenues increased 23% to \$1.3 billion and EBITDA before restructuring and other items increased 57% to \$234 million, up from \$149 million in the second quarter of last year.

Our second quarter 2010 revenue drivers of transaction sides and price once again continued the upward trend that we experienced in each of the previous three quarters, with the lone exception occurring in the title and settlement services segment, where gains in purchase title and closing units and average price were not enough to offset a significant decline in refinance title and closing units.

On a combined basis, second quarter homesale transaction sides and average sales price increased 16% year-over-year at Realogy Franchise Group (RFG) and 28% in our company-owned brokerage segment, NRT. Specifically, homesale sides at RFG were up 11% and average sales price was up 5% in the second quarter. At NRT, homesale sides increased 16% and average sales price improved by 12%.

The Homebuyer Tax Credit clearly contributed to the increase in home sales at the lower price points, but we also experienced an increase in sales at higher price points – for the most part homes at \$750,000 and higher. Although those higher-priced buyers generally

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did not qualify for the tax credit, we believe they were acting on the strong price/value propositions.

Comparatively, both NRT and RFG outperformed the market in terms of sales price in the second quarter – NAR reported a median price increase of 1% and Fannie Mae forecasted a price decline of 2%. On a unit basis, NRT and RFG experienced home sale increases of 16% and 11%, respectively, and were in line with increases at NAR and Fannie Mae. NAR reported a 17% increase in home sales and Fannie Mae forecasted a 12% year-over-year increase in units versus the second quarter of last year. According to NAR's most recent existing home sales report, median home prices in June 2010 were the highest since October 2008, and on a national basis are trending up year over year. In its latest report, the Case-Shiller Home Price Index marked its fourth consecutive monthly increase compared to its year-ago levels, following more than three years of consecutive monthly decreases.

NRT's operations along the East Coast, such as New Jersey, Connecticut, and New England, experienced year-over-year unit increases in the range of 28 to 45 percent in the second quarter. Average sales prices in these regions ranged from flat to up almost 20 percent in the second quarter. Our New York City operations, which include the Hamptons, experienced the largest unit sale increases of almost 100% for the second quarter along with an average sales price that was flat to the prior year. NRT's operations in Florida experienced flat closed sides in the quarter, and a 9% increase in the average sales price. NRT's closed sides in California increased 5% and price was up 17%.

Within the Realogy Franchise Group segment, the Northeast continued to perform exceptionally well with a 21% increase in units. The West showed the weakest unit increase of 3% but the largest average sales price increase of 8%. The average sales price increased between 2 and 8 percent in all RFG regions during the second quarter of this year.

In mid-July, Corelogic released its home price index which found that home sale prices on a national basis were 2.9% higher than they were a year ago – and that includes distressed sales. According to Corelogic, prices were up in 60 of the top 100 real estate markets, which was a big improvement over July 2009 when all 100 markets showed negative price appreciation.

Another contributing factor in the increase in national average sale price was the continued decline in the number of Real Estate Owned, or REO, sales. In the second quarter of 2010, NRT's REO operations saw REO sales decline by approximately one-third compared to 2009. As we noted last quarter, the demand for foreclosed properties continues to be very strong.

It is evident to us that REO properties are being held out of the market by banks and lenders, which has created significant uncertainty about the depth of the shadow inventory. We believe that the sooner that banks and lenders release their inventory, the

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sooner most markets will adjust, eliminate uncertainty and return to some sense of normalcy.

Another contributing factor to market uncertainty is the Home Affordable Modification Program, or HAMP as it is called. The Government Accountability Office (GAO) recently issued a report acknowledging that the HAMP program has made limited progress, suffered from inconsistent program implementation, and continues to face additional challenges. While HAMP was expected to help 3 million to 4 million homeowners, Treasury reported that only 1.2 million homeowners had started trial modifications and just 347,000 homeowners had received permanent loan modifications as of the end of May 2010. And according to a Fitch report issued in June, between 65% to 75% of borrowers who get loan modifications under HAMP are expected to default within 12 months.

From our perspective, the unintended consequence of this loan modification program is a protracted recovery in housing. We believe that now is the time to get foreclosed inventory into the market – when the demand is high and mortgage rates are historically low.

