

for specific uses including conversion of signage and collateral materials, new advertising and marketing programs, transitional expenses associated with converting your office to a new business format, re-allocation of assets in a market to enhance your business, training and Orientation expenses, recruiting and other costs associated with your affiliation with the Coldwell Banker® system. If we finance these costs, you must execute either a Development Advance Note, substantially in the form of Exhibit D-2 or an Expansion Note, substantially in the form of Exhibit D-3. The financing terms, including term of repayment, the amount of principal to be repaid, the amount of interest to be paid, the security and other relevant terms are subject to negotiation. However, the terms of the Note will typically be similar to those described above for the financing of initial franchise fees. If we grant you a development advance loan or other financing for your acquisition of another real estate business which you combine into your Coldwell Banker® office, we will charge you a one-time "Administrative Fee" of \$7,500. You may be required to sign a security agreement, substantially in the form found in Exhibit D-4, on all your assets, including after acquired property. You must sign a security agreement and we will file a UCC-1 financing statement with the appropriate governmental authority. (See Exhibit D-4) We may require a spouse's personal guaranty. We may require additional forms of security in our sole discretion.

Except as disclosed above, we do not offer financing that requires you to waive notice, confess judgment or waive a defense against us or the lender, although you may lose your defenses against us and others in a collection action on a Note that is sold or discounted. We have no plans to sell or assign any Note from you or any other franchisee. However, we reserve the right to do so in the future. We do not guarantee your obligations to third parties.

Realogy may receive payments from leasing sources ranging from 1.5% to 3% of the principal amount or volume of closed transactions with our franchisees and franchisees of the Affiliates if it arranges financing from other sources. The financing offered by other sources is likely to be assigned, sold or discounted to third parties who may be immune to your defenses and claims.

ITEM 11. FRANCHISOR'S OBLIGATIONS

EXCEPT AS DISCLOSED BELOW, WE NEED NOT PROVIDE ANY ASSISTANCE TO YOU.

Before you open your franchised office, we will:

(1) Authorize your use of the Coldwell Banker® service mark in connection with your business (Franchise Agreement, Section 5.1).

(2) Provide you with access to a copy of the Manual²⁷ which contains recommended methods, specifications and procedures for operation of your office under the Coldwell Banker® system. We reserve the right to make changes in the Manual from time to time which we will provide to you. (Franchise Agreement, Section 5.3).

(3) After you sign your Franchise Agreement, provide your residential manager or your office manager with Orientation. (Franchise Agreement, Section 5.4). The program is mandatory and must be completed to our satisfaction by one of these persons for each of your offices. Orientation is currently a four day program and held at or near our corporate office in Parsippany, New Jersey. In 2006, it is anticipated that Orientation will be offered two times. If you are acquiring a franchise from us in an A market, we shall pay the reasonable costs of travel, lodging and some meals (usually a continental breakfast, lunch and one

²⁷ A copy of the table of contents of the Manual is contained in Exhibit I

reception) for your residential manager or office manager. If you have more than one manager attend from the office, you will be responsible for these costs for them along with a registration fee, presently \$500 for each attendee. If your office is located in a B market, you are acquiring a Coldwell Banker® office through a transfer of an existing franchise, or you are executing an agreement for a location you previously franchised, you are responsible for all costs of registration, travel, lodging, meals and other expenses of your attendees at Orientation. We will cover the cost of some meals (usually a continental breakfast, lunch and one reception).

Orientation covers the subjects listed below. We reserve the right to substitute instructors and course content. Instructors, unless outside consultants, are usually department heads, corporate officers or certified trainers of us or our related companies.

Subject	Instructional Materials	Hours In Class Room ^{28 29}
Introduction	Oral presentation	1.00
Strategic Overview	Oral presentation	0.30
Buyer and Seller Services Systems and Products	Oral presentations	4.50
Introduction to Marketing/Advertising/Public Relations	Oral presentation and interactive workshops	7.00
Electronic & Multimedia Products	Oral presentation	1.45
Coldwell Banker Business Development System and Products	Oral presentations and provided text	0.50
Realogy Global Referral Network	Oral presentation	0.45
Coldwell Banker Home Protection Plan	Oral presentation	1.00
Concierge and Support Services	Oral presentation and provided text	1.30
	Oral Presentation	.025
National Alliance	Oral presentation and interactive workshop	1.00
PHH Mortgage Services	Oral Presentation	1.00

We will provide you with training materials during Orientation, which may include prerecorded tapes, recruiting information and other related materials. All of these training materials are and will remain our sole property. (See Item 14)

During the operation of the franchised business, we will:

²⁸ We do not provide any on the job training.

