PEABODY ENERGY CORP
Form 10-K
February 25, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(X)	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Fiscal Year Ended December 31, 2012
or	
( )	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-16463

Peabody Energy Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-4004153 (I.R.S. Employer Identification No.)
701 Market Street, St. Louis, Missouri (Address of principal executive offices)	63101 (Zip Code)

(314) 342-3400
Registrant's telephone number, including area code
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes (X) No ( )

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ( ) No (X)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes (X) No ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer (X) Accelerated filer ( ) Non-accelerated filer ( )

Smaller reporting company ( )

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ( ) No (X)

Aggregate market value of the voting stock held by non-affiliates (shareholders who are not directors or executive officers) of the Registrant, calculated using the closing price on June 30, 2012: Common Stock, par value $0.01 per share, $6.6 billion.

Number of shares outstanding of each of the Registrant's classes of Common Stock, as of February 15, 2013: Common Stock, par value $0.01 per share, 269,630,757 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Company's 2013 Annual Meeting of Shareholders (the Company's 2013 Proxy Statement) are incorporated by reference into Part III hereof. Other documents incorporated by reference in this report are listed in the Exhibit Index of this Form 10-K.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This report includes statements of our expectations, intentions, plans and beliefs that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are intended to come within the safe harbor protection provided by those sections. These statements relate to future events or our future financial performance, including, without limitation, the section captioned “Outlook” in Management’s Discussion and Analysis of Financial Condition and Results of Operations. We use words such as “anticipate,” “believe,” “expect,” “may,” “project,” “should,” “estimate” or “plan” or other similar words to forward-looking statements.

Without limiting the foregoing, all statements relating to our future operating results, anticipated capital expenditures, future cash flows and borrowings and sources of funding are forward-looking statements and speak only as of the date of this report. These forward-looking statements are based on numerous assumptions that we believe are reasonable, but are subject to a wide range of uncertainties and business risks and actual results may differ materially from those discussed in these statements. Among the factors that could cause actual results to differ materially are:

- global supply and demand for coal, including the seaborne thermal and metallurgical coal markets;
- price volatility, particularly in higher-margin products and in our trading and brokerage businesses;
- impact of alternative energy sources, including natural gas and renewables;
- global steel demand and the downstream impact on metallurgical coal prices;
- impact of weather and natural disasters on demand, production and transportation;
- reductions and/or deferrals of purchases by major customers and ability to renew sales contracts;
- credit and performance risks associated with customers, suppliers, contract miners, co-shippers and trading, banks and other financial counterparties;
- geologic, equipment, permitting and operational risks related to mining;
- transportation availability, performance and costs;
- availability, timing of delivery and costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires;
- impact of take-or-pay arrangements for rail and port commitments for the delivery of coal;
- successful implementation of business strategies;
- negotiation of labor contracts, employee relations and workforce availability;
- changes in postretirement benefit and pension obligations and their related funding requirements;
- replacement and development of coal reserves;
- availability, access to and the related cost of capital and financial markets;
- effects of changes in interest rates and currency exchange rates (primarily the Australian dollar);
- effects of acquisitions or divestitures;
- economic strength and political stability of countries in which we have operations or serve customers;
- legislation, regulations and court decisions or other government actions, including, but not limited to, new environmental and mine safety requirements and changes in income tax regulations, sales-related royalties or other regulatory taxes;
- litigation, including claims not yet asserted;
- terrorist attacks or security threats;
- impacts of pandemic illnesses; and
- other factors, including those discussed in "Legal Proceedings," set forth in Part I, Item 3 of this report and "Risk Factors," set forth in Part I, Item 1A of this report.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this document and in our other Securities and Exchange Commission (SEC) filings. These forward-looking statements speak only as of the date on which such statements were made, and we undertake no obligation to update these statements, except as required by the federal securities laws.

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Note: The words “we,” “our,” “Peabody” or “the Company” as used in this report, refer to Peabody Energy Corporation or its applicable subsidiary or subsidiaries. Unless otherwise noted herein, disclosures in this Annual Report on Form 10-K relate only to our continuing operations.
When used in this filing, the term "ton" refers to short or net tons, equal to 2,000 pounds (907.18 kilograms), while "tonne" refers to metric tons, equal to 2,294.62 pounds (1,000 kilograms).

PART I

Item 1. Business.

Overview

Peabody Energy Corporation is the world’s largest private-sector coal company. We own interests in 28 active coal mining operations located in the United States (U.S.) and Australia. We have a majority interest in 27 of those coal operations and a 50% equity interest in the Middlemount Mine in Australia. We also own a noncontrolling interest in a mining operation in Venezuela. In addition to our mining operations, we market and broker coal from our operations and other coal producers, both as principal and agent, and trade coal and freight-related contracts through trading and business offices in China, Australia, the United Kingdom, Germany, Singapore, Indonesia, India and the U.S.

History and Development

We were incorporated in Delaware in 1998 and became a public company in 2001. Our history in the coal mining business dates back to 1883. Over the past decade, we have made strategic acquisitions and divestitures to position our company to serve U.S. and international coal markets with the highest demand. Acquisitions and divestitures of note include the following.

- In 2004, we acquired coal operations from RAG Coal International AC, expanding our presence in both Australia and Colorado.
- In 2006, we further expanded our presence in Australia with the acquisition of Excel Coal Limited.
- In 2007, we spun off Patriot Coal Corporation (Patriot), which included mines in West Virginia and Kentucky and coal reserves in the Illinois Basin and Appalachia, through a dividend of all outstanding Patriot shares.
- In 2011, we acquired Macarthur Coal Limited (PEA-PCI), an independent coal company in Australia, which included two operating mines, a 50% equity-affiliate joint venture arrangement and several development projects.

Our core strategies to achieve long-term growth and generate positive returns on investment are:

1) Execute the basics of best-in-class safety, operational efficiency and marketing;
2) Capitalize on organic growth and development opportunities as warranted by global coal market conditions; and
3) Expand our presence in high-growth global markets.

In 2012, we advanced multiple growth and development projects in Australia and, to a lesser extent, the U.S., that involved the expansion and extension of existing mines and the development of future mines. We also initiated projects to convert our Wilpinjong and Millennium mines in Australia from contract mining to owner-operated sites and completed the integration of PEA-PCI operations into our Australian platform.

In response to near-term challenges in global coal markets, we plan to limit our 2013 capital spending to predominantly maintenance capital necessary to preserve the productive capacity of our existing mines and the selective advancement of certain late-stage growth and development projects in Australia. Those projects we plan to advance include the completion of the conversion of our Wilpinjong and Millennium mines to owner-operated sites, the initiation of the conversion of our Wambo Open-Cut Mine to an owner-operated site and equipment and facility upgrades at our Metropolitan and North Goonyella longwall mining operations in Australia.

We will continue to explore opportunities to extend our presence in the Asia-Pacific region, such as through joint mine development partnerships with other companies and governments to leverage our experience in managing safe and reliable coal mining operations.

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Segment and Geographic Information

We conduct business through four principal segments: Western U.S. Mining, Midwestern U.S. Mining, Australian Mining and Trading and Brokerage. Our fifth segment, Corporate and Other, includes mining and export/transportation joint ventures, activities associated with certain energy-related commercial matters, Btu Conversion, the optimization of our coal reserve and real estate holdings and costs associated with past mining obligations.

Segment and geographic financial information is contained in Note 26. "Segment and Geographic Information" to our consolidated financial statements and is incorporated herein by reference.

Mining Segments

The maps that follow display our active mine locations as of December 31, 2012, excluding mines held for sale. Also shown are the primary ports we use in the U.S. and in Australia for coal exports and our corporate headquarters in St. Louis, Missouri.

U.S. Mining Operations

The principal business of our Western and Midwestern U.S. Mining segments is the mining, preparation and sales of thermal coal, which is typically supplied to U.S. electricity generators and industrial customers for power generation, with a portion sold into seaborne export markets. Our Western U.S. Mining segment is comprised of our Powder River Basin, Southwest and Colorado mining operations. The mines in that segment are generally characterized by surface mining extraction processes and coal with a low sulfur and Btu content. Our Midwestern U.S. Mining segment includes our active mining operations in Illinois and Indiana, which are characterized by a mix of surface and underground mining extraction processes and coal with a high sulfur and Btu content. Customer transportation costs associated with our Western U.S. Mining coal products are generally higher than those of our Midwestern U.S. Mining segment due to comparatively longer shipping distances.

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Australian Mining Operations

Our Australian Mining segment operations consist of our mines in Queensland and New South Wales, Australia. The mines in that segment are characterized by both surface and underground extraction processes for the mining of various qualities of metallurgical and thermal coal. Metallurgical coal qualities produced by that segment include hard coking coal, semi-hard coking coal, semi-soft coal and pulverized coal injection (PCI) coal. PCI coal is generally used by steel producers as a partial replacement for coke made from coking coal. The acquisition of PEA-PCI in the fourth quarter of 2011 increased our proven and probable reserves of low volatile PCI (LV PCI) coal, coking coal and thermal coal. Our Australian Mining segment operations are primarily export focused with customers spread across several countries, while a portion of our coal is sold to Australian steel producers and power generators. Revenues from individual countries generally vary year by year based on demand for electricity and steel, global economic conditions and several other factors, including weather, governmental policies, economic conditions and other items, specific to each country.

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The table below summarizes information regarding the operating characteristics of each of our active mines (excluding mines classified as discontinued operations) in the U.S. and Australia. The mines are listed within their respective mining segment in descending order, as determined by tons sold in 2012.

Segment/Mining Complex	Location	Mine Type	Mining Method	Coal Type	Transport Method	2012 Tons Sold (In millions)
Western U.S. Mining						
North Antelope Rochelle	Wright, WY	S	DL, T/S	T	R	107.7
Caballo	Gillette, WY	S	D, T/S	T	R	16.8
Rawhide	Gillette, WY	S	D, T/S	T	R	14.7
El Segundo	Grants, NM	S	T/S	T	R	8.4
Twentymile	Oak Creek, CO	U	LW	T	R, T	8.3
Kayenta	Kayenta, AZ	S	DL, T/S	T	R	7.5
Lee Ranch	Grants, NM	S	DL, T/S	T	R	0.8
Other (1)	—	—	—	—	—	1.0
Midwestern U.S. Mining						
Bear Run	Carlisle, IN	S	DL, D, T/S	T	T, R	7.7
Gateway	Coulterville, IL	U	CM	T	T, R, R/B	2.8
Francisco Underground	Francisco, IN	U	CM	T	R	2.8
Somerville Central	Oakland City, IN	S	DL, D, T/S	T	R, T/R, T/B	2.5
Cottage Grove	Equality, IL	S	D, T/S	T	T/B	2.1
Wild Boar	Lynnville, IN	S	D, T/S	T	T, R, R/B	2.0
Somerville South (2)	Oakland City, IN	S	D, T/S	T	R, T/R, T/B	1.5
Wildcat Hills Underground	Eldorado, IL	U	CM	T	T/B	1.5
Viking — Corning Pit	Cannelburg, IN	S	D, T/S	T	T, T/R	1.3
Somerville North (2)	Oakland City, IN	S	D, T/S	T	R, T/R, T/B	1.1
Other (3)	—	—	—	—	—	2.1
Australian Mining						
Wilpinjong *	Wilpinjong, New South Wales	S	D, T/S	T	R, EV	12.5
North Wambo Underground (2)	Warkworth, New South Wales	U	LW	T/P	R, EV	3.5
Wambo Open-Cut * (2)	Warkworth, New South Wales	S	T/S	T	R, EV	3.0
Millennium *	Moranbah, Queensland	S	T/S	M/P	R, EV	3.0
North Goonyella	Glenden, Queensland	U	LW	M	R, EV	2.6
Coppabella (4)	Moranbah, Queensland	S	DL, D, T/S	P	R, EV	2.6
Metropolitan	Helensburgh, New South Wales	U	LW	M	R, EV	2.1
Moorvale * (4)	Moranbah, Queensland	S	T/S	M/P	R, EV	1.9
Burton *	Glenden, Queensland	S	T/S	T/M	R, EV	0.9
Eaglefield *	Glenden, Queensland	S	T/S	M	R, EV	0.9
Middlemount (5)	Middlemount, Queensland	S	T/S	T/M/P	R, EV	—

Legend:

S	Surface Mine	R	Rail
U	Underground Mine	T	Truck
DL	Dragline	R/B	Rail and Barge
D	Dozer/Casting	T/B	Truck and Barge
T/S	Truck and Shovel	T/R	Truck and Rail
LW	Longwall	EV	Export Vessel
CM	Continuous Miner	T	Thermal/Steam
*	Mine is operated by a contract miner	M	Metallurgical
		P	Pulverized Coal Injection

(1) "Other" in Western U.S. Mining primarily consists of purchased coal used to satisfy certain coal supply agreements.

(2) Represents mines in which we have non-controlling ownership interests.

(3) Represented 2012 tons sold from our Willow Lake Mine, which commenced closure activities in November 2012. Refer to Note 3. "Asset Impairment and Mine Closure Costs" to our consolidated financial statements for additional details.

(4) We own a 73.3% undivided interest in an unincorporated joint venture that owns the Coppabella and Moorvale mines.

(5) We own a 50.0% equity interest in Middlemount Coal Pty Ltd., which owns the Middlemount Mine. Because that entity is accounted for as an unconsolidated equity affiliate, 2012 tons sold from that mine have been excluded from the table above.

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We also own a 48.37% noncontrolling interest in Carbones del Guasare S.A., which operates the Paso Diablo Mine, a surface operation in northwestern Venezuela that produces thermal coal.

Refer to the "Summary of Coal Production and Sulfur Content of Assigned Reserves" table within Part I, Item 2. "Properties," which is incorporated by reference herein, for additional information regarding coal reserves, product characteristics and production volume associated with each mine.

Trading and Brokerage Segment

Our Trading and Brokerage segment engages in the direct and brokered trading of coal and freight-related contracts through trading and business offices in Australia, China, Germany, India, Indonesia, Singapore, the United Kingdom and the U.S. (listed alphabetically). Coal brokering is conducted both as principal and agent in support of various coal production-related activities that may involve coal produced from our mines, coal sourcing arrangements with third-party mining companies or offtake agreements with other coal producers. Our Trading and Brokerage segment also provides transportation-related services in support of our coal trading strategy, as well as hedging activities in support of sales from our mining operations.

Corporate and Other Segment

Our Corporate and Other Segment includes selling and administrative items, activity associated with our joint ventures, resource management activity, past mining obligations and our other commercial activities such as generation development and Btu Conversion development costs.

Resource Management. We hold approximately 9.3 billion tons of proven and probable coal reserves and approximately 500,000 acres of surface property. We have an ongoing asset optimization program whereby our resource development group regularly reviews these reserves and surface properties for opportunities to generate earnings and cash flow through the sale or exchange of non-strategic coal reserves and surface lands. In addition, we generate revenue through royalties from coal reserves and oil and gas rights leased to third parties and farm income from surface lands under third-party contracts.

Middlemount Mine. We own a 50% equity interest in the Middlemount Mine in Queensland, Australia. The mine predominantly produces semi-hard coking coal and PCI coal, with a small portion of thermal coal, for sale into seaborne coal markets through rail and port capacity contracted through Abbot Point Coal Terminal, with future capacity also secured at Dalrymple Bay Coal Terminal. Mining operations commenced at Middlemount Mine in late 2011 and that mine continued to ramp up production and invest in operational improvements through 2012, during which time it also produced and sold approximately 2 million tons of coal (on a 100% basis).

Paso Diablo Mine. We own a 48.37% noncontrolling interest in Carbones del Guasare S.A., which operates the Paso Diablo Mine, a surface operation in northwestern Venezuela that produces thermal coal for export primarily to the U.S. and Europe. According to the related operating agreement, we are responsible for marketing our pro-rata share of sales from Paso Diablo; the joint venture is responsible for production, processing and transportation of coal to ocean-going vessels for delivery to customers. We fully impaired the carrying value of our investment in 2009.

Mongolia Joint Venture. We own a 50% interest in Peabody-Winsway Resources B.V., a joint venture agreement with Winsway Coking Coal Holding Ltd. (Winsway), a Hong Kong stock exchange listed company in which we also own an equity interest. The joint venture holds several exploration licenses and continues to evaluate potential metallurgical and thermal coal projects for possible development.

Export Facilities. We have a 37.5% interest in a coal export terminal in Newport News, Virginia that exports both metallurgical and thermal coal primarily to European and Brazilian markets.

Generation Development. We are a 5.06% owner in the Prairie State Energy Campus (Prairie State), a 1,600 megawatt coal-fueled electricity generation plant and adjacent coal mine in Washington, St. Clair and Randolph counties in Illinois, which commenced commercial operations during 2012. We are responsible for our 5.06% share of Prairie State's production costs and marketing and selling our share of electricity generated by the facility.

Btu Conversion. Btu Conversion involves projects designed to expand the uses of coal such as through conversion to transportation fuels and coal gasification technologies. We are pursuing a project with the government of Inner Mongolia and other Chinese partners to explore development opportunities for a large surface mine and downstream coal gasification facility that would produce methanol, chemicals or fuel products.

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Clean Coal Technology. We continue to support and advance clean coal technology development and other "green coal" initiatives seeking to reduce global atmospheric levels of carbon dioxide and other emissions. In China, we are the only non-Chinese equity partner in GreenGen, a near-zero emissions coal-fueled power plant with carbon capture and storage (CCS) and research center near Tianjin, China that commenced operations in 2012, and a founding member of the U.S.-China Energy Cooperation program. In Australia, we have an ongoing commitment to the Australian COAL21 Fund, which was designed to support clean coal technology demonstration projects and research in Australia, and are also a founding member of the Global Carbon Capture and Storage Institute, an international initiative hosted by the Australian government to accelerate commercialization of CCS technologies through development of 20 integrated, industrial-scale demonstration projects. In the U.S., we are a founding member of the Consortium for Clean Coal Utilization in Missouri, the FutureGen Alliance in Illinois, the National Carbon Capture Center in Alabama and the Western Kentucky Carbon Storage Foundation.