As already noted, the expanded Homebuyer Tax Credit had a significant positive impact on the housing market during the second quarter of this year. However, the last-minute Congressional extension of the tax credit closing date from June 30 to September 30 will not materially affect the third quarter since it only applied to homebuyers who had previously qualified for the tax credit by having signed contracts in place by April 30th.

The Homebuyer Tax Credit, which we were intimately involved in marshaling through Congress and into law, clearly accelerated and improved housing sales. Unfortunately, the general economy has not followed. Housing is a major influence on our economy but cannot alone overcome the downward pressures of continuing high unemployment, declining consumer confidence and the general economic uncertainty that seems to dominate the headlines. That said, given the pressures, housing has generally been resilient.

Now, let's briefly review the operating highlights of our business units, followed by some comments on the balance of the year.

The Realty Franchise Group, which has 14,400 offices and 264,000 sales associates throughout its worldwide franchise networks, reported new franchise sales of \$52 million in gross commission income (or GCI) vs. \$35 million, a 47% improvement compared to second quarter 2009. Although market conditions continue to weigh heavily on new franchise sales, we are making solid progress toward our goals. Our newest brand, Better Homes and Gardens Real Estate, currently has 146 offices in 19 states and is our fastest-growing brand.

Our franchise brands continue to push forward as leaders in social media and technology. Just last month, Better Homes and Gardens Real Estate CEO Sherry Chris received the Inman Innovator of the Year award, which honored her for going above and

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beyond the traditional tools used by the real estate industry to enhance the transaction process and improve the overall experience for consumers and real estate professionals.

The Franchise Group also has continued its global expansion efforts. Most notably, in June, Coldwell Banker announced a new master franchise agreement with Demeure S.A. to expand the Coldwell Banker footprint in France and enter a new market in Monaco. Founded in 1920, this company has played a major role in the development of real estate sales in France and has the strong management we look for in our international master franchisees.

Likewise, our Sotheby's International Realty brand recently expanded its existing footprint in Switzerland and also signed significant new master franchise agreements for Peru, Sweden and Turkey. The appeal of this unique luxury real estate brand continues to grow in overseas markets.

Internationally, our brands now operate through master franchisees in 99 unique countries and territories around the world.

In early August, The Wall Street Journal and REAL Trends published their fifth annual ranking of the nation's top 400 real estate sales professionals. We are pleased to note that sales agents and teams affiliated with a Realty brand comprised 41% of this ranking, including a heavy concentration in the top 10. Residential real estate sales professionals from Realty's company-owned offices at NRT and those of franchisees across the CENTURY 21®, Coldwell Banker®, ERA®, Sotheby's International Realty® and The Corcoran Group® brands, captured 194 spots in the overall rankings. Most notably, agents of Realty and its franchisees accounted for 65% of the Top 100 ranked by sales volume and 55% of the top agents ranked by transaction sides. NRT alone accounted for 29% of the total agents and teams on this prestigious list.

NRT, our owned brokerage company that operates approximately 750 offices in 35 major metropolitan markets in the United States, has continued its focus on organic growth and improving the productivity of its 45,000 agents.

NRT's sales associate retention rate continued at very high levels in the second quarter of 2010, with the company retaining approximately 93% of the production from its first- and second-quartile sales associates. This underscores the high quality of services and support that NRT provides to its agents in what is – as always – a competitive market for top-producing sales associates.

Management's focus on organic growth also continues to pay dividends. In the last 12 months, NRT recruited new sales associates who collectively generated more than \$57 million in gross commission income during that period.

On the cost containment side, NRT for the most part concluded its very successful office consolidation strategy and is now focusing on the renegotiation of leases for its

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remaining offices. In the past 12 months, NRT has realized \$6 million in annualized cost savings from this effort.

At Cartus, our relocation services company, the operational integration of Primacy Relocation continues to go extremely well. This strategic acquisition, which took place in January 2010, has enabled Cartus to re-enter the U.S. government relocation business, increase its domestic operations and expand its global relocation capabilities.