²⁹ Each instructor has from one to thirty years of relevant experience.

(1) Provide continuing assistance to you with respect to improvements and changes to the Coldwell Banker® system. Guidance may be in the form of bulletins or other written materials, electronic communication, consultation by telephone or in person at your office, or by other means (Franchise Agreement, Section 6.2.2).

(2) Conduct training courses, seminars or conferences either at our corporate office, in your area or elsewhere at our discretion. You must pay for any fees we charge and all your costs of transportation, lodging, meals and other expenses. Your attendance at these courses is voluntary. (Franchise Agreement, Section 6.2.1) Through Coldwell Banker University®, we also provide professional certification programs which we encourage you and your sales associates to complete. We may make available from time to time, and you can purchase at your option, videotapes, videodiscs and other training materials for your use. These materials are described in The Coldwell Banker® Approved Supplier Catalog, Coldwell Banker University® literature and other publications we may periodically send to you.

(3) Provide national advertising, public relations and promotional campaigns through an advertising fund to promote and enhance the awareness level and value of the Coldwell Banker® service mark and the Coldwell Banker® brand. We will determine the cost, media, content, format, timing, concentration and exposure, and all other matters relating to these campaigns. We may use part of the advertising fund for joint or collective advertising campaigns with related companies. (Franchise Agreement, Section 8.4) We do not use any part of the advertising fund for advertising that is principally a solicitation of the sale of franchises.

The advertising fund is not held in trust and we do not manage it in a fiduciary capacity. All advertising funds are deposited into our general operating account and are commingled with our general operating funds. (Franchise Agreement, Section 8.4) Upon written request, we will furnish you with an annual financial statement for the advertising fund which is usually available on or about April 30 of each year. You may request to inspect the books and records related to the advertising fund during our normal business hours. If the total contributions to the advertising fund exceed the expenditures from the fund in any calendar year, the excess will be retained in the fund for future marketing purposes. (Franchise Agreement, Section 8.4)

You, and all other franchisees, are required to make the monthly contribution to the advertising fund as described in Item 6. (Franchise Agreement, Section 8.1 other franchisees may pay different amounts based on the language of their Franchise Agreements). Although the advertising fund expenditures are intended to maximize general recognition and customer support for all Coldwell Banker® offices, we cannot assure you that your office will benefit directly from the placement of advertising. We also have the right in our discretion to impose an additional assessment upon franchisees located within a particular locality or region if 80% of the franchisees in that locality or region agree to the additional assessment. (Franchise Agreement, Section 8.1)

The advertising fund may compensate us or an Affiliate for reasonable expenses incurred for accounting, collection, bookkeeping, reporting and legal services which we or the Affiliate provide to the fund to support marketing activities and for our out-of-pocket costs. We or our Affiliates may also provide certain products and/or services to the advertising fund which have been provided previously by unaffiliated third parties. Any products and/or services provided by us or the Affiliates will be provided at a cost comparable to those costs that the fund would otherwise incur if the products or services were obtained from unaffiliated third parties. Realogy contracts directly with a printer that produces certain materials for the Coldwell Banker advertising program, which are paid for by the advertising fund, and for the advertising programs of the real estate and lodging Affiliates. Realogy receives payments from the printer based on the revenues the printer receives for these services.

Of its total expenditures for 2006, the advertising fund spent 64% on Consumer Marketing, Advertising, & Public Relations; 5% on Product Development; 14% on Internet Marketing; 10% on Franchise Marketing; 7% on Other.

(4) Operate and maintain a specific Internet based reporting system which enables franchisees to transmit electronically listing information, transaction reporting information and other relevant reporting data. To participate in the system you must acquire specified computer equipment. You can acquire any computer hardware that meets our minimum memory and other standards.³⁰ This computer equipment is generally designed to handle other software applications related to the operation of a Coldwell Banker® office. Based on industry standards, processing requirements and our discretion, you must upgrade hardware components from time to time (Franchise Agreement, Section 9.1). The software is proprietary to us, is licensed to you free of charge and is updated as needed by us.