Captive Insurance Entities. A portion of our insurance risks associated with workers' compensation, general liability and auto liability coverage is self-insured through two wholly-owned captive insurance companies. The captive entities invoice certain of our subsidiaries for the premiums on these policies, pay the related claims, maintain reserves for anticipated losses and invest funds to pay future claims.

Coal Supply Agreements

Customers. Our coal supply agreements are primarily with electricity generators, industrial facilities and steel manufacturers. Most of our sales (excluding trading transactions) are made under long-term coal supply agreements (those with terms longer than one year), with a smaller portion sold in spot markets. Sales under those long-term coal supply agreements comprised approximately 89%, 91% and 91% of our worldwide sales (by volume) for the years ended December 31, 2012, 2011 and 2010, respectively.

For the year ended December 31, 2012, we derived 26% of our total coal sales revenues from our five largest customers. Those five customers were supplied primarily from 44 coal supply agreements (excluding trading transactions) expiring at various times from 2012 to 2026. The contract contributing the greatest amount of annual revenue in 2012 was approximately $320 million, or approximately 5% of our 2012 total coal sales revenue base and is due to expire in 2026.

Backlog. Our sales backlog, which includes coal supply agreements subject to price reopener and/or extension provisions, was approximately 900 million and 1 billion tons of coal as of January 1, 2013 and 2012, respectively. Contracts in backlog have remaining terms ranging from one to 15 years and represent nearly four years of production based on our 2012 production volume of 225.7 million tons. Approximately 78% of our backlog is expected to be filled beyond 2013.

U.S. Revenues from our Western and Midwestern U.S. Mining segments, in aggregate, represented approximately 54%, 55% and 59% of our total revenue base for the years ended December 31, 2012, 2011 and 2010, respectively, during which periods the coal mining activities of those segments contributed respective aggregate amounts of approximately 85%, 89% and 88% of our sales volumes from mining operations. We expect to continue selling a significant portion of our Western U.S. Mining and Midwestern U.S. Mining segment coal production under long-term supply agreements, and customers of those segments continue to pursue long-term sales agreements in recognition of the importance of reliability, service and predictable coal prices to their operations. The terms of coal supply agreements result from competitive bidding and extensive negotiations with customers. Consequently, the terms of those agreements vary significantly in many respects, including price adjustment features, price reopener terms, coal quality requirements, quantity parameters, permitted sources of supply, treatment of environmental constraints, extension options, force majeure and termination and assignment provisions. Our strategy is to selectively renew, or enter into new, long-term supply agreements when we can do so at prices we believe are favorable.

Australia. Revenues from our Australian Mining segment represented approximately 43%, 39% and 36% of our total revenue base for the years ended December 31, 2012, 2011 and 2010, respectively, during which periods the coal mining activities of that segment contributed respective amounts of 15%, 11% and 12% of our sales volumes from mining operations. Production is sold primarily into the seaborne metallurgical and thermal markets through annual and multi-year international coal agreements that contain provisions requiring both parties to renegotiate pricing periodically. Industry commercial practice, and our practice, is to negotiate pricing for metallurgical and seaborne thermal coal contracts on a quarterly and annual basis, respectively.

Transportation

Methods of Distribution. Coal consumed in the U.S. is usually sold at the mine with transportation costs borne by the purchaser. Australian and U.S. export coal is usually sold at the loading port, with purchasers paying ocean freight. Exporters usually pay shipping costs from the mine to the port, including any demurrage costs (fees paid to third-party shipping companies for loading time that exceeded the stipulated time). Demurrage continues to be a component of the shipping costs of our Australian exports as certain ports continue to experience vessel queues, though such conditions generally improved during 2012 compared to the prior year.

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We believe we have good relationships with U.S. and Australian rail carriers and barge companies due, in part, to our modern coal-loading facilities and the experience of our transportation coordinators. Refer to the table on page 5 in the foregoing "Mining Segments" section for a summary of transportation methods by mine.

Export Facilities. Our primary ports used for U.S. exports are the Dominion Terminal Associates coal terminal in Newport News, Virginia, the United Bulk Terminal near New Orleans, Louisiana, the St. James Stevedoring Anchorages terminal in Convent, Louisiana and the Kinder Morgan terminal near Houston, Texas. Our U.S. Mining operations exported approximately 3%, 3% and 1% of its tons sold for the years ended December 31, 2012, 2011 and 2010, respectively.

In Australia, we have generally secured our ability to transport coal through rail contracts and interests in three east coast coal export terminals that are primarily funded through take-or-pay arrangements (see the "Liquidity and Capital Resources" section in Part II, Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations" for additional information). In Queensland, seaborne metallurgical and thermal coal from our mines is exported through the Dalrymple Bay Coal Terminal, in addition to the Abbot Point Coal Terminal used by our joint venture Middlemount Mine. In New South Wales, our primary ports for exporting metallurgical and thermal coal are at Port Kembla and Newcastle, which includes both the Port Waratah Coal Services terminal and the terminal operated by Newcastle Coal Infrastructure Group (NCIG) that opened in 2010. Our Australian mining operations sold approximately 77%, 74% and 71% of its tons into the seaborne coal markets for the years ended December 31, 2012, 2011 and 2010.

We are currently pursuing a U.S. west coast port facility that will allow us to export our Powder River Basin coal products to Asian markets.

Suppliers

Mining Supplies and Equipment. The principal goods we purchase in support of our mining activities are mining equipment and replacement parts, diesel fuel, ammonium-nitrate and emulsion-based explosives, off-the-road (OTR) tires, steel-related products (including roof control materials), lubricants and electricity. We have many well-established, strategic relationships with our key suppliers of goods and do not believe we are overly dependent on any of our individual suppliers.

Historically, there has been some consolidation in the supplier base providing mining materials to the coal industry for certain of these goods, such as explosives in the U.S. and both surface and underground mining equipment globally, which has limited the number of sources for these materials. In situations where we have elected to concentrate a large portion of our purchases with one supplier, it has been to take advantage of cost savings from larger volumes of purchases, benefit from long-term pricing for parts and/or ensure security of supply and/or allow for equipment fleet standardization. Supplier concentration related to our mining equipment also allows us to benefit from fleet standardization, which in turn improves asset utilization by facilitating the development of common maintenance practices across our global platform and enhancing our flexibility to move equipment between mines as necessary.

Market demand and lead times for certain OTR tires continued to increase on a year-over-year basis in 2012, with demand continuing to outpace supply. We do not expect these challenges in lead times or supply to have a near-term material impact on our financial condition, results of operations or cash flows due to the strategic relationships and long-term supply contracts we have with our OTR tire suppliers.

Surface and underground mining equipment demand and lead times decreased substantially on a year-over-year basis in 2012 due to adverse market conditions experienced across several extractive industry sectors. This is consistent with a decline in our own demand for such equipment during that period as we have sought to defer new and early stage development projects, while continuing to complete several late stage capital projects in Australia, to reduce our near-term capital requirements. We continue to use our global leverage with major suppliers to either ensure security of supply to meet the requirements of our growth and development projects or to delay deliveries when warranted by adverse market conditions.

Services. We also purchase services at our mine sites, including services related to maintenance for mining equipment, construction, temporary labor and other various contracted services, such as contract mining for both production and development and explosive services. We do not believe that we are overly dependent on any of our individual service providers.

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Technical Innovation

We continue to advance new technologies to maximize safety. Personnel tracking systems have been deployed across all underground operations in the U.S. that provide continuous real-time locations of workers underground.We are testing a proximity detection system at a section of one of our mines that is designed to automatically stop mining equipment if a person is detected within the operating range of a continuous miner or coal hauler. The proximity detection system has been approved by the U.S. Mine Safety and Health Administration (MSHA) and we have the ability to incorporate that technology into other operating sites prospectively once testing has been successfully completed.

We also continue to emphasize the application of technical innovation to improve equipment performance and operating efficiencies. Development is typically undertaken and funded by equipment suppliers with our engineering, maintenance and purchasing personnel providing input and expertise to those suppliers who then design and produce equipment that we believe will enhance our operating performance and capabilities.

We use maintenance standards based on reliability-centered maintenance practices at all operations to increase equipment utilization and reduce maintenance and capital spending by extending the equipment life, while minimizing the risk of premature failures. Specialized maintenance reliability software is used at many operations to better support improved equipment strategies, predict equipment condition and aid analysis necessary for better decision-making for such issues as component replacement timing. We also use in-house developed software to schedule trains, monitor coal quality and customer shipments and manage mine operations and pit blending to enhance our reliability and product consistency.

Competition

The markets in which we sell our coal are highly competitive. We compete directly with other coal producers and indirectly with producers of other energy products that provide an alternative to coal use. We compete on the basis of coal quality, delivered price, geographic diversity, customer service and support and reliability of supply. Our principal U.S. direct competitors (listed alphabetically) are other large coal producers, including Alpha Natural Resources, Inc., Arch Coal, Inc., Cloud Peak Energy Inc. and CONSOL Energy Inc., which collectively accounted for approximately 38% of total U.S. coal production in 2011 according to the National Mining Association's "2011 Coal Producer Survey," the most recent data publicly available as of February 25, 2013. Major international competitors (listed alphabetically) include Anglo-American PLC, BHP Billiton, China Coal, Rio Tinto, Shenhua Group and Xstrata PLC.

Demand for coal and the prices that we will be able to obtain for our coal are influenced by factors beyond our control, including supply and demand for electricity and steel, the impact of weather on heating and cooling demand and taxes and environmental regulations imposed by the U.S. and foreign governments. Thermal coal demand is also influenced by the availability and relative cost of alternative fuels, with customers focused on securing the lowest cost fuel supply in order to produce electric power at a competitive price. These alternatives include natural gas, fuel oil and nuclear, hydroelectric, wind, biomass and solar power sources. Natural gas currently presents the most significant substitution threat to thermal coal in the U.S. driven by a year-over-year decline in full year average U.S. natural gas prices of 31% observed in 2012. The U.S. Energy Information Administration (EIA) reported in its February 2013 "Short-Term Energy Outlook" that coal's share of U.S. electricity generation for all sectors declined from 42% in 2011 to 37% in 2012, with a substantial portion of that lost share assumed by natural gas. We believe the economics of gas-to-coal switching enable demand for thermal coals produced in the U.S. Powder River and Illinois basins in which we produce to benefit when natural gas prices rise above ranges of $2.50 to $2.75 and $3.25 to $3.50 per mmBtu, respectively, and to decline when natural gas prices fall below those levels. The EIA expects full year average U.S. natural gas prices to increase year-over-year by 28% and 9% in 2013 and 2014, respectively, and correspondingly projects coal's share of U.S. electricity generation for all sectors to increase to 39% in those periods.

Working Capital

We generally fund our working capital requirements through a combination of existing cash and cash equivalents, the sale of our coal production to customers and our trading and brokerage activities. Our revolving credit facility (Revolver) available under our senior unsecured credit facility entered into in 2010 (Credit Facility) and our accounts receivable securitization program are also available to fund our working capital requirements. Refer to the "Liquidity and Capital Resources" section of Part II, Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations" for additional information regarding working capital.

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Employees

We had approximately 8,200 employees as of December 31, 2012, including approximately 5,700 hourly employees. Those amounts include approximately 400 employees of the Willow Lake Mine that were provided Worker Adjustment and Retraining Notification letters in November 2012 in connection with the closure of that mine and who will remain employed by us into the first quarter of 2013. Additional information on our employees and related labor relations matters is contained in Note 22. "Management - Labor Relations" to our consolidated financial statements.

Executive Officers of the Company

Set forth below are the names, ages as of February 15, 2013 and current positions of our executive officers. Executive officers are appointed by, and hold office at the discretion of, our Board of Directors, subject to the terms of any employment agreements.

Name	Age	Position
Gregory H. Boyce	58	Chairman and Chief Executive Officer, Director
Michael C. Crews	45	Executive Vice President and Chief Financial Officer
Sharon D. Fiehler	56	Executive Vice President and Chief Administrative Officer
Eric Ford	58	Chairman - Australia
Christopher J. Hagedorn	40	President - Asia and Trading
Jeane L. Hull	58	Executive Vice President and Chief Technical Officer
Charles F. Meintjes	50	President - Australia
Alexander C. Schoch	58	Executive Vice President Law, Chief Legal Officer and Secretary
Kemal Williamson	53	President - Americas

Gregory H. Boyce was elected Chairman of the Board in October 2007 and has been a director of the Company since March 2005. He was named Chief Executive Officer Elect in March 2005 and assumed the position of Chief Executive Officer in January 2006. He served as our President from October 2003 to December 2007 and as our Chief Operating Officer from October 2003 to December 2005. He previously served as Chief Executive - Energy of Rio Tinto plc (an international natural resource company) from 2000 to 2003. Other prior positions include President and Chief Executive Officer of Kennecott Energy Company from 1994 to 1999 and President of Kennecott Minerals Company from 1993 to 1994. Mr. Boyce serves on the board of directors of Marathon Oil Corporation. He is Deputy Chairman of the Coal Industry Advisory Board of the International Energy Agency and is a former Chairman of the National Mining Association. He is a member of the National Coal Council; The Business Council; Business Roundtable; the Board of Trustees of Washington University in St. Louis; the Board of Commissioners for the St. Louis Science Center and the Advisory Council of the University of Arizona's Department of Mining and Geological Engineering.Mr. Boyce is also President of the Board of Directors of Variety - The Children's Charity of St. Louis.

Michael C. Crews was named our Executive Vice President and Chief Financial Officer in June 2008. He joined us in 1998 as Senior Manager of Financial Reporting, and has served as Assistant Corporate Controller, Director of Planning, Assistant Treasurer, Vice President of Planning, Analysis, and Performance Assessment, and Vice President of Operations Planning. Prior to joining us, Mr. Crews served for three years in financial positions with MEMC Electronic Materials, Inc. and six years at KPMG Peat Marwick in St. Louis. Mr. Crews serves on the Board of Directors of the St. Louis Regional Chamber. Mr. Crews has a Bachelor of Science degree in Accountancy from the University of Missouri at Columbia, a Master of Business Administration degree from Washington University in St. Louis and is a Certified Public Accountant in the State of Missouri.

Sharon D. Fiehler has been our Executive Vice President and Chief Administrative Officer since January 2008. From April 2002 to January 2008, she served as our Executive Vice President of Human Resources and Administration. Ms. Fiehler joined us in 1981 as Manager - Salary Administration and has held a series of employee relations, compensation and salaried benefits positions. She holds degrees in social work and psychology and a MBA, and prior to joining us was a personnel representative for Ford Motor Company. Ms. Fiehler is Deputy Chair and a Director of the Federal Reserve Bank of St. Louis; a member of the Board of Trustees of the Missouri Botanical Garden; Chair of the Board of Directors of Junior Achievement of Mississippi Valley, Inc.; and a member of the Board of Directors of the St. Louis Zoo Association. She is also a member of the International Women's Forum/Missouri and the St. Louis

Forum. Ms. Fiehler holds a Master of Business Administration degree from the University of Missouri-St. Louis and bachelor degrees in psychology and social work from Southern Illinois University Edwardsville.

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Eric Ford was named our Chairman - Australia in October 2012. In this role he oversees all strategic aspects of the Australia platform, including business direction, commercial strategy and external stakeholder interaction. He served as President - Australia from March 2012 to October 2012 and as Executive Vice President and Chief Operating Officer from March 2007 to March 2012. Mr. Ford has 40 years of extensive international management, operating and engineering experience and, prior to joining us, most recently served as Chief Executive Officer of Anglo Coal Australia Pty Ltd. He joined Anglo Coal in 1971 and, after a series of increasingly complex operating assignments, was appointed President and Chief Executive Officer of Anglo American's joint venture coal mining operation in Colombia in 1998. In 2000, he returned to Anglo American Corporation as Executive Director of Operations for Anglo Platinum Corporation Limited. He was subsequently appointed Chief Executive Officer of Anglo Coal Australia Pty Ltd in 2001. Mr. Ford holds a Master of Science degree in Management Science from Imperial College in London and a Bachelor of Science degree in Mining Engineering (cum laude) from the University of the Witwatersrand in Johannesburg, South Africa. He serves on the board of directors of Compass Minerals International Inc. and as a Director of the Minerals Council of Australia. Mr. Ford was previously Deputy Chairman and a member of the Executive Committee of the Coal Industry Advisory Board of the International Energy Agency.

Christopher J. Hagedorn was named our President - Asia and Trading in March 2012. He has executive responsibility for our business and growth activities in Asia, including China, Mongolia, Indonesia and India; our global COALTRADE business, which includes global coal trading plus structured products and origination; Asian finance and administration; Asia business development activities; and the law function for Asia and Global Trading activities. He most recently served as our Senior Vice President Global Sales and Trading Support, and previously held positions with us of Senior Vice President, Chief Procurement Officer, and Vice President - Business Performance. Prior to joining us in August, 2006, he was an Associate Principal at McKinsey & Company in Cleveland, Ohio, where he provided management consulting services on various operations, marketing and business strategy topics to international clients in the energy, metals and mining, and chemicals sectors. Dr. Hagedorn holds a Bachelor of Science in chemical engineering from Washington University in St. Louis and a Doctorate in chemical engineering from the University of California - Santa Barbara. He is a member of the Board of Directors of the Sheldon Concert Hall in St. Louis.

Jeane L. Hull was named our Executive Vice President and Chief Technical Officer in March 2011. She joined us in May 2007 as the Senior Vice President of Engineering and Technical Services, and then served as Group Executive - Powder River Basin and Southwest from June 2008 to March 2011. Prior to joining us, Ms. Hull served as Chief Operating Officer of Kennecott Utah Copper, a subsidiary of Rio Tinto. She held numerous management, engineering and operations positions with Rio Tinto and affiliates and also spent 12 years with Mobil Mining and Minerals and Mobil Chemical Company. A registered professional engineer, Ms. Hull graduated from the South Dakota School of Mines and Technology with a Bachelor of Science degree in Civil Engineering. She holds a Master of Business Administration degree from Nova University in Florida. Ms. Hull is a member of the University of Wyoming School of Energy Resources Council. She also serves on the University Advisory Board for South Dakota School of Mines and Technology, the Industry Advisory Board for Missouri University of Science and Technology Mining Department and the Washington University Olin Business School Women's Leadership Forum Steering Committee.

Charles F. Meintjes was named our President - Australia in October 2012. He has executive responsibility for our Australia operating platform, which includes overseeing the areas of health and safety, operations, sales and marketing, product delivery and support functions. Mr. Meintjes has extensive senior operational, strategy, continuous improvement and information technology experience with mining companies on three continents. He joined us in 2007, and most recently served as Acting President - Americas. Other past positions with us include Group Executive of Midwest and Colorado Operations, Senior Vice President of Operations Improvement and Senior Vice President Engineering and Continuous Improvement. Prior to joining us, Mr. Meintjes served as a consultant to Exxaro Resources Limited in South Africa, and is a former Executive Director and Board Member for Kumba Resources Limited in South Africa. He also served on the boards of two public companies, AST Gijima in South Africa and Ticor Limited in Australia, and has senior management experience in the steel and the aluminum industry with Iscor and Alusaf in South Africa. Mr. Meintjes holds dual Bachelor of Commerce degrees in accounting from Rand Afrikaans University and the University of South Africa. He is a Chartered Accountant in South Africa, and

completed the advanced management program at the University of Pennsylvania's Wharton School of Business.
Alexander C. Schoch was named our Executive Vice President Law and Chief Legal Officer in October 2006 and our Secretary in May 2008. Prior to joining us, Mr. Schoch served as Vice President and General Counsel for Emerson Process Management, an operating segment of Emerson Electric Co. and a leading supplier of process-automation products, from August 2004 to October 2006. Mr. Schoch also served in several legal positions with Goodrich Corporation, a global supplier to the aerospace and defense industries, from 1987 to 2004, including Vice President, Associate General Counsel and Secretary. Prior to that, he worked for Marathon Oil Company as an attorney in its international exploration and production division. Mr. Schoch holds a Juris Doctorate from Case Western Reserve University in Ohio, as well as a Bachelor of Arts in Economics from Kenyon College in Ohio. He is admitted to practice law in several states, and is a member of the American and International Bar Associations. Mr. Schoch serves as a Trustee at Large on the Board of Trustees for the Energy & Mineral Law Foundation, on the Board of Directors of the National Blues Museum in St. Louis, Missouri, and on the Board of Directors of North Side Community School in St. Louis, Missouri.

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Kemal Williamson was named our President - Americas in October 2012. He has executive responsibility for our U.S. operating platform, a joint venture in Venezuela and business development activities. He oversees the areas of health and safety; operations; sales and marketing; product delivery; and support functions. Mr. Williamson has more than 30 years experience in mining engineering and operations roles across North America and Australia. He most recently served as Group Executive Operations for the Peabody Energy Australia operations. He also has held executive leadership roles across project development, as well as in positions overseeing our Western U.S., Powder River Basin and Midwest operations. Mr. Williamson joined us in 2000 as Director of Land Management. Prior to that, he served two years at Cyprus Australia Coal Corporation as Director of Operations and managed coal operations in Australia for half a decade. He also has mining engineering, financial analysis and management experience across Colorado, Kentucky and Illinois. Mr. Williamson holds a Bachelor of Science degree in mining engineering from Pennsylvania State University as well as a Master of Business Administration degree from the Kellogg School of Management, Northwestern University in Evanston, Illinois.

Regulatory Matters — U.S.

Federal, state and local authorities regulate the U.S. coal mining industry with respect to matters such as employee health and safety, permitting and licensing requirements, air quality standards, water pollution, plant and wildlife protection, the reclamation and restoration of mining properties after mining has been completed, the discharge of materials into the environment, surface subsidence from underground mining and the effects of mining on groundwater quality and availability. In addition, the industry is affected by significant legislation mandating certain benefits for current and retired coal miners. Numerous federal, state and local governmental permits and approvals are required for mining operations. We believe that we have obtained all permits currently required to conduct our present mining operations.

We endeavor to conduct our mining operations in compliance with all applicable federal, state and local laws and regulations. However, because of extensive and comprehensive regulatory requirements, violations during mining operations occur from time to time in the industry. None of our violations to date or the monetary penalties assessed have been material.

Mine Safety and Health

We are subject to health and safety standards both at the federal and state level. The regulations are comprehensive and affect numerous aspects of mining operations, including training of mine personnel, mining procedures, blasting, the equipment used in mining operations and other matters.

MSHA is the entity responsible for monitoring compliance with the federal mine health and safety standards. MSHA has various enforcement tools that it can use, including the issuance of monetary penalties and orders of withdrawal from a mine or part of a mine. Some, but not all, of the costs of complying with existing regulations and implementing new safety and health regulations may be passed on to customers.

MSHA has recently taken a number of actions to identify mines with safety issues, and has engaged in a number of targeted enforcement, awareness, outreach and rulemaking activities to reduce the number of mining fatalities, accidents and illnesses. There has also been an industry-wide increase in the monetary penalties assessed for citations of a similar nature.

In Part I, Item 4. "Mine Safety Disclosures" and in Exhibit 95 to this Annual Report on Form 10-K, we provide additional details on how we monitor safety performance and MSHA compliance, as well as provide the mine safety disclosures required pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act).

Black Lung

Under the Black Lung Benefits Revenue Act of 1977 and the Black Lung Benefits Reform Act of 1977, as amended in 1981, each U.S. coal mine operator must pay federal black lung benefits and medical expenses to claimants who are current and former employees and last worked for the operator after July 1, 1973. Coal mine operators must also make payments to a trust fund for the payment of benefits and medical expenses to claimants who last worked in the coal industry prior to July 1, 1973. Historically, less than 7% of the miners currently seeking federal black lung benefits are awarded these benefits. The trust fund is funded by an excise tax on U.S. production of up to \$1.10 per ton for deep-mined coal and up to \$0.55 per ton for surface-mined coal, neither amount to exceed 4.4% of the gross sales

price.
Environmental Laws and Regulations
We are subject to various federal, state, local and tribal environmental laws and regulations. These laws and regulations place substantial requirements on our coal mining operations, and require regular inspection and monitoring of our mines and other facilities to ensure compliance. We are also affected by various other federal, state, local and tribal environmental laws and regulations that our customers are subject to.

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Surface Mining Control and Reclamation Act. In the U.S., the Surface Mining Control and Reclamation Act of 1977 (SMCRA), which is administered by the Office of Surface Mining Reclamation and Enforcement (OSM), established mining, environmental protection and reclamation standards for all aspects of U.S. surface mining and many aspects of deep mining. Mine operators must obtain SMCRA permits and permit renewals for mining operations from the OSM. Where state regulatory agencies have adopted federal mining programs under SMCRA, the state becomes the regulatory authority. Except for Arizona, states in which we have active mining operations have achieved primary control of enforcement through federal authorization. In Arizona, we mine on tribal lands and are regulated by the OSM because the tribes do not have SMCRA authorization.

After a permit application is prepared and submitted to the regulatory agency, it goes through a completeness and technical review. Public notice of the proposed permit is given for a comment period before a permit can be issued. Regulatory authorities have considerable discretion in the timing of the permit issuance and the public has the right to comment on and otherwise engage in the permitting process, including public hearings and through intervention in the courts. Before a SMCRA permit is issued, a mine operator must submit a bond or other form of financial security to guarantee the performance of reclamation obligations.

In situations where our coal resources are federally owned, the U.S. Bureau of Land Management oversees a substantive exploration and leasing process; if surface land is managed by the U.S. Forest Service, that agency serves as the cooperating agency during the federal coal leasing process. Federal coal leases also require an approved federal mining permit under the signature of the Assistant Secretary of the Department of the Interior.

The Abandoned Mine Land Fund, which is part of SMCRA, requires a fee on all coal produced in the U.S. The proceeds are used to rehabilitate lands mined and left unreclaimed prior to August 3, 1977 and to pay health care benefit costs of orphan beneficiaries of the Combined Fund created by the Coal Industry Retiree Health Benefit Act of 1992. The fee amount can change periodically. Pursuant to the Tax Relief and Health Care Act of 2006, from October 1, 2007 to September 30, 2012, the fee was $0.315 and $0.135 per ton of surface-mined and underground-mined coal, respectively. From October 1, 2012 through September 30, 2021, the fee is $0.28 and $0.12 per ton of surface-mined and underground-mined coal, respectively.

The OSM is in the process of developing a “stream protection rule,” which could result in changes to surface mining regulations under the SMCRA program and will likely be proposed in 2013.

Clean Air Act. The Clean Air Act, enacted in 1970, and comparable state and tribal laws that regulate the emissions of materials into the air affect our U.S. coal mining operations both directly and indirectly.

Direct impacts on coal mining and processing operations may occur through the Clean Air Act permitting requirements and/or emission control requirements relating to particulate matter (PM), sulfur dioxide and ozone. It is possible that modifications to the national ambient air quality standards (NAAQS) could directly impact our mining operations in a manner that includes, but is not limited to, requiring changes in vehicle emissions standards or resulting in newly designated non-attainment areas. Furthermore, the Environmental Protection Agency (EPA) has recently adopted new rules to add more stringent PM emissions limits for coal preparation and processing plants constructed or modified after April 28, 2008.

The Clean Air Act indirectly, but more significantly, affects the U.S. coal industry by extensively regulating the air emissions of sulfur dioxide, nitrogen oxides, mercury, PM and other substances emitted by coal-fueled electricity generating plants. The air emissions programs that may affect our operations, directly or indirectly, include, but are not limited to, the Acid Rain Program, interstate transport rules, New Source Performance Standards, Maximum Achievable Control Technology (MACT) emissions limits for Hazardous Air Pollutants, the Regional Haze program and New Source Review. In addition, in recent years the U.S. EPA has adopted more stringent NAAQS for PM, nitrogen oxide and sulfur dioxide. The EPA has also proposed a more stringent ozone standard but withdrew it in 2011. That standard is due for reconsideration in 2013. Many of these programs and regulations have resulted in litigation which has not been completely resolved.

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In December 2009, the EPA published its finding that atmospheric concentrations of greenhouse gases endanger public health and welfare within the meaning of the Clean Air Act, and that emissions of greenhouse gases from new motor vehicles and motor vehicle engines are contributing to air pollution that are endangering public health and welfare within the meaning of the Clean Air Act. In May 2010, the EPA published final greenhouse gas emission standards for new motor vehicles pursuant to the Clean Air Act. Both the endangerment finding and motor vehicle standards are the subject of litigation. Because the Clean Air Act specifies that the prevention of significant deterioration (PSD) program applies once emissions of regulated pollutants exceed either 100 or 250 tons per year (depending on the type of source), millions of sources previously unregulated under the Clean Air Act could be subject to greenhouse gas reduction measures. The EPA published a rule in June 2010 to limit the number of greenhouse gas sources that would be subject to the PSD program. In the so-called “tailoring rule,” the EPA limited the regulation of greenhouse gases from certain stationary sources to those that emit more than 75,000 tons of greenhouse gases per year (for sources that would be subject to PSD permitting regardless of greenhouse gas emissions due to other emissions) or 100,000 tons of greenhouse gases per year (for sources not subject to PSD permitting for any other air emissions), measured by “carbon dioxide equivalent.” In a decision issued on June 26, 2012, the United States Court of Appeals affirmed the EPA's endangerment finding, its motor vehicle greenhouse gas rule and the tailoring rule. In a decision issued on December 20, 2012, the same court denied petitions to reconsider that decision. Petitions for review to the United States Supreme Court are expected.

New Source Performance Standards (NSPS). In December 2010, the EPA announced a settlement with states and environmental groups that had filed litigation challenges to the EPA's decisions not to establish greenhouse gas emission standards for fossil fuel-fired power plants and for petroleum refineries under section 111 of the Clean Air Act. In the settlement, the EPA agreed: (1) to sign proposed NSPS for new and modified electric utility steam generating units under section 111(b) and proposed guidelines for states' development of emission standards for existing electric utility steam generating units under section 111(d) by July 26, 2011; and (2) to take final action on the proposed section 111(b) standards and section 111(d) guidelines by May 26, 2012. On April 13, 2012, the EPA published for comment the proposed NSPS for emissions of carbon dioxide for new fossil fuel-fired electric utility generating units. If these standards are adopted as proposed, it is unlikely, with a few possible exceptions, that any new coal-fired electric utility generating units could be constructed in the U.S. without the use of CCS technologies. The EPA has not yet finalized rules for modified or existing sources. Whatever the EPA determines the NSPS to be, those will then be the minimum requirements for best available control technology requirements under the PSD program. We believe that any final rules issued by the EPA in this area will be challenged. The EPA is required to finalize the 111(b) rule by April 2013 or re-propose a new rule for the same category.

Cross State Air Pollution Rule (CSAPR). On July 6, 2011, the EPA finalized the CSAPR, which requires 28 states from Texas eastward (not including the New England states or Delaware) to significantly improve air quality by reducing power plant emissions that cross state lines and contribute to ozone and/or fine particle pollution in other states. The CSAPR is one of a number of significant regulations the EPA has issued or expects to issue that will impose more stringent requirements relating to air, water and waste controls on electric generating units. Under the CSAPR, the first phase of the nitrogen oxide and sulfur dioxide emissions reductions were to commence in 2012 with further reductions effective in 2014. In October 2011, the EPA proposed amendments to the CSAPR to increase emission budgets in ten states, including Texas, and ease limits on market-based compliance options. While CSAPR had an initial compliance deadline of January 1, 2012, the rule was challenged and on December 30, 2011, the U.S. Court of Appeals for the District of Columbia stayed the rule and advised that the EPA is expected to continue administering the Clean Air Interstate Rule (CAIR) until the pending challenges are resolved. The court vacated the CSAPR on August 21, 2012, in a 2 to 1 decision, concluding that the rule was beyond the EPA's statutory authority. On October 5, 2012, the EPA petitioned for en banc review of that decision by the entire U.S. Court of Appeals for the District of Columbia Circuit, which denied the EPA's petition on January 24, 2013.

Mercury and Air Toxic Standards (MATS). On December 16, 2011, the EPA issued the MATS, which imposes MACT emission limits on hazardous air emissions from new and existing coal-fueled electric generating plants. The rule also revised NSPS for nitrogen oxides, sulfur dioxides and PM for new and modified coal-fueled electricity generating plants. The MACT rule provides three years for compliance and a possible fourth year as a state permitting agency deems necessary. The final rule is the subject of pending litigation. On November 30, 2012, the EPA published proposed reconsidered MACT new plant standards that the EPA has indicated it will finalize in March 2013. These proposed reconsidered standards are less stringent in some aspects than the standards issued in December 2011.

Clean Water Act. The Clean Water Act of 1972 affects U.S. coal mining operations by requiring effluent limitations and treatment standards for wastewater discharge from mines through the National Pollutant Discharge Elimination System (NPDES). Regular monitoring, reporting and performance standards are requirements of NPDES permits that govern the discharge of water from mine-related point sources into receiving waters.

The U.S. Army Corps of Engineers (Corps) regulates certain activities affecting navigable waters and waters of the U.S., including wetlands. Section 404 of the Clean Water Act requires mining companies to obtain Corps permits to place material in streams for the purpose of creating slurry ponds, water impoundments, refuse areas, valley fills or other mining activities.

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States are empowered to develop and apply “in stream” water quality standards. These standards are subject to change and must be approved by the EPA. Discharges must either meet state water quality standards or be authorized through available regulatory processes such as alternate standards or variances. “In stream” standards vary from state to state. Additionally, through the Clean Water Act section 401 certification program, states have approval authority over federal permits or licenses that might result in a discharge to their waters. States consider whether the activity will comply with their water quality standards and other applicable requirements in deciding whether or not to certify the activity.

The EPA and other agencies are currently considering whether to finalize draft guidance on identifying waters protected by the Clean Water Act, or to initiate a rulemaking to codify the policy. It is possible that both issuance of finalized guidance and initiation of a rulemaking may be undertaken. This undertaking may occur in 2013. Direct impact on coal mining operations may result from either of these agency priorities.

National Environmental Policy Act (NEPA). NEPA, signed into law in 1970, requires federal agencies to review the environmental impacts of their decisions and issue either an environmental assessment or an environmental impact statement. We must provide information to agencies when we propose actions that will be under the authority of the federal government. The NEPA process involves public participation and sometimes lengthy timeframes.

Resource Conservation and Recovery Act (RCRA). RCRA, which was enacted in 1976, affects U.S. coal mining operations by establishing “cradle to grave” requirements for the treatment, storage and disposal of hazardous wastes. Typically, the only hazardous wastes generated at a mine site are those from products used in vehicles and for machinery maintenance. Coal mine wastes, such as overburden and coal cleaning wastes, are not considered hazardous wastes under RCRA.