Cartus had a strong second quarter, due in part to the addition of Primacy. Looking at its business drivers, Cartus' initiations jumped 40% year-over-year to 46,000, and referrals increased by 25%. Even before the impact of Primacy, second quarter relocation authorizations at Cartus were up 17% and the company also had a 17% increase in transaction referrals. This is a further continuation of a positive trend in corporate relocation business this year and a significant reversal of what we experienced in 2009.

Also during the second quarter, Cartus continued to add new global and domestic clients to its already impressive list, including Phillips Electronics North America, VMware, Inc. and Seneca Resources Corporation. While the market for relocation and global mobility service contracts remains competitive, we are experiencing a positive response from the market place regarding the quality and depth of services we now offer. The Cartus/Primacy acquisition has been very well received by current and prospective clients.

Regarding new revenue channels, the Cartus Asset Recovery group, which provides foreclosure avoidance services in the early stages of loan default, continues to grow its client list of financial institutions, mortgage servicers and government agencies. These clients are leveraging Cartus' short-sale and deed-in-lieu of foreclosure expertise in order to reduce costs and avoid the lengthy process of foreclosure.

Moving on to our title and settlement services company, Title Resource Group had a 7% increase in purchase title and closing units in the second quarter as its NRT capture rates improved and its average price per closing unit increased 17% on a year-over-year basis. These improvements were negated by a significant decline in refinance title and closing units, which were down 54% from the second quarter of 2009. However, with the improving mortgage rate environment in June and July, we expect refinance units in the second half of 2010 to increase to levels that we haven't seen since the first half of 2009.

TRG's underwriter, Title Resources Guaranty Company, reported the highest level of net premiums in the company's history during the second quarter of 2010, and its underwriting claims experience of 1.25% continues to substantially outperform the industry average 7% loss ratio.

As we previously discussed on our call in May, the third and fourth quarters for housing are expected to be substantially influenced by traditional macro factors such as job growth and consumer confidence, as well as from a micro economic perspective, the dynamics of the local market. In addition the third quarter is being further challenged by the pull-forward of sales into the second quarter due to the 2010 tax credit, and fourth

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quarter 2010 comparisons will be against strong Q4 2009 volume that benefited from the 2009 tax stimulus program.

In other words, the strength of the second quarter in housing does not appear to be sustainable in the near term. Based on what we know today, we are facing an extremely challenging third quarter. The sales volume of our open contracts – which are the leading indicator for closed sales – dropped an average of 17% in June and July on a year-over-year basis. Likewise, NAR's most recent Pending Home Sales Indices which represents the number of signed contracts, showed a drop of 16% and 19%, respectively, from May and June 2009.

Fannie Mae and NAR are currently forecasting that homesale transactions will decrease in the third and fourth quarter of 2010 compared to the prior year, and both made significant downward adjustments to their previous forecasts. Fannie Mae is estimating an 8% decline in its third quarter 2010 run rate to 4.9 million units compared to 2009, and NAR is forecasting a 14% drop.

To give you insight into the volatility of the housing market in 2010, NAR's estimate for the third quarter is a seasonally adjusted annualized rate of 4.5 million units, down from a 5.6 million annualized rate in the second quarter of 2010.

Clearly the back half of 2010 is not expected to compare favorably to the second half of 2009 or the first half of 2010. The dramatic drop in sales from second quarter to third quarter will provide no shortage of negative headlines. That said, these periods do not offer fair comparisons. The third quarter of 2010 is being impacted by home sales that were pulled forward into the second quarter, and the fourth quarter of 2010 is not likely to measure up to the fourth quarter of last year, which benefited greatly from the First-Time Homebuyer Tax Credit deadline last November.

In their latest forecasts, both NAR and Fannie Mae estimate that existing homesale transactions for full-year 2010 will be flat to 2009 at 5.1 million units. Looking at the big picture, despite all of the difficulties in housing in 2009 and 2010, a base level of 5 million home sales in each of those years is encouraging. That's a trough level of sales we think is impressive.

With respect to homesale prices for full-year 2010, NAR is forecasting median homesale prices to be flat compared to 2009. However, Fannie Mae's latest forecast has prices decreasing 2% in 2010 compared to the prior year.

