

FRANCHISE DISCLOSURE DOCUMENT
CORCORAN GROUP LLC

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corcoran



The franchise is for a real estate brokerage offering with defined real estate brokerage services from a specified location under the name Corcoran®.

The total investment necessary to begin operation of a Corcoran® franchise is approximately \$52,850 to \$333,200 for a conversion real estate office, and \$134,350 to \$520,500 for a start-up real estate office. This includes \$5,000 to \$35,000 that must be paid to the franchisor or an affiliate as an initial franchise fee. The initial franchise fee for a residential conversion or start-up franchise is \$35,000 for the Main Office and \$10,000 for each additional Branch Office.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issued: March 29, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit B for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

- 1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN NEW JERSEY. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN NEW JERSEY THAN IN YOUR OWN STATE.**
- 2. THE FRANCHISE AGREEMENT STATES THAT NEW JERSEY LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
- 3. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.**
- 4. THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.**
- 5. YOU MUST MAINTAIN MINIMUM SALES PERFORMANCE LEVELS. YOUR INABILITY TO MAINTAIN THESE LEVELS MAY RESULT IN LOSS OF ANY TERRITORIAL RIGHTS YOU ARE GRANTED, TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.**
- 6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the disclosure document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	(pending)
Hawaii	(pending)
Illinois	03/29/19
Indiana	03/29/19
Maryland	(pending)
Michigan	03/29/19
Minnesota	(pending)
New York	03/29/19
North Dakota	(pending)
Rhode Island	03/29/19
South Dakota	03/29/19
Virginia	(pending)
Washington	(pending)
Wisconsin	03/29/19

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE
RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, Consumer Protection Division (Attention: Franchise), P.O. Box 30213, Lansing, Michigan 48909, telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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EXHIBITS

- A State Addenda to the Franchise Disclosure Document
- B Federal and State Regulatory Authorities; Registered Agents for Service of Process
- C Real Estate Franchise Agreement, including Guaranty of Payment and Performance, Security Agreement and State Addenda to the Franchise Agreement
- C-1 Location Addendum to Franchise Agreement
- C-2 Lead Management End-User Agreement
- C-3 General Release Agreement
- D-1 Conversion Promissory Note
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- E Confidentiality Agreement
- F Financial Statements of Realogy Holdings Corp. and Realogy Group LLC
Guarantee of Performance of Realogy Holdings Corp.
Guarantee of Performance of Realogy Group LLC
- G List of Franchisees as of December 31, 2018
- H List of Outlets that left the Corcoran® System (including transfers) from January 1, 2018 through December 31, 2018
- I List of Franchise Offices Awaiting Opening as of December 31, 2018
- J Table of Contents to Policy and Procedures Manual
- K Company-Owned Affiliate Outlets (Other than Corcoran® Outlets)

ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “we,” “our,” or “us” means Corcoran Group LLC, the franchisor. “You” means the person or entity that buys the franchise, the franchisee. If the franchisee is a corporation, partnership or other entity, “you” includes the franchisee’s owners.

The Franchisor, its Parents and Affiliates.

We are a Delaware limited liability company, originally formed on October 1, 2015. We intend to do business under our corporate name and the Corcoran[®] name, and do not intend to do business under any other name. We have no predecessors. We are a wholly owned subsidiary of Realogy Services Group LLC (“RSG”), a Delaware limited liability company, a direct wholly owned subsidiary of Realogy Group LLC, a Delaware limited liability company (“Realogy Group”). Realogy Group is a direct wholly owned subsidiary of Realogy Intermediate Holdings LLC (“Intermediate Holdings”), a Delaware limited liability company, and a direct wholly owned subsidiary of Realogy Holdings Corp., a Delaware corporation (“Realogy Holdings”). Realogy Franchise Group LLC (“RFG”), a Delaware limited liability company, which is a wholly owned subsidiary of RSG, provides to us administrative services and RSG and its subsidiaries provide certain shared services as described below. Our principal business address, as well as the principal business address of RFG, RSG, Realogy Group, Intermediate Holdings and Realogy Holdings, is 175 Park Avenue, Madison, New Jersey 07940. There are no predecessors that need to be disclosed in this Item 1.

On October 12, 2012, Realogy Holdings consummated an initial public offering of shares of common stock and its shares are listed on The New York Stock Exchange under the symbol, “RLGY.” Realogy Group and Realogy Holdings issue joint audited annual financial statements and continue to serve as our Guarantors.

We operate as a subsidiary of Realogy Group and Realogy Holdings (our parent companies), and Realogy Group and Realogy Holdings guarantee the performance of our obligations under the franchise agreements we sign with you and other franchisees. Realogy Group and Realogy Holdings own other subsidiaries, including franchisors of other real estate franchise systems (the “Real Estate Affiliates”), which may compete with your business. Realogy Group and Realogy Holdings also own subsidiaries that operate our owned Corcoran real estate brokerages under NRT NY (defined below). We share common management and oversight with the Real Estate Affiliates and NRT. RFG provides dedicated teams in the fields of technology and data, business consulting and learning. These teams may provide enhanced shared services to us, the Real Estate Affiliates and NRT. Personnel of RFG may exercise executive control and decision-making over the Real Estate Affiliates and us and have access to competitive and other information about us and the Real Estate Affiliates, as well as information about NRT LLC (“NRT”), a direct subsidiary of RSG, that owns and operates real estate brokerages under our service marks and the service marks of certain Real Estate Affiliates and other service marks (as described below). As the ultimate parent company, the Realogy Holdings executive team oversees all Realogy subsidiaries; however, they do not participate in the day-to-day management of us or the Real Estate Affiliates. Realogy Holdings, Realogy Group, RSG and its subsidiaries, including RFG, offer goods and services to you and other of our franchisees, as well as the franchisees of the Real Estate Affiliates. Realogy Holdings, Realogy Group, RSG and its subsidiaries, including RFG reserve the right to develop systems and tools for use in the operation of a real estate brokerage business and to determine which of the Real Estate Affiliates and us, if any, will be permitted to offer such resources and systems to franchisees. Realogy Holdings, Realogy Group, RSG and its subsidiaries, may also develop resources and systems for exclusive use by NRT.

Our agents for service of process are listed on Exhibit B.

Business Experience of Franchisor and Franchises Offered.

We began offering franchises for real estate brokerage offices in January 2019. We have never offered franchises in any other lines of business, nor owned or operated real estate brokerage offices of the type described in this disclosure document, although our affiliates do operate such offices (as described below).

We offer franchises for real estate sales offices in the United States to owners of existing real estate brokerage businesses and in certain situations we may offer a franchise to newly formed real estate brokerages as described below in this Item 1 (the “Franchise” or the “Business”) The Franchise permits you to offer residential and commercial real estate brokerage services from a specified office location (the “Main Office”) and other authorized office locations (the Main Office and other authorized office locations collectively referred to as a “Corcoran Office” or “Office”), using the Corcoran[®] service mark and other trademarks, service marks, designs, logos and other commercial symbols we periodically designate (collectively, the “Marks”), and using a system that we have developed which includes access to brand specific systems, productivity resources, basic business development support, education, real estate referral and broker communications procedures, marketing and advertising services, products and other support funding by our brand marketing fund (“Brand Marketing Fund” or “BMF”) and various other items (the “System”), all in accordance with the terms of our Real Estate Franchise Agreement (“Franchise Agreement”) and the mandatory provisions of our Policies and Procedures Manual and the Brand Standards (collectively referred to as the “P&P Manual”).

You may also conduct New Development Services using the Marks, subject to the terms of the Franchise Agreement and requirements set forth in the P&P Manual, which includes our prior written approval for conducting New Development Services from Temporary Tract Offices as described in this Item 1. If you conduct New Development Services from your existing Office(s), our prior written approval is not required. “New Development Services” mean (i) all consulting, marketing, design or research for new development property (including new construction, rehabilitated, remodeled and conversion properties) offered using the Marks, and (ii) the sale of new development property (including new construction, rehabilitated, remodeled and conversion properties) using the Marks (see Section 7.2 and Exhibit C of the Franchise Agreement). We have the right to condition our approval of New Development Services on the size and scope of the property or the architect (or architectural firm) utilized for the property, as more fully described in the P&P Manual.

Usually, franchises are granted to owners of existing real estate brokerage businesses for conversion to a franchised office. The existing real estate brokerage businesses, however, must meet certain eligibility criteria which are listed below (the “Criteria”).

A prospective franchisee will satisfy the Criteria if it satisfies any one of the following for the geographic area (as we have the right to determine) wherein the prospective franchisee is located and will principally operate (the “Geographic Market”):

- (a) the average selling price (“ASP”) for homes sold or purchased by the customers of the prospective franchisee in transactions brokered by the prospective franchisee in the Geographic Market during the Measurement Period (which is the most recent 12 full calendar months for which data is available immediately for a prospective franchisee) is in the top 50% of selling prices for all homes sold in the Geographic Market; **or**
- (b) the prospective franchisee is ranked in the top five in the Geographic Market in terms of highest ASP for homes sold or purchased during the Measurement Period in the Geographic Market; **or**

(c) the prospective franchisee owns or operates a newly formed residential brokerage office, which office is or will be composed of independent sales associates substantially all of whom, immediately before the time the office would become part of the Franchise were affiliated with a licensed broker that would have satisfied the criteria in one of clauses (a) or (b) above with respect to the Measurement Period.

In addition, in certain instances, we have the right to grant a Franchise to a prospective franchisee that does not satisfy any of the Criteria listed above.

Once you satisfy the Criteria for your Main Office, you will be deemed to have satisfied the Criteria for the term of the Franchise Agreement.

We have the right to determine whether you have satisfied the Criteria. To help us make this determination, we also have the right to require you to provide us with the information we prescribe. We have the right to determine whether a proposed Office location is acceptable for operation of the Franchise, and if requested, you must allow us to physically inspect any Office location you propose.

If you meet our financial, professional, operational and other standards (including the Criteria and our current Office appearance requirements), and agree to pay our initial franchise fee, we may grant you a Franchise. A copy of the Franchise Agreement is included in this disclosure document as Exhibit C and a copy of the Security Agreement, which all franchisees must sign, is included in this disclosure document as Exhibit F to the Franchise Agreement and Exhibit D-2 to this disclosure document. For additional Branch Offices (defined as any approved Corcoran[®] Office, other than the Main Office or a Limited Purpose Office), that we approve, you will be required to sign our Location Addendum to the Franchise Agreement (see Exhibit C-1). Except for those expressly stated obligations in this disclosure document, the Franchise Agreement or any other agreement, including those agreements referenced herein or attached as Exhibits to this disclosure document that you sign, we and our parents, subsidiaries and affiliates make no representations or implied warranties to you either by course of conduct or otherwise.

We have a diversity and veteran program under which eligible franchisees may pay a reduced initial franchise fee. As of the issuance date of this disclosure document, the reduced initial franchise fee under this program is \$5,000. This program may be modified without notice at any time. We may establish and/or eliminate any benefits as we deem in the best interests of the System.

We may from time to time introduce pilot programs to qualifying franchisees who operate at least one franchised office. These pilot programs may be offered in certain test markets and the terms and conditions of each office will vary depending upon the circumstances.

We also may permit a qualifying existing franchisee to open a limited purpose office. Limited purpose offices are designed to accommodate special market conditions and related situations, and as of the issuance date of this disclosure document include the following Temporary Tract Offices, Team Offices and Administrative Offices, as described below ("Limited Purpose Offices"). The duration and general terms of each Limited Purpose Office will vary based on its particular function and other circumstances. We have the right to waive or vary the criteria described below in our reasonable business judgment.

To obtain a Limited Purpose Office, you must sign the applicable then-current "Limited Purpose Office Addendum" to your Franchise Agreement. While we reserve the right, at any time, to modify the terms of the Limited Purpose Office Addenda, they typically: (i) will be for a one-year term (although we have the right to extend this period for one or more additional one-year terms); (ii) require the payment of a non-refundable initial franchise fee of \$2,000; (iii) contain a 30-day mutual termination right; (iv) prohibit or limit

your ability to transfer your rights under the Limited Purpose Office Addendum to an existing franchisee, without our approval; (v) require all Gross Revenue from the respective Limited Purpose Office to be reported through your Main Office and to be aggregated with the Main Office for all purposes under the Franchise Agreement; and (vi) will not hinder or prevent us from placing a new franchise location in close proximity to the Limited Purpose Office.

We reserve the right, at any time, to introduce pilot programs and to modify, discontinue or add to the Limited Purpose Offices. Our current Limited Purpose Offices are the following:

Temporary Tract Offices: A “Temporary Tract Office” is located in or near a particular subdivision and is appropriate for a new development although we will consider permitting a Temporary Tract Office in a new or existing tract or subdivision and may allow you to extend your sales activities to resale properties in that subdivision. New Development Services cannot be conducted at a Temporary Tract Office without our prior written consent. When we consider your request for a Temporary Tract Office, we may impose certain limitations on its operations, including the length of time it may operate, office identification numbers, advertising restrictions and location limitations. We may terminate a Temporary Tract Office upon 5 days’ written notice and your failure to close upon written request will result in a non-curable default under the Franchise Agreement. Temporary Tract Offices are included as franchised outlets in Item 20.

Team Offices: A “Team Office” is an Office for the purpose of providing franchisee’s remote sales associates a place to conduct elements of the real estate brokerage business from an administrative location. The Team Offices: (i) must be located in a multi-tenant office complex, shared office suite or other back office commercial environment; (ii) have a limited number of sales associates; (iii) may not have exterior signage and interior signage shall consist of a small window etching and/or a directory listing only; and (iv) conduct real estate closings only if permitted by state law. If we grant you a Team Office, you will sign a Team Office Addendum to the Franchise Agreement. Team Offices are included as franchised outlets in Item 20.

Administrative Offices: An “Administrative Office” is located in the immediate vicinity of your Office(s) and must be solely used to accommodate your Office space deficiencies in a manner and at a location that will be unnoticed by the public. The Administrative Office cannot: (i) be used for personal client/customer contacts; (ii) be advertised as a real estate sales office location in any manner; (iii) appear on business cards or stationery; or (iv) have exterior signage and interior signage shall consist of a small window etching and/or a directory listing only. You must also comply with any other terms and conditions we may require from time to time for the operation of an Administrative Office. Based on the limited role Administrative Offices serve in the operation of a Franchise, they are not included as franchised outlets in Item 20.

Business Experience of Real Estate Affiliates.

The Real Estate Affiliates offering franchises that may compete with you include those listed below. The principal business address of these Real Estate Affiliates is the same as ours.

Real Estate Affiliates	Began or will Begin Franchising	Predecessor Began Franchising
Century 21 Real Estate LLC ¹	1995	1972
Coldwell Banker Real Estate LLC ²	1982	N/A
ERA Franchise Systems LLC ³	1996	1972

Better Homes and Gardens Real Estate LLC ⁴	2008	N/A
Sotheby's International Realty Affiliates LLC ⁵	2004	N/A
Climb Franchise Systems LLC ⁶	2019	N/A

¹**Century 21 Real Estate LLC (“Century 21”).** Century 21 offers residential real estate brokerage franchises to be operated under the service mark “CENTURY 21®.” Century 21 began granting real estate franchises directly to brokers in 1995. From 1972 until 1995, Century 21 only granted subfranchises. These subfranchises authorized the grantees, called subfranchisors, to offer CENTURY 21® franchises to real estate brokers within protected territories. In 1995, Century 21 merged with the United States subfranchisors and in 1996 began selling CENTURY 21® franchises directly. As of December 31, 2018, franchisees operated 2,172 CENTURY 21 real estate brokerage offices in the United States. Century 21 does not own or operate any real estate brokerage offices in the United States and has never granted franchises in other lines of business.

²**Coldwell Banker Real Estate LLC (“Coldwell Banker”).** Coldwell Banker offers residential real estate brokerage franchises to be operated under the service mark “Coldwell Banker®” and commercial real estate brokerage franchises to be operated under the service mark “Coldwell Banker Commercial®.” Coldwell Banker has been offering residential real estate franchises since 1982 and commercial real estate franchises since 1998. As of December 31, 2018, franchisees operated 1,493 Coldwell Banker® residential real estate brokerage franchises and 125 Coldwell Banker Commercial® real estate brokerage offices in the United States. Coldwell Banker has never offered franchises in any other type of business or operated any other type of business.

³**ERA Franchise Systems LLC (“ERA”).** ERA offers residential real estate brokerage franchises to be operated under the service mark “ERA®.” In 2010, ERA began offering franchises to be operated under the service mark “ERA Powered®,” allowing certain qualified applicants to operate franchises using the ERA tools and systems and ERA service marks, including “ERA Powered®,” while maintaining their own trade name as the prominent trade name in their company identity. References to ERA® real estate brokerage offices may also mean ERA Powered® brokerage offices. ERA, directly and through its predecessor, has been offering real estate brokerage franchises since 1972. As of December 31, 2018, franchisees operated 509 ERA® Real Estate and ERA Powered® brokerage offices in the United States. ERA has never offered franchises in any other type of business or operated any other type of business.

⁴**Better Homes and Gardens Real Estate LLC (“BHGRE”).** BHGRE offers residential real estate brokerage franchises to be operated under the service mark “Better Homes and Gardens® Real Estate.” BHGRE has been offering real estate franchises since 2008. As of December 31, 2018, franchisees operated 350 Better Homes and Gardens® Real Estate brokerage offices in the United States. BHGRE has never offered franchises in any other type of business or operated any other type of business.

⁵**Sotheby's International Realty Affiliates LLC (“SIR”).** SIR offers residential real estate brokerage franchises to be operated under the service mark “Sotheby's International Realty®.” SIR has been offering real estate franchises since 2004. As of December 31, 2018, franchisees operated 612 Sotheby's International Realty® brokerage offices in the United States. SIR has never offered franchises in any other type of business or operated any other type of business.

‘Climb Franchise Systems LLC (“Climb”). Climb anticipates it will begin offering residential real estate brokerage franchises to be operated under the service mark “Climb SM” in the second half of 2019. Because Climb has not yet begun offering franchises, there were no Climb franchises in the United States as of the issuance date of this disclosure document. Climb has never offered franchises in any other type of business or operated any other type of business.

Each Real Estate Affiliate will offer franchises using its own franchise disclosure document, and there may be additional Real Estate Affiliates formed in the future. Because the Real Estate Affiliates may establish brokerages in close proximity to your Corcoran[®] office locations, you may face competition from any of these franchised brokerage systems (or new brokerage franchise systems) and their franchisees for customers, independent sales associates, managers, employees and other business, including relationships with title, mortgage, escrow and relocation services. Each Real Estate Affiliate has total discretion where to permit its franchisees to operate and has the express right to act in its own interest and the interest of its franchise system in authorizing, conducting and supporting businesses that will compete with you and our franchisees.

As of December 31, 2018, there were approximately 16,600 real estate brokerage offices operating under our Marks and the marks of the Real Estate Affiliates worldwide.

Business Experience of Certain Other Affiliates. NRT was originally formed as a Delaware corporation on August 29, 1997, but was converted to a Delaware limited liability company on July 2, 2007. NRT is a subsidiary of RSG and shares the same principal business address as ours. As of the issuance date of this disclosure document, NRT directly owns and operates real estate brokerage offices doing business as Coldwell Banker[®], Coldwell Banker Commercial[®], Sotheby’s International Realty[®], ZipRealty[®] and Climb Real Estate[®]. In addition, NRT indirectly owns and operates real estate brokerage offices doing business as Corcoran[®], Corcoran Sunshine[®] and Citi HabitatsSM through its direct wholly owned subsidiary NRT New York LLC, a Delaware limited liability company (“NRT NY”), whose principal place of business is 660 Madison Avenue, 12th Floor, New York, NY 10065.

As of December 31, 2018, NRT owned and operated 668 Coldwell Banker[®] residential real estate brokerage offices, 4 Coldwell Banker Commercial[®] real estate brokerage offices, 41 Sotheby’s International Realty[®] real estate brokerage offices, 6 real estate brokerage offices doing business as ZipRealty[®] and 4 Climb Real Estate[®] offices. As of December 31, 2018, NRT NY owned and operated 24 Corcoran[®] real estate brokerage offices, 7 Citi HabitatsSM real estate brokerage offices and 1 Corcoran Sunshine[®] office. NRT and NRT NY operate mainly in metropolitan areas and compete directly with franchisees in the areas in which they operate. NRT and NRT NY may compete with you and other franchisees in your market to solicit customers, independent sales associates, managers, employees, and other business, including relationships with title, mortgage, escrow and relocation services. There are no restrictions on NRT and NRT NY regarding competition with franchisees.

Realogy Group offers and administers franchises and master licenses in Canada, the territories of the United States and outside the United States for the Better Homes and Gardens[®] Real Estate system, the Coldwell Banker[®] system, the ERA[®] system, the CENTURY 21[®] system and the Sotheby’s International Realty[®] System. These licenses may grant exclusive rights to the licensee for a particular territory to operate real estate brokerage offices under the respective Marks and, in some cases, to, sublicense the marks to others for use in the operation of real estate brokerage offices. Corcoran Group LLC may offer and administer franchises outside the United States in the future.

RSG offers services and products to the Real Estate Affiliates, including those offered under the Preferred Alliance Program (See Item 8).

Cartus Corporation (“Cartus”), a wholly owned subsidiary of RSG, offers relocation services to public and private sector employers and their employees, and to members of affiliate organizations. In addition to offering other services, Cartus refers relocating customers to brokers in the United States in exchange for a portion of the commission that the broker earns on the transaction. You and others of our franchisees, as well as NRT, NRT NY and the franchisees of the Real Estate Affiliates, are eligible to apply to participate in this program. Cartus holds one or more valid broker licenses and its principal business address is 40 Apple Ridge Road, Danbury, CT 06810.

ZapLabs, LLC (formerly known as ZipRealty LLC) (“ZapLabs”), a Delaware limited liability company and wholly-owned subsidiary of RSG, offers a proprietary technology platform called Zap[®] to franchisees of our Real Estate Affiliates, as further described in Item 8. The Zap platform is a suite of tools to assist in operating a real estate brokerage business, including functionality for customer relationship management, online marketing, and the provision of broker and agent websites. ZapLab’s principal business address is 2000 Powell Street, Suite 300, Emeryville, CA 94608.

Title Resource Group LLC (“TRG”), a wholly owned subsidiary of RSG, offers title and settlement services to real estate companies and financial institutions. Title Resources Guaranty Company (“TRGC”), a Texas corporation and an indirect subsidiary of TRG, offers insurance to protect the purchaser and/or the mortgage lender against loss or damage in the event that title is not transferred properly or a lender’s lien is not recorded in proper priority position. TRG is also a subsidiary of Realogy Group. TRG and TRGC offers products and services to our franchisees and the franchisees of the Real Estate Affiliates. TRG’s and TRGC’s principal business address is 3001 Leadenhall Road, Mt. Laurel, NJ 08054.

Corcoran Sunshine Marketing Group (“Corcoran Sunshine”), is a division of NRT NY, and offers consulting, design, research, marketing, and sales services to real estate developers in connection with the purchase, development and bringing to market of new (or conversion) residential condominium and cooperative projects. Corcoran Sunshine was founded in 2006 as a result of a merger between The Sunshine Group and Corcoran Group Marketing, the new development marketing group of The Corcoran Group. Corcoran Sunshine has the right to offer Corcoran[®] franchisees the opportunity to partner with Corcoran Sunshine on certain eligible development projects. Corcoran Sunshine’s principal business address is 888 7th Ave, 39th Floor, New York, NY 10106.

Realogy Group through its indirect, wholly owned subsidiary, TRG Venture Partner LLC, a Delaware limited liability company (“Realogy Mortgage Partner”), formed a joint venture with Guaranteed Rate, Inc., a Delaware corporation (“Guaranteed Rate”), Guaranteed Rate Affinity, LLC, a Delaware limited liability company (“Guaranteed Rate Affinity”), with Realogy Mortgage Partner having a 49.9% ownership interest in Guaranteed Rate Affinity and a subsidiary of Guaranteed Rate, having a 50.1% interest. Guaranteed Rate Affinity began doing business in August 2017, following the first of five closings contemplated by an asset purchase agreement under which Guaranteed Rate Affinity acquired certain assets of the mortgage operations of PHH Home Loans, including its four regional centers and employees across the United States, but not its cash or mortgages held for sale. The fifth and final closing occurred on December 18, 2017. In addition to originating loans for NRT and NRT NY customers, Guaranteed Rate Affinity may market its mortgage lending services to our franchisees and to franchisees of the Real Estate Affiliates. All mortgage loans originated by the venture are sold to third party investors, and Guaranteed Rate Affinity does not hold any mortgages for investment purposes or perform servicing functions for any loans it originates. Realogy Mortgage Partner’s principal business address is 3001 Leadenhall Road, Mt. Laurel, NJ 08054, and Guaranteed Rate’s principal business address is 3940 N. Ravenswood, Chicago, IL 60613. Guaranteed Rate Affinity’s principal business address is 1800 W. Larchmont Ave., Chicago, IL 60613.

We may license our Marks to TRG, Guaranteed Rate Affinity and ZapLabs for use in connection with their product offerings. In addition, we may license our Marks to third party providers of services or products ancillary to the delivery of real estate brokerage services or to third party providers of services or products offered to our franchisees.

Competition. The residential real estate brokerage industry is a mature industry. You will be competing with other unaffiliated and chain-affiliated real estate brokerage offices in your market area. Some of those offices might be other Corcoran® offices, or franchised offices of the Real Estate Affiliates or offices of our affiliates NRT and NRT NY. You may face competition for independent sales associates, customers (buyers and sellers), listings, and related real estate businesses in your market area from other Corcoran® franchisees, franchisees of the Real Estate Affiliates, NRT and NRT NY. We do not restrict your competition, although we encourage our franchisees to work collaboratively for the success of the System. The market for real estate services is typically the most developed in more populous areas. In resort areas, the market for residential real estate may be seasonal. Your ability to compete may be affected by the quality of independent sales associates, the location of offices, the services provided to independent sales associates, the number of competing offices in the vicinity, including competing offices under different business models, affiliation with a recognized brand name, community reputation and other factors. Your success may also be affected by national, regional and local economic conditions.

Laws Applicable to the Real Estate Brokerage Business. Each of the states in which we grant franchises has laws and regulations governing the operation of a real estate brokerage office. You must comply with the regulatory requirements in your market area. An individual must be licensed by the state as a real estate broker before that person may provide real estate brokerage services. You should consult with the appropriate state licensing authority before entering into a Franchise Agreement. There will also be other laws and regulations, including federal laws like the Real Estate Settlement Procedures Act (“RESPA”), that may impact many important ways that you do business, including how you represent your clients and customers, your client agreement provisions, your real estate license, your relationship with your independent sales associates, how you handle your accounting and your revenues, what fees you may charge and with whom they can be split, if any, how you advertise and how you hold yourself and your independent sales associates out to the public. We urge you to familiarize yourself with these laws and regulations by asking a legal advisor or an appropriate state agency about them. You must also comply with the National Association of REALTORS® Code of Ethics (which is included as a link in our P&P Manual). Some states may have home protection, home warranty, residential service contract or insurance laws and regulations.

ITEM 2. BUSINESS EXPERIENCE

Unless otherwise stated below, all individuals listed in this Item 2 are located at our principal business address in Madison, New Jersey.

Chairman Emeritus, Realogy Franchise Group: Alexander E. Perriello, III

Mr. Perriello has served in a senior advisor capacity as Chairman Emeritus of Realogy Franchise Group since April 1, 2017. From October 13, 2016 to March 31, 2017, Mr. Perriello served as Chief Executive Officer of Realogy Franchise Group focusing on strategic growth. Prior to this role, Mr. Perriello served as the President and Chief Executive Officer of Realogy Franchise Group since August 2006, overseeing our operation and the operation of the Real Estate Affiliates.

President and Chief Executive Officer, Realogy Franchise Group: John Peyton

Mr. Peyton was appointed the President and Chief Executive Officer of Realogy Franchise Group on April 1, 2017 and oversees our operation and the operation of the Real Estate Affiliates. As of January 2018, Mr. Peyton also oversees the operation of the NRT owned Sotheby’s International Realty® and Climb Real

Estate® offices, and NRT NY owned Corcoran, Corcoran Sunshine® and Citi HabitatsSM offices. Mr. Peyton served as President and Chief Operating Officer of Realogy Franchise Group from October 13, 2016 to March 31, 2017, overseeing our operation and the operation of the Real Estate Affiliates. Prior to joining us, Mr. Peyton served as Senior Vice President of Brands & Shared Services for Starwood Hotels & Resorts Worldwide, Inc. in Stamford, CT from September 1999 through June 2016.

Chief Financial Officer, Realogy Franchise Group and NRT: Roger Favano

Mr. Favano was appointed Chief Financial Officer of Realogy Franchise Group in February 2018. Prior to joining Realogy Franchise Group, Mr. Favano served, and continues to serve, as the Senior Vice President and Chief Financial Officer for NRT since August 2017. Mr. Favano is responsible for the financial operations, including collection, reporting, budgeting and various operational issues for us, NRT and the Real Estate Affiliates. Mr. Favano may also be appointed to hold the same position (or similar positions) with other of our affiliates. From February 2016 through August 2017, Mr. Favano was Chief Financial Officer of DFC Global Corporation in Malvern, PA. Prior to this position, Mr. Favano served in two positions for GE Capital Corporation in Norwalk, CT, Chief Financial Officer of Risk Management from November 2014 through January 2016, and Chief Operating Officer of Risk Management from October 2011 through November 2014.

Vice President, Contract Administration, Realogy Franchise Group: Steven DiNapoli

Mr. DiNapoli was appointed Vice President, Contract Administration of Realogy Franchise Group on July 17, 2017. Prior to this position, Mr. DiNapoli has held several positions during his time at Realogy Franchise Group. He served as Managing Regional Vice President for Coldwell Banker from February 2016 to July 2017, and as Director, Contract Administration for Realogy Franchise Group from November 2013 to February 2016.

Executive Vice President, Worldwide Sales, Realogy Franchise Group: Rich Green

Mr. Green was appointed Executive Vice President, Worldwide Sales of Realogy Franchise Group in July 2013. Prior to this position, Mr. Green served as the Senior Vice President, Membership Sales for SIR from June 2004 through July 2013.

President and Chief Executive Officer: Pamela Liebman

Ms. Liebman was appointed our President and Chief Executive Officer in November 2018 and is located in New York City, NY. Ms. Liebman is also the President and Chief Executive Officer of the NRT NY owned Corcoran, Sunshine Marketing Group and Citi Habitats offices in New York City, NY, a role she has held since January 2000.

Chief Marketing Officer: Christina Panos

Ms. Panos was appointed our Chief Marketing Officer in November 2018 and is located in New York City, NY. Ms. Panos is also the Chief Marketing Officer of the NRT NY owned Corcoran and Citi Habitats offices, a role she has held since July 2017 and previously held from July 2013 to July 2015. From July 2015 to July 2017, Ms. Panos was Chief Marketing Officer for Roberta Roller Rabbit in New York City, NY. In addition to her more recent roles for NRT NY, Ms. Panos served as the Vice President of Marketing and Advertising for the NRT NY owned Corcoran offices in New York City, NY from April 2004 through July 2013.

Vice President, Business Development: Luke Barton

Mr. Barton was appointed our Vice President, Business Development in November, 2018. Prior to joining us, Mr. Barton was Vice President, Design Hotels with Marriott International in Stamford, CT, from October 2016 to July, 2018. Mr. Barton also served as Vice President, Global Initiatives from June 2015 through October 2016 and Director, Brand Management from October 2013 through June 2015 for Starwood Hotels & Resorts Worldwide, Inc. in Stamford, CT.

Senior Vice President, Global Development: Alvaro Cardenas

Mr. Cardenas was appointed our Senior Vice President, Global Development in November 2018. Mr. Cardenas also currently oversees Global Development for all the Real Estate Affiliates, a role he has held since February 2018. Prior to his current role, Mr. Cardenas served as Senior Vice President for SIR from May 2014 to February 2018.

ITEM 3. LITIGATION

A. Pending Litigation Against Us.

None

B. Resolved Litigation Against Us.

None

C. Other Pending Litigation.

1. Laura J. Lannin, individually and on behalf of all others similarly situated v. NRT Title Agency, LLC, Acres Land Title Agency, Inc., Broad Street Title Agency, LLC; CHP Title Agency, LLC, HLT Title Agency, LLC, KD Title Agency, LLC, Mid-Town Direct Title Agency, Towne Square Title Agency, LLC; Traditions Title Agency, LLC, Waterfront Title Agency, LLC, Pony Messenger Service, LLC, A-Absolute Escrow Settlement, Inc., Title Resources Guaranty Company, NRT LLC, Realogy Corporation and Peter A. Uzzolino. (Case No. 3:18-cv-15146, United States District Court, NJ). This is a purported class action brought on October 19, 2018 by a New Jersey resident against 17 defendants, including Realogy and certain of its subsidiaries and affiliates, alleging violations of the New Jersey Consumer Fraud Act, unjust enrichment, breach of contract, and violations of Sections 8(a) and 8(b) of the federal Real Estate Settlement Procedures Act (“RESPA”). Plaintiff seeks to represent a class comprised of all persons who (1) purchased a policy of title insurance issued by certain defendants in connection with the purchase of real property located in New Jersey and closed on or after October 2, 2000, and (2) paid more than the statutorily permitted fees and charges for such title insurance. Plaintiff alleges, among other things, that certain defendants improperly marked up certain pass-through costs and charged for services that were duplicative or not actually performed. Plaintiff also alleges that certain defendants are “sham” ventures created to disguise improper referrals and payments which violate RESPA. Plaintiff seeks relief that includes treble damages and an award of attorneys’ fees, costs and interest. On December 21, 2018, the defendants filed three motions to dismiss the case, for which a ruling has not yet been rendered by the court. The Realogy defendants deny all allegations and will continue to vigorously defend this action.

2. Christopher Moehrl, individually and on behalf of others similarly situated v. The National Association of Realtors, Realogy Holdings Corp., HomeServices of America, Inc., Re/Max Holdings, Inc., and Keller Williams Realty, Inc., (Case No. 1:19-cv-01610, United States District Court for the Northern District of Illinois). On March 6, 2019, plaintiff filed a putative class action against Realogy Holdings and the other named defendants. Plaintiff claims that the defendants engaged in a continuing contract, combination, or conspiracy to unreasonably restrain trade and commerce in violation of Section 1 of the Sherman Act, because defendant The National Association of Realtors (“NAR”), established mandatory anticompetitive policies for the MLSs and its member brokers regarding the setting and payment of the buyer broker commission. Plaintiff further alleges that the defendant franchisors conspired with NAR by requiring their respective franchisees to comply with NAR’s policies and Code of Ethics. Plaintiff seeks a permanent injunction enjoining the defendants from requiring sellers to pay the

buyer broker or to otherwise restrict competition among buyer brokers, an award of damages and/or restitution, attorneys' fees and costs of suit. Realogy Holdings denies all allegations and will vigorously defend this action.

D. Other Resolved Litigation.

1. CSI Investment Partners II, L.P., a Delaware limited partnership, CIS Acquisition Partners, L.P., a Delaware limited partnership, Canterbury Mezzanine Capital, L.P., a Delaware limited partnership, David C. Thompson, M. Gerard Keehan, Vineet Pruthi, Donald J. Shea, James M. Rothe, Michael Cossel, John J. Adams, Robert E. Richardson, Marilyn Schwartz, and Charles Caudle v. Cendant Corporation, a Delaware corporation, Henry Silverman, Samuel Katz, Cosmo Corigliano, and Does 1 Through 1000, inclusive, (00 Civ.1422 (DAB), United States District Court, Southern District of New York). Plaintiffs CSI Investment Partners II and its executive leadership (collectively "Credentials") filed suit on February 24, 2000 alleging breach of contract to recover a portion of purchase price referred to as the "holdback" in the Stock Purchase Agreement ("SPA"), the contract that provided for the sale of assets from Cendant to CSI Investment Partners II, in the amount of approximately \$9 million. Credentials also alleged common law fraud and breach of contract with respect to a contingency earn-out provision of the SPA, seeking damages in the amount of approximately \$45 million. The court dismissed with prejudice Credentials' claims with respect to common law fraud. The parties filed various partial motions for summary judgment, and the full record on the motions was set in June 2007. On September 7, 2007, the court, on its own accord, granted summary judgment to Credentials, on Credentials' breach of contract claim for the contingency payment, and granted Credentials' motion for summary judgment on the breach of contract claim for the "holdback" payments.

The Credentials litigation is a contingent liability of Cendant that was assigned to Realogy Group and Wyndham Worldwide Corporation under the Separation Agreement. Cendant Corporation, Realogy Group's former parent company, entered into the Separation Agreement with each of its former subsidiaries, whereby certain contingent liabilities were assigned to the various subsidiaries. Realogy Group is a spinoff from defendant Cendant, which was the guarantor of the SPA. Realogy Group had no direct relationship with the plaintiffs or the litigation.

The summary judgment decision set the liability of Cendant to Credentials at approximately \$97 million and provided for the award of attorneys' fees. Under the terms of the Separation Agreement, Realogy Group's portion of any actual liability would be 62.5% of the aggregate liability amount including any related fees and costs. Realogy Group paid its 62.5% share of the \$720,000 in sanctions plus \$5,472 of interest, or \$453,420 on October 7, 2008. Judgment was entered in the amount of \$102.6 million. On July 23, 2009, Realogy Group caused its share of the judgment in the amount of \$62,101,767.60 to be paid and on August 3, 2009, the court signed the Stipulation, and Order dismissing the action. A dispute remained regarding Credentials' request for an award of attorneys' fees, costs and Credentials' counsel's fees. Cendant's opposition was filed on October 14, 2009, and Credentials' reply was filed on November 11, 2009. On December 6, 2010, the Magistrate submitted to the District Court Judge a detailed opinion and recommended order that would set the attorneys' fees to be paid by Cendant at \$7,993,612.11, less an amount to be determined for fees attributable to Credentials' fraud claims. Specifically, the Magistrate held that Credentials are equitably estopped from relying on the hybrid fee arrangement and rejected the fee demand other than actual hourly fees and costs. The Magistrate further denied Credentials' request for prejudgment interest on the fee award. The Magistrate granted Cendant a reduction for half of Cendant's \$720,000 award sanctions. The parties then settled the matter agreeing on the payment of \$7,993,612.11 for attorneys' fees, which was paid on December 31, 2010. Realogy Group's share was \$4,996,007.57. The court entered the stipulation and order of dismissal on January 11, 2011.

2. Hilary and James Butler v. Realogy Corporation fka Cendant Corporation, NRT, et al., (Case No. 109CV157746, Superior Court of California, County of Santa Clara). Plaintiffs filed a complaint on November 20, 2009, alleging that defendants engaged in antitrust activities based upon the former preferred alliance relationship between Cendant and Property ID Corporation, a natural hazard report provider, under which Cendant agreed to market Property ID Corporation's products and services to Cendant's franchise network members. The matter was settled June 2, 2010, for \$150,000. The settlement is conditioned on plaintiffs obtaining a release from First American discharging Realogy Group and NRT from any liability referred to in the lawsuit with respect to First American's purchase of stock in TerraCheck and Global Data System. The settlement has been executed and defendants made a payment of \$50,000 to plaintiffs. Plaintiffs have obtained a stipulation from First American confirming the release and defendants paid the remaining \$100,000 to plaintiffs.

3. Frank K. Cooper Real Estate #1, Inc. et al. v. Cendant Corporation and Century 21 Real Estate Corporation, (Case No. MRS-L-377-02, Superior Court of New Jersey, Law Division: Morris County). On January 30, 2002, Frank K. Cooper Real Estate #1, Inc., a former franchisee, filed a putative class action against Cendant and Century 21 (the "Cendant parties"). The complaint alleged breach of certain provisions of the franchise agreement entered into between plaintiffs and Century 21, the implied duty of good faith and fair dealing and certain express and implied fiduciary duties. The complaint alleged, among other things, that Cendant diverted money and resources from CENTURY 21® franchisees and allotted them to NRT owned brokerages. On October 29, 2002, plaintiffs filed a second amended complaint adding a count against Cendant as guarantor of Century 21's obligations to its franchisees. On June 30, 2006, the court denied plaintiffs' motion to certify a class. Three motions were filed with the court in 2009: a renewed class certification motion, the motion to strike class allegations from the complaint, and the motion to dismiss plaintiffs' pre-1998 claims because there was no class representative for any such claim. Oral argument was held on October 23, 2009, and further oral argument on the motions was heard on April 9, 2010. On August 17, 2010, the court granted plaintiffs' renewed motion to certify a class and denied in whole or in part the other motions. The nationwide class certified by the court included all CENTURY 21® franchisees between August 1, 1995, and April 17, 2002, whose franchise agreements contained a New Jersey choice of law and a New Jersey choice of venue provision who had not executed releases releasing the claim. On September 7, 2010, the Cendant parties filed a motion for leave to file an interlocutory appeal of the class certification order, but it was denied on October 15, 2010. On February 11, 2011, the Cendant parties provided to plaintiffs' counsel the list of the CENTURY 21® franchisees who were in the class and those who were out of it by virtue of providing a release. Notice was sent to the class on March 4, 2011.

The parties executed a stipulation of settlement in February 2012. The terms of the settlement include a cash component ("Cash Amount") and non-cash component ("Non-Cash Consideration"). The Cash Amount, funded in large part by insurance, was \$17.5 million paid into a settlement fund, with \$3 million to be allocated among class members according to a formula and the remaining Cash Amount to cover attorneys' fees, litigation expenses, and other class administration expenses and incentive fees to the class representatives, subject to court approval. Any portion of the Cash Amount not disbursed for the purposes listed in this paragraph was to be paid into the CENTURY 21® brand marketing fund.

Non-Cash Consideration for former CENTURY 21® franchisees eligible as class members ("Former Franchisee Class Members") included the opportunity to reaffiliate with the brand at no charge until the end of 2013, provided that they left the system in good standing, met Century 21's standard franchisee and location criteria, and were approved through the franchise review process. Former Franchisee Class Members that chose not to or were unable to reaffiliate with the brand for three years following the effective date of the settlement would have the opportunity to receive a \$25,000 referral fee. Century 21 would pay the referral fee if the Former Franchisee Class Member introduced Century 21 to a franchisee.

prospect that had not been in its sales pipeline in the prior 12 months and who met Century 21's criteria, executed a franchise agreement and commenced operations.

Non-Cash Consideration for existing CENTURY 21® franchisees who are in good standing and eligible class members ("Current Franchisee Class Members") includes:

- Waiver of one initial franchise fee for a new CENTURY 21® branch location opened through 2015;
- Waiver of one transfer fee through 2017;
- Waiver of monthly minimum royalty fees for five years;
- \$500 tuition credit per year for up to four people per year for agent or manager training for two years following the effective date of the settlement;
- Waiver of one 2013 CENTURY 21® Global Conference registration fee for every five agents affiliated with the franchisee;
- Written reminder to the CENTURY 21® System of the array of business support services and resources that Century 21 provides for three years following the effective date of the settlement;
- Early termination of the franchise agreement without penalty for death, disability or voluntary retirement. For voluntary retirement only, early termination available on one year's written notice and the execution of a two-year non-competition agreement; and
- Financial statements presenting the income and expenses for the CENTURY 21® brand marketing fund for the years ended December 31, 2012, 2013 and 2014, audited by Realogy Group's independent auditors (or comparable public audit firm) available on written request and subject to confidentiality.

Finally, for the three years following settlement, Century 21 certified in writing its compliance with the settlement obligations, and the Chief Executive Officer of RFG met with its National Brokers' Communication Congress at the annual meetings to discuss issues of significance to the CENTURY 21® System.

The court entered a final approval order on June 4, 2012, and the time to appeal expired on July 19, 2012. The deadline for class members to file proofs of claim expired on September 7, 2012. In February 2013, Century 21 sent notice of the non-cash benefits under the settlement to the current franchisee class members that filed timely proofs of claim.

4. In the Matter of Arbitration between Realogy Corporation v. Triomphe Partners, Inc. and Triomphe Partners LLC, (Case No. 50 114 T 0041 08, The Arbitration Tribunals of the American Arbitration Association). On February 1, 2008, Realogy Group filed a Demand for Arbitration against Triomphe Partners Inc. and Triomphe Partners LLC ("Triomphe") in the amount of \$4,750,000 in connection with the COLDWELL BANKER Europe Subfranchise Agreement dated November 5, 1999 ("CBGEA"), and the COLDWELL BANKER Eastern Europe Subfranchise Agreement dated July 24, 2004 ("CBEEA," and with CBGEA collectively the "Agreements"). On December 4, 2007, Realogy Group terminated the Agreements for various defaults, including financial defaults for unpaid royalty fees due under the Agreements. On February 29, 2008, Triomphe filed an Answer and Counterclaim alleging breach of contract and covenant of good faith and fair dealing, tortious interference with present and prospective business relationships, violation of the Illinois Franchise Disclosure Act and unjust enrichment, essentially claiming that Realogy Group improperly terminated the Agreements. Triomphe claimed damages of \$57,814,000, plus attorneys' fees and costs. The Arbitration took place in July 2009, November 2009, and January, March and May 2010. Oral argument was held on May 27, 2010. By decision dated August 4, 2010, the arbitrators ruled that Realogy Group properly terminated the Agreements but denied Realogy Group's monetary claim. All of Triomphe's counterclaims were denied.

Each party was required to bear its own fees and costs, and to share equally the costs of the arbitration. Triomphe filed a petition to vacate the arbitration tribunal's final award in November 2010. On August 15, 2011, the judge dismissed Triomphe's petition. On September 7, 2011, Realogy Group filed its application for attorneys' fees with opposition from Triomphe. On January 30, 2012, the Court awarded Realogy Group \$88,872.80 in attorneys' fees and \$257.33 in costs.

5. Coldwell Banker Real Estate LLC v. Joly, McAbee & Weinert, LLC, f/d/b/a Coldwell Banker Joly, McAbee & Weinert Realty, Ross Joly, and Crystal Weinert. Two collection actions were filed in New Jersey against this former Coldwell Banker® franchisee and its guarantors. In the first action, (Docket No. MRS-L-1905-12, Superior Court of New Jersey, Law Division: Morris County), on July 25, 2012, Coldwell Banker filed a Motion to Enter Judgment by Confession in the amount of \$99,192.66, which former franchisee confessed to on June 30, 2010, in connection with a settlement agreement for royalty fees, advertising fees and other past due fees. On August 17, 2012, the Court entered the judgment. Coldwell Banker proceeded to take steps to collect, including domesticating the judgment in Massachusetts, where former franchisee and its guarantors are located. Accordingly, on October 22, 2012, Coldwell Banker filed a Complaint in Massachusetts (C.A. No. 12-0625, Commonwealth of Massachusetts, Superior Court), to domesticate the \$99,192.66 judgment. On October 23, 2012, Coldwell Banker filed a second action in New Jersey (Docket No. MRS-L-2631-12, Superior Court of New Jersey, Law Division: Morris County) against the same parties for breach of contract by failing to pay additional royalty fees, advertising fees and other fees in the total amount of \$726,689.90, and \$50,000.00 owed pursuant to Development Advance (Promissory) Notes signed in conjunction with the franchise agreement. In January 2013, former franchisee and its guarantors filed substantially similar Answers and Third-Party Complaints in the second New Jersey action and the Massachusetts action alleging that we, Coldwell Banker, Realogy Holdings and NRT, among other things, engaged in breach of contract, breach of the implied covenant of good faith and fair dealing, unfair or deceptive practices, civil conspiracy, interference with prospective economic advantage and/or a contractual relationship, and that they are owed monies pursuant to the terms of the Development Advance (Promissory) Notes. Coldwell Banker filed a motion to dismiss the counterclaims and third-party complaint in the New Jersey action on February 6, 2013, and a motion to dismiss in the Massachusetts action on February 8, 2013. On April 30, 2013, the Court entered an Order and Decision granting in part and denying in part Coldwell Banker's motion to dismiss. On August 29, 2013, the Court entered an order dismissing the Third-Party Complaint and striking defendants' Answer without prejudice. This matter was settled on December 30, 2013, under which the former franchisee and its guarantors agreed to pay \$200,000.00 to Coldwell Banker over time.

6. Phillip J. Yeager, Peggy Yeager, Master Greater Europe LLC and Master South America LLC v. Cendant Corporation, Cendant Global Services B.V., Avis Budget Group, Inc., Realogy Corporation and Domus Holdings Corp., (Case No. MRS-L-299-12, Superior Court of New Jersey, Law Division: Morris County). On February 3, 2012, plaintiffs filed suit against Cendant, Cendant Global Services B.V., Avis Budget Group, Inc., Realogy Corporation (now known as Realogy Group LLC) and Domus Holdings Corp. (now known as Realogy Holdings Corp.) (the "Realogy entities"), alleging that the Realogy entities breached a settlement agreement that was reached with plaintiffs in 2002 concerning CENTURY 21® Greater Europe. The suit sought an interpretation of the payments due under the agreement, as well as an audit of the monies earned by the Realogy entities since the settlement and payment of any outstanding amounts. The parties agreed to a settlement of \$1.6 million to be paid to Yeager for any amounts claimed due through December 31, 2012, for existing sales, a buyout of future rights for any resale of the remaining territories and an amendment of procedures concerning future royalty payments. The settlement was funded on June 4, 2013.

7. Christopher Bulen and Janith Martinez v. Realogy Corporation, Realogy Operations, Realogy Franchise Group LLC, Realogy Services Group, LLC, (Case No. 3:10-CV-00755-RCJ-VPC, United States District Court, District of Nevada). This litigation concerns the Preferred Alliance Agreement

between RSG and Townsend Hoffman Corporation initially effective June 18, 2007, in which Townsend Hoffman acted as a broker selling medical insurance products to franchisees and their agents. Plaintiffs, Bulen and Martinez, who were sales associates with Century 21 Mountain Properties and Coldwell Banker Select Realty, filed a class action lawsuit on December 3, 2010 alleging that Realogy Group sponsored major medical and limited-benefit health insurance programs to market to CENTURY 21®, Coldwell Banker®, ERA®, Sotheby's International Realty® and Better Homes and Gardens® Real Estate franchisees, brokers, sales associates and their families. Bulen and Martinez further alleged that Realogy Group represented that insurance programs were available in all 50 states, but that the three companies who were providing insurance policies, HM Insurance Group, AIM and AFID LLC, were not licensed to sell these policies in every state. Bulen and Martinez sought to have a nationwide class certified to include any broker or agent who bought a medical policy that was ultimately invalidated and who had unpaid medical claims. Realogy Group filed its motion to dismiss the complaint on February 18, 2011, which was granted on May 16, 2011. Bulen and Martinez filed an amended complaint on May 31, 2011, which the court dismissed without prejudice on October 24, 2011. On November 7, 2011, Bulen and Martinez filed their second amended complaint, including a RICO count and enumerating the various state insurance statutes. Realogy Group's motion to dismiss the second amended complaint was filed on November 30, 2011. Following oral argument on February 21, 2012, the court denied Realogy Group's motion. Bulen and Martinez filed their third amended complaint on May 16, 2012, and Realogy Group filed its answer on May 30, 2012. Mediation took place in November 2012, and the matter with Bulen settled with payment to him of \$120,000 in January 2013. A settlement was reached with Martinez, where Realogy Group agreed to certify a class and to give partial refunds to any class members who paid premiums for an AFID policy between January 2007 and May 2010, provided they provide proof of premiums paid. By order dated October 29, 2013, the court denied plaintiffs' motion for preliminary approval of the settlement. The parties thereafter modified certain terms of the settlement to address issues raised by the court in its October 9, 2013 order. On February 21, 2014, plaintiffs filed a renewed motion for preliminary approval of the settlement. On March 14, 2014, in order to avoid missing then current deadlines for class certification while the settlement awaited court review and approval, plaintiff filed a motion for certification of class action and appointment of class counsel. By order dated May 30, 2014, the court preliminarily approved the settlement and vacated the motion for class certification. Notice to the class members was mailed on June 27, 2014. The settlement was approved at the Fairness Hearing on October 6, 2014. There were no objections or opt outs. The time to appeal expired on November 10, 2014, and the settlement became final. Realogy Group dismissed its Third-Party Claims without prejudice on December 12, 2014. The settlement was funded on November 17, 2014, in the amount of \$530,630.42.