Subtitle C of RCRA exempted fossil fuel combustion wastes from hazardous waste regulation until the EPA completed a report to Congress and made a determination on whether the wastes should be regulated as hazardous. In May 2000, the EPA concluded that coal combustion materials do not warrant regulation as hazardous wastes under RCRA and retained the hazardous waste exemption for these materials. The EPA revisited its May 2000 determination and proposed new requirements for coal combustion residue (CCR) management on June 21, 2010. That proposal contains two options: (1) to continue to regulate CCR as a non-hazardous waste, or (2) to regulate CCR as special waste under the hazardous waste regulations. This determination is due in 2013. The OSM is also tasked with regulating CCRs at coal mines and is currently working on a rule, which is expected to be proposed in 2013.

Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Although typically not applied to the coal mining sector, CERCLA, which was enacted in 1980, nonetheless does affect U.S. coal mining and hard rock operations by creating liability for investigation and remediation in response to releases of hazardous substances into the environment and for damages to natural resources. Under CERCLA, joint and several liabilities may be imposed on waste generators, site owners or operators and others, regardless of fault.

Toxic Release Inventory. Under the EPA's Toxic Release Inventory program, arising out of the passage of the Emergency Planning and Community Right-to-Know Act in 1986 and the Pollution Prevention Act passed in 1990, companies are required annually to report the use, manufacture or processing of listed toxic materials that exceed defined thresholds, including chemicals used in equipment maintenance, reclamation, water treatment and ash received for mine placement from power generation customers.

Endangered Species Act (ESA). The ESA of 1973 and counterpart state legislation is intended to protect species whose populations allow for categorization as either endangered or threatened. Changes in listings or requirements under these regulations could have a material adverse effect on our ability to mine some of our properties in accordance with our current mining plans.

Use of Explosives. Our surface mining operations are subject to numerous regulations relating to blasting activities. Pursuant to these regulations, we incur costs to design and implement blast schedules and to conduct pre-blast surveys and blast monitoring. In addition, the storage of explosives is subject to strict federal regulatory requirements. The U.S. Bureau of Alcohol, Tobacco and Firearms (ATF) regulates the use of explosive blasting materials. In addition to ATF regulation, the Department of Homeland Security (DHS) is planning to finalize its proposed ammonium nitrate security program in 2013. This proposed DHS program may not exempt those facilities producing, selling or purchasing ammonium nitrate “exclusively for use in the production of explosives under license or permit issued” under the existing ATF regulations. If the program is finalized and the aforementioned exemption is not granted, direct impact to coal mining operations may occur.

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Regulatory Matters — Australia

The Australian mining industry is regulated by Australian federal, state and local governments with respect to environmental issues such as land reclamation, water quality, air quality, dust control, noise, planning issues (such as approvals to expand existing mines or to develop new mines) and health and safety issues. The Australian federal government retains control over the level of foreign investment and export approvals. Industrial relations are regulated under both federal and state laws. Australian state governments also require coal companies to post deposits or give other security against land which is being used for mining, with those deposits being returned or security released after satisfactory reclamation is completed.

Native Title and Cultural Heritage. Since 1992, the Australian courts have recognized that native title to lands, as recognized under the laws and customs of the Aboriginal inhabitants of Australia, may have survived the process of European settlement. These developments are supported by the Federal Native Title Act which recognizes and protects native title, and under which a national register of native title claims has been established. Native title rights do not extend to minerals; however, native title rights can be affected by the mining process unless those rights have previously been extinguished. There is also federal and state legislation to prevent damage to Aboriginal cultural heritage and archaeological sites.

Mining Tenements and Environmental. In Queensland and New South Wales, the development of a mine requires both the grant of a right to impact the environment and an approval which authorizes the environmental impact. These approvals are obtained under separate legislation from separate government authorities. However, the application processes run concurrently and are also concurrent with any native title or cultural heritage process that is required. The environmental impacts of mining projects are regulated by state and federal governments. Federal regulation will only apply if the particular project will significantly impact a matter of national environmental significance (for example, an endangered species or particular protected places). Environmental approvals processes involve complex issues that, on occasion, require lengthy studies and documentation.

Our Australian mining operations are generally subject to local, state and federal laws and regulations. At the federal level, these legislative acts include, but are not limited to, the Environment Protection and Biodiversity Act 1999, Native Title Act 1993, Australian Heritage Council Act 2003 and the Aboriginal and Torres Strait Islander Heritage Protection Act 1984.

In Queensland, laws and regulations related to mining include, but are not limited to, the Mineral Resources Act 1989, Environmental Protection Act 1994 (EP Act), Environmental Protection Regulation 1998, Integrated Planning Act 1997, Building Act 1975, Explosives Act 1999, Aboriginal Cultural Heritage Act 2003, Water Act 2000, State Development and Public Works Organisation Act 1971, Queensland Heritage Act 1992, Transport Infrastructure Act 1994, Nature Conservation Act 1992, Vegetation Management Act 1999, Land Protection (Pest and Stock Route Management) Act 2002, Land Act 1994, Fisheries Act 1994 and Forestry Act 1959. Under the EP Act, policies have been developed to achieve the objectives of the law and provide guidance on specific areas of the environment, including air, noise, water and waste management. State planning policies address matters of Queensland State interest, and must be adhered to during mining project approvals. Increased emphasis has recently been placed on topics including, but not limited to, hazardous dams assessment and the protection of strategic cropping land.

In New South Wales, laws and regulations related to mining include, but are not limited to, the Mining Act 1992, Coal Mines Regulation Act 1982, Mine Subsidence Compensation Act 1961, Environmental Planning and Assessment Act 1979 (EP&A Act), Environmental Planning and Assessment Regulations 2000, Protection of the Environment Operations Act 1997, Contaminated Land Management Act 1997, Explosives Act 2003, Water Management Act 2000, Water Act 1912, Radiation Control Act 1990, Heritage Act 1977, Aboriginal Land Rights Act 1983, Crown Lands Act 1989, Dangerous Goods Act 2008, Fisheries Management Act 1994, Forestry Act 1916, Native Title (New South Wales) Act 1994, Native Vegetation Act 2003, Noxious Weeds Act 1993, Roads Act 1993, and National Parks & Wildlife Act 1974. Under the EP&A Act, environmental planning instrument provisions must be taken into consideration. There are multiple State Environmental Planning Policies (SEPPs) relevant to coal projects in New South Wales. Amendments to the SEPPs related to mining are surrounding the protection of agriculture, water resources and critical industry clusters are under consideration.

Occupational Health and Safety. Various state and federal legislation requires us to ensure that persons employed in our mines are safe from injury by providing a safe working environment and systems of work; safety machinery; equipment, plant and substances; and appropriate information, instruction, training and supervision. General statutes for work health and safety have been enacted at the state, territorial and federal level. In recognition of the specialized nature of mining and mining activities, specific occupational health and safety obligations have been mandated under varying state legislation specific to the coal mining industry. There are some differences in the application and detail of the laws, and mining employers, owners, directors and managers, persons in control of work places, mine managers, supervisors and employees are all subject to these duties.

The National Mine Safety Framework is a current initiative aiming to achieve a nationally consistent occupational health and safety regime in the Australian mining industry through mine safety model regulations and core and non-core legislative changes. The initiative is not yet finalized, but is projected to commence in 2013.

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Industrial Relations. A national industrial relations system administered by the federal government applies to all private sector employers and employees. The system largely became operational in July 2009 and fully operational in January 2010. The matters regulated under the national system include employment conditions, unfair dismissal, enterprise bargaining, industrial action and resolution of workplace disputes.

National Greenhouse and Energy Reporting Act 2007 (NGER Act). In 2007, a single, national reporting system relating to greenhouse gas emissions, energy use and energy production was introduced. The NGER Act imposes requirements for corporations meeting a certain threshold to register and report greenhouse gas emissions and abatement actions, as well as energy production and consumption. Information collected through this system provides the basis for assessing liability under a carbon pricing mechanism. The Clean Energy Regulatory administers the NGER Act. The Department of Climate Change and Energy Efficiency is responsible for NGER Act-related policy developments and review. Both foreign and local corporations that meet the prescribed carbon dioxide and energy production or consumption limits in Australia (Controlling Corporations) must comply with the NGER Act. One of our subsidiaries is now registered as a Controlling Corporation and must report annually on the greenhouse gas emissions and energy production and consumption of our Australian entities.

Queensland Royalty. In September 2012, the State of Queensland announced new royalty rates on coal prices. The royalty change went into effect on October 1, 2012 and raised the royalty payment to the State of Queensland on coal prices over $100 per tonne from 10% to 12.5% for pricing up to $150 per tonne and 15% on pricing over $150 per tonne. There was no change to the 7% rate for coal sold below $100 per tonne. The impact of these new royalty rates will depend upon the volume of tonnes produced at each of our Queensland mining locations and coal prices received on those tonnes.

Carbon Pricing Framework. The Australian government's carbon pricing framework commenced on July 1, 2012. The carbon price will initially be $23.00 Australian dollars per tonne of carbon dioxide equivalent emissions, escalated by 2.5% per year for inflation over a three year period. After June 30, 2015, the carbon price mechanism will transition to an emissions trading scheme. We believe that all of our Australian operations will be impacted by the fugitive emissions portion of the framework (defined as the methane and carbon dioxide which escapes into the atmosphere when coal is mined and gas is produced), which we estimate will average $1.00 to $2.00 Australian dollars per tonne of coal produced annually. Actual results will depend upon the volume of tonnes produced at each of our Australian mining locations, as the impact per tonne at our surface mines will generally be less than the impact per tonne at our underground mines. In addition, our Australian mines will be impacted by the phased reduction of the government's diesel fuel rebate to capture emissions from fuel combustion. Our North Goonyella, Wambo and Metropolitan mines have applied for a portion of the government's approximately $1.3 billion Australian dollars of transition benefits that would provide assistance based on historical emissions intensity data to the most emissions-intensive coal mines over a five-year period. Those sites received payments totaling $22.5 million Australian dollars in June 2012 related to this program, with similar payments expected in each of the next four years.. We also may be eligible for a portion of the government's $70 million Australian dollars Coal Mining Abatement Technology Support Package over five years to support the development and deployment of technologies to reduce fugitive emissions from coal mines. Net of transition benefits, we recognized expenses of $11.9 million Australian dollars in 2012 related to this program, all of which was incurred in second half of that year.

Minerals Resource Rent Tax. On March 29, 2012, Australia passed legislation creating a minerals resource rent tax (the MRRT) effective from July 1, 2012. The MRRT is a profits-based tax of our existing and future Australian coal projects at an effective tax rate of 22.5%. Under the MRRT, taxpayers are able to elect a market value asset starting base for existing projects which allows for the fair market value of the tenements to be deducted over the life of the mine as an allowance against MRRT. The market value allowance, and ultimately any future benefit, is subject to numerous uncertainties, including review and approval by the Australian Tax Office, realization only after other MRRT allowances provided under the law and estimates of long-term pricing and cost data necessary to estimate the future benefit and any MRRT liability. We have evaluated the provisions of the new tax and assessed recoverability of deferred tax assets and the valuation of liabilities associated with the implementation of the MRRT. As of December 31, 2012, we have recorded a net deferred tax liability of $77.2 million related to the market value starting base. Refer to Note 10. "Income Taxes" to the accompanying consolidated financial statements for additional information related to the implementation of the MRRT in 2012.

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Regulatory Matters — Mongolia

As noted above, we currently own a 50% interest in the Peabody-Winsway Resources B.V. joint venture, which holds coal and mineral interests in Mongolia and is regulated by Mongolian federal, provincial and local governments with respect to exploration, development, production, occupational health, mine safety, water use, environmental protection and remediation, foreign investment and other related matters. The Mineral Resources Authority of Mongolia is the government agency with the authority to issue, extend and revoke mineral licenses, which generally give the license holder the right to engage in the mining of minerals within the license area for 30 years (with the right to extend for two additional periods of 20 years). Mongolian law provides for state participation in the exploitation of any mineral deposit of "strategic importance," as determined by the Mongolian Parliament.

Global Climate

In the U.S., Congress has considered legislation addressing global climate issues and greenhouse gas emissions, but to date nothing has been enacted. While it is possible that the U.S. will adopt legislation in the future, the timing and specific requirements of any such legislation are uncertain. In the absence of new U.S. federal legislation, the EPA is undertaking steps to regulate greenhouse gas emissions pursuant to the Clean Air Act. In response to the 2007 U.S. Supreme Court ruling in Massachusetts v. EPA, the EPA has commenced several rulemaking projects as described under "Regulatory Matters-U.S. - Clean Air Act."

A number of states in the U.S. have adopted programs to regulate greenhouse gas emissions. For example, ten northeastern states (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont) entered into the Regional Greenhouse Gas Initiative (RGGI) in 2005, which is a mandatory cap-and-trade program to cap regional carbon dioxide emissions from power plants. In 2011, New Jersey announced its withdrawal from RGGI effective January 1, 2012. Six midwestern states (Illinois, Iowa, Kansas, Michigan, Minnesota and Wisconsin) and one Canadian province have entered into the Midwestern Regional Greenhouse Gas Reduction Accord (MGGRA) to establish voluntary regional greenhouse gas reduction targets and develop a voluntary multi-sector cap-and-trade system to help meet the targets. It has been reported that, while the MGGRA has not been formally suspended, the participating states are no longer pursuing it. Seven western states (Arizona, California, Montana, New Mexico, Oregon, Utah and Washington) and four Canadian provinces entered into the Western Climate Initiative (WCI) in 2008 to establish a voluntary regional greenhouse gas reduction goal and develop market-based strategies to achieve emissions reductions. However, in November 2011 the WCI announced that six states had withdrawn from the WCI, leaving California and four Canadian provinces as the remaining members. Of those five jurisdictions, only California and Quebec have adopted greenhouse gas cap-and-trade regulations to date and both programs have begun operating. Many of the states and provinces that left WCI, RGGI and MGGRA, along with many that continue to participate, have joined the new North America 2050 initiative, which seeks to reduce greenhouse gas emissions and create economic opportunities in ways not limited to cap-and-trade programs.

In the U.S., several states have enacted legislation establishing greenhouse gas emissions reduction goals or requirements. In addition, several states have enacted legislation or have in effect regulations requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power or that provide financial incentives to electricity suppliers for using renewable energy sources.

We participated in the Department of Energy's Voluntary Reporting of Greenhouse Gases Program until its suspension in May 2011, and regularly disclose the quantity of emissions per ton of coal produced by us in the U.S. The vast majority of our emissions are generated by the operation of heavy machinery to extract and transport material at our mines.

The Kyoto Protocol, adopted in December 1997 by the signatories to the 1992 United Nations Framework Convention on Climate Change, established a binding set of emission targets for developed nations. The U.S. signed the Kyoto Protocol but it was not ratified by the U.S. Senate. Australia ratified the Kyoto Protocol in December 2007 and became a full member in March 2008. There are continuing discussions to develop a treaty to replace the Kyoto Protocol after its expiration in 2012, including at the Cancun meetings in late 2010, the Durban meeting in late 2011 and the Doha meeting in late 2012. At the Doha meeting, an amendment to the Kyoto Protocol was adopted, which includes new commitments for certain parties in a second commitment period, from 2013 to 2020.

Australia's Parliament passed carbon pricing legislation in November 2011. The first three years of the program involve the imposition of a carbon tax that commenced in July 2012 and a mandatory greenhouse gas emissions trading program commencing in 2015.

Enactment of laws or passage of regulations by the U.S. or some of its states or by other countries regarding emissions from the mining of coal or other actions to limit such emissions, are not expected to have a material adverse effect on our results of operations, financial condition or cash flows.

Enactment of laws or passage of regulations by the U.S. or some of its states or by other countries regarding emissions from the combustion of coal or other actions to limit such emissions, could result in electricity generators switching from coal to other fuel sources. The potential financial impact on us of recent or future laws or regulations will depend upon the degree to which any such laws or regulations forces electricity generators to diminish their reliance on coal as a fuel source. That, in turn, will depend on a number of factors, including the specific requirements imposed by any such laws or regulations, the time periods over which those laws or regulations would be phased in, the state of commercial development and deployment of CCS technologies and the alternative markets for coal. In view of the significant uncertainty surrounding each of these factors, it is not possible for us to reasonably predict the impact that any such laws or regulations may have on our results of operations, financial condition or cash flows.

Available Information

We file or furnish annual, quarterly and current reports (including any exhibits or amendments to those reports), proxy statements and other information with the SEC. These materials are available free of charge through our website (www.peabodyenergy.com) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Information included on our website does not constitute part of this document. These materials may also be accessed through the SEC's website (www.sec.gov) or in the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

In addition, copies of our filings will be made available, free of charge, upon request by telephone at (314) 342-3400 or by mail at: Peabody Energy Corporation, Peabody Plaza, 701 Market Street, Suite 900, St. Louis, Missouri 63101, attention: Investor Relations.

Item 1A. Risk Factors.

We operate in a rapidly changing environment that involves a number of risks. The following discussion highlights some of these risks and others are discussed elsewhere in this report. These and other risks could materially and adversely affect our business, financial condition, prospects, operating results or cash flows. The following risk factors are not an exhaustive list of the risks associated with our business. New factors may emerge or changes to these risks could occur that could materially affect our business.

Risks Associated with Our Operations

Our profitability depends upon the prices we receive for our coal.

Coal prices are dependent upon factors beyond our control, including:

- the strength of the global economy;
- the demand for electricity;
- the demand for steel, which may lead to price fluctuations in the periodic repricing of our metallurgical coal contracts;
- the global supply of thermal and metallurgical coal;
- weather patterns and natural disasters;
- competition within our industry and the availability, quality and price of alternative fuels, including natural gas, fuel oil, nuclear, hydroelectric, wind, biomass and solar power;
- the proximity, capacity and cost of transportation and terminal facilities;
- coal industry capacity;
- governmental regulations and taxes, including those establishing air emission standards for coal-fueled power plants or mandating increased use of electricity from renewable energy sources;
- regulatory, administrative and judicial decisions, including those affecting future mining permits; and
- technological developments, including those related to alternative energy sources, those intended to convert coal-to-liquids or gas and those aimed at capturing and storing carbon dioxide.

In the U.S., our strategy is to selectively renew, or enter into new, long-term supply agreements when we can do so at prices we believe are favorable. In Australia, current industry practice, and our practice, is to negotiate pricing for metallurgical coal contracts quarterly and seaborne thermal coal contracts annually.

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If a substantial number of our long-term coal supply agreements terminate, our revenues and operating profits could suffer if we are unable to find alternate buyers willing to purchase our coal on comparable terms to those in our contracts.

Most of our sales are made under coal supply agreements, which are important to the stability and profitability of our operations. The execution of a satisfactory coal supply agreement is frequently the basis on which we undertake the development of coal reserves required to be supplied under the contract, particularly in the U.S. In 2012, 89% of our worldwide sales volume was sold under long-term coal supply agreements. At January 1, 2013, our sales backlog, including backlog subject to price reopener and/or extension provisions, was approximately 900 million tons, representing nearly four years of current production in backlog based on our 2012 production from continuing operations of 225.7 million tons. Contracts in backlog have remaining terms ranging up to 15 years.

Many of our coal supply agreements contain provisions that permit the parties to adjust the contract price upward or downward at specified times. We may adjust these contract prices based on inflation or deflation and/or changes in the factors affecting the cost of producing coal, such as taxes, fees, royalties and changes in the laws regulating the mining, production, sale or use of coal. In a limited number of contracts, failure of the parties to agree on a price under those provisions may allow either party to terminate the contract. We sometimes experience a reduction in coal prices in new long-term coal supply agreements replacing some of our expiring contracts. Coal supply agreements also typically contain force majeure provisions allowing temporary suspension of performance by us or the customer during the duration of specified events beyond the control of the affected party. Most of our coal supply agreements contain provisions requiring us to deliver coal meeting quality thresholds for certain characteristics such as Btu, sulfur content, ash content, grindability and ash fusion temperature. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or termination of the contracts. Moreover, some of these agreements permit the customer to terminate the contract if transportation costs, which our customers typically bear, increase substantially. In addition, some of these contracts allow our customers to terminate their contracts in the event of changes in regulations affecting our industry that restrict the use or type of coal permissible at the customer's plant or increases the price of coal beyond specified limits.

The operating profits we realize from coal sold under supply agreements depend on a variety of factors. In addition, price adjustment and other provisions may increase our exposure to short-term coal price volatility provided by those contracts. If a substantial portion of our coal supply agreements were modified or terminated, we could be materially adversely affected to the extent that we are unable to find alternate buyers for our coal at the same level of profitability. Market prices for coal vary by mining region and country. As a result, we cannot predict the future strength of the coal market overall or by mining region and cannot provide assurance that we will be able to replace existing long-term coal supply agreements at the same prices or with similar profit margins when they expire.

The loss of, or significant reduction in, purchases by our largest customers could adversely affect our revenues.

For the year ended December 31, 2012 we derived 26% of our total coal sales revenues from our five largest customers. Those five customers were supplied primarily from 44 coal supply agreements (excluding trading transactions) expiring at various times from 2013 to 2026. The contract contributing the greatest amount of annual revenue in 2012 was approximately $320 million, or approximately 5% of our 2012 total coal sales revenue base. We are currently discussing the extension of existing agreements or entering into new long-term agreements with some of these customers, but these negotiations may not be successful and those customers may not continue to purchase coal from us under long-term coal supply agreements. If a number of these customers significantly reduce their purchases of coal from us, or if we are unable to sell coal to them on terms as favorable to us as the terms under our current agreements, our financial condition and results of operations could suffer materially. In addition, our revenue could be adversely affected by a decline in customer purchases due to lack of demand, cost of competing fuels and environmental regulations.

Our operating results could be adversely affected by unfavorable economic and financial market conditions.

In recent years, the global economic recession and the worldwide financial and credit market disruptions had a negative impact on us and on the coal industry generally. If any of these conditions return, if coal prices continue at levels experienced in late 2012 or if there are further downturns in economic conditions, particularly in developing countries such as China and India, our business, financial condition or results of operations could be adversely affected. While we are focused on cost control, productivity improvements, increased contributions from our high-margin operations and capital discipline, there can be no assurance that these actions, or any others we may take, will be sufficient in response to challenging economic and financial conditions.

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Our ability to collect payments from our customers could be impaired if their creditworthiness or contractual performance deteriorates.

Our ability to receive payment for coal sold and delivered or for financially settled contracts depends on the continued creditworthiness and contractual performance of our customers and counterparties. Our customer base has changed with deregulation in the U.S. as utilities have sold their power plants to their non-regulated affiliates or third parties and with our continued expansion in the Asia-Pacific region. These new customers may have credit ratings that are below investment grade or not rated. If deterioration of the creditworthiness of our customers occurs or they fail to perform the terms of their contracts with us, our accounts receivable securitization program and our business could be adversely affected.

Risks inherent to mining could increase the cost of operating our business.

Our mining operations are subject to conditions that can impact the safety of our workforce, or delay coal deliveries or increase the cost of mining at particular mines for varying lengths of time. These conditions include fires and explosions from methane gas or coal dust; accidental minewater discharges; weather, flooding and natural disasters; unexpected maintenance problems; key equipment failures; variations in coal seam thickness; variations in the amount of rock and soil overlying the coal deposit; variations in rock and other natural materials and variations in geologic conditions. We maintain insurance policies that provide limited coverage for some of these risks, although there can be no assurance that these risks would be fully covered by our insurance policies. Despite our efforts, significant mine accidents could occur and have a substantial impact on our results of operations, financial condition or cash flows.

If transportation for our coal becomes unavailable or uneconomic for our customers, our ability to sell coal could suffer.

Transportation costs represent a significant portion of the total cost of coal and the cost of transportation is a critical factor in a customer’s purchasing decision. Increases in transportation costs and the lack of sufficient rail and port capacity could lead to reduced coal sales. As of December 31, 2012, certain coal supply agreements permit the customer to terminate the contract if the cost of transportation increases by an amount over specified levels in any given 12-month period.

We depend upon rail, barge, trucking, overland conveyor and ocean-going vessels to deliver coal to markets. While our coal customers typically arrange and pay for transportation of coal from the mine or port to the point of use, disruption of these transportation services because of weather-related problems, infrastructure damage, strikes, lock-outs, lack of fuel or maintenance items, underperformance of the port and rail infrastructure, congestion and balancing systems which are imposed to manage vessel queuing and demurrage, non-performance or delays by co-shippers, transportation delays or other events could temporarily impair our ability to supply coal to our customers and thus could adversely affect our results of operations.

A decrease in the availability or increase in costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires could decrease our anticipated profitability.

Our mining operations require a reliable supply of mining equipment, replacement parts, fuel, explosives, tires, steel-related products (including roof control materials), lubricants and electricity. There has been some consolidation in the supplier base providing mining materials to the coal industry, such as with suppliers of explosives and both surface and underground equipment, that has limited the number of sources for these materials. In situations where we have chosen to concentrate a large portion of purchases with one supplier, it has been to take advantage of cost savings from larger volumes of purchases and to ensure security of supply. If the cost of any of these inputs increased significantly, or if a source for these supplies or mining equipment were unavailable to meet our replacement demands, our profitability could be reduced or we could experience a delay or halt in our production.

Take-or-pay arrangements within the coal industry could significantly affect our costs and demand for coal.

We have substantial take-or-pay arrangements totaling $4.4 billion, with terms ranging up to 28 years, that commit us to pay a minimum amount for rail and port commitments for the delivery of coal even if those commitments go unused. The take-or-pay provisions in these contracts allow us to subsequently apply take-or-pay payments made to deliveries subsequently taken, but these provisions have limitations and we may not be able to utilize all such amounts paid if the limitations apply or if we do not subsequently take sufficient volumes to utilize the amounts previously paid. Additionally, coal companies, including us, may continue to deliver coal during times when it might otherwise be optimal to suspend operations because these take-or-pay provisions effectively convert a marginal cost of selling coal to a fixed operating cost.

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An inability of trading, brokerage, mining or freight counterparties to fulfill the terms of their contracts with us could reduce our profitability.

In conducting our trading, brokerage and mining operations, we utilize third-party sources of coal production and transportation, including contract miners and brokerage sources, to fulfill deliveries under our coal supply agreements. In Australia, the majority of our 2012 volume came from mines that utilize contract miners, with conversions of certain of those mines to owner-operated status expected to be completed in 2013. Employee relations at mines that use contract miners are the responsibility of the contractor.

Our profitability or exposure to loss on transactions or relationships is dependent upon the reliability (including financial viability) and price of the third-party suppliers, our obligation to supply coal to customers in the event that weather, flooding, natural disasters or adverse geologic mining conditions restrict deliveries from our suppliers, our willingness to participate in temporary cost increases experienced by our third-party coal suppliers, our ability to pass on temporary cost increases to our customers, the ability to substitute, when economical, third-party coal sources with internal production or coal purchased in the market and the ability of our freight sources to fulfill their delivery obligations. Market volatility and price increases for coal or freight on the international and domestic markets could result in non-performance by third-party suppliers under existing contracts with us, in order to take advantage of the higher prices in the current market. Such non-performance could have an adverse impact on our ability to fulfill deliveries under our coal supply agreements.

Our trading and hedging activities may expose us to earnings volatility and other risks.

We enter into hedging arrangements designed primarily to manage market price volatility of foreign currency (primarily the Australian dollar), diesel fuel and explosives. Also, from time to time, we manage the interest rate risk associated with our variable and fixed rate borrowings using interest rate swaps. Generally, we attempt to designate hedging arrangements as cash flow hedges with gains or losses recorded as a separate component of stockholders' equity until the hedged transaction occurs (or until hedge ineffectiveness is determined). While we utilize a variety of risk monitoring and mitigation strategies, those strategies require judgment and they cannot anticipate every potential outcome or the timing of such outcomes. As such, there is potential for these hedges to no longer qualify for hedge accounting. If that were to happen, we would be required to recognize the mark to market movements through current year earnings, possibly resulting in increased volatility in our income in future periods. In addition, to the extent that we engage in hedging activities, we may be prevented from realizing the benefits of future price decreases of foreign currency, diesel fuel and explosives.

We also enter into derivative trading instruments, some of which require us to post margin based on the value of those instruments and other credit factors. If our credit is downgraded, the fair value of our hedge positions move significantly, or laws or regulations are passed requiring all hedge arrangements to be exchange-traded or exchange-cleared, we could be required to post additional margin, which could impact our liquidity.

Through our trading and hedging activities, we are also exposed to the nonperformance and credit risk with various counterparties, including exchanges and other financial intermediaries. Should the counterparties to these arrangements fail to perform, we may be forced to enter into alternative arrangements, which could negatively impact our profitability and/or liquidity. In addition, some of our trading and brokerage activities include an increasing number of exchange-settled transactions, which expose us to the margin requirements of the exchange for daily changes in the value of our positions. If there are significant and extended unfavorable price movements against our positions, or if there are future regulations that impose new margin requirements, position limits and capital charges, even if not directly applicable to us, our liquidity could be impacted.

Our ability to operate our company effectively could be impaired if we lose key personnel or fail to attract qualified personnel.

We manage our business with a number of key personnel, the loss of whom could have a material adverse effect on us. In addition, as our business develops and expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled and qualified personnel, particularly personnel with mining experience. We cannot provide assurance that key personnel will continue to be employed by us or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on us.

We could be negatively affected if we fail to maintain satisfactory labor relations.

As of December 31, 2012, we had approximately 8,200 employees, which included approximately 5,700 hourly employees. Approximately 30% of our hourly employees were represented by organized labor unions and generated 19% of 2012 coal production. Additionally, those employed through contract mining relationships in Australia are also members of trade unions. Relations with our employees and, where applicable, organized labor are important to our success. If some or all of our current non-union operations were to become unionized, we could incur an increased risk of work stoppages, reduced productivity and higher labor costs. Also, if we fail to maintain good relations with our union workforce, we could experience labor disputes, work stoppages or other disruptions in production that could negatively impact our profitability.

Our mining operations could be adversely affected if we fail to appropriately secure our obligations.

U.S. federal and state laws and Australian laws require us to secure certain of our obligations to reclaim lands used for mining, to pay federal and state workers' compensation, to secure coal lease obligations and to satisfy other miscellaneous obligations. The ="2">10

Amortizable Other[b]	17	10	7	12	9	3
Total Other Intangibles	$601	$140	$461	$598	$120	$478

(a) Generally amortized over a period of 30 years.
(b) Relates to the Real Estate Franchise Services franchise agreement with NRT, which is expected to generate future cash flows for an indefinite period of time.
(c) Relates to the Century 21, Coldwell Banker, ERA, The Corcoran Group, Coldwell Banker Commercial and Cartus tradenames, which are expected to generate future cash flows for an indefinite period of time.
(d) Relates to the Sotheby s International Realty and Better Homes and Gardens Real Estate agreements which are being amortized over 50 years (the contractual term of the license agreements).
(e) Relates to the customer relationships at the Title and Settlement Services segment and the Relocation Services segment. These relationships are being amortized over a period of 5 to 20 years.
(f) Amortized over the estimated closing period of the underlying contracts (in most cases five months).
(g) Primarily related to the Texas American Title Company title plant shares. 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.
(h) Generally amortized over periods ranging from 2 to 10 years.

Intangible asset amortization expense is as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
Franchise agreements	$ 17	$ 17	$ 34	$ 34
Customer relationships	10	10	19	19
Other	1		3	
Total	$ 28	$ 27	$ 56	$ 53

Based on the Company s amortizable intangible assets as of June 30, 2011, the Company expects related amortization expense for the remainder of 2011, the four succeeding years and thereafter to approximate $55 million, $108 million, $105 million, $105 million, $95 million and $1,713 million, respectively.

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of:

	June 30, 2011	**December 31, 2010**
Accrued payroll and related employee costs	$ 65	$ 93
Accrued volume incentives	12	17
Accrued commissions	26	15
Restructuring accruals	27	36
Deferred income	76	76
Accrued interest	138	112
Relocation services home mortgage obligations	14	16
Other	161	160
	$ 519	$ 525

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6. SHORT AND LONG TERM DEBT

Total indebtedness is as follows:

	June 30, 2011	December 31, 2010
Senior Secured Credit Facility:		
Non-extended revolving credit facility	$ 79	$
Extended revolving credit facility	101	
Non-extended term loan facility	633	3,059
Extended term loan facility	1,822	
First and a Half Lien Notes	700	
Second Lien Loans	650	650
Other bank indebtedness	108	163
Existing Notes:		
10.50% Senior Notes	64	1,688
11.00%/11.75% Senior Toggle Notes	52	468
12.375% Senior Subordinated Notes	187	864
Extended Maturity Notes:		
11.50% Senior Notes	488	
12.00% Senior Notes	129	
13.375% Senior Subordinated Notes	10	
11.00% Convertible Notes	2,110	
Securitization Obligations:		
Apple Ridge Funding LLC	292	296
Cartus Financing Limited	36	35
	$ 7,461	$ 7,223

Refinancing Transactions

In January and February of 2011, Realogy completed a series of transactions, referred to herein as the Refinancing Transactions, to refinance both its secured and unsecured indebtedness.

Senior Secured Credit Facility

In connection with the closing of the Merger Transactions on April 10, 2007, Realogy entered into the Senior Secured Credit Facility consisting of (i) a $3,170 million term loan facility, (ii) a $750 million revolving credit facility, (iii) a $525 million synthetic letter of credit facility (the facilities described in clauses (i), (ii) and (iii), as amended by the Senior Secured Credit Facility Amendment, collectively referred to as the First Lien Facilities), and (iv) a $650 million incremental (or accordion) loan facility, which was utilized in connection with the incurrence of Second Lien Loans in 2009 described below.

Effective February 3, 2011, Realogy entered into the Senior Secured Credit Facility Amendment and an incremental assumption agreement, which resulted in the following:

certain lenders extended the maturity of a significant portion of first lien term loans, revolving commitments and synthetic letter of credit commitments to October 10, 2016, April 10, 2016, and October 10, 2016, respectively, resulting in approximately $2,424 million aggregate principal amount of extended term loans, approximately $461 million aggregate principal amount of commitments in respect of extended revolving loans and approximately $171 million aggregate principal amount of extended synthetic letter of credit commitments;

certain lenders simultaneously converted approximately $98 million aggregate principal amount of revolving commitments in respect of extended revolving loans to extended term loans, thereby reducing the commitments under the revolving credit facility to $652 million;

- the net proceeds of the $700 million aggregate principal amount of First and a Half Lien Notes together with cash on hand were used to prepay $700 million of the outstanding extended term loans, thereby reducing the aggregate principal amount of extended term loans to $1,822 million;
- the interest rate with respect to the extended term loans was increased by 1.25% from the rate applicable to the non-extended term loans;
- the interest rate with respect to the extended revolving loans was increased by 1.0% from the rate applicable to the non-extended revolving loans; and
- the fee with respect to the synthetic letter of credit facility was increased by 1.25% from the fee applicable to the non-extending synthetic letter of credit facility.

The Senior Secured Credit Facility Amendment also provides for the incurrence of additional incremental term loans that are secured on a junior basis to the second lien loans in an aggregate amount not to exceed $350 million.

The extended term loans do not require any scheduled amortization of principal. The non-extended term loan facility will continue to provide for quarterly amortization payments totaling 1% per annum of the principal amount of the non-extended first lien term loans.

Interest rates with respect to term loans under the Senior Secured Credit Facility are based on, at Realogy s option, (a) adjusted LIBOR plus 3.0% (or with respect to the extended term loans, 4.25%) or (b) the higher of the Federal Funds Effective Rate plus 0.5% (or with respect to the extended term loans 1.75%) and JPMorgan Chase Bank, N.A. s prime rate (ABR) plus 2.0% (or with respect to the extended term loans, 3.25%).

The Senior Secured Credit Facility provides for a six-year, $652 million revolving credit facility, which includes a $200 million letter of credit sub-facility and a $50 million swingline loan sub-facility. Realogy uses the revolving credit facility for, among other things, working capital and other general corporate purposes, including permitted acquisitions and investments. Interest rates with respect to revolving loans under the Senior Secured Credit Facility are based on, at Realogy s option, adjusted LIBOR plus 2.25% (or with respect to the extended revolving loans, 3.25%) or ABR plus 1.25% (or with respect to the extended revolving loans, 2.25%) in each case subject to reductions based on the attainment of certain leverage ratios.

The Senior Secured Credit Facility initially provided for a six-and-a-half-year $525 million synthetic letter of credit facility which is for: (1) the support of Realogy s obligations with respect to Cendant contingent and other liabilities assumed under the Separation and Distribution Agreement and (2) general corporate purposes in an amount not to exceed $100 million. In light of the reduction in Cendant s contingent and other liabilities, on January 5, 2011, Realogy reduced the capacity of the synthetic letter of credit facility to $223 million. As of June 30, 2011, most of the capacity was being utilized by a $100 million letter of credit with Cendant for any remaining potential contingent obligations and $100 million of letters of credit for general corporate purposes.

The loans under the First Lien Facilities (the First Lien Loans) are secured to the extent legally permissible by substantially all of the assets of Realogy, Intermediate and the subsidiary guarantors, including but not limited to (a) a first-priority pledge of substantially all capital stock held by Realogy or any subsidiary guarantor (which pledge, with respect to obligations in respect of the borrowings secured by a pledge of the stock of any first-tier foreign subsidiary, is limited to 100% of the non-voting stock (if any) and 65% of the voting stock of such foreign subsidiary), and (b) perfected first-priority security interests in substantially all tangible and intangible assets of Realogy and each subsidiary guarantor, subject to certain exceptions.

In late 2009, Realogy incurred $650 million of Second Lien Loans. The Second Lien Loans are secured by liens on the assets of Realogy and by the guarantors that secure the First Lien Loans. However, such liens are junior in priority to the First Lien Loans. The Second Lien Loans bear interest at a rate of 13.50% per year and interest payments are payable semi-annually in arrears on April 15 and October 15 of each year. The Second Lien Loans mature on October 15, 2017 and there are no required amortization payments.

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The Company s Senior Secured Credit Facility contains financial, affirmative and negative covenants and requires the Company to maintain a senior secured leverage ratio not to exceed a maximum amount on the last day of each fiscal quarter. Specifically, the Company s total senior secured net debt to trailing twelve month EBITDA (as such terms are defined in the Senior Secured Credit Facility), calculated on a pro forma basis pursuant to the Senior Secured Credit Facility, may not exceed 4.75 to 1. Total senior secured net debt does not include the First and a Half Lien Notes, Second Lien Loans, other bank indebtedness not secured by a first lien on the Company s assets, securitization obligations or the Unsecured Notes (as defined below). At June 30, 2011, the Company s senior secured leverage ratio was 4.38 to 1. EBITDA, as defined in the Senior Secured Credit Facility, includes certain adjustments and also is calculated on a pro forma basis for purposes of calculating the senior secured leverage ratio. In this report, the Company refers to the term Adjusted EBITDA to mean EBITDA as so defined and calculated for purposes of determining compliance with the senior secured leverage covenant.

Based upon the Company s financial forecast, the Company believes that it will continue to be in compliance with the senior secured leverage ratio during the next twelve months. While the housing market has shown signs of stabilization, there remains substantial uncertainty with respect to the timing and scope of a housing recovery and if a housing recovery is delayed or is weak, the Company may be subject to additional pressure in maintaining compliance with its senior secured leverage ratio. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources EBITDA and Adjusted EBITDA for the detailed covenant calculation.

The Company has the right to cure an event of default of the senior secured leverage ratio in three of any of the four consecutive quarters through the issuance of additional Holdings equity for cash, which would be infused as capital into the Company. The effect of such infusion would be to increase Adjusted EBITDA for purposes of calculating the senior secured leverage ratio for the applicable twelve-month period and reduce net senior secured indebtedness upon actual receipt of such capital. If the Company is unable to maintain compliance with the senior secured leverage ratio and fails to remedy a default through an equity cure as described above, there would be an event of default under the Senior Secured Credit Facility. Other events of default under the Senior Secured Credit Facility include, without limitation, nonpayment, material misrepresentations, insolvency, bankruptcy, certain material judgments, change of control and cross-events of default on material indebtedness.

If an event of default occurs under the Senior Secured Credit Facility, and the Company fails to obtain a waiver from the lenders, the Company s financial condition, results of operations and business would be materially adversely affected. Upon the occurrence of an event of default under the Senior Secured Credit Facility, the lenders:

- would not be required to lend any additional amounts to the Company;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- could require the Company to apply all of its available cash to repay these borrowings; or
- could prevent the Company from making payments on the First and a Half Lien Notes or the Unsecured Notes;

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

If the Company were unable to repay those amounts, the lenders under the Senior Secured Credit Facility could proceed against the collateral granted to them to secure that indebtedness. The Company has pledged the majority of its assets as collateral under the Senior Secured Credit Facility. If the lenders under the Senior Secured Credit Facility were to accelerate the repayment of borrowings, then the Company may not have sufficient assets to repay the Senior Secured Credit Facility and its other indebtedness, including the First and a

Half Lien Notes and the Unsecured Notes, or be able to borrow sufficient funds to refinance such indebtedness. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to the Company.

First and a Half Lien Notes

On February 3, 2011, Realogy issued $700 million aggregate principal amount of First and a Half Lien Notes in a private offering exempt from the registration requirements of the Securities Act. The First and a Half Lien Notes mature on February 15, 2019 and bear interest at a rate per annum of 7.875% payable semiannually to holders of record at the close of business on February 1 or August 1 immediately preceding the interest payment dates of February 15 and August 15 of each year. The First and a Half Lien Notes are secured by substantially the same collateral as Realogy s existing secured obligations under the Senior Secured Credit Facility, but the priority of the collateral liens securing the First and a Half Lien Notes is (i) junior to the collateral liens securing Realogy s first lien obligations under the Senior Secured Credit Facility and (ii) senior to the collateral liens securing Realogy s second lien obligations under the Senior Secured Credit Facility.

As discussed above, the net proceeds from the offering of the First and a Half Lien Notes, along with cash on hand, were used to prepay $700 million of certain of Realogy s first lien term loans that were extended in connection with the Senior Secured Credit Facility Amendment.

Other Bank Indebtedness

During 2010, Realogy entered into five separate revolving U.S. credit facilities to borrow up to $155 million and an additional revolving U.K. credit facility to borrow up to £5 million. These facilities are not secured by assets of Realogy or any of its subsidiaries but are supported by letters of credit issued under the Senior Secured Credit Facility. The facilities have interest payments payable either monthly or quarterly and generally have a one-year term with certain options for renewal, though one facility has a term expiring in January 2013. As of December 31, 2010, Realogy borrowed $163 million under these facilities and in the beginning of 2011, repaid $55 million of the outstanding borrowings and terminated the borrowing capacity under these revolving credit facilities. As of June 30, 2011, Realogy had outstanding borrowings of $100 million under the U.S. credit facilities at a weighted average interest rate of 2.9% and $8 million under the U.K. credit facility at an interest rate of 2.5%.

On June 30, 2011, Realogy completed an amendment to one of the revolving U.S. credit facilities to increase the capacity from $50 million to $75 million and extend the facility through July 2012. Realogy borrowed the additional $25 million in July 2011.

Unsecured Notes

On April 10, 2007, Realogy issued $1,700 million aggregate principal amount of 10.50% Senior Notes due 2014 (the 10.50% Senior Notes), $550 million aggregate principal amount of 11.00%/11.75% Senior Toggle Notes due 2014 (the Senior Toggle Notes and, together with the 10.50% Senior Notes, the Existing Senior Notes) and $875 million aggregate principal amount of 12.375% Senior Subordinated Notes due 2015 (the 12.375% Senior Subordinated Notes and, together with the Existing Senior Notes, the Existing Notes).

On January 5, 2011, Realogy consummated the Debt Exchange Offering for its Existing Notes pursuant to which Realogy issued 11.50% Senior Notes due 2017 (the 11.50% Senior Notes), 12.00% Senior Notes due 2017 (the 12.00% Senior Notes and, together with the 11.50% Senior Notes, the Extended Maturity Senior Notes and, together with the Existing Senior Notes, the Senior Notes), 13.375% Senior Subordinated Notes due 2018 (the 13.375% Senior Subordinated Notes and, together with the Extended Maturity Senior Notes, the Extended Maturity Notes) and 11.00% Series A Convertible Notes due 2018, the 11.00% Series B Convertible Notes due 2018 and the 11.00% Series C Convertible Notes due 2018 (collectively, the Convertible Notes). The term Senior Subordinated Notes refers to the 12.375% Senior Subordinated Notes and the 13.375% Senior Subordinated Notes, collectively; and the term Unsecured Notes refers to the Senior Notes, the Senior Subordinated Notes and the Convertible Notes, collectively.

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Pursuant to the Debt Exchange Offering, approximately $2,110 million aggregate principal amount of the Existing Notes were tendered for Convertible Notes, which are convertible at the holder s option into Class A Common Stock, and approximately $632 million aggregate principal amount of the Existing Notes were tendered for the Extended Maturity Notes.

On January 5, 2011, Realogy issued:

- $492 million aggregate principal amount of 11.50% Senior Notes and $1,144 million aggregate principal amount of Series A Convertible Notes in exchange for $1,636 million aggregate principal amount of outstanding 10.50% Senior Notes;

- $130 million aggregate principal amount of 12.00% Senior Notes and $291 million aggregate principal amount of Series B Convertible Notes in exchange for $421 million aggregate principal amount of outstanding Senior Toggle Notes; and

- $10 million aggregate principal amount of 13.375% Senior Subordinated Notes and $675 million aggregate principal amount of Series C Convertible Notes in exchange for $685 million aggregate principal amount of outstanding 12.375% Senior Subordinated Notes.

As a result of the Debt Exchange Offering, Realogy extended the maturity of approximately $2,742 million aggregate principal amount of the Unsecured Notes to 2017 and 2018, leaving approximately $303 million aggregate principal amount of Existing Notes that mature in 2014 and 2015. In addition, pursuant to the terms of the indenture governing the terms of the Convertible Notes, the Convertible Notes are redeemable at Realogy s option at a price equal to 90% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption upon a Qualified Public Offering.

The 10.50% Senior Notes mature on April 15, 2014 and bear interest at a rate per annum of 10.50% payable semiannually to holders of record at the close of business on April 1 or October 1 immediately preceding the interest payment dates of April 15 and October 15 of each year. The 11.50% Senior Notes mature on April 15, 2017 and bear interest at a rate per annum of 11.50% payable semiannually to holders of record at the close of business on April 1 or October 1 immediately preceding the interest payment dates of April 15 and October 15 of each year.

The Senior Toggle Notes mature on April 15, 2014. Interest is payable semiannually to holders of record at the close of business on April 1 or October 1 immediately preceding the interest payment date on April 15 and October 15 of each year. For any interest payment period after the initial interest payment period and through October 15, 2011, Realogy may, at its option, elect to pay interest on the Senior Toggle Notes (1) entirely in cash (Cash Interest), (2) entirely by increasing the principal amount of the outstanding Senior Toggle Notes or by issuing Senior Toggle Notes (PIK Interest), or (3) 50% as Cash Interest and 50% as PIK Interest. Cash Interest on the Senior Toggle Notes accrues at a rate of 11.00% per annum. PIK Interest on the Senior Toggle Notes accrues at the Cash Interest rate per annum plus 0.75%. In the absence of an election for any interest period, interest on the Senior Toggle Notes is payable according to the method of payment for the previous interest period.

Beginning with the interest period which ended October 2008, Realogy elected to satisfy its interest payment obligations by issuing additional Senior Toggle Notes. This PIK Interest election was the default election for future interest periods until March 2011 when Realogy elected to pay Cash Interest for the interest period commencing April 15, 2011. After October 15, 2011, Realogy is required to make all interest payments on the Senior Toggle Notes entirely in cash.

Realogy would be subject to certain interest deduction limitations if the Senior Toggle Notes were treated as applicable high yield discount obligations (AHYDO) within the meaning of Section 163(i)(1) of the Internal Revenue Code, as amended. In order to avoid such treatment, Realogy is required to redeem for cash a portion of each Senior Toggle Note then outstanding at the end of the accrual period ending in April 2012. The portion of a

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Senior Toggle Note required to be redeemed is an amount equal to the excess of the accrued original issue discount as of the end of such accrual period, less the amount of interest paid in cash on or before such date, less the first-year yield (the issue price of the debt instrument multiplied by its yield to maturity). The redemption price for the portion of each Senior Toggle Note so redeemed would be 100% of the principal amount of such portion plus any accrued interest on the date of redemption. For the periods that Realogy elected to pay PIK Interest, Realogy will be required to repay approximately $11 million in April 2012 in accordance with the indenture governing the Senior Toggle Notes.

The 12.00% Senior Notes mature on April 15, 2017 and bear interest at a rate per annum of 12.00% payable semiannually to holders of record at the close of business on April 1 or October 1 immediately preceding the interest payment dates of April 15 and October 15 of each year.

The 12.375% Senior Subordinated Notes mature on April 15, 2015 and bear interest at a rate per annum of 12.375% payable semiannually to holders of record at the close of business on April 1 or October 1 immediately preceding the interest payment date on April 15 and October 15 of each year. The 13.375% Senior Subordinated Notes mature on April 15, 2018 and bear interest at a rate per annum of 13.375% payable semiannually to holders of record at the close of business on April 1 or October 1 immediately preceding the interest payment date on April 15 and October 15 of each year.

The Senior Notes are guaranteed on an unsecured senior basis, and the Senior Subordinated Notes are guaranteed on an unsecured senior subordinated basis, in each case, by each of Realogy s existing and future U.S. subsidiaries that is a guarantor under the Senior Secured Credit Facility or that guarantees certain other indebtedness in the future, subject to certain exceptions. The Senior Notes are guaranteed by Holdings on an unsecured senior subordinated basis and the Senior Subordinated Notes are guaranteed by Holdings on an unsecured junior subordinated basis.

On June 24, 2011, Realogy completed offers of exchange notes for Extended Maturity Notes issued in the Debt Exchange Offering. The term exchange notes refers to the 11.50% Senior Notes due 2017, the 12.00% Senior Notes due 2017 and the 13.375% Senior Subordinated Notes due 2018, all as registered under the Securities Act, pursuant to a Registration Statement on Form S-4 (File No. 333-173254 declared effective by the SEC on May 20, 2011). Each series of the exchange notes are substantially identical in all material respects to the Extended Maturity Notes of the applicable series issued in the Debt Exchange Offering (except that the new registered exchange notes do not contain terms with respect to additional interest or transfer restrictions). Unless the context otherwise requires, the term Extended Maturity Notes refers to the exchange notes.

Convertible Notes

The Series A Convertible Notes, Series B Convertible Notes and Series C Convertible Notes mature on April 15, 2018 and bear interest at a rate per annum of 11.00% payable semiannually to holders of record at the close of business on April 1 or October 1 immediately preceding the interest payment dates of April 15 and October 15 of each year. The Convertible Notes are convertible into Class A Common Stock at any time prior to April 15, 2018. The Series A Convertible Notes and Series B Convertible Notes are initially convertible into 975.6098 shares of Class A Common Stock per $1,000 aggregate principal amount of Series A Convertible Notes and Series B Convertible Notes, which is equivalent to an initial conversion price of approximately $1.025 per share, and the Series C Convertible Notes are initially convertible into 926.7841 shares of Class A Common Stock per $1,000 aggregate principal amount of Series C Convertible Notes, which is equivalent to an initial conversion price of approximately $1.079 per share, subject to adjustment if specified distributions to holders of the Class A Common Stock are made or specified corporate transactions occur, in each case as set forth in the indenture governing the Convertible Notes. The Convertible Notes are guaranteed on an unsecured senior subordinated basis by each of Realogy s existing and future U.S. subsidiaries that is a guarantor under the Senior Secured Credit Facility or that guarantees certain other indebtedness in the future, subject to certain exceptions. The Convertible Notes are guaranteed on an unsecured junior subordinated basis by Holdings.

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Following a Qualified Public Offering, Realogy may, at its option, redeem the Convertible Notes, in whole or in part, at a redemption price, payable in cash, equal to 90% of the principal amount of the Convertible Notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date.

On June 16, 2011, the SEC declared effective a Registration Statement on Form S-1 (File No. 333-173250) of Holdings and Realogy, registering for resale the outstanding Convertible Notes and the Class A Common Stock of Holdings issuable upon conversion of the Convertible Notes. Offers and sales of the Convertible Notes and Class A Common Stock may be made by selling securityholders pursuant to the June 2011 Final Prospectus as amended or supplemented from time to time.

Loss on the early extinguishment of debt and write-off of deferred financing costs

As a result of the Refinancing Transactions, the Company recorded a loss on the extinguishment of debt of $36 million and wrote off deferred financing costs of $7 million to interest expense as a result of debt modifications during the six months ended June 30, 2011.

Securitization Obligations

The Company has secured obligations through Apple Ridge Funding LLC, a securitization program with a five-year term which expires in April 2012. On May 13, 2011, the Company elected to reduce the capacity of the Apple Ridge securitization program from $500 million to $400 million.

In 2010, the Company, through a special purpose entity, Cartus Financing Limited, entered into agreements providing for a £35 million revolving loan facility which expires in August 2015 and a £5 million working capital facility which expires in August 2012. These Cartus Financing Limited facilities are secured by relocation assets of a U.K. government contract in a special purpose entity and are therefore classified as permitted securitization financings as defined in the Company s senior secured credit facility and the indentures governing the Unsecured Notes. The total amount outstanding on these facilities was $328 million at June 30, 2011.

The Apple Ridge entities and 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 the Company s relocation business in order to facilitate the relocation of their employees. Assets of these special purpose entities are not available to pay the Company 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 relocation management agreements are entered into, the new agreements may also be designated to the program.

Certain of the funds that the Company receives from relocation receivables and related assets must be utilized to repay securitization obligations. These obligations were collateralized by $412 million and $393 million of underlying relocation receivables and other related relocation assets at June 30, 2011 and December 31, 2010, respectively. Substantially all relocation related assets are realized in less than twelve months from the transaction date. Accordingly, all of the Company s securitization obligations are classified as current in the accompanying Condensed Consolidated Balance Sheets.

Interest incurred in connection with borrowings under these facilities amounted to $2 million and $3 million for the three and six months ended June 30, 2011, respectively and $1 million and $3 million for the three and six months ended June 30, 2010, respectively. This interest is recorded within net revenues in the accompanying Condensed Consolidated Statements of Operations as related borrowings are utilized to fund the Company 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 1.9% and 2.4% for the six months ended June 30, 2011 and 2010, respectively.

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AVAILABLE CAPACITY

As of June 30, 2011, the total capacity, outstanding borrowings and available capacity under the Company s borrowing arrangements were as follows:

	Expiration Date	Total Capacity	Outstanding Borrowings	Available Capacity
Senior Secured Credit Facility:				
Non-extended revolving credit facility(1)	April 2013	$ 289	$ 79	$ 163
Extended revolving credit facility(1)	April 2016	363	101	203
Non-extended term loan facility	October 2013	633	633	
Extended term loan facility	October 2016	1,822	1,822	
First and a Half Lien Notes	February 2019	700	700	
Second Lien Loans	October 2017	650	650	
Other bank indebtedness(2)	Various	133	108	25
Existing Notes				
10.50% Senior Notes	April 2014	64	64	
11.00%/11.75% Senior Toggle Notes	April 2014	52	52	
12.375% Senior Subordinated Notes(3)	April 2015	190	187	
Extended Maturity Notes				
11.50% Senior Notes(4)	April 2017	492	488	
12.00% Senior Notes(5)	April 2017	130	129	
13.375% Senior Subordinated Notes	April 2018	10	10	
11.00% Convertible Notes	April 2018	2,110	2,110	
Securitization obligations:(6)				
Apple Ridge Funding LLC	April 2012	400	292	108
Cartus Financing Limited(7)	Various	64	36	28
		$ 8,102	$ 7,461	$ 527

(1) The available capacity under these facilities was reduced by $47 million and $59 million of outstanding letters of credit on the non-extended and the extended revolving credit facility, respectively at June 30, 2011.
(2) Consists of revolving credit facilities that are supported by letters of credit issued under the Senior Secured Credit Facility, $75 million due in July 2012, $8 million due in August 2012 and $50 million due in January 2013.
(3) Consists of $190 million of 12.375% Senior Subordinated Notes due 2015, less a discount of $3 million.
(4) Consists of $492 million of 11.50% Senior Notes due 2017, less a discount of $4 million.
(5) Consists of $130 million of 12.00% Senior Notes due 2017, less a discount of $1 million.
(6) Available capacity is subject to maintaining sufficient relocation related assets to collateralize these securitization obligations.
(7) Consists of a £35 million facility which expires in August 2015 and a £5 million working capital facility which expires in August 2012.

7. RESTRUCTURING COSTS

2011 Restructuring Program

During the first six months of 2011, the Company committed to various initiatives targeted principally at reducing costs, enhancing organizational efficiencies and consolidating existing facilities. The Company currently expects to incur restructuring charges of $10 million in 2011. As of June 30, 2011, the Company Owned Real Estate Brokerage Services segment recognized $3 million of facility related expenses and $1 million of personnel related expenses. The Title and Settlement Services segment recognized $1 million of facility and personnel related expenses. At June 30, 2011 $3 million remains as a liability.

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2010 Restructuring Program

During 2010, the Company committed to various initiatives targeted principally at reducing costs, enhancing organizational efficiencies and consolidating facilities. The Company recognized $10 million of restructuring expense in the first six months of 2010 and $21 million for the year ended December 31, 2010.

The table below shows restructuring expense by category and the corresponding payments and other reductions from inception to June 30, 2011:

	Personnel Related	Facility Related	Asset Impairments	Total
Restructuring expense and other additions[(a)]	$ 5	$ 16	$ 1	$ 22
Cash payments and other reductions	(4)	(6)	(1)	(11)
Balance at December 31, 2010	1	10		11
Cash payments and other reductions	(1)	(5)		(6)
Balance at June 30, 2011	$	$ 5	$	$ 5

(a) Includes $1 million of unfavorable lease liability recorded in purchase accounting for Primacy which was reclassified to restructuring liability as a result of the Company restructuring certain facilities after the acquisition date.

8. STOCK-BASED COMPENSATION

Incentive Equity Awards Granted by Holdings

In connection with the closing of the Merger Transactions on April 10, 2007, Holdings adopted the Domus Holdings Corp. 2007 Stock Incentive Plan (the Plan) under which non-qualified stock options, rights to purchase shares of common stock, restricted stock and other awards settleable in, or based upon, Holdings common stock may be issued to employees, consultants or directors of the Company or any of its subsidiaries. The stock options and restricted stock granted are either time vesting or performance based awards with an exercise price equal to the grant date fair price of the underlying shares and a contractual term of 10 years. The time vesting options are subject to ratable vesting over the requisite service period. The performance based options are cliff vested upon the achievement of certain internal rate of return (IRR) targets which are measured based upon distributions made to the stockholders of Holdings. The restricted stock was granted at the grant date fair value and has a three-year requisite service period with one-half cliff vesting after 18 months of service and one-half cliff vesting at the end of the three-year service period.

During the first six months of 2011, the Holdings Board granted 0.8 million of time vesting stock options and 0.1 million shares of time vesting restricted stock to senior management employees and an independent director of the Company, as well as 0.7 million of performance based stock options granted under the Phantom Value Plan (see discussion below). As of June 30, 2011, the total number of shares available for future grant was approximately 0.5 million shares.

The fair value of the time vesting options and Phantom Plan options was estimated on the date of grant using the Black-Scholes option-pricing model utilizing the following assumptions. Expected volatility was based on historical volatilities of comparable companies. The expected term of the options granted represents the period of time that options were expected to be outstanding. 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.

	Time Vesting Options	Phantom Plan Options

Weighted average grant date fair value	$ 0.47	$ 0.46
Expected volatility	55.5%	61.5%
Expected term (years)	6.25	4.75
Risk-free interest rate	2.6%	2.0%
Dividend yield		

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Equity Award Activity

A summary of option and restricted share activity is presented below (number of shares in millions):

	Time-vesting Options	Performance based Options	Restricted Stock
Outstanding at January 1, 2011	12.73	2.52	
Granted	0.84	0.71	0.11
Exercised			
Vested			
Forfeited	(0.20)		
Outstanding at June 30, 2011	13.37	3.23	0.11

	Options Vested	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Exercisable at June 30, 2011	1.55	$ 10.00	6.4 years	$

As of June 30, 2011, there was approximately $9 million of unrecognized compensation cost related to the time vesting options and restricted stock under the Plan and $5 million of unrecognized compensation cost related to the performance based options. Unrecognized cost for the time vesting options and restricted stock will be recorded in future periods as compensation expense as the awards vest over the next four years with a weighted average period of approximately 2.2 years. The unrecognized cost for the performance based options will be recorded as compensation expense when an IPO or significant capital transaction is probable of occurring.

Stock-Based Compensation Expense

The Company recorded stock-based compensation expense of $1 million and $3 million related to the incentive equity awards granted by Holdings for the three and six months ended June 30, 2011 and $1 million and $3 million related to the incentive equity awards granted by Holdings for the three and six months ended June 30, 2010.

Phantom Value Plan

On January 5, 2011, the Board of Directors of the Company approved the Realogy Corporation Phantom Value Plan (the Phantom Value Plan), which is intended to provide certain of Realogy s executive officers, with an incentive (the Incentive Awards) to remain in the service of Realogy, increased interest in the success of Realogy and the opportunity to receive compensation based upon Realogy s success. On January 5, 2011, the Board of Directors of the Company made initial grants of Incentive Awards in three series in an aggregate amount of $22 million to certain executive officers of Realogy.

Under the Phantom Value Plan, each participant is eligible to receive a payment with respect to an Incentive Award relating to the three series of Convertible Notes at such time and from time to time that Apollo receives cash upon the discharge or third-party sale of not less than $267 million of the aggregate principal amount of the Convertible Notes (the Plan Notes) (or on any non-cash consideration into which any series of Plan Notes may have been exchanged or converted). The payment with respect to a particular series of an Incentive Award would be an amount which bears the same ratio to the dollar amount of the Incentive Award relating to such series of the aggregate amount of cash received by Affiliate Holders bears to the aggregate principal amount of such series of Plan Notes held by Affiliate Holders on the date of grant of such Incentive Award. In addition, participants may be eligible to receive additional amounts based upon cash received by the Affiliate Holders pursuant to the terms of any non-cash consideration into which any such series of Plan Notes may have been exchanged or converted. Any cash payments made under the Phantom Value Plan will be recorded as compensation expense when Apollo receives cash upon the discharge or third-party sale of the Convertible Notes.

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In the event that a payment is to be made with respect to an Incentive Award in conjunction with or subsequent to a qualified public offering of common stock of Realogy or its direct or indirect parent company, a participant may elect to receive stock in lieu of the cash payment in a number of unrestricted shares of common stock with a fair market value, as determined in good faith by the Compensation Committee, equal to the dollar amount then due on such Incentive Award, plus a number of restricted shares of such common stock with a fair market value, as determined in good faith by the Compensation Committee, equal to the amount then due multiplied by 0.15. The restricted shares of common stock will vest, based on continued employment, on the first anniversary of issuance. Compensation expense for the restricted shares of common stock will be recorded over a one-year vesting period upon issuance, while compensation expense for the unrestricted shares of common stock will be recorded on the issuance date. In addition, Incentive Awards will be subject to acceleration and payment upon a change of control as specified in the Phantom Value Plan.

On each date the Affiliate Holders receive cash interest on the Plan Notes, certain executive officers of Realogy may be granted stock options under the Holdings 2007 Stock Incentive Plan. The aggregate value of stock options granted (determined by the Holdings Board or its Compensation Committee in its sole discretion) is equal to an amount which bears the same ratio to the aggregate dollar amount of the participant s Incentive Award as the aggregate amount of cash interest received by Affiliate Holders on such date bears to the aggregate principal amount of the Plan Notes held by the Affiliate Holders on the date of grant of the Incentive Award. The stock option grants to Realogy s CEO, however, would be limited to 50% of the foregoing stock option amount. Generally, each grant of stock options will have a three year vesting schedule, subject to the participant s continued employment, and vested stock options will become exercisable one year following a qualified public offering. As such, compensation expense will be recorded after a public offering becomes probable of occurring. The stock options have a term of 7.5 years. In April 2011, Holdings issued approximately 0.7 million stock options under the Phantom Value Plan when Affiliate Holders received cash interest on the Plan Notes.

Incentive Awards are immediately cancelable and forfeitable in the event of the termination of a participant s employment for any reason. The Incentive Awards also terminate 10 years following the date of grant.

9. SEPARATION ADJUSTMENTS, TRANSACTIONS WITH FORMER PARENT AND SUBSIDIARIES AND RELATED PARTIES

Transfer of Cendant Corporate Liabilities and Issuance of Guarantees to Cendant and Affiliates

The Company has certain guarantee commitments with Cendant (pursuant to the assumption of certain liabilities and the obligation to indemnify Cendant, Wyndham Worldwide and Travelport for such liabilities) and guarantee commitments related to deferred compensation arrangements with Cendant and Wyndham Worldwide. These guarantee arrangements primarily relate to certain contingent litigation liabilities, contingent tax liabilities, and other corporate liabilities, of which the Company assumed and is generally responsible for 62.5%. Upon separation from Cendant, the liabilities assumed by the Company were comprised of certain Cendant corporate liabilities which were recorded on the historical books of Cendant as well as additional liabilities which were established for guarantees issued at the date of Separation related to certain unresolved contingent matters and certain others that could arise during the guarantee period. Regarding the guarantees, if any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, the Company would be responsible for a portion of the defaulting party or parties obligation. To the extent such recorded liabilities are in excess or are not adequate to cover the ultimate payment amounts, such deficiency or excess will be reflected in the results of operations in future periods.

The due to former parent balance was $80 million and $104 million at June 30, 2011 and December 31, 2010, respectively. At June 30, 2011, 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.

Transactions with PHH Corporation

In January 2005, Cendant completed the spin-off of its former mortgage, fleet leasing and appraisal businesses in a tax-free distribution of 100% of the common stock of PHH to its stockholders. In connection with the spin-off, the Company entered into a venture, PHH Home Loans, with PHH for the purpose of originating and selling mortgage loans primarily sourced through the Company s real estate brokerage and relocation businesses. The Company owns 49.9% of the venture. In connection with the venture, the Company entered into an agreement with PHH and PHH Home Loans regarding the operation of the venture and a marketing agreement with PHH whereby PHH is the recommended provider of mortgage products and services promoted by the Company to its independently owned and operated franchisees. The Company also entered into a license agreement with PHH whereby PHH Home Loans was granted a license to use certain of the Company s real estate brand names. The Company maintains a relocation agreement with PHH whereby PHH outsources its employee relocation function to the Company and the Company subleases office space to PHH Home Loans.

In connection with these agreements, the Company recorded revenues of $2 million and $3 million for the three and six months ended June 30, 2011, respectively and $1 million and $3 million for the three and six months ended June 30, 2010, respectively. The Company recorded equity earnings of $3 million and $3 million for the three and six months ended June 30, 2011, respectively and $7 million and $8 million for the three and six months ended June 30, 2010, respectively. The Company received $12 million and $5 million in dividend distributions from PHH Home Loans during the six months ended June 30, 2011 and 2010, respectively.

Transactions with Related Parties

The Company has entered into certain transactions in the normal course of business with entities that are owned by affiliates of Apollo. For the three months ended June 30, 2011 and 2010, the Company recognized revenue and expenses related to these transactions of less than $1 million in the aggregate in each period.

10. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in claims, legal proceedings 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: (i) concerning adverse impacts to franchisees related to purported changes made to the Century 21® system and its National Advertising Fund after the Company acquired it in 1995, which is referred to elsewhere in this report as the Cooper Litigation ; (ii) that the Company is vicariously liable for the acts of franchisees under theories of actual or apparent agency; (iii) by former franchisees, that franchise agreements were improperly terminated, (iv) that residential real estate agents engaged by NRT are potentially common law employees instead of independent contractors, and therefore may bring claims against NRT for breach of contract, wrongful discharge and negligent supervision and obtain benefits available to employees under various state statutes; (v) that NRT s legal assistance program constitutes the illegal sale of insurance; (vi) concerning claims generally against the company-owned brokerage operations for negligence or breach of fiduciary duty in connection with the performance of real estate brokerage or other professional services; (vii) 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 and (viii) concerning claims for alleged RESPA violations including but not limited to claims concerning administrative fees under RESPA as well as the validity of sales associates indemnification and administrative fees.

Frank K. Cooper Real Estate #1, Inc. v. Cendant Corp. and Century 21 Real Estate Corporation (N.J. Super. Ct. L. Div., Morris County, New Jersey). In 2002, Frank K. Cooper Real Estate #1, Inc. filed a putative class action against Cendant and Cendant s subsidiary, Century 21 Real Estate Corporation (Century 21). The complaint alleges breach of certain provisions of the Real Estate Franchise Agreement entered into between Century 21 and the plaintiffs, breach of the implied duty of good faith and fair dealing, violation of the New Jersey Consumer Fraud

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Act and breach of certain express and implied fiduciary duties. The complaint alleges, among other things, that Cendant diverted money and resources from Century 21 franchisees and allotted them to NRT owned brokerages and otherwise improperly charged expenses to advertising funds. The complaint seeks unspecified compensatory and punitive damages, injunctive relief, interest, attorney s fees and costs. The New Jersey Consumer Fraud Act, if applicable, provides for treble damages, attorney s fees and costs as remedies for violation of the Act. On August 17, 2010, the court granted plaintiffs renewed motion to certify a class. The certified class includes Century 21 franchisees at any time between August 1, 1995 and April 17, 2002 whose franchise agreements contain New Jersey choice of law and venue provisions and who have not executed releases releasing the claim (unless the release was a provision of a franchise renewal agreement).