Despite high affordability and historically low mortgage interest rates, the housing market appears to need a longer period of time for buyer demand to build up again. With that in mind, the prospects for housing are expected to get brighter when you look at 2011. As noted earlier, the longer shadow inventory remains, the longer it will take housing to recover.

NAR is forecasting an increase of 10% on a combined sides and price basis in 2011 while Fannie Mae estimates a combined increase of 5%. In both cases, the forecasted

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improvement for the housing market appears to be from unit increases. Specifically, NAR is forecasting an 8% increase in home sale transactions to 5.6 million homes in 2011 and a 2% increase in median homesale prices for 2011 compared to 2010. Fannie Mae's forecast shows a 6% increase to 5.4 million home sales in 2011, with prices remaining flat in 2011 compared to 2010.

NAR and Fannie Mae's forecasts for 2011 are seemingly supported by our relocation business. Cartus can be a litmus test of corporate America's view of its economic prospects. The strong pick-up in management relocations we saw this past quarter typically reflect an improved outlook on the part of corporate America. Since we represent more than half of the Fortune 100, that is a telling point.

We continue to take a long-term view of the housing market, and the good news is that the demographics that attracted us to this industry continue to be compelling. Between 2010 and 2020, the Census Bureau projects U.S. household growth in the range of 1.25 million to 1.5 million per year, which we believe will create additional demand for housing. Housing is and will continue to be a vibrant, dynamic and growth segment of the US economy.

Let me conclude by telling you that although we are faced with a challenging housing market in the second half of 2010, Realogy will continue to focus on what we can control. We will continue to execute the strategic growth plans for each business unit, which include both acquisitions and organic growth. Simultaneously, we will strive to maximize the efficiency and effectiveness of our cost structure, just as we have for almost 5 years now.

With that, I'll turn the call over to Tony.

**HULL:** Thank you, Richard.

In discussing the financial results I will be referring to the tables in the press release. Let me begin with some financial highlights for Realogy in the second quarter.

- Q2 2010 revenue totaled \$1.3 billion, an increase of \$235 million year over year;
- EBITDA before restructuring and other items in the second quarter was \$234 million, an increase of 57%, or \$85 million, over 2009 Q2 results, due mostly to our 23% increase in revenues;
- Realogy ended the quarter with strong liquidity. We had \$239 million of readily available cash on June 30th and no borrowing under our \$750 million revolving credit facility;
- We settled the legacy IRS audit, which resulted in a \$58 million cash payment by Realogy, which will be paid in Q3 2010. This settlement, along with other former parent liability adjustments, resulted in a reduction of \$308 million of former parent contingent liabilities on our balance sheet. The tax audit settlement also resulted in approximately \$110 million of non-cash tax expense in the second quarter. Neither of these items had any impact on EBITDA before restructuring and other items;

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- As a result of the progressive organic increases in trailing 12 month Adjusted EBITDA, Realty's senior secured leverage ratio improved from 4.7 times at December 31st of 2009, to 4.3 times at June 30, 2010.

Looking at Table 1 of the press release, the breakdown by category of \$1.3 billion of total net revenue was as follows:

- Gross commission income totaled \$941 million at NRT, an increase of 26% from Q2 2009,
- Service revenues at Cartus and Title Resource Group increased 15% from Q2 2009 to \$185 million,
- The Realty Franchise Group's third-party franchise fees increased 13% to \$81 million.

In terms of expenses, comparing second quarter 2010 results to 2009:

- Total commission expense of \$612 million increased \$135 million year over year, as one would expect due to higher transaction volume.
- Operating expenses of \$310 million declined \$3 million year over year.
- Marketing costs increased \$5 million. These costs relate to marketing fees collected from franchisees as well as local NRT office marketing expenses.
- General & administrative costs increased \$4 million mainly due to 2010 bonus and employee retention accruals that were absent or lower last year.