8. Sheri Dodge and Neil Dodge and Ram Agrawal and Sarita Agrawal, individually and on behalf of all others similarly situated v. PHH Corporation, Realogy Holdings Corp., PHH Home Loans LLC, PHH Mortgage Corporation, RMR Financial, LLC, NE Moves Mortgage LLC, PHH Broker Partner Corporation, Realogy Group LLC, Realogy Intermediate Holdings LLC, Title Resource Group LLC, West Coast Escrow Company, TRG Services Escrow, Inc., Equity Title Company, NRT LLC, Realogy Services Group LLC and Realogy Services Venture Partner LLC formerly captioned as: Timothy L. Strader, Sr. and Lester L. Hall, Jr., individually and on behalf of all others similarly situated v. PHH Corporation, Realogy Holdings Corp., PHH Mortgage Corporation, PHH Home Loans LLC, RMR Financial, LLC, NE Moves Mortgage LLC, PHH Broker Partner Corporation, Realogy Group LLC, Realogy Intermediate Holdings LLC, Title Resource Group LLC, West Coast Escrow Company, TRG Services Escrow, Inc., NRT LLC, Realogy Services Group LLC and Realogy Services Venture Partner LLC, (Case No. 8:15-CV-01973, United States District Court, Central District of California). This is a purported class action filed on November 25, 2015 by four California residents against 15 defendants, including Realogy Holdings and certain of its subsidiaries, PHH and PHH Home Loans, alleging violations of Section 8(a) of RESPA. Plaintiffs seek to represent two subclasses comprised of all persons in the United States who, since January 31, 2005, (1) obtained a RESPA-covered mortgage loan from

either (a) PHH Home Loans or one of its subsidiaries, or (b) one of the mortgage services managed by PHH for other lenders, and (2) paid a fee for title insurance or settlement services to TRG or one of its subsidiaries. Plaintiffs allege, among other things, that PHH Home Loans operates in violation of RESPA and that the other defendants violate RESPA by referring business to one another under agreements or arrangements that are prohibited by RESPA. Plaintiffs seek treble damages and an award of attorneys' fees, costs and disbursements. The amended class action complaint was filed on December 10, 2015 and served on the Realogy and TRG entities on December 18, 2015. On February 5, 2016, defendants filed a motion to dismiss the case claiming that not only do the claims lack merit, but they are time-barred under RESPA's one-year statute of limitations. On April 5, 2016, the Court granted defendants' motion to dismiss with leave for the plaintiffs to amend their complaint. Plaintiffs filed a second amended complaint on April 21, 2016, and a third amended complaint on May 12, 2016, without material modifications to address the original complaint's deficiencies. On October 6, 2016, the Court denied defendants' May 26, 2016 motion to dismiss plaintiffs' third amended complaint, without prejudice to defendants' ability to move for summary judgment after discovery. Defendants filed an answer to the third amended complaint on October 20, 2016. On May 19, 2017, the parties held a mediation session, at which they agreed in principle to a settlement of \$17M, pursuant to which the Realogy defendants would pay approximately \$8.5 million (or one-half of the settlement) and the PHH defendants would pay the remaining \$8.5M. Realogy and PHH agreed to pay \$5,000 each to plaintiffs Hall and Strader in exchange for a dismissal of their claims, which occurred outside the class settlement. The individual settlement agreements with plaintiffs Hall and Strader are fully executed and settlement payments to Hall and Strader were funded in August 2017. On July 31, 2017, a Fourth Amended Complaint was filed, dismissing Hall and Strader and adding Sheri Dodge, Neil Dodge, Ram Agrawal and Sarita Agrawal as plaintiffs. At a hearing on the plaintiffs' motion for preliminary approval of the settlement held October 19, 2017, the Court indicated that if certain modest revisions were made to the settlement agreement and an amended motion for preliminary approval filed, the Court would grant preliminary approval. On January 29, 2018, the Court issued an order granting preliminary approval of the settlement and class notices were sent out in February 2018. The hearing on final approval of the settlement occurred on August 16, 2018, and the Court granted final approval of the settlement. Final judgment was entered on August 27, 2018 and the matter was dismissed. On September 10, 2018, Realogy paid its portion of the settlement in the amount of \$8,375,000.

E. Regulatory Proceedings.

The Department of Housing and Urban Development ("HUD") and the FTC conducted a joint regulatory investigation of the activities of Property I.D. Associates, LLC ("Associates"), a joint venture between Property I.D. Corporation, Cendant Real Estate Services Group LLC and Coldwell Banker Residential Brokerage Corporation. The regulatory investigation also included predecessor joint ventures of Associates, as well as other joint ventures formed by Property I.D. Corporation. Associates and its predecessors provide hazard reports in the California market. HUD and the FTC issued subpoenas seeking documents and information from Cendant, Coldwell Banker Residential Brokerage Corporation, Coldwell Banker Residential Brokerage, Coldwell Banker and Century 21. According to these subpoenas, the investigation concerned whether the activities of Associates violated the Real Estate Settlement and Procedures Act ("RESPA"), 12 U.S.C. § 2607 et seq. (which governs the mortgage process for federally funded loans) and Section 5 of the Trade Commission Act, 12 U.S.C. §45 (which regulates antitrust matters and anti-competitive behavior) for allegedly receiving compensation for referrals by operating a sham joint venture. Cendant cooperated in the investigation and responded to requests for information and document requests from HUD, and document requests from the FTC. On October 24, 2006, the FTC issued a letter advising that it had closed its investigation.

On May 23, 2007, HUD filed a lawsuit in the Central District of California, United States District Court, against Realogy, NRT, Coldwell Banker Residential Brokerage (collectively, the "Realogy parties"),

Property I.D., several Prudential Real Estate franchisees, and the joint venture companies between Property I.D. and these former joint venture partners. The lawsuit alleges that Natural Hazard Disclosure Reports (“NHD Reports”) are settlement services under RESPA, although acknowledges that NHD Reports are not an enumerated service identified in that statute or identified in the regulations. Because NHD Reports are allegedly settlement services, HUD further alleges that the defendants violated RESPA in their operation of the various joint ventures. In July 2007, the Realogy parties filed a motion to dismiss the lawsuit on the grounds that there is no statutory basis to seek disgorgement under RESPA, and no basis for seeking injunctive relief as the allegedly unlawful Realogy Group joint venture was terminated on June 30, 2006. On August 8, 2007, the Court entered a Stipulation extending the briefing on the motions to dismiss. On January 18, 2008, HUD filed an opposition to the motions to dismiss filed by all defendants. On February 15, 2008, the Realogy parties filed their reply to HUD’s opposition, which was denied on April 28, 2008. In May 2008, HUD and the Realogy parties agreed to settle the matter with no imposition of fines or penalties and a permanent injunction to refrain from future joint ventures for hazard disclosure reports operated in violation of RESPA. The Settlement Agreement has been fully executed and the Consent Decree and Release were filed with the Court on February 9, 2009. The Court dismissed the case on July 14, 2009.

F. Franchisor – Initiated Actions.

None

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Regardless of whether you are purchasing a conversion or start-up franchise from us, you will pay us an initial franchise fee of \$35,000 for the Main Office when you sign the Franchise Agreement, and an initial franchise fee of \$10,000 for a Branch Office when the Branch Office is added to the Franchise Agreement. If we approve you for a Corcoran® franchise, we will countersign the Franchise Agreement.

The initial franchise fee is non-refundable and is fully earned by us upon our countersignature, except that we will refund your initial franchise fee if we do not accept you as a franchisee. As further described in Item 1, we have a diversity and veteran program under which eligible franchisees may pay a reduced initial franchise fee. As of the issuance date of this disclosure document, the reduced initial franchise fee under the program is \$5,000.

If you are an existing franchisee and acquire another qualifying real estate brokerage business that you combine into your Office(s), we will not charge you an additional initial franchise fee. If you are approved to open additional Corcoran® Branch Office(s), you will sign a Location Addendum to your Franchise Agreement to amend it to reflect the existence and location of the additional Branch Office(s) (see Location Addendum, Exhibit C-1).

Except as described above, we do not refund any initial franchise fees. You must pay us any franchise fees in a lump sum. We have the right to vary, waive, reduce, negotiate or make an exception to our published fee structure and/or payment terms for any reason, including, without limitation, large or otherwise significant

transactions. We also have the right to negotiate conversion funding or other incentives that may vary in type, amount and duration. Our exercise of these rights may have the effect of directly or indirectly decreasing the initial franchise fee. See Item 10.

If we permit you to open a Limited Purpose Office, we will charge you a one-time fee of \$2,000. See Item 1.

ITEM 6. OTHER FEES [1] [2]

Name of Fee	Amount	Due Date	Remarks
Royalty Fees	Declining percentage of Gross Revenue (not including New Development Services Gross Revenue), beginning at 6% and declining incrementally to 4% [3]	Upon close of each transaction	See Note 3 for the complete table of Royalty Fee percentages based on annual Gross Revenue. The percentage of Royalty Fees to total annual Gross Revenue will decrease as your Gross Revenue increases. We have the right to increase the Annual Gross Revenue ranges annually by an amount not to exceed 5%, as adjusted.
Brand Marketing Fund (BMF) Contribution	1% of Gross Revenue up to and including \$5,000,000; 0.75% of Gross Revenue from \$5,000,001 to \$10,000,000 and 0.50% above \$10,000,000- (measured on an annual basis). [3] [4]	Payable within 20 days after being invoiced.	See Note 4 for the complete table of BMF contribution percentages based on annual Gross Revenue. The percentage of BMF contributions to total annual Gross Revenue will decrease as your Gross Revenue exceeds thresholds that we set. We reserve the right to increase the Annual Gross Revenue ranges annually by an amount not to exceed 5%, as adjusted.
New Development Services Royalty Fees	6% of New Development Services Gross Revenue [5]	Will vary	See Item 1 for the definition of New Development Services and Note 5 for the definition of New Development Services Gross Revenue.. This fee applies whether you are conducting New Development Services from an existing Office or in a Temporary Tract Office pursuant to a Limited Purpose Office Addendum.
Minimum Annual Royalty Fee	Will vary	Payable by January 10 th of the following calendar year, but only if your Royalty Fee payments for the calendar year are less than the Minimum Annual Royalty Fee.	We reserve the right to charge a Minimum Annual Royalty Fee for new Branch Offices or Start-Up Main Offices opened in certain markets. The Minimum Annual Royalty Fee will vary based upon the market and specific circumstances. Minimum Annual Royalty Fees are subject to adjustment as negotiated and set forth in your Franchise Agreement or addenda thereto.
Lead Management System Fees	\$375 - \$5,000 per year	Upon execution of the Lead Management End-User Agreement	This is an annual payment for the lead management services under a separate End-User Agreement. As of the issuance date, LeadRouter is our current leads management system that you are required to use, but it may change from time to time.

Name of Fee	Amount	Due Date	Remarks
Zap® Platform	See Remarks	To be determined	As of the issuance date of this disclosure document, the Zap platform is currently not offered to franchisees; however, it may be offered in the future. ZapLabs offers its Zap proprietary technology platform to certain franchisees of the Real Estate Affiliates (as described in Items 1, 8 and 11). Although currently there are no plans to do so, we reserve the right to require franchisees to use the Zap platform and/or to require the payment of reasonable fees to us, ZapLabs or our affiliated companies, for the use of the Zap platform. If an application programming interface ("API"), is made available to franchisees through a third party, franchisees may be responsible for development, integration, and service fees to that third party for the use of such API.
Software upgrades and updates	\$1,000 to \$2,000 or more per year	As incurred	As of the issuance date of this disclosure document, we do not charge for software upgrades and updates, but we have the right to do so in the future and require reasonable payment to us or an affiliated company. This range estimates those fees.
Transfer Fees	\$5,000 per Franchise Agreement	Before transfer	We charge this fee to process the sale or transfer your Franchise. There is no charge if you transfer to a corporation you own or if the transfer meets certain other criteria, as described in the Franchise Agreement.
Audit Fees	See remarks	upon receipt of the audit report	You must immediately pay us any fees that the audit reveals were due during the audit period but not paid, plus interest at Prime plus 2%. If you fail to cooperate with an audit, fail to keep auditable records, cancel or reschedule the audit, or if the audit exposes a deficiency of 5% or more in amounts due for any consecutive 3 month period, you also must pay all of our audit costs, plus fees past due, interest, late charges and costs. As of the issuance date of this disclosure document, the estimated cost for an audit is \$450 per day; however, the per diem rate is subject to change. Your failure, refusal or neglect to dispute fees or contributions that an audit reveals you owe, including any fees, costs and penalties assessed with an audit, constitutes a waiver of any right to challenge such fees, unless you provide us written notice of your dispute, along with an explanation of the basis for your dispute, within 30 days of the date we deliver the audit results to you in writing.

Name of Fee	Amount	Due Date	Remarks
Late Charges and Interest	See remarks	Upon demand	All past due payments will bear interest at the highest legal rate (not to exceed 1.5% per month) plus the highest allowable legal late charge.
Liquidated Damages	See remarks	Upon "early termination"	Upon "early termination" of the Agreement (that is, any termination before the Expiration Date (date in which your Franchise Agreement expires), other than a mutual termination or a termination by you under Section 16.2.5 of the Franchise Agreement), you must immediately pay us liquidated damages. Liquidated damages will be equal to the combined monthly average of Royalty Fees, BMF contributions, and any other fees under the Franchise Agreement (without regard to any fee waivers, rebate or other reductions) payable from the Opening Date through the date of early termination, multiplied by the lesser of (i) 36 or (ii) the number of full months remaining in the Term.
Orientation [6]	\$0 for the first attendee; \$1,200 for each additional attendee	See remarks	We currently do not charge a registration fee for the initial "Orientation" for one attendee (either you, the Responsible Broker, or their designee). However, you must pay the travel, lodging and incidental expenses of your attendee(s). The Orientation registration fee for each additional attendee is \$1,200. We may also charge the Orientation registration fee if you: (i) fail to send one attendee in accordance with the Franchise Agreement, (ii) acquire the Franchise as a result of a Transfer of the Franchise, or (iii) change the Responsible Broker. See Items 7 and 11 for more information
Special Assistance	As negotiated	When assistance is provided	We may provide special assistance upon your request. Charges will be based upon the assistance needed.
Limited Purpose Office Initial Franchise Fee	\$2,000	Payable prior to opening a Limited Purpose Office approved by us.	See Items 1 and 5 for more information.
Corcoran Conference Fee	\$1,000 - \$1,500 per registrant for Conference, depending on date fee paid	Due by the first day of Conference.	You must pay a registration fee for at least one person to attend the Conference (a system-wide conference opened to all franchisees and affiliated sales associates), whether or not you attend. Costs for travel, lodging and other incidental expenses are additional. The Conference is typically held every two years and usually lasts 2-4 days. The registration fee is subject to adjustment each time the Conference is held. See Section 6.4.1 of the Franchise Agreement.

Name of Fee	Amount	Due Date	Remarks
Other Brand Conference Fee	\$1,000 - \$1,500 per registration for Conference, depending on the date fee paid	Due by the first day of the Conference.	As of the issuance date of this disclosure document, we do not require you to attend other brand conferences, but reserve the right to require you to do so in the future. If we require you to attend another brand conference, you must pay a registration fee for at least 1 person to attend the conference. See Section 6.4.2 of the Franchise Agreement.
Costs and Attorney Fees	Will vary	Payable when we invoice you.	Reimbursement of our costs for enforcing the Franchise Agreement if you breach it.
Indemnification	Will vary	Upon demand	You will have to reimburse us, our related companies and certain persons named in the Franchise Agreement if any losses or costs are incurred because of your operation of the Business or any Excluded Businesses you operate and any acts and omissions of you, your Owners, employees, brokers, or your independent sales associates. "Excluded Businesses" are real estate related or non-real estate related businesses, other than the Business that you or a Related Party intends to operate that require our prior written approval in some cases. A "Related Party" is a person or entity that has majority control (via voting power, ownership, contract or otherwise) of another person or entity.
Insurance	Cost of insurance	On demand after payment	If you fail to obtain and maintain required insurance, we have the right to obtain insurance on your behalf, and you must promptly reimburse us for the cost of that insurance. (See Items 7 and 8)
Taxes	Will vary	Payable when we invoice you.	Payable in the event we have to pay value added taxes on the fees you pay us.
Relocation / Improvement Fees	Will vary	Payable to third parties as incurred	If your Office(s) do not meet our current minimum office appearance standards, we may require you to upgrade or relocate such Office(s). Costs and terms will be established by your suppliers.

Name of Fee	Amount	Due Date	Remarks
Product/Service Fees	Will vary [7]	Due when ordered or used.	We have the right but not the obligation to introduce and make available real estate related services and products, including, but not limited to, mortgage origination, escrow, property management, insurance, software, technology, home warranties, and communications systems for a fee. <u>Essential Services and Products.</u> If we advise you through written notice that a service or product is an essential element of the System and must be utilized, you will, at your sole expense: (i) obtain all necessary equipment, technology, services or products, which we advise you are necessary to use the essential element service or product; and (ii) begin using such product or service within 90 days after your receipt of the written notice. <u>Optional Services or Products.</u> If you voluntarily elect to use an optional service or product, you will pay us, our Related Party, or any Approved Supplier any fees and costs associated with such service or product. We offer various programs through our Related Parties, third parties or Approved Suppliers in which you may elect to participate. The programs include professional certification programs, special advertising programs, succession planning, and on-line services, including web-based applications.
Testing/Inspection Fees to Approve Supplier	See remarks	To be determined	As of the issuance date of this disclosure document, we do not charge fees for approval of a supplier, but we have the right to charge reasonable testing and inspection fees.

Notes to first Item 6 table above (Other Fees):

- [1] As of the issuance date of this disclosure document, the only acceptable payment procedure to us is through the use of a designated web-based, self-service application for electronic payment. All fees are imposed by and payable to us without offset, unless we have stated otherwise in this table. We uniformly impose the fees described in this table; however, we have the right to negotiate increases or decreases in or waive any of the fees, including Royalty Fees paid on certain listings or transactions.
- [2] All fees paid to us or related parties, or to the BMF are non-refundable, except that we will refund your initial franchise fee if we do not accept you as a franchisee.

- [3] “Gross Revenue” includes all compensation (including all revenues and commissions whether or not other individuals or entities are entitled to retain those revenues or commissions) received (or receivable) in connection with the Business, including revenue from New Development Services, transactions and services that require a real estate or auctioneer’s license and/or in which you use the Marks or the System in any manner, before the deduction of any fees, costs or expenses you incur, except for certain referral fees you pay to various sources. Any amounts deposited in the Business’s bank accounts will be deemed Gross Revenue earned in compliance with all laws unless proven otherwise. Gross Revenue does not include New Development Services Gross Revenue (as defined in Note 5 below).

The Royalty Fee is based on a percentage of Gross Revenue in accordance with the table below. You will pay 6% on the first \$5,000,000; 5% on the second \$5,000,000, etc. As your Gross Revenue increases, the Royalty Rate percentage decreases. (See Section 7.1 of the Franchise Agreement).

Annual Gross Revenue (reported and paid on a calendar year basis)		Royalty Rate
From	To	
\$0	\$5,000,000	6.00%
\$5,000,001	\$10,000,000	5.00%
\$10,000,001	\$20,000,000	4.75%
\$20,000,001	\$30,000,000	4.50%
\$30,000,001	\$40,000,000	4.25%
\$40,000,001	*	4.00%

*The Royalty Rate will remain at 4.00% for the remainder of the current calendar year for Gross Revenue over \$40,000,001.

On January 1st of each year, your Gross Revenue, for purposes of your Royalty Fee, will be reset, and you will pay a Royalty Rate of 6.00% on all Gross Revenue up to and including \$5,000,000, and your rates will adjust accordingly thereafter based on your Gross Revenue. By way of example only: If your Gross Revenue is \$12,000,000 during any calendar year, you would pay 6.00% on the first \$5,000,000; 5.00% on the second \$5,000,000 and 4.75% on \$2,000,000.

To be eligible for a reduction in Royalty Fees as set forth in the table above, you must have reported and paid Royalty Fees and BMF contributions on all Gross Revenue. All Gross Revenue on which Royalty Fees and BMF contributions are not paid within thirty (30) days of accrual shall be subject a 6.00% Royalty Rate. We reserve the right to increase the Annual Gross Revenue ranges by an amount not to exceed 5% per year, as adjusted. If for any reason we do not increase the Annual Gross Revenue ranges by the maximum amount permitted in any given year, we may add the amount not increased in any given year to the Annual Gross Revenue ranges in subsequent years.

- [4] The BMF contribution is based on a percentage of Gross Revenue in accordance with the table below. As your Gross Revenue increases, the Royalty Rate percentage decreases. If you conduct New Development Services, any New Development Services Gross Revenue will be considered Gross Revenue for purposes of calculating your BMF Contribution. You must start paying BMF contributions on the first day of the month following the Opening Date set forth in the Franchise Agreement. You must pay the BMF contribution for each month within twenty (20) days after being invoiced. (See Section 8 of the Franchise Agreement).

Annual Gross Revenue (reported and paid on a calendar year basis)		BMF Contribution Rate
From	To	
\$0	\$5,000,000	1.00%
\$5,000,001	\$10,000,000	0.75%
\$10,000,001	*	0.50%

*The BMF Contribution Rate will remain at 0.50% for the remainder of the current calendar year for Gross Revenue over \$10,000,000.

On January 1st of each year, your Gross Revenue, for purposes of your BMF Contribution, will be reset, and you will pay a BMF Contribution Rate of 1.00% on all Gross Revenue up to and including \$5,000,000, and 0.75% between \$5,000,001 and \$10,000,000, and 0.50% over \$10,000,000. By way of example only: If your Gross Revenue is \$12,000,000 during any calendar year, you would pay 1.00% on the first \$5,000,000; 0.75% on the next \$5,000,000; and 0.50% on the remaining \$2,000,000.

To be eligible for a reduction in BMF Contributions as set forth in the table above, you must have reported and paid Royalty Fees and BMF contributions on all Gross Revenue. All Gross Revenue on which Royalty Fees and BMF contributions are not paid within thirty (30) days of accrual shall be subject to a 1.00% BMF Contribution Rate. We reserve the right to increase the Annual Gross Revenue ranges each year by an amount not to exceed 5% per year, as adjusted. If for any reason we do not increase the Annual Gross Revenue ranges by the maximum amount permitted in any given year, we may add the amount not increased in any given year to the Annual Gross Revenue ranges in subsequent years.

- [5] “New Development Services Gross Revenue” includes all compensation received (or receivable) in connection with New Development Services conducted from your Business. Any amounts deposited in the Business’s bank accounts that were generated from New Development Services that we reasonably determine to be New Development Services Gross Revenue, will be deemed New Development Services Gross Revenue earned in compliance with all laws unless proven otherwise.
- [6] “Orientation” is our required program to introduce you, your Responsible Broker or other staff to the System. Your Responsible Broker is your licensed real estate broker as required under state laws in which your Office is located. If you acquire the franchise as a result of a Transfer of the Franchise, or if your Responsible Broker changes, we may charge a registration fee for failure to send one attendee to Orientation. Under the Franchise Agreement, a “Transfer of the Franchise” means a transaction or series of transactions that result in the franchise ownership changing either by having less than 51% equity interest in the legal entity operating the franchise, or the Owner(s) transferring more than a majority of the controlling interest in the Business to a third party. A Transfer of the Franchise can also occur from a variety of circumstances, including divorce, death, insolvency, dissolution, declaration of or transfer of the Business in a trust, or a foreclosure on the Business assets.
- [7] Although we do not currently assess any of these charges, we have the right to do so in the future for products and services which we deem to be essential to the operation and quality of the franchise, and you will be required to pay them to comply with your Franchise Agreement. We have the right to require you to purchase equipment, products or services that will allow your Office(s) to offer or use the required product or service. You may also incur fees and costs like these for services or

products we offer that are available, but not required. See Item 8 and Section 6.5.1 of the Franchise Agreement for more information.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT - CONVERSION OFFICE[1][2]

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee [3]	\$5,000 - \$35,000	Lump sum or financed	Upon signing the Franchise Agreement	To us
Real Estate [4]	Not included in total	Lump sum or open account	As incurred	Suppliers, Landlord
Leasehold Improvements [5]	\$0 - \$105,000	Progress Payments	Before Opening	Contractors
Building Signs [6]	\$700 - \$20,000	Lump sum, leased or financed	Within 30 days of signing the Franchise Agreement	Suppliers
Yard Signs [7]	\$3,500 - \$7,500	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Suppliers
Open House Signs [8]	\$900 - \$2,500	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Suppliers
Miscellaneous Rider Signs [9]	\$200 - \$300	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Suppliers
Name Badges [10]	\$400 - \$500	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Suppliers
Miscellaneous [11]	\$250 - \$500	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Suppliers
Printed Materials [12]	\$5,000 - \$25,000	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Suppliers
Insurance [13]	\$500 - \$2,500	Lump sum or open account	Before Opening	Rated carriers
Legal Expenses [14]	\$0 - \$4,000	As incurred	Before Opening	Attorneys
Orientation – Travel Expenses and Costs [15]	\$400 - \$5,400	As incurred	Within one year of signing the Franchise Agreement	Airlines, restaurants, hotels, etc.
Computer Equipment for Electronic Data Transfer System [16]	\$5,000 - \$10,000	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Suppliers
Website and Multiple Listing Services [17]	\$1,000 - \$50,000	As incurred	Within 30 days of signing the Franchise Agreement	Suppliers
Additional Launch Expenses (Grand Opening) [18]	\$3,000 - \$5,000	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Advertising Agency, Media, Entertainment

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Interior Branding/Signature Elements [19]	\$12,000 - \$20,000	Lump sum or open account	Within 30 days of signing the Franchise Agreement	Suppliers
Additional Funds (first 3 months after opening) [20]	\$15,000 - \$40,000	As incurred	As incurred	Employees, Suppliers, Utilities, Us
Total	\$52,850 – \$333,200			

Notes to first Item 7 table above (Conversion Office):

The table above provides an estimate of the initial investment needed to convert an existing single office real estate brokerage business to a Corcoran® office.

- [1] The estimates are based upon the assumption that the Office will be between 1,800 and 3,500 square feet and will accommodate up to 30 people (including employees and independent sales associates). If the appearance of your Office does not meet our current standards, we have the right to require you to refurbish or renovate the Office before opening your business under the Corcoran® name. Except for Signature Elements as described in footnote 19 below, we are unable to estimate the cost, if any, of refurbishing your Office since it will depend upon its existing condition.
- [2] All payments you make to us or our affiliates are non-refundable and are not financed, unless otherwise stated. Payments you make to parties other than us or our affiliates may be refundable and/or financed at the option of the other party. We or a related company may offer financing to assist you in paying certain conversion or opening costs associated with your affiliation with the System, or offer financing to you for acquisition or recruitment opportunities or other business related expenses, if you are an existing franchisee. Financed amounts will vary under the circumstances. Any financing will be offered through our Conversion Promissory Note (as defined in Item 10). See Item 10 for our current financing terms. This Note applies to the table above, as well as to the table below.
- [3] These fees are negotiable by us. We have the right to vary, negotiate or reduce the initial franchise fee. The initial franchise fee for your Main Office is \$35,000 and the initial franchise fee for your Branch Office is \$10,000. The one-time fee for a Limited Purpose Office is \$2,000. See Item 5. We have right to reduce the initial franchise fee for eligible franchisees pursuant to our diversity and veteran program. As of the issuance date of this disclosure document, the reduced initial franchise fee under this program is \$5,000.
- [4] If you do not own adequate office space, you must lease an office from which you can operate your Corcoran® franchise. A range of \$0 to \$50,000 per year is estimated to cover occupancy costs incurred by franchisees dispersed over a broad geographical area, some of whom own their own real estate and some of whom lease their office space.
- [5] In many instances a tenant may be able to negotiate a lease that provides for the landlord to bear most or all of the cost of tenant improvements. However, as a tenant you may have to incur leasehold improvement costs. The length of the lease may have a bearing on tenant or leasehold improvement costs you must pay. Typical build-out costs are generally between \$35 to \$75 per

square foot when significant construction and tenant improvements are necessary, depending on the type of structure. Leasehold improvements may be higher for a franchisee who does not already have a real estate brokerage office that will serve as the Office.

- [6] Simple single face box signs are estimated at \$700 and large building signs are estimated at \$20,000 (excluding installation costs.)
- [7] Yard signs are estimated at \$14 to \$60 per sign with metal frames estimated at \$21 to \$25 each, and \$55 to \$60 per post.
- [8] Open house signs are estimated at \$6 to \$50 per sign including frame.
- [9] Rider signs are estimated at \$7 to \$11 per sign.
- [10] Name badges range from \$20 to \$25 each, depending on materials and clasp mechanisms.
- [11] Includes items such as flags, banners, lapel pins, logo apparel and sales recognition boards.
- [12] Includes non-photo business cards at \$80 per thousand, envelopes, stationery, assorted brochures and miscellaneous display materials. Based on office with 30 people (including employees and independent sales associates).
- [13] The insurance deposits and premiums may vary by state and depending upon your Franchise may be higher or lower than this range. You may have additional costs as a result of the size of your Franchise or number of Offices, the types of coverage and policies you carry, your claim history, or if you elect to purchase more than the minimum coverage limits required under the Franchise Agreement. See Item 8 for more detail regarding insurance policy requirements.
- [14] Your legal expenses will vary depending upon numerous factors, including your jurisdiction, market prices and whether or not you retain legal counsel to review this disclosure document and/or the Franchise Agreement, and to what extent you seek guidance from legal counsel.
- [15] After signing your Franchise Agreement, you, your Responsible Broker (or designee) must attend our Orientation program. We do not charge a registration fee for one attendee at Orientation if this is a new franchise. We charge \$1,200 registration fee for each additional attendee at Orientation. If Orientation is offered at a location other than your Main Office, you must pay for travel, lodging, meals and other incidental expenses related to your or your representative's attendance at the Orientation. If you acquire your franchise as a result of a Transfer of the Franchise from another franchisee, attendance at Orientation is required by the Responsible Broker (or designee), at your expense and we may charge a registration fee.
- [16] We estimate the costs for a computer hardware and software meeting our minimum requirements for an office of 30 people (including employees and/or independent sales associates) ranges from \$5,000 to \$10,000.
- [17] We provide you with a brokerage website, which is required in order for your company, listings and affiliated sales associates to be displayed and searchable on www.corcoran.com, and your receipt of listing data and other online services provided by the brand. As of the issuance date of this disclosure document, we require you to use the brokerage website that we provide. If you choose to also maintain your own website for your Franchise, your use of your own website must be in compliance with brand standards and in accordance with the mandatory provisions of the

P&P Manual and we will not support your website. Implementation and maintenance costs of your own website may vary or increase depending upon the complexity of the functionality on your website, enhancements or other necessary technical requirements.

Franchisees are responsible for all fees assessed by their MLS or MLS feed provider. For www.corcoran.com, IDX search capabilities may also be implemented to include listings from your Multiple Listing Service or Services (MLS), which may be subject to fees based upon local MLS rules and such fees may vary by MLS, including costs associated with entering into agreements with each MLS. See Item 11.

- [18] Additional launch expenses to include costs for launch event and launch advertisements.
- [19] Internal Branding/Signature Elements: You will be required to purchase Signature Elements, which are branded elements including reception signage and a flat panel monitor in the welcome area for listings to be displayed on a rotational basis and other items, as set forth in the Brand Standards (which includes the recommended office design and appearance standards). Your Office should also have comfortable seating with lighting and artwork that compliments the Office theme and a coat/storage closet. You are not required to purchase the Signature Elements from a specific vendor; however, you must use an Approved Vendor for any trademark-bearing products. See Item 8.
- [20] Estimate includes Royalty Fees, BMF contributions, utilities, employee salaries and benefits, communications related expenses, general administrative expenses and organizational costs you may incur during the first 3 months of your operation as a Corcoran® office. You also may incur additional miscellaneous expenses during this 3-month period, such as promotional costs announcing your affiliation with us, the cost of sending attendees to Orientation and the cost of consulting an attorney, accountant or other professional advisor. In addition, you may incur additional legal expenses for advice on new or evolving federal or state laws associated with brokerage or general business obligations during your first 3 months of operation. Since you are already operating an existing real estate brokerage business, you will be best suited to determine the additional funds you will need to operate the office during the first 3 months after conversion. We do not guarantee that you will not have additional expenses converting the business. No financial performance representation is made or implied.

ADDITIONAL ESTIMATED INITIAL INVESTMENT - START-UP OFFICE

On a limited basis, we may grant a franchise to a newly formed residential brokerage business provided the business is, or will be, composed of independent agents substantially all of whom, immediately before the granting of the franchise were affiliated with a licensed real estate broker that would have satisfied the Criteria set forth in Item 1. The following table provides an estimate of the additional costs that may be incurred to open a new Corcoran® office.

Item	Amounts	Method of Payment	When Due	To Whom Payment is to be Made
Facility and Space Planning [1]	\$9,000 - \$17,500	Lump sum or open account	Before opening	Architects, consultants
Furnishings and Communications Equipment [2]	\$27,000 - \$87,500	As incurred	Before opening	Suppliers, RSG
Security and Other Deposits [3]	\$7,500 - \$17,700	Lump sum or open account	Before opening	Utilities, landlord
Prepaid Business Expenses [4]	\$3,000 - \$4,600	Lump sum	Before opening	Rated carriers, government agencies, suppliers
Additional Funds (first 3 months after opening) [5]	\$35,000 - \$60,000	As incurred for other expenses	After opening	Employees, suppliers, and utilities
Total Additional Cost for New Start-Up Office	\$81,500 - \$187,300			
Total Initial Investment for Conversion Office (from Conversion Office table above)	\$52,850 – \$333,200			
Total Investment for New Start-Up Office	\$134,350 - \$520,500			

Notes to second Item 7 table above (Additional Investment – Start-Up Office):

- [1] As a start-up franchisee, you may be required to purchase a variety of services to design and plan the office including space layout, office theme design, remodeling and accessory specifications, budgets and financing. The fee for the services will vary depending on your needs, geographic location, and on the size of the office. The estimates are based upon the assumption that the office will be between 1,800 and 3,500 square feet and will accommodate up to 30 people (including employees and independent sales associates). If you choose to renovate your Office(s), it must be in accordance with brand standards for interior branding and Signature Elements (see Note 19 above), before construction can begin. Any fees associated with the office design plan will be paid directly by you.
- [2] Furnishings and communications equipment costs can range significantly depending on the requirements of your business.
- [3] These figures include deposits for rent and utilities. Leasehold deposits and other monthly rental costs may exceed these estimates in certain areas.
- [4] These figures include license fees and other miscellaneous expenses.

- [5] In addition to the Additional Funds in the Conversion Table above, as a start-up company, we estimate that you will need these additional funds. This means that as a start-up company and office, you should plan to have a total of \$50,000 to \$100,000 in working capital available through your first 3 months after opening. You should discuss your cash flow needs and capital budgets with a professional accountant or advisor knowledgeable in planning new business enterprises. This figure does not include any amounts you may need for personal or living expenses. Payments for debt service, if any, are not included in this estimate. This estimate is in addition to the “Additional Funds” estimate included in the first table in this Item 7. We do not guarantee that you will not have any additional expenses starting the business. No financial performance representation is made or implied.

The first table above provides an estimated range of the costs you might incur during your first 3 months after the conversion of an existing real estate brokerage office to a Corcoran® office. The first and second tables above (when read together) provide an estimated range of the costs you might incur through your first 3 months operating a new start-up Corcoran® office. Your actual costs may vary from these estimates, depending upon factors including: whether you are converting an existing office or starting a new one; your office décor and furnishings changes (if any); your management skill, business acumen and experience; local economic conditions; the local market for real estate services; competition; the volume of business you transact; commission and independent agent splits; whether you will act as the broker of record or will retain one; the size of your facilities and staff; and the scope of your real estate operation, if any, prior to entering into the Franchise.

The above tables are based on our estimate of national average costs, market conditions prevailing as of the issuance date of this disclosure document, and our and our affiliates’ experience in the real estate brokerage business, specifically, the experience of our affiliate, NRT, which has operated company owned real estate brokerages under our marks and the marks of certain of the Real Estate Affiliates in the United States since 1997. We strongly recommend that you review the figures and estimates in this and other Items carefully with a business advisor before you sign the Franchise Agreement.

You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the conversion or development process.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We require ongoing maintenance of quality and uniformity throughout the Corcoran® System by identifying certain standards and specifications governing the use of the Marks in your day-to-day business, including on business cards, stationery, signage, and in related advertising and marketing. Accordingly, you must purchase building signs, yard signs, stationery, business cards and other Corcoran trademark-bearing items used in your real estate business that meet the mandatory standards and specifications as described in P&P Manual, which includes the Brand Standards. We have the right to change the P&P Manual and Brand Standards periodically. Any modifications to the P&P Manual and Brand Standards will be made to the copy located on the extranet site and we will provide notice of changes to you. The modifications are immediately effective and at your own expense, you must adopt on a timely basis (but no later than 90 days after notice) any such modifications.

We consider the mandatory specifications, standards and other requirements contained in the P&P Manual and Brand Standards to be of critical importance to the success of the System and may require that you deal only with suppliers that have been approved by us.

Except for the Signature Elements described in Item 7, we do not have specific standards or specifications for the furniture, fixtures and equipment that you use in your Office(s), except that we have minimum computer requirements you must comply with in order to access our reporting system, as further described in Item 11. However, you may purchase computer equipment that meets these requirements from any source. Any furniture, fixtures and equipment you use in your Office(s) must be in good condition and create an overall professional image for your Office(s).

We or RSG maintains a list of “Approved Suppliers” that provide trademark-bearing items to be used by our franchisees. Many of these Approved Suppliers participate in RSG’s preferred vendor program (the “Preferred Alliance Program”) which provides a variety of third-party products and services to our franchisees and franchisees of the Real Estate Affiliates for optional purchase. We and/or RSG negotiates purchase arrangements for certain products and services with Approved Suppliers, including price terms, for the benefit of franchisees. Trademark-bearing products, including signage and stationery, may only be purchased from an Approved Supplier unless you receive our prior written permission to use another supplier. Among the criteria we consider in permitting you to use another supplier is whether the supplier is able to produce the product or service in compliance with our mandatory standards and specifications and other requirements. You must submit product samples and specifications to us for inspection, testing and approval. Our analysis of an alternative supplier in these circumstances usually takes up to 30 days. We may charge reasonable testing and/or inspection fees and advise you accordingly. We or RSG may limit the number of Approved Suppliers to obtain volume discounts and/or assure consistent quality and adequate supplies for franchisees. We or RSG may revoke a supplier or alternative supplier’s approved status, upon notice to the supplier, if the supplier no longer meets our criteria, if it breaches its agreement with us or RSG, or if the products and services offered are no longer competitive in price or quality and we will provide notice to the System within 90 days of such revocation of the supplier or alternative supplier’s approval status. We do not assume any liability for the acts or omissions of, or guarantee the performance of, any supplier, whether approved or not.

Except as stated below and for our lead management system (which as of the issuance date of this disclosure document, is LeadRouter™ as described in Item 11), neither we nor any of our affiliates, including Realogy Group, provide any product or service from either Approved Suppliers or under the Preferred Alliance Program. There are no Approved Suppliers in which an officer of ours owns an interest.

As of the issuance date of this disclosure document, the Zap platform is not offered to our franchisees; however, it may be offered in the future. Our affiliate, ZapLabs, has developed, owns and continues to develop, improve and enhance the proprietary Zap® technology platform, a suite of tools to assist franchisees in operating a real estate brokerage business. ZapLabs is currently offering the Zap platform to franchisees of the Real Estate Affiliates and our affiliate NRT.

We and our affiliates have the right, subject to any franchisee election to opt-out, to submit listings to third party listing portal aggregators or services, whether web-based or otherwise (“Listing Services”) that will display those listings on public websites. Franchisees may have the option of purchasing related enhancements or other services and items directly from such Listing Services. Franchisees are required to use a lead management program that we designate (currently LeadRouter™ as described in Item 11). As of the issuance date of this disclosure document, neither we nor any of our affiliates are Approved Suppliers of any required products and services for the Franchise, except for LeadRouter as described in Item 11.

We do not provide you with any special benefits, including opportunities to acquire additional franchises, if you purchase products and services through an Approved Supplier or the Preferred Alliance Program. There are no purchasing or distribution cooperatives. We estimate that the required purchases and leases by a franchisee for the initial conversion of its businesses to a Corcoran® Office, or for the initial opening of a startup Corcoran® Office will range from 20% to 30% of the total costs for converting or opening the Office.

We estimate that required purchases by a conversion or start-up franchisee on an ongoing basis typically will equal less than 5% of the franchisee's total operating expenses per year.

We and our affiliates have the right to receive fees, payments, rebates, commissions or other consideration (collectively "Consideration") from Approved Suppliers, vendors affiliated with the Preferred Alliance Program, or other vendors from which you opt to purchase products, services and other items to be used in your real estate business (collectively the "Vendors") or from Listing Services, which may or may not be based on sales to franchisees or reasonably related to services we or our affiliates provide to these Vendors or Listing Services. For any required purchases of products and services by you or other franchisees from Vendors, we and our affiliates have the right to receive Consideration from Vendors that is generally 0% to 5% of the price you and other franchisees pay to Vendors for these items. We and our affiliates have the right to increase or decrease this percentage in the future. We and our affiliates will retain and use any Consideration we receive from Vendors or Listing Services as we deem appropriate.

We began franchising in 2019, so we did not receive any revenues from required purchases or leases, or purchases or leases subject to our mandatory standards, specifications and other requirements by the franchisees of the Real Estate Affiliates and us during calendar year 2018.

You must obtain and maintain for the term of the Franchise Agreement, at your expense, all of the insurance coverage we periodically prescribe, as outlined in the P&P Manual or other communication to you. All policies must be in form and content satisfactory to us and must be issued by an insurer(s) rated A-VIII or better in Class X by Alfred M. Best and Company Inc., or comparably rated by Moody's and/or Standard and Poor's or similarly reliable rating services acceptable to us. We have the right to change the minimum acceptable rating requirement.

In addition, all insurance coverage (excluding workers compensation insurance and Employment Practices Liability Insurance) must name us, Realogy Holdings and their subsidiaries, successors and assigns as additional insureds, and provide that we will receive 30 days' advance written notice of a cancellation of any policy.

Your insurance coverage must include, at a minimum: (1) if you use an automobile in connection with your business operations, automobile liability coverage, including hired and non-owned autos, with limits of at least \$1,000,000 per occurrence (2) general liability coverage, including contractual liability, Property Management coverage and (if not covered in a separate automobile liability policy) hired and non-owned autos, with limits of at least \$1,000,000 per occurrence, (3) professional liability (real estate errors and omissions) coverage, including coverage for Property Management, with limits of at least \$1,000,000 per claim, and (4) any additional types of policies and coverage required by law, including without limitation workers' compensation coverage and other policies generally recommended in the industry such as Employment Practices Liability Insurance. If you conduct New Development Services from your Business, you should obtain the appropriate minimum insurance coverage depending upon the size and scope of the development project as further described in the P&P Manual.

See Item 7 for an estimate of the costs relating to your minimum insurance coverage requirements. You should consult with your own insurance agents, brokers, attorneys or other insurance advisors to determine the level of insurance protection you need and desire, including any insurance coverage it may be advisable for you to require your affiliated agents to obtain, in addition to the coverage limits we require. All required insurance coverage must commence as of the Opening Date (defined as the date the Franchisee begins operating the Business) of your Corcoran[®] Office and Future Offices (which are any Offices opened after your Opening Date). You must furnish us certificates of insurance coverage at commencement, annually and upon our request, evidencing the existence of such insurance coverage and your compliance with the

insurance coverage requirements. We have the right to require specific endorsements, as necessary. Further we have the right to require you to obtain additional types of insurance, to increase limits during the term of the Franchise Agreement or to reduce minimum coverage requirements (with our written approval). If you fail to maintain any required insurance, we have the right, but not the obligation, to obtain any and all required insurance on your behalf and to charge you for the cost. In such case, you must promptly reimburse us for all our costs on demand.

ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligations of Franchisee	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 5 and 23.10 of the Franchise Agreement; Section 1 of the Location Addendum	Items 6, 7, 11 and 12
b. Pre-opening purchases/leases	Sections 4, 5 and 9 of the Franchise Agreement	Items 7, and 8
c. Site development and other pre-opening requirements	Sections 2.1-2.4, 4.6, 4.7, 4.9, 4.10, 9, 11 and 23.10 of the Franchise Agreement	Items 6, 7, 8 and 11
d. Initial and ongoing training	Section 6 of the Franchise Agreement; Section 3 of the EUA	Items 11 and 15
e. Opening	Sections 1.7, 4.10, 16.2.3.8 and 16.2.4.7 of the Franchise Agreement	Items 7 and 11
f. Fees	Sections 1.6, 6-9, 11-14 and 15.6 of the Franchise Agreement; Section 1 of the Location Addendum; Section 3 of the EUA	Items 5, 6, 7, 8 and 11
g. Compliance with standards and policies/policy manual	Sections 2.1-2.3, 4-6, 9-11, 13, 14, 16.2.6 and 22.1 of the Franchise Agreement; Section 1 of the Location Addendum; Section 3 of the EUA	Items 8, 9, 11, 13, 14 and 16

Obligations of Franchisee	Section in Agreement	Disclosure Document Item
h. Trademarks and proprietary information	Sections 1.7, 2.1.2, 4, 5.3, 10.3, 13, 14 and 16 of the Franchise Agreement; Section 1 of the Location Addendum; Section 8 of the EUA	Items 13 and 14
i. Restrictions on products/services offered	Sections 4, 11.1, 14, and 20.3 of the Franchise Agreement	Items 8, 11 and 16
j. Warranty and customer service requirements	Sections 10 and 21.2 of the Franchise Agreement; Section 9 of the EUA	Items 11 and 16
k. Territorial development and sales quotas	Section 5 of the Franchise Agreement	Item 12
l. Ongoing product/service purchases	Sections 4, 6.5, 9 and 11.1 of the Franchise Agreement; Sections 1-3 of the EUA	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 4, 9 and 16.2.6 of the Franchise Agreement	Items 6, 7 and 12
n. Insurance	Section 17.2 of the Franchise Agreement	Items 6 and 8
o. Advertising	Section 2.1, 4.5.3, 4.11, 4.13, 4.14, 8 and 11.1 of the Franchise Agreement; Section 1 of the Location Addendum	Items 6, 7 and 11
p. Indemnification	Sections 11.7 and 17 of the Franchise Agreement; Section 11 of the EUA	Item 6
q. Owner's participation/management/staffing	Sections 1.4, 2.3, 10 and 13.4 of the Franchise Agreement	Items 11 and 15
r. Records and reports	Sections 9.1 and 13 of the Franchise Agreement	Items 6, 8 and 11
s. Inspections and audits	Sections 4.2.3, 4.2.5 and 13 of the Franchise Agreement	Items 6 and 17
t. Transfer	Sections 13.3, 15 and 20.2 of the Franchise Agreement; Section 2 of the EUA	Item 6 and 17

Obligations of Franchisee	Section in Agreement	Disclosure Document Item
u. Renewal	Section 16.1 of the Franchise Agreement; Section 3 of the EUA	Item 17
v. Post-termination obligations	Sections 16.4, 16.7 and 20.4 of the Franchise Agreement; Section 7 of the EUA	Item 17
w. Non-competition covenants	Section 20 of the Franchise Agreement	Item 17
x. Dispute resolution	Sections 16.6, 16.8, 19 and 22.5 – 22.10 of the Franchise Agreement; Sections 3 and 10-12 of the EUA	Item 17 and cover page
y. Guaranty of Payment and Performance of Franchisee's Obligations [1]	Section 1.4 and Exhibit B of the Franchise Agreement	Item 15

Notes to Item 9 table above:

- [1] Each of your “Owners” (and their members, shareholders, partners and spouses, as applicable) must sign a Guaranty guarantying your obligations under the Franchise Agreement.

ITEM 10. FINANCING

Neither we nor any related company is obligated to provide you any financing. We or a related company, however, have the right to offer you financing to assist with conversion costs or growth opportunities. This financing will be based on several factors, including without limitation your financial need, credit history, ability to repay, net worth, your business operations, including history of growing your business, and your stability as well as our need for the development of your market area. Depending upon these factors, we may offer you financing in an amount equal to a percentage of the fees we expect to receive from your operations. We have the right to require you to furnish us with financial statements, tax returns and other documents. The terms of any financing, including the amount, the term of repayment, the amount of principal to be repaid, the amount of interest to be paid (where applicable), the security and other relevant terms are subject to negotiation between the parties as described below.

The financing will be in the form of a Conversion Promissory Note (“CPN” or “Note”), as set forth in the table below. The CPN is to assist you in paying certain conversion or opening costs associated with your affiliation with the System, which may include costs for signage, materials, advertising and marketing programs, transitional expenses, acquisition opportunities, recruiting or other business related expenses, provided the funds are used for the Franchise. If we finance these costs, you must execute a CPN, substantially in the form of Exhibit D-1. The CPN provides for deferral and an annual opportunity to achieve forgiveness of a portion of the principal upon satisfaction of certain annual Gross Revenues thresholds. In this event, we will reduce the outstanding balance, by a specified percentage each year until the CPN is effectively forgiven provided you are: (i) in compliance with your Franchise Agreement and any other agreements with us and our affiliates, including all Notes; and (ii) you maintain certain levels of annual Gross Revenue.

Finance Type	Amount Financed	Down Payment	Term	Finance Charges [1]	Payment Terms	Prepayment Penalty	Security Required [2]	Liability Upon Default [3]	Loss of Legal Rights on Default [3]
Conversion Promissory Note	Varies	None	Up to 10 years	Only upon a payment default, 18% per annum or the highest rate allowed by law	Equal annual installments with an opportunity for forgiveness of the annual principal installment [4]	None, except no refunds of interest will be paid, which may in effect, result in a prepayment penalty	Personal Guaranty by all persons with any equity interest in franchisee and their spouses; Security Agreement and UCC-1	Unpaid Loan/Loss of franchise; acceleration of payments and other remedies available to us under the terms of the Note and the Franchise Agreement	Waive various notice, rights and defenses; confess judgment

Notes to Item 10 table above:

- [1] Except as specified herein, we do not impose finance charges in connection with these financing arrangements except for interest charged upon a payment default in the amount of 18% per annum or the highest rate allowed by law.
- [2] All Notes must be guaranteed by the Franchisee as well as personally guaranteed by all shareholders, partners, interest holders and their respective spouses, as required by us. You must sign a security agreement for all the Business' assets, including after acquired property. We will file a UCC-1 financing statement with the appropriate governmental authority. (See Exhibit F to the Franchise Agreement or Exhibit D-1). We have the right to require additional forms of security.
- [3] For all Notes, the payments are non-refundable. If you are in default under any Note (which includes without limitation defaults under your Franchise Agreements or other agreements with us and our related companies) or your Franchise Agreement is otherwise terminated for any reason while any Note is outstanding, all principal and accrued interest payments are accelerated, and you are obligated to pay immediately the entire amount due as well as any collection costs that may be incurred, including court costs and attorneys' fees. Your failure to pay all amounts when due under any Note may constitute: (i) a default under the Franchise Agreement that may lead to termination of the Franchise Agreement; and (ii) a default under other agreements with us or our related companies. Under every Note, you waive various notices, rights and defenses, including your rights to diligence, demand, presentment for payment, notice of nonpayment and protest, and notice of amendments or modifications. You also waive any defense under the statute of limitations and allow that a confessed judgment may be taken against you. (See Exhibit D-1)
- [4] If you fail to meet the required level of annual Gross Revenue in any calendar year or otherwise fail to meet the requirements for forgiveness under the CPN, we have the right to bill you the agreed upon percentage of the annual principal for immediate payment.

We may require you to undergo a six-month operational review of your Franchise prior to the granting of any financing. The review will include a financial analysis, assessment of the use and understanding of our programs, and your adherence to the requirements under the Franchise Agreement.

We have no plans to sell or assign any Note from you or any other franchisee; however, we have the right to do so in the future. Upon any sales or assignment, we will not remain primarily obligated to provide the financial goods or services. We do not guarantee your obligations to third parties.

If RSG has a lender that provides finance opportunities to franchisees under the Preferred Alliance program, we or RSG may receive payments from such lender. As of the issuance date of this disclosure document, RSG does not receive payment from any lenders. See Item 8.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Prior to you opening your Office(s) under the Corcoran[®] System, we will provide you with site selection and certain training and marketing assistance as described below. In addition, once you open your Office(s), we will provide you with further marketing and operational assistance as described below.

Except as listed below, we are not required to provide you with any assistance.

Site Selection and Time to Open

Most franchisees operate a real estate brokerage business before joining the Corcoran[®] System and already have an office. We will conduct an inspection of your proposed Office location to determine if it meets our then current standards for Corcoran[®] brokerage offices. (Franchise Agreement, Section 4.6.). We do not select your Office location and we do not generally own property leased to franchisees for Office locations. We do not provide you with any assistance in locating your Office location. Our approval of your proposed Office location is based in part upon its location, building exterior, signage visibility, building access, parking capacity, landscaping, reception and lobby areas, work areas and broker's and manager's office space. This approval is granted as part of the franchise sales approval process and does not have a separate or specific time limitation. If we do not approve the quality of your Office location, we may require that you update your current location or obtain a location that meets our standards. Your Franchise may be conditioned upon updating your current location or obtaining a new location. If we and you cannot agree on a site location, we will not execute the Franchise Agreement and no franchise relationship will be created. Our review or approval of a site does not constitute a guarantee, recommendation or assurance as to the suitability of the site for a Corcoran[®] Office, or the success of the site or the Franchise. Our approval of an Office location means that, based on our inspection and the information you provided to us, the Office location meets our then current minimum standards.

We estimate that the typical time between your signing your Franchise Agreement and your opening your office will be between 45 and 60 days. The factors that affect this time are mostly within your control or the control of suppliers you select. Some factors that may affect the time period for the opening of the Office could be the amount of remodeling necessary to be done to the Office, availability of signage, necessity to secure local governmental approvals for zoning or signage, or completion of lease or purchase agreements. The above is not an exhaustive list, but does describe the most common factors. The Franchise Agreement requires that you be operating as a Corcoran[®] franchise by the Opening Date (see Franchise Agreement section 1.7).

Manual and Marks

We will provide you with access to a copy of the P&P Manual, which contains various suggestions and mandatory specifications, standards and procedures, including trademark and identity standards and office design standards, for use of the Marks and a wide scope of operating procedures and rules that we have the

right to periodically establish. The P&P Manual must be used during the operation of your office under the Corcoran® System. You may view the P&P Manual before you sign a Corcoran® Franchise Agreement if you sign the Confidentiality Agreement attached to this disclosure document as Exhibit E. The P&P Manual and its updates may be made available to you through our extranet site, www.mycorcoran.com. As of the issuance date of this disclosure document, the P&P Manual contains a total of 33 pages and a copy of its table of contents is included in Exhibit J. You will have 90 days to comply with any mandatory provisions that we change in the P&P Manual and you will be responsible for costs associated with such changes (Franchise Agreement, Section 10.2.). Except for signage, minimum technology requirements and the Signature Elements described in Item 7, we do not impose requirements with regard to equipment, fixtures or other fixed assets, or for construction, remodeling, leasehold improvements or decorating costs. We will provide written specifications for the computer and signage requirements in the P&P Manual. The minimum hardware and software requirements are also outlined in this disclosure document. We do not provide any assistance with providing equipment, signs, fixtures, opening inventory and supplies; however, franchisees may contact the Approved Suppliers for such items and materials, as described in Item 8.

We may also offer resources and services described in the P&P Manual or otherwise for use by the System. We reserve the right to change or modify the P&P Manual at any time, and to discontinue or add resources and/or services offered to the System at any time. We have the right to provide resources (marketing, sales and productivity) and services funded by us directly, provided for a fee, or funded in part or entirely by the BMF.

Training

After you sign your Franchise Agreement, we will provide you, your Responsible Broker (or designee) with Orientation. (Franchise Agreement, Section 6.1.1.) The program is mandatory and must be completed to our satisfaction within 12 months after the Opening Date of your Main Office. Orientation is currently held at or near our corporate office in Madison, New Jersey, or in one of the Corcoran offices located in New York City. You are not required to attend Orientation so long as one your Responsible Broker or a designee from your Office attends. We have the right to determine how often we offer Orientation, but in no event will we offer it less than once per year. The Orientation (excluding travel, lodging and other incidental expenses) will be provided free of charge to one attendee (as noted above). You must pay a registration fee, presently \$1,200 for each attendee, and all costs of travel, lodging, meals (except those meals provided during Orientation) and other expenses for any additional attendees at Orientation. If you are acquiring an office through a transfer of an existing franchise, you must pay all costs of registration, travel, lodging, meals and other expenses of your attendees at Orientation.

Orientation covers the subjects listed below. Our Vice President of Education, Marc Alter, oversees the program. Mr. Alter has been conducting training and educational programs for the Corcoran® brand since July 2017 and has 8 years of experience in providing real estate industry training and education, including being the founder of a real estate education start-up company. The learning team is comprised of individuals specialized in various areas of the real estate industry or industry related areas as described below. Although this learning team's primary role is to provide learning materials to us, the Real Estate Affiliates and our affiliate NRT, they may assist during Orientation, as needed.

Each instructor, including outside consultants, will generally have at least one year of experience in the real estate industry or in the industry related to the course topic and, unless an outside consultant, will have at least 6 months of experience working with us or our affiliates. We have the right to substitute instructors and course content. We do not provide any on the job training.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Brand Introduction	2.0	0	Either near our headquarters in New Jersey or in one of the Corcoran offices in New York City
Digital Overview	2.0	0	Either near our headquarters in New Jersey or in one of the Corcoran offices in New York City
Using Tools and Systems	2.0	0	Either near our headquarters in New Jersey or in one of the Corcoran offices in New York City
Marketing	2.0	0	Either near our headquarters in New Jersey or in one of the Corcoran offices in New York City
Recruiting	2.0	0	Either near our headquarters in New Jersey or in one of the Corcoran offices in New York City
Learning and Development	2.0	0	Either near our headquarters in New Jersey or in one of the Corcoran offices in New York City
TOTALS	12.0	0	

We will make available to you learning materials during Orientation, which may include oral presentations, videos, recordings, recruiting information and other related materials. All of these learning materials are and will remain our sole property. We have the right to change, discontinue or add any education program for the Corcoran® System at any time.

During the operation of your Corcoran® Office(s), we will provide recommendations to you with respect to improvements and changes to the System. The guidance may be in the form of bulletins or other written materials, electronic communication, consultation by telephone or in person at your Office(s), or by other means. (Franchise Agreement, Section 6.2.2.)

We also will conduct ongoing education courses, seminars or conferences either online, in your area or elsewhere, such as brand conferences or industry events. We have the right to determine if and when these courses may be offered, as well as their duration and content. There is no cost for ongoing educational materials; however, if learning sessions are held at our brand conference(s) or industry events, you are responsible for your costs of transportation, lodging, meals and other expenses to attend. Your attendance at these courses is voluntary. (Franchise Agreement, Section 6.2.1.) Through our learning platform, we also intend to provide programs which we encourage you and your independent sales associates to complete. We may make available, online learning materials for your use. Additional learning resources are currently provided through a specialized learning team dedicated to providing enhanced learning resources to us, NRT and the Real Estate Affiliates.

Any education, support, advice or resources we provide to you in connection with the Franchise is solely for the purpose of protecting the Marks and goodwill associated with the System and assisting you in the operation of the Franchise, and not for the purpose of controlling in or in any way exercising or exerting

control over your decisions or the day-to-day operation of the Franchise, including your personnel-related decisions.

Marketing and Advertising

During the term of your Franchise Agreement, we will provide advertising, public relations and promotional campaigns through a Brand Marketing Fund (BMF) to promote and enhance the awareness level and value of the Corcoran® Marks and brand worldwide. We have the right to use up to 5% of the BMF for advertising that is principally a solicitation for the sale of franchises to grow the Corcoran® System and increase the goodwill of the brand for the benefit of all franchisees.

We manage and administer the BMF under our franchise agreements. The BMF is a contractually generated fund. It is not a trust and we have no fiduciary or implied duties. BMF contributions are limited to those made by you, other franchisees and company owned Corcoran® offices. We use the BMF for the development, implementation, production, placement, payment and costs of national and regional (as defined by us) advertising, marketing, content creation (including social media and blogs), promotions, public relations and/or other programs, which may include direct mail (and email), market research, social media, digital, print, television, outdoor, sponsorships, print/distribution of brand books and publications, customer surveys and test marketing to promote and further the recognition of the Marks, the System, franchisees and independent sales associates generally. The BMF may also be used for other purposes, such as website development, online marketing and maintenance for the brand consumer website and accompanying consumer websites and blogs and the System extranet site, search engine marketing and search engine optimization, learning, awards, customer service support, real estate listing enhancement costs and subsidies, listing distribution arrangements, regional and national System events and related activities, social media development and learning, awards, LeadRouter™ or any similar or successor leads management system development, maintenance and updates, lead generation, customer loyalty programs, agent or broker productivity resources, system communications, identity standards and website compliance, brand extension development and marketing, talent attraction initiatives, resources and marketing, software development and distribution, quality control measures related to the use of the Marks in all types of platforms and other related activities in support of the Corcoran® brand and the Corcoran® System. All BMF funds are deposited into our general operating account and are commingled with our general operating funds. (Franchise Agreement, Section 8.3.) We have the right to use part of the advertising fund for joint or collective advertising campaigns with related companies.

You must make monthly contributions of 1.00% of your Gross Revenue, up to and including \$5,000,000; 0.75% of all Gross Revenue between \$5,000,001 and \$10,000,000; and 0.50% above \$10,000,000 to the BMF. Any New Development Services Gross Revenue, if applicable, will be considered Gross Revenue for purposes of calculating your BMF Contribution. On January 1st of each year, your Gross Revenue, for purposes of your BMF Contribution, will be reset, and you will pay a BMF Contribution of 1% on all Gross Revenue up to and including \$5,000,000, and your rates will adjust accordingly thereafter based on your Gross Revenue. Other franchisees may pay different BMF amounts based on the language of their franchise agreements. Although the BMF expenditures are intended to maximize general recognition and customer support for all Corcoran® offices, we cannot assure you that your Office(s) will benefit directly from the placement of the advertising. We have no obligation under the Franchise Agreement to place advertising or marketing to directly affect particular markets or regions, including the markets or regions where your Offices are located. We have the right to use our in-house marketing department to produce advertising campaigns and creative material for the brand. We currently use professional advertising and public relations agencies for the creation, development and placement of the marketing collateral, asset development and promotional materials produced for the BMF, and we have the right to change agencies at any time without notice to you. Our marketing department uses all forms of media for purposes of marketing the Corcoran®

brand. We also have the right to use the BMF for international advertising and marketing to maximize the goodwill of the Corcoran® brand.

We may charge all costs for formulation, development and placement of advertising, marketing, promotional and public relations materials to the BMF. This cost will include marketing staff compensation, travel expenses, and a proportionate share of the compensation for our senior management who devote time and render services for advertising, marketing and promotion or the administration of the BMF. The BMF may compensate us or our affiliates for out-of-pocket costs on behalf of the BMF, for marketing staff compensation and a portion of our senior management compensation, and for reasonable expenses incurred for rent, overhead, accounting, collection, reporting, technology system support, legal, human resources, finance, operations, management and other services, which we or our affiliates provide to, or which relate to the administration of or services provided to, the BMF and its programs (collectively “Corporate Services”). We and our affiliates may provide certain products and/or services to the BMF, including the Corporate Services outlined above, which would otherwise be provided by unaffiliated third parties, and we and our affiliates will be entitled to compensation by the BMF for such products and/or services. Any products and/or services provided by us or our affiliates will be provided at a cost comparable to those costs that the BMF would otherwise incur if the products or services were obtained from unaffiliated third parties. We determine the Corporate Services expenses to be charged to the BMF using a combination of direct cost calculations in the case of certain Corporate Services expenses directly attributable to RFG, and where Corporate Services expenses are shared among us and the Real Estate Affiliates, based on an allocation methodology. In those cases, where Corporate Services costs are shared, we and our affiliates determine how much of the overall expenses incurred for Corporate Services for a calendar year are reasonably attributable to services provided to the BMF and the advertising/marketing funds of the Real Estate Affiliates. Those expenses are allocated based on revenue, headcount, usage and similar bases, as we deem appropriate for the specific Corporate Service. This portion of the expense for Corporate Services is then further allocated to the BMF based on the total amount of revenue collected by the BMF in the calendar year as a percentage of the aggregate revenue collected by the BMF and the advertising/marketing funds of the Real Estate Affiliates for the same calendar year. We have the right to periodically modify the allocation process and the methodology described in this paragraph. Specifically, we reserve the right to adjust our method for charging the BMF for Corporate Services to a reasonable management fee calculated as a percentage of the total BMF contributions made by us and our affiliates, as applicable, and our franchisees for the applicable year according to the following formula: 6% of all BMF revenue up to \$7,000,000 and 3% of all BMF revenue over \$7,000,000. If implemented, this fee will include the Corporate Services described above and will specifically exclude marketing staff compensation and senior management compensation.

We develop the strategy and implementation for brand campaigns with oversight and input from NRT NY, RFG and Realogy Group senior management personnel. We may engage third party vendors or our affiliates to provide other various products and services to the System and the brand for overall marketing, advertising and other related activities in support of the Corcoran® brand and the Corcoran® System, and these vendors and affiliates will be paid from the BMF based either directly on invoices charged to us or on an allocation methodology (generally based on usage, headcount or similar bases) for products and services shared among affiliates. We may target print publications, internet-based advertising vehicles, events and on-site promotions for BMF expenditures on a national and regional level, although that may change in the future as well.

In addition to efforts supported by the BMF, you will also incur certain expenses for marketing, promotional and sales expenses, including resources, to provide marketing and sales support for your business. The BMF may focus heavily on brand recognition. As a result, you will have other marketing and sales expenses for products and services in your local market. You are free to use your own advertising material so long as it is in compliance with the Franchise Agreement and the P&P Manual, including without limitation the Brand

Standards contained therein. As of the issuance date of this disclosure document, we have no dedicated advertising advisory council. We have the right to form, change or dissolve advertising councils. As of the issuance date of this disclosure document, there are no advertising cooperatives for Corcoran® franchisees.

Upon written request, we will furnish you with an annual financial statement for the BMF which is usually available on or about April 30 of each year. We are not required to cause the BMF to be audited or reviewed by an independent certified public accounting firm. We do not provide periodic accounting of how the BMF revenues are spent unless you request such a report. You may request to inspect the books and records related to the BMF during our normal business hours. If the total contributions to the BMF exceed the expenditures from the fund in any calendar year, the excess will be retained in the fund for future marketing purposes.

We anticipate that all of our franchisees will contribute to the BMF, although there is no prohibition against us charging a higher or lower rate for future franchisees. The Corcoran® offices owned and operated by NRT NY contribute to the BMF and are subject to BMF contributions as other franchisees. Except as provided in Section 8 of the Franchise Agreement, we assume no liability or obligation for collecting amounts due to the BMF or to administering or maintaining the BMF. We have no implied or fiduciary duties, through course of conduct or otherwise, with respect to our administration and/or management of the BMF. We may pursue franchisees for BMF contributions if we deem such action to be in our best interest. We may also forgive, waive, settle or compromise claims made on behalf of or against the BMF. If we proceed against a franchisee for BMF contributions and other amounts due (including Royalty Fees), we will apply a pro-rata portion of any judgment or settlement amount we receive to the BMF based on the BMF claim's proportionate share of the total amount owed to us and the BMF by the franchisee (excluding any lost profits or liquidated damages amounts). We charge the BMF 30% of the attorneys' fees and other collection costs incurred in any action seeking past due recovery of BMF funds. We may defer or reduce a franchisee's BMF contribution.

We have the right to add new services, resources and capabilities funded in part or entirely by the BMF. Other services, resources and capabilities may be provided directly to you or for a fee.

We began offering franchises in 2019, so there were no cash disbursements of our BMF in 2018.

Computers and Electronic Devices

We and our affiliates have developed technology systems, consisting of proprietary software and non-proprietary operating programs that enable you to transmit required listing information and transaction reporting information and other relevant reporting data via the internet (the reporting system). The reporting system allows a franchisee to access its business data from any computer connected to the internet with no additional software. With the reporting system, a franchisee can maintain listing information and photos, employee rosters, office contact information and download and sort this information for its specific needs. We do not have independent access to the data in your office system, except for such data that you transmit to us or enter into the reporting system, and except for MLS data we receive through third-parties. There are no contractual limitations on our right to access this data. We will provide the reporting system to you without charge; however, you must obtain appropriate connectivity and browser software for this application as well as any platform upgrades that may be necessary. The software is proprietary to us, is licensed to you free of charge and is updated as needed by us. You are responsible for purchasing compatible hardware from a vendor you select. We have the right to require you to utilize hardware or additional software from a particular provider. Except for the reporting system discussed above, we do not, as of the issuance date of this disclosure document, require you to use any particular provider of hardware or software. You can acquire any computer hardware that meets our minimum memory and other standards as outlined below:

As of the issuance date of this disclosure document, our minimum standards for the reporting system are indicated below. The requirements are divided into two categories, Supported and Recommended. While

the reporting system will work with any items in the Supported column, users are encouraged to use the Recommended.

Operating Systems:

Supported	Recommended
Windows 7 / 8 / 8.1/ 10	Windows 10
Mac OS X 10.10 (Yosemite)	Mac OS X 10.10 (Yosemite)
Android Lollipop (5.x) Android Marshmallow (6.x)	Android Marshmallow (6.x)
iOS 9/10	iOS 10

Windows Browsers:

Supported	Recommended
Chrome (60+)	Chrome (70.X)
Internet Explorer 10 / 11	Internet Explorer 11
Edge (25+)	Edge (28)
Firefox (55+)	Firefox (55)

Mac Browsers:

Supported	Recommended
Safari 9 /10	Safari 10

PC System Requirements:

	Supported	Recommended
Processor	2 gigahertz (GHz) or faster 32-bit (x86) or 64-bit (x64) processor	2 gigahertz (GHz) or faster 32-bit (x86) or 64-bit (x64) processor
Memory	4GB	8 GB
Display	1024x768	1366x768 1920x1080
Internet	1 Mbps	2 Mbps

We will not provide maintenance for your computer hardware. It is recommended that you obtain a service agreement if repair and support are not covered under the warranty that accompanied the various components of your office infrastructure (“technology”, “hardware” or other “software”). We have the right to periodically change our standards. While a computer with these specifications may be able to handle other software applications related to the operation of a Corcoran® office, we do not represent that these computer specifications will be sufficient to run any additional software. Our standards are simply the minimum requirements to operate a Corcoran® office.

The costs of the minimum hardware and software components required above will vary based on the size of the office and number of independent sales associates. We estimate that the costs for a system that meets these minimum requirements for an office of 30 employees ranges from \$5,000 to \$10,000. We further estimate that the costs for any optional or required maintenance updates, upgrading or support contracts for such an office will range between \$1,000 and \$2,000 or more per year.

You must ensure that any technology you use in connection with the Business, has appropriate data security controls, including but not limited to the following: (i) authentication mechanisms designed so that they cannot be bypassed to gain unauthorized access to systems, (ii) encryption; and (iii) password

protection measures, such as protecting the form in which they are stored and complexity of character classes and password length.

We and our affiliates have the right, but not the obligation, to develop enhancements to the technology systems and software packages, some or all of which may result in an access fee or other charges. In addition, based on any enhancements we develop, changes in technology or in our reasonable business judgment, we have the right to require you, at your cost, to update, replace or add to your computer equipment (including hardware, software, services, data protection and other related components) during the term of the Franchise Agreement, and there are no contractual limitations on the frequency or cost of this obligation. (Franchise Agreement, Section 9). We estimate the costs for any optional or required maintenance updates, upgrading or support contracts for such an office will range between \$1,000 and \$2,000 or more per year.

Franchisees are required to enter into an end-user license agreement with us for a lead management program that we designate to manage, and service leads you obtain through our website or other sources. As of the issuance date of this disclosure document, this lead management program is LeadRouter™ (which may change from time to time). The LeadRouter service is provided by us, and your annual LeadRouter fees will range from \$375 to \$5,000 (See Exhibit C-2). We do not anticipate that any changes to the lead management system will affect your fundamental rights under the Franchise Agreement or that the fees will vary significantly from the range in the previous sentence.

As further described in Items 1 and 8, our affiliate, as of the issuance date of this disclosure document, the Zap platform is not offered to our franchisees; however, ZapLabs, may in the future offer its proprietary Zap technology platform to certain of our franchisees. The Zap platform includes proprietary software and other intellectual property ZapLabs owns. Franchisees electing to use the Zap platform will be required to agree to the Zap Terms of Use. We reserve the right, to make the use of the Zap platform mandatory and/or to require the payment of reasonable fees to us, ZapLabs or our affiliates, for the use of the Zap platform. If an application programming interface to any portion of the Zap platform or any of our lead management program applications, including LeadRouter™ (“API”), is made available through a third party, franchisees may be responsible for development, integration, and service fees to that third party for the use of such API.

We offer one online service, www.corcoran.com, which is a publicly accessible brand website that allows us, our affiliates, you and your independent sales associates to post listings on the internet (subject to the terms and conditions of the P&P Manual) for consumers worldwide. You are required to participate in www.corcoran.com.

In addition, we maintain a private extranet site, www.mycorcoran.com, accessible to you and your independent sales associates who subscribe to the System. This extranet site may include various enhancements as available, Corcoran® news and systems, broker-to-broker referral capabilities and supplier information. You are free to use any form of electronic media (including the internet) so long as your use is in compliance with the Franchise Agreement and the P&P Manual, including without limitation the Brand Standards.

Presently, there are no mandatory fees directly associated with participation in www.corcoran.com. However, IDX search capabilities may be implemented on www.corcoran.com to include listings from your MLS, which may be subject to initial or ongoing fees based upon local MLS rules and such fees may vary by MLS. The www.corcoran.com site may require 3-way MLS agreements. Although many MLS providers may not charge, some MLS providers do charge for providing a data feed for online purposes such as displaying listings online and these fees are paid directly to the MLS. Further, you must obtain appropriate

connectivity and browser software for this application, and/or our extranet site, as well as any platform upgrades that may be necessary.

Except as described in Items 12 and 13, you may advertise your business and market homes using electronic resources, including the internet, subject to the terms of the Franchise Agreement and any limitations in the P&P Manual. As described above, you are required to use the brokerage website that we provide; however, you may maintain your own website for your Franchise and use our Marks on the website, provided this use is fully compliant with the P&P Manual. We will not support your website. You cannot use any of the Marks in a uniform resource locator or similar internet or addressing or identification system, except in compliance with our guidelines or as otherwise authorized by us. Real estate brokerage offices (including independent sales associates) of competitive brands controlled by our affiliates may have used, and have the right to use, other channels of distribution, such as the internet, telemarketing or other direct marketing sales, to make sales within your market area using their principal brand trademarks and/or trademarks different from the ones you will use under the Franchise Agreement. We use, and have the right to use other channels of distribution, such as the internet, telemarketing or other direct marketing sales, to make sales within your market area using our principal brand trademarks and/or trademarks different from the ones you will use under the Franchise Agreement.

Ancillary Services

We also may offer other ancillary services, directly or through related or other companies for a fee, to assist you in enhancing your Franchise. Ancillary services may include new development consulting and marketing (as described in Item 1), certain loan brokerage, escrow services, title searches, insurance and the like, related to a Residential Real Estate brokerage operation. These services may not be available in all markets, and we have the right to add, change or discontinue any ancillary service at any time.

ITEM 12. TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we own or control. You must operate your Franchise only from the Office(s) identified in the Franchise Agreement. You must promote your services within the market served by your Office(s). Except as described below, you may solicit clients from anywhere that your real estate license permits. Additionally, subject to your real estate license limitations, you may solicit clients using alternative channels of distribution, including the internet, catalog sales, telemarketing or other direct marketing sales.

At any time, we and our affiliates have the right, without compensation to you, to own, operate, franchise or license others to operate real estate brokerage businesses, including without limitation Corcoran[®] offices, and other businesses anywhere within or outside the market area where your Office(s) is located, including locations in immediate proximity to your Office(s). The Real Estate Affiliates grant similar real estate brokerage franchises to operate under the Coldwell Banker[®], Coldwell Banker Commercial[®], CENTURY 21[®], Better Homes and Gardens[®] Real Estate, Sotheby's International Realty[®] and ERA[®] service marks. Climb anticipates that it will begin offering residential real estate brokerage franchises to be operated under the service mark "ClimbSM" in the second half of 2019. Each Real Estate Affiliate is operated separately and distinctly from the others; therefore, we do not resolve conflicts between franchisees of the Real Estate Affiliates regarding territory, customers and franchisor support. We do, however, work with our franchisees to collaboratively resolve conflicts between us and them regarding territory, customers and franchisor support.

NRT currently operates real estate brokerage businesses under Coldwell Banker[®], Coldwell Banker Commercial[®], Sotheby's International Realty[®], ZipRealty[®] and Climb Real Estate[®] service marks. NRT NY currently operates real estate brokerage businesses under Corcoran[®], Corcoran Sunshine[®] and Citi HabitatsSM service marks. There is no restriction under the Franchise Agreement that prevents us, the Real Estate Affiliates, NRT, NRT NY or any other present or future affiliate from owning, operating, franchising or licensing others to operate, real estate brokerages or other businesses under the Corcoran[®], Sotheby's International Realty[®], Coldwell Banker[®], Coldwell Banker Commercial[®], CENTURY 21[®], Better Homes and Gardens[®] Real Estate, ERA[®], ClimbSM and Climb Real Estate[®] service marks, or any other service marks, anywhere within or outside your market area. Except for real estate license limitations, there are no restrictions on us or our affiliates, or our or our affiliates' franchisees, that would prevent us or our affiliates, or our or our affiliates' franchisees from accepting clients or listings within the area in which you operate. You are not entitled to receive any compensation from us or others for any business generated by us or our affiliates, or our or our affiliates' franchisees, from clients in any market area, including clients in your market area. Further, we and our affiliates have the right to use and allow our and our affiliates' franchisees to use, without any compensation to you, alternative channels of distribution, including the internet, catalog sales, telemarketing or other direct marketing sales, to make sales anywhere within or outside your market area using the Marks or any other service marks.

As further described in Item 1, we and the Real Estate Affiliates and other affiliates subcontract with Realogy Group and its affiliates for support services and share office facilities with them in Madison, New Jersey. Each Real Estate Affiliate is operated as a separate company with its own management and marketing personnel and distinct business strategies and objectives.

You must not operate your Franchise at any site other than the Office(s) identified in your Franchise Agreement without our prior written approval. If you want to change an Office location within the same general vicinity as your Office(s), you must request our approval in writing (and submit other relevant information that we request to evaluate your proposal) at least 30 days before the proposed change. We may impose conditions on a location change, including:

[1] The new Office location must satisfy our then current office appearance standards and must offer you the prospect of enhancing your ability to provide quality real estate services;

[2] The relocation of your Office must not expose us or any of our Related Parties to potential liability (as we have the right to determine in our reasonable business judgment);

[3] The relocation must not be likely to have a material adverse effect on our business, the business of our Related Parties or of other franchisees (as we have the right to determine in our reasonable business judgment);

[4] You must be in compliance with the Franchise Agreement and all other agreements with us and/or our Related Parties; and

[5] You must sign documentation we require to memorialize the approved change in location.

You do not have any options, rights of first refusal or similar rights to acquire additional Franchises. You do not receive the right to acquire additional Offices unless we sign a Location Addendum (or Limited Purpose Office Addendum) to the Franchise Agreement with you for each Office. You should not sign a new lease or incur any other expenses or liabilities for any new Office(s) until we have approved the proposed location. See Sections 5.4 and 5.5 of the Franchise Agreement regarding the opening of additional Offices. We require no minimum sales quotas in order for you to continue to operate your Main Office.

Generally, we neither grant an area license nor exclusive territorial rights. There is no minimum area of protection or territory granted to franchisees under the Franchise Agreement. However, we have the right to grant to franchisees limited protected areas in which no new franchises will be granted for a period of time determined by us if we think that local market conditions or other economic factors merit such a decision. We have the right to enter into Franchise Agreements, which may contain materially different terms than those in your Franchise Agreement and may include favorable modifications to any number of standard provisions (including the royalty fees, BMF contribution, term and the granting of certain limited and conditional protected areas or markets). Any grant of limited protected areas must be in writing and will have a specified term. We have the right to terminate such limited areas of protection if a franchisee fails to maintain a level of annual Gross Revenue that we determine is appropriate for the maintenance of the protected area granted or otherwise is in default of the Franchise Agreement.

ITEM 13. TRADEMARKS

You are required to operate under the name “Corcoran” with a suffix that identifies your Office. According to our Brand Standards, your trade name may be displayed in standard text as well as in a logo format. The specific font type, style, proportions and other specific details of the logo formats are described in specific detail in the Brand Standards and may not be altered by you. NRT NY also operates under the trade name “Corcoran.”

You may also use other current or future Marks that we license to you. By Marks, we mean the Corcoran® service mark and other trademarks, service marks, trade names, designs, logos and other commercial symbols and slogans we periodically designate to use in connection with your Franchise, including the following primary Marks we have licensed, and which are registered or pending registration on the United States Patent and Trademark Office Principal Register:

Trademark Name	Registration No.	Registration Date
CORCORAN	2533288	29-Jan-2002
LIVE WHO YOU ARE	3178618	28-Nov-2006
CORCORAN	3417729	29-Apr-2008

Pending Registrations:

Trademark Name	Application No.	Application Date
CORCORAN Colorbar	88349870	21-Mar-2019
CORCORAN (Stylized)	88242626	27-Dec-2018

Under your Franchise Agreement, you also are granted a license to use the Corcoran MARK (which appears on the front of this disclosure document) with your trade name to the right or below it.

We own all of the Marks and the above registrations and pending applications. The registrations have been renewed on a timely basis and all appropriate maintenance affidavits have been filed.

We must ensure that all franchisees utilizing the Marks meet our standards. In order to protect and uphold our standards, we have included a link to the National Association of Realtors® Code of Ethics in the P&P Manual and incorporated various quality control provisions into the Franchise Agreement. You must fully comply with each and all of the mandatory provisions and standards.

You must follow our rules when you use the Marks. You may only use the Marks in the operation of your Franchise and in accordance with the Franchise Agreement, the P&P Manual and the Brand Guide, which

contain detailed instructions for use of the Marks. You must use the Corcoran Mark in combination with your Trade Name, which is the name you must operate the Business solely under. You must identify yourself as the independent owner of the Franchise. You may not use the Marks as part of your legal entity name. You also may not use the Marks on the internet or similar communications network, including your URL, or in connection with any activity other than the operation of your Franchise, except in compliance with our guidelines or as otherwise authorized in writing by us. We have the right to apply for and own tradenames, trademarks and service marks relating to Improvements and such Improvements will be our property. "Improvements" are defined as any improvements or additions to the System, new trade names, trademarks, service marks or other commercial symbols related to the System or any advertising or promotion ideas related to the System that franchisees conceive or develop. All Improvements must be fully disclosed to us and must have received our written approval prior to use. Any Improvements we approve will be deemed licensed to us on a royalty-free, paid-up, perpetual worldwide license and may be used by us and our franchisees without paying you royalties or similar fees. We have the right to apply for and own copyrights, trade names, trademarks and service marks relating to Improvements. Improvements will be our property and trade secret. We will authorize franchisees to use Improvements authorized for use by other franchisees.

You are not permitted to use, register or attempt to register any derivative of the Marks or any confusingly similar mark as a mark by itself or with any other name, brand, design, trademark, service mark, trade dress, logo, domain name, or corporate, trade or business name. You are also not permitted to use the Marks in any corporate or trade name or assumed name or d/b/a or in any Mark under which any aspect of the Franchise is conducted. Moreover, we will only grant franchises to brokerage companies that meet the certain Criteria (each as more fully defined and described in Item 1). You must not directly or indirectly contest our rights in and to any trademarks, including the Marks. As of the issuance date of this disclosure document, there are no agreements currently in effect which could significantly limit our right to use or to sublicense the Marks in a manner material to you.

We have the right to change or discontinue the use of the Marks or any other trademarks, service marks, trade names, designs, logos, or other commercial symbols and slogans that we let you use. If we do so, you must comply with these changes at your expense, although you will always be given at least 90 days to comply.

You must notify us promptly if you learn about any unauthorized or improper use of the Marks or if anyone challenges your right to use them. We will take the action we think appropriate. You cannot commence any investigation, complaint or legal action, or communicate with any other person concerning these matters without our prior written consent. You are required by the Franchise Agreement to cooperate with us and our attorneys in handling any complaint or legal action regarding the Marks. We will not require you to incur any unreasonable costs in connection with your cooperation related to any complaint or legal action regarding the Marks. Except as required by law, we are not obligated under the Franchise Agreement to protect the Marks or your right to use the Marks or to protect you against claims of infringement or unfair competition arising out of your use of the Marks. We have the right to conduct and control any legal actions or administrative proceedings regarding the Marks. Except as required by state law or state addendum to the Franchise Agreement, neither we are not obligated by our Franchise Agreement to participate in or indemnify you for litigation or administrative proceedings in which you are named as a party and that involve the license of the Marks to you, regardless of whether the outcome of the proceeding is resolved unfavorably to you. You must notify us promptly if you become aware of any complaint to, or investigation by, a governmental authority. As of the issuance date of this disclosure document there are no currently effective material determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, any state trademark administrator or any court involving the Marks. We have not been notified of any pending infringement, opposition or cancellation action or pending material litigation involving the Marks. We do not know of any superior rights or infringing uses that could materially affect your use of the Marks.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or pending patent applications that are material to the Franchise. Under the Franchise Agreement, you will receive a license to use information that is published in the P&P Manual, educational resources, advertising and promotional materials, and computer software programs. Although formal application(s) for a copyright registration of all materials may not have been filed with the United States Copyright Office, we own all copyright rights and/or have the exclusive right to license the copyright rights in and to the materials.

We regard various proprietary information used in our business and supplied to you as valuable trade secrets. This proprietary information includes the P&P Manual and the Brand Standards, information concerning our System, our referral system, education and operational materials, business and marketing plans and resources, computer software programs, technology tools, including our proprietary and other technology, and other confidential aspects of our business. You must exert reasonably prudent efforts to maintain the confidentiality of this proprietary information during the term of the Franchise Agreement, as well as after its termination or expiration. This includes informing your Responsible Broker, Office manager(s), independent sales associates and other personnel that these materials are proprietary and supervising their use of the materials. You may not use any confidential, proprietary or trade secret information that we provide to you other than in the manner authorized. You must comply with all mandatory methods, specifications and procedures in the P&P Manual and Brand Standards, as they may be modified from time to time. You have no rights under the Franchise Agreement if we modify or discontinue use of the P&P Manual, or a specific version of the P&P Manual, the Brand Standards, or any other proprietary information we provide to you, including proprietary information covered by our copyrights or trade secrets. We have the right to apply for and own trade secrets and copyrights relating to Improvements and such Improvements will be our property.

You must notify us promptly if you learn about any unauthorized or improper use of the copyrights, trade secrets or other proprietary information, or if anyone challenges your right to use them. We will take the action we think appropriate and have the right to control any administrative proceedings or litigation. We are not obligated, however, to take any action in response to the unauthorized or improper use of our copyrights, trade secrets or other proprietary information. You cannot commence any investigation, complaint or legal action, or communicate with any other person concerning these matters without our prior written consent. You are required by the Franchise Agreement to cooperate with us and our attorneys in handling any complaint or legal action relating to our copyrights, trade secrets or other proprietary information. Except as required by state law or state addendum to the Franchise Agreement, we are not obligated by our Franchise Agreement to participate in or indemnify you for litigation or administrative proceedings in which you are named as a party and that involve your use of any proprietary information covered by our copyrights, trade secrets or other proprietary information, regardless of whether the outcome of the proceeding is resolved unfavorably to you.

You must not directly or indirectly contest our rights to any copyrights, trade secrets or other proprietary information.

As of the issuance date of this disclosure document, there are no effective material adverse determinations of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding our copyrights or trade secrets. We have not been notified of any infringement that could materially affect your use of our copyrights or trade secrets. As of the issuance date of this disclosure document, there are no agreements currently in effect which could significantly limit our right to use or to sublicense our copyrights or trade secrets in a manner material to you.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You, if you are an individual and obtaining the Franchise as a sole proprietor, or your Owners, if you are an entity, must participate in the management of the Franchise. You will exercise your continuous best efforts to maintain, develop and promote the Franchise to its greatest potential and to enhance the Marks' reputation and goodwill. You must retain a "Responsible Broker" (your licensed real estate broker as required under the laws of the state in which the Office is located) and you, your office manager(s) and your Responsible Broker must comply with all applicable laws, rules and regulations. If you open a second or additional Office, you must appoint an office manager who will supervise all activities related to the business at that Office.

The Responsible Broker (or a designee) must complete the Orientation program to our satisfaction (see Section 6.1.1 of the Franchise Agreement). During the term of the Franchise Agreement, you, your Owners, officers, guarantors and Responsible Broker cannot directly or indirectly, through ownership or otherwise, engage in any real estate brokerage business other than the Business or any Real Estate Related Excluded Business authorized under the Franchise Agreement. Also, you will require all your management personnel, including your Responsible Broker and manager, to treat as confidential all information obtained by you regarding the System. The Responsible Broker and manager do not need to have an equity interest in the Franchise.

Each equity interest holder in the Franchise must sign a Guaranty of Payment and Performance, personally assuming and agreeing to discharge all obligations of the "Franchisee," including its payment obligations, under the Franchise Agreement. We have the right to require a spouse not party to the Franchise Agreement to sign a personal guaranty. By signing the Guaranty to the Franchise Agreement, a spouse will be jointly and severally liable for all obligations under the Franchise Agreement whether or not the spouse is involved in the operation of the Franchise. This places the personal assets of the owners and the owner's spouse at risk. See Exhibit C.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Franchise Agreement strictly defines the real estate brokerage services you may provide under the Marks. These defined services may be more limited than the scope of activities permitted under most state real estate licensing laws.

If we grant you a Franchise, you must use the Marks in connection with the listing, offering, selling, exchanging, purchasing, managing, leasing or renting of residential real estate. For purposes of this disclosure document, "Residential Real Estate" will mean real estate consisting of a residential dwelling (including an apartment within a multi-family building), including leaseholds of dwellings (including the rental and management of properties, cooperatives, condominiums, fractional ownership, manufactured homes, panelized or pre-fabricated housing, undeveloped land, resort, farm and ranch real estate and any other form of real estate for which a residential real estate brokerage license is required under applicable law, excluding real estate services defined as Real Estate Related Excluded Businesses. "Real Estate Related Excluded Businesses" are businesses relating to the real estate industry, including but not limited to, title, mortgage, escrow, real estate investment (personal or business), real estate development, lead management real estate software or technology related businesses. You may also use the Marks in connection with the listing, offering, selling, exchanging, purchasing, managing, leasing or renting of commercial real estate and any ancillary personal property related to a commercial real estate transaction authorized under applicable broker licensing laws, which may vary, from time to time based on state laws ("Commercial Real Estate"). Additionally, as described in Item 1, you may also conduct New Development Services using the

Marks with our prior written approval in certain cases, subject to the terms of the Franchise Agreement and P&P Manual.

You may be permitted to engage in other business activities with our prior written consent. Such business activities must be conducted under another trade name and in a manner (including, but not limited to, segregated workspaces, as we may require, and using a separate telephone number) that eliminates the prospect that the public might believe the business is related to the Corcoran® System in any way (see Section 4.2 of the Franchise Agreement). We have the right to establish policies and standards in our P&P Manual to ensure these activities are kept separate and apart from the franchised business.

To prevent a conflict of interest and to facilitate relationships among franchisees, neither you, your Owners, officers, employees or independent sales associates can directly or indirectly participate in the operation or ownership of or receive any compensation from any business that provides equipment, services or supplies to our other franchisees and our affiliates and their respective franchisees.

We have the right to limit and/or expand the scope of permissible business activities upon advance written notice. There are no limits on our right to change the types of authorized services and goods you may sell.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Agreement	Summary
a. Length of the franchise term	Section 1.5 of the Franchise Agreement; Section 1 of the Location Addendum	Commences upon the Opening Date and expires on the date 10 years from the Opening Date. We have the right, however, to negotiate with you a greater or lesser term under your Franchise Agreement.
	Section 3 of the EUA	Term commences on the date the EUA is accepted and is automatically renewed subject to receipt of annual payments
b. Renewal or extension of the term	Section 16.1 of the Franchise Agreement; Section 1 of the Location Addendum	No renewal rights. If we grant you an additional term, we may require you to sign our then current franchise agreement or other documentation with materially different terms.
	Section 2 of the EUA	Automatic annual renewal for additional one-year terms, unless terminated.
c. Requirements for you to renew or extend	Sections 1.5 and 16.1 of the Franchise Agreement	No renewal rights. If we grant you an additional term, we may require you to sign our then current Franchise Agreement or other documentation with materially different terms.
	Section 3 of the EUA	The EUA will continue subject to payment of annual software license fee.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Agreement	Summary
d. Termination by you	Section 16.2.5 of the Franchise Agreement	If a majority owner dies or becomes disabled, you may elect to terminate the Franchise Agreement if certain conditions are satisfied. The Franchise Agreement can also be mutually terminated. Further you may terminate the Franchise Agreement under any grounds permitted by law.
e. Termination by us without cause	None Section 7 of the EUA	Not applicable. We can terminate EUA if we terminate the EUA program or in the event of a related infringement claim.
f. Termination by us with cause	Section 16.2.2 of the Franchise Agreement Section 7 of the EUA	We can terminate if you commit a breach, including any one of several listed violations, or if certain events occur; see “g” below. We can terminate upon your breach of the EUA or any other Agreement with us or our Related Parties.
g. “Cause” defined - defaults which <u>can</u> be cured	Sections 16.2.3 and 16.2.6 of the Franchise Agreement	Cause means any material breach by you of your obligations, including non-payment of fees. You have 30 days to cure financial breaches; failure to assign after your death or incompetency; subfranchising by you; failure to comply with all applicable laws; operating any other business within the franchise location using the Marks; failure to properly display and use the Marks; failure to begin operating the Franchise as required under the Franchise Agreement or any Addenda; creation of a security interest in the Franchise Agreement or assets of the Business without our prior written consent; or any other material breach of the Franchise Agreement. If you are notified that your office fails to meet our Minimum Office Design and Appearance Standards (the minimum standards for a professional appearance of your Office, including but not limited to size, interior design and general appearance), you have 90 days to correct the deficiencies. If these deficiencies are not timely corrected, we have the right to terminate the Franchise Agreement.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Agreement	Summary
t. Integration/merger clause	Section 22.14 of the Franchise Agreement; Section 16 of the EUA	Only terms of Franchise Agreement, Exhibits, Addenda, and all agreements signed in connection with it are binding (subject to state law). Any representations or promises made outside this disclosure document and Franchise Agreement, Exhibits, Addenda, and all agreements signed in connection with it may not be enforceable. Our integration/merger clause does not disclaim the representations in this disclosure document.
u. Dispute resolution by arbitration or mediation	None	Not applicable.
v. Choice of forum	Section 22.6 of the Franchise Agreement; Section 12 of the EUA	Subject to state law, non-exclusive venue in Morris County, New Jersey or U.S. District Court in New Jersey.
w. Choice of law	Section 22.5 of the Franchise Agreement; Section 12 of the EUA	Subject to state law, New Jersey law applies (except New Jersey Franchise Practices Act does not apply to offices located outside of New Jersey).

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote the sale of franchises.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Luke Barton, 175 Park Avenue, Madison, New Jersey 07940, (973) 407-2384, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2016 TO 2018 [1]
(Table 1)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Company Owned	2016	24	24	0
	2017	24	24	0
	2018	24	24	0
Total Outlets	2016	24	24	0
	2017	24	24	0
	2018	24	24	0

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2016 TO 2018 [1]
(Table 2)**

State	Year	Number of Transfers
Total Outlets	2016	0
	2017	0
	2018	0

No transfers of outlets from franchisees to new owners occurred for years 2016 to 2018

**STATUS OF FRANCHISED OUTLETS
FOR YEARS 2016 to 2018 [1]
(Table 3)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
Totals	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

There were no franchised outlets for years 2016 to 2018

**STATUS OF COMPANY-OWNED
CORCORAN[®] OUTLETS OWNED AND OPERATED BY NRT NY
AND DOING BUSINESS AS THE CORCORAN GROUP
FOR YEARS 2016 TO 2018 [1][2]
(Table 4)**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Florida	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
New York	2016	22	0	0	0	0	22
	2017	22	0	0	0	0	22
	2018	22	0	0	0	0	22
Total	2016	24	0	0	0	0	24
	2017	24	0	0	0	0	24
	2018	24	0	0	0	0	24

**PROJECTED OPENINGS AS OF DECEMBER 31, 2018 [2][3]
(Table 5)**

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Arizona	0	1	0
California	0	2	0
Connecticut	0	2	0
Florida	0	2	1
Georgia	0	1	0
Illinois	0	1	0
Maine	0	1	0
Maryland	0	1	0
Massachusetts	0	1	0
Michigan	0	1	0
New Jersey	0	2	0
New York	0	2	1
North Carolina	0	1	0
Pennsylvania	0	2	0

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Texas	0	2	0
Virginia	0	1	0
Totals	0	22	2

Notes to Item 20 tables above:

- [1] All numbers are as of December 31 for each year and include all Offices operated under the System.
- [2] We have not owned or operated any Corcoran® offices or other real estate brokerage offices during the past three fiscal years. However, as further described in Item 1, during the past three fiscal years, NRT NY has owned and operated Corcoran® offices, and it is these offices that are listed as company-owned real estate brokerage offices in Tables 1 and 4. In addition, during the past three fiscal years, NRT NY owned and operated and Corcoran Sunshine® and Citi HabitatsSM real estate brokerage offices. NRT owned and operated Coldwell Banker®, Coldwell Banker Commercial® and Sotheby's International Realty® real estate brokerage offices and real estate brokerage offices doing business as ZipRealty® and Climb Real Estate®. It is these other real estate brokerage offices owned and operated by NRT NY and NRT that are listed as company-owned real estate brokerage offices in Tables 4.A to 4.G in Exhibit K.
- [3] We do not intend on opening any company-owned Corcoran® offices or any other real estate brokerage offices in the next fiscal year. However, NRT projects that it will open 1 new Sotheby's International Realty® office (in California) in the next fiscal year, and NRT NY projects that it will open 2 new Corcoran® residential brokerage offices (in Florida and New York) in the next fiscal year.
- [4] The projected openings for 2019 represent estimates only and should not be relied upon in any manner.

The names of all franchisees and the addresses and phone numbers of all existing outlets as of December 31, 2018, are included in Exhibit G. The names and addresses of franchisees whose franchise is not yet in operation, as of December 31, 2018, are included in Exhibit I. The name and last known telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are included in Exhibit H. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the System. During the last three years, there were no franchisees, so none have signed confidentiality clauses.

As of the issuance date of this disclosure document, there were no trademark-specific franchise associations required to be disclosed in this Item.

ITEM 21. FINANCIAL STATEMENTS

Exhibit F includes the consolidated financial statements of our parent companies Realogy Holdings Corp. and Realogy Group LLC as follows:

Audited Consolidated Financial Statements

- Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016;
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016;
- Consolidated Balance Sheets as of December 31, 2018 and 2017;
- Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016;
- Consolidated Statements of Equity for the years ended December 31, 2018, 2017 and 2016; and
- Notes to Consolidated Financial Statements

Separate stand-alone financial statements of us (Corcoran Group LLC) are not included in this disclosure document. Should we fail to fulfill our obligations to our franchisees, however, Realogy Holdings Corp. and Realogy Group LLC, absolutely and unconditionally guarantee to fulfill those obligations. Copies of the Guarantees of Performance are included in Exhibit F. We file state specific guarantees of performance with the appropriate agencies in the states where our licenses are registered to be offered and sold.

ITEM 22. CONTRACTS

The following Agreements are included in this disclosure document for your review:

- | | | |
|----|--|-------------|
| 1. | Real Estate Franchise Agreement, including Guaranty of Payment and Performance, Security Agreement and State Addenda | Exhibit C |
| 2. | Location Addendum to Franchise Agreement | Exhibit C-1 |
| 3. | Lead Management End-User Agreement | Exhibit C-2 |
| 4. | General Release Agreement | Exhibit C-3 |
| 5. | Conversion Promissory Note | Exhibit D-1 |
| 6. | Security Agreement | Exhibit D-2 |
| 7. | Confidentiality Agreement | Exhibit E |

ITEM 23. RECEIPTS

TWO COPIES OF THE DETACHABLE RECEIPT ARE ATTACHED TO THE END OF THIS DISCLOSURE DOCUMENT. AS INDICATED, PLEASE COMPLETE AND SIGN, AND RETURN TO US OUR COPY OF THE RECEIPT (COPY FOR CORCORAN GROUP LLC), AND SIGN AND COMPLETE AND KEEP FOR YOUR RECORDS YOUR COPY OF THE RECEIPT (COPY FOR PROSPECTIVE FRANCHISEE).

EXHIBIT A

STATE ADDENDA

Following this page are addenda for the states of California, Hawaii, Illinois, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Washington and Wisconsin. If you or your Office are located in one of these states, please read the addendum for your state and the addendum to the Franchise Agreement that may apply to your transaction with us.

The regulatory authorities and registered agents for service of process in each state are listed in Exhibit B.

CALIFORNIA ADDENDUM

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT. THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAWS OF THE STATE OF NEW JERSEY. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of California.

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
2. Neither we, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.
3. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.
4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
5. The Franchise Agreement requires application of the laws of New Jersey. This provision may not be enforceable under California law.
6. The Franchise Agreement contains a covenant not to compete which extends beyond termination of the franchise. This provision may not be enforceable under California law.
7. The agreements contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
8. The highest interest rate allowed by law in California is 10% annually.

9. YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTION 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTION 20000 THROUGH 20043).

10. California requires you to maintain an active license to provide escrow services, mortgage services, appraisal services and insurance services. If you do not maintain a license for any of these services, you will not be able to provide the service under California law.

11. Payment of the initial franchise fee is deferred until such time as franchisor completes its initial obligations and franchisee is open for business.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO
THE HAWAII FRANCHISE INVESTMENT LAW**

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

1. A. This registration is on file or will shortly be on file in the States of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.
- B. Franchisor is automatically exempt, or has filed in the State of New York.
- C. No states have refused, by order or otherwise, to register these franchises.
- D. No states have revoked or suspended the right to offer these franchises.
- E. The proposed registration of these franchises has not been withdrawn in any state.
2. No release language set forth in the Franchise Agreement shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE
ILLINOIS FRANCHISE DISCLOSURE ACT**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Illinois:

The following statements are added to Item 17:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Franchisor offers financing agreements with specific terms and conditions and strict penalties if franchisee fails to adhere to the terms. Illinois consumers are urged to seek professional legal advice before entering into such an agreement.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE
MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

The following provisions supersede the Disclosure Document and apply to all licenses or franchises offered and sold in the State of Maryland:

1. Regardless of any provision in the Disclosure Document to the contrary, a franchisee may bring a lawsuit in Maryland against us for claims arising under the Maryland Franchise Registration and Disclosure Law.
2. Item 17 of the Disclosure Document states that the Franchise Agreement will automatically terminate upon the bankruptcy of franchisee. This provision may not be enforceable under current Federal bankruptcy law (11 U.S.C. Section 101 et seq.).
3. Items 17c and 17m of the Disclosure Document regarding ownership changes, transfers of the franchise, and non-renewability of the Franchise Agreement are revised to provide that we cannot, as a condition to renewal or consent to assignment, require you to release any claims under the Maryland Franchise Registration and Disclosure Law.
4. Regardless of any provision in Item 17 of the Disclosure Document to the contrary, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE MINNESOTA FRANCHISE INVESTMENT LAW

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Minnesota: Individually and Personally:

1. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, Subdivisions 3, 4 and 5 require, except in certain specified cases, that the franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.
2. No release language set forth in the Franchise Agreement shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
3. A franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.
4. Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.
5. The following language is added to the end of Item 13:

Notwithstanding the above, the Minnesota Department of Commerce requires that we indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of our trademark infringes trademark rights of the third party. We do not indemnify against the consequences of a franchisee's use of our trademark except if used in accordance with the requirements of the franchise agreement, and, as a condition to indemnification, a franchisee must provide notice to us of any such claim within ten (10) days and tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. No action may be commenced pursuant to Minnesota Statutes, Section 18C.17, for more than three years after the cause of action accrues.

6. The following language will be incorporated in any Franchise Agreement issued in the State of Minnesota:

Minnesota Statutes, Section 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury

trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or the agreement(s) can abrogate or reduce any of your rights as provided for in the Minnesota Statutes 1987, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO
ARTICLE 33 OF THE NEW YORK GENERAL BUSINESS LAW**

The following provisions supersede the Disclosure Document and apply to all licenses or franchises offered and sold in the State of New York:

1. The following paragraphs are added to the end of the State Cover Page:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

THIS OFFERING PROSPECTUS IS PROVIDED FOR YOUR OWN PROTECTION AND CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THIS OFFERING PROSPECTUS AND ALL CONTRACTS OR AGREEMENTS SHOULD BE READ CAREFULLY IN THEIR ENTIRETY FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

ALTHOUGH THESE FRANCHISES HAVE BEEN ACCEPTED FOR FILING, SUCH FILING UNDER GENERAL BUSINESS LAW, ARTICLE 33 OF THE STATE OF NEW YORK DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE NEW YORK STATE DEPARTMENT OF LAW THAT THE INFORMATION PROVIDED HEREIN IS TRUE. THE DEPARTMENT'S REVIEW DID NOT INCLUDE A DETAILED EXAMINATION OF THE MATERIALS SUBMITTED. A FALSE, INCOMPLETE, INACCURATE OR MISLEADING STATEMENT MAY CONSTITUTE A VIOLATION OF BOTH FEDERAL AND STATE LAW, AND SHOULD BE REPORTED TO BOTH THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C., 20580 AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, NEW YORK, NEW YORK 10271.

GENERAL BUSINESS LAW, ARTICLE 33 OF THE STATE OF NEW YORK MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE A COPY OF THE OFFERING PROSPECTUS, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE AT THE EARLIER OF (a) THE FIRST PERSONAL MEETING BETWEEN THE FRANCHISOR OR ITS AGENT AND THE PROSPECTIVE FRANCHISEE, (b) AT LEAST TEN BUSINESS DAYS PRIOR TO THE EXECUTION OF A BINDING FRANCHISE OR OTHER AGREEMENT OR (c) AT LEAST TEN

BUSINESS DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION IN CONNECTION WITH THE SALE OR PROPOSED SALE OF A FRANCHISE.

2. Item 3 is amended to add the following language to the beginning of such Item:

To the best of our knowledge, except as otherwise disclosed below, neither we, predecessor, nor any other person or franchise sales agent identified in Item 2 of this Disclosure Document:

- (a) Has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations;
- (b) Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the date of this Disclosure Document, been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; or
- (c) Is subject to any injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

3. Item 4 is amended by adding the following language to the beginning of such Item:

To the best of our knowledge, except as otherwise disclosed below, neither we, our affiliates, our predecessor, or our officers, during the ten year period immediately before the date of this Disclosure Document:

- (a) Has filed as debtor (or had filed against it) a petition to start an action under the United States Bankruptcy Code;
- (b) Has obtained a discharge of its debts under the United States Bankruptcy Code; or
- (c) Was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the United States Bankruptcy Code or that obtained a discharge of its debts under the United States Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

4. Item 5 is amended by adding the following new paragraph at the end of the Item:

The Initial Fee or Renewal Fee is not used for any specific purpose.

5. The following language is added to the end of Item 11:

Notwithstanding the above, no change to the Manual will be made which would impose an unreasonable economic burden on you, unreasonably increase your obligations, or alter your status or rights under the Franchise Agreement.

6. Item 17 is amended by adding the following language at the beginning of the Item:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

7. The row entitled “Termination by You” in Item 17 is amended by adding the following language to the “Summary” column:

The franchisee may terminate the Agreement on any grounds available by law.

8. The following is added immediately preceding Item 23:

We represent that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE WASHINGTON FRANCHISE INVESTMENT LAW

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO
THE WISCONSIN FRANCHISE INVESTMENT LAW**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Wisconsin:

1. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 (the “Act”), shall apply to and govern the provisions of the Franchise Agreement.