We offer two online services: coldwellbanker.com and CBNet®. coldwellbanker.com is a publicly accessible site on the Internet (<http://www.coldwellbanker.com>). It allows franchisees and sales associates to post listings on the Internet for consumers worldwide, who can search for listings by geographic regions, price range, number of bedrooms and other pertinent criteria. CBNet® is our private Intranet site accessible to franchisees and sales associates who subscribe to the system. CBNet® provides various enhancements including expanded industry news, Coldwell Banker® news and systems, broker-to-broker referral capabilities and supplier information.

Presently, there are no fees directly associated with participation in coldwellbanker.com or CBNet®. However, you must obtain appropriate connectivity and browser software for this application as well as any platform upgrades that may be necessary. You and/or your sales associates may choose to have a profile page displayed on Coldwell Banker Online® (typical cost of a broker or associate profile page is \$99 per year). You may request other options at additional cost.

(5) Offer ancillary services, directly or through related or other companies, to assist you in enhancing your franchised business as we determine in our discretion. Ancillary services may include loan

³⁰ Our minimum memory and other equipment standards are currently as follows:

CPU Type	Intel Pentium
CPU Speed	Minimum of 1.3Ghz
Hard Disk	Minimum of 80 gigabytes with 500 MB free space
Random Access Memory (RAM)	Minimum of 512 megabytes
CD Rom	Minimum of 10 speed (minimum)
Monitor/	15" SVGA (800 X 600 Pixels, 256 color; 1024 X 768 recommended)
Printer	Color Inkjet or Laser Printer
Backup	Tape or second disk drive (mirrored) 16MB Tape Drive
Broadband or dedicated Internet connection required	
Internet Browser	Microsoft Internet Explorer 6.0 or above
Operating System	Windows 2000/Windows XP/XP Professional or NT 4.0
Miscellaneous	Digital Camera or color scanner; 16 bit Sound Card and speakers; Adobe Reader 5+; Windows Media Player 9+; and Flash plug-in are also recommended.

brokerage, escrow services, title searches, insurance and the like, related to a real estate brokerage operation. These services may not be available in all markets, and we reserve the right to add, change or discontinue any ancillary service at any time. Currently, the following services are being provided.

TYPE OF ANCILLARY SERVICE	PROVIDER
Home Warranties	American Home Shield Corporation
Agent Productivity and Presentation and Recruiting Software	Top Producer Systems
Title Services	Stewart Title Guaranty Co.
Title Services	First American
Title Services	Lawyers Title Insurance Corp.
Errors and Omissions Insurance	Aon Group, Inc.
Mortgage Services	PHH
Home Inspection Services	US Inspect

We estimate that the typical time between your signing your Franchise Agreement and your opening your office under the Coldwell Banker® system will be within 30 days. The factors that affect this time are mostly within your control or the control of suppliers you select. We do not provide you with any assistance in locating your office site. However, at our discretion, we may determine that your site does not meet minimum standards and require you to obtain an appropriate site.

ITEM 12. TERRITORY

You will not receive an exclusive territory. You must operate your office only at the specific address in the Franchise Agreement. You must promote your services within the market served by your office. You may solicit clients from anywhere that your real estate license permits. At any time, we have the right to own, operate, franchise or license others to operate residential or commercial real estate brokerage businesses anywhere within or outside the market where your office is located, including locations in immediate proximity to your office. The real estate Affiliates grant similar real estate brokerage franchises to operate under the CENTURY 21®, ERA® and SIR® service marks. There is no restriction under the Franchise Agreement that prevents Century 21, ERA, SIR or any other present or future Affiliate from granting a real estate brokerage franchise under the CENTURY 21®, ERA®, SIR or a different service mark in your market area. Century 21, ERA, SIR and other Affiliates subcontract with Realogy and its affiliates for support services and share office facilities with them in Parsippany, NJ. Each Affiliate is operated as a separate company with its own management and marketing personnel and distinct business strategies and objectives. Realogy operates CGRN, Inc., the Realogy global referral network (CGRN). With certain exceptions, CGRN is available to franchisees of the ERA, Century 21 and Coldwell Banker systems. Using CGRN, Coldwell Banker franchisees can send customer referrals to franchisees within the Coldwell Banker system, or to ERA or Century 21 brokers. Participation in CGRN is voluntary. Owning a franchise does not guaranty the receipt of referrals from other Coldwell Banker offices or those of our Affiliates. Realogy receives a fee for referrals sent through CGRN.

If you want to change your office location within the same general vicinity as your current site, you must request our acceptance in writing (and submit other relevant information that we request to evaluate your proposal) at least 30 days before the proposed change. We will not unreasonably withhold our acceptance, but we may impose reasonable conditions, including: