EVERSOURCE ENERGY
Form 4
February 06, 2017

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
SCHWEIGER WERNER J
(Last) (First) (Middle)
C/O EVERSOURCE ENERGY, 300 CADWELL DRIVE
(Street)
SPRINGFIELD, MA 01104
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
EVERSOURCE ENERGY [ES]

3. Date of Earliest Transaction (Month/Day/Year)
02/02/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive VP and COO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Shares, $5.00 par value	02/02/2017		A		11,703 (1)	A	$ 0	158,181 (2)	D	
Common Shares, $5.00 par value								9,716 (3)	I	401k Plan (Trustee)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price o Derivativ Security (Instr. 5)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Shares	(4)							(4)	(4)	Common Shares, $5.00 par value	107,374 (4)	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SCHWEIGER WERNER J C/O EVERSOURCE ENERGY 300 CADWELL DRIVE SPRINGFIELD, MA 01104			Executive VP and COO	

Signatures

/s/ Kerry J. Tomasevich, attorney-in-fact for Mr. Schweiger	02/06/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Grant of restricted share units (RSUs) which vests in three equal installments on February 2, 2018, 2019, and 2020. Restricted share units are distributable in Eversource Energy common shares on a one-for-one basis. RSU holders are entitled to receive dividend equivalents, exempt from line item reporting under SEC Rule 16a-11, to the same extent dividends are paid on common shares.

(2) Includes deferred shares, restricted share units and dividend equivalents thereon.

(3) Shares held in trust under the Eversource 401k Plan, a qualified plan, according to information supplied by the Plan's record keeper.

(4) Reporting Person's deferred compensation under the Eversource Deferred Compensation Plan, a non-qualified deferred compensation plan, that is nominally invested as common shares. Each phantom share represents the right to receive one Eversource Energy common share upon a distribution event, following vesting. Additional phantom shares are issued upon the automatic reinvestment of dividend-equivalents exempt from line item reporting under SEC Rule 16a-11.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. t:100%;font-family:Times New Roman,Times,serif;font-size: 10pt;">

15,678

426

2.7

%

(Gain) loss on sale or disposition of assets, net

(41)

426

467

n/m

Total operating expenses

$

Explanation of Responses:

105,347

$

95,271

$

(10,076)

(10.6)

%

Percent of revenue

65.1

%

65.6

%

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*See Note 3, Revenue for more information.

Selling, Operating and Administrative Expenses

A summary of the components of our selling, operating and administrative expenses for the nine months ended September 30, 2018 and 2017 is as follows (in thousands, except percentages):

	Nine Months Ended September 30,		Change Favorable/(Unfavorable)	
	2018	2017 As adjusted*	$	%
Selling, operating and administrative expenses:				
Personnel	$ 46,391	$ 33,582	$ (12,809)	(38.1) %
Professional fees	12,485	10,354	(2,131)	(20.6) %
Rent and related facility operations	6,864	10,398	3,534	34.0 %
Other	24,396	24,833	437	1.8 %
Total selling, operating and administrative expenses	$ 90,136	$ 79,167	$ (10,969)	(13.9) %
Percent of revenue	55.7 %	54.5 %		

*See Note 3, Revenue for more information.

Total selling, operating and administrative expenses increased as follows:

- Personnel costs increased primarily due to $3.9 million in costs, including incremental stock-based compensation expense, to support our increased investments in technology, $3.8 million in costs to support booj's operations assisting its external customers, severance of $1.8 million in connection with the retirement of the Company's former President, investments to support Motto and additional other personnel investments.
- Professional fees increased primarily due to $2.4 million in costs related to the Special Committee investigation and remediation, and investments in technology, partially offset by costs incurred during the third quarter of 2017 in connection with litigation related to our 2013 acquisition of the net assets of Tails (See Note 14, Commitments and Contingencies).
- Rent and related facility operations decreased primarily due to a $3.7 million loss recognized during the third quarter of 2017 related to subleasing a portion of our corporate office building.
- Other selling, operating and administrative expenses decreased slightly primarily due to charges in the nine months ended September 30, 2017 that did not recur, including a $2.6 million net litigation settlement related to our 2013 acquisition of the net assets of Tails (See Note 14, Commitments and Contingencies) and the refresh of

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the RE/MAX brand. Additionally, during the nine months ended September 30, 2018, we recorded an adjustment to the estimated fair value of the contingent consideration liability related to the acquisition of Full House (See Note 10, Fair Value Measurements). These aforementioned decreases were largely offset by additional costs to support booj's operations assisting its external customers, increased investments in RE/MAX of Northern Illinois and Motto and increases in expenses related to higher attendance at our annual convention in the U.S.