2. The Act’s requirement, including that in certain circumstances a franchisee receive ninety (90) days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, shall supersede the any provisions of the Franchise Agreement to the extent they may be inconsistent with the Act’s requirements.

EXHIBIT B

EXHIBIT B

FEDERAL AND STATE REGULATORY AUTHORITIES

CALIFORNIA

Commissioner of Business Oversight
California Department of Business Oversight
320 West 4th Street
Suite 750
Los Angeles, CA 90013-2344
(866) 275-2677

HAWAII

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

Indiana Securities Commissioner
Securities Division
302 West Washington Street
Room E111
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

Office of Attorney General
Division of Securities
200 Saint Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6063

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 373-7117

MINNESOTA

Commissioner of Securities
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty St, 21st Fl
New York, New York 10005
(212) 416-8236

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

RHODE ISLAND

Director, Department of Business Regulation
Securities Division
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920
(401) 222-3048

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance-Securities Regulation
124 S. Euclid Avenue, Suite 104
Pierre, SD 57501
(605) 773-4823

UTAH

Division of Consumer Protection
Utah Department of Commerce
Heber M. Wells Building
160 East 300 South
SM Box 146701
Salt Lake City, UT 84114-6704
(801) 530-6701

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

WISCONSIN

Commissioner of Securities
Department of Financial Institutions
Division of Securities
4822 Madison Yards Way, North Tower
Madison, WI 53705
(608) 266-2801

FEDERAL TRADE COMMISSION

Division of Marketing Practices
Bureau of Consumer Protection
Pennsylvania Avenue at 6th Street, NW
Washington, D.C. 20580
(202) 326-3128

EXHIBIT B

REGISTERED AGENTS FOR SERVICE OF PROCESS

Alabama	Corporate Creations Network Inc.
Agent: Address:	6 Office Park Circle #100 Mountain Brook, AL 35223
Alaska	Corporate Creations Network Inc.
Agent: Address:	310 K Street #200 Anchorage, AK 99501
Arizona	Corporate Creations Network Inc.
Agent: Address:	3260 N. Hayden Road #210 Scottsdale, AZ 85251
Arkansas	Corporate Creations Network Inc.
Agent: Address:	609 SW 8 th Street #600 Bentonville, AR 72712
California	Corporate Creations Network Inc.
Agent: Address:	4640 Admiralty Way, 5 th Floor Marina del Rey, CA 90292 AND Commissioner of Business Oversight Department of Business Oversight 320 West 4 th Street Suite 750 Los Angeles, CA 90013
Colorado	Corporate Creations Network Inc.
Agent: Address:	155 E. Boardwalk #490 Fort Collins, CO 80525
Connecticut	Corporate Creations Network Inc.
Agent: Address:	6 Landmark Square, 4 th Floor Stamford, CT 06901
Delaware	Corporate Creations Network Inc.
Agent: Address:	3411 Silverside Road Tatnall Building #104 Wilmington, DE 19810
District of Columbia	Corporate Creations Network Inc.
Agent: Address:	1629 K Street, NW, #300 Washington, DC 20006

Florida Agent: Address:	Corporate Creations Network Inc. 11380 Prosperity Farms Road #221E Palm Beach Gardens, FL 33410
Georgia Agent: Address:	Corporate Creations Network Inc. 2985 Gordy Parkway, 1 st Floor Marietta, GA 30066
Hawaii Agent: Address:	Corporate Creations Network Inc. 1136 Union Mall #301 Honolulu, HI 96813 AND Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Idaho Agent: Address:	Corporate Creations Network Inc. 950 W. Bannock Street #1100 Boise, ID 83702
Illinois Agent: Address:	Corporate Creations Network Inc. 350 S. Northwest Highway # 300 Park Ridge, IL 60068 AND Illinois Attorney General 500 South Second Street Springfield, IL 62706
Indiana Agent: Address:	Corporate Creations Network Inc. 1657 Commerce Drive Suite 9B South Bend, IN 46628 AND Indiana Secretary of State 302 West Washington Street, Room E018 Indianapolis, IN 46201
Iowa Agent: Address:	Corporate Creations Network Inc. 3106 Ingersoll Avenue Des Moines, IA 50312

Kansas	Corporate Creations Network Inc.
Agent: Address:	4601 E. Douglas Avenue #700 Wichita, KS 67218
Kentucky	Corporate Creations Network Inc.
Agent: Address:	101 North Seventh Street Louisville, KY 40202
Louisiana	Corporate Creations Network Inc.
Agent: Address:	1070-B West Causeway Approach Mandeville, LA 70471
Maine	Corporate Creations Network Inc.
Agent: Address:	477 Congress Street, 5 th Floor Portland, ME 04101
Maryland	Corporate Creations Network Inc.
Agent: Address:	2 Wisconsin Circle #700 Chevy Chase, MD 20815 AND Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Massachusetts	Corporate Creations Network Inc.
Agent: Address:	225 Cedar Hill Street #200 Marlborough, MA 01752
Michigan	Corporate Creations Network Inc.
Agent: Address:	28175 Haggerty Road Novi, MI 48377
Minnesota	Corporate Creations Network Inc.
Agent: Address:	5200 Willson Road #150 Edina, MN 55424 AND Commissioner of Securities Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101
Mississippi	Corporate Creations Network Inc.
Agent: Address:	232 Market Street #1600 Flowood, MS 39232

Missouri
Agent: Address: Corporate Creations Network Inc.
12747 Olive Boulevard #300
St. Louis, MO 63141

Montana
Agent: Address: Corporate Creations Network Inc.
1925 Grand Avenue #127
Billings, MT 59102

Nebraska
Agent: Address: Corporate Creations Network Inc.
5000 Central Park Drive #204
Lincoln, NE 68504

Nevada
Agent: Address: Corporate Creations Network Inc.
8275 South Eastern Avenue #200
Las Vegas, NV 89123

New Hampshire
Agent: Address: Corporate Creations Network Inc.
3 Executive Park Drive #201A
Bedford, NH 03110

New Jersey
Agent: Address: Corporate Creations Network Inc.
12 Christopher Way #200
Eatontown, NJ 07724

New Mexico
Agent: Address: Corporate Creations Network Inc.
400 N. Pennsylvania Avenue #600
Roswell, NM 88201

New York
Agent: Address: Corporate Creations Network Inc.
15 North Mill Street
Nyack, NY 10960
AND
New York Department of State
1 Commerce Plaza
99 Washington Ave., 6th Floor
Albany, NY 12231

North Carolina
Agent: Address: Corporate Creations Network Inc.
15720 Brixham Hill Avenue #300
Charlotte, NC 28277

North Dakota Agent: Address:	Corporate Creations Network Inc. 1709 North 19 th Street #3 Bismarck, ND 58501 AND Securities Commissioner North Dakota Securities Department 600 East Boulevard, Fifth Floor, Dept. 414 Bismarck, North Dakota 58505
Ohio Agent: Address:	Corporate Creations Network Inc. 119 E. Court Street Cincinnati, OH 45202
Oklahoma Agent: Address:	Corporate Creations Network Inc. 406 South Boulder #400 Tusla, OK 74103
Oregon Agent: Address:	Corporate Creations Network Inc. 5708 SE 136 th Avenue #2 Portland, OR 97236
Pennsylvania Agent: Address:	Corporate Creations Network Inc. 1001 State Street #1400 Erie, PA 16501
Rhode Island Agent: Address:	Corporate Creations Network Inc. 10 Dorrance Street #700 Providence, RI 02903
South Carolina Agent: Address:	Corporate Creations Network Inc. 6650 Rivers Avenue North Charleston, SC 29406
South Dakota Agent: Address:	Corporate Creations Network Inc. 101 South Reid Street #307 Sioux Falls, SD 57103 AND Department of Labor and Regulation Division of Insurance-Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501
Tennessee Agent: Address:	Corporate Creations Network Inc. 205 Powell Place Brentwood, TN 37027

Texas	Corporate Creations Network Inc.
Agent: Address:	2425 West Loop South #200 Houston, TX 77027
Utah	Corporate Creations Network Inc.
Agent: Address:	2825 East Cottonwood Parkway #500 Salt Lake City, UT 84121
Vermont	Corporate Creations Network Inc.
Agent: Address:	1233 Shelburne Road #400 South Burlington, VT 05403
Virginia	Corporate Creations Network Inc.
Agent: Address:	6802 Paragon Place #410 Richmond, VA 23230 AND Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219-3630
Washington	Corporate Creations Network Inc.
Agent: Address:	West 505 Riverside Avenue #500 Spokane, WA 99201 AND Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501
West Virginia	Corporate Creations Network Inc.
Agent: Address:	126 East Burke Street Martinsburg, WV 25401
Wisconsin	Corporate Creations Network Inc.
Agent: Address:	4650 W. Spencer Street Appleton, WI 54914
Wyoming	Corporate Creations Network Inc.
Agent: Address:	5830 E. 2 nd Street Casper, WY 82609

EXHIBIT C

corcoran



**CORCORAN GROUP LLC
REAL ESTATE FRANCHISE AGREEMENT**



**REAL ESTATE FRANCHISE AGREEMENT
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Office I.D. No. _____

**CORCORAN GROUP LLC
REAL ESTATE FRANCHISE AGREEMENT**

1.0 PARTIES AND TERM:

- 1.1 Franchisor.** The words “Franchisor,” “we,” or “us” mean:
Corcoran Group LLC, a limited liability company, its successors and assigns.

By: _____ Date: _____, 20____
Name: _____ (the “Effective Date”)
Title: **Authorized Person**

- 1.2 Franchisee.** The words “Franchisee,” or “you” mean:

(State of Organization: _____)

By: _____ Date: _____, 20____
Print Name: _____
Print Title: **Authorized Person**

EACH PERSON SIGNING THIS AGREEMENT REPRESENTS AND WARRANTS THAT HE OR SHE IS AUTHORIZED TO BIND THE RESPECTIVE PARTY TO THIS AGREEMENT. THIS AGREEMENT IS NOT BINDING OR ENFORCEABLE UNTIL WE SIGN IT.

- 1.3 Owners.** The word “Owner(s)” means a sole proprietor or each Person who has a direct or indirect equity ownership interest in Franchisee (if Franchisee is an entity).

- 1.3.1** Exhibit A accurately reflects ownership interests in Franchisee, including all Owners and their ownership shares.

- 1.3.2** If any Owner is an entity, information about the Persons owning the entity and their ownership interests appears in Exhibit A.

- 1.4 Guaranty.** All Owners (and as applicable, their members, shareholders, partners and spouses) will sign the Guaranty of Payment and Performance attached as Exhibit B.

- 1.5 Term of Agreement.** The “Term” starts on the Opening Date and expires ten (**10**) years after the Opening Date (the “Expiration Date”). Subject to our approval, you may be granted the right to open additional approved offices following the Effective Date in accordance with Sections 5.4 and 5.5. This Agreement will govern the operation of all Office(s).

1.6 Initial Franchise Fee:

- 1.6.1** The initial franchise fee for the first **Corcoran** office you open is \$35,000.

corcoran



1.6.2 The initial franchise fee for additional Branch Offices is \$10,000 per office. We may increase this fee for any offices you open after the Effective Date consistent with the fee charged for Branch Offices in our then-current Disclosure Document. The initial franchise fee for any Limited Purpose Office is \$2,000.

1.6.3 YOU WILL PAY THE INITIAL FRANCHISE FEE WHEN YOU SIGN THIS AGREEMENT OR ANY ADDENDUM FOR A FUTURE OFFICE, AS APPLICABLE. THE INITIAL FRANCHISE FEE IS NOT REFUNDABLE; IT IS FULLY EARNED ON THE DATE WE SIGN THIS AGREEMENT OR AN ADDENDUM, AS APPLICABLE.

1.7 Opening Date. You will begin operating the Business at the Main Office and any other Offices listed on Exhibit D using the System on _____, 20____ (the “Opening Date”). You will pay fees due under this Agreement for all closings that occur on and after the Opening Date. If you operate any Office using the Marks before the Opening Date, in addition to our other remedies, you must pay all fees under this Agreement from the date you begin operating the Office(s) using the Marks.

1.8 Security Agreement. You will sign the Security Agreement attached as Exhibit F.

2.0 FRANCHISEE INFORMATION:

2.1 Business Name. You must operate solely under the trade name “CORCORAN _____” (“Trade Name”) and must use no other name in connection with any advertising or operation of the Business. According to our current Brand Standards (which is part of the P&P Manual as defined in Exhibit C), your Trade Name may be displayed in standard text as well as in a logo format. The specific font type, style, proportions and other specific details of the logo formats are described in specific detail in the Brand Standards and may not be altered.

In no event will you be permitted to utilize the name “Corcoran” alone, nor will you abbreviate, in any manner, the Corcoran name or your approved trade name. In addition, you will not use the Corcoran name or Marks in any corporate or trade name or assumed name or d/b/a or in any Mark under which any aspect of the Business is conducted. We reserve the right to review and require corrections and modifications to any display of your Trade Name or our Marks. Except as expressly permitted in this Agreement, you will not use the Marks or any derivative of the Marks or any confusingly similar mark as a mark by itself or with any other name, brand, design, trademark, service mark, trade dress, logo, domain name, corporate, trade or business name without our prior written consent.

2.1.1 You must file and maintain a “Fictitious Name Certificate” or comparable filing with the jurisdiction, county or state where each of your Office(s) is located, as required by law. Before opening an Office, you will provide us evidence that you comply with laws for the use of fictitious or assumed names. You may not change your legal entity or Trade Name without our written consent.

2.1.2 You must use your Trade Name and the Marks exclusively for the purpose of promoting and operating the Business, and for such other lawful business activities as we may authorize in writing, but we are not required to authorize any additional business activities.

2.2 Legal Entity. If you are an entity, you represent that you were duly formed and are in good standing under applicable laws. You will not include “Corcoran” or any of the Marks in your legal name.

2.3 Responsible Broker. You will not operate without a Responsible Broker, who must have a license in good standing within the state(s) where you operate. You will notify us in writing if you change your Responsible Broker.

2.4 Notice Address. All notices required under this Agreement must be in writing at the addresses below and will be deemed given: (i) if personally delivered on the date delivered, (ii) if sent in the United States mail, by certified mail, postage prepaid, three (3) business days after it is sent (iii) if delivered by courier or express delivery service, two (2) days after it is sent, or (iv) if sent electronically, on the date delivered to the authorized email address. You may change your notice address by giving written notice under this Section.

2.4.1 Notices to you will be sent to the Main Office address and/or to your primary email address listed in our electronic reporting system. Electronic delivery of notices will not include notices sent under Section 16 of this Agreement, unless you request electronic delivery in writing.

2.4.2 Unless otherwise provided in the P&P Manual, notices to us will be sent to:

Corcoran Group LLC
Attention: Vice President, Franchise Operations
175 Park Avenue
Madison, New Jersey 07940
corcoranlegalnotice@corcoran.com

2.5 We may communicate with you, either by telephone or electronic means, about various matters including communications that might otherwise be prohibited by “do not call/text,” “do not fax” or similar laws. You consent to these communications without the need for any additional consent.

3.0 INTERPRETATION:

Definitions. Certain capitalized terms used in this Agreement are defined in Exhibit C, the Glossary of Terms (which is incorporated into this Agreement by reference).

4.0 GRANT OF LICENSE:

4.1 License. We grant you a nonexclusive license to use the Marks and the System for the Business. You will comply with this Agreement and the mandatory provisions of the P&P Manual, which includes the Brand Standards in your operation of the Business.

4.2 Excluded Businesses. If you or a Related Party intends to operate a real estate related or non-real estate related business (as defined below) other than the Business (as defined in Exhibit C) after the Effective Date, it shall be deemed an excluded business (individually and collectively referred to as an “Excluded Business”), and the following will apply.

4.2.1 Real Estate Related Businesses. You must obtain our prior written consent for any real estate related business, including, but not limited to, title, mortgage, escrow, real estate investment, real estate development, lead management, real estate software or technology related businesses, or other personal investment interests in real estate related companies, other than the Business (the “Real Estate Related Excluded Business”), you or a Related Party intends to operate. If we consent in writing to your operation of the Real Estate Related Excluded Business, you may operate the Real Estate Related Excluded Business, and no fees will be payable on the Real Estate Related Excluded Business’s revenue, if you satisfy the following conditions:

(i) You do not use or mention, directly or indirectly, our Marks or System in connection with the Excluded Business.

(ii) You conduct the Excluded Business independently of your Business and our System, and you do not act in any way that could reasonably cause confusion among the public about whether the Excluded Business is operated under our Marks or System.

(iii) You do not use the Trade Name or any name similar to the Trade Name for the Excluded Business. You operate the Excluded Business using separate signage, URL addresses, telephone and facsimile numbers, and different stationery, business cards, and related documents for the Excluded Business.

(iv) You maintain separate books and records for the Excluded Business.

(v) You do not create or publish any cooperative advertising for the Excluded Business and your Office(s). You do not mention our Marks, System or your Office(s) and/or any relationship between the Excluded Business and your Office(s) in any advertising or promotional materials.

(vi) If you operate the Excluded Business from the Business’s location, you take all steps necessary to avoid confusing the public about whether the Excluded Business is operated under the Marks, which steps include segregation of personnel and workspaces and installation of separate interior and exterior signage for the Excluded Business. On your Business website, you will not promote or identify any Excluded Business (except through a hyperlink to a separate URL with a disclaimer that states the Excluded Business is unrelated to the Marks or the System. Similarly, on the Excluded Business website, you (or your Related Parties) will not promote the Business (other than through a hyperlink to a separate URL). We may impose other reasonable requirements on you to advise consumers that the operations and website of the Excluded Business are not related to us or our System.

4.2.2 We have the right to audit or review the Excluded Business’s financial records if we have a reasonable belief you are diverting revenues qualifying as Gross Revenue to the Excluded Business or are otherwise in violation of this Section. Notwithstanding the terms of this Section, all revenue, commissions, and referral fees the Excluded Business pays or transfers to you will be considered Gross Revenue and subject to fees under this Agreement.

4.2.3 If any Excluded Business is conducted using the Marks or System or does not meet any conditions we impose in Section 4.2.1 or as reasonably required in the P&P Manual, in addition to our other rights and remedies, revenue from such products or services will be considered Gross Revenue subject to fees under this Agreement.

4.2.4 Non-Real Estate Related Businesses. If you or a Related Party intends to operate a non-real estate related business (“Non-Real Estate Related Business”), our consent is not required; however, a list of such Non-Real Estate Related Businesses shall be provided to us for identification of such businesses. All requirements regarding separation of the businesses and non-usage of the Marks described in Section 4.2.1(i) – (vi) and Section 4.2.3 above will apply to all businesses, operated by you or a Related Party. Our right to audit or review financial records described in Section 4.2.2 does not apply to Non-Real Estate Related Businesses unless we have reason to believe you or a Related Party are operating the Non-Real Estate Related Business in violation of this Agreement.

4.3 Program Expansion and Modification. We may modify existing programs and introduce new programs. We reserve the right to offer, add to, qualify, or eliminate programs as we deem necessary in the best interests of the System.

4.4 Participation in Programs. We may condition participation in our programs on compliance with this Agreement and certain other requirements, which will be further described in the P&P Manual.

4.5 Identification and Use of Marks.

4.5.1 The Marks, System and other products and items we deliver to you (collectively, the “System Components”) are our exclusive property, and your right to use them is contingent on your full and timely performance under this Agreement. You will be responsible for the proper use of the System Components and compliance with this Agreement, including use by your Related Parties, independent sales agents and employees. You acquire no rights in the System Components, except for your right to use them under this Agreement. You will not directly or indirectly contest our sole and exclusive rights in the System Components. You will not claim any interest in the System Components contrary to this Section or at any time dispute the validity of the Marks and/or the System. You will not adopt, use, or seek to register any names, marks, insignias, colors, trade dress, or symbols that are confusingly similar to the Marks. You will notify us promptly if you learn about any unauthorized or improper use of the Marks, if anyone challenges your right to use them, and assist us and our attorneys in any legal action regarding the System Components, but you will not be required to incur any unreasonable costs in connection with your cooperation.

4.5.2 We reserve the right to approve use of the Marks, except for your use of any advertising templates that we may approve and update on a periodic basis. We may determine if you are meeting the Standards for the Marks’ usage and you will promptly correct any deficiencies. All use of the Marks and the System inures to our benefit. At our sole option, we or our Related Parties will obtain and maintain the Marks’ registrations and exercise rights against unauthorized use of the Marks. You will use the Marks only in connection with the Business.

4.5.3 All advertising and promotions shall: (i) be presented in a professional and dignified manner; (ii) be completely accurate and truthful; (iii) conform to all applicable laws and regulations relating to consumer advertising; and (iv) give notice that your Business is an independently owned and operated franchise.

4.6 Office Appearance. The Office(s) must be physically inspected by our authorized representative and be formally deemed to meet our then current Office Design and Appearance Standards, as described in the P&P Manual. You must purchase Signature Elements for your Office. Signature Elements include branded elements, such as reception signage and a flat panel monitor in the welcome area for listings to

be displayed on a rotational basis, as set forth in the Brand Standards. Your Office should also have comfortable seating with lighting and artwork that compliments the office theme and a coat/storage closet. Unless otherwise provided, by signing this Agreement we represent that the Offices meet our Office Design and Appearance Standards, provided that we may subsequently require you to make reasonable alterations, modifications or upgrades any office space in which the Business is operated. You must maintain all Office facilities, equipment, office sign(s), yard signs, stationery goods and all other items in first-class condition and in compliance with the P&P Manual.

4.7 Office Sign. You will install one (1) or more exterior signs displaying your Trade Name. Your sign(s) must conform to the P&P Manual and Brand Standards and **MUST BE APPROVED BY US IN WRITING IN ADVANCE, AS TO ARTWORK, LETTERING, COLOR SCHEME, SIZE, AND OVERALL APPEARANCE.** You must obtain our prior written approval for any exception to Office sign requirements due to local ordinances or other reasons for any Office, and you must provide written documentation reflecting the reasons for varying the signage.

4.8 Yard Signs. You will purchase or lease from our Approved Suppliers or other vendors an adequate quantity of yard signs displaying your Trade Name and such other information as may be required by law and complying with the mandatory Standards in the P&P Manual and Brand Standards. Upon request, you will provide either color photographs of the signs or a copy of the order for the signs.

4.9 Stationery Goods. You will purchase adequate supplies of business cards, stationery, promotional materials and related items, which display your trade name and other information, and all of which comply with the standards and specifications of the Brand Standards.

4.10 Business Hours. You will continuously conduct the Business at the Office, which must be open during regular business hours at least five (5) days per week.

4.11 Disclaimer. You will place a conspicuous notice on or near the entrance(s) of the Office(s), that clearly states “EACH OFFICE IS INDEPENDENTLY OWNED AND OPERATED,” or any modification of this statement as we may require in the P&P Manual (the “Disclaimer”). You must include the Disclaimer on all signage, business cards, stationery, promotional and advertising materials, website and internet communications, real estate documents, and all other materials you use.

4.12 Confidentiality. You will not disclose and will treat as confidential all of the Confidential Information you have now or in the future. You will not, directly or indirectly, engage or aid in the misappropriation, disclosure, or distribution of any Confidential Information. You will use System Components solely in connection with the Business and will not direct or permit their reproduction without our prior written consent. You will require all of your management personnel, brokers and independent sales associates to treat Confidential Information as confidential.

4.13 Internet and Domain Name. You may use the internet to market your Business as set forth in the Standards. You, your employees, brokers, independent sales associates and representatives, will not use, license or register any domain name or URL (or other internet identification) that uses a Mark or a mark, image or words confusingly similar to the Marks or any abbreviation, acronym, or phonetic or visual variation of the Marks without our prior written consent. At our request, you will promptly assign or redirect (or cause to be assigned or redirected) to us any domain name, URL, or other identification that violates this Agreement or the P&P Manual at your expense and without compensation from us. Any consent you may have received from us for the use and/or registration of a domain name will be automatically withdrawn upon expiration, or termination for any reason, of this Agreement, and any such

domain names registered by you shall be promptly transferred to us without any compensation from us. Any domains registered by you without our prior consent, that contain any of our Marks, or portions thereof, or that are confusingly similar to any of our Marks, shall be promptly transferred to us upon request and without any compensation from us.

4.14 Internet Website Look and Feel. You understand and acknowledge that preserving the integrity and goodwill of the Corcoran name, Marks and System is of the utmost importance to us and is predicated on a consistent display of our name and Marks. You agree to modify any existing or future website dedicated to the Business to use Web guidelines created by us (and currently provided to you at no cost) that have the same look and feel as our website (currently located at www.corcoran.com). The process for the review and approval of your website is described in the P&P Manual.

5.0 OFFICE LOCATIONS:

5.1 Office. You will conduct the Business only from the Office(s) identified in Exhibit D, or any other Office authorized in a writing signed by you and us. You will not operate any other business or engage in any other activity at or from the Office(s) except in compliance with this Agreement. Unless you receive our written approval, you may not advertise any other location, conduct the Business from any other location, or take any action that leads consumers to believe that you are operating from a location other than an approved Office.

5.2 Relocation of Office. You will not relocate the Office or announce any location change without our prior written consent. You must request our consent for any proposed relocation under the procedures described in the P&P Manual.

5.3 No Exclusivity. The Corcoran franchise granted by this Agreement is non-exclusive, covers only the Office(s) in Exhibit D and any other Offices added under a Location Addendum or a Limited Purpose Office Addendum executed after the Effective Date. This Agreement does not grant any area, market, territorial rights, or protected area. This Agreement does not grant you any right to purchase additional franchises or grant any right or priority for the location of additional franchises. We and our Related Parties retain all rights and discretion with respect to the Marks, the System and other real estate offices, including the rights to:

5.3.1 Operate and grant others the right to operate real estate offices identified by the Marks, at locations within or outside the area where you operate, on terms we deem appropriate;

5.3.2 Sell products or services under the Marks, or under any other trademarks, service marks or trade dress, through other channels of distribution; and

5.3.3 Operate and grant others the right to operate real estate offices identified by trademarks, service marks or trade dress other than the Marks, at locations within or outside the area where you operate, and on terms we or our Related Parties deem appropriate.

5.4 Future Offices. If you seek to operate the Business from an additional Branch Office or a Limited Purpose Office (collectively referred to herein as a “Future Office”), after the Effective Date, we must approve such Future Office in a Location Addendum or Limited Purpose Office Addendum, as applicable, in the form and with such terms and conditions in effect at that time, signed by you and us. To be eligible to open a Future Office, you must be in compliance with this Agreement and any agreements with us or our Related Parties.

5.5 Limited Purpose Offices. We may establish and modify requirements for “Limited Purpose Offices” (e.g., development office or team office). Conditions and restrictions for opening, operating and closing Limited Purpose Offices, including signage, services, and fees, will be described in the P&P Manual or in a Limited Purpose Office Addendum.

6.0. SERVICES AND OBLIGATIONS TO FRANCHISEE:

6.1 Our Initial Obligations. After the Effective Date, we will provide the following services:

6.1.1 Orientation. The “Orientation” is our program to introduce the System to the Responsible Broker and other staff. When the Orientation is given, it will consist of our then-current training program. The Orientation will be held at such times and places as we designate. You will be responsible for all travel costs and living expenses incurred in connection with the attendance of your personnel at the Orientation.

6.1.1.1 If you are signing this Agreement to acquire a new franchise directly from us, you will register for Orientation within twelve (12) months of the Opening Date. You, your Responsible Broker (or designee) must attend Orientation within twelve (12) months of the Opening Date. We will not charge a registration fee for one attendee at Orientation. Your failure to send the Responsible Broker (or designee) to attend Orientation in accordance with this Agreement will require you to pay the registration fee in addition to your other expenses to attend.

6.1.1.2 If you acquire your franchise as a result of a Transfer of the Franchise from another Franchisee, attendance at the Orientation is required by the Responsible Broker or Designee, at your expense. We may charge a registration fee in connection with their attendance at the Orientation.

6.1.1.3 If you change the Responsible Broker for your office, your new Responsible Broker must attend the next scheduled Orientation within twelve (12) months after he or she becomes your Responsible Broker. You will pay all costs for the new attendees’ attendance at Orientation, including registration.

6.1.1.4 The failure of your Responsible Broker or Designee to attend the Orientation is a material breach of this Agreement.

6.2 Continuing Obligations.

6.2.1 Optional Education Courses. We may make available to you optional learning programs, courses, seminars or conferences at times and places as we designate. There is no cost for ongoing educational materials; however if learning sessions are held at brand conference(s) or industry events, you are responsible for your travel, lodging and other expenses incurred to attend the optional courses.

6.2.2 Continuing Assistance. Franchisor will provide you with guidance on compliance with the System in the P&P Manual, bulletins and other written materials, consultations by telephone or in person at our facilities or an Office, or by other means of communication for a fee. We may, at your request, provide special assistance for which you will be required to pay such fees and

expenses as we then charge. Any guidance or special assistance we provide is not intended to exercise and does not constitute, control over your day-to-day operation of the Business.

6.3 Optional Programs. We have the right to develop, implement, modify and/or discontinue optional programs to enhance the System.

6.4 Brand Business Conference.

6.4.1 Corcoran Conference. You or your representative will attend and encourage your independent agents and employees to attend our Conference (if held), every other calendar year. You must pay at least one (1) registration fee for the Conference, whether, or not you or your representative attends. We have the right to bill you at any time before the Conference for one (1) full-price registration fee, if we have received no registration from your Office at the time of billing.

6.4.2 Other Brand Conferences. Although we currently do not do so, we may in the future require that you or your representative attend and encourage your independent agents and employees to attend other brand business conference(s), if and when held. You must pay at least one (1) registration fee for such conference(s), whether, or not you or your representative attends. We have the right to bill you at any time before such event for one (1) full-price registration fee, if we have received no registration from your Office at the time of billing.

6.5 Services and Products. We and our Related Parties have the right, but not the obligation, to introduce and make available real estate related services and products, including, but not limited to, those related to mortgage origination, escrow, property management, insurance, home warranties, software, technology, and communications systems for a fee. For the sake of clarity, we have no obligation to introduce or make any new services or products available.

6.5.1 Optional Services and Products. We will give you written notice that a service or product is available for your use. If you voluntarily elect to use an optional service or product, you will pay us, our Related Party or any Approved Supplier any fees and costs associated with such service or product.

6.5.2 Essential Services and Products. If we advise you through written notice that a service or product is an essential element of the System, as we may determine, and accordingly must be utilized, you will, at your sole expense: (i) obtain all necessary equipment, technology, services or products that we advise you are necessary to use the essential service or product; and (ii) begin using such essential service or product within ninety (90) days after your receipt of the written notice.

6.6 No Implied Duties. This Section 6 describes our express obligations to you. We assume no implied duties to you under this Agreement. This Section 6.5 does not disclaim the representations of the Disclosure Document.

7.0 FRANCHISE ROYALTIES:

7.1 Royalty Fee.

7.1.1 Except as described in Sections 7.1.3 and 7.2, you will pay us a continuing fee based on a percentage of Gross Revenue during the Term, in accordance with the table below (the “Royalty Fee”), subject to the provisions of this Section. For all Royalty Fees subject to the table below, as your Gross



Revenue increases in any calendar year, the Royalty Fee percentage decreases. For each real estate transaction that occurs on or after the Opening Date, you must report the transaction and pay a Royalty Fee by ePay (or other method we designate) on the date of settlement (closing). Royalty Fees are also due for all transactions and sales contracts entered into before the Expiration Date or the date this Agreement is terminated.

Annual Gross Revenue Ranges (reported and paid on a calendar year basis)		Royalty Rate
From	To	
\$0	\$5,000,000	6.00%
\$5,000,001	\$10,000,000	5.00%
\$10,000,001	\$20,000,000	4.75%
\$20,000,001	\$30,000,000	4.50%
\$30,000,001	\$40,000,000	4.25%
\$40,000,001	*	4.00%

*The Royalty Rate will remain at 4.00% for the remainder of the current calendar year for Gross Revenue over \$40,000,001.

For the sake of clarity, by way of example only, if your Gross Revenue is \$12,000,000 during any calendar year, you would pay 6.00% on the first \$5,000,000; 5% on the second \$5,000,000 and 4.75% on \$2,000,000.

On January 1st of each year, your Gross Revenue, for purposes of your Royalty Fee, will be reset, and you will pay a Royalty Rate of 6.00% on all Gross Revenue up to and including \$5,000,000, 5.00% on Gross Revenues from \$5,000,001 to \$10,000,000, etc., as described in the table above, adjusting accordingly thereafter based on your Gross Revenue. To be eligible for a reduction in Royalty Fees as set forth in the table above, you must have reported and paid Royalty Fees and BMF contributions on all Gross Revenue. All Gross Revenue on which Royalty Fees and BMF contributions are not paid within thirty (30) days of accrual shall be subject a 6.00% Royalty Rate. We reserve the right to increase the Annual Gross Revenue ranges by an amount not to exceed 5% per year, as adjusted, as described in Section 12.1.

- 7.1.2** Royalty Fee and Brand Marketing Contributions (as defined in Section 8 below) shall not be due on any “Pending Transactions.” Pending Transactions are those that are evidenced by a binding agreement between the parties and have been submitted to escrow for closing prior to the Opening Date.
- 7.1.3 Personal Transactions.** Royalty Fees are due and payable in U.S. currency. In addition to Royalty Fees due on all third-party transactions, you will pay a Royalty Fee on personal real estate transactions involving you, your Owners and your Related Parties (“Personal Transactions”) (whether or not a commission was paid on the transaction), except that we will waive Royalty Fees on three (3) Personal Transactions per calendar year if you (a) did not collect a commission or fee on the Personal Transaction, and (b) submit documentation that we may require to confirm eligibility for the waiver. For any other transactions on which you do not charge a commission, and you will pay a Royalty Fee based on your regularly charged brokerage commission or fee.

7.1.4 We reserve the right to charge a Minimum Annual Royalty Fee for new Branch Offices or Start-Up Main Offices opened in certain markets, which fee will vary based upon the market and specific circumstances. Such fee will be payable by January 10th of the following calendar year, but only if your Royalty Fee payments for the calendar year are less than the Minimum Annual Royalty Fee.

7.2 New Development Services Royalty Fee. You will pay us a continuing fee equal to 6% of your New Development Services Gross Revenue during the Term (the “New Development Services Royalty Fee”). For each new development transaction that occurs on or after the Opening Date, you must report the transaction and pay a Royalty Fee by ePay (or other method we designate) on the date of settlement (closing). New Development Royalty Fees are also due for all transactions and sales contracts entered into before the Expiration Date or date this Agreement is terminated.

8.0 BRAND MARKETING FUND:

8.1 Brand Marketing Fund Contribution. You will pay us each month during the Term a Brand Marketing Fund (“BMF”) contribution equal to a percentage of Gross Revenue during the Term, in accordance with the table below, subject to the provisions of this Section. As your Gross Revenue increases in any calendar year, the BMF Contribution Rate percentage decreases. If you conduct New Development Services Gross Revenue, if applicable, will be considered Gross Revenue for purposes of calculating your BMF contribution. You must pay the BMF contribution for each month within twenty (20) days after being invoiced.

Annual Gross Revenue Ranges (reported and paid on a calendar year basis)		BMF Contribution Rate
From	To	
\$0	\$5,000,000	1.00%
\$5,000,001	\$10,000,000	0.75%
\$10,000,001	*	0.50%

*The BMF Contribution Rate will remain at 0.50% for the remainder of the current calendar year for all Gross Revenue over \$10,000,001.

On January 1st of each year, your Gross Revenue, for purposes of your BMF contribution, will be reset, and you will pay a BMF contribution of 1.00% (“BMF Contribution Rate”) on all Gross Revenue up to and including \$5,000,000, and your rates will adjust accordingly thereafter based on your Gross Revenue. To be eligible for a reduction in BMF contributions as set forth in the table above, you must have reported and paid BMF contributions on all Gross Revenue. All Gross Revenue on which BMF contributions are not paid within thirty (30) days of accrual shall be subject to a rate of 1.00%. We reserve the right to increase the Annual Gross Revenue ranges by an amount not to exceed 5% per year, as adjusted, as described in Section 12.1.

8.3 Use and Management of BMF.

8.3.1 The BMF is not held in trust and we do not manage it in a fiduciary capacity. The BMF is a contractually generated fund. We may deposit BMF contributions with our other monies but will separately and distinctly identify and account for BMF contributions on our books and records. We use the BMF for the development, implementation, production, placement, payment and costs of national and regional marketing (as defined by us) advertising, marketing, promotions, public

relations and/or other programs, which includes direct mail (and email), market research, social media, customer surveys and test marketing to promote and further the recognition of the Marks, the System, franchisees and independent sales associates generally. The BMF may also be used for other purposes such as website development, online marketing and maintenance for the brand consumer website and accompanying consumer websites and blogs and the System intranet site, search engine marketing and search engine optimization, learning, customer service support, real estate listing enhancement costs and subsidies, listing distribution arrangements, regional and national Corcoran[®] system events and related activities, social media development and learning, awards, leads management system development, lead generation, customer loyalty programs, agent or broker productivity resources, system communications, Brand Standards and website compliance, brand extension development and marketing, talent attraction initiatives, resources and marketing, software development and distribution, quality control measures related to the use of the Marks in all types of platforms and other related activities in support of the Marks and the System. The BMF compensates us or our Related Parties for out-of-pocket costs on behalf of the BMF, for marketing staff compensation and a portion of our senior management compensation, and for reasonable expenses incurred for rent, overhead, accounting, collection, reporting, legal, human resources, finance, operations, management and other services, which we or our Related Parties provide to, or which relate to the administration of or services provided to, the BMF and its programs (collectively “Corporate Services”). We and our Related Parties may provide certain products and/or services to the BMF, including the Corporate Services outlined above, which would otherwise be provided by unaffiliated third parties. Any products and/or services provided by us or our Related Parties will be provided at a cost comparable to those costs that the BMF would otherwise incur if the products or services were obtained from unaffiliated third parties.

- 8.3.2** We are not required to use or allocate BMF contributions on a proportional basis with the contributions collected from any geographic area or to benefit any particular franchisee or group of franchisees. We are not obligated to use BMF contributions in the year we receive them. If we spend less of the BMF in any calendar year than we collect, the excess contributions will be used in future years. The BMF may borrow from us or other lenders to cover its deficits or invest any of its surplus for future use and in such case, there is no interest charged and no specific terms. The rate and terms of repayment will vary. If BMF contributions made by any of our Related Parties in any calendar year exceed the total amount required to be contributed during such calendar year, such Related Parties will have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the BMF or to use such excess as a credit against future contributions that may become due.
- 8.3.3** On your written request, we will provide you a financial report of the BMF showing the total BMF contributions collected and disbursed for the previous year, certified to be true and correct by one of our authorized officers. We are not required to cause the BMF to be audited or reviewed by an independent certified public accounting firm. The report is typically available after April of the following year.
- 8.3.4** Except as provided in this Section, we assume no direct or indirect liability or obligation to you with respect to the BMF’s maintenance, direction or administration.
- 8.3.5** We will not be liable for any act or omission with respect to the BMF that is consistent with this Agreement or done in good faith.

9.0 TECHNOLOGY:

9.1 Internet Reporting System. You must use our or our Related Parties' internet-based reporting system to promptly report all listings, pending and closed transactions for which a Royalty Fee is, or may be, payable. The system consists of our proprietary software and non-proprietary operating programs that enable you to transmit required listing information, transaction information and other data. We will provide the reporting system to you without charge. You must obtain appropriate connectivity and browser software for this application as well as any platform upgrades that may be necessary. You are responsible for purchasing compatible hardware from a vendor you select.

9.2 Technology Tools. We may make available to you technology products or services provided by us, our Related Parties, or Approved Suppliers, including the reporting system set forth in Section 9.1, ("Technology Tools") as designated and for the purposes set forth in the P&P Manual. We have the right to require you to use a specific Technology Tool as we deem essential for the System as set forth in Section 6.4.2. We, our Related Parties, or Approved Suppliers may (a) charge a fee, and (b) require execution of separate legal terms for access to a Technology Tool. Technology Tools are made available on an "as is" basis, subject to applicable terms. You will use your best efforts to properly use any Technology Tool for its designated purpose and to ensure all employees and independent sales associates properly use such Technology Tool.

9.3 Access and Use Requirements; Equipment. You are responsible for and must provide all hardware, software, services and other components necessary to access and use the Technology Tools. The current minimum equipment standards are listed in the P&P Manual. Use of all Technology Tools, including adapting to required changes and upgrades, are solely at your expense. We make no representations, warranties, or assurances that any hardware, software, services, and other components will be compatible with any Technology Tool. We may require you to use an Approved Supplier of technology products and services to meet our standards.

9.4 Multiple Listing Services Technology. If permitted under law and/or the rules of the applicable Multiple Listing Services, at our request, you will provide us access to the Multiple Listing Services in which you are a member. You will cooperate with us and our Related Parties and promptly execute any documents we determine necessary to provide us access to the listings in the Multiple Listing Service. You acknowledge and agree that you are solely responsible for all compliance of your Multiple Listing Service data in connection with an associated Technology Tool.

9.5 Additional Products and Technology. You agree, at your sole expense, to purchase or participate in any additional programs that may require special licensing, software, other technology products or upgrades to the Technology Tools which we may deem necessary from time to time to improve the services and efficiency of operation of the System.

9.6 Technology Protection. You are solely responsible for protecting your Business from disruptions, internet access failures, internet connection failures, and attacks by hackers and other unauthorized intruders. For any technology you use in connection with the Business, you will ensure such technology has adequate data security controls, including but not limited to: (i) authentication mechanisms designed so that they cannot be bypassed to gain unauthorized access to your system; (ii) encryption; (iii) password protection measures, such as protecting the form in which they are stored and complexity of character classes and password length; and (iv) any other security measure reasonable for our industry. You and your owners waive any and all claims you may have against us arising from or related to the direct or indirect result of such disruptions, failures, or attacks.

10.0 MANAGEMENT AND GOODWILL:

10.1 Management. You and your Owners will actively manage and supervise the Business's operation in a competent and professional manner. Any education, support, advice or resources we provide to you in connection with the Business is solely for the purpose of protecting the Marks and goodwill associated with the System and assisting you in the operation of the Business, and not for the purpose of controlling or in any way exercising or exerting control over your decisions or the day-to-day operation of the Business.

10.2 P&P Manual. We will provide you with access to the P&P Manual on our intranet site. The P&P Manual contains various suggestions as well as certain mandatory specifications, standards and operating procedures that we have developed as part of the System, and includes the Brand Standards. You acknowledge that the mandatory provisions of the P&P Manual are designed to protect our standards and systems, our Marks and the goodwill associated with the System, and not to control the day-to-day operation of the Business. You must comply with all mandatory provisions in the P&P Manual and ensure compliance with such mandatory provisions by your brokers, independent sales associates, employees, Responsible Broker and Related Parties for the protection of the Corcoran® brand and System. We reserve the right to make reasonable changes in the P&P Manual (and Brand Standards) that we determine are appropriate in our Reasonable Business Judgment for the continued success and development of the System and its franchisees. We may also modify the P&P Manual at any time to reflect changes in the System and will reflect those in the P&P Manual located on the extranet site. At your own expense, you must adopt on a timely basis (but no later than ninety (90) days after notice) any such modifications. If there is any conflict, discrepancy or ambiguity between the terms of this Agreement and the P&P Manual, the terms of this Agreement will control. If a dispute arises over the P&P Manual contents, the master copy that we maintain on our extranet site, will control.

10.3 Ethical Conduct, Consumer Relations and Protection of Goodwill. You must give prompt, courteous and efficient service to the public and operate the Business in compliance with the requirements set forth in the P&P Manual and professional standards to preserve and enhance the value and goodwill of the Marks and the System. You will uphold, and take reasonable steps to ensure that your brokers, independent sales associates and employees uphold, high standards of honesty, integrity, fair dealing and ethical conduct in dealing with the general public, customers of the Business, other franchisees and us. All persons engaged in the Business must comply with the National Association of REALTORS® Code of Ethics. You hereby authorize any federal, state or local body regulating or supervising real estate practices to release to us information about complaints and disciplinary actions related to your (or your Related Parties') practices. You will notify us within five (5) business days of any such complaints or disciplinary actions. You must maintain all required permits, certificates and licenses in good standing and in compliance with applicable laws. You must operate the Business in compliance with all laws, including laws and regulations of the real estate commission or other licensing authority governing your operation. We and you acknowledge that disputes may arise between you, or your Related Parties or independent sales associates, and a client or other Person involved in a real estate transaction, and that it is in the best interest of all parties, when possible, to quickly resolve disputes. You must promptly respond to all complaints received from your clients or other individuals in an attempt to resolve the dispute in a reasonable business manner. In connection with any consumer complaints that we receive from your clients regarding the Business, you will cooperate and respond to any inquiry from us and provide us with all information reasonably related to any such complaints. You will not make or publish any statement or advertisement which would reasonably be expected to demean the image, value, identity, reputation or goodwill associated with our name or the Marks. This covenant is independent of and will survive any termination, expiration or Transfer of the Franchise.

11.0 OTHER COSTS AND OBLIGATIONS OF FRANCHISEE:

11.1 Marketing Materials. We will make materials available for you to promote your Business and our products, services, and programs. Some materials may have associated costs or fees.

11.2 Payments and Interest. Any payments more than ten (10) days past due will bear interest at the lesser of the highest rate allowed by law or 18% per annum (1.5% per month). We will apply your payments (and, at our discretion, any amounts we (or our Related Parties) owe you or your Related Parties) to any of your past due indebtedness for Royalty Fees, New Development Services Royalty Fees, BMF contributions, purchases from us or our Related Parties, interest or other indebtedness as we may determine in our Reasonable Business Judgment. No restriction on any check or in any communications accompanying payment will bind us or our Related Parties. Our acceptance of any payment will not constitute an accord or satisfaction and will not be construed as a waiver of any breach of this Agreement. You may not withhold payment of any fee or amount due based on alleged non-performance or breach of our or our Related Parties' obligations under this Agreement or other related agreement, including for the sale of products or services to you.

11.3 Payment Procedure. You must pay amounts due to us using an ePay, a web-based, self-service application for electronic payments. We may revise the required form of payment from time to time in the P&P Manual and you must comply with any changes.

11.4 Offsets. At our discretion, we may offset any amounts we owe you in full or partial satisfaction of any amounts you owe under this Agreement or other agreements between you and us or our Related Parties, whenever your payments are more than thirty (30) days past due.

11.5 Net Worth. You acknowledge that a material consideration for us in granting you rights under this Agreement is your representation that you and your Owner(s) are financially responsible and have both (A) a net worth in tangible assets in excess of \$150,000, not including (i) the value of any interest in this Agreement (or notes provided to you from us or our Related Parties in conjunction with this Agreement) or (ii) any of your working capital (defined as total current assets less total current liabilities, all prepared in accordance with generally accepted accounting principles); and (B) liquid assets (cash or securities that can be easily converted into cash) of at least \$75,000. You agree and warrant that you and your Owners will maintain the minimum net worth requirement throughout the Term. You further agree that maintaining these requirements and remaining in financial good standing with us and your third-party creditors is critical to the protection of our goodwill and the Marks. If the net worth requirement is not maintained at any time, you must procure a guarantor acceptable to us to the extent of the deficiency, which guarantor will guarantee your performance under this Agreement.

11.6 Listing and Pending Listing Inventory. You will provide, within fifteen (15) days of the Effective Date, and thereafter maintain with us, a complete and current inventory of all listings, pending or otherwise, of your Business, in our required format, except as otherwise required by Section 7.1.2 as it relates to Pending Transactions. You will use best efforts to ensure that all listing inventory and transaction information, pictures, media and other listing content (collectively "Listing Content") are true and accurate. You will procure the permission of the property's owner(s) to depict the property in Listing Content for Permitted Purposes as defined below. To the extent you own any copyright to any Listing Content you supply to us (including those used in listings on our website), you irrevocably consent to our royalty free use of the Listing Content or any portion thereof for any purpose (including purposes beyond selling the property, such as to promote our brand and our business generally), and in any manner or medium now known or developed in the future, which may include use of your Listing Content or portions thereof on consumer facing websites,

and our sublicensing of your Listing Content to Related Parties and third parties, like listing portal aggregators or services, whether web-based or otherwise, as we deem appropriate in our Reasonable Business Judgment (collectively “Permitted Purposes”). You may elect to opt out of us providing your Listing Content to third parties by providing express prior written notice to us. To the extent you provide Listing Content with copyrights owned by third parties (including, but not limited to, agents photographers and videographers), you will procure all necessary rights and licenses to authorize our use for Permitted Purposes, and you will furnish proof of same if requested. You agree that if you do not furnish proof of the foregoing rights and licenses that is satisfactory in our Reasonable Business Judgment, we have the right to refuse to use the Listing Content. You agree to indemnify and hold us harmless against any third-party claims that our use infringes such third party’s rights or as to any claims relating to Listing Content.

12.0 FEE INCREASES:

12.1 Annual Increases. On January 1st each year, we have the right to increase the Annual Gross Revenue Ranges for purposes of Royalty Fees in Section 7 and BMF contributions in Section 8 by an amount not to exceed 5% per year. The amount of the increase shall be cumulative. Therefore, if for any reason we do not increase the Annual Gross Revenue Ranges for the Royalty Fees and/or the BMF contribution by the maximum amount permitted in any given year, we may add the amount not increased in any given year to the Annual Gross Revenue Ranges for the Royalty Fees or BMF contribution, respectively, in subsequent years. We may round to the nearest dollar any increase.

12.2 Other Fee Increases. We have the right to impose, eliminate or modify fees, including, learning fees, fees to participate in programs or services, other administrative fees, referral fees, late charges, cancelled audit and access fees, which revisions are not subject to the limitations of Section 12.1.

13.0 RECORDKEEPING; AUDIT:

13.1 Recordkeeping, Financial Statements and Audit.

13.1.1 Recordkeeping. During the Term and for three (3) years after the expiration or termination of the Term, you must maintain accurate records in the form we require. You must transmit information to us in the manner and format we require.

13.1.2 Financial Statements. Upon our request, you will provide us a detailed profit and loss statement. You will submit any additional information we require in the P&P Manual or otherwise. You will also supply a complete financial statement and a copy of your federal tax return, on an annual basis within one hundred twenty (120) days of your fiscal year-end. You, your authorized officer, or a general partner, as applicable, or your independent accountant will sign the financial statement certifying its truth and accuracy. Financial statements must be prepared in accordance with generally accepted accounting principles.

13.1.3 Audit. You must allow us or our designee(s) to audit your operations, including your financial record retention systems, or to obtain information from other sources, including the local Multiple Listing Service, to verify Royalty Fees, New Development Services Royalty Fees, BMF contributions and other fees due to us. You must immediately pay us any fees that the audit reveals were due during the audit period but not paid, plus interest at Prime plus 2%. If you fail to cooperate, fail to keep readily auditable records, cancel or reschedule the audit, or if the audit exposes a deficiency of 5% or more in amounts due for any consecutive three (3) month period, you must also pay all of our audit costs plus fees past due, interest, late charges and costs, and the deficiency will

constitute a material breach of this Agreement. You must dispute any audit findings in writing and identify the basis for any dispute in accordance with the P&P Manual and Section 13.7. Any audit or inspection we conduct is solely for determining your compliance with contractual obligations and does not constitute control over your day-to-day operation of the Business.

13.2 Access to Records. We, or our designee, have the right during the Term and for three (3) years following termination of the Agreement, to visit your Office location (or such other place where your records are located) during normal business hours, and without hindrance or delay, proceed:

13.2.1 to inspect, audit, check and make copies of your books, records (including state and federal tax returns), journals, orders, receipts, any correspondence and other data relating to your Business or to any transactions, including the books and records of any Related Party or Excluded Business if we have reason to believe that (i) its funds were commingled with the Business; or (ii) it was operated in violation of Section 4.2;

13.2.2 to verify any portion of your records or your Business or any Excluded Business as we may deem reasonable under the circumstances, including prompt response to any post-audit request for additional information; and

13.2.3 to discuss your records and the Business or any Excluded Business with any officers, directors and employees responsible for maintaining the records, or with your Responsible Broker.

13.3 Condition of Transfer of the Franchise. We may require an audit of the operations of the Business at any time, including as a condition of our approval of any Transfer of the Franchise.

13.4 Sales Associate Information. You will provide us information about your independent sales associates and teams and assist us in any survey of your independent sales associates and teams. Independent sales associate and team information will be updated promptly; all independent sales associate and team information will be current as of the end of each calendar quarter. We may require you to report detailed information on teams and team income, from time to time.

13.5 Other Matters relating to Information. We expressly agree to keep confidential any financial statements you submit under the Agreement, provided that our confidentiality obligations do not extend to information that (a) is or becomes generally available to the public; (b) was in our possession before it was furnished; or (c) is or becomes available to us from a source that is not prohibited from disclosing such information by any confidentiality obligation; or (d) is independently developed by us. This restriction shall not apply if we (or any of our Related Parties) are required under a court or government agency order or applicable law to disclose any non-public information we received. Other than financial statements, no information supplied to us will be considered confidential. We have the right to use any information you supply, including Client Information (as defined in Section 16.7.3): (i) for our own business purposes, (ii) to disclose information as may be required by law and governmental authority, (iii) to disclose information to third parties in connection with the system and offering products and services, and (iv) to aggregate your information with other franchisee information and disclose aggregated information or anonymized information as we deem appropriate. You will provide us and/or cooperate with us in collecting other information as we may reasonably request, including information for research and development of services, products and programs, identification of demographic information, industry reports and preparation of our Disclosure Document.

13.6 Cooperation. You must cooperate in scheduling any required audit and providing access to records, which must be maintained and presented in reasonable order to allow the audit to be conducted in a reasonable time. You acknowledge that all communications regarding the audit including, but not limited to, audit results may be communicated electronically unless you expressly indicate otherwise to the auditor.