In terms of year-to-date expenses, comparing first half 2010 results to 2009:

- Total commission expense of \$989 million increased 29% year over year, due to higher transaction volume.
- Operating expenses of \$610 million declined \$31 million year over year as we continued to realize the benefits of storefront and other proactive cost reduction initiatives.
- Marketing costs increased by \$10 million due to higher transaction volume compared to the first half of 2009.
- Finally, general & administrative costs increased \$19 million, again mainly due to 2010 bonus and employee retention accruals that were absent or lower last year.

Next I would like to discuss our key business drivers for the second quarter 2010 from Table 3 of the press release.

In the second quarter, RFG and NRT home sale sides increased 11% and 16% respectively compared to 2009. These strong year over year gains were positively impacted by the 2010 housing tax credit.

Our mix of business caused improvement to the average sales price at both NRT and RFG, although it was more significant at NRT than with our affiliates. NRT's average sales price climbed to \$424,000 in the second quarter, up from \$379,000 in the second quarter of 2009. NRT average price increased 12% as sales of homes over \$750,000 represented 41% of NRT volume versus 37% in the second quarter of 2009. In addition, NRT saw a decrease in REO sales compared to 2009 when REO represented 14% of NRT sides while in the second quarter of 2010 REO only represented 8% of sides.

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Realogy Franchise Group, which manages our five residential franchise brands, reported a 5% average sales price increase to \$198,000 in the second quarter of 2010, which was largely the result of a greater percentage of higher-priced home sales recorded by all of our brands, but most notably at Sotheby's International Realty.

Average broker commission rates moved in the opposite direction of price in the quarter decreasing at NRT from 2.52% in Q2 of last year to 2.49% this past quarter. The change in mix from REO to high-end sales impacted that rate. Also RFG's net effective royalty rate declined 6 basis points to 5.04% given improvements in our affiliates' results. As our larger affiliates earn more gross commission income, they can achieve volume discounts, which reduces the royalty rate paid to RFG.

During the second quarter at Cartus, we experienced a 40% increase in initiations with a little over half of that growth coming from Primacy. Excluding Primacy, initiations increased 17% in the second quarter, split about evenly between corporate client activity and affinity volume.

At TRG, purchase title and closing units gained 7% compared to 2009, but refinance unit volume decreased 54%. As you can see, the fee we earned per closing increased 17% year-over-year, reflecting the shift in mix to purchase units.

I will now review revenue and EBITDA before restructuring and other items by business unit for the second quarter ended June 30, 2009 and 2010 shown on Tables 5a and 5b of the press release.

Total revenue at RFG was \$173 million in Q2 2010 compared to \$143 million in 2009. The 21% revenue gain was due to the increase in transactions and average price shown on the driver table along with higher intercompany royalties from NRT. Domestic royalties from our third party affiliates were compressed by a decrease in the average broker commission rate charged by our franchisees to their customers and a lower net effective royalty rate.

EBITDA before restructuring and other items at RFG was \$123 million in 2010 compared with \$86 million in 2009 due to the \$30 million increase in revenue along with lower costs. The lower expenses relate to an \$11 million decrease in bad debt and notes reserve due to improved collection activities.

NRT EBITDA before restructuring and other items in the second quarter increased to \$86 million. This was a \$57 million improvement compared to the second quarter of 2009 driven by a \$192 million increase in revenue due to higher unit volume and price levels at NRT. The revenue gain was partially offset by a \$147 million increase in commission and royalty expense due to higher volume. Expenses benefited from a \$12 million reduction in employee costs and other cost-saving activities.

EBITDA before restructuring and other items at Cartus was \$28 million in the second quarter, up from \$20 million in 2009. Although revenue increases of \$26 million were primarily driven by the impact of the Primacy acquisition, EBITDA before restructuring

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and other items increased \$5 million due to the acquisition. The remaining \$3 million increase was due to higher referral fee revenue and relocation service fee revenues.

At TRG, revenue decreased 2 percent as a result of lower refinance unit volume and EBITDA before restructuring and other items also decreased \$2 million.

Turning to the balance sheet on Table 2 of the press release, we ended the quarter with a cash balance of \$265 million which includes \$239 million of readily available cash and \$26 million of statutory cash required for our title business.

We had no outstanding balance on our \$750 million revolver at June 30, 2010.

Also on the balance sheet, the Due to Former Parent line item decreased from \$505 million at December 31<sup>st</sup> to \$197 million at June 30<sup>th</sup> due to the tax settlement with the IRS and the adjustment of certain other liabilities. The deferred income tax liability increased at June 30<sup>th</sup> primarily due to a \$109 million reduction of deferred tax assets as a result of the IRS settlement.

The remaining \$197 million of contingent liabilities consists of the \$58 million tax settlement – which has subsequently been paid – unresolved state and foreign tax issues with corresponding accrued interest, ongoing reserves relating to Cendant's terminated or divested businesses, and a residual portion of accruals for Cendant operations.

In relation to the reduction in Due to Former Parent, we have entered into an agreement with Avis Budget and Wyndham whereby our outstanding letter of credit with Avis Budget is expected to be reduced from its current \$446 million to approximately \$150 million by the end of this Quarter.

Some other movements to note on the balance sheet: the revolving credit facility and current portion of long term debt increased from \$71 million at March 31<sup>st</sup> to \$162 million at June 30<sup>th</sup> because of additional letter of credit-backed borrowings of \$90 million that were completed this past quarter, and accrued expenses decreased by \$115 million to \$583 million at June 30<sup>th</sup> because of the payment of our semi-annual interest in April.

Let me provide you with expectations for certain cash flow items for the full year 2010:

- Corporate cash interest is expected to be approximately \$535 to \$545 million for the year;
- Capital expenditures are expected to be approximately \$45 million for the full year;
- Reductions in relocation assets, net of changes in securitization borrowings, are expected to generate between \$35 and \$45 million of cash;
- Working capital inclusive of cash restructuring costs is forecasted to be a use of cash between \$70 and \$90 million. This also includes the working capital requirements of the Primacy Relocation business which were partially financed through an unsecured revolving credit facility outside of our \$750 million secured revolving credit facility; and

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- Net funding of legacy issues is expected to total about \$65 million to \$85 million for the full year, which includes the \$58 million settlement of the legacy tax issue which has been paid.

On Table 6 of the press release, we present our senior secured leverage ratio calculation, for which the maximum allowable ratio can be 5.0 times to 1. At June 30, 2010, the numerator – total Senior Secured Net Debt as defined in our credit agreement – totaled \$2.85 billion. That divided by Adjusted EBITDA of \$656 million for the 12 months ended June 30th, results in a senior secured net debt to Adjusted EBITDA ratio of 4.34 to 1, maintaining compliance with our credit agreement. Our EBITDA cushion rose to \$86 million in June from \$64 million in this past March due to the improved revenues and the impact of our cost-containment efforts. Said another way, at the end of June we could have borrowed an additional \$430 million under our revolver and remained in compliance with the 5 to 1 maximum leverage ratio.

In conclusion, let me leave you with a few closing remarks:

- Although the second quarter results were strong, the value of open contracts in June and July were down an average of 17% from 2009. This indicates that the third quarter will be weak, and is presumably because of the pull-forward of sales into the second quarter, along with continuing economic uncertainty. Both NAR and Fannie Mae have taken down their third quarter and full-year forecasts.
- The comparisons for the fourth quarter also are expected to be unfavorable due to the impact of the 2009 tax credit, which resulted in a strong fourth quarter of 2009. Although NAR and FNMA downwardly revised their full-year estimates, their unit forecasts for the full year are now flat with 2009.
- While the next 6 months will likely be challenging, we have confidence that we will get through the latest blip on the screen just as we have so successfully during the past several years. More importantly, given the cost savings and growth initiatives we have put in place, we expect to be in a favorable position to capitalize on the turnaround that is forecast to occur in 2011 and beyond.

With that, I'll turn it over to Alicia for some concluding remarks.

**SWIFT:** Thank you, Richard and Tony. A few quick points of information before we conclude today's call:

- First, a transcript of this Webcast will be available on the Investor Information section of the Realogy.com Web site tomorrow morning, August 11th.
- Second, we anticipate announcing our third quarter 2010 results in November, with the exact date still to be determined.

We thank you for taking the time to join us on the call, and we look forward to speaking with you in November. Thank you.

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