A case management order was entered on November 29, 2010 that includes, among other deadlines, a trial date of April 16, 2012. On December 20, 2010, the court held a status conference to address plaintiffs motion regarding notice to be issued to the class, the language of the notice, publication of the notice and how class members can opt out of the class. As directed by a court order, Century 21 has delivered to plaintiffs counsel and Rust Consulting, Inc. (the Notice Administrator) lists of the names and contact information for (1) franchisees that meet the class definition and (2) franchisees that would have met the class definition but for the fact that they signed a waiver of claims against Century 21. Pursuant to the court order, the Notice Administrator has advised us that the notice of pendency of the action was mailed to possible class members on March 4, 2011, and a summary of that notice has been published in various print and online media. Following many months of effort directed at class identification, the case has now moved to very active discovery on the merits. Motions were made seeking to enjoin certain Century 21 contractual practices associated with amendments or financial settlements that result in franchisees signing waivers of claims asserted on their behalf as class members in the Cooper Litigation. On June 3, 2011, the court denied these motions. Plaintiffs have filed a motion to extend discovery by 120 days and have filed a motion seeking to invalidate two categories of releases that we relied upon in excluding approximately 1,750 former franchisees from the class. Specifically, plaintiffs seek to include 250 franchisees who had signed term extension documents that the plaintiffs allege were obtained as a provision of a franchise renewal agreement. Plaintiffs also seek to include about 1,750 franchisees (including the aforementioned 250), alleging that they did not release claims against Cendant because the releases included the word affiliate rather than parent as a released party. We opposed these motions. At a hearing held on July 22, 2011, the court largely denied the motion to extend discovery and, following a hearing held on July 25, 2011, is reviewing the motion relating to the invalidation of certain releases. This class action involves substantial, complex litigation. Class action litigation is inherently unpredictable and subject to significant uncertainties. The resolution of the Cooper Litigation could result in substantial losses and there can be no assurance that such resolution will not have a material adverse effect on our results of operations, financial condition or liquidity.

Legal Cendant Corporate Litigation

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

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The Company believes that it has adequately accrued for legal matters as appropriate or, for matters not requiring accrual, believes that they will not have a material adverse effect on its results of operations, financial position or cash flows based on information currently available. However, 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. Lastly, there may be greater risk of unfavorable resolutions in the current economic environment due to various factors including the absence of other defendants (due to business failures) that may be the real cause of the liability and greater negative sentiment toward corporate defendants. 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.

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 in recording the 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.

Under the Tax Sharing Agreement with Cendant, Wyndham Worldwide and Travelport, the Company is generally responsible for 62.5% of tax liabilities that relate to income taxes imposed on Cendant and certain of its subsidiaries with respect to tax periods ending on or prior to December 31, 2006.

At June 30, 2011, the due to former parent balance of $80 million 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.

With respect to the 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. Similarly, with respect to the Company s tax liabilities, the Company believes there is appropriate support for positions taken on its own tax returns. The liabilities that have been recorded represent the best estimates of the probable loss on certain positions. The Company believes that the accruals for tax liabilities 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 outcome of tax audits are inherently uncertain. Such 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.

Contingent Liability Letter of Credit

In April 2007, the Company established a standby irrevocable letter of credit for the benefit of Avis Budget Group in accordance with the Separation and Distribution Agreement. The synthetic letter of credit was utilized to support the Company s payment obligations with respect to its share of Cendant contingent and other corporate liabilities. The stated amount of the standby irrevocable letter of credit is subject to periodic adjustment to reflect the then current estimate of Cendant contingent and other liabilities. In 2010, the Company entered into agreements with Avis Budget Group and Wyndham to reduce the letter of credit from $446 million to $123 million primarily due to Cendant s IRS tax settlement for the taxable years 2003 through 2006 and other liability adjustments. On June 23, 2011, Realogy further reduced the letter of credit to $100 million. The standby irrevocable letter of credit will be terminated if (i) the Company s senior unsecured credit rating is raised to BB by Standard and Poor s or Ba2 by Moody s or (ii) the aggregate value of the former parent contingent liabilities falls below $30 million.

Apollo Management Fee Agreement

In connection with the Merger Transaction, Apollo entered into a management fee agreement with the Company which allows Apollo and its affiliates to provide certain management consulting services to the Company through the end of 2016 (subject to possible extension). The agreement may be terminated at any time upon written notice to the Company from Apollo. The Company pays Apollo an annual management fee for this service up to the sum of the greater of $15 million or 2.0% of the Company s annual Adjusted EBITDA for the immediately preceding year, plus out-of-pocket costs and expenses in connection therewith. If Apollo elects to terminate the management fee agreement, as consideration for the termination of Apollo s services under the agreement and any additional compensation to be received, the Company has agreed to pay to Apollo the net present value of the sum of the remaining payments due to Apollo and any payments deferred by Apollo.

In addition, in the absence of an express agreement to the contrary, at the closing of any merger, acquisition, financing and similar transaction with a related transaction or enterprise value equal to or greater than $200 million, Apollo will receive a fee equal to 1% of the aggregate transaction or enterprise value paid to or provided by such entity or its stockholders (including the aggregate value of (x) equity securities, warrants, rights and options acquired or retained, (y) indebtedness acquired, assumed or refinanced and (z) any other consideration or compensation paid in connection with such transaction). The Company has agreed to indemnify Apollo and its affiliates and their directors, officers and representatives for potential losses relating to the services to be provided under the management fee agreement. Apollo waived any fees payable to it pursuant to the management fee agreement in connection with the Refinancing Transactions.

Escrow and Trust Deposits

As a service to the Company s customers, it administers escrow and trust deposits which represent undisbursed amounts received for settlements of real estate transactions. With the passage of the Dodd-Frank Act in July 2010, deposits at FDIC-insured institutions are permanently covered up to $250 thousand. In addition, the Dodd-Frank Act temporarily provides unlimited coverage for noninterest-bearing transaction accounts from December 31, 2010 through December 31, 2012. These escrow and trust deposits totaled approximately $388 million and $190 million at June 30, 2011 and December 31, 2010, respectively. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the accompanying Condensed Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

11. 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 EBITDA, which is defined as net income (loss) before depreciation and amortization, interest (income) expense, net (other than Relocation Services interest for secured assets and obligations) and income taxes, each of which is presented in the Company s Condensed Consolidated Statements of Operations. The Company s presentation of EBITDA may not be comparable to similar measures used by other companies.

	Revenues[a]			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Real Estate Franchise Services	$ 160	$ 173	$ 278	$ 295
Company Owned Real Estate Brokerage Services	884	956	1,471	1,557
Relocation Services	110	106	197	182
Title and Settlement Services	90	86	173	151
Corporate and Other[b]	(65)	(68)	(109)	(113)
Total Company	$ 1,179	$ 1,253	$ 2,010	$ 2,072

(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 $65 million and $109 million for the three and six months ended June 30, 2011, respectively, and $68 million and $113 million for the three and six months ended June 30, 2010, respectively. Such amounts are eliminated through the Corporate and Other line. Revenues for the Relocation Services segment include $11 million and $18 million of intercompany referral and relocation fees paid by the Company Owned Real Estate Brokerage Services segment during the three and six months ended June 30, 2011, respectively, and $10 million and $17 million during the three and six months ended June 30, 2010, respectively. Such amounts are recorded as contra-revenues by the Company Owned Real Estate Brokerage Services segment. There are no other material inter-segment transactions.

(b) Includes the elimination of transactions between segments.

	EBITDA			
	Three Months Ended June 30,[(a)]		Six Months Ended June 30,[(b)]	
	2011	2010	2011	2010
Real Estate Franchise Services	$ 97	$ 123	$ 159	$ 188
Company Owned Real Estate Brokerage Services	48	84	11	50
Relocation Services	32	27	42	31
Title and Settlement Services	12	11	14	6
Corporate and Other	(2)	299	(50)	280
Total Company	187	544	176	555
Less:				
Depreciation and amortization	47	49	93	99
Interest expense, net	161	155	340	307
Income tax expense	1	118	2	124
Net income (loss) attributable to Realogy	$ (22)	$ 222	$ (259)	$ 25

(a) Includes $3 million of restructuring costs offset by a net benefit of $12 million of former parent legacy items for the three months ended June 30, 2011, compared to $4 million of restructuring costs offset by a net benefit of $314 million of former parent legacy items primarily as a result of tax and other liability adjustments for the three months ended June 30, 2010.

(b) Includes $5 million of restructuring costs and $36 million related to loss on the early extinguishment of debt, partially offset by a net benefit of $14 million of former parent legacy items for the six months ended June 30, 2011, compared to $10 million of restructuring costs offset by a net benefit of $309 million of former parent legacy items primarily as a result of tax and other liability adjustments for the six months ended June 30, 2010.

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12. GUARANTOR/NON-GUARANTOR SUPPLEMENTAL FINANCIAL INFORMATION

The following consolidating financial information presents the Consolidating Balance Sheets and Consolidating Statements of Operations and Cash Flows for: (i) Domus Holdings Corp. (Holdings); (ii) its direct wholly owned subsidiary Domus Intermediate Holdings Corp. (Intermediate); (iii) its indirect wholly owned subsidiary, Realogy Corporation (Realogy); (iv) the guarantor subsidiaries of Realogy; (v) the non-guarantor subsidiaries of Realogy; (vi) elimination entries necessary to consolidate Holdings, Intermediate, Realogy and the guarantor and non-guarantor subsidiaries; and (vii) the Company on a consolidated basis. The guarantor subsidiaries of Realogy are comprised of 100% owned entities. Guarantor and non-guarantor subsidiaries are 100% owned by Realogy, either directly or indirectly. Non-guarantor entities are comprised of securitization entities, foreign subsidiaries, unconsolidated entities, insurance underwriter subsidiaries and qualified foreign holding corporations. The guarantor and non-guarantor financial information is prepared using the same basis of accounting as the consolidated financial statements except for the investments in consolidated subsidiaries which are accounted for using the equity method.

Condensed Consolidating Statement of Operations

Three Months Ended June 30, 2011

(In millions)

	Holdings	Intermediate	Realogy	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues							
Gross commission income	$	$	$	$ 873	$	$	$ 873
Service revenue				130	62		192
Franchise fees				70			70
Other				42	2		44
Net revenues				1,115	64		1,179
Expenses							
Commission and other agent-related costs				577			577
Operating				273	44		317
Marketing				53	1		54
General and administrative			13	39	4		56
Former parent legacy costs (benefit), net			(12)				(12)
Restructuring costs				3			3
Depreciation and amortization			3	44			47
Interest expense/(income), net			160	1			161
Intercompany transactions			1	(1)			
Total expenses			165	989	49		1,203
Income (loss) before income taxes, equity in earnings and noncontrolling interests			(165)	126	15		(24)
Income tax expense (benefit)			(50)	46	5		1
Equity in earnings of unconsolidated entities					(4)		(4)
Equity in (earnings) losses of subsidiaries	22	22	(93)	(13)		62	
Net income (loss)	(22)	(22)	(22)	93	14	(62)	(21)
Less: Net income attributable to noncontrolling interests					(1)		(1)
Net income (loss) attributable to Holdings and Realogy	$ (22)	$ (22)	$ (22)	$ 93	$ 13	$ (62)	$ (22)

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Condensed Consolidating Statement of Operations

Three Months Ended June 30, 2010

(In millions)

	Holdings	Intermediate	Realogy	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues							
Gross commission income	$	$	$	$ 941	$	$	$ 941
Service revenue				134	51		185
Franchise fees				81			81
Other				45	1		46
Net revenues				1,201	52		1,253
Expenses							
Commission and other agent-related costs				612			612
Operating				272	38		310
Marketing				50			50
General and administrative			15	39	3		57
Former parent legacy costs (benefit), net			(314)				(314)
Restructuring costs				4			4
Depreciation and amortization			1	47	1		49
Interest expense/(income), net			153	2			155
Other (income)/expense, net				(3)			(3)
Intercompany transactions			1	(1)			
Total expenses			(144)	1,022	42		920
Income (loss) before income taxes, equity in earnings and noncontrolling interests			144	179	10		333
Income tax expense (benefit)			(180)	291	7		118
Equity in earnings of unconsolidated entities					(8)		(8)
Equity in (earnings) losses of subsidiaries	(222)	(222)	102	(10)		352	
Net income (loss)	222	222	222	(102)	11	(352)	223
Less: Net income attributable to noncontrolling interests					(1)		(1)
Net income (loss) attributable to Holdings and Realogy	$ 222	$ 222	$ 222	$ (102)	$ 10	$ (352)	$ 222

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Condensed Consolidating Statement of Operations

Six Months Ended June 30, 2011

(In millions)

	Holdings	Intermediate	Realogy	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues							
Gross commission income	$	$	$	$ 1,448	$	$	$ 1,448
Service revenue				235	121		356
Franchise fees				121			121
Other				82	3		85
Net revenues				1,886	124		2,010
Expenses							
Commission and other agent-related costs				951			951
Operating				547	88		635
Marketing				96	1		97
General and administrative			28	92	7		127
Former parent legacy costs (benefit), net			(14)				(14)
Restructuring costs				5			5
Depreciation and amortization			4	88	1		93
Interest expense/(income), net			337	3			340
Loss on the early extinguishment of debt			36				36
Intercompany transactions			2	(2)			
Total expenses			393	1,780	97		2,270
Income (loss) before income taxes, equity in earnings and noncontrolling interests			(393)	106	27		(260)
Income tax expense (benefit)			(45)	39	8		2
Equity in earnings of unconsolidated entities					(4)		(4)
Equity in (earnings) losses of subsidiaries	259	259	(89)	(22)		(407)	
Net income (loss)	(259)	(259)	(259)	89	23	407	(258)
Less: Net income attributable to noncontrolling interests					(1)		(1)
Net income (loss) attributable to Holdings and Realogy	$ (259)	$ (259)	$ (259)	$ 89	$ 22	$ 407	$ (259)

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Condensed Consolidating Statement of Operations

Six Months Ended June 30, 2010

(In millions)

	Holdings	Intermediate	Realogy	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues							
Gross commission income	$	$	$	$ 1,529	$	$	$ 1,529
Service revenue				228	93		321
Franchise fees				136			136
Other				84	2		86
Net revenues				1,977	95		2,072
Expenses							
Commission and other agent-related costs				989			989
Operating				539	71		610
Marketing				95	1		96
General and administrative			30	100	5		135
Former parent legacy costs (benefit), net			(309)				(309)
Restructuring costs				10			10
Depreciation and amortization			3	95	1		99
Interest expense/(income), net			304	3			307
Other (income)/expense, net			(1)	(5)			(6)
Intercompany transactions			2	(2)			
Total expenses			29	1,824	78		1,931
Income (loss) before income taxes, equity in earnings and noncontrolling interests			(29)	153	17		141
Income tax expense (benefit)			(162)	276	10		124
Equity in earnings of unconsolidated entities					(9)		(9)
Equity in (earnings) losses of subsidiaries	(25)	(25)	108	(15)		(43)	
Net income (loss)	25	25	25	(108)	16	43	26
Less: Net income attributable to noncontrolling interests					(1)		(1)
Net income (loss) attributable to Holdings and Realogy	$ 25	$ 25	$ 25	$ (108)	$ 15	$ 43	$ 25

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Condensed Consolidating Balance Sheet

As of June 30, 2011

(In millions)

	Holdings	Intermediate	Realogy	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$	$	$ 4	$ 80	$ 71	$ (1)	$ 154
Trade receivables, net				106	43		149
Relocation receivables				23	405		428
Relocation properties held for sale				19			19
Deferred income taxes			7	63	(2)		68
Intercompany note receivable				32	19	(51)	
Other current assets			12	70	22		104
Total current assets			23	393	558	(52)	922
Property and equipment, net			19	151	4		174
Goodwill				2,612			2,612
Trademarks				732			732
Franchise agreements, net				2,875			2,875
Other intangibles, net				461			461
Other non-current assets			77	84	43		204
Investment in subsidiaries	(1,316)	(1,316)	8,101	171		(5,640)	
Total assets	$ (1,316)	$ (1,316)	$ 8,220	$ 7,479	$ 605	$ (5,692)	$ 7,980
Liabilities and Equity (Deficit)							
Current liabilities:							
Accounts payable	$	$	$ 9	$ 177	$ 14	$ (1)	$ 199
Securitization obligations					328		328
Intercompany note payable				19	32	(51)	
Due to former parent			80				80
Revolving credit facilities and current portion of long-term debt			236	50	8		294
Accrued expenses and other current liabilities			183	299	37		519
Intercompany payables			2,000	(1,998)	(2)		
Total current liabilities			2,508	(1,453)	417	(52)	1,420
Long-term debt			6,839				6,839
Deferred income taxes			(617)	1,498	(1)		880
Other non-current liabilities			81	58	18		157
Intercompany liabilities			725	(725)			
Total liabilities			9,536	(622)	434	(52)	9,296
Total equity (deficit)	(1,316)	(1,316)	(1,316)	8,101	171	(5,640)	(1,316)
Total liabilities and equity (deficit)	$ (1,316)	$ (1,316)	$ 8,220	$ 7,479	$ 605	$ (5,692)	$ 7,980

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Condensed Consolidating Balance Sheet

As of December 31, 2010

(In millions)

	Holdings	Intermediate	Realogy	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$	$	$ 69	$ 74	$ 51	$ (2)	$ 192
Trade receivables, net				79	35		114
Relocation receivables					386		386
Relocation properties held for sale				21			21
Deferred income taxes			15	63	(2)		76
Intercompany note receivable				13	19	(32)	
Other current assets			9	69	31		109
Total current assets			93	319	520	(34)	898
Property and equipment, net			21	162	3		186
Goodwill				2,611			2,611
Trademarks				732			732
Franchise agreements, net							