13.7 Waiver. Your failure, refusal or neglect to dispute fees or contributions that an audit reveals you owe, including any fees, costs and penalties assessed with an audit, constitutes a waiver of any right to challenge such fees, unless you provide us written notice of your dispute, along with an explanation of the basis for your dispute, within thirty (30) days of the date we deliver the audit results to you in writing.

14.0 MODIFICATION OF THE SYSTEM; IMPROVEMENTS:

14.1 Agreement to Accept Modifications. We have the right to change or add to the Marks or the System, including the adoption of new or modified trade names, trademarks, trade dress, service marks, copyrighted materials, new products or services, new equipment, new business methods or new techniques from time to time, without your consent. We have the right to modify, suspend or eliminate any new or existing portion of the System or the Marks. Changes related to the Marks or System will be communicated to you and reflected in the P&P Manual. You will accept, use and display changes in the System and will make such expenditures as may be required to implement the changes.

14.2 Improvements by You. If you conceive or develop any improvements or additions to the System, new trade names, trademarks, service marks or other commercial symbols related to the System or any advertising or promotion ideas related to the System (“Improvements”), you will fully disclose the Improvements to us and obtain our written approval prior to use. Any Improvements we approve will be deemed licensed to us on a royalty-free, paid-up, perpetual worldwide license and may be used by us and our franchisees without paying you royalties or similar fees. We have the right to apply for and own copyrights, trade names, trademarks and service marks relating to Improvements. Improvements will be our property and trade secret. We will authorize you to use Improvements authorized for use by other franchisees.

15.0 OWNERSHIP CHANGES AND TRANSFERS OF THE FRANCHISE:

15.1 Ownership Changes. We must first approve in writing any proposed ownership change to transfer 10% or more of the Franchisee ownership rights. If an ownership change results in a Transfer of the Franchise, the provisions set forth in this Section 15 apply.

15.2 No Transfer or Assignment. You acknowledge that your rights and obligations under this Agreement are personal to you, and we have granted this franchise in reliance on many factors, including your (and your Owners’) character, skill, knowledge, business and financial capacity. You may not assign your rights or delegate your duties under this Agreement, except as permitted by this Agreement or required by law.

15.3 Limited Assignment Right for Sole Proprietorships or Partnerships. If you are a sole proprietorship or partnership, we expressly consent to the assignment of this Agreement, without payment of a fee, to an entity owned and controlled by the same Owners, provided that the Owners execute an assignment agreement and guaranty of the assignee’s obligations to us. You must notify us in writing of any proposed assignment under this Section and must provide and/or sign all documents we request including, assignment documents, Articles of Incorporation or Organization and Bylaws.

15.4 Transfer of the Franchise – Definition. “Transfer of the Franchise” will mean any transaction or series of transactions that results in: (i) the sale or transfer of substantially all of the Business’s assets; (ii) the majority Owner(s) before the transaction(s) holding less than 51% equity interest in you or the Business’s assets; (iii) another entity becoming a franchisee; or (iv) the Owner(s) no longer controlling or managing the Business. The Transfer of the Franchise may include transfers resulting from a divorce, death, insolvency, dissolution, declaration of or transfer in trust, or a foreclosure on the Business assets. If any Owners are entities, a Transfer of the Franchise will be deemed to occur if such Owner entity experiences any of these events or transactions.

15.5 Operational Control – Trust. In the event a trust is an Owner of the Franchise, Guarantor(s) will, at all times, directly (i) control all aspects of Franchisee and the operation of the Franchise; and (ii) serve as trustee of the trust and retain sole control over the voting of the trust’s equity interest in Franchisee. Franchisee acknowledges and agrees that: (a) if the Guarantor(s) do not maintain operational control of the entire Franchise, Franchisee and the trust, such an event will constitute a transfer as described in Section 15.4 of this Agreement and Franchisee must comply with all applicable provisions of this Section 15; and (b) if the Guarantor(s) desires to turn over operational control of the Franchisee, the trust or the Franchise to one or more trust beneficiaries, such beneficiaries must satisfy all conditions of approval described in Section 15.7 of this Agreement.

15.6 Prohibited Assignments or Transfers of the Franchise. You may not complete a Transfer of the Franchise without our prior written approval, which will be subject to our Reasonable Business Judgment. Failure to obtain our approval will be a material breach of this Agreement. Any attempted Transfer of the Franchise not expressly permitted by this Agreement or approved by us will be null and void, and you will remain liable for all obligations under this Agreement. After a Transfer of the Franchise, you will be liable for events that occurred before the Transfer of the Franchise and for all obligations that survive termination of this Agreement, including your indemnification obligations for any claims arising before the Transfer of the Franchise. If you complete a Transfer of the Franchise in violation of this Section, our continued performance and acceptance of payments does not waive our rights.

15.7 Approval of Transfer of the Franchise; Prerequisites. Provided you are not in default under the terms of the Agreement, we will consider your application for the Transfer of the Franchise to a new Owner or franchisee (“Transferee”), if you provide us thirty (30) business days’ advance written notice of any proposed Transfer of the Franchise. The Transferee must submit any documents we reasonably require to approve the Transfer of the Franchise. Our approval will be based on our consideration of various factors that include: (i) Transferee is a licensed real estate broker and arranges for adequate management of the Business to our satisfaction, (ii) Transferee’s franchise application (and supporting documents), (iii) Transferee’s or prospective owner’s business experience, character, reputation and financial condition (including credit checks and financial statements), (iv) proposed transfer documents and/or any new entity organizational documents, (v) unless prohibited by law, the Transferee’s execution of the then-current form of franchise agreement and new Owners’ execution of the then-current form of guaranty, (vi) payment and/or assumption of any outstanding indebtedness you owe us, (vii) payment of a \$5,000 transfer fee, (viii) execution by you and any departing Owners of a release of all claims against us and our Related Parties, (ix) an audit of your operations, and (x) your purchase of tail coverage on your errors and omissions insurance policy naming us as an additional insured. In connection with any proposed Transfer of the Franchise, we may also consider the financial impact that a Transfer of the Franchise to an existing franchisee may have on us, including a potential increase or decrease in the net effective Royalty Fee rate paid to us. We may require adjustments to the Agreement to account for or eliminate any financial impact to us as a condition of our approval.

15.8 Right of First Refusal. If you and/or any of your Owners intend to Transfer the Franchise for valuable consideration, you must obtain a bona fide, signed, written offer from the potential purchaser and deliver a complete and accurate copy of the offer immediately to us. If the offeror proposes to buy any other tangible or intangible assets that do not relate to or are not used by or in the Business, the proposal for such assets or rights must be described in a separate offer that is disclosed to us, but to which this right of first refusal is not applicable. The purchase price and terms for the Transfer of the Franchise will reflect the bona fide offered price and not reflect any value for any other assets.

15.8.1 Within thirty (30) days after you deliver a complete and accurate copy of the offer to us, we or our designee will have the option exercisable by written notice to you, to purchase the interest that is the subject of the offer, for the price and on the terms in the offer, provided, however, that (a) we may substitute cash for any in-kind payment proposed in the offer, (b) our credit will be deemed equal to the proposed purchaser's credit, and (c) we will have no more than one hundred twenty (120) days from the option exercise date to consummate the transaction. You will promptly respond to all our reasonable due diligence requests. Terms and conditions for the purchase will be as similar as practicable to the offer's terms and conditions, subject to the exceptions above.

15.8.2 Unless expressly limited in the third-party offer, we have the right to purchase the interest subject to all customary representations and warranties, closing documents, releases and indemnities as we reasonably may require, including representations and warranties as to the ownership and condition of, and title to, shares of ownership and/or assets, the validity and status of contracts and leases and the extent of any liabilities, contingent or otherwise. We also will have the option to acquire from you, for nominal consideration, an assignment of your leasehold rights for the Office premises.

15.8.3 If we do not exercise our purchase option, you or your Owners may complete the sale to the offeror on the offer's exact terms, subject to our approval of the Transfer of the Franchise, provided that if there is a material change in the offer's terms, we will have an additional option to purchase during the thirty (30) day period after your notice to us of a material change in the offer's terms.

15.8.4 If the proposed Transfer of the Franchise is not supported by valuable consideration (e.g., gift, testamentary transfer or involves the transfer of ownership to an immediate family member of an Owner, or reorganization of your entity without any change in the Owners), we have no right of first refusal. We have the right to approve the new Owner under Section 15.6.

15.9 Orientation for Transferee. The Transferee must attend Orientation as described in Section 6.

15.10 Assignment by us. We may assign, transfer, delegate or subcontract all or any part of our rights and duties under this Agreement, including by operation of law, without notice and without your consent. You are not the third-party beneficiary of any of our contracts with third parties, including vendors or other franchisees. We will have no obligations to you after you are notified that a transferee has assumed our obligations under this Agreement except those that arose before we assign this Agreement.

16.0 EXPIRATION AND TERMINATION:

16.1 Non-Renewability of Agreement. NEITHER PARTY HAS RENEWAL RIGHTS. The tender or acceptance of your payments after expiration of this Agreement will neither prejudice our rights to enforce the expiration or your obligations on expiration, nor create any additional rights in your favor under this Agreement.

16.1.1 Transition. If this Agreement terminates or expires, we have the right to communicate directly with your independent sales associates in order to facilitate an orderly and efficient transition, preserve the goodwill of the System and the Marks, and to determine their interest in affiliating with another franchisee. We can communicate directly with your independent sales associates immediately after notice of termination is delivered, or in the case of expiration, within six (6) months prior to the expiration date and any time thereafter.

16.1.2 Holding Over. If you or an Owner uses the Marks after the expiration of this Agreement, you will be deemed to be operating on a month-to-month basis ("Holdover Period"). During any Holdover Period, all of your obligations will remain in full force and effect, as if this Agreement had not expired, and all obligations imposed on you upon expiration of this Agreement will take effect upon termination of the Holdover Period. During any Holdover Period, we may consider you in default of this Agreement and may exercise all remedies available to us, including pre-termination options set forth in Section 16.3 or termination.

16.2 Termination. This Agreement may be terminated only on the terms and conditions established in this Section.

16.2.1 Mutual Consent. By mutual consent of the parties;

16.2.2 Termination by us for Good Cause. By us for good cause, which means your material breach of any obligations under this Agreement as we may determine in our Reasonable Business Judgment or as stated in this Agreement. Good cause includes both curable and non-curable defaults and the failure to meet the Minimum Office Design and Appearance Standards.

16.2.3 Curable Defaults; Notice. After giving you written notice and thirty (30) days to cure identified defaults (except for cure periods established elsewhere in this Agreement and any longer periods required by applicable state law), we may terminate this Agreement for the following uncured defaults:

16.2.3.1 Your failure to timely and consistently report transactions or to pay when due any financial obligation to us or to the BMF;

16.2.3.2 Your underreporting and/or underpayment of at least 5% of Royalty Fees, New Development Services Royalty Fees and/or BMF contributions within any three (3) month period, or your refusal to permit us to audit your operations and records, or your failure to reasonably cooperate with an audit;

16.2.3.3 Your Transfer of the Franchise without our prior approval or on the death, judicial determination of incompetence, or the appointment of a conservator or guardian over you or an Owner, the failure to seek our written approval for Transfer of the Franchise within one hundred eighty (180) days after such event;

16.2.3.4 Your attempt to subfranchise, license or grant to any other person or entity the right to use the Marks or the System licensed to you under this Agreement;

16.2.3.5 Your or an Owner's failure to comply in all material respects with applicable municipal, county, state or federal laws;

16.2.3.6 The operation of any other business within the Office(s), except as permitted under this Agreement;

16.2.3.7 Your failure to properly display and use our Marks as described in the P&P Manual and Brand Standards;

16.2.3.8 Your failure to begin operation using the Marks and System on the Opening Date.

16.2.3.9 The creation of a security interest in this Agreement or the assets of the Business without our prior written consent; or

16.2.3.10 Any other material breach of this Agreement not listed above or listed below as a noncurable default.

16.2.4 Noncurable Defaults; No Notice Required. We may terminate this Agreement immediately without prior notice or an opportunity to cure, if any of the following defaults occurs:

16.2.4.1 Suspension or revocation of your Responsible Broker's license; unless you timely appoint a substitute Responsible Broker as permitted under applicable law and such suspension or revocation does not otherwise cause a breach under this Agreement;

16.2.4.2 Any conduct by you or an Owner that impairs the image, identity, value or goodwill associated with the Marks or the System;

16.2.4.3 The filing or imposition of any bankruptcy, receivership, composition, assignment, marshaling, insolvency or similar proceeding for the benefit of creditors related to you or your assets, provided that termination on bankruptcy may not be enforceable under the Bankruptcy Code;

16.2.4.4 Any default for which we have issued you a notice of default during the last twelve (12) months advising you of our intent to terminate for the same cause, even if the default(s) were cured;

16.2.4.5 Any material misrepresentation or omission by you an Owner or guarantor to us in the franchise application or otherwise with respect to the Business (or otherwise), including, but not limited to, any such misrepresentations or omissions related to the Geographic Market or your full and complete satisfaction of the Criteria or any breach of Section 23.10;

16.2.4.6 The operation of a competing residential brokerage business in violation of the in-term non-competition covenant; or

16.2.4.7 Abandonment of your Office, demonstrated by (i) the failure to commence operation of any Office as required under the Agreement and any related Addenda, (ii) removal of the Marks, or (iii) failure to operate the Business for five (5) consecutive business days or any shorter period when, under the facts and circumstances, it would be reasonable for us to conclude that you do not intend to

continue to operate the Business, unless the cause is a force majeure, e.g., flood, earthquake or similar acts of God. If any of the above circumstances apply to some, but not all of your Offices, we may, in our Reasonable Business Judgment, terminate the license to operate the abandoned Offices, rather than terminate the Agreement.

16.2.5 Termination upon Death/Disability of Majority Owner. If a majority Owner dies or becomes physically or mentally disabled (corroborated by written evidence from a treating physician) and you elect to wind up the Business and distribute all of the Business's assets to the Owners (as opposed to transferring the assets to a third party), you may terminate the Agreement, without penalty, if the following conditions are satisfied:

- (a) You provide us at least ninety (90) days prior written notice of your intent to terminate;
- (b) At the time of the notice, the deceased or disabled majority Owner owns at least 51% of the equity interest in you or the Business's assets and manages your day-to-day operations;
- (c) You are not in default on the date that the notice is delivered or on the date of termination ("Termination Date");
- (d) You provide any documents we request demonstrating your dissolution;
- (e) Before the Termination Date, you pay any outstanding indebtedness you owe us including, but not limited to, Royalty Fees, New Development Services Royalty Fees, BMF contributions and all amounts not previously paid and/or forgiven under any existing promissory notes (or any other instrument of indebtedness);
- (f) You and each remaining Owner agree that they will not own or operate any real estate brokerage within two miles of any authorized Office for a period ending the earlier of (i) the Expiration Date, or (ii) two years after the Termination Date; and
- (g) You enter into a written termination agreement. We will not be entitled to recover any liquidated damages under the Agreement if you comply with this Section and perform the post-termination obligations within ten (10) days after the Termination Date.

16.2.6 Failure to Meet Minimum Office Design and Appearance Standards. You must meet certain required minimum standards of professionalism for size, interior design and decor, including complying with the required Signature Elements, exterior attractiveness, general appearance and cleanliness. These standards are contained in the Brand Standards. If your Office(s) fail to meet these standards, we will notify you in writing and describe the deficiencies, and you will be given 90 days to correct them. If such deficiencies are not corrected to our satisfaction within 90 days, we may, at our option, terminate this Agreement.

16.3 Our Pre-Termination Options. If you fail to pay any amount owed under this Agreement or fail to comply with any term of this Agreement or the P&P Manual, in addition to our right to terminate this Agreement (subject to applicable notice and cure periods), or to bring a claim for damages, we have the following options as we deem necessary, each of which may be exercised without providing notice or opportunity to cure:

- 16.3.1** To suspend all services provided to you under this Agreement or otherwise, including learning, marketing assistance, sale of products and supplies, and eligibility for you and the independent sales associates affiliated with you;
- 16.3.2** To suspend taking or placing referrals, leads, or relocation requests, for or from you and to direct any inquiries regarding these or other programs or services to other franchisees; and/or
- 16.3.3** To eliminate listing you and/or publishing your real estate listings in any advertising, marketing or promotional materials, including on our principal website and third-party websites to which we may direct listing information.

We may continue taking these actions until you comply with our requirements and we acknowledge your compliance in writing. The options in this Section will have no effect on, and will not release you from, any obligation you owe to us, our Related Parties or to the BMF. Your right to cure does not restrict our right to file any legal action or exercise any of our pre-termination options before, during or after the cure period.

16.4 Effect of Expiration or Termination. On expiration or termination, you must immediately, at your expense, return to us all of our property, including originals and copies of the P&P Manual, technology products (including copies that your independent sales associates hold or control), and all films, DVDs, CDs, flash drives, materials and instruction manuals, electronic or otherwise, which are part of our programs, or destroy the same and certify the destruction. You must also immediately discontinue all use of the Marks in your materials. You must, at your expense, immediately discontinue use of and destroy all signs displaying our unique style, logo, colors, color patterns and designs and/or Marks. Effective on the date of termination or expiration, you must refrain from any representation that you are our franchisee or are or have been affiliated with us and take affirmative action to remove any use of the Marks in connection with your business. You must de-identify your business from the System in a manner that does not confuse the public about the fact that you are no longer part of the System. You must (i) immediately advise all of your then-current Clients that you are no longer associated with us; and (ii) immediately cause any business or telephone directory publisher and internet directories to remove you from their listings as our franchisee. You must immediately cause any web masters or websites to remove our Marks from their web pages, including social media websites, and you must remove the Marks from your website(s) and social media sites and accounts that you or your independent sales associates control. You must remove our Marks from any source code or other mechanism that directs a consumer searching for our Marks to your website. If your URL contains our Marks, you must cancel such URL registrations for the Business or, at our option, assign your URL(s) to us. You must cause all sales associates to cancel all URLs containing our Marks that they may have established in violation of this Agreement.

16.5 Effect of Continued Use of the Marks. On expiration or termination, any continued use of the Marks by you, the Business or any of your independent sales associates: (i) will constitute willful and knowing infringement, dilution of our trademark rights and unfair competition; and (ii) may constitute trafficking in a counterfeit mark for which both civil remedies and criminal penalties may be imposed.

16.6 Infringement Damages. If we bring an action against you or anyone associated with you during or after the Term, seeking to halt infringement of the Marks, you acknowledge that any court of competent jurisdiction may enter temporary restraining orders or preliminary and permanent injunctions (in under applicable law) without requiring a bond or other security and may order the immediate seizure and destruction of any infringing materials. If any court rule requires a bond, you agree that a \$1,000 bond is sufficient. You must pay Royalty Fees, New Development Services Royalty Fees and BMF contributions on all Gross Revenues during the period of any infringement, our attorneys' fees, costs and disbursements

incurred in enforcing our trademark and contract rights. You agree that if you breach this Agreement and/or continue to utilize the System or Marks after termination or expiration, we will have no adequate remedy at law. You expressly consent and agree that we may, in addition to other available remedies, obtain an injunction and/or temporary restraining order to terminate or prevent the continuation of any existing default or violation, and to prevent any threatened default or violation, by you of this Agreement.

16.7 Surviving Obligations.

16.7.1 Except as described in this Agreement, on expiration or termination of the Agreement, you will have no further interest or rights in this Agreement. All financial obligations, incurred before termination or expiration, will not be affected by termination or expiration and must be satisfied. You remain obligated to pay Royalty Fees, New Development Services Royalty Fees, BMF contributions, and referral fees, on transactions pending at the time of expiration, termination or Transfer of the Franchise. The provisions of this Section survive termination or expiration of this Agreement.

16.7.2 If an “early termination” of this Agreement occurs (which will mean any termination of the Agreement before the Expiration Date, other than a mutual termination under Section 16.2.1 or termination by you under Section 16.2.5), you will immediately pay us liquidated damages. The parties agree that it would be impracticable or extremely difficult to calculate the actual amount you would have been obligated to pay as Royalty Fees, New Development Services Royalty Fees, BMF contributions, and other fees due under this Agreement through the Expiration Date and that the following method of calculation represents a fair and reasonable estimate of our damages: Liquidated damages will be equal to the combined monthly average of Royalty Fees, New Development Services Royalty Fees, BMF contributions, and any other fees under this Agreement (without regard to any fee waivers or other reductions) payable from the Opening Date through the date of early termination, multiplied by the lesser of (i) thirty-six (36) or (ii) the number of full months remaining in the Term.

16.7.3 We have the right to access and use (i) all information you provide to us as required by the P&P Manual, including, without limitation, any reporting items or categories that may later be adopted; (ii) all information you provide to us contained in your sales and transaction reports, and in such other operational reports that we request from you; and (iii) all information you provide to us regarding your customers’ enrollment in any client contact program we may adopt. The information in (i), (ii) and (iii) above is referred to collectively as “the Client Information.” We may use the Client Information for business purposes including, without limitation, public relations, advertising, statistical compilations, investigations and resolutions of client complaints, and quality surveys. We have the right, on termination, to use the Client Information and to make the Client Information available to other franchisees or prospective franchisees as we deem appropriate. On termination, you will be deemed to have assigned your client contact program enrollments to us to deal with as we deem appropriate.

16.8 Other Damages. Our right to collect reasonable attorneys’ fees, costs of investigation, court costs and other litigation expenses incurred in enforcing our rights under this Agreement will survive termination.

17.0 INDEMNIFICATION AND INSURANCE:

17.1 Your Indemnification. You will indemnify and hold harmless us, our Related Parties, and all other franchisees from all expenses, claims, losses, damages, liabilities or actions of any kind or nature (including, but not limited to, costs and attorneys’ fees) arising out of or related to the operation of the Business or an

Excluded Business and any acts and omissions of you, your Owners, employees, brokers or your independent sales associates. The P&P Manual contains indemnification and insurance language you are required to put in an agreement with a developer if you are conducting New Development Services using the Marks. If we are made a party to a lawsuit or other legal action or we have a claim asserted against us in connection with your (or your Related Parties') activities, regardless of whether you were named or served in the subject action, we may at our option, (i) tender the defense and/or prosecution of the case to you and you will be responsible for diligently pursuing the case at your expense; or (ii) hire counsel directly to protect our interests and bill you for all costs and attorneys' fees incurred, which you must promptly pay. This indemnity will apply to claims that we were negligent or failed to train, supervise or discipline you, and to claims that you or your Owners, employees, brokers or your independent sales associates are our employees, agents or are part of a common enterprise with us, including claims regarding violations of labor or employment laws or regulations. The obligations under this Section survive the expiration or termination of this Agreement.

17.2 Insurance.

17.2.1 Required Policies and Coverage. You will obtain and maintain for the Term the following types of insurance: (1) if you use an automobile in connection with your business operations, automobile liability coverage, including hired and non-owned autos, with limits of at least \$1,000,000 per occurrence; (2) general liability coverage, including contractual liability, Property Management coverage and (if not covered in a separate automobile liability policy) hired and non-owned autos, with limits of at least \$1,000,000 per occurrence; (3) professional liability (real estate errors and omissions) coverage, including coverage for Property Management, with limits of at least \$1,000,000 per claim; and (4) any additional types of policies and coverage as may be required by law, including, without limitation, workers compensation coverage. If you conduct New Development Services from your Business, you should obtain the appropriate minimum insurance coverage depending upon the size and scope of the development project as further described in the P&P Manual. You must furnish us with certificates of insurance before the Opening Date. We reserve the right to require you to obtain additional types of insurance, including Employment Practices Liability Insurance ("EPLI"), to increase limits or to reduce minimum coverage requirements, but you may carry reduced coverage only if you first receive our written approval. Approval to do so may be revoked at any time. If you fail to maintain required insurance, we may, but are not obligated to, obtain any and all required insurance on your behalf and to charge you for the cost. You will promptly reimburse us for all our costs upon demand. We do not represent or warrant that any insurance that you are required to purchase, or which we procure on your behalf, will provide adequate coverage for you. You should consult with your own insurance agents, brokers, attorneys or other insurance advisors to determine the level of insurance protection you need and desire, including any insurance coverage it may be advisable for you to require your affiliated agents to obtain, in addition to the coverage and limits we require.

17.2.2 Carriers. All policies must be in a form and content satisfactory to us and must be issued by an insurer(s) rated A-VIII or better in Class X by Alfred M. Best and Company Inc., or comparably rated by Moody's and/or Standard and Poor's or similarly reliable rating services acceptable to us. We reserve the right to change the minimum acceptable rating requirement.

17.2.3 Additional Insureds. We, Realogy Holdings Corp., and their subsidiaries, successors and assigns must be named as additional insureds on all insurance policies listed and maintained by you (excluding workers compensation insurance and EPLI).

17.2.4 Notice of Policy Changes or Cancellation. All policies must provide that they may not be canceled except upon thirty (30) days' advance written notice to us.

17.2.5 Annual Certificates. You must furnish us certificates of coverage and endorsements (i) on or prior to your Opening Date, (ii) annually, on the anniversary of your policy renewal date, and (iii) upon our request.

18.0 AMENDMENT:

18.1 Written and Signed. Any modification of this Agreement must be in writing and signed by the authorized representatives of both parties.

18.2 Authority to Amend. NO FIELD REPRESENTATIVE, INCLUDING ANY DIVISIONAL OR REGIONAL OFFICER OR BUSINESS MANAGER OF OURS HAS THE RIGHT OR AUTHORITY TO MAKE ORAL OR WRITTEN MODIFICATIONS TO THIS AGREEMENT. NO UNAUTHORIZED MODIFICATION WILL BE BINDING ON EITHER PARTY.

19.0 WAIVER:

19.1 Waiver; Severability. If any provision(s) of this Agreement is or becomes in violation of any local, state or federal law, such provision(s) will be considered immediately amended to conform to the law. If the violative provision cannot be amended to conform to law, each party expressly releases the other from any liability under the violative provision of this Agreement. To the extent any provision of this Agreement is deemed invalid or unenforceable for any reason, the remainder of this Agreement will not be adversely affected, but rather will be enforced to the greatest extent permitted by law. No waiver of any breach of this Agreement will constitute a waiver of any subsequent breach.

19.2 Disputes with Others. Each party waives the right to assert that principles of collateral estoppel or issue preclusion prevent raising any claim or defense because either party lost a similar claim or defense in another action. Any ruling by a third-party fact finder or court in any prior proceeding in which either party was involved (such party referred to as a "Litigant") with a third party will not prevent the Litigant from asserting similar arguments or positions in any action between the parties to this Agreement.

20.0 NON-COMPETITION COVENANTS:

20.1 In Term. During the Term, you, your Owners, officers, guarantors, and Responsible Broker (for so long as each are engaged or employed by you) will not, directly or indirectly, through ownership or otherwise, engage in any real estate brokerage business, other than the Business or any Real Estate Related Excluded Business authorized under this Agreement. Moreover, your Owners, officers, guarantors, and Responsible Broker will not engage in any other residential real estate brokerage business or divert real estate brokerage business from the Business in the market you serve. Notwithstanding the above, with our prior written permission, you, your Owners or guarantors may own and/or operate a real estate brokerage business under the marks of one of our Related Parties during the Term.

20.2 Transfer of the Franchise. Any Transferee must be protected against unfair competition by your use of our education programs and resources, assistance and trade secrets in direct competition after a Transfer of the Franchise. For twenty-four (24) months after a Transfer of the Franchise (or the remaining Term, whichever is less), you, your Owners, officers, guarantors, and the spouses of such Persons, will not, directly or indirectly, operate, own, license, franchise, be employed by or consult with

any residential real estate brokerage within a two (2) mile radius of any Office operating as of the date of the Transfer of the franchise.

20.3 Competing Services or Products. During the Term, you, your Owners, officers, employees and independent sales associates, or any entity in which any of you hold an ownership interest in or receive compensation from, will not provide or seek to provide equipment, supplies, services or other operating materials to our other franchisees or Related Parties and their respective franchisees, without our advance written consent.

20.4 Post Term Restriction on Start-Ups. If you were a Start-Up Company on the Effective Date, you agree that you, your Owners, officers and guarantors, as well as any of the immediate family members of these Persons (collectively, the “Restricted Parties”) will not, directly or indirectly, through ownership or otherwise, engage in any real estate brokerage business from any Office for a period of one (1) year after termination or expiration of the Agreement. A Start-Up Company is a real estate brokerage that operated a stand-alone licensed real estate business for less than twelve (12) months before the Effective Date.

21.0 INDEPENDENT CONTRACTOR:

21.1 We are not the employer of you, or any of your employees, your brokers or independent sales associates. At all times, you will hold yourself and the Business out to be independently owned and operated. Any education, support, advice or resources we provide to you in connection with the Business is solely for the purpose of protecting the Marks and goodwill associated with the System and assisting you in the operation of the Business, and not for the purpose of controlling or in any way exercising or exerting control over your decisions or the day-to-day operation of the Business, including your personnel-related decisions

21.2 You must conspicuously disclose in the Office, in your real estate sale documents, listing agreements and on all business cards, stationery, and in all advertisements and in all other printed or recorded material you, your employees and independent sales associates use, that you are independently owned and operated and are not our agent or owned by us. You expressly understand that you will be an independent contractor and must hold yourself out to the general public as such. This Agreement does not make you our agent, legal representative, joint venture, partner, employee or servant for any purpose. You are not authorized to make or promise any contract, agreement, warranty or representation on our (or our Related Parties’) behalf, or to create any express or implied obligation, on our (or on our Related Parties’) behalf. You are not authorized to accept service of process or legal notices directed to us. You acknowledge that this Agreement does not create a fiduciary relationship, and the relationship between the parties is not, and is not intended to be a fiduciary relationship.

21.3 We have no right or obligation to pay your commissions, taxes, wages or other expenses or, to regulate or participate in the retention, or disaffiliation of your independent sales associates or employees, or to determine or limit the parties from whom you accept listings, or for whom or to whom you may sell property, the commission rates you charge, your commission splits with affiliated sales associates, your working conditions, the manner or details of work performed by you, your brokers, independent sales associates or employees, except as may be necessary to protect the Marks and goodwill associated with the System, and you agree that you are solely responsible for these items (regardless of any advice, education or resources you may receive from us). Further, you agree that you are solely responsible for the day-to-day operation of the Business according to your own judgment, and in accordance with this Agreement and the mandatory provisions of the P&P Manual.

22.0 MISCELLANEOUS:

22.1 Taxes. You will pay promptly when due all taxes, accounts, liabilities and indebtedness of any kind incurred by you in the conduct of the Business. If any fees (including, without limitation, Royalty Fees, New Development Services Royalty Fees and the Initial Franchise Fee) payable by you to us are subject to Value Added Taxes, Gross Receipts Taxes, or similar taxes imposed by taxing authorities within the jurisdiction where you operate, you will, in addition to the fees due us, pay us an additional sum equal to the amount of such tax imposed on fees due us.

22.2 Successors and Assigns. Subject to Section 15, this Agreement will be binding on and inure to the benefit of the parties and their respective legal representatives, successors and assigns.

22.3 Headings; Interpretation. The headings in this Agreement are for convenience only, do not constitute a part of this Agreement, and will not be deemed to limit or affect any of the provisions of this Agreement. The use of the term “including” in this Agreement shall mean “including without limitation.”

22.4 Time of the Essence. Time is of the essence for all of this Agreement’s provisions that specify a time for performance.

22.5 Applicable Law. Subject to our rights under federal trademark laws, the parties’ rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with New Jersey laws (statutory and otherwise), except that the New Jersey Franchise Practices Act will not apply to agreements for Offices located outside New Jersey. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through franchise or business opportunity laws of any state other than the state where the Main Office is located.

22.6 Venue and Jurisdiction. You submit to the non-exclusive personal jurisdiction of the New Jersey state and federal courts of New Jersey for any litigation arising out of or related to this Agreement or to any aspect of the business relationship between the parties. Such litigation will have venue in state courts in Morris County, New Jersey, or in the United States District Court for the District of New Jersey.

22.7 Waiver of Class Action. You agree that any judicial proceeding will be considered as to its facts and may not be brought as a class action. You and your Owners waive any right to proceed against us by way of class action.

22.8 WAIVER OF JURY TRIAL. The parties waive the right to a jury trial in any action arising out of or related to this Agreement or any aspect of the relationship between you, us, any guarantor and their respective successors and assigns.

22.9 Waiver of Punitive Damages. We and you (and your Owners and guarantors) fully waive any right to or claim for any punitive or exemplary damages against each other. If any dispute arises between the parties, each party will be limited to recovery of actual damages which, in our case, includes liquidated damages in Section 16 and damages provided in the Lanham Act or its state counterpart.

22.10 Attorneys’ Fees. We will be entitled to collect, in addition to any award of damages or injunctive relief, our costs in enforcing our rights under this Agreement against you, including reasonable attorneys’ fees, court costs, expert fees, costs of investigation, and other litigation expenses. We will also be entitled to collect our attorneys’ fees, court costs, expert fees, costs of investigation, and other litigation expenses if we

are the prevailing party with respect to any claim or counterclaim or other legal proceeding brought by you against us in connection with this Agreement or our relationship.

22.11 USA PATRIOT Act and Foreign Assets Control Regulations Compliance. You will, at all times, operate in compliance with any applicable laws, rules and regulations, including the USA PATRIOT Act (Public Law 107-56) and Foreign Assets Control Regulations (31 CFR Parts 500; 501). You represent and warrant that you, your Owners, directors, and employees: (i) are not included on any U.S. government list (including the Office of Foreign Assets Control (“OFAC”)) of Persons with whom financial or similar transactions are prohibited; and (ii) are not subject to embargo or sanctions under OFAC regulations or similar U.S. government laws, regulations, or Executive Orders. Further, you will promptly notify us if any of the covenants and representations in this Section are inaccurate, and you will cooperate with us in any resulting audits or investigations.

22.12 Variations Among Agreements. We reserve the right to vary standards for any other franchisee based on a particular area, circumstance, business practice or other condition that we deem important to the other franchisee’s successful operation. You have no rights based on our variation from standard practices and will not be entitled to require us to grant you a similar variation under this Agreement.

22.13 Opportunity to Investigate. You acknowledge that you have had full opportunity to investigate independently our operations and be thoroughly advised of the terms and conditions of this Agreement by counsel of your choice. Unless expressly provided otherwise, this Agreement is exclusively for our and your benefit and may not give rise to liability to any third party unless specifically stated.

22.14 Integration. You acknowledge that we have fully explained our operations to you, that you understand their uses, benefits and limitations; and that we made no representations to you as to the financial benefit to be gained under this Agreement. You have not relied on any written or oral representations except those specifically made a part of this Agreement in writing. This Agreement, any Exhibits, and any Addendum signed by our authorized officer and you represent the entire integrated agreement between us and you and supersede all prior negotiations or agreements, either written or oral, between the parties. Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. **DO NOT SIGN THIS AGREEMENT IF YOU BELIEVE WE OR ANY OF OUR REPRESENTATIVES HAS PROMISED YOU SOMETHING THAT IS NOT PART OF THIS AGREEMENT, ANY ATTACHED ADDENDUM OR THE DISCLOSURE DOCUMENT.**

22.15 Consent. In those instances where our prior consent is required without identifying the method or timing for consent, you will request consent in writing, and we will notify you of our decision within thirty (30) days after receiving your written request and all supporting documents. Whenever our consent or approval is required under this Agreement, it must be in writing. If we do not respond within thirty (30) days, the request is deemed denied. Our consent or approval will be effective only to the extent specifically stated and we will not be deemed to waive our right to consent to or approve any later request.

22.16 Our Rights. We have the right to operate, administer, develop, and change the System in any manner that is not specifically precluded by this Agreement. You understand and agree that during the Term hereof, we or our Related Parties may develop internally or be in discussions with third parties for, products, services, concepts, systems, and techniques, including but not limited to, those that may be similar to or competitive with those offered by you, your Owners or your Related Parties and that nothing

herein shall limit or restrict our right to develop or have developed, protect (whether by patent, trademark, copyright or other means) or market any such products, services, concepts, systems, or techniques.

22.17 Our Reasonable Business Judgment. Whenever we reserve discretion, or are deemed to have reserved discretion, in a particular area or we agree or are deemed to be required to exercise our rights reasonably or in good faith, we will satisfy our obligations by exercising Reasonable Business Judgment in making our decision or exercising our rights.

22.18 Counterparts/Facsimiles. This Agreement may be executed in counterparts, each of which will be deemed an original, and all of which constitute one and the same agreement. Electronic or facsimile copies of this Agreement have the same force and effect as the original and will be fully binding.

22.19 Further Assurances. The parties will execute any documents necessary to consummate and make effective the transactions contemplated by this Agreement as soon as practicable.

23.0 ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS: You make the following additional warranties and representations that are an inducement on which we are relying to enter into this Agreement:

23.1 The information in the franchise application is accurate and complete. Any consents or authorizations in the application are incorporated into this Agreement and are effective for the Term.

23.2 You are not obtaining this Business for speculative purposes and have no present intention to sell or transfer or attempt to sell or transfer the Business in whole or in part.

23.3 You acknowledge the importance of the high and uniform standards of quality, appearance and service we impose to maintain the value of our name and the necessity of operating the Business in compliance with our Standards. You represent that you have the ability and intention to meet those Standards.

23.4 You have procured such certificates, licenses and permits, in addition to appropriate real estate licenses, necessary for you to carry on the Business contemplated by this Agreement.

23.5 Your signing of this Agreement does not violate or breach any other agreement or commitment to which you are bound.

23.6 Neither we nor any of our employees or representatives made any representations, promises, guarantees or warranties of any kind to induce you to sign this Agreement, except as specifically described in the Disclosure Document delivered to you. You acknowledge that the success of the Business is dependent on you and your Owners' efforts. Your non-exclusive right to use the System and its programs does not imply or guarantee you any level of business, any specific advertising programs, any number of recruits, or the receipt of referrals from our other franchisees or our Related Parties' franchisees. You and the Owners represent that you each intend to engage in the management or supervision of the Business. You agree to conduct the Business strictly in accordance with this Agreement and to exercise your continuous best efforts to maintain and develop the Business to its greatest potential.

23.7 You and each of your Owners acknowledge that your Owners, employees, brokers and independent sales associates are not our employees, brokers or independent sales associates and that you

are solely responsible for the day-to-day operation of the Business according to your own judgment and in accordance with the Agreement and the mandatory provisions in the P&P Manual.

23.8 You and each Owner have fully read this Agreement, the P&P Manual table of contents and the Disclosure Document and understand their terms. You acknowledge that you have had not less than fourteen (14) calendar days (or 10 business days in Michigan and New York) to review our Disclosure Document before signing this Agreement.

23.9 As of the Opening Date, the Owners will be and shall, during the entire Term remain in full compliance with all applicable federal, state and local laws and regulations, including without limitation all applicable laws and regulations governing (i) the operation of a real estate brokerage office, (including the Real Estate Settlement Procedures Act), (ii) labor and employment, including, but not limited to, wage and hour laws and laws prohibiting forced or child labor, and (iii) data privacy, data breach response policies and security. You acknowledge that we have no responsibility for ensuring that the Business is developed and operated in compliance with all applicable laws and regulations, and that we shall have no liability in the event the development and operation of the Business violates any law or regulation. Further, Owners will not engage in any human trafficking, nor use any child or forced labor, including indentured labor, bonded labor or prison labor, in connection with the Business.

23.10 Eligibility Requirements. You understand and acknowledge that we grant Corcoran® franchises to Residential Real Estate brokerage businesses which meet our current qualification criteria. Accordingly, you represent and warrant that the geographic area (as we have a right to determine) will be where your Office(s) will be located and principally operated (the “Geographic Market”). You understand and acknowledge that the Geographic Market does not, in any way, convey or imply a market, territorial rights or protected area proprietary to you. Moreover, you represent and warrant that at least one of the following statements is true and accurate (the “Criteria”):

23.10.1 The average selling price (“ASP”) for homes sold or purchased by your customers in Residential Real Estate transactions brokered by your office, in the Geographic Market during the Measurement Period (defined as the most recent 12 full calendar months for which data is available immediately before entering into this Agreement), was in the top 50% of selling prices for all homes sold in the Geographic Market; **or**

23.10.2 Your real estate brokerage company, during the Measurement Period, ranked in the top five in the Geographic Market in terms of highest ASP for homes sold or purchased during the Measurement Period in the Geographic Market or highest Transaction Value for homes sold or purchased in the Geographic Market during the Measurement Period; **or**

23.10.3 You own or operate a newly formed residential brokerage office, which office is or will be composed of affiliated agents substantially all of whom, immediately prior to the time you executed this Agreement, were affiliated with a licensed broker that would have satisfied the representations, in one of subsections of Section 23.10 set forth above, with respect to the Measurement Period.

23.11 You agree not to make or publish any statement or advertisement which would reasonably be expected to demean the image, value, identity, reputation or goodwill associated with our name or trademarks or the Marks described in this Agreement. This covenant is independent of and will survive any termination, expiration or Transfer of the Franchise.

24.0 STATE LAW ADDENDA. The state law addenda included in Exhibits G through G-3 are an integral part of this Agreement. If your Office is to be located in California, Georgia, Illinois, North Dakota, Rhode Island, South Dakota or Wisconsin, or you are a resident of any of these states (except for Virginia) the applicable state law addendum included in Exhibit G amends this Agreement. Additionally, if you are a resident of Maryland, Minnesota or Washington, the state law addendum included in Exhibits G-1 through G-3 amend this Agreement, and you must sign the Maryland, Minnesota or Washington Addendum to Franchise Agreement, as applicable.



EXHIBIT A
REAL ESTATE FRANCHISE AGREEMENT

Franchisee's Legal Name: _____

Business Name: Corcoran _____

This Exhibit is an integral part of the Real Estate Franchise Agreement ("Agreement") between Corcoran Group LLC ("we" or "us") and you ("Franchisee" or "you"). This Exhibit will not be modified except by written agreement signed by both you and us.

OWNERSHIP INTERESTS

I. Franchisee Ownership. Franchisee represents and warrants that the following Persons own ownership interests in Franchisee as stated below:

Name:

Interest:

II. Underlying Ownership. The words "Owner" and "Owners" in the Agreement include each "Person" (as defined in the Agreement) who has a direct ownership interest in Franchisee. If any Owner listed above is a corporation, partnership or other legal entity, you represent and warrant that the Persons named below are the only ones to have an ownership interest in such legal entity and their ownership interests are as stated below:

Name of Legal Entity: _____

Name:

**Ownership
Interest:**

Name of Legal Entity: _____

Name:

**Ownership
Interest:**

corcoran



Name of Legal Entity: _____

Name:

**Ownership
Interest:**

Name of Legal Entity: _____

Name:

**Ownership
Interest:**

Name of Legal Entity: _____

Name:

**Ownership
Interest:**

If additional legal entities are Owners of Franchisee or if additional Persons have ownership interests in the legal entity listed above, such information is included on additional pages attached to, and made a part of, this Exhibit A.

**EXHIBIT B
REAL ESTATE FRANCHISE AGREEMENT**

GUARANTY OF PAYMENT AND PERFORMANCE

This Guaranty of Payment and Performance is given by the undersigned, _____ (**individually a “Guarantor” and collectively “Guarantors”**), effective as of the Effective Date of the Franchise Agreement to Corcoran Group LLC ("Franchisor"), in order to induce Franchisor to accept _____ ("Franchisee") as a franchisee of Franchisor.

Each Guarantor, independently of Franchisee's obligations, jointly and severally, guarantees to Franchisor the prompt payment and performance, when due of all of Franchisee's obligations under the Franchise Agreement(s) between Franchisor and Franchisee, including any renewal, extension, replacement or modification of the agreement (the "Agreement"), and other agreements or instruments of indebtedness now existing or hereafter signed by Franchisee. This Guaranty applies to all obligations in the Agreement, including payment of the initial franchise fee, all Royalty Fees, New Development Services Royalty Fees, BMF contributions, charges for manuals, supplies, materials, services and products furnished by Franchisor, audit fees, assignment fees, attorneys' fees, referral fees, obligations to indemnify and other such charges, fees and assessments under the Agreement. This Guaranty incorporates by reference, as if contained fully in this Guaranty, Sections 22.8 (Waiver of Jury Trial) and 22.9 (Waiver of Punitive Damages) of the Agreement, and the Guarantors knowingly and voluntarily waive their right to a jury trial and to seek punitive damages. Guarantors also agree that Section 22.7 (Waiver of Class Action) of the Agreement is incorporated in this Guaranty, as if contained fully in this Guaranty, and Guarantors waive any right to proceed against Franchisor by way of a class action.

This Guaranty will be deemed continuing in nature and will apply to Franchisee's obligations for the Office(s) (as defined in the Agreement) and all Future Office(s) (as defined in the Agreement). This Guaranty will not be discharged by any compromise of any debt and/or the extension of payment deadlines. Guarantors waive defenses based on presentment, demand, protest, notice of protest and dishonor, and diligence in collecting any obligation under the Agreement. Franchisor will not be required to pursue any remedy against Franchisee as a condition of the Guarantors' obligation under this Guaranty.

It will not be a condition to the enforcement of this Guaranty that Guarantors will be given any notice.

The obligation of each Guarantor is an absolute and unconditional obligation and constitutes a guaranty of payment and performance. Separate action(s) may be brought and prosecuted against Guarantors whether action is brought against Franchisee or Franchisee is joined in any such action(s). Guarantors waive to the fullest extent permitted by law, the benefit of any statute of limitations affecting their liability under this agreement or the enforcement of this Guaranty. Any Guarantor who is a married person agrees that recourse may be had against his or her separate property for his or her obligations under the Agreement. Without the prior written consent of Franchisor, Guarantors will not transfer or convey any property described in the Personal Financial Statement (or such other similar document) submitted to Franchisor for review and acceptance of Franchisee to an individual, trust or other legal entity for the purpose of protecting or shielding such assets from the claims or rights that Franchisor may have under this Guaranty.

Each Guarantor expressly waives notice of the acceptance of this Guaranty and agrees that Franchisor's actions or failure to act will not in any way limit or discharge Guarantor's liability under this Guaranty.

corcoran



This Guaranty and the Guarantors' liabilities and obligations under this Guaranty are binding on Guarantors and their respective heirs, executors, successors and assigns (and if applicable, successor trusts and trustees), and inure to the benefit of and are enforceable by Franchisor and its successors, transferees, and assigns.

This Guaranty will be governed by the laws of the State of New Jersey in all respects, including matters of construction, validity, and performance, and its terms and provisions may not be waived, altered, modified, or amended except in writing duly signed by an authorized officer of Franchisor and by Guarantors.

Each Guarantor submits to the non-exclusive personal jurisdiction of the state and federal courts of New Jersey with respect to any claims arising out of the Agreement, this Guaranty or the business relationship between Franchisor and Franchisee. Such litigation will have venue in the state courts in Morris County, New Jersey, or in the United States District Court for the District of New Jersey.

If any provision of this Guaranty contravenes or is held invalid under the laws of any jurisdiction, this Guaranty will be construed as if it did not contain that provision, and the rights and liabilities of the parties will be construed and enforced accordingly.

This Guaranty may be executed in counterparts, each of which will be deemed an original, and all of which, when taken together, will constitute one Guaranty. Electronic and facsimile copies of this Guaranty will be deemed to have the same force and effect as the original and will be fully binding on all Guarantors.

THE GUARANTORS SIGNING THIS GUARANTY REPRESENT AND WARRANT THAT THE PERSON SIGNING THE AGREEMENT IS AUTHORIZED TO BIND THE FRANCHISEE TO THE TERMS OF THE AGREEMENT AND ANY FUTURE AGREEMENTS UNLESS THEY PROVIDE NOTICE OTHERWISE TO FRANCHISOR. THE GUARANTORS ACKNOWLEDGE THAT FRANCHISOR IS EXPRESSLY RELYING ON THIS REPRESENTATION IN ENTERING INTO THE AGREEMENT.

_____,
Individually and Personally

_____,
Individually and Personally

_____,
Individually and Personally

EXHIBIT C REAL ESTATE FRANCHISE AGREEMENT

GLOSSARY OF TERMS

For your reference, the capitalized terms used in the Agreement will have the meaning set forth below.

“Approved Supplier” means all suppliers we approve in the P&P Manual or other written communication with you.

“ASP” has the meaning in Section 23.10.1.

“Branch Office” is any approved Corcoran[®] Office you operate, other than the Main Office or a Limited Purpose Office.

“Business” means the performance of real estate brokerage services for Residential Real Estate, Commercial Real Estate and New Development Services (as approved by us), and specifically excludes any businesses that you operate as Excluded Businesses.

“Commercial Real Estate” means services relating to the listing, offering, selling, exchanging, purchasing, auctioning, managing, leasing, renting or consulting regarding any and all commercial real property and any ancillary personal property related to a commercial real estate transaction authorized under applicable commercial broker licensing laws, which may vary, from time to time based on state laws.

“Confidential Information” means information owned or licensed by us and involving the operation of the Business, including without limitation, the P&P Manual, electronic communications identification numbers, procedures related to our proprietary communications and referral systems, and other methods and information. Confidential Information does not include information that (a) is or becomes generally available to the public; (b) was within the recipient’s possession prior to it being furnished; (c) is or becomes available to the

recipient from a source that is not, to its knowledge, prohibited from disclosing such information to it by a legal, contractual, or fiduciary obligation of confidentiality; or (d) is independently developed by the recipient.

“Criteria” is defined in Section 23.10.

“Disclaimer” is defined in Section 4.11.

“Disclosure Document” means our Franchise Disclosure Document used in the offer and sale of franchises in your state in effect at the time you sign the Agreement.

“Effective Date” is defined in Section 1.1.

“Excluded Business” is defined in Section 4.2.

“Expiration Date” is defined in Section 1.5.

“Franchisee” is defined in Section 1.2

“Franchisor” is defined in Section 1.1.

“Future Office” means future Branch Offices and Limited Purpose Offices.

“Geographic Market” is defined in Section 23.10.

“Gross Revenue” means all money or things of value, calculated at their fair market value in United States currency, received or receivable (earned but not yet received), by you (including, without limitation, all revenues and commissions whether or not other individuals or entities are entitled to retain such revenues or commissions), directly or indirectly, in connection with the Business (earned in

compliance with all laws) including revenue from New Development Services, transactions and services that require a real estate or auctioneer's license and/or in which you use the Marks or the System in any manner; provided that "Gross Revenue" will not include New Development Services Gross Revenue for the purpose of calculating the Royalty Fee you must pay to us under Section 7.1.1 as we require you to pay to us a flat 6.00% New Development Services Royalty Fee on New Development Services in accordance with Section 7.2. "Gross Revenue" will include all such revenue before the deduction of any fees, costs or expenses you incur. Notwithstanding the above, the following referral fees may be deducted from Gross Revenue: (i) referral fees paid to other licensed brokers operating under a Realogy brand franchise agreement; (ii) referral fees paid to any referral networks owned or operated by Realogy or its Related Parties; or (iii) referral fees up to 5% of Gross Revenue paid to brokers or referral networks not related to Realogy. Any amounts deposited in the Business's bank accounts will be deemed Gross Revenue earned in compliance with all laws unless proven otherwise.

"Improvements" is defined in Section 14.2.

"Limited Purpose Offices" is defined in Section 5.5.

"Limited Purpose Office Addendum" means the Limited Purpose Office Addendum in the form and with such terms and conditions in effect at the time you are granted the right to operate from a particular or new Limited Purpose Office.

"Location Addendum" means the Location Addendum in the form and with such terms and conditions in effect, at the time you are granted rights to operate from a particular or new Branch Office.

"Main Office" is the first Office you operate under the System (or such other Office that

has been designated as your Main Office in our electronic reporting system).

"Marks" means the trademarks, service marks and trade dress that we authorize you to use in the P&P Manual, including all additional or substitute trademarks, service marks and trade dress that we may authorize you to use.

"Measurement Period" is defined in Section 23.10.

"New Development Services" means all (i) consulting, marketing, design or research for new development property (including new construction, rehabilitated, remodeled and conversion properties) offered using the Marks, and (ii) the sale of new development property (including new construction, rehabilitated, remodeled and conversion properties) using the Marks (See Section 7.2).

"New Development Services Gross Revenue" means all money or things of value, calculated at their fair market value in United States currency, received or receivable (earned but not yet received), by you (including, without limitation, all revenues and commissions whether or not other individuals or entities are entitled to retain such revenues or commissions), directly or indirectly, in connection with New Development Services. Any amounts deposited in the Business's bank accounts will be deemed New Development Services Gross Revenue earned in compliance with all laws unless proven otherwise.

"Office" means any authorized office location covered by this Agreement as of the Effective Date or later added by a writing signed by both parties.

"Opening Date" is defined in Section 1.7.

"Orientation" is defined in Section 6.1.1.

"Owner" is defined in Section 1.3.

“Pending Transactions” is defined in Section 7.1.2.

“Person” means an individual, a partnership, a trust, a corporation, a limited liability company, an association and any other incorporated or unincorporated organization or entity.

“Personal Transaction” is defined in Section 7.1.3.

“P&P Manual” means our published Policy and Procedures Manual, including the Brand Standards.

“Realogy” means our parent company, Realogy Holdings Corp., its successors and assigns.

“Reasonable Business Judgment” means any decision we make or action we take that promotes or benefits the System generally, even if the decision or action also promotes our financial or other interest, or if other reasonable or arguably preferable alternatives exist and regardless of whether an individual brokerage may be unfavorably affected. This includes, but is not limited to, our actions to (i) increase the value of the Marks; (ii) increase or enhance the overall franchisee or customer satisfaction; (iii) minimize possible brand inconsistencies or customer confusion; (iv) enhance or encourage modernization; or (v) improve the competitive position of the System.

“Related Party” means, with respect to a particular Person, a Person who, directly or indirectly, owns or controls that Person, is owned or controlled by that Person, or is under common control with that Person. Control, in this context, means the possession of executive power to direct or to cause the direction of the management and policies of a Person, whether through voting power, ownership, by contract or otherwise.

“Residential Real Estate” means real estate consisting of a residential dwelling (including an apartment within a multi-family building), including leaseholds of dwellings (including the rental and management of properties), cooperatives, condominiums, fractional ownership, manufactured homes, panelized or pre-fabricated housing, undeveloped land, resort, farm and ranch real estate and any other form of real estate for which a residential real estate brokerage license is required under applicable law, excluding timeshares.

“Responsible Broker” means your licensed real estate broker as required under the laws of the state in which the Office is located.

“Restricted Parties” is defined in Section 20.4.

“Royalty Fee” is defined in Section 7.1.1.

“Signature Elements” is defined in Section 4.6.

“Standards” means our mandatory specifications, standards, methods and procedures prescribed by us in the P&P Manual, the Brand Standards or this Agreement.

“Start-Up Company” is defined in 20.4.

“System” means the business format and methods developed or licensed by us for the promotion and assistance of independently owned and operated Residential Real Estate brokerage offices (as updated by us in our sole discretion), including policies, procedures and techniques designed to enable such offices to compete more effectively in the real estate sales market. The System includes common use and promotion of certain Marks, copyrights, trade secrets, centralized advertising programs, talent attraction programs, referral programs and sales and management education programs. We have the right to update the System at

any time and expect to continue to do so in our Reasonable Business Judgment. The System does not include any real estate or other investment syndication business of any kind.

“System Components” is defined in Section 4.5.1.

“Term” is defined in Section 1.5.

“Timeshare” means a commercial arrangement under which a purchaser receives an interest in real property or the right to use an accommodation or amenities related to real properties, or both, for a specified period and on a recurring basis, including in connection with residential and vacation properties.

“Trade Name” is defined in Section 2.1.

“Transferee” is defined in Section 15.7.

“Transfer of the Franchise” is defined in Section 15.4.

“URL” means uniform resource locator (also known as a domain name or web site address).



**EXHIBIT D
REAL ESTATE FRANCHISE AGREEMENT**

AUTHORIZED OFFICES

You are authorized to operate Offices under the terms of this Agreement at the following addresses:

1.	
2.	
3.	
4.	
5.	

This Exhibit is an integral part of the Franchise Agreement (“Agreement”) between Corcoran Group LLC (“we” or “us”) and you (“Franchisee” or “you”). This Exhibit will not be modified except by written agreement signed by both you and us.



EXHIBIT E
REAL ESTATE FRANCHISE AGREEMENT
SECURITY AGREEMENT

This Security Agreement ("Security Agreement") is made as of _____, between _____, ("Debtor"), and Corcoran Group LLC ("Secured Party").

For good and valuable consideration, the receipt and sufficiency of which are acknowledged, Debtor grants to Secured Party a security interest in all accounts receivable and payment intangibles; cash proceeds; contract rights; leases; furniture; furnishings; equipment; fixtures; inventory; commissions; real estate listings, listing agreements and related rights which are located at, utilized by or related to the real estate brokerage business conducted by Debtor and including the proceeds therefrom and any and all amendments or replacements thereto and any rebate/award program (or similar incentive programs) to which Debtor and/or any Co-Debtors may be entitled pursuant to any franchise agreement entered into with Secured Party, together with all such rights and property hereafter acquired by Debtor and Co-Debtors; and all general intangibles (collectively, the "Collateral") as well as all parts, replacements, substitutions, profits, products and cash and non-cash proceeds of the foregoing Collateral (including insurance and condemnation proceeds payable by reason of condemnation of or loss or damage thereto). [Add following only for Security Agreements filed in New Jersey - The Collateral described herein falls within the scope of the Uniform Commercial Code enacted in New Jersey, including N.J.S.A. 12A:9-102 and N.J.S.A. 12A:9-109.] The foregoing Collateral is granted to Secured Party as security for (i) the prompt payment of any promissory notes executed by Debtor in favor of Secured Party, and any renewals, compromises, extensions, modifications, accelerations or other changes in the time for performance or other terms (the "Notes"), and (ii) performance under any franchise agreements between Debtor and Secured Party, as the same may be amended (the "Franchise Agreements"), and (iii) all other agreements between Debtor and Secured Party.

SECTION 1 -- DEBTOR'S OBLIGATIONS. Debtor agrees to the following:

- (a) Debtor will properly maintain and care for the Collateral and will not remove the Collateral from the Offices (as defined in the Franchise Agreements).
- (b) Debtor will notify Secured Party in writing prior to any change in Debtor's place of business;
- (c) Debtor has not executed and will not execute as Debtor any security agreement or financing statement covering any of the Collateral except with Secured Party, nor will Debtor pledge or encumber the Collateral, or allow any lien to be placed against the Collateral, whether voluntary or involuntary;
- (d) Debtor represents and warrants to Secured Party that the Collateral shall not become collateral for any other obligations previously incurred, nor collateral under any other security agreement(s) previously executed by Debtor; and
- (e) Debtor will not sell, contract for sale or otherwise dispose of any of the Collateral except in the ordinary course of business.

SECTION 2 -- DEFAULTS. Debtor shall be in default under this Security Agreement upon the occurrence of any of the following events or conditions (an "Event of Default"):

(a) The failure by Debtor to pay any amount when due under the terms and provisions of the Notes (after applicable grace periods, if any); or

(b) Debtor's breach of any term, provision, warranty or representation set forth in this Security Agreement or in the Franchise Agreements, or in any other agreement between Debtor and Secured Party; or

(c) The making of any levy on, or seizure or attachment of, any of the Collateral, if such levy, seizure or attachment is not set aside within fifteen (15) days; or

(d) The dissolution, termination of existence or insolvency of Debtor; the appointment of a receiver of all or any part of the property of Debtor; an assignment for the benefit of creditors by Debtor; the calling of a meeting of creditors of Debtor; or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor or any guarantor, surety or endorser for Debtor; or

(e) Any guarantor, surety or endorser for Debtor defaulting in any obligation or material liability to Secured Party, if Debtor does not cure the default within five (5) days of receiving written notice.

SECTION 3 -- REMEDIES AFTER DEFAULT.

(a) If an Event of Default occurs, in addition to all other rights and remedies given Secured Party under any and all agreements by and among Secured Party, Debtor and/or Debtor's guarantors, or otherwise by law, may do one or more of the following, without notice to or demand upon Debtor:

1) Declare all obligations secured by this Security Agreement immediately due and payable;

2) Enforce the security interest given under this Security Agreement and otherwise exercise the rights of a secured creditor provided under the laws of the state in which the Office is located

3) Require Debtor to assemble the Collateral and make it available to Secured Party; and/or

4) Enter any office or offices of Debtor and take possession of the Collateral and of the records pertaining to the Collateral.

(b) Secured Party may apply the proceeds of any disposition of Collateral available for satisfaction of Debtor's indebtedness, which shall include the reasonable expenses of such sale, in any order of preference that Secured Party, chooses in its sole discretion. Debtor shall remain liable for any deficiency.

SECTION 4 -- INSURANCE PROCEEDS. So long as no default exists under this Security Agreement, the proceeds of fire and casualty insurance covering the Collateral may be used by Debtor for the repair and restoration of Debtor's facilities or Offices (as defined in the Franchise Agreements).

SECTION 5 -- DUTIES OF SECURED PARTY. Secured Party's duties or responsibilities with reference to the Collateral shall be limited solely to the duties and responsibilities in this Security Agreement and Secured Party shall not be responsible in any way for the condition, depreciation or

maintenance of the Collateral other than as described in this Security Agreement. Debtor shall pay when due all taxes, charges, liens and assessments against the Collateral.

SECTION 6 -- MISCELLANEOUS.

(a) Waiver. Any express or implied waiver of any provision of this Security Agreement and any delay or failure by Secured Party to enforce any provision of this Security Agreement shall not preclude Secured Party from later enforcing any such provision.

(b) Governing Law. This Security Agreement shall be governed by and construed according to the laws of the State of New Jersey.

(c) Remedies. All rights and remedies provided in this Security Agreement are cumulative and not exclusive of any rights or remedies otherwise provided by law. Any single or partial exercise of any right or remedy shall not preclude its further exercise or the exercise of any other right or remedy.

(d) Financing Statement. At the same time this Security Agreement is signed, Secured Party shall file a UCC-1 Financing Statement with the Secretary of State in the state of formation (or residence if a sole proprietor) of the Debtor or other appropriate governmental authority to perfect the security interest created by this Security Agreement. Debtor will sign such other documents as Secured Party may reasonably require to perfect its security interest in the Collateral.

(e) Notices. In the event either party desires to give notice to the other with regard to this Security Agreement, the notice shall be in writing and may be hand delivered, express mailed, or sent by certified or registered mail. Mailed notices as provided under this Security Agreement shall be deemed to be given two (2) days after they are sent. Such notices shall be sent to the address provided for such party in the Franchise Agreements, unless a party gives notice of a change of its address.

(f) Successors in Interest. This Security Agreement shall inure to the benefit of, and be binding upon, the successors in interest of the parties hereto.

(g) Amendments. This Security Agreement may only be amended by a writing signed by both parties.

(h) Entire Agreement. This Security Agreement constitutes the entire agreement between the parties regarding the matters discussed in this Security Agreement, all representations or understandings, whether oral or written, having been incorporated or otherwise superseded by this Security Agreement.

(i) Facsimiles. Facsimile or electronic copies of this Security Agreement shall be deemed to have the same force and effect as the original and shall be fully binding on all parties.



THE PERSON SIGNING THIS AGREEMENT ON BEHALF OF THE DEBTOR REPRESENTS AND WARRANTS THAT HE OR SHE IS A DULY APPOINTED OFFICER OR OTHERWISE HAS BEEN AUTHORIZED TO BIND THE DEBTOR TO THE TERMS OF THIS SECURITY AGREEMENT.

WHEREFORE, the parties have signed this Security Agreement effective as of the date set forth above.

DEBTOR

By: _____
Name: _____
Title: **Authorized Person**
Date: _____

SECURED PARTY

By: _____
[Authorized Person]
Date: _____



**EXHIBIT G
REAL ESTATE FRANCHISE AGREEMENT**

STATE LAW ADDENDA

CALIFORNIA

If you are a resident of California, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Termination and Non-renewal: Section 16 of this Agreement relates to renewal and termination of the franchise. California Business and Professions Codes Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of the franchise. The Federal Bankruptcy Code also provides rights to you concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If this Agreement contains a provision that is inconsistent with the law, the law will control.
- B. The Franchise Agreement requires application of the laws of New Jersey. This provision may not be enforceable under California law.
- C. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.
- D. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- E. Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchise is open for business.

GEORGIA

If you are a resident of Georgia, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Section 20.1 of the Agreement is deleted in its entirety and replaced with the following:

20.1 In Term. During the Term, you, your Owners, officers, guarantors, and Responsible Broker (for so long as each are engaged or employed by you) will not, directly or indirectly, through ownership or otherwise, engage in any other real estate brokerage business other than the Business or any Real Estate Related Excluded Business authorized under this Agreement, within 15 miles of any Office authorized under this Agreement without our advance written consent. Moreover, your Owners, officers, guarantors, and Responsible Broker will not engage in any other residential real estate brokerage business or divert real estate brokerage business from the Business in the market you serve.

ILLINOIS

To the extent 815 ILCS 705/1 et seq. (the Illinois Franchise Disclosure Act) applies, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Illinois law governs the Franchise Agreement.
- B. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
- C. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
- D. Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

MARYLAND

If you are a resident of Maryland or are a resident of another state and you intend for the franchise to be operation in Maryland, the state law addendum included in Exhibit G-1 amends this Agreement. You must sign the Maryland State Addendum to Franchise Agreement provided in Exhibit G-1.

MINNESOTA

If you are a resident of Minnesota, the state law addendum included in Exhibit G-2 amends this Agreement. You must sign the Minnesota Addendum to Franchise Agreement provided in Exhibit G-2:

WASHINGTON

If you are a resident of Washington, the state law addendum included in Exhibit G-3 amends this Agreement. You must sign the Washington Addendum to Franchise Agreement provided in Exhibit G-3.

WISCONSIN

If you are a resident of Wisconsin, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Wisconsin Law: The Wisconsin Fair Dealership Law applies to franchising in the State of Wisconsin. This Law prohibits the termination, cancellation, non-renewal or substantial change of the competitive circumstances of a franchise agreement without good cause.
- B. Inconsistent Provisions: The Wisconsin Fair Dealership Law supersedes any provisions contained in this Agreement that are inconsistent with such Law. If a conflict under this Agreement arises, such Law will prevail.

- C. Written Notice: The Wisconsin Fair Dealership Law further provides that 90 days prior written notice of termination, cancellation, non-renewal or substantial change of the competitive circumstances of a franchise agreement must be given to the Franchisee. The Franchisee has 10 days to cure the non-payment of fees to franchisor and 60 days to cure any other deficiency and, if the deficiency is so cured within the applicable cure period, the notice of termination is void.



EXHIBIT G-1
MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

If you are a resident of Maryland, or you are a resident of another state and you intend for the franchise to be operational in Maryland, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Franchisee may bring a lawsuit in Maryland against Franchisor for claims arising under the Maryland Franchise Registration and Disclosure Law.
- B. The general release required as a condition to renewal, sale and or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- C. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- D. The representations of Franchisee in the Franchise Agreement are not intended, nor will they act, as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

Corcoran Group LLC

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____



EXHIBIT G-2
MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

If you are a resident of Minnesota, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. **Termination and Non-renewal:** Section 16 of this Agreement relates to renewal and termination of the franchise. With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statutes, Section 80C.14, Subdivisions 3, 4, and 5, which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.
- B. Sections 22.5 through 22.8 of this Agreement relate to judicial proceedings. Judicial proceedings may, take place outside of Minnesota. The provisions of Sections 22.5 through 22.8 will not in any way abrogate or reduce any right of Franchisee, as provided under Minnesota Statutes, Chapter 80C, or Minnesota Rule 2860.4400J, including the right to submit matters to the jurisdiction of Minnesota courts or the right to a jury trial.
- C. **Franchisee Indemnification:** We agree to indemnify and save you harmless from any loss, costs or expenses arising out of or related to any such claim, suit or demand against you relating to your use of the Marks in accordance with this Agreement.
- D. **General Release Not Required:** Notwithstanding any terms in this Agreement, you are not required to agree to any general release as a condition for approval of any assignment, transfer or renewal of this Agreement.
- E. **No Waiver of Bond:** Notwithstanding any terms of this Agreement, Franchisee is not required to consent in advance as to any application by Franchisor for injunctive relief or to waive any bond.

FRANCHISOR:

Corcoran Group LLC

By: _____
Its: _____
Date: _____

FRANCHISEE:

By: _____
Its: _____
Date: _____



EXHIBIT G-3
WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

If you are a resident of Washington, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Termination and Non-renewal: Section 16 of this Agreement relates to renewal and termination of the franchise. Washington statute, RCW 19.100.180 may supersede the franchise agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Agreement in your relationship with us, including the areas of termination and renewal of your franchise.
- B. Arbitration: In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or as determined by the arbitrator.
- C. Governing Law: Section 22.5 of this Agreement prescribes the laws governing this Agreement. Notwithstanding anything to the contrary contained in Section 22.5, in the event of a conflict of law, the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will take precedence.
- D. Release or Waiver: Any release or waiver of rights executed by you will not include rights under the Washington Franchise Investment Protection Act except when executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions like those that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer Fees: Section 15 of this Agreement relates to franchise ownership and transfer. Section 15.7 requires the transferee of the franchise to pay a transfer fee. Transfer fees are collectable to the extent that they reflect franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

Corcoran Group LLC

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

EXHIBIT C-1

LOCATION ADDENDUM TO FRANCHISE AGREEMENT

THIS LOCATION ADDENDUM TO THE FRANCHISE AGREEMENT (the "Addendum") by and between CORCORAN GROUP LLC ("Franchisor" or "us") and [REDACTED] ("Franchisee" or "you") will be effective as of the date of execution by Franchisor (the "Effective Date"). Franchise # [REDACTED]

RECITALS

A. Franchisee presently operates an approved Corcoran® franchise, the main office of which is located at [REDACTED] (the "Main Office"). Franchisee and Franchisor have signed a Franchise Agreement governing the operation of the Main Office (as well as any other authorized Offices) with the effective date of [REDACTED] for Franchise # [REDACTED] (the "Agreement").

B. Franchisee seeks to open a Branch Office.

C. Franchisor has agreed to grant Franchisee the right to operate another authorized Branch Office under the terms and conditions of the Agreement, as amended by this Addendum.

AGREEMENT

In consideration of the provisions in the Agreement, the promises in this Addendum, and other good and valuable consideration, the delivery, receipt, and sufficiency of which are acknowledged, the parties mutually agree as follows:

1. The Agreement is amended by adding Section __ as follows:

__. SPECIAL STIPULATIONS

__.1 **Location.** Franchisee has been approved to and may operate a Branch Office at [REDACTED] (the "New Office") (Franchise # [REDACTED]). The New Office will commence business under the System on [REDACTED] ("New Office Opening Date").

__.2 **Expiration Date.** The "Expiration Date" will mean [REDACTED].

__.3 **Initial Franchise Fee.** Franchisee will pay Franchisor an initial franchise fee of \$ [REDACTED] for the New Office added by this Addendum.

__.4 **Brand Marketing Fund.** For purposes of the New Office, the requirements to pay Brand Marketing Fund ("BMF") contributions will be governed by the Agreement (subject to annual adjustment under the Agreement). The BMF contribution for each month is due within twenty (20) days after being invoiced. Franchisee acknowledges that Franchisor will use the BMF for the purposes described in Item 11 of the Franchise Disclosure Document.

__.5 **Opportunity to Investigate.** You acknowledge that you have had full opportunity to be thoroughly advised of the terms and conditions of this Addendum by counsel of your choice. Unless expressly provided otherwise, this Addendum is exclusively for our and your benefit and may not give rise to liability to any third party unless specifically stated.

__.6 **Assistance.** We are not the employer of you or any of your employees, your brokers or independent sales associates. Any education, support, advice or resources we provide to you in connection with the Business is solely for the purpose of protecting the Marks and goodwill associated

with the System and assisting you in the operation of the Business, and not for the purpose of controlling in or in any way exercising or exerting control over your decisions or the day-to-day operation of the Business, including your personnel-related decisions.

2. Except as stated in this Addendum, no further additions, modifications or deletions to the Agreement are intended by the parties or made by this Addendum. All capitalized terms not otherwise defined in this Addendum will have the meanings given in the Agreement. The headings in this Addendum are for convenience only, do not constitute a part of this Addendum, and will not be deemed to limit or affect any of the provisions of this Addendum. The stipulations in this Addendum apply to the Agreement and supersede any inconsistent or conflicting provisions in the Agreement. These stipulations apply only to Franchisee and are not transferable or assignable.

3. Franchisee agrees to keep confidential the terms of this Addendum. If the terms in this Addendum become known to any third party resulting from disclosure by or on behalf of Franchisee, except for Franchisee's disclosure to its legal counsel, accountant, or employees with a need to know the information, any provisions of this Addendum that were made for Franchisee's benefit will become immediately null and void and will forever cease to exist. *In addition, if Franchisee is in default under the Surviving Agreement and Franchisee fails to timely cure such default after notice from Franchisor, any provisions of this Addendum that were made for Franchisee's benefit will immediately become null and void, without any further notice from Franchisor, and will forever cease to exist.*

4. This Addendum may be executed in any number of counterparts, each of which will be deemed an original, and all of which will constitute one and the same agreement. Facsimile or electronic copies of this Addendum will be deemed to have the same force and effect as the original and will be fully binding on all parties.

5. **Waiver of Claims.** In consideration of the rights granted in this Addendum, Franchisee and its owners, partners, members and/or shareholders hereby expressly release, remise, acquit and discharge Franchisor and its predecessors, successors, parents, parent's predecessors, subsidiaries, affiliates, assigns, as well as each of their respective officers, directors, employees and agents (collectively "Releasees") from and forever waive and relinquish any and all claims, counterclaims, rights, setoffs, suits, damages (including, but not limited to, compensatory damages, tort damages, contract damages and punitive damages) demands, obligations, warranties, covenants, debts and causes of action of every nature, character and description, known and unknown, vested or contingent (collectively "Claims") that Franchisee or its owners, partners, members and/or shareholders, individually or collectively, have or may have against any and all Releasees including, but not limited to, all Claims relating in any manner to, or otherwise resulting from, or arising out of: (i) the relationship between the parties prior to the execution of this Addendum; (ii) the franchise sales transaction (to the extent permitted by law); (iii) the Agreement and this Addendum; and/or (iv) any other agreements (including other franchise agreements) by and between Franchisee and/or its owners, partners, members and/or shareholders and Franchisor. In providing this release, Franchisee and its owners, partners, members and/or shareholders expressly acknowledge that: (x) to the extent the laws of the State of Washington govern the relationship of the parties hereto, notwithstanding the general release and waiver of claims herein, consistent with the Franchise Agreement(s) and Washington law, this release and waiver of rights executed by you will not include the release or waiver of rights under the Washington Franchise Investment Protection Act; and (y) to the extent the laws of the State of California govern the relationship of the parties hereto, Franchisee and its owners, partners, members and/or Shareholders are fully familiar with the provisions of Section 1542 of the Civil Code of the State of California and each expressly waives any and all rights under Section 1542 of the Civil Code of the State of California which provides as follows:

“A General Release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known to him or her must have materially affected his or her settlement with the debtor.”

THE PERSON SIGNING THIS ADDENDUM ON BEHALF OF THE FRANCHISEE REPRESENTS AND WARRANTS THAT HE OR SHE IS A DULY APPOINTED OFFICER OR OTHERWISE HAS BEEN AUTHORIZED TO BIND THE FRANCHISEE TO THE TERMS OF THIS ADDENDUM.

FRANCHISEE

By: _____

Dated: _____, 20____

Its:
Authorized Officer/Member/Person

FRANCHISOR

By: _____
[Authorized Person]

Dated: _____, 20____

EXHIBIT C-2

Franchise #

**Lead Management System
End-User Agreement**

THIS END-USER AGREEMENT ("EUA") IS A BINDING LEGAL CONTRACT BETWEEN **CORCORAN GROUP LLC, a Delaware limited liability company** ("COMPANY" and/or "WE") AND _____ ("YOU"). BY ACCESSING OR USING ANY COMPANY SOFTWARE OR SERVICE YOU WILL BE BOUND BY THE TERMS OF THIS EUA. IF YOU DO NOT AGREE TO THE TERMS OF THIS EUA, COMPANY IS NOT WILLING TO LICENSE TO YOU ANY RIGHT TO USE OR ACCESS ANY SERVICES.

As used in this EUA, the term "Services" means any software or services rightfully provided, or rightfully made available, to you in conjunction with the Lead Management System, currently LeadRouter™ but we have the right to change from time to time (the "Program") by Company, including any or all associated websites, media, printed materials and any "on-line" or electronic documentation.

BY COMPLETING THE REGISTRATION PROCESS AND USING THE SERVICES, YOU AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS:

1. Access and Use License. The Services are licensed to you, not sold. Except for the limited license granted in this EUA, Company retains all right, title and interest in the Program, all copies thereof, and all proprietary rights in the Program, including but not limited to, copyrights, patents, trademarks and trade secret rights.

YOU UNDERSTAND AND AGREE THAT YOU ARE SOLELY RESPONSIBLE FOR THE ACQUISITION, USE, AND/OR MAINTENANCE OF YOUR COMPUTER SYSTEM, INCLUDING WITHOUT LIMITATION ACCESS TO THE INTERNET, AND YOU ASSUME THE ENTIRE COST OF ANY AND ALL NECESSARY SERVICING, REPAIR, OR CORRECTION THERETO.

2. Scope of License Granted. This EUA grants you the following rights, and sets forth the following restrictions, as applicable:

(i) During the term of this EUA, Company grants you a personal, revocable, nontransferable, nonexclusive and non-assignable license to access and use via the Internet the portion of the Services that is hosted by Company or its subcontractors.

(ii) Company reserves the right to upgrade, enhance, change or modify the Services at any time in its sole discretion ("Enhancements"). Any Enhancements made available to you by Company, if any, will be subject to the terms of this EUA, except to the extent that conflicting or more restrictive provisions are agreed upon in future agreements relating to such Enhancements.

(iii) You may not assign, sublicense, rent, service bureau, loan, lease, commercialize or otherwise transfer the Services, or directly or indirectly permit any third party to use or copy the Services.

(iv) You will be solely responsible for all use of the Services made with your passwords, if any.

(v) You are responsible and solely liable for maintaining the confidentiality of your password and for all activities that occur under your password or account. You agree to notify Company immediately if you learn that your password or account has been used without authorization.

3. Terms and Fees. This EUA shall commence on the date this EUA is accepted by you. Notwithstanding the foregoing, you will not have access to the System unless and until we receive your initial annual payment, subject further to the terms of this EUA.

(i) Training, Help Desk and Set Up.

You must complete training supplied by Company and/or its designated agents in order to participate in the Program.

No fees will be charged for interactive online training, help desk, or set up services.

(ii) Annual Software License Fee. **Annual software license fees are based upon your company's prior 12-month listing count as reflected on Company's Internet website.**

Annual software license fees will be based upon the following fee schedule:

12-Month Listings Count		Annual billing per company
Min	Max	
-	124	\$ 375
125	249	\$ 750
250	499	\$ 1,500
500	749	\$ 2,250
750	999	\$ 3,000
1,000	1,499	\$ 4,500
1,500	***	\$ 5,000

(iii) Implementation will not commence until software fees have been paid in full and Company receives the executed end user agreement.

- (iv) The annual billing rate per company may be increased in accordance with the provisions of your franchise agreement for increases in the minimum fees for brand marketing fund contributions.
- (v) Billing and payment schedule will be:

- (a) *Pro Rated bills* – Before implementation commences, companies will pay a prorated software license fee through June 30th.

- (b) *Annual bills* - On each May 1st thereafter, you will automatically be renewed and will be invoiced for the following 12-month service period of July 1st to June 30th. Payment must be made received within 30 days.

- (c) There will be absolutely no refunds on any fees paid.

- (d) If payments are not made in 60 days from date due your accounts will be suspended until payment is made in full.

- (e) If You dispute the listing count, Company will not arbitrate. The listing count can be recalculated again for review, but fees will be based on data from dash or the brand national Web site – no other sources.

- (f) All fees will be invoiced – no credit cards accepted

4. Limitations on License. The license granted to you in this EUA is restricted as follows:

- (i) **Limitations on Copying and Distribution.** You may not copy or distribute the Services except to the extent that copying is necessary to use the Services for purposes set forth herein.

- (ii) **Limitations on Reverse Engineering and Modification.** You may not reverse engineer, decompile, disassemble, modify or create works derivative of the Program. You may not alter or modify any disabling mechanism, which may be resident in the EUA.

- (iii) **Changes.** We reserve the right, at our sole discretion, to change, modify, add, or delete portions of these terms of use at any time. In the event that we do so, we will notify you of any such change, modification, addition, or deletion by sending you an e-mail at the last e-mail address that you provided us, and/or by prominently posting notice of the any such change, modification, addition, or deletion on the websites covered by these terms of use. Any such change, modification, addition, or deletion will be effective upon the earlier of 10 calendar days following our dispatch of an e-mail notice to you or 30 calendar days following our posting of such notice on the Web sites covered by these terms of use. Please note that, at all times, you are responsible for updating your personal information to provide us your current e-mail address. In the event that the last e-mail address that you have provided us is not valid, or for any other reason is not capable of delivering to you the notice described above, our dispatch of the e-mail containing such notice will nonetheless constitute effective notice of the changes, modifications, additions, or deletions described in the notice.

5. Copyright. Company shall retain all right, title and interest in and to the Services, including all Enhancements, and all copyright, patent and other proprietary rights related thereto. Except for the limited license provided in this EUA, you acknowledge and agree that you have no title to, nor ownership rights in the Services or any portion thereof and that your right to use the Services is limited to the express terms and conditions of this license. Therefore, you must treat the Services like any other material protected by intellectual property laws (e.g., book or musical recording). You may not copy the written materials accompanying the Services. You may not remove or alter any of the logos, trademarks, Internet links, patent or copyright notices, confidentiality or proprietary legends, or other notices or markings that are on or in the Services. You agree to prevent any unauthorized copying of the Services.

6. DISABLING MECHANISM. YOU ACKNOWLEDGE AND AGREE THAT PORTIONS OF THE SERVICES MAY HAVE MECHANISMS WHEREBY COMPANY CAN DISABLE YOUR ACCESS AND/OR USE TO THE SERVICES. YOU AGREE THAT COMPANY MAY USE ANY SUCH MECHANISMS IN THE EVENT OF EXPIRATION OF THIS EUA, YOUR BREACH OF THIS EUA, ANY FRANCHISE OR OTHER AGREEMENT YOU HAVE WITH COMPANY, OR YOUR FEES ARE BEYOND 60 DAYS PAST DUE.

7. Termination.

(i) **Breach of EUA and/or Breach of Franchise (or other) Agreement with Company.** Without prejudice to any other rights, Company may immediately and without notice terminate this EUA and all rights granted hereunder if You fail to comply with any of the terms and conditions of this EUA or any terms and conditions of any franchise and/or other agreement You may have with the Company (including any Conversion (or other) Promissory Notes. Failure to renew the EUA, failure to maintain your account in good standing, cancellation of the EUA or cancellation of service by you will result in termination of the service.

(ii) **Infringement Claims.** In the event of a claim of intellectual property infringement by any third party relating to the Services ("Infringement Claims"), Company reserves the right to immediately terminate this EUA and the rights granted hereunder.

(iii) **Termination for Failure to Renew.** In the event that your account is past 60 days due, it will be deemed a failure to renew and your access to the Services will be suspended. If payment is 60 days past due, access to the service will be suspended indefinitely and you will need to make arrangements to make your account current. If you fail to bring your account current, Company may terminate this EUA and the rights granted hereunder, with or without cause, in its sole discretion.

(iv) **Your Termination Obligations.** In the event of any expiration or termination of this EUA for any reason, you must remove all copies of the EUA and all of its components from all of your systems, and destroy all related media and documentation, if any.

(v) **Termination of Program by Company.** Company shall have the right to terminate the Program without cause upon 60 days written notice. In such event, Company will rebate on a pro rata basis any annual fees relating to the period occurring subsequent to the termination.

8. Third Party Content. Any opinions, advice, statements, services, offers, or other information that is part of the content accessible via the Services that is expressed or made available by third parties are those of the respective authors or distributors and not of Company. It is your responsibility to evaluate the information, opinions, advice or other content available through the Web site, whether listed or provided by third parties or by Company. **ACCORDINGLY, YOU ACKNOWLEDGE THAT ANY CONTENT OR INFORMATION DOWNLOADED OR OTHERWISE OBTAINED OR ACQUIRED THROUGH THE USE OF THE SERVICES IS AT YOUR SOLE RISK AND DISCRETION AND COMPANY WILL NOT BE LIABLE OR RESPONSIBLE FOR ANY DAMAGE TO YOU OR YOUR PROPERTY. COMPANY IS A DISTRIBUTOR AND NOT A PUBLISHER. COMPANY HAS NO MORE EDITORIAL CONTROL OVER SUCH CONTENT OR INFORMATION THAN DOES A PUBLIC LIBRARY OR NEWSSTAND. ANY OPINIONS, ADVICE, STATEMENTS, SERVICES, OFFERS, OR OTHER INFORMATION EXPRESSED OR MADE AVAILABLE BY THIRD PARTIES (INCLUDING FRANCHISEES) ARE THOSE OF THE RESPECTIVE AUTHORS OR DISTRIBUTORS OF SUCH CONTENT AND INFORMATION AND NOT OF COMPANY, ITS SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES, OR AGENTS. NO ADVICE OR INFORMATION, INCLUDING ANY RECOMMENDATIONS, DECISION MADE, OR ACTION TAKEN IN RELIANCE UPON SUCH CONTENT OR INFORMATION, WHETHER ORAL OR WRITTEN, OBTAINED BY YOU FROM COMPANY OR THROUGH OR FROM THE SERVICES SHALL CREATE ANY WARRANTY NOT EXPRESSLY STATED IN THESE TERMS.**

9. DISCLAIMER OF WARRANTIES. THE SERVICES ARE PROVIDED ON AN “AS AVAILABLE,” “AS IS” BASIS. TO THE MAXIMUM EXTENT PERMITTED BY LAW, COMPANY (INCLUDING ITS SUBSIDIARIES, AFFILIATES, LICENSORS, OR SUPPLIERS) DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SERVICES, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY, QUIET ENJOYMENT, QUALITY OF INFORMATION, USAGE OF TRADE, COURSE OF DEALING, AND FITNESS FOR A PARTICULAR PURPOSE. COMPANY DOES NOT WARRANT THAT THE SERVICES WILL MEET YOUR REQUIREMENTS, OR THAT THE OPERATION OF THE SERVICES WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT DEFECTS IN THE SERVICES WILL BE CORRECTED. COMPANY DOES NOT WARRANT THAT THE SERVICES, NOR THE CONTENT OR INFORMATION MADE AVAILABLE THERE FROM, IS FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS.

10. LIMITATION ON LIABILITY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL COMPANY (INCLUDING ITS SUBSIDIARIES, AFFILIATES, LICENSORS, OR SUPPLIERS) BE LIABLE TO YOU OR ANY THIRD PARTY FOR ANY DAMAGES WHATSOEVER (INCLUDING WITHOUT LIMITATION, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR INDIRECT DAMAGES, WHICH SHALL INCLUDE, WITHOUT LIMITATION, DAMAGES FOR PERSONAL INJURY, LOST PROFITS, LOST DATA, LOST SAVINGS, AND/OR BUSINESS INTERRUPTION) ARISING OUT OF OR IN CONNECTION WITH THE USE OR INABILITY TO USE THE PROGRAM, EVEN IF COMPANY HAS BEEN ADVISED OF THE POSSIBILITY OF

SUCH DAMAGES. IN ANY CASE, COMPANY'S ENTIRE LIABILITY UNDER THIS EUA SHALL BE LIMITED TO THE FEES PAID BY YOU, IF ANY, FOR THE SERVICES.

11. Indemnity. You agree to indemnify, defend and hold harmless Company, its parent company, subsidiaries, affiliates and its and their officers, directors, shareholders, agents, affiliates, and licensors from and against any and all liabilities, losses, costs, expenses (including reasonable attorneys' fees), and damages resulting from any negligent acts, omissions or willful misconduct by You, your use of the Program, and/or any breach of this EUA.

12. Governing Law. This EUA is governed by and construed in accordance with the laws of the State of New Jersey as applied to agreements entered into and wholly performed within New Jersey between New Jersey residents. This EUA shall not be governed by the 1980 U.N. Convention on Contracts for the International Sale of Goods nor the Uniform Commercial Code, as amended, governing the sale of goods. Any action or proceeding brought by either party hereto shall be brought only in a state or federal court of competent jurisdiction located in State of New Jersey and the parties submit to the in personal jurisdiction of such courts for purposes of any action or proceeding.

13. Force Majeure. Company shall not be responsible for any delays, errors, failures to perform, interruptions or disruptions in the Services caused by any acts of God, strikes, lockouts, riots, acts of war, terrorism, changes in law or regulations, fire, flood, earthquake, storm, power failure or failures of the Internet.

14. Export. You may not export the Services without the prior written approval of Company. You agree to comply with all applicable United States laws and regulations pertaining to export controls.

15. Binding Effect. The rights and obligations of this Agreement shall be binding on and inure to the benefit of the parties' successors and assigns.

16. General. This EUA constitutes the entire understanding and agreement between Company and you, with respect to the transactions contemplated in this EUA and supersede all prior or contemporaneous oral or written communications with respect to the subject matter of this EUA, all of which are merged in this EUA. This EUA shall not be modified, amended or in any way altered except by an instrument in writing signed by authorized representatives of both parties. In the event that any provision of this EUA is found invalid or unenforceable pursuant to judicial decree, the remainder of this EUA shall remain valid and enforceable according to its terms. Any failure by Company to strictly enforce any provision of this EUA will not operate as a waiver of that provision or any subsequent breach of that provision.

IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT IN THE EVENT ANY REMEDY HEREUNDER IS DETERMINED TO HAVE FAILED OF ITS ESSENTIAL PURPOSE, ALL LIMITATIONS ON LIABILITY AND EXCLUSIONS OF DAMAGES SET FORTH HEREIN SHALL REMAIN IN EFFECT.

THE INDIVIDUAL SIGNING THIS AGREEMENT BELOW, ON BEHALF OF THE FRANCHISEE, REPRESENTS AND WARRANTS TO COMPANY THAT HE OR SHE IS AUTHORIZED TO SIGN THIS DOCUMENT ON BEHALF OF THE FRANCHISEE AND ITS OWNERS. A BREACH OF THIS REPRESENTATION AND WARRANTY ENTITLES COMPANY TO IMMEDIATELY TERMINATE THIS AGREEMENT WITHOUT ANY LIABILITY TO FRANCHISEE OR ITS OWNERS.

ACKNOWLEDGED AND AGREED TO THIS _____ DAY OF _____, 20__:

Legal Entity Name: _____

By: _____

Name: _____

Title: _____

EXHIBIT C-3

GENERAL RELEASE AGREEMENT

This General Release Agreement (this "Release Agreement") is made as of _____, between _____ ("Franchisee"), and Corcoran Group LLC ("Franchisor").

WAIVER OF CLAIMS. In consideration of the modifications to the Agreement described above (including, but not limited to, the various rights and/or financing that Franchisor has provided to Franchisee) Franchisee and any and all owners, partners, members and/or shareholders expressly release, remise, acquit and discharge Franchisor and its predecessors, successors, parents, subsidiaries, affiliates, assigns as well as each of their respective officers, directors, employees and agents (collectively "Releasees") from and forever waive and relinquish, any and all claims, counterclaims, rights, setoffs, suits, damages (including, but not limited to, compensatory damages, tort damages, contract damages and punitive damages) demands, obligations, warranties, covenants, debts and causes of action of every nature, character and description, known and unknown, vested or contingent (collectively "Claims") that Franchisee or its owners, partners, members and/or shareholders, individually or collectively, have or may have against any and all Releasees as applicable including, but not limited to all Claims relating in any manner to, or otherwise resulting from, or arising out of: (i) the relationship between the Parties prior to the execution of the Agreement and this Addendum; (ii) the franchise sales transaction (to the extent permitted by law); (iii) the Agreement and this Addendum; and/or (iv) any other agreements (including other franchise agreements) by and between Franchisee and/or the Owners and Franchisor. In providing this release, Franchisee and its owners, partners, members and/or shareholders expressly acknowledge that: (x) to the extent the laws of the State of Washington govern the relationship of the parties hereto, notwithstanding the general release and waiver of claims herein, consistent with the Franchise Agreement(s) and Washington law, this release and waiver of rights executed by you will not include the release or waiver of rights under the Washington Franchise Investment Protection Act; and (y) to the extent the laws of the State of California govern the relationship of the Parties hereto, Franchisee and its owners, partners, members and/or shareholders are fully familiar with the provisions of Section 1542 of the Civil Code of the State of California and each expressly waives any and all rights under Section 1542 of the Civil Code of the State of California which provides as follows:

"A General Release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known to him or her must have materially affected his or her settlement with the debtor."

THE PERSON SIGNING THIS AGREEMENT ON BEHALF OF THE FRANCHISEE REPRESENTS AND WARRANTS THAT HE OR SHE IS A DULY APPOINTED OFFICER OR OTHERWISE HAS BEEN AUTHORIZED TO BIND THE FRANCHISEE TO THE TERMS OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement, effective as of the date first written above.

By: _____

Name: _____

Title: _____

CORCORAN GROUP LLC

By: _____
[Authorized Person]

EXHIBIT D-1

Office No. _____

CONVERSION PROMISSORY NOTE

_____, 20__ (the "Note Date")

MAKER:	_____
CO-MAKER(S):	_____
HOLDER:	CORCORAN GROUP LLC
PLACE FOR PAYMENT:	175 PARK AVENUE, MADISON, NJ 07940
PRINCIPAL:	\$ _____
ANNUAL INTEREST RATE:	0%, EXCEPT AS DESCRIBED BELOW
MATURITY DATE:	December 31, 20__

1. TERMS OF PAYMENT. FOR GOOD AND VALUABLE CONSIDERATION, the undersigned Maker and Co-Maker(s) promise(s) to pay Holder (or its successors or assigns) the Principal set forth above on the Maturity Date and such Principal will be used for the Business (as defined in the Franchise Agreement). Payments are payable to Holder at 175 Park Avenue, Madison, New Jersey, or at such other place as Holder may designate in writing.

2. FORGIVENESS. If on December 31 of each full calendar year ("Measurement Date") after the Note Date, Maker and Co-Maker(s) satisfy the conditions in this Note, an amount equal to the Principal divided by **nine** (the "Yearly Principal") will be forgiven by Holder. To qualify for forgiveness of the Principal, Maker and Co-Maker(s) must establish that, as of the Measurement Date and for the calendar year concluding on the Measurement Date:

- A. Maker is not in default of its obligations under any franchise agreement(s) with Holder (the "Franchise Agreement"), including payment of royalty fees and marketing fund contributions; **and**
- B. Maker(s) has timely paid Holder all royalty fees and marketing contributions owed under the Franchise Agreement on aggregate Gross Revenues (as defined in the Franchise Agreement) of at least \$ _____ ("Forgiveness Threshold").

3. YEARLY PRINCIPAL DUE ON FAILURE TO SATISFY CONDITIONS. If Maker does not satisfy the above conditions as of any Measurement Date, the Yearly Principal shall become due and payable to Holder within 30 days after the Measurement Date. If Maker or Co-Maker(s) fails to make any payment when due, including any payment due on acceleration of this Note, the entire outstanding Principal shall bear simple interest at a rate equal to the lesser of eighteen percent (18%) per year or the highest rate allowed by law, from its due date until paid in full.

4. APPLICATIONS OF FUNDS DUE MAKER. Maker agrees that Holder, at its sole option, without notice, may apply to the outstanding due and payable Principal (and accrued and unpaid interest amount) payments due to Maker(s) from Holder under the Luxury Premium Award program described in the Franchise Agreement, if any Luxury Premium Award becomes due or payable to Maker. To the extent necessary, Maker(s) hereby assigns, transfers and/or conveys to Holder all of Maker's rights, title and interest in and to the Luxury Premium Award. Any and all amounts of the Luxury Premium Award applied against the Principal shall correspondingly reduce amounts owed by Maker(s) hereunder.

5. DEFAULT – ACCELERATION OF PRINCIPAL. Holder may determine that Maker and Co-Maker(s) are in default and may accelerate the unpaid Principal and all accrued interest to become immediately due and payable, without presentment for payment or any notice or demand, upon the occurrence of any of the following:

- A. Maker or Co-Maker(s) (i) suspends business; (ii) becomes insolvent or offers settlement to any creditors; (iii) files a petition in bankruptcy, either voluntary or involuntary; (iv) institutes any proceeding under any bankruptcy or insolvency laws relating to the relief of debtors; (v) makes an assignment for the benefit of creditors; or (vi) makes any false statement or representation orally or in writing, fails to furnish information, or fails to permit inspection of any books or records on demand of Holder;
- B. Upon default in payment of any Principal payment due under this Note;
- C. Upon default, in Holder's sole opinion, of any other agreement or note between Maker and Holder or any of Holder's related companies, including, but not limited to, the Franchise Agreement; or
- D. Upon termination or expiration of the Franchise Agreement.

For the purposes of this Note, a party will be in default of an agreement if the party has been given notice of default under the agreement, and, for defaults for which the party is afforded an opportunity to cure under the applicable agreement, the party failed to cure within the period provided. Maker's and Co-Maker(s)'s obligation to pay the Principal and interest, if accelerated, will be absolute and unconditional, and will not be subject to any rights of offset or recoupment.

6. ASSIGNMENT. This Note is not assignable by Maker or any Co-Maker without the prior written consent of Holder.

7. NO PRE-PAYMENT PENALTY. Maker and Co-Maker(s) may prepay this Note in whole or in part on any date without premium or penalty. No partial prepayment shall extend or postpone the due date of any subsequent installment payment or change the amount of the installment payment. Prepayments will be applied without notation on this Note.

8. ATTORNEYS' FEES. Maker and Co-Maker(s) agree to pay all expenditures made in any attempt to collect any amounts due pursuant to this Note. If Holder takes legal action to enforce or collect this Note, Holder shall be entitled to reasonable attorneys' fees (including in-house attorneys) and court costs and all costs of collection in addition to any other relief to which it may be entitled.

9. WAIVER OF PRESENTMENT. Maker and Co-Maker(s) and each of them, waive, to the fullest extent permitted by law, diligence, demand, notice of demand, presentment for payment, notice of non-payment, notice of dishonor, protest and notice of protest and specifically consent to and waive notice of any renewals, extensions, amendments or modifications of this Note, whether made to or in favor of Maker or any other person or persons. Holder reserves the right to modify the terms of this Note, grant extensions, notations, renewals, releases, discharges, compositions and compromises with any party liable under this Note, with or without any notice to or the consent of, and without discharging or affecting the obligations of, any other party liable under this Note. The claiming of any statute of limitations as a defense to any demand against Maker, Co-Maker(s) or any endorser or guarantor is expressly waived by each and all of said parties.

10. ACQUISITION-RELATED REPRESENTATIONS. If this Note is being executed in connection with the acquisition or consolidation (by merger, acquisition or otherwise) of a real estate brokerage business from another person or entity, Maker and Co-Makers agree that while Holder and its representatives may have participated in the negotiation of such acquisition and assisted with the preparation of documents (legal or otherwise), Holder and its representatives were acting solely in the capacity of franchisor and were not retained by Maker or any Co-Maker in the capacity of agent, consultant or advisor. Maker and each Co-Maker agree that they have not and will not rely on any financial, legal or accounting advice about the acquisition that may have been provided by Holder or any of its employees, representatives, or affiliates. Maker represents and warrants that it has completed any due diligence and other investigations of the acquired office as Maker deemed appropriate. Additionally, Maker agrees that it has not relied on any representations made by Holder or any of its representatives or affiliates in deciding to complete the acquisition and related transactions. Maker waives any and all claims against Holder and its officers, directors, shareholders, affiliates, employees and agents arising out of the acquisition or consolidation.

11. GOVERNING LAW/CONFIDENTIALITY/COUNTERPARTS. This Note will be construed and enforced in accordance with the laws of the State of New Jersey. The terms of this Note are confidential and will not be disclosed to any third party by Maker without the prior written consent of Holder, unless otherwise required by law. This Note may be executed in counterparts, each of which will be deemed an original, and all of which will constitute one Note.

12. JOINT AND SEVERAL LIABILITY. This Note will be the joint and several obligation of Maker, Co-Maker(s), all guarantors and endorsers, if any, and will be binding upon them and their heirs, executors, personal representatives, successors and assigns and will inure to the benefit of Holder and its successors and assigns.

13. CONFESSION OF JUDGMENT. Maker and Co-Maker(s) agree that any attorney-at-law may appear in any court of record situated in any County where the Maker and/or Co-Maker(s) then reside or in the County where Maker and/or Co-Maker signed this Note and being in the United States at any time after the debt evidenced will become due, either at its stated maturity or by declaration and will waive the issuing and service of process and confess judgment against the Maker and Co-Maker(s), jointly and severally, in favor of the Holder, for the amount then owing on this Note, together with the costs of suit and thereupon release all errors and waive all right of appeal.

14. HEADINGS. The headings in this Note are for convenience only, do not constitute a part of this Note, and will not be deemed to have any legal effect.

[Remainder of page left blank; Signature page follows]

**THIS PROMISSORY NOTE MAY NOT BE ACCEPTED BY HOLDER WITHOUT ALL
MAKER AND CO-MAKER SIGNATURES AND ALL WITNESS SIGNATURES AND
ADDRESSES**

IN WITNESS WHEREOF, the undersigned Maker and Co-Maker(s) have executed this
Note as of the date first set forth above.

WITNESS:

Witness Signature

Print Witness Name and Home Address

MAKER: _____

By:

Name: _____

Title: **Authorized Person**

WITNESS:

Witness Signature

Print Witness Name and Home Address

CO-MAKER(S): _____

_____, Individually

WITNESS:

Witness Signature

Print Witness Name and Home Address

CO-MAKER(S): _____

_____, Individually

EXHIBIT D-2



SECURITY AGREEMENT

This Security Agreement ("Security Agreement") is made as of _____, between _____, ("Debtor"), and Corcoran Group LLC ("Secured Party").

For good and valuable consideration, the receipt and sufficiency of which are acknowledged, Debtor grants to Secured Party a security interest in all accounts receivable and payment intangibles; cash proceeds; contract rights; leases; furniture; furnishings; equipment; fixtures; inventory; commissions; real estate listings, listing agreements and related rights which are located at, utilized by or related to the real estate brokerage business conducted by Debtor and including the proceeds therefrom and any and all amendments or replacements thereto and any rebate/award program (or similar incentive programs) to which Debtor and/or any Co-Debtors may be entitled pursuant to any franchise agreement entered into with Secured Party, together with all such rights and property hereafter acquired by Debtor and Co-Debtors; and all general intangibles (collectively, the "Collateral") as well as all parts, replacements, substitutions, profits, products and cash and non-cash proceeds of the foregoing Collateral (including insurance and condemnation proceeds payable by reason of condemnation of or loss or damage thereto). [Add following only for Security Agreements filed in New Jersey - The Collateral described herein falls within the scope of the Uniform Commercial Code enacted in New Jersey, including N.J.S.A. 12A:9-102 and N.J.S.A. 12A:9-109.] The foregoing Collateral is granted to Secured Party as security for (i) the prompt payment of any promissory notes executed by Debtor in favor of Secured Party, and any renewals, compromises, extensions, modifications, accelerations or other changes in the time for performance or other terms (the "Notes"), and (ii) performance under any franchise agreements between Debtor and Secured Party, as the same may be amended (the "Franchise Agreements"), and (iii) all other agreements between Debtor and Secured Party.

SECTION 1 -- DEBTOR'S OBLIGATIONS. Debtor agrees to the following:

(a) Debtor will properly maintain and care for the Collateral and will not remove the Collateral from the Offices (as defined in the Franchise Agreements).

(b) Debtor will notify Secured Party in writing prior to any change in Debtor's place of business;

(c) Debtor has not executed and will not execute as Debtor any security agreement or financing statement covering any of the Collateral except with Secured Party, nor will Debtor pledge or encumber the Collateral, or allow any lien to be placed against the Collateral, whether voluntary or involuntary;

(d) Debtor represents and warrants to Secured Party that the Collateral shall not become collateral for any other obligations previously incurred, nor collateral under any other security agreement(s) previously executed by Debtor; and

(e) Debtor will not sell, contract for sale or otherwise dispose of any of the Collateral except in the ordinary course of business.

SECTION 2 -- DEFAULTS. Debtor shall be in default under this Security Agreement upon the occurrence of any of the following events or conditions (an "Event of Default"):

(a) The failure by Debtor to pay any amount when due under the terms and provisions of the Notes (after applicable grace periods, if any); or

(b) Debtor's breach of any term, provision, warranty or representation set forth in this Security Agreement or in the Franchise Agreements, or in any other agreement between Debtor and Secured Party; or

(c) The making of any levy on, or seizure or attachment of, any of the Collateral, if such levy, seizure or attachment is not set aside within fifteen (15) days; or

(d) The dissolution, termination of existence or insolvency of Debtor; the appointment of a receiver of all or any part of the property of Debtor; an assignment for the benefit of creditors by Debtor; the calling of a meeting of creditors of Debtor; or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor or any guarantor, surety or endorser for Debtor; or

(e) Any guarantor, surety or endorser for Debtor defaulting in any obligation or material liability to Secured Party, if Debtor does not cure the default within five (5) days of receiving written notice.

SECTION 3 -- REMEDIES AFTER DEFAULT.

(a) If an Event of Default occurs, in addition to all other rights and remedies given Secured Party under any and all agreements by and among Secured Party, Debtor and/or Debtor's guarantors, or otherwise by law, may do one or more of the following, without notice to or demand upon Debtor:

1) Declare all obligations secured by this Security Agreement immediately due and payable;

2) Enforce the security interest given under this Security Agreement and otherwise exercise the rights of a secured creditor provided under the laws of the state in which the Office is located

3) Require Debtor to assemble the Collateral and make it available to Secured Party; and/or

4) Enter any office or offices of Debtor and take possession of the Collateral and of the records pertaining to the Collateral.

(b) Secured Party may apply the proceeds of any disposition of Collateral available for satisfaction of Debtor's indebtedness, which shall include the reasonable expenses of such sale, in any order of preference that Secured Party, chooses in its sole discretion. Debtor shall remain liable for any deficiency.

SECTION 4 -- INSURANCE PROCEEDS. So long as no default exists under this Security Agreement, the proceeds of fire and casualty insurance covering the Collateral may be used by Debtor for the repair and restoration of Debtor's facilities or Offices (as defined in the Franchise Agreements).

SECTION 5 -- DUTIES OF SECURED PARTY. Secured Party's duties or responsibilities with reference to the Collateral shall be limited solely to the duties and responsibilities in this Security Agreement and Secured Party shall not be responsible in any way for the condition, depreciation or maintenance of the Collateral other than as described in this Security Agreement. Debtor shall pay when due all taxes, charges, liens and assessments against the Collateral.

SECTION 6 -- MISCELLANEOUS.

(a) Waiver. Any express or implied waiver of any provision of this Security Agreement and any delay or failure by Secured Party to enforce any provision of this Security Agreement shall not preclude Secured Party from later enforcing any such provision.

(b) Governing Law. This Security Agreement shall be governed by and construed according to the laws of the State of New Jersey.

(c) Remedies. All rights and remedies provided in this Security Agreement are cumulative and not exclusive of any rights or remedies otherwise provided by law. Any single or partial exercise of any right or remedy shall not preclude its further exercise or the exercise of any other right or remedy.

(d) Financing Statement. At the same time this Security Agreement is signed, Secured Party shall file a UCC-1 Financing Statement with the Secretary of State in the state of formation (or residence if a sole proprietor) of the Debtor or other appropriate governmental authority to perfect the security interest created by this Security Agreement. Debtor will sign such other documents as Secured Party may reasonably require to perfect its security interest in the Collateral.

(e) Notices. In the event either party desires to give notice to the other with regard to this Security Agreement, the notice shall be in writing and may be hand delivered, express mailed, or sent by certified or registered mail. Mailed notices as provided under this Security Agreement shall be deemed to be given two (2) days after they are sent. Such notices shall be sent to the address provided for such party in the Franchise Agreements, unless a party gives notice of a change of its address.

(f) Successors in Interest. This Security Agreement shall inure to the benefit of, and be binding upon, the successors in interest of the parties hereto.

(g) Amendments. This Security Agreement may only be amended by a writing signed by both parties.

(h) Entire Agreement. This Security Agreement constitutes the entire agreement between the parties regarding the matters discussed in this Security Agreement, all representations or understandings, whether oral or written, having been incorporated or otherwise superseded by this Security Agreement.

(i) Facsimiles. Facsimile or electronic copies of this Security Agreement shall be deemed to have the same force and effect as the original and shall be fully binding on all parties.



THE PERSON SIGNING THIS AGREEMENT ON BEHALF OF THE DEBTOR REPRESENTS AND WARRANTS THAT HE OR SHE IS A DULY APPOINTED OFFICER OR OTHERWISE HAS BEEN AUTHORIZED TO BIND THE DEBTOR TO THE TERMS OF THIS SECURITY AGREEMENT.

WHEREFORE, the parties have signed this Security Agreement effective as of the date set forth above.

DEBTOR

By: _____
Name: _____
Title: **Authorized Person**
Date: _____

SECURED PARTY

By: _____
[Authorized Person]
Date: _____

EXHIBIT E

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is made and entered into as of _____, 201_ between **Corcoran Group LLC**, a limited liability company ("Franchisor") and _____, a _____ company ("Prospective Franchisee").

WHEREAS, Prospective Franchisee desires to evaluate the purchase of a franchise from Franchisor on the terms and conditions of Franchisor's Franchise Agreement; and

WHEREAS, in connection with this evaluation, Prospective Franchisee desires to review Franchisor's Policy and Procedures Manual, which may consist of several component parts, including but not limited to, the Brand Standards and any other Standards as may be amended from time to time at Franchisor's sole discretion (collectively referred to herein as the "P&P Manual"), and is being maintained as confidential information and trade secrets of Franchisor; and

WHEREAS, Franchisor will permit inspection of its P&P Manual prior to the execution of a Franchise Agreement only on the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of being given access to the P&P Manual, Prospective Franchisee hereby agrees as follows:

1. All information contained in the P&P Manual (the "Confidential Information") shall be used by Prospective Franchisee solely for the purpose of evaluating whether or not to enter into a Franchise Agreement with Franchisor, and for no other purpose.
2. Prospective Franchisee shall not disclose the Confidential Information to any person or entity, other than Permitted Parties, as defined in Paragraph 6 below. Prospective Franchisee shall cause its officers, directors and employees who receive any part of the Confidential Information to maintain its confidentiality. Prospective Franchisee agrees that it shall be responsible and liable for any breach of this provision by its officers, directors and employees.
3. Confidential Information does not include any item of information, which is either; (a) independently developed by Prospective Franchisee without any breach of this Agreement and which can be shown by documentary evidence; (b) known to the public prior to Prospective Franchisee's receipt of such information from Franchisor; (c) after such receipt, becomes available to the public generally other than by contravention of this Agreement, any Permitted Party's Confidential Agreement, or any other duty to or agreement with Franchisor; or (d) is obtained by Prospective Franchisee from a source with the independent right to disclose such information.
4. Upon completion of the evaluation process, Prospective Franchisee shall return to Franchisor all copies of the P&P Manual and all other tangible embodiments containing any Confidential Information, including any notes or analyses regarding Confidential Information made by Prospective Franchisee or any Permitted Party.
5. A breach of any provision of this Agreement will cause Franchisor irreparable injury. Franchisor will be entitled to injunctive relief, without bond, to enjoin any actual or threatened conduct in violation of this Agreement. If Franchisor is successful in obtaining enforcement of this Agreement, Franchisor shall also be entitled to recover from Prospective Franchisee any and all attorney's fees, court or arbitration costs and other expenses incurred by Franchisor in connection with such enforcement.

6. Permitted Parties shall mean: (a) Officers, directors and employees of Prospective Franchisee; and (b) Attorneys of Franchisee retained to assist Franchisee in evaluating the decision to acquire a franchise, but only if such attorneys have been advised that the disclosure of the Confidential Information is subject to this Confidentiality Agreement.
7. This Agreement is intended to be a contract governed and construed under the laws of the State of New Jersey, without regard to the principles of conflicts of law. Jurisdiction and venue for any dispute arising out of or related to this Agreement shall be in the federal or state courts sitting in New Jersey, and the parties hereto irrevocably waives any objection (on the grounds of lack of jurisdiction, or forum non conveniens or otherwise) to the jurisdiction and venue of such courts.
8. The failure of Franchisor to exercise any right hereunder against Prospective Franchisee or any other party, shall not be construed as a waiver or a novation. If any portion of this Agreement is determined to be illegal, invalid, or unenforceable under any present or future law by a final judgment of any court of competent jurisdiction, the remainder of this Agreement will not be influenced thereby. It is the intention of the parties that if any such portion is so held illegal, invalid, or unenforceable, that such portion be replaced by terms as similar to such portion as is possible to be legal, valid, and enforceable.
9. This Agreement is the entire agreement between the parties as to its subject matter. Any changes to this Agreement must be signed by the Prospective Franchisee and acknowledged in writing by Franchisor. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

[Prospective Franchisee]

By: _____

Its: _____

Accepted and Acknowledged:

Corcoran Group LLC

By: _____

Its: _____

EXHIBIT F

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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Realogy Holdings Corp. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. 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 audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 26, 2019

We have served as the Company’s auditor since 2009.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Realogy Group LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Realogy Group LLC and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. 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 audits of these consolidated financial statements in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 26, 2019

We have served as the Company’s auditor since 2009.

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

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Gross commission income	\$ 4,533	\$ 4,576	\$ 4,277
Service revenue	947	938	955
Franchise fees	393	396	372
Other	206	204	206
Net revenues	<u>6,079</u>	<u>6,114</u>	<u>5,810</u>
Expenses			
Commission and other agent-related costs	3,282	3,230	2,945
Operating	1,548	1,544	1,542
Marketing	258	261	241
General and administrative	328	364	321
Former parent legacy cost (benefit), net	4	(10)	(2)
Restructuring costs, net	58	12	39
Depreciation and amortization	195	198	202
Interest expense, net	190	158	174
Loss on the early extinguishment of debt	7	5	—
Other expense (income), net	—	1	(1)
Total expenses	<u>5,870</u>	<u>5,763</u>	<u>5,461</u>
Income before income taxes, equity in losses (earnings) and noncontrolling interests	209	351	349
Income tax expense (benefit)	65	(65)	144
Equity in losses (earnings) of unconsolidated entities	4	(18)	(12)
Net income	<u>140</u>	<u>434</u>	<u>217</u>
Less: Net income attributable to noncontrolling interests	(3)	(3)	(4)
Net income attributable to Realogy Holdings and Realogy Group	<u>\$ 137</u>	<u>\$ 431</u>	<u>\$ 213</u>
Earnings per share attributable to Realogy Holdings:			
Basic earnings per share	\$ 1.10	\$ 3.15	\$ 1.47
Diluted earnings per share	\$ 1.09	\$ 3.11	\$ 1.46
Weighted average common and common equivalent shares of Realogy Holdings outstanding:			
Basic	124.0	136.7	144.5
Diluted	125.3	138.4	145.8

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 140	\$ 434	\$ 217
Currency translation adjustment	(3)	3	(5)
Defined Benefit Plans:			
Actuarial loss for the plans	(6)	(1)	(3)
Less: amortization of actuarial loss to periodic pension cost	(2)	(2)	(1)
Defined benefit plans	(4)	1	(2)
Other comprehensive (loss) income, before tax	(7)	4	(7)
Income tax (benefit) expense related to items of other comprehensive (loss) income amounts	(1)	1	(3)
Other comprehensive (loss) income, net of tax	(6)	3	(4)
Comprehensive income	134	437	213
Less: comprehensive income attributable to noncontrolling interests	(3)	(3)	(4)
Comprehensive income attributable to Realogy Holdings and Realogy Group . . .	<u>\$ 131</u>	<u>\$ 434</u>	<u>\$ 209</u>

See Notes to Consolidated Financial Statements.

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

	December 31,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 225	\$ 227
Restricted cash	13	7
Trade receivables (net of allowance for doubtful accounts of \$9 and \$11)	146	153
Relocation receivables	231	223
Other current assets	153	179
Total current assets	768	789
Property and equipment, net	304	289
Goodwill	3,712	3,710
Trademarks	749	749
Franchise agreements, net	1,227	1,294
Other intangibles, net	254	284
Other non-current assets	276	222
Total assets	\$ 7,290	\$ 7,337
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 147	\$ 156
Securitization obligations	231	194
Current portion of long-term debt	748	127
Accrued expenses and other current liabilities	401	478
Total current liabilities	1,527	955
Long-term debt	2,800	3,221
Deferred income taxes	389	327
Other non-current liabilities	259	212
Total liabilities	4,975	4,715
Commitments and contingencies (Note 13)		
Equity:		
Realogy Holdings preferred stock: \$.01 par value; 50,000,000 shares authorized, none issued and outstanding at December 31, 2018 and December 31, 2017	—	—
Realogy Holdings common stock: \$.01 par value; 400,000,000 shares authorized, 114,620,499 shares issued and outstanding at December 31, 2018 and 131,636,870 shares issued and outstanding at December 31, 2017	1	1
Additional paid-in capital	4,869	5,285
Accumulated deficit	(2,507)	(2,631)
Accumulated other comprehensive loss	(52)	(37)
Total stockholders' equity	2,311	2,618
Noncontrolling interests	4	4
Total equity	2,315	2,622
Total liabilities and equity	\$ 7,290	\$ 7,337

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2018	2017	2016
Operating Activities			
Net income	\$ 140	\$ 434	\$ 217
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	195	198	202
Deferred income taxes	71	(63)	124
Amortization of deferred financing costs and discount	15	16	16
Loss on the early extinguishment of debt	7	5	—
Equity in losses (earnings) of unconsolidated entities	4	(18)	(12)
Stock-based compensation	40	52	57
Mark-to-market adjustments on derivatives	3	(2)	4
Other adjustments to net income	—	1	(4)
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:			
Trade receivables	7	(1)	(10)
Relocation receivables	(9)	23	31
Other assets	(6)	(25)	(22)
Accounts payable, accrued expenses and other liabilities	(71)	9	(17)
Dividends received from unconsolidated entities	3	52	11
Other, net	(5)	(14)	(11)
Net cash provided by operating activities	394	667	586
Investing Activities			
Property and equipment additions	(105)	(99)	(87)
Payments for acquisitions, net of cash acquired	(1)	(18)	(95)
Investment in unconsolidated entities	(15)	(55)	—
Proceeds from investments in unconsolidated entities	19	11	—
Other, net	11	15	(9)
Net cash used in investing activities	(91)	(146)	(191)
Financing Activities			
Net change in revolving credit facilities	200	(130)	—
Payments for refinancing of Term Loan B	(4)	—	(758)
Proceeds from refinancing of Term Loan A & A-1	17	—	355
Amortization payments on term loan facilities	(25)	(42)	(41)
Proceeds from issuance of Senior Notes	—	—	750
Redemption of Senior Notes	—	—	(500)
Net change in securitization obligations	38	(11)	(40)
Debt issuance costs	(16)	(6)	(16)
Cash paid for fees associated with early extinguishment of debt	—	(1)	—
Repurchase of common stock	(402)	(280)	(195)
Dividends paid on common stock	(45)	(49)	(26)
Proceeds from exercise of stock options	1	8	2
Taxes paid related to net share settlement for stock-based compensation	(10)	(11)	(6)
Payments of contingent consideration related to acquisitions	(22)	(22)	(25)
Other, net	(29)	(26)	(34)
Net cash used in financing activities	(297)	(570)	(534)
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	(2)	2	(3)
Net increase (decrease) in cash, cash equivalents and restricted cash	4	(47)	(142)
Cash, cash equivalents and restricted cash, beginning of period	234	281	423
Cash, cash equivalents and restricted cash, end of period	\$ 238	\$ 234	\$ 281
Supplemental Disclosure of Cash Flow Information			
Interest payments (including securitization interest of \$9, \$7 and \$6 respectively)	\$ 185	\$ 172	\$ 181
Income tax payments, net	7	12	24

See Notes to Consolidated Financial Statements.

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

	Realogy Holdings Stockholders' Equity						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity
	Shares	Amount					
Balance at January 1, 2016.	146.7	\$ 1	\$ 5,733	\$ (3,280)	\$ (36)	\$ 4	\$ 2,422
Cumulative effect of adoption of new accounting pronouncements related to stock-based compensation.	—	—	—	5	—	—	5
Net income	—	—	—	213	—	4	217
Other comprehensive loss	—	—	—	—	(4)	—	(4)
Repurchase of common stock	(6.9)	—	(195)	—	—	—	(195)
Exercise of stock options	0.1	—	2	—	—	—	2
Stock-based compensation	—	—	57	—	—	—	57
Issuance of shares for vesting of equity awards	0.5	—	—	—	—	—	—
Shares withheld for taxes on equity awards	(0.2)	—	(6)	—	—	—	(6)
Dividends (\$0.18 per share)	—	—	(26)	—	—	(3)	(29)
Balance at December 31, 2016	140.2	\$ 1	\$ 5,565	\$ (3,062)	\$ (40)	\$ 5	\$ 2,469
Net income	—	—	—	431	—	3	434
Other comprehensive income	—	—	—	—	3	—	3
Repurchase of common stock	(9.5)	—	(280)	—	—	—	(280)
Exercise of stock options	0.3	—	8	—	—	—	8
Stock-based compensation	—	—	52	—	—	—	52
Issuance of shares for vesting of equity awards	1.0	—	—	—	—	—	—
Shares withheld for taxes on equity awards	(0.4)	—	(11)	—	—	—	(11)
Dividends (\$0.36 per share)	—	—	(49)	—	—	(4)	(53)
Balance at December 31, 2017	131.6	\$ 1	\$ 5,285	\$ (2,631)	\$ (37)	\$ 4	\$ 2,622
Cumulative effect of adoption of new accounting pronouncements	—	—	—	(13)	(9)	—	(22)
Net income	—	—	—	137	—	3	140
Other comprehensive loss	—	—	—	—	(6)	—	(6)
Repurchase of common stock	(17.9)	—	(402)	—	—	—	(402)
Exercise of stock options	—	—	1	—	—	—	1
Stock-based compensation	—	—	40	—	—	—	40
Issuance of shares for vesting of equity awards	1.2	—	—	—	—	—	—
Shares withheld for taxes on equity awards	(0.3)	—	(10)	—	—	—	(10)
Dividends (\$0.36 per share)	—	—	(45)	—	—	(3)	(48)
Balance at December 31, 2018	114.6	\$ 1	\$ 4,869	\$ (2,507)	\$ (52)	\$ 4	\$ 2,315

See Notes to Consolidated Financial Statements.

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

1. BASIS OF PRESENTATION

Realogy Holdings Corp. ("Realogy Holdings", "Realogy" or the "Company") is a holding company for its consolidated subsidiaries including Realogy Intermediate Holdings LLC ("Realogy Intermediate") and Realogy Group LLC ("Realogy Group") and its consolidated subsidiaries. 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 Consolidated Financial Statements include the financial statements of Realogy Holdings and Realogy Group. Realogy Holdings' only asset is its investment in the common stock of Realogy Intermediate, and Realogy Intermediate's only asset is its investment in Realogy Group. Realogy Holdings' only obligations are its guarantees of certain borrowings and certain franchise obligations of Realogy Group. All expenses incurred by Realogy Holdings and Realogy Intermediate are for the benefit of Realogy Group and have been reflected in Realogy Group's consolidated financial statements. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany balances and transactions have been eliminated.

Business Description

The Company reports its operations in the following four business segments (the number of offices and agents are unaudited):

- **Real Estate Franchise Services** (known as Realogy Franchise Group or RFG)—franchises the Century 21[®], Coldwell Banker[®], Coldwell Banker Commercial[®], ERA[®], Sotheby's International Realty[®] and Better Homes and Gardens[®] Real Estate brand names. As of December 31, 2018, our real estate franchise systems and proprietary brands had approximately 299,400 independent sales agents worldwide, including approximately 191,700 independent sales agents operating in the U.S. (which included approximately 50,200 company owned brokerage independent sales agents). As of December 31, 2018, our real estate franchise systems and proprietary brands had approximately 16,600 offices worldwide in 113 countries and territories, including approximately 6,000 brokerage offices in the U.S. (which included approximately 760 company owned brokerage offices).
- **Company Owned Real Estate Brokerage Services** (known as NRT)—operates a full-service real estate brokerage business with approximately 760 owned and operated brokerage offices with approximately 50,200 independent sales agents principally under the Coldwell Banker[®], Corcoran[®], Sotheby's International Realty[®], ZipRealty[®], Citi HabitatsSM and Climb Real Estate[®] brand names in many of the 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 equity earnings and losses for our Guaranteed Rate Affinity mortgage origination joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

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

REVENUE RECOGNITION

See Note 3, "Revenue Recognition", for further discussion.

CONSOLIDATION

The Company consolidates any variable interest entity ("VIE") for which it is the primary beneficiary with a controlling financial interest. Also, the Company consolidates an entity not deemed a VIE if its ownership, direct or indirect, exceeds 50% of the outstanding voting shares of an entity and/or it has the ability to control the financial or operating policies through its voting rights, board representation or other similar rights. For entities where the Company does not have a controlling interest (financial or operating), the investments in such entities are accounted for using the equity method or at fair value with changes in fair value recognized in net income, as appropriate. The Company applies the equity method of accounting when it has the ability to exercise significant influence over operating and financial policies of an investee. The Company measures all other investments at fair value with changes in fair value recognized in net income or in the case that an equity investment does not have readily determinable fair values, at cost minus impairment (if any) plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH

Restricted cash primarily relates to amounts specifically designated as collateral for the repayment of outstanding borrowings under the Company's securitization facilities. Such amounts approximated \$13 million and \$7 million at December 31, 2018 and 2017, respectively.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

ADVERTISING EXPENSES

Advertising costs are generally expensed in the period incurred. Advertising expenses, recorded within the marketing expense line item on the Company's Consolidated Statements of Operations, were approximately \$207 million, \$211 million and \$198 million for the years ended December 31, 2018, 2017 and 2016, respectively.

DEBT ISSUANCE COSTS

Debt issuance costs include costs incurred in connection with obtaining debt and extending existing debt. These financing costs are presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount, with the exception of the debt issuance costs related to the Revolving Credit Facility and securitization obligations which are classified as a deferred financing asset within other assets. The debt issuance costs are amortized via the effective interest method and the amortization period is the life of the related debt.

INCOME TAXES

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

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

DERIVATIVE INSTRUMENTS

The Company records derivatives and hedging activities on the balance sheet at their respective fair values. The Company uses foreign currency forward contracts largely to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables and payables and interest rate swaps to manage its exposure to future interest rate volatility associated with its variable rate borrowings. The Company has not elected to utilize hedge accounting for these instruments; therefore, any change in fair value is recorded in the Consolidated Statements of Operations. However, the fluctuations in the value of these instruments generally offset the impact of changes in the value of the underlying risk that they are intended to economically hedge. See Note 16, "Risk Management and Fair Value of Financial Instruments", for further discussion.

INVESTMENTS

The Company owned 49.9% of PHH Home Loans, a mortgage origination venture formed in 2005 for the purpose of originating and selling mortgage loans primarily sourced through the Company's real estate brokerage and relocation businesses, while PHH Corporation ("PHH") owned the remaining percentage. In February 2017, Realogy announced that it and Guaranteed Rate, Inc. ("Guaranteed Rate") agreed to form a new mortgage origination joint venture, Guaranteed Rate Affinity, LLC ("Guaranteed Rate Affinity"). During the third and fourth quarters of 2017, Guaranteed Rate Affinity, acquired certain assets of the mortgage operations of PHH Home Loans, including its four regional centers and employees across the United States, but not its mortgage assets. Guaranteed Rate Affinity began doing business in August 2017 on a phased-in basis.

Guaranteed Rate Affinity originates and markets its mortgage lending services to the Company's real estate brokerage and relocation subsidiaries as well as other real estate brokerage companies across the country. Guaranteed Rate owns a controlling 50.1% stake of Guaranteed Rate Affinity and the Company owns 49.9%. The Company has certain governance rights related to the joint venture, however it does not have control of the day-to-day operations of Guaranteed Rate Affinity. While the equity earnings or losses related to PHH Home Loans were included in the financial results of the Company Owned Real Estate Brokerage Services segment, the equity earnings or losses related to Guaranteed Rate Affinity are included in the financial results of the Title and Settlement Services segment.

At December 31, 2018 and 2017, the Company had various equity method investments aggregating \$51 million and \$74 million, respectively, which are recorded within other current and non-current assets on the accompanying Consolidated Balance Sheets. The \$51 million investment balance at December 31, 2018 included \$43 million for the Company's investment in Guaranteed Rate Affinity. 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. During the first quarter of 2018, the Company's interest in PHH Home Loans was sold to a subsidiary of PHH Corporation and the Company received net cash proceeds of \$19 million reducing the investment balance in PHH Home Loans to zero.

For the year ended December 31, 2018, the Company recorded equity losses of \$4 million at the Title and Settlement Services segment primarily related to losses from the operations of Guaranteed Rate Affinity.

For the year ended December 31, 2017, the Company recorded equity earnings of \$18 million which consisted of \$35 million of earnings from the sale of PHH Home Loans' assets to Guaranteed Rate Affinity, partially offset by \$7 million of exit costs and losses of \$6 million from the continuing operations of PHH Home Loans. In addition, there was a \$4 million loss from equity method investments at the Title and Settlement Services segment primarily related to costs associated with

the start up of operations of Guaranteed Rate Affinity, including \$3 million of amortization of intangible assets recorded in purchase accounting.

For the year ended December 31, 2016, the Company recorded equity earnings of \$12 million, which consisted of \$8 million relating to its investment in PHH Home Loans.

The Company received \$3 million, \$63 million and \$11 million in cash dividends from equity method investments during the years ended December 31, 2018, 2017 and 2016, respectively. The Company invested \$4 million and \$55 million of cash into Guaranteed Rate Affinity during the years ended December 31, 2018 and 2017, respectively.

PROPERTY AND EQUIPMENT

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

The Company capitalizes the costs of software developed for internal use which commences during the development phase of the project. The Company amortizes software developed or obtained for internal use on a straight-line basis, generally from 1 to 5 years, when such software is ready for use. The net carrying value of software developed or obtained for internal use was \$93 million and \$86 million at December 31, 2018 and 2017, respectively.

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

Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Indefinite-lived intangible assets primarily consist of trademarks acquired in business combinations. Goodwill and indefinite-lived assets are not amortized, but are subject to impairment testing. The aggregate carrying values of our goodwill and other indefinite-lived intangible assets were \$3,712 million and \$767 million, respectively, at December 31, 2018 and are subject to impairment testing annually as of October 1, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value is reduced to fair value. In testing goodwill, the fair value of our reporting units is estimated utilizing a discounted cash flow approach utilizing long-term cash flow forecasts and our annual operating plans adjusted for terminal value assumptions.

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

Based upon the impairment analysis performed in the fourth quarter of 2018, 2017 and 2016, there was no impairment of goodwill or other indefinite-lived intangible assets for these years. Management evaluated the effect of lowering the estimated fair value for each of the reporting units by 10% and determined that no impairment of goodwill would have been recognized under this evaluation for 2018, 2017 or 2016.

The Company evaluates the recoverability of its other long-lived assets, including amortizable intangible assets, if circumstances indicate an impairment may have occurred. This analysis is performed by comparing the respective carrying values of the assets to the current and expected future cash flows, on an undiscounted basis, to be generated from such assets. If such analysis indicates that the carrying value of these assets is not recoverable, then the carrying value of such assets is reduced to fair value through a charge to the Company's Consolidated Statements of Operations. There were no impairments relating to other long-lived assets, including amortizable intangible assets, during 2018, 2017 or 2016.

SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions in 2018, 2017 and 2016 included \$20 million, \$18 million and \$14 million, respectively, in capital lease additions, which resulted in non-cash additions to property and equipment, net and other non-current liabilities.

STOCK-BASED COMPENSATION

The Company grants stock-based awards to certain senior management, employees and directors including non-qualified stock options, restricted stock, restricted stock units and performance share units. The fair value of non-qualified stock options is estimated using the Black-Scholes option pricing model on the grant date and is recognized as expense over the service period based on the vesting requirements. The fair value of restricted stock, restricted stock units and performance share units without a market condition is measured based on the closing price of the Company's common stock on the grant date and is recognized as expense over the service period of the award, or when requisite performance metrics or milestones are probable of being achieved. The fair value of awards with a market condition are estimated using the Monte Carlo simulation method and expense is recognized on a straight-line basis over the requisite service period of the award. The Company recognizes forfeitures as they occur. Determining the fair value of stock-based awards at the grant date requires considerable judgment, including estimating expected volatility and expected term, risk-free rate.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update ("ASUs") No. 2014-09 (Topic 606) "*Revenue from Contracts with Customers*" (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 3, "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 accounting model. The new standard is applied to all new awards granted after the date of adoption. The Company elected to early adopt this guidance during the second quarter of 2018. There was an immaterial impact upon adoption.

In August 2018, the SEC issued a final rule that amends certain disclosure requirements as part of the SEC's overall project to improve disclosure effectiveness and simplify compliance. The final rule eliminates redundant, duplicative and overlapping requirements which are substantially similar to current GAAP or other SEC disclosure requirements, as well as amends or removes outdated and superseded requirements. However, in some situations, the amendments expanded disclosure requirements, such as an analysis of changes in stockholders' equity will now be required for the current and comparative quarter and year-to-date interim periods. The Company applied the amendments in the final rule to its Annual Report on Form 10-K for the year ended December 31, 2018.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company considers the applicability and impact of all Accounting Standards Updates. 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 lease incentives, prepayments and 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 was effective on January 1, 2019, with early adoption permitted, initially requiring a modified retrospective transition approach, applying the new standard to all leases existing at the date of initial application. In July 2018, the FASB issued an ASU that allows entities to elect an optional transition relief giving companies the option to apply the provisions of the new guidance at the effective date (e.g., January 1, 2019), as opposed to the earliest comparative period presented in the financial statements 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 will adopt the new standard during the first quarter of 2019 and will elect the optional transition relief. The new standard allows for an optional package of practical expedients during transition which permit companies to not reassess prior conclusions about lease identification, lease classification and initial direct costs under the new standard. The Company will elect this package of practical expedients; however, the Company will not elect the use of hindsight practical expedients and therefore current lease terms largely remained unchanged.

The new standard also allows practical expedients for future accounting under the new standard. The Company will elect the short-term lease recognition exemption and will not recognize a lease obligation and right-of-use asset on its balance sheet for all leases with terms of 12 months or less. The Company also will elect the practical expedient to not separate lease and non-lease components for all of its leases resulting in a larger lease liability recorded on the balance sheet.

The Company evaluated the impact of the standard on its consolidated financial statements and believes that the most significant effects of adoption relate to the recognition of new right-of-use assets and lease liabilities on the balance sheet for real estate operating leases. On adoption, the Company currently expects to recognize total lease liabilities ranging from \$650 million to \$670 million with corresponding right-of-use assets of \$595 million to \$615 million based on the present value of the remaining minimum rental payments partially offset by the reclassification of existing deferred rent liabilities. The Company has revised and implemented policies and internal controls, as well as a new lease management system to account for leases under the new guidance.

3. 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 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.

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 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 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

(a) 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 Accumulated deficit of \$9 million.

See Note 2, "Summary of Significant Accounting Policies" in the "Recently Adopted Accounting Pronouncements" section for additional information.

The impact of adopting the new revenue standard, as compared to historic guidance under ASC Topic 605, was immaterial to the Company's Consolidated Financial Statements as of and for the year ended December 31, 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 Consolidated Statements of Operations and further disaggregated by business segment as follows:

Years Ended December 31, 2018 vs December 31, 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) .	\$ —	\$ —	\$4,533	\$4,576	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$4,533	\$4,576
Service revenue (b)	—	—	9	9	374	378	564	551	—	—	947	938
Franchise fees (c)	688	695	—	—	—	—	—	—	(295)	(299)	393	396
Other (d)	132	135	65	58	4	4	16	19	(11)	(12)	206	204
Net revenues	<u>\$ 820</u>	<u>\$ 830</u>	<u>\$4,607</u>	<u>\$4,643</u>	<u>\$ 378</u>	<u>\$ 382</u>	<u>\$ 580</u>	<u>\$ 570</u>	<u>\$ (306)</u>	<u>\$ (311)</u>	<u>\$6,079</u>	<u>\$6,114</u>

Years Ended December 31, 2017 vs December 31, 2016 (e)												
	Real Estate Franchise Services		Company Owned Brokerage Services		Relocation Services		Title and Settlement Services		Corporate and Other		Total Company	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Gross commission income (a) .	\$ —	\$ —	\$4,576	\$4,277	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$4,576	\$4,277
Service revenue (b)	—	—	9	3	378	401	551	551	—	—	938	955
Franchise fees (c)	695	654	—	—	—	—	—	—	(299)	(282)	396	372
Other (d)	135	127	58	64	4	4	19	22	(12)	(11)	204	206
Net revenues	<u>\$ 830</u>	<u>\$ 781</u>	<u>\$4,643</u>	<u>\$4,344</u>	<u>\$ 382</u>	<u>\$ 405</u>	<u>\$ 570</u>	<u>\$ 573</u>	<u>\$ (311)</u>	<u>\$ (293)</u>	<u>\$6,114</u>	<u>\$5,810</u>

- (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.
- (b) 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. 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.
- (c) 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).
- (d) 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 gross percentage (generally 6%) of the franchisee's gross commission income. Royalty fees are accrued as the underlying franchisee revenue is earned (upon close of the homesale transaction). Annual volume incentives given to certain franchisees on royalty fees are recorded as a reduction to revenue and are accrued for in relative proportion to the recognition of the underlying gross franchise revenue. 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 domestic 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 \$12 million at December 31, 2018 primarily due to amounts recognized into revenue matching expenses for marketing activities, partially offset by additional fees received from franchisees during the year ended December 31, 2018.

The Company collects initial ADFs for international territory transactions, which are recorded as deferred revenue when received and recognized into franchise 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 \$54 million at December 31, 2018 due to revenues of \$5 million recognized during the year ended December 31, 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 year ended December 31, 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 \$24 million at January 1, 2018 and \$25 million at December 31, 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 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 December 31, 2018. During the year ended December 31, 2018, the balance increased \$6 million related to additional commissions received for new developments, offset by a \$6 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.

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. Revenues from other third-party service providers where the Company earns a referral commission are 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 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 decreased from \$5 million on January 1, 2018 to \$4 million on December 31, 2018. During the year ended December 31, 2018, the balance increased \$62 million primarily related to additions due to new management fees billed on new relocation files in advance of the Company satisfying its performance obligation, offset by a \$63 million decrease as a result of revenues recognized 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. Starting with 2019 membership fees, the network fees were billed in the first quarter of 2019, resulting in a zero balance at the end of 2018. These fees are 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 zero at December 31, 2018 due to \$12 million of revenues recognized during the year ended December 31, 2018 that were included in the deferred revenue balance at the beginning of the period, offset by a \$4 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 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 unaffiliated 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:

	Year Ended December 31, 2018			
	Beginning Balance at January 1, 2018	Additions during the period	Recognized as Revenue during the period	Ending Balance at December 31, 2018
Real Estate Franchise Services (a)	\$ 79	\$ 118	\$ (119)	\$ 78
Company Owned Real Estate Brokerage Services . . .	17	19	(18)	18
Relocation Services	18	87	(96)	9
Total	<u>\$ 114</u>	<u>\$ 224</u>	<u>\$ (233)</u>	<u>\$ 105</u>

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

4. 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
Balance at January 1, 2016	\$ 2,292	\$ 841	\$ 360	\$ 125	\$ 3,618
Goodwill acquired (a)	—	52	—	20	72
Balance at December 31, 2016	2,292	893	360	145	3,690
Goodwill acquired (b)	—	11	—	9	20
Balance at December 31, 2017	2,292	904	360	154	3,710
Goodwill acquired (c)	—	2	—	—	2
Balance at December 31, 2018	<u>\$ 2,292</u>	<u>\$ 906</u>	<u>\$ 360</u>	<u>\$ 154</u>	<u>\$ 3,712</u>
<i>Goodwill and accumulated impairment summary</i>					
Gross goodwill	\$ 3,315	\$ 1,064	\$ 641	\$ 478	\$ 5,498
Accumulated impairment losses (d)	(1,023)	(158)	(281)	(324)	(1,786)
Balance at December 31, 2018	<u>\$ 2,292</u>	<u>\$ 906</u>	<u>\$ 360</u>	<u>\$ 154</u>	<u>\$ 3,712</u>

- (a) Goodwill acquired during the year ended December 31, 2016 relates to the acquisition of eleven real estate brokerage operations and one title and settlement operation.
- (b) Goodwill acquired during the year ended December 31, 2017 relates to the acquisition of sixteen real estate brokerage operations and two title and settlement operations.
- (c) Goodwill acquired during the year ended December 31, 2018 relates to the acquisition of three real estate brokerage operations.
- (d) During the fourth quarter of 2008 and 2007 the Company recorded impairment charges, which reduced goodwill by \$1,279 million and \$507 million, respectively. No goodwill or unamortized intangible asset impairments have been recorded since 2008.

Intangible assets are as follows:

	As of December 31, 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)	<u>\$ 2,019</u>	<u>\$ 792</u>	<u>\$ 1,227</u>	<u>\$ 2,019</u>	<u>\$ 725</u>	<u>\$ 1,294</u>
Indefinite life—Trademarks (b)	<u>\$ 749</u>		<u>\$ 749</u>	<u>\$ 749</u>		<u>\$ 749</u>
<i>Other Intangibles</i>						
Amortizable—License agreements (c)	\$ 45	\$ 11	\$ 34	\$ 45	\$ 10	\$ 35
Amortizable—Customer relationships (d)	549	359	190	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	21	12	33	17	16
Total Other Intangibles	<u>\$ 645</u>	<u>\$ 391</u>	<u>\$ 254</u>	<u>\$ 647</u>	<u>\$ 363</u>	<u>\$ 284</u>

- (a) Generally amortized over a period of 30 years.
- (b) Primarily related to real estate franchise brands and Cartus tradenames, which are expected to generate future cash flows for an indefinite period of time.
- (c) Relates to the Sotheby's International Realty[®] and Better Homes and Gardens[®] Real Estate agreements which are being amortized over 50 years (the contractual term of the license agreements).
- (d) Relates to the customer relationships at the 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.
- (e) Ownership in a title plant is required to transact title insurance in certain states. The Company expects to generate future cash flows for an indefinite period of time.
- (f) Generally amortized over a period of 5 months.
- (g) 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:

	For the Year Ended December 31,		
	2018	2017	2016
Franchise agreements	\$ 67	\$ 67	\$ 67
License agreements	1	1	1
Customer relationships	24	25	28
Pendings and listings	1	4	12
Other	4	5	5
Total	<u>\$ 97</u>	<u>\$ 102</u>	<u>\$ 113</u>

Based on the Company's amortizable intangible assets as of December 31, 2018, the Company expects related amortization expense to be approximately \$97 million, \$95 million, \$93 million, \$92 million, \$91 million and \$995 million in 2019, 2020, 2021, 2022, 2023 and thereafter, respectively.

5. FRANCHISING AND MARKETING ACTIVITIES

Franchise fee revenue includes domestic initial franchise fees and international area development fees of \$6 million, \$8 million and \$8 million for each of the years ended December 31, 2018, 2017 and 2016, respectively. The Company's real estate franchisees may receive volume incentives on their royalty payments. Such annual incentives are based upon the amount of the franchisees commission income earned and paid to the Company during the calendar year. Each brand has several different annual incentive schedules currently in effect. Franchise fee revenue is recorded net of annual volume incentives provided to real estate franchisees of \$52 million, \$62 million and \$56 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company's wholly-owned real estate brokerage services segment, NRT, pays royalties to the Company's franchise business; however, such amounts are eliminated in consolidation. NRT paid royalties to the Real Estate Franchise Services segment of \$295 million, \$299 million and \$282 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Marketing fees are generally paid by the Company's real estate franchisees and are generally calculated based on a specified percentage of gross closed commissions earned on real estate transactions, and may be subject to certain minimum and maximum payments. Brand marketing fund revenue was \$86 million, \$87 million and \$83 million for the years ended December 31, 2018, 2017 and 2016, respectively, which included marketing fees paid to the Real Estate Franchise Services segment from NRT of \$11 million, \$12 million and \$11 million for the years ended December 31, 2018, 2017 and 2016, respectively. As provided for in the franchise agreements and generally at the Company's discretion, all of these fees are to be expended for marketing purposes.

The number of franchised and company owned offices in operation are as follows:

	(Unaudited) As of December 31,		
	2018	2017	2016
<i>Franchised:</i>			
Century 21 [®]	9,637	7,973	7,330
ERA [®]	2,331	2,298	2,347
Coldwell Banker [®]	2,380	2,330	2,289
Coldwell Banker Commercial [®]	171	180	180
Sotheby's International Realty [®]	949	905	836
Better Homes and Gardens [®] Real Estate	362	353	332
Total Franchised	<u>15,830</u>	<u>14,039</u>	<u>13,314</u>
<i>Company Owned:</i>			
Coldwell Banker [®]	672	707	708
Sotheby's International Realty [®]	41	41	41
Corcoran [®] /Other	42	41	40
Total Company Owned	<u>755</u>	<u>789</u>	<u>789</u>

The number of franchised and company owned offices (in the aggregate) changed as follows:

<i>(Unaudited)</i>			
For the Year Ended December 31,			
	2018	2017	2016
<i>Franchised:</i>			
Beginning balance	14,039	13,314	12,771
Additions	2,149	1,137	847
Terminations	(358)	(412)	(304)
Ending balance	<u>15,830</u>	<u>14,039</u>	<u>13,314</u>
<i>Company Owned:</i>			
Beginning balance	789	789	787
Additions	8	20	38
Closures	(42)	(20)	(36)
Ending balance	<u>755</u>	<u>789</u>	<u>789</u>

As of December 31, 2018, there were an insignificant number of franchise agreements that were executed for which offices are not yet operating. Additionally, as of December 31, 2018, there were an insignificant number of franchise agreements pending termination.

In order to assist franchisees in converting to one of the Company's brands or as an incentive to renew their franchise agreement, the Company may at its discretion, provide non-standard incentives, primarily in the form of conversion notes. Provided the franchisee meets certain minimum annual revenue thresholds during the term of the notes and is in compliance with the terms of the franchise agreement, the amount of the note is forgiven annually in equal ratable amounts generally over the life of the franchise agreement. Otherwise, related principal is due and payable to the Company. The amount of such franchisee conversion notes were \$131 million and \$124 million, at December 31, 2018 and 2017, respectively. These notes are principally classified within other non-current assets in the Company's Consolidated Balance Sheets. The Company recorded a contra-revenue in the statement of operations related to the forgiveness and impairment of these notes and other sales incentives of \$29 million, \$25 million and \$24 million for the years ended December 31, 2018, 2017 and 2016, respectively.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

December 31,		
	2018	2017
Furniture, fixtures and equipment	\$ 274	\$ 281
Capitalized software	401	366
Building and leasehold improvements	290	265
Land	3	3
Gross property and equipment	<u>968</u>	<u>915</u>
Less: accumulated depreciation	(664)	(626)
Property and equipment, net	<u>\$ 304</u>	<u>\$ 289</u>

The Company recorded depreciation expense related to property and equipment of \$98 million, \$96 million and \$89 million for the years ended December 31, 2018, 2017 and 2016, respectively.

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of:

	December 31,	
	2018	2017
Accrued payroll and related employee costs	\$ 118	\$ 140
Accrued volume incentives	37	41
Accrued commissions	30	38
Restructuring accruals	15	5
Deferred income	59	68
Accrued interest	15	13
Contingent consideration for acquisitions	8	26
Due to former parent	21	18
Other	98	129
Total accrued expenses and other current liabilities	<u>\$ 401</u>	<u>\$ 478</u>

8. SHORT AND LONG-TERM DEBT

Total indebtedness is as follows:

	December 31,	
	2018	2017
Senior Secured Credit Facility:		
Revolving Credit Facility	\$ 270	\$ 70
Term Loan B	1,053	1,063
Term Loan A Facility:		
Term Loan A	732	390
Term Loan A-1	—	339
4.50% Senior Notes	449	444
5.25% Senior Notes	547	546
4.875% Senior Notes	497	496
Total Short-Term & Long-Term Debt	<u>\$ 3,548</u>	<u>\$ 3,348</u>
Securitization Obligations:		
Apple Ridge Funding LLC	\$ 218	\$ 181
Cartus Financing Limited	13	13
Total Securitization Obligations	<u>\$ 231</u>	<u>\$ 194</u>

Indebtedness Table

As of December 31, 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	\$ 270	\$ *	\$ 270
Term Loan B	(3)	February 2025	1,069	16	1,053
Term Loan A Facility:					
Term Loan A	(4)	February 2023	736	4	732
Senior Notes	4.50%	April 2019	450	1	449
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	218	*	218
Cartus Financing Limited (7)		August 2019	13	*	13
Total (8)			<u>\$ 3,806</u>	<u>\$ 27</u>	<u>\$ 3,779</u>

- * The debt issuance costs related to our Revolving Credit Facility and securitization obligations are classified as a deferred financing asset within other assets.
- (1) As of December 31, 2018, the Company had \$1,400 million of borrowing capacity under its Revolving Credit Facility, with \$1,130 million of available capacity. The Revolving Credit Facility expires in February 2023 but is classified on the balance sheet as current due to the revolving nature and terms and conditions of the facility. On February 15, 2019, the Company redeemed all of its outstanding \$450 million 4.50% Senior Notes due in April 2019. The Company utilized borrowings under its Revolving Credit Facility to redeem the 4.50% Senior Notes and plans to refinance on a long-term basis all or a portion of the funds used to redeem the 4.50% Senior Notes, subject to market conditions. On February 22, 2019, the Company had \$880 million in outstanding borrowings under the Revolving Credit Facility, leaving \$520 million of available capacity.
 - (2) Interest rates with respect to revolving loans under the Senior Secured Credit Facility at December 31, 2018 were based on, at the Company's option, (a) adjusted London Interbank Offering Rate ("LIBOR") plus an additional margin or (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 December 31, 2018.
 - (3) 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, (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%).
 - (4) The Term Loan A provides for quarterly amortization payments, which commenced 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 balance of the Term Loan A due at maturity on February 8, 2023. The interest rates with respect to the Term 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 December 31, 2018.
 - (5) Available capacity is subject to maintaining sufficient relocation related assets to collateralize these securitization obligations.
 - (6) As of December 31, 2018, the Company had \$250 million of borrowing capacity under the Apple Ridge Funding LLC securitization program leaving \$32 million of available capacity.
 - (7) Consists of a £10 million revolving loan facility and a £5 million working capital facility. As of December 31, 2018, the Company had \$19 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 \$66 million with \$63 million utilized at a weighted average rate of 3.33% at December 31, 2018.

Maturities Table

As of December 31, 2018, the combined aggregate amount of maturities for long-term borrowings, excluding securitization obligations, for each of the next five years is as follows:

Year	Amount
2019 (a)	\$ 749
2020	44
2021	612
2022	81
2023	1,075

- (a) Consists of \$450 million of 4.50% Senior Notes due in April 2019, four quarters of 2019 amortization payments totaling \$18 million and \$11 million for the Term Loan A and Term Loan B facilities, respectively, as well as \$270 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 and terms and conditions of the facility. On February 15, 2019, the Company redeemed all of its outstanding \$450 million 4.50% Senior Notes due in April 2019. The Company utilized borrowings under its Revolving Credit Facility to redeem the 4.50% Senior Notes and plans to refinance on a long-term basis all or a portion of the funds used to redeem the 4.50% Senior Notes, subject to market conditions. See Note 19, "Subsequent Events" for further details.

Senior Secured Credit Facility

In July 2016, the Company entered into a third amendment (the "Third Amendment") to the Amended and Restated Credit Agreement dated as of March 5, 2013, as amended. The Third Amendment replaced the \$1,858 million Term Loan B due March 2020 with a new \$1,100 million Term Loan B due July 20, 2022. In January 2017, the Company entered into a fourth amendment (the "Fourth Amendment") to the Amended and Restated Credit Agreement that repriced the Term Loan B through a refinancing of the existing term loan with a new Term Loan B reducing the interest rate by 75 basis points. In February 2018, the Company entered into a fifth amendment (the "Fifth Amendment") to the Amended and Restated Credit Agreement (as amended, amended and restated, modified or supplemented from time to time, the "Senior Secured Credit Agreement") that replaced the approximately \$1,100 million Term Loan B due July 2022 with a new \$1,080 million Term Loan B due February 2025.

In January 2017, the Company entered into an Incremental Assumption Agreement to the Senior Secured Credit Agreement pursuant to which the Company increased the borrowing capacity under its Revolving Credit Facility to \$1,050 million from the existing \$815 million. In February 2018, the Company entered into the sixth amendment (the "Sixth Amendment") to the Amended and Restated Senior Secured Credit Agreement which 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:

- (a) 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 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
- (b) 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 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 December 31, 2018, Realogy Group was in compliance with the senior secured leverage ratio covenant.

Term Loan A Facility

In October 2015, Realogy Group entered into the Term Loan A senior secured credit agreement which provides for a five-year, \$435 million loan issued at par with a maturity date of October 23, 2020 (the "Term Loan A") and has terms substantially similar to the Senior Secured Credit Agreement. In July 2016, Realogy Group entered into a first amendment to the Term Loan A senior secured credit agreement. Under the amendment, the Company issued the Term Loan A-1 in the amount of \$355 million with a maturity date in July 2021 under its existing Term Loan A Facility and on terms substantially similar to its existing Term Loan A.

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:

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.

On February 15, 2019, the Company redeemed all of its outstanding \$450 million 4.50% Senior Notes due in April 2019. The Company utilized borrowings under its Revolving Credit Facility to redeem the 4.50% Senior Notes and plans to refinance on a long-term basis all or a portion of the funds used to redeem the 4.50% Senior Notes, subject to market conditions. See Note 19, "Subsequent Events" for further details.

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 which expires in December 2019. At December 31, 2018, the capacity of the facility was \$66 million, with \$63 million being utilized and at December 31, 2017, the capacity was \$74 million, with \$69 million being utilized.

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 which expires in June 2019. As of December 31, 2018, the Company had \$250 million of borrowing capacity under the Apple Ridge Funding LLC securitization program with \$218 million being utilized.

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 which expires in August 2019. As of December 31, 2018, there were \$13 million of outstanding borrowings on the facilities. 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 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 \$238 million and \$218 million of underlying relocation receivables and other related relocation assets at December 31, 2018 and 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 Consolidated Balance Sheets.

Interest incurred in connection with borrowings under these facilities amounted to \$9 million and \$7 million for the years ended December 31, 2018 and 2017, respectively. This interest is recorded within net revenues in the accompanying Consolidated Statements of Operations as related borrowings are utilized to fund Realogy Group's relocation business where interest is generally earned on such assets. These securitization obligations represent floating rate debt for which the average weighted interest rate was 3.8% and 3.3% for the years ended December 31, 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 year ended December 31, 2018.

As a result of the refinancing transaction in January 2017 and a reduction of the Unsecured Letter of Credit Facility in September of 2017, the Company recorded losses on the early extinguishment of debt of \$5 million during the year ended December 31, 2017.

9. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT PENSION PLAN

The Company's defined benefit pension plan was closed to new entrants as of July 1, 1997 and existing participants do not accrue any additional benefits. The net periodic pension cost for 2018 was less than \$1 million and was comprised of interest cost of approximately \$5 million and the amortization of the actuarial net loss of \$2 million, offset by a benefit of \$7 million for the expected return on assets. The net periodic pension cost for 2017 was \$1 million and was comprised of interest cost of approximately \$6 million and the amortization of the actuarial net loss of \$2 million, partially offset by a benefit of \$7 million for the expected return on assets.

At December 31, 2018 and 2017, the accumulated benefit obligation of this plan was \$128 million and \$145 million, respectively, and the fair value of the plan assets were \$90 million and \$108 million, respectively, resulting in an unfunded accumulated benefit obligation of \$38 million and \$37 million, respectively, which is recorded in Other non-current liabilities in the Consolidated Balance Sheets.

Estimated future benefit payments as of December 31, 2018 are as follows:

Year	Amount
2019	\$ 9
2020	9
2021	9
2022	9
2023	9
2024 through 2028	45

The minimum funding required during 2019 is estimated to be \$3 million.

The following table presents the fair values of plan assets by category as of December 31, 2018:

Asset Category	Quoted Price in Active Market for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Cash and cash equivalents	\$ 3	\$ —	\$ —	\$ 3
Equity securities	—	43	—	43
Fixed income securities	—	44	—	44
Total	<u>\$ 3</u>	<u>\$ 87</u>	<u>\$ —</u>	<u>\$ 90</u>

The following table presents the fair values of plan assets by category as of December 31, 2017:

Asset Category	Quoted Price in Active Market for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Cash and cash equivalents	\$ 1	\$ —	\$ —	\$ 1
Equity securities	—	71	—	71
Fixed income securities	—	36	—	36
Total	<u>\$ 1</u>	<u>\$ 107</u>	<u>\$ —</u>	<u>\$ 108</u>

OTHER EMPLOYEE BENEFIT PLANS

The Company also maintains post-retirement health and welfare plans for certain subsidiaries and a non-qualified pension plan for certain individuals. At December 31, 2018 and 2017, the related projected benefit obligation for these plans accrued on the Company's Consolidated Balance Sheets (primarily within other non-current liabilities) was \$5 million and \$6 million, respectively.

DEFINED CONTRIBUTION SAVINGS PLAN

The Company sponsors a defined contribution savings plan that provides certain of its eligible employees an opportunity to accumulate funds for retirement and has a Company match for a portion of the contributions made by participating employees. The Company's cost for contributions to this plan was \$16 million, \$16 million and \$15 million for the years ended December 31, 2018, 2017 and 2016, respectively.

10. INCOME TAXES

The components of pretax income for domestic and foreign operations consisted of the following:

	Year Ended December 31,		
	2018	2017	2016
Domestic	\$ 204	\$ 365	\$ 351
Foreign	1	4	10
Pretax income	<u>\$ 205</u>	<u>\$ 369</u>	<u>\$ 361</u>

The components of income tax expense (benefit) consisted of the following:

	Year Ended December 31,		
	2018	2017	2016
<i>Current:</i>			
Federal	\$ (13)	\$ (7)	\$ 10
State	5	4	8
Foreign	2	1	2
Total current	<u>(6)</u>	<u>(2)</u>	<u>20</u>
<i>Deferred:</i>			
Federal	62	(72)	107
State	9	9	16
Foreign	—	—	1
Total deferred	<u>71</u>	<u>(63)</u>	<u>124</u>
Income tax expense (benefit)	<u>\$ 65</u>	<u>\$ (65)</u>	<u>\$ 144</u>

The Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”), which became law on December 22, 2017, reduced the U.S. Federal corporate tax rate from 35% to 21% for tax years beginning in 2018. The \$65 million income tax benefit in 2017 included a tax benefit of approximately \$184 million due to the re-measurement of the Company’s net deferred tax liabilities associated with the 2017 Tax Act and a \$32 million reduction in the Company’s reserve for uncertain tax positions, partially offset by current operating results.

A reconciliation of the Company’s effective income tax rate at the U.S. federal statutory rate of 21% to the actual expense was as follows:

	Year Ended December 31,		
	2018	2017	2016
Federal statutory rate	21%	35 %	35%
State and local income taxes, net of federal tax benefits	6	4	4
Impact of the 2017 Tax Act	—	(50)	—
Non-deductible equity compensation	2	1	1
Non-deductible executive compensation	1	—	—
Other permanent differences	1	1	—
Uncertain tax positions	(1)	(9)	—
Net change in valuation allowance	2	1	—
Other	—	(1)	—
Effective tax rate	<u>32%</u>	<u>(18%)</u>	<u>40%</u>

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the deferred income tax assets and liabilities, as of December 31, are as follows:

	2018	2017
<i>Deferred income tax assets:</i>		
Net operating loss carryforwards	\$ 241	\$ 288
Tax credit carryforwards	24	35
Accrued liabilities and deferred income	92	85
Minimum pension obligations	16	16
Provision for doubtful accounts	7	8
Liability for unrecognized tax benefits	1	1
Interest rate swaps	5	2
Total deferred tax assets	386	435
Less: valuation allowance	(18)	(13)
Total deferred income tax assets after valuation allowance	368	422
<i>Deferred income tax liabilities:</i>		
Depreciation and amortization	747	736
Prepaid expenses	8	2
Basis difference in investment in joint ventures	1	10
Total deferred tax liabilities	756	748
Net deferred income tax liabilities	\$ (388)	\$ (326)

Deferred tax assets and deferred tax liabilities are netted by tax jurisdiction. The net deferred income tax liability of \$388 million as of December 31, 2018 is included in the accompanying Consolidated Balance Sheets with \$389 million in deferred income taxes (non-current liabilities) and \$1 million in other non-current assets. The net deferred income tax liability of \$326 million as of December 31, 2017 is included in the accompanying Consolidated Balance Sheets with \$327 million in deferred income taxes (non-current liabilities) and \$1 million in other non-current assets.

As of December 31, 2018, the Company had gross federal and state net operating loss carryforwards of \$855 million. The federal net operating loss carryforwards expire between 2029 and 2033 and the state net operating loss carryforwards expire between 2019 and 2033.

Accounting for Uncertainty in Income Taxes

The Company utilizes the FASB guidance for accounting for uncertainty in income taxes, which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company reflects changes in its liability for unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations. As of December 31, 2018, the Company's gross liability for unrecognized tax benefits was \$20 million, of which \$17 million would affect the Company's effective tax rate, if recognized. The Company does not expect that its unrecognized tax benefits will significantly change over the next 12 months.

The Company files U.S., state and foreign income tax returns in jurisdictions with varying statutes of limitations. Tax returns for the 2006 through 2018 tax years remain subject to examination by federal and certain state tax authorities. In significant foreign jurisdictions, tax returns for the 2008 through 2018 tax years generally remain subject to examination by their respective tax authorities. The Company believes that it is reasonably possible that the total amount of its unrecognized tax benefits could decrease by \$1 million in certain taxing jurisdictions where the statute of limitations is set to expire within the next 12 months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in interest expense and operating expenses, respectively. The Company recognized a reduction of interest expense of \$1 million for the year ended December 31, 2018, a reduction of interest expense of \$2 million for the year ended December 31, 2017 and a reduction of interest expense of \$4 million for the year ended December 31, 2016.

The rollforward of unrecognized tax benefits are summarized in the table below:

Unrecognized tax benefits—January 1, 2016	\$ 78
Gross increases—tax positions in prior periods	3
Reduction due to lapse of statute of limitations	(3)
Unrecognized tax benefits—December 31, 2016	78
Gross increases—tax positions in prior periods	1
Gross decreases—tax positions in prior periods	(54)
Reduction due to lapse of statute of limitations	(3)
Unrecognized tax benefits—December 31, 2017	22
Reduction due to lapse of statute of limitations	(2)
Unrecognized tax benefits—December 31, 2018	<u>\$ 20</u>

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.

Tax Sharing Agreement

Under the Tax Sharing Agreement with Cendant, Wyndham Worldwide and Travelport, the Company is generally responsible for 62.5% of payments made to settle claims with respect to tax periods ending on or prior to December 31, 2006 that relate to income taxes imposed on Cendant and certain of its subsidiaries, the operations (or former operations) of which were determined by Cendant not to relate specifically to the respective businesses of Realogy, Wyndham Worldwide, Avis Budget or Travelport. With respect to any remaining residual legacy Cendant tax liabilities, the Company and its former parent believe there is appropriate support for the positions taken on Cendant's tax returns. However, tax audits and any related litigation, including disputes or litigation on the allocation of tax liabilities between parties under the Tax Sharing Agreement, could result in outcomes for the Company that are different from those reflected in the Company's historical financial statements.

11. RESTRUCTURING COSTS

Restructuring charges for the years ended December 31, 2018, 2017 and 2016 were \$58 million, \$12 million and \$39 million, respectively. The components of the restructuring charges for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Years Ended December 31,		
	2018	2017	2016
Personnel-related costs (1)	\$ 25	\$ 7	\$ 22
Facility-related costs (2)	22	4	11
Internal use software impairment (3)	11	—	—
Other restructuring costs (4)	—	1	6
Total restructuring charges (5)	<u>\$ 58</u>	<u>\$ 12</u>	<u>\$ 39</u>

- (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) Other restructuring costs consist of costs related to professional fees, consulting fees and other costs associated with restructuring activities which are primarily included in the Corporate and Other business segment.
- (5) The year ended December 31, 2018 includes \$56 million of expense related to the Leadership Realignment and Other Restructuring Activities program and \$2 million of expense related to the Business Optimization Initiative program. The years ended December 31, 2017 and December 31, 2016 include expenses related to the Business Optimization Initiative program.

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.

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	25	20	11	56
Costs paid or otherwise settled	(18)	(7)	(11)	(36)
Balance at December 31, 2018	<u>\$ 7</u>	<u>\$ 13</u>	<u>\$ —</u>	<u>\$ 20</u>

The following table shows the total costs currently expected to be incurred by type of cost 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
Personnel-related costs	\$ 27	\$ 25	\$ 2
Facility-related costs	20	20	—
Internal use software impairment	11	11	—
Total	<u>\$ 58</u>	<u>\$ 56</u>	<u>\$ 2</u>

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	\$ 3	\$ 3	\$ —
Company Owned Real Estate Brokerage Services	37	36	1
Relocation Services	11	11	—
Title and Settlement Services	3	3	—
Corporate and Other	4	3	1
Total	<u>\$ 58</u>	<u>\$ 56</u>	<u>\$ 2</u>

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 year ended December 31, 2018, the Company incurred facility-related costs of \$2 million and paid or settled costs of \$7 million, resulting in a remaining accrual of \$2 million.

12. STOCK-BASED COMPENSATION

The Company grants stock-based compensation awards to certain senior management, employees and directors including non-qualified stock options, restricted stock units ("RSUs"), performance restricted stock units ("PRSUs") and performance share units ("PSUs").

The Company's stockholders approved the 2018 Long-Term Incentive Plan (the "2018 Plan") at the 2018 Annual Meeting of Stockholders held on May 2, 2018. Upon approval of the 2018 Plan, the 2012 Amended and Restated Long-Term Incentive Plan, as amended (the "2012 Plan") was terminated, no future awards were permitted to be granted under the 2012 Plan, and any shares available for future issuance under the 2012 Plan were canceled. Under the 2018 Plan, 6 million shares were authorized for issuance plus any shares that expire or are forfeited under the 2012 Plan after March 1, 2018. As of December 31, 2018, there are approximately 5 million shares available for future grants.

Each of the 2012 and 2018 Plan includes a retirement provision for equity grants which provide for continued vesting of awards once an employee has attained the age of 65 years, or 55 years of age or older plus at least ten years of tenure with the Company, provided they have been employed or provided services to the Company for one year following the date of grant or start of the performance period.

A summary of activity for the year ended December 31, 2018 is presented below (number of shares in millions):

	Restricted Stock Units	Weighted Average Grant Date Fair Value	Performance Share Units (a)	Weighted Average Grant Date Fair Value	Options (e)	Weighted Average Exercise Price
Outstanding at January 1, 2018	2.0	\$ 31.71	1.8	\$ 33.16	3.6	\$ 31.75
Granted	1.5	25.39	0.5	25.11	0.4	25.35
Distributed/Exercised	(0.9) (b)	33.67	(0.4) (c)	42.14	—	—
Forfeited/Expired	(0.1)	27.80	(0.1)	27.99	(0.2)	38.28
Outstanding at December 31, 2018	<u>2.5</u>	<u>\$ 27.32</u>	<u>1.8</u>	<u>\$ 28.13</u>	<u>3.8</u> (d)	<u>\$ 30.92</u>

- (a) The PSU amounts in the table are shown at the target amount of the award.
- (b) The total fair value of RSUs which were distributed during the year ended December 31, 2018 was \$30 million.
- (c) The total fair value of PSUs which were distributed during the year ended December 31, 2018 was \$15 million, which includes the distribution of PSUs awarded in 2015 subject to performance over the three-year performance period ended December 31, 2017, at a fair value of \$9 million. Amounts distributed do not include 0.2 million PSUs awarded in 2016 subject to achievement against performance over the three-year period ended and vested December 31, 2018, at a fair value of \$5 million and at a weighted average grant date fair value of \$34.00. These PSUs were distributed in early 2019.
- (d) Options outstanding at December 31, 2018 have an intrinsic value of zero and have a weighted average remaining contractual life of 5.3 years.
- (e) The following table summarizes information regarding exercisable stock options as of December 31, 2018:

Range of Exercise Prices	Options Vested	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life
\$15.00 to \$50.00	2.6	\$ 28.82	\$ —	4.1 years
\$50.01 and above	0.1	\$ 137.50	\$ —	1.9 years

Awards granted annually include a mix of RSUs (PRSUs for the CEO and direct reports in 2017 and 2016), options and PSUs.

The RSUs and PRSUs vest over three years, with 33.33% vesting on each anniversary of the grant date. The fair value of RSUs and PRSUs are equal to the closing sale price of the Company's common stock on the date of grant. Time-vesting of the PRSUs granted to the CEO and direct reports in 2017 and 2016 was subject to achievement of a minimum EBITDA performance goal during the year that the award was granted.

The PSUs are incentives that reward grantees based upon the Company's financial performance over a three-year performance period which begins January 1st of the grant year and ends on December 31st of the third year following the grant year. There are two PSU awards: one is based upon the total stockholder return of Realogy's common stock relative to the total stockholder return of the SPDR S&P Homebuilders Index ("XHB") (the "RTSR award"), and the other is based

upon the achievement of cumulative free cash flow goals. The number of shares that may be issued under each PSU award is variable and based upon the extent to which the performance goals are achieved over the performance period (with a range of payout from 0% to 175% of target for the RTSR award and 0% to 200% of target for the achievement of cumulative free cash flow award). The shares earned will be distributed during the first quarter after the end of the performance period. The fair value of PSUs without a market condition is equal to the closing sale price of the Company's common stock on the date of grant. The fair value of the PSU RTSR awards was estimated on the date of grant using the Monte Carlo Simulation method utilizing the following assumptions:

	2018 RTSR PSU	2017 RTSR PSU	2016 RTSR PSU
Weighted average grant date fair value	\$ 25.45	\$ 27.98	\$ 27.99
Weighted average expected volatility (a)	29.8%	29.0%	28.1%
Weighted average volatility of XHB	17.9%	18.4%	19.4%
Weighted average correlation coefficient	0.44	0.53	0.58
Weighted average risk-free interest rate	2.6%	1.5%	0.9%
Weighted average dividend yield	—	—	—

(a) Expected volatility is based on historical volatilities of the Company and select comparable companies.

The stock options have a maximum term of ten years and vest over four years, with 25% vesting on each anniversary date of the grant date. The options have an exercise price equal to the closing sale price of the Company's common stock on the date of grant. The fair value of the options was estimated on the date of grant using the Black-Scholes option-pricing model utilizing the following assumptions:

	2018 Options	2017 Options	2016 Options
Weighted average grant date fair value	\$ 7.12	\$ 8.61	\$ 10.81
Weighted average expected volatility (a)	28.5%	30.7%	31.7%
Weighted average expected term (years) (b)	6.25	6.25	6.25
Weighted average risk-free interest rate (c)	2.7%	2.0%	1.3%
Weighted average dividend yield	1.4%	1.2%	0.1%

(a) Expected volatility was based on historical volatilities of the Company and select comparable companies.

(b) The expected term of the options granted represents the period of time that options are expected to be outstanding and is based on the simplified method.

(c) The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of the grant, which corresponds to the expected term of the options.

Stock-Based Compensation Expense

As of December 31, 2018, based on current performance achievement expectations, there was \$42 million of unrecognized compensation cost related to incentive equity awards under the plans which will be recorded in future periods as compensation expense over a remaining weighted average period of approximately 1.9 years. The Company recorded stock-based compensation expense related to the incentive equity awards of \$40 million, \$52 million and \$57 million for the years ended December 31, 2018, 2017 and 2016, respectively.

13. 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 independent residential real estate sales agents engaged by NRT or by affiliated franchisees —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 or

similar claims against our franchise operations as an alleged joint employer of an affiliated franchisee's independent sales agents;

- 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;
- 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

Whitlach v. Premier Valley, Inc. d/b/a Century 21 M&M and Century 21 Real Estate LLC (California Superior Court for the County of Alameda). This is a putative class action complaint filed on December 20, 2018 by plaintiff James Whitlach against Premier Valley Inc., a Century 21 Real Estate independently-owned franchisee doing business as Century 21 M&M ("Century 21 M&M"). The complaint also names Century 21 Real Estate LLC, a wholly-owned subsidiary of the Company and the franchisor of Century 21 Real Estate ("Century 21"), as an alleged joint employer of the franchisee's independent sales agents and seeks to certify a class that could potentially include all agents of both Century 21 M&M and Century 21 in California. The plaintiff alleges that Century 21 M&M misclassified all of its independent real estate agents, salespeople, sales professionals, broker associates and other similar positions as independent contractors, failed to pay minimum wages, failed to provide meal and rest breaks, failed to pay timely wages, failed to keep proper records, failed to provide appropriate wage statements, made unlawful deductions from wages, and failed to reimburse plaintiff and the putative class for business related expenses, resulting in violations of the California Labor Code. The complaint also asserts an unfair business practice claim based on the alleged violations described above.

On February 15, 2019, the plaintiff amended his complaint to assert a claim pursuant to the California Private Attorneys Generals Act ("PAGA"). The PAGA claim included in the amended complaint are substantively similar to those asserted in the original complaint. Under California law, PAGA claims are generally not subject to arbitration and may result in exposure in the form of additional penalties.

The case raises significant and various previously unlitigated claims and the PAGA claim adds additional financial risks and uncertainties. Given the early stage of this case, we cannot estimate a range of reasonably potential losses for this litigation. The Company will vigorously defend this action.

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 agreed in principle to a settlement of the action, pursuant to which the Company agreed to 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 Consolidated Balance Sheets. The Court granted final approval of the settlement effective as of August 27, 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 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 \$21 million and \$18 million at December 31, 2018 and 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 \$426 million and \$469 million at December 31, 2018 and 2017, respectively. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the

accompanying Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

Leases

The Company is committed to making rental payments under noncancelable operating leases covering various facilities and equipment. Future minimum lease payments required under noncancelable operating leases as of December 31, 2018 are as follows:

Year	Amount
2019	\$ 165
2020	144
2021	120
2022	95
2023	79
Thereafter	196
Total	<u>\$ 799</u>

Capital lease obligations were \$33 million, net of \$2 million of imputed interest, at December 31, 2018 and \$29 million, net of \$2 million of imputed interest, at December 31, 2017.

The Company incurred rent expense of \$196 million, \$192 million and \$186 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Purchase Commitments and Minimum Licensing Fees

In the normal course of business, the Company makes various commitments to purchase goods or services from specific suppliers, including those related to capital expenditures. The purchase commitments made by the Company as of December 31, 2018 are approximately \$113 million.

The Company is required to pay a minimum licensing fee to Sotheby's which began in 2009 and continues through 2054. The annual minimum licensing fee is approximately \$2 million per year. The Company is also required to pay a minimum licensing fee to Meredith Corporation for the licensing of the Better Homes and Gardens Real Estate brand. The annual minimum licensing fee began in 2009 at \$0.5 million and increased to \$4 million in 2014, where it will generally remain through 2058.

Future minimum payments for these purchase commitments and minimum licensing fees as of December 31, 2018 are as follows:

Year	Amount
2019	\$ 71
2020	25
2021	20
2022	9
2023	9
Thereafter	226
Total	<u>\$ 360</u>

Standard Guarantees/Indemnifications

In the ordinary course of business, the Company enters into numerous agreements that contain standard guarantees and indemnities whereby the Company indemnifies another party for breaches of representations and warranties. In addition, many of these parties are also indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. Such guarantees or indemnifications are granted under various agreements, including those governing: (i) purchases, sales or outsourcing of assets or businesses, (ii) leases and sales of real estate, (iii) licensing of trademarks, (iv) use of derivatives, and (v) issuances of debt securities. The guarantees or indemnifications issued are for the benefit of the: (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) financial institutions in derivative contracts, and (v) underwriters in issuances of securities. While some of these guarantees extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are

no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these guarantees, nor is the Company able to develop an estimate of the maximum potential amount of future payments to be made under these guarantees as the triggering events are not subject to predictability. With respect to certain of the aforementioned guarantees, such as indemnifications of landlords against third-party claims for the use of real estate property leased by the Company, the Company maintains insurance coverage that mitigates any potential payments to be made.

Other Guarantees/Indemnifications

In the normal course of business, the Company coordinates numerous events for its franchisees and thus reserves a number of venues with certain minimum guarantees, such as room rentals at hotels local to the conference center. However, such room rentals are paid by each individual franchisee. If the franchisees do not meet the minimum guarantees, the Company is obligated to fulfill the minimum guaranteed fees. The maximum potential amount of future payments that the Company would be required to make under such guarantees is approximately \$13 million. The Company would only be required to pay this maximum amount if none of the franchisees conducted their planned events at the reserved venues. Historically, the Company has not been required to make material payments under these guarantees.

Insurance and Self-Insurance

At December 31, 2018 and 2017, the Consolidated Balance Sheets include approximately \$26 million and \$40 million, respectively, of liabilities relating to: (i) self-insured risks for errors and omissions and other legal matters incurred in the ordinary course of business within the Company Owned Real Estate Brokerage Services segment, (ii) vacant dwellings and household goods in transit and storage within the Relocation Services segment, and (iii) premium and claim reserves for the Company's title underwriting business. The Company may also be subject to legal claims arising from the handling of escrow transactions and closings. The Company's subsidiary, NRT, carries errors and omissions insurance for errors made during the real estate settlement process of \$15 million in the aggregate, subject to a deductible of \$1 million per occurrence. In addition, the Company carries an additional errors and omissions insurance policy for Realogy Holdings Corp. and its subsidiaries for errors made for real estate related services up to \$45 million in the aggregate, subject to a deductible of \$2.5 million per occurrence. This policy also provides excess coverage to NRT creating an aggregate limit of \$60 million, subject to the NRT deductible of \$1 million per occurrence.

The Company issues title insurance policies which provide coverage for real property to mortgage lenders and buyers of real property. When acting as a title agent issuing a policy on behalf of an underwriter, assuming no negligence on part of the title agent, the Company is not liable for losses under those policies but rather the title insurer is typically liable for such losses. The title underwriter which the Company acquired in January 2006 typically underwrites title insurance policies of up to \$1.5 million. For policies in excess of \$1.5 million, the Company typically obtains a reinsurance policy from a national underwriter to reinsure the excess amount. The Company, as an underwriter, manages our claims losses through strict agent vetting, clear underwriting guidelines, training and frequent communications with our agents.

Fraud, defalcation and misconduct by employees are also risks inherent in the business. The Company is the custodian of cash deposited by customers with specific instructions as to its disbursement from escrow, trust and account servicing files. The Company maintains Fidelity insurance covering the loss or theft of funds of up to \$30 million per occurrence, subject to a deductible of \$750 thousand per occurrence.

The Company also maintains self-insurance arrangements relating to health and welfare, workers' compensation, auto and general liability in addition to other benefits provided to the Company's employees. The accruals for these self-insurance arrangements totaled approximately \$15 million and \$16 million at December 31, 2018 and 2017, respectively.

14. EQUITY

Changes in Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive losses are as follows:

	Currency Translation Adjustments (1)	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Loss (2)
Balance at January 1, 2016	\$ (3)	\$ (33)	\$ (36)
Other comprehensive loss before reclassifications	(5)	(3)	(8)
Amounts reclassified from accumulated other comprehensive income	—	1 (3)	1
Income tax benefit	2	1	3
Current period change	(3)	(1)	(4)
Balance at December 31, 2016	(6)	(34)	(40)
Other comprehensive income (loss) before reclassifications	3	(1)	2
Amounts reclassified from accumulated other comprehensive income	—	2 (3)	2
Income tax expense	(1)	—	(1)
Current period change	2	1	3
Balance at December 31, 2017	(4)	(33)	(37)
Adoption of a new accounting pronouncement	(1) (4)	(8) (4)	(9)
Other comprehensive loss before reclassifications	(3)	(6)	(9)
Amounts reclassified from accumulated other comprehensive income	—	2 (3)	2
Income tax benefit	—	1	1
Current period change	(4)	(11)	(15)
Balance at December 31, 2018	<u>\$ (8)</u>	<u>\$ (44)</u>	<u>\$ (52)</u>

- (1) Assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the balance sheet dates and equity accounts are translated at historical spot rates. Revenues and expenses are translated at average exchange rates during the periods presented. The gains or losses resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive income (loss). Gains or losses resulting from foreign currency transactions are included in the Consolidated Statements of Operations.
- (2) As of December 31, 2018, the Company does not have any after-tax components of accumulated other comprehensive loss attributable to noncontrolling interests.
- (3) These amounts represent the amortization of actuarial loss to periodic pension cost and were reclassified from accumulated other comprehensive income to the general and administrative expenses line on the statement of operations.
- (4) These amounts represent adjustments 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 Accumulated deficit of \$9 million during the first quarter of 2018. See Note 2, "Summary of Significant Accounting Policies" in the "Recently Adopted Accounting Pronouncements" section for additional information.

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 each quarter of 2018, returning \$45 million to stockholders.

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 an accumulated deficit position.

Realogy Group Statements of Equity for the years ended December 31, 2018, 2017 and 2016

Total equity for Realogy Group equals that of Realogy Holdings, but the components, common stock and additional paid-in capital are different. The table below presents information regarding the balances and changes in common stock and additional paid-in capital of Realogy Group for each of the three years ended December 31, 2018, 2017 and 2016.

	Realogy Group Stockholder's Equity						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity
	Shares	Amount					
Balance at January 1, 2016	—	\$ —	\$ 5,734	\$ (3,280)	\$ (36)	\$ 4	\$ 2,422
Cumulative effect of adoption of new accounting pronouncements.	—	—	—	5	—	—	5
Net income	—	—	—	213	—	4	217
Other comprehensive loss	—	—	—	—	(4)	—	(4)
Repurchase of Common Stock.	—	—	(195)	—	—	—	(195)
Contributions from Realogy Holdings.	—	—	2	—	—	—	2
Stock-based compensation.	—	—	51	—	—	—	51
Dividends	—	—	(26)	—	—	(3)	(29)
Balance at December 31, 2016	—	\$ —	\$ 5,566	\$ (3,062)	\$ (40)	\$ 5	\$ 2,469
Net income	—	—	—	431	—	3	434
Other comprehensive income	—	—	—	—	3	—	3
Repurchase of Common Stock.	—	—	(280)	—	—	—	(280)
Contributions from Realogy Holdings.	—	—	8	—	—	—	8
Stock-based compensation.	—	—	41	—	—	—	41
Dividends	—	—	(49)	—	—	(4)	(53)
Balance at December 31, 2017	—	\$ —	\$ 5,286	\$ (2,631)	\$ (37)	\$ 4	\$ 2,622
Cumulative effect of adoption of new accounting pronouncements.	—	—	—	(13)	(9)	—	(22)
Net income	—	—	—	137	—	3	140
Other comprehensive loss	—	—	—	—	(6)	—	(6)
Repurchase of Common Stock.	—	—	(402)	—	—	—	(402)
Contributions from Realogy Holdings.	—	—	1	—	—	—	1
Stock-based compensation.	—	—	30	—	—	—	30
Dividends	—	—	(45)	—	—	(3)	(48)
Balance at December 31, 2018	—	\$ —	\$ 4,870	\$ (2,507)	\$ (52)	\$ 4	\$ 2,315

15. 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. The following table sets forth the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	2018	2017	2016
<i>(in millions, except per share data)</i>			
Net income attributable to Realogy Holdings shareholders	\$ 137	\$ 431	\$ 213
Basic weighted average shares	124.0	136.7	144.5
Stock options, restricted stock units and performance share units (a)	1.3	1.7	1.3
Weighted average diluted shares	125.3	138.4	145.8
Earnings Per Share:			
Basic	\$ 1.10	\$ 3.15	\$ 1.47
Diluted	\$ 1.09	\$ 3.11	\$ 1.46

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- (a) Excludes 6.9 million, 5.3 million and 4.5 million shares of common stock issuable for incentive equity awards which includes performance share units based on the achievement of target amounts, for the years ended December 31, 2018, 2017 and 2016, respectively, that are anti-dilutive to the diluted earnings per share computation.

Under the 2016, 2017 and 2018 share repurchase programs, the Company's Board of Directors authorized up to \$925 million of the Company's common stock. For the year ended December 31, 2018, the Company repurchased and retired 17.9 million shares of common stock for \$402 million at a weighted average market price of \$22.47 per share. For the year ended December 31, 2017, the Company repurchased and retired 9.4 million shares of common stock for \$276 million at a weighted average market price of \$29.38 per share. For the year ended December 31, 2016, the Company repurchased and retired 7.1 million shares of common stock for \$199 million at a weighted average market price of \$27.96 per share, which included 0.2 million shares for which the trade date occurred in late December 2016 while settlement occurred in January 2017. The purchase of shares under these plans reduce the weighted-average number of shares outstanding in the basic earnings per share calculation.

16. RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

RISK MANAGEMENT

The following is a description of the Company's risk management policies.

Interest Rate Risk

The Company is exposed to market risk from changes in interest rates primarily through senior secured debt. At December 31, 2018, the Company's primary interest rate exposure was to interest rate fluctuations, specifically LIBOR, due to its impact on variable rate borrowings of Revolving Credit Facility and Term Loan B under the Senior Secured Credit Agreement and Term Loan A Facility. Given that borrowings under the Senior Secured Credit Agreement 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. At December 31, 2018, the Company had variable interest rate long-term debt, which was based on LIBOR, from the outstanding term loans and revolver under its Senior Secured Credit Facility and Term Loan A Facility of \$2,075 million, excluding \$231 million of securitization obligations.

The Company has interest rate swaps with an aggregate notional value of \$1,600 million to manage a portion of the Company's exposure to changes in interest rate associated with variable rate borrowings. The fixed interest rates on the swaps range from 2.07% to 3.11%. Although we have entered into these interest rate swaps, involving the exchange of floating for fixed rate interest payments, such interest rate swaps do not eliminate interest rate volatility for all of our variable rate indebtedness at December 31, 2018. In addition, the fair value of the interest rate swaps is also subject to movements in LIBOR and will fluctuate in future periods. The Company has recognized an asset of \$6 million and a liability of \$16 million for the fair value of the interest rate swaps at December 31, 2018. Therefore, an increase in the LIBOR yield curve could increase the fair value of the interest rate swaps and decrease interest expense.

In the normal course of business, the Company borrows funds under its securitization facilities and utilizes such funds to generate assets on which it generally earns interest income. The Company does not believe it is exposed to significant interest rate risk in connection with these activities as the rate it incurs on such borrowings and the rate it earns on such assets are generally based on similar variable indices, thereby providing a natural hedge.

Credit Risk and Exposure

The Company is exposed to counterparty credit risk in the event of nonperformance by counterparties to various agreements and sales transactions. The Company manages such risk by evaluating the financial position and creditworthiness of such counterparties and by requiring collateral in instances in which financing is provided. The Company mitigates counterparty credit risk associated with its derivative contracts by monitoring the amounts at risk with each counterparty to such contracts, periodically evaluating counterparty creditworthiness and financial position, and where possible, dispersing its risk among multiple counterparties.

As of December 31, 2018, there were no significant concentrations of credit risk with any individual counterparty or a group of counterparties. The Company actively monitors the credit risk associated with the Company's receivables.

Market Risk Exposure

The Company Owned Real Estate Brokerage Services segment, NRT, owns real estate brokerage offices located in and around large metropolitan areas in the U.S. NRT has more offices and realizes more of its revenues in California, Florida and the New York metropolitan area than any other regions of the country. For the year ended December 31, 2018, NRT generated approximately 27% of its revenues from California, 20% from the New York metropolitan area and 9% from Florida. For the year ended December 31, 2017, NRT generated approximately 27% of its revenues from California, 22% from the New York metropolitan area and 9% from Florida. For the year ended December 31, 2016, NRT generated approximately 26% of its revenues from California, 22% from the New York metropolitan area and 9% from Florida.

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 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 December 31, 2018, 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 \$27 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. As of December 31, 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:

<u>Notional Value (in millions)</u>	<u>Commencement Date</u>	<u>Expiration Date</u>
\$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 Consolidated Statements of Operations.

The fair value of derivative instruments was as follows:

<u>Liability Derivatives</u>		<u>Fair Value</u>	
<u>Not Designated as Hedging Instruments</u>	<u>Balance Sheet Location</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interest rate swap contracts	Other non-current assets	\$ 6	\$ —
	Other current and non-current liabilities	\$ 16	\$ 13

The effect of derivative instruments on earnings was as follows:

<u>Derivative Instruments Not Designated as Hedging Instruments</u>	<u>Location of (Gain) or Loss Recognized for Derivative Instruments</u>	<u>(Gain) or Loss Recognized on Derivatives</u>		
		<u>Year Ended December 31,</u>		
		<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest rate swap contracts	Interest expense	\$ 4	\$ (4)	\$ 6
Foreign exchange contracts	Operating expense	(1)	2	(2)

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 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 December 31, 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) . .	\$ 2	\$ —	\$ —	\$ 2
Interest rate swaps (included in other non-current assets)	—	6	—	6
Interest rate swaps (included in other non-current liabilities)	—	16	—	16
Contingent consideration for acquisitions (included in accrued expenses and other current liabilities and other non-current liabilities)	—	—	10	10

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.....	1
Reductions: payments of contingent consideration	(23)
Changes in fair value (reflected in the Consolidated Statement of Operations).....	(2)
Fair value of contingent consideration at December 31, 2018.....	<u>\$ 10</u>

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:

	December 31, 2018		December 31, 2017	
	Principal Amount	Estimated Fair Value (a)	Principal Amount	Estimated Fair Value (a)
Debt				
Senior Secured Credit Facility:				
Revolving Credit Facility.....	\$ 270	\$ 270	\$ 70	\$ 70
Term Loan B.	1,069	1,010	1,083	1,085
Term Loan A Facility:				
Term Loan A.	736	707	391	393
Term Loan A-1	—	—	342	343
4.50% Senior Notes.....	450	447	450	457
5.25% Senior Notes.....	550	524	550	569
4.875% Senior Notes.....	500	434	500	495
Securitization obligations	231	231	194	194

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

17. 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)		
	Year Ended December 31,		
	2018	2017	2016
Real Estate Franchise Services.....	\$ 820	\$ 830	\$ 781
Company Owned Real Estate Brokerage Services.....	4,607	4,643	4,344
Relocation Services	378	382	405
Title and Settlement Services	580	570	573
Corporate and Other (c)	(306)	(311)	(293)
Total Company.....	<u>\$ 6,079</u>	<u>\$ 6,114</u>	<u>\$ 5,810</u>

(a) 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 Services segment of \$306 million,

\$311 million and \$293 million for the years ended December 31, 2018, 2017 and 2016, respectively. Such amounts are eliminated through the Corporate and Other line.

- (b) Revenues for the Relocation Services segment include intercompany referral commissions paid by the Company Owned Real Estate Brokerage Services segment of \$39 million, \$40 million and \$43 million for the years ended December 31, 2018, 2017 and 2016, respectively. 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.

Set forth in the tables below is a reconciliation of Net income to Operating EBITDA and Operating EBITDA presented by reportable segment for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
Net income attributable to Realogy Holdings and Realogy Group	\$ 137	\$ 431	\$ 213
Income tax expense (benefit) (a)	65	(65)	144
Income before income taxes	202	366	357
Add: Depreciation and amortization (b)	197	201	202
Interest expense, net	190	158	174
Restructuring costs, net (c)	58	12	39
Former parent legacy cost (benefit) (d).	4	(10)	(2)
Loss on the early extinguishment of debt (d)	7	5	—
Operating EBITDA.	<u>\$ 658</u>	<u>\$ 732</u>	<u>\$ 770</u>

	Operating EBITDA		
	Year Ended December 31,		
	2018	2017	2016
Real Estate Franchise Services	\$ 564	\$ 560	\$ 520
Company Owned Real Estate Brokerage Services (e)	44	135	159
Relocation Services	86	85	100
Title and Settlement Services	49	59	63
Corporate and Other (d)(f)	(85)	(107)	(72)
Total Company	<u>\$ 658</u>	<u>\$ 732</u>	<u>\$ 770</u>

- (a) Income tax benefit for the year ended December 31, 2017 reflects the impact of the 2017 Tax Act.
- (b) Depreciation and amortization for the years ended December 31, 2018 and 2017 includes \$2 million and \$3 million, respectively, of amortization expense related to Guaranteed Rate Affinity's purchase accounting included in the "Equity in losses (earnings) of unconsolidated entities" line on the Consolidated Statement of Operations.
- (c) The year ended December 31, 2018 includes restructuring charges of \$3 million in the Real Estate Franchise Services segment, \$37 million in the Company Owned Real Estate Brokerage Services segment, \$11 million in the Relocation Services segment, \$4 million at the Title and Settlement Services segment and \$3 million in the Corporate and Other segment.
The year ended December 31, 2017 includes restructuring charges of \$1 million in the Real Estate Franchise Services segment, \$9 million in the Company Owned Real Estate Brokerage Services segment, \$1 million at the Title and Settlement Services segment and \$1 million in the Corporate and Other segment.
The year ended December 31, 2016 includes restructuring charges of \$4 million in the Real Estate Franchise Services segment, \$22 million in the Company Owned Real Estate Brokerage Services segment, \$4 million in the Relocation Services segment, \$1 million at the Title and Settlement Services segment and \$8 million in the Corporate and Other segment.
- (d) Former parent legacy items and loss on the early extinguishment of debt are recorded in the Corporate and Other segment.
- (e) Includes \$22 million and \$8 million of equity earnings from PHH Home Loans for the years ended December 31, 2017 and 2016, respectively.
- (f) Includes the elimination of transactions between segments.

Depreciation and Amortization

	Year Ended December 31,		
	2018	2017	2016
Real Estate Franchise Services	\$ 77	\$ 79	\$ 77
Company Owned Real Estate Brokerage Services	51	50	49
Relocation Services	33	33	31
Title and Settlement Services	13	16	23
Corporate and Other	21	20	22
Total Company	<u>\$ 195</u>	<u>\$ 198</u>	<u>\$ 202</u>

Segment Assets

	As of December 31,	
	2018	2017
Real Estate Franchise Services	\$ 4,388	\$ 4,413
Company Owned Real Estate Brokerage Services	1,228	1,258
Relocation Services	1,010	1,029
Title and Settlement Services	492	486
Corporate and Other	172	151
Total Company	<u>\$ 7,290</u>	<u>\$ 7,337</u>

Capital Expenditures

	Year Ended December 31,		
	2018	2017	2016
Real Estate Franchise Services	\$ 10	\$ 9	\$ 8
Company Owned Real Estate Brokerage Services	44	44	44
Relocation Services	13	11	12
Title and Settlement Services	11	13	9
Corporate and Other	27	22	14
Total Company	<u>\$ 105</u>	<u>\$ 99</u>	<u>\$ 87</u>

The geographic segment information provided below is classified based on the geographic location of the Company's subsidiaries.

	United States	All Other Countries	Total
On or for the year ended December 31, 2018			
Net revenues	\$ 5,961	\$ 118	\$ 6,079
Total assets	7,214	76	7,290
Net property and equipment	302	2	304
On or for the year ended December 31, 2017			
Net revenues	\$ 5,997	\$ 117	\$ 6,114
Total assets	7,261	76	7,337
Net property and equipment	287	2	289
On or for the year ended December 31, 2016			
Net revenues	\$ 5,683	\$ 127	\$ 5,810
Total assets	7,347	74	7,421
Net property and equipment	265	2	267

18. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Provided below is selected unaudited quarterly financial data for 2018 and 2017.

	2018			
	First	Second	Third	Fourth
Net revenues				
Real Estate Franchise Services	\$ 176	\$ 237	\$ 221	\$ 186
Company Owned Real Estate Brokerage Services	917	1,408	1,268	1,014
Relocation Services	79	105	108	86
Title and Settlement Services	120	162	162	136
Corporate and Other (a)	(63)	(92)	(83)	(68)
Total Company	<u>\$ 1,229</u>	<u>\$ 1,820</u>	<u>\$ 1,676</u>	<u>\$ 1,354</u>
Income (loss) before income taxes, equity in earnings and noncontrolling interests (b)				
Real Estate Franchise Services	\$ 85	\$ 152	\$ 141	\$ 107
Company Owned Real Estate Brokerage Services	(76)	45	22	(37)
Relocation Services	(14)	29	34	9
Title and Settlement Services	(8)	26	18	1
Corporate and Other	(69)	(78)	(70)	(108)
Total Company	<u>\$ (82)</u>	<u>\$ 174</u>	<u>\$ 145</u>	<u>\$ (28)</u>
Net income (loss) attributable to Realogy Holdings and Realogy Group				
	<u>\$ (67)</u>	<u>\$ 123</u>	<u>\$ 103</u>	<u>\$ (22)</u>
Earnings (loss) per share attributable to Realogy Holdings (c):				
Basic earnings (loss) per share	\$ (0.51)	\$ 0.97	\$ 0.84	\$ (0.19)
Diluted earnings (loss) per share	\$ (0.51)	\$ 0.96	\$ 0.83	\$ (0.19)

- (a) Represents the elimination of transactions primarily between the Real Estate Franchise Services segment and the Company Owned Real Estate Brokerage Services segment.
- (b) The quarterly results include the following:
- restructuring charges of \$30 million, \$6 million, \$9 million and \$13 million in the first, second, third and fourth quarters, respectively;
 - former parent legacy net cost of \$4 million in the fourth quarter; and
 - a loss on the early extinguishment of debt of \$7 million in the first quarter.
- (c) Basic and diluted EPS amounts in each quarter are computed using the weighted-average number of shares outstanding during that quarter, while basic and diluted EPS for the full year is computed using the weighted-average number of shares outstanding during the year. Therefore, the sum of the four quarters' basic or diluted EPS may not equal the full year basic or diluted EPS (see Note 15 "Earnings Per Share" for further information).

	2017			
	First	Second	Third	Fourth
Net revenues				
Real Estate Franchise Services	\$ 170	\$ 237	\$ 224	\$ 199
Company Owned Real Estate Brokerage Services	897	1,392	1,267	1,087
Relocation Services	77	102	111	92
Title and Settlement Services	120	157	154	139
Corporate and Other (a)	(61)	(95)	(82)	(73)
Total Company	<u>\$ 1,203</u>	<u>\$ 1,793</u>	<u>\$ 1,674</u>	<u>\$ 1,444</u>
Income (loss) before income taxes, equity in earnings and noncontrolling interests (b)				
Real Estate Franchise Services	\$ 82	\$ 146	\$ 139	\$ 113
Company Owned Real Estate Brokerage Services	(35)	65	36	(14)
Relocation Services	(5)	21	32	15
Title and Settlement Services	(3)	23	19	6
Corporate and Other	(73)	(72)	(73)	(71)
Total Company	<u>\$ (34)</u>	<u>\$ 183</u>	<u>\$ 153</u>	<u>\$ 49</u>
Net income (loss) attributable to Realogy Holdings and Realogy Group				
	<u>\$ (28)</u>	<u>\$ 109</u>	<u>\$ 95</u>	<u>\$ 255</u>
Earnings (loss) per share attributable to Realogy Holdings (c):				
Basic earnings (loss) per share	\$ (0.20)	\$ 0.79	\$ 0.70	\$ 1.91
Diluted earnings (loss) per share	\$ (0.20)	\$ 0.78	\$ 0.69	\$ 1.89

- (a) Represents the elimination of transactions primarily between the Real Estate Franchise Services segment and the Company Owned Real Estate Brokerage Services segment.
- (b) The quarterly results include the following:
- restructuring charges of \$5 million, \$2 million, \$2 million and \$3 million in the first, second, third and fourth quarters, respectively;
 - former parent legacy net benefit of \$11 million in the second quarter former parent legacy net cost of \$1 million in the third quarter; and
 - a loss on the early extinguishment of debt of \$4 million and \$1 million in the first and third quarters, respectively.
- (c) Basic and diluted EPS amounts in each quarter are computed using the weighted-average number of shares outstanding during that quarter, while basic and diluted EPS for the full year is computed using the weighted-average number of shares outstanding during the year. Therefore, the sum of the four quarters' basic or diluted EPS may not equal the full year basic or diluted EPS.

19. SUBSEQUENT EVENTS

Redemption of \$450 million of 4.50% Senior Notes

On February 15, 2019, the Company redeemed all of its outstanding \$450 million 4.50% Senior Notes due in April 2019. The Company utilized borrowings under its Revolving Credit Facility to redeem the 4.50% Senior Notes and plans to refinance on a long-term basis all or a portion of the funds used to redeem the 4.50% Senior Notes, subject to market conditions.

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GUARANTEE OF PERFORMANCE

For value received, Realogy Group LLC, a Delaware limited liability company (the "Guarantor"), located at 175 Park Avenue, Madison New Jersey 07940, absolutely and unconditionally guarantees to assume the duties and obligations of Corcoran Group LLC, located at 175 Park Avenue, Madison New Jersey 07940 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2019 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Madison, New Jersey, and deems it effective on the 28th day of March 2019.

Guarantor:

REALOGY GROUP LLC

By: 
Name: Marilyn J. Wasser
Title: Executive Vice President, General
Counsel and Secretary

GUARANTEE OF PERFORMANCE

For value received, Realogy Holdings Corp., a Delaware corporation (the "Guarantor"), located at 175 Park Avenue, Madison New Jersey 07940, absolutely and unconditionally guarantees to assume the duties and obligations of Corcoran Group LLC, located at 175 Park Avenue, Madison New Jersey 07940 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2019 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Madison, New Jersey, and deems it effective on the 28th day of March 2019.

Guarantor:

Realogy Holdings Corp.

By: 
Name: Timothy B. Gustavson
Title: Interim Chief Financial Officer and
Treasurer, Chief Accounting Officer,
Controller and Senior Vice President

EXHIBIT G

Corcoran Group LLC - Active Offices
As of December 31, 2017

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Franchisee	Address	City	State	Zip	Phone
------------	---------	------	-------	-----	-------

There were no Corcoran Active Offices as of December 31, 2018

EXHIBIT H

**Corcoran Group LLC - Outlets that Left the System
As of December 31, 2017**

Terminated Outlets and Outlets that have Ceased Operations

Franchisee	City	State	Phone
------------	------	-------	-------

There were no Terminated Outlets that ceased operations as of December 31, 2018

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Sotheby's International Realty® System.

Corcoran Group LLC - Outlets that Left the System
As of December 31, 2017

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Transferred Outlets

Company	Address	City	State	Zip	Phone
---------	---------	------	-------	-----	-------

There were no transferred outlets as of December 31, 2018

EXHIBIT I

Corcoran Group LLC - Offices Awaiting Opening
As of December 31, 2017

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Company	Address	City	State	Zip
---------	---------	------	-------	-----

There were no Corcoran offices waiting to be opened as of December 31, 2018

EXHIBIT J

corcoran



POLICY & PROCEDURES MANUAL

December 2018
Confidential and Proprietary

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EXHIBIT K

**COMPANY-OWNED AFFILIATE OUTLETS
(Other than Corcoran® Outlets)**

**COLDWELL BANKER® OUTLETS
STATUS OF COMPANY-OWNED
COLDWELL BANKER® OUTLETS OPERATED BY NRT
FOR YEARS 2016 TO 2018 [1][2]
(Table 4.A)**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Arizona	2016	24	0	0	1	0	23
	2017	23	0	0	0	0	23
	2018	23	2	0	2	0	23
California	2016	114	0	0	3	0	111
	2017	111	4	1	1	0	115
	2018	115	2	0	4	0	113
Colorado	2016	15	0	0	0	0	15
	2017	15	0	0	0	0	15
	2018	15	0	0	0	0	15
Connecticut	2016	35	0	0	1	0	34
	2017	34	2	0	1	0	35
	2018	35	0	0	3	0	32
Delaware	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
District of Columbia	2016	3	0	0	0	0	3
	2017	3	0	0	0	0	3
	2018	3	0	0	0	0	3
Florida	2016	77	0	0	3	0	74
	2017	74	0	0	1	0	73
	2018	73	0	0	0	0	73
Georgia	2016	11	0	0	0	0	11
	2017	11	0	0	0	0	11
	2018	11	0	0	0	0	11
Hawaii	2016	5	0	0	0	0	5
	2017	5	0	0	0	0	5
	2018	5	0	3	0	0	8
Illinois	2016	41	2	0	3	0	40

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	2017	40	3	0	1	0	42
	2018	42	0	0	7	0	35
Indiana	2016	3	0	0	0	0	3
	2017	3	0	0	0	0	3
	2018	3	0	0	0	0	3
Kentucky	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Maine	2016	5	0	0	0	0	5
	2017	5	0	0	0	0	5
	2018	5	0	0	0	0	5
Maryland	2016	20	0	0	1	0	19
	2017	19	0	0	0	0	19
	2018	19	0	0	0	0	19
Massachusetts	2016	63	18	0	3	0	78
	2017	78	1	0	7	0	72
	2018	72	1	0	6	0	67
Michigan	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Minnesota	2016	21	0	0	0	0	21
	2017	21	0	0	0	0	21
	2018	21	0	0	0	0	21
Missouri	2016	21	0	0	0	0	21
	2017	21	0	0	1	0	20
	2018	20	0	0	3	0	17
New Hampshire	2016	9	0	0	1	0	8
	2017	8	0	0	0	0	8
	2018	8	0	0	0	0	8
New Jersey	2016	53	1	0	1	0	53
	2017	53	1	0	0	0	52
	2018	52	0	0	1	0	51
New York	2016	30	0	0	1	0	29
	2017	29	0	0	0	0	29
	2018	29	0	0	1	0	28

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
North Carolina	2016	6	0	0	1	0	5
	2017	5	0	0	0	0	5
	2018	5	0	0	0	0	5
Ohio	2016	17	0	0	0	0	17
	2017	17	0	0	0	0	17
	2018	17	0	0	0	0	17
Pennsylvania	2016	40	1	0	3	0	38
	2017	38	0	0	3	0	35
	2018	35	0	0	2	0	33
Rhode Island	2016	4	0	0	0	0	4
	2017	4	0	0	0	0	4
	2018	4	0	0	0	0	4
South Carolina	2016	10	10	0	4	0	16
	2017	16	0	0	0	0	16
	2018	16	0	0	2	0	14
Texas	2016	44	0	0	3	0	41
	2017	41	1	0	1	0	41
	2018	41	0	0	7	0	34
Utah	2016	10	1	0	0	0	11
	2017	11	0	0	0	0	11
	2018	11	0	0	0	0	11
Virginia	2016	7	0	0	0	0	7
	2017	7	0	0	0	0	7
	2018	7	0	0	0	0	7
Wisconsin	2016	8	0	0	0	0	8
	2017	8	0	0	0	0	8
	2018	8	0	0	0	0	8
Total	2016	700	33	0	29	0	704
	2017	704	11	4	16	0	703
	2018	703	5	0	40	0	668

COLDWELL BANKER COMMERCIAL® OUTLETS
STATUS OF COMPANY-OWNED
COLDWELL BANKER COMMERCIAL® OUTLETS OPERATED BY NRT
FOR YEARS 2015 TO 2017 [1][2]
(Table 4.B)

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Connecticut	2016	0	0	0	0	0	0
	2017	0	1	0	0	0	1
	2018	1	0	0	0	0	1
Florida	2016	5	0	0	0	4	1
	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
Hawaii	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Illinois	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
Total	2016	8	0	0	0	4	4
	2017	4	1	0	1	0	4
	2018	4	0	0	0	0	4

SOTHEBY'S INTERNATIONAL REALTY® OUTLETS
STATUS OF COMPANY-OWNED
SOTHEBY'S INTERNATIONAL REALTY® OUTLETS OPERATED BY NRT
FOR YEARS 2015 TO 2017 [1][2]
(Table 4.C)

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2016	22	0	0	0	0	22
	2017	22	0	0	0	0	22
	2018	22	0	0	0	0	22

Connecticut	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Florida	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Massachusetts	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
New Mexico	2016	3	0	0	0	0	3
	2017	3	0	0	0	1	2
	2018	2	0	0	0	0	2
New York	2016	7	0	0	0	0	7
	2017	7	0	0	0	0	7
	2018	7	0	0	0	0	7
Texas	2016	5	0	0	0	0	5
	2017	5	1	0	0	0	6
	2018	6	0	0	0	0	6
Total	2016	41	0	0	0	0	41
	2017	41	1	0	1	0	41
	2018	41	0	0	0	0	41

ZIPREALTY®
STATUS OF COMPANY-OWNED OUTLETS
OWNED AND OPERATED BY NRT AND DOING BUSINESS AS
ZIPREALTY FOR YEARS 2015 TO 2017[1][2]
(Table 4.D)

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Nevada	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Oklahoma	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	2	0	0	0	2

Oregon	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Texas	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	1	0	2	0	1
Virginia	2016	1	0	0	0	0	1
	2017	1	0	0	0	1	0
	2018	0	0	0	0	0	0
Washington	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Total	2016	6	0	0	0	1	5
	2017	5	0	0	0	0	5
	2018	5	3	0	2	0	6

CLIMB REAL ESTATE®
STATUS OF COMPANY-OWNED OUTLETS
OWNED AND OPERATED BY NRT AND DOING BUSINESS AS
CLIMB REAL ESTATE FOR YEARS 2015 TO 2017 [1][2][3]
(Table 4.E)

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2016	0	2	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	2	0	0	0	4
Total	2016	0	2	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	2	0	0	0	4

CORCORAN SUNSHINE®
STATUS OF COMPANY-OWNED OUTLETS
OWNED AND OPERATED BY NRT NY AND DOING BUSINESS AS
CORCORAN SUNSHINE MARKETING GROUP
FOR YEARS 2015 TO 2017[1][2]
(Table 4.F)

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New York	2016	0	1	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Total	2016	0	1	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1

CITI-HABITATSSM
STATUS OF COMPANY-OWNED OUTLETS
OWNED AND OPERATED BY NRT NY AND DOING BUSINESS AS
CITI-HABITATS FOR YEARS 2015 TO 2017[1][2]
(Table 4G)

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New York	2016	8	2	0	2	0	8
	2017	8	0	0	0	0	8
	2018	8	0	0	0	0	8
Total	2016	8	2	0	2	0	8
	2017	8	0	0	0	0	8
	2018	8	0	0	1	0	7

Notes to Item 20 tables above:

[1] All numbers are as of December 31 for each year.

[2] As further described in Item 1, during the past three fiscal years, NRT NY d/b/a The Corcoran Group has owned and operated Corcoran® offices, and it is these offices that are listed as company-owned real estate brokerage offices in Tables 1 and 4 in Item 20. NRT NY also owned and operated the following other real estate brokerage offices during the past three fiscal years: Corcoran Sunshine Marketing Group and Citi Habitats. In addition, NRT NY's parent NRT

owned and operated Coldwell Banker® and Coldwell Banker Commercial®, Sotheby's International Realty®, Climb Real Estate and ZipRealty real estate brokerage offices. It is these other real estate brokerage offices owned and operated by NRT NY and NRT that are listed as company-owned real estate brokerage offices in Tables 4.A to 4.G in this Exhibit K.

- [3] NRT took over the operation of these existing Climb Real Estate brokerage offices in 2016.

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Corcoran Group LLC ("we" or "us") offers you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Iowa and New York Island require that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days (or 10 business days in New York) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed in Exhibit B.

The franchisor is Corcoran Group LLC and is located at 175 Park Avenue, Madison, New Jersey 07940. Our telephone number is (973) 407-2000.

Date of Issuance: March 29, 2019

The franchise sellers involved in offering and selling the franchise to you are listed below with a principal business address of 175 Park Ave., Madison, NJ 07940, and telephone number of (973) 407-2000; or will be provided to you separately before you sign the Franchise Agreement:

Name		
Rich Green	Alvaro Cardenas	Pamela Liebman

We list our registered agents authorized to receive service of process in Exhibit B.

I have received a disclosure document with a date of issuance of **March 29, 2019** that included the following Exhibits:

- | | |
|---|---|
| A. State Addenda to the Franchise Disclosure Document; | F. Financial Statements of Realogy Holdings Corp. and Realogy Group LLC; Guarantee of Performance of Realogy Holdings Corp.; Guarantee of Performance of Realogy Group LLC; |
| B. Federal and State Regulatory Authorities; Registered Agents for Service of Process; | G. List of Franchisees as of December 31, 2018; |
| C. Real Estate Franchise Agreement, including Guaranty of Payment and Performance, Security Agreement and State Addenda to the Franchise Agreement; | H. List of Outlets that left the Corcoran® System (including transfers) from January 1, 2018 through December 31, 2018; |
| C-1. Location Addendum to Franchise Agreement; | I. List of Franchise Offices Awaiting Opening as of December 31, 2018; |
| C-2. Lead Management End-User Agreement; | J. Table of Contents to Policy and Procedures Manual; and |
| C-3. General Release Agreement; | K. Company-Owned Affiliate Outlets (Other than Corcoran® Outlets). |
| D-1. Conversion Promissory Note; | |
| D-2. Security Agreement; | |
| E. Confidentiality Agreement; | |

Date of disclosure document receipt: _____
(Do not leave blank)

Signature of Prospective Franchisee

PRINT NAME/TITLE

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

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| D-2. Security Agreement; | |
| E. Confidentiality Agreement; | |

Date of disclosure document receipt: _____
(Do not leave blank)

Signature of Prospective Franchisee

PRINT NAME/TITLE

Please complete, sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or email it to our Franchise Administrator at corcranlegalnotice@corcoran.com.