Depreciation and Amortization

Depreciation and amortization expense decreased primarily due to certain acquired franchise agreements reaching the end of their contractual term, partially offset by amortization expense related to intangibles acquired in connection with the acquisitions of RE/MAX of Northern Illinois and booj and a measurement adjustment recorded related to the purchase price allocation for booj. See Note 6, Acquisitions for additional information.

Other Expenses, Net

A summary of the components of our other expenses, net for the nine months ended September 30, 2018 and 2017, is as follows (in thousands, except percentages):

	Nine Months Ended September 30,		Change Favorable/(Unfavorable)	
	2018	2017	$	%
Other expenses, net:				
Interest expense	$ (8,945)	$ (7,414)	$ (1,531)	(20.7) %
Interest income	397	195	202	n/m
Foreign currency transaction (loss) gain	(162)	289	(451)	n/m
Total other expenses, net	$ (8,710)	$ (6,930)	$ (1,780)	(25.7) %
Percent of revenue	5.4 %	4.8 %		

Other expenses, net increased primarily due to an increase in interest expense as a result of increasing interest rates on our Senior Secured Credit Facility and a change in foreign currency transaction (losses) gains that were primarily a result of fluctuations of the Canadian dollar against the U.S. dollar.

Provision for Income Taxes

Our effective income tax rate decreased to 17.7% from 25.1% for the nine months ended September 30, 2018 and 2017, respectively, primarily due to the Tax Cuts and Jobs Act enacted in December 2017 which resulted in a substantial reduction in our corporate tax rate. See Note 11, Income Taxes for further information on the impact of the Tax Cuts and Jobs Act. Our effective income tax rate depends on many factors, including a rate benefit attributable to the fact that the portion of RMCO's earnings attributable to the non-controlling interests are not subject to corporate-level taxes because RMCO is classified as a partnership for U.S. federal income tax purposes and therefore is treated as a "flow through entity," as well as annual changes in state and foreign income tax rates. See Note 4, Non-controlling Interest for further details on the allocation of income taxes between RE/MAX Holdings and the non-controlling interest.

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest, which represents the portion of earnings attributable to the economic interest in RMCO held by RIHI, increased $2.0 million primarily due to an increase in RMCO's net income during the nine months ended September 30, 2018 compared to September 30, 2017.

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Adjusted EBITDA

See "—Non-GAAP Financial Measures" for our definition of Adjusted EBITDA and for further discussion of our presentation of Adjusted EBITDA as well as a reconciliation of Adjusted EBITDA to net income, which is the most comparable GAAP measure for operating performance.

Adjusted EBITDA was $81.1 million for the nine months ended September 30, 2018, an increase of $4.5 million from the comparable prior year period. Adjusted EBITDA increased primarily due to contributions from the acquisition of RE/MAX of Northern Illinois, agent count growth, rising average home prices and the impact of having waived continuing franchise fees and broker fees for hurricane-impacted associates during the third quarter of 2017, partially offset by increased investments in personnel and technology, severance of $1.8 million in connection with the retirement of the Company's former President, additional costs to support booj's operations assisting its external customers and increased investments in Motto.

Non-GAAP Financial Measures

The Securities and Exchange Commission ("SEC") has adopted rules to regulate the use in filings with the SEC and in public disclosures of financial measures that are not in accordance with U.S. GAAP, such as Adjusted EBITDA and the ratios related thereto. These measures are derived on the basis of methodologies other than in accordance with U.S. GAAP.

We define Adjusted EBITDA as EBITDA (consolidated net income before depreciation and amortization, interest expense, interest income and the provision for income taxes, each of which is presented in our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q), adjusted for the impact of the following items that are either non-cash or that we do not consider representative of our ongoing operating performance: loss or gain on sale or disposition of assets and sublease, equity-based compensation expense, acquisition-related expense, Special Committee investigation and remediation expense, expense or income related to changes in the estimated fair value measurement of contingent consideration and other non-recurring items. During the first quarter of 2018, we revised our definition of Adjusted EBITDA to better reflect the performance of our business. We now adjust for expense or income related to changes in the estimated fair value measurement of contingent consideration as these are non-cash items that management believes are not reflective of operating performance. Adjusted EBITDA was revised in prior periods to reflect this change for consistency in presentation.

Because Adjusted EBITDA omits certain non-cash items and other non-recurring cash charges or other items, we believe that it is less susceptible to variances that affect our operating performance resulting from depreciation, amortization and other non-cash and non-recurring cash charges or other items. We present Adjusted EBITDA, and the related Adjusted EBITDA margin, because we believe they are useful as supplemental measures in evaluating the performance of our operating businesses and provides greater transparency into our results of operations. Our management uses Adjusted EBITDA and Adjusted EBITDA margin as factors in evaluating the performance of our business.

Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, and you should not consider these measures either in isolation or as a substitute for analyzing our results as reported under U.S. GAAP. Some of these limitations are:

- these measures do not reflect changes in, or cash requirements for, our working capital needs;
- these measures do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- these measures do not reflect our income tax expense or the cash requirements to pay our taxes;

- these measures do not reflect the cash requirements to pay dividends to stockholders of our Class A common stock and tax and other cash distributions to our non-controlling unitholders;
- these measures do not reflect the cash requirements pursuant to the Tax Receivable Agreements (“TRAs”);

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· although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often require replacement in the future, and these measures do not reflect any cash requirements for such replacements;
· although equity-based compensation is a non-cash charge, the issuance of equity-based awards may have a dilutive impact on earnings per share; and
· other companies may calculate these measures differently, so similarly named measures may not be comparable.

A reconciliation of Adjusted EBITDA to net income for the three and nine months ended September 30, 2018 and 2017 is set forth in the following table (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 As adjusted*	2018	2017 As adjusted*
Net income	$ 15,541	$ 7,290	$ 39,299	$ 32,217
Depreciation and amortization	5,608	4,286	15,252	15,678
Interest expense	3,050	2,598	8,945	7,414
Interest income	(180)	(145)	(397)	(195)
Provision for income taxes	3,420	3,021	8,429	10,786
EBITDA	27,439	17,050	71,528	65,900
(Gain) loss on sale or disposition of assets and sublease, net(1)	(5)	3,980	(146)	3,859
Equity-based compensation expense	2,717	868	6,141	2,161
Acquisition-related expense(2)	141	3,566	1,628	4,398
Special Committee investigation and remediation expense(3)	111	—	2,761	—
Fair value adjustments to contingent consideration(4)	(940)	420	(860)	250
Adjusted EBITDA	$ 29,463	$ 25,884	$ 81,052	$ 76,568

*See Note 3, Revenue for more information.

(1) Represents (gain) loss on the sale or disposition of assets as well as the (gains) losses on the sublease of a portion of our corporate headquarters office building.
(2) Acquisition-related expense includes legal, accounting, advisory and consulting fees incurred in connection with the acquisition and integration of acquired companies.
(3) Special Committee investigation and remediation expense relates to costs incurred in relation to the previously disclosed investigation by the special committee of independent directors of actions of certain members of our senior management and the implementation of the remediation plan.
(4) Fair value adjustments to contingent consideration include amounts recognized for changes in the estimated fair value of the contingent consideration liability related to the acquisition of Full House. See Note 10, Fair Value Measurements for additional information.

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Liquidity and Capital Resources

Overview of Factors Affecting Our Liquidity

Our liquidity position is affected by the growth of our agent base and conditions in the real estate market. In this regard, our short-term liquidity position from time to time has been, and will continue to be, affected by the number of agents in the RE/MAX network among other factors. Our cash flows are primarily related to the timing of:

(i) cash receipt of revenues;
(ii) payment of selling, operating and administrative expenses, including investment to grow Motto;
(iii) cash consideration for acquisitions and acquisition-related expenses;
(iv) principal payments and related interest payments on our Senior Secured Credit Facility;
(v) investments in technology;
(vi) dividend payments to stockholders of our Class A common stock;
(vii) distributions and other payments to non-controlling unitholders pursuant to the terms of RMCO's fourth amended and restated limited liability company operating agreement ("the New RMCO, LLC Agreement");
(viii) corporate tax payments paid by the Company; and
(ix) payments to the TRA parties pursuant to the TRAs.

We have satisfied these needs primarily through our existing cash balances, cash generated by our operations and funds available under our Senior Secured Credit Facility.

Financing Resources

On December 15, 2016, RMCO and RE/MAX, LLC, a wholly owned subsidiary of RMCO, entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and various lenders party thereto (the "Senior Secured Credit Facility"). The Senior Secured Credit Facility provides to RE/MAX, LLC $235.0 million in term loans and a $10.0 million revolving facility.

The Senior Secured Credit Facility requires RE/MAX, LLC to repay term loans and reduce revolving commitments with (i) 100.0% of proceeds of any incurrence of additional debt not permitted by the Senior Secured Credit Facility, (ii) 100.0% of proceeds of asset sales and 100.0% of amounts recovered under insurance policies, subject to certain exceptions and a reinvestment right and (iii) 50.0% of excess cash flow at the end of the applicable fiscal year if RE/MAX, LLC's total leverage ratio as defined in the Senior Secured Credit Facility is in excess of 3.25:1.00, with such percentage decreasing as RE/MAX, LLC's leverage ratio decreases.

The Senior Secured Credit Facility is guaranteed by RMCO and RE/MAX of Western Canada (1998), LLC, a wholly owned subsidiary of RE/MAX, LLC, and is secured by a lien on substantially all of the assets of RMCO, RE/MAX, LLC and each guarantor.

Borrowings under the term loans and revolving loans accrue interest, at London Interbank Offered Rate ("LIBOR"), provided that LIBOR shall be no less than 0.75% plus an applicable margin of 2.75%.

The Senior Secured Credit Facility provides for customary restrictions on, among other things, additional indebtedness, liens, dispositions of property, dividends, transactions with affiliates and fundamental changes such as mergers, consolidations and liquidations. With certain exceptions, any default under any of our other agreements evidencing indebtedness in the amount of $15.0 million or more constitutes an event of default under the Senior Secured Credit Facility.

Explanation of Responses:

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The Senior Secured Credit Facility restricts the aggregate acquisition consideration for permitted acquisitions, in a situation in which RE/MAX, LLC would not be in pro forma compliance with a 3.5:1.0 total leverage ratio (based on how such term is defined therein), to $100.0 million in any fiscal year. The Senior Secured Credit Facility also provides for incremental facilities, subject to lender participation, as long as the total leverage ratio (calculated as net debt to EBITDA as defined therein) remains below 4.00:1.00.

As of September 30, 2018, RE/MAX, LLC had $227.6 million of term loans outstanding, net of an unamortized discount and issuance costs, $0.8 million of long-term financing assumed with the acquisition of booj and no revolving loans outstanding under our Senior Secured Credit Facility. If any loan or other amounts are outstanding under the revolving line of credit, the Senior Secured Credit Facility requires compliance with a leverage ratio and an interest coverage ratio. A commitment fee of 0.5% per annum accrues on the amount of unutilized revolving line of credit.

Sources and Uses of Cash

As of September 30, 2018 and December 31, 2017, we had $51.3 million and $50.8 million, respectively of cash and cash equivalents, of which approximately $0.9 million and $0.8 million were denominated in foreign currencies, respectively.

The following table summarizes our cash flows from operating, investing, and financing activities (in thousands):

	Nine Months Ended September 30,		
	2018	2017	Change
Cash provided by (used in):			
Operating activities	$ 57,022	$ 53,440	$ 3,582
Investing activities	(31,204)	(1,781)	(29,423)
Financing activities	(25,344)	(26,408)	1,064
Effect of exchange rate changes on cash	(18)	1,076	(1,094)
Net change in cash and cash equivalents	$ 456	$ 26,327	$ (25,871)

Operating Activities

During the nine months ended September 30, 2018, cash provided by operating activities increased primarily as a result of:

- an increase in Adjusted EBITDA of $4.5 million;
- a decrease of $2.2 million in TRA payments in the current year period versus the prior-year period; and
- timing differences on various operating assets and liabilities.

The increase in cash provided by operating activities was partially offset by the February 2018 net payment of $2.6 million to satisfy the terms of a litigation settlement in which no comparable transactions occurred in the prior-year period.

Investing Activities

During the nine months ended September 30, 2018, cash used in investing activities increased primarily as a result of the acquisition of booj, investments in training materials and cash used for technology investments.

Financing Activities

During the nine months ended September 30, 2018 cash used in financing activities decreased primarily due to a decrease in distributions paid to non-controlling unitholders due to tax changes arising from the Tax Cuts and Jobs Act enacted in December 2017, offset by an increase in cash paid to Class A common stockholders and non-controlling unitholders due to our Board of Directors declaring a dividend of $0.20 per share on all outstanding shares of Class A

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common stock in the first three quarters of 2018 compared to a dividend of $0.18 per share on all outstanding shares of Class A common stock in the first three quarters of 2017 as well as an increase in cash paid related to financing assumed with the acquisition of booj.

Capital Allocation Priorities

Liquidity

Our objective is to maintain a strong liquidity position. We have existing cash balances, cash flows from operating activities, access to our revolving line of credit and incremental facilities under our Senior Secured Credit Facility available to support the needs of our business.

Acquisitions

As part of our growth strategy we may pursue reacquisitions of Independent Regions in the U.S. and Canada as well as additional acquisitions or investments in complementary businesses, services and technologies that would provide access to new markets or customers, or otherwise complement our existing operations. We would fund any such growth with existing cash balances, funds generated from operations and access to our revolving line of credit and incremental facilities under our Senior Secured Credit Facility.

Capital Expenditures

The total aggregate amount for purchases of property and equipment and capitalization of developed software and trademark costs was $5.3 million and $1.7 million during the nine months ended September 30, 2018 and 2017, respectively. These amounts primarily related to investments in technology and training materials. In order to expand our technological capabilities, we plan to continue to re-invest in our business in order to improve operational efficiencies and enhance the tools and services provided to the franchisees and agents in our network. Total capital expenditures for 2018 are expected to be between $8.0 million and $9.0 million as a result of increased investments in technology. See Financial and Operational Highlights above for additional information.

Dividends

Our Board of Directors declared and paid quarterly cash dividends of $0.20 per share on all outstanding shares of Class A common stock during the first three quarters of 2018, as disclosed in Note 5, Earnings Per Share and Dividends. On October 31, 2018, our Board of Directors declared a quarterly cash dividend of $0.20 per share on all outstanding shares of Class A common stock, which is payable on November 28, 2018 to stockholders of record at the close of business on November 14, 2018. The declaration of additional future dividends, and, if declared, the amount of any such future dividend, will be subject to our actual future earnings and capital requirements and will be at the discretion of our Board of Directors; however, we currently intend to continue to pay a cash dividend on shares of Class A common stock on a quarterly basis.

Distributions and Other Payments to Non-controlling Unitholders by RMCO

Distributions to Non-Controlling Unitholders Pursuant to the New RMCO, LLC Agreement

As authorized by the New RMCO, LLC Agreement, RMCO makes cash distributions to its unitholders, RE/MAX Holdings and RIHI, also referred to as its members. In accordance with the New RMCO, LLC Agreement, distributions are required to be made by RMCO to its members on a pro-rata basis in accordance with each members' ownership percentage in RMCO. These distributions have historically been either in the form of payments to cover its members' estimated tax liabilities, dividend payments, or payments to ensure pro-rata distributions have occurred.

Throughout the year until completion of its tax returns with respect to such year, RMCO may pay required or pro-rata true-up distributions to its members, if cash is available for such purposes, with respect to actual taxable income for the year. See Note 4, Non-controlling Interest for further details on distributions made by RMCO.

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Payments Pursuant to the Tax Receivable Agreements

As of September 30, 2018, the Company reflected a total liability of $48.2 million under the terms of its TRAs. The liability pursuant to the TRAs will increase in the future upon future exchanges by RIHI of RMCO common units, with the increase representing 85% of the estimated future tax benefits, if any, resulting from such exchanges. We receive funding from RMCO in order to fund the payment of amounts due under the TRAs.

The actual payments, and associated tax benefits, will vary depending upon a number of factors, including the timing of exchanges by RIHI, the price of our Class A common stock at the time of such exchanges, the amount and timing of the taxable income we generate in the future and the tax rate then applicable.

Distributions and other payments pursuant to the New RMCO, LLC Agreement and TRAs in the nine months ended September 30, 2018 and 2017 were comprised of the following (in thousands):

	Nine Months Ended September 30, 2018	2017
Distributions and other payments pursuant to the New RMCO, LLC Agreement:		
Required distributions for taxes and pro rata distributions as a result of distributions to RE/MAX Holdings in order to satisfy its estimated tax liabilities	$ 3,723	$ 7,430
Dividend distributions	7,536	6,783
Total distributions to RIHI	11,259	14,213
Payments pursuant to the TRAs	5,047	7,296
Total distributions to RIHI and TRA payments	$ 16,306	$ 21,509

Commitments and Contingencies

Except for the outstanding lease guarantees acquired in connection with the dispositions of our previously owned brokerages as disclosed in Note 14, Commitments and Contingencies our management does not believe there are any other matters involving us that could result, individually or in the aggregate, in a material adverse effect on our financial condition, results of operations and cash flows.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements as of September 30, 2018.

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Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates. Our Critical Accounting Judgments and Estimates disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Judgments and Estimates” in our 2017 Annual Report on Form 10-K for which there were no material changes, included:

- Goodwill
- Franchise Agreements and Other Intangible Assets
- Purchase Accounting for Acquisitions
- Contingent Consideration
- Income Tax Accounting
- Deferred Tax Assets and TRA Liability
- General Litigation Matters

New Accounting Pronouncements

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize the assets and liabilities that arise from all leases on the consolidated balance sheets. ASU 2016-02 is required to be adopted by us on January 1, 2019. We plan to elect the transition method per ASU 2018-11 and apply the new lease standard at adoption and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and will not retrospectively recast prior periods presented. We have several building leases and other smaller leases for which we are still assessing the application of this standard. We have not yet determined the exact effect of the standard on our consolidated financial statements and related disclosures but we expect a material increase in both “Total assets” and “Total liabilities” on the Condensed Consolidated Balance Sheets upon implementation primarily related to building leases.

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Item 3. Quantitative and Qualitative Disclosures About Market Risks

We have operations both within the U.S. and globally and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To reduce certain of these risks, we monitor the financial condition of our large franchisees. In addition, our investment strategy has been to invest in financial instruments that are highly liquid and mature within three months from the date of purchase. We do not currently use derivative instruments to mitigate the impact of our market risk exposures nor do we use derivatives for trading or speculative purposes.

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings under our Senior Secured Credit Facility which bear interest at variable rates. At September 30, 2018, $230.3 million in term loans were outstanding under our Senior Secured Credit Facility. As of September 30, 2018, the undrawn borrowing availability under the revolving line of credit under our Senior Secured Credit Facility was $10.0 million. We currently do not engage in any interest rate hedging activity, but given our variable rate borrowings, we monitor interest rates and if appropriate, may engage in hedging activity prospectively. The interest rate on our Senior Secured Credit Facility entered into in December 2016 is currently based on LIBOR, subject to a floor of 0.75%, plus an applicable margin of 2.75%. As of September 30, 2018, the interest rate was 4.99%. If LIBOR rises, then each hypothetical 0.25% increase would result in additional annual interest expense of $0.6 million.

Currency Risk

We have a network of global franchisees in over 100 countries and territories. Fluctuations in exchange rates of the U.S. dollar against foreign currencies can result, and have resulted, in fluctuations in (a) revenue and operating income due to a portion of our revenue being denominated in foreign currencies and (b) foreign exchange transaction gains and losses due primarily to cash and accounts receivable balances denominated in foreign currencies, with the Canadian dollar representing the most significant exposure. We currently do not engage in any foreign exchange hedging activity of our revenues but may do so in the future; however, we actively convert cash balances into U.S. dollars to mitigate currency risk on cash positions. During the three and nine months ended September 30, 2018, a hypothetical 5% strengthening/weakening in the value of the U.S. dollar compared to the Canadian dollar would have resulted in a decrease/increase to operating income of approximately $0.3 million and $0.8 million, respectively.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that as of September 30, 2018 our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting described below.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As discussed in the Company's 2017 Annual Report on Form 10-K, management has determined that the Company did not have an effective risk assessment process to identify and assess the financial reporting risks related to benefits provided by principal stockholders. As a consequence, the Company did not have effective controls and training of personnel over the identification and communication of related party transactions to financial reporting personnel, management and the Board, as appropriate, to identify and evaluate recognition, measurement and disclosure of such transactions. These control deficiencies resulted in misstatements in the consolidated financial statements that were corrected in current and prior periods as discussed in the Company's 2017 Annual Report on Form 10-K. These control deficiencies create a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis, and, therefore, management concluded that the control deficiencies represent a material weakness in our internal control over financial reporting and our internal control over financial reporting was not effective as of September 30, 2018.

Notwithstanding the material weakness, management believes the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company's financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Remediation Plans

To remediate the material weakness in internal control over financial reporting, we have made several changes, including the following:

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adopted additional policies and procedures for reviewing and approving transactions involving our senior management and controlling stockholder;

- strengthened our process for ensuring the Company has a complete and accurate accounting of all related party transactions involving principal stockholders;
- provided additional training to all officers and Directors related to reporting and review of certain transactions; and
- adopted enhanced procedures for the review by our Chief Compliance Officer and Board of Directors of related party transactions.

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These changes have been implemented throughout the Company. However, the material weakness will not be considered fully remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect the remediation will be completed in 2018, but there can be no assurance that we will meet this goal and we may also conclude that additional measures are required to remediate the material weakness which may necessitate additional implementation and evaluation time.

Changes in Internal Control over Financial Reporting

Except as related to the material weakness and remedial measures described above, there have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during our third quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are involved in litigation, claims and other proceedings relating to the conduct of our business. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. We do not believe we have any currently pending litigation of which the outcome will have a material adverse effect on our business, financial condition or operations; however, litigation and other claims and regulatory proceedings against us could result in unexpected expenses and liability and could also materially adversely affect our operations and our reputation.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, please see "Risk Factors" in our 2017 Annual Report on Form 10-K. In addition, the risk factor below updates the risk factors described in our 2017 Annual Report on Form 10-K. Except as discussed below, there have been no material changes in our risk factors as disclosed in our 2017 Annual Report on Form 10-K.

RIHI has substantial influence over us including over decisions that require the approval of stockholders, and its interest in our business may conflict with yours.

RIHI is controlled by David Liniger, our current Chairman and Co-Founder, and Gail Liniger, our Vice Chair and Co-Founder, respectively, and holds approximately 42% of the combined voting power of our capital stock through its ownership of 100% of our outstanding Class B common stock. Therefore RIHI has the ability to significantly influence all matters submitted to a vote of our stockholders.

In addition, RIHI's entire economic interest in us is in the form of its direct interest in RMCO through the ownership of RMCO common units, the payments it may receive from us under its tax receivable agreement and the proceeds it may receive upon any redemption of its RMCO common units, including issuance of shares of our Class A common stock upon any such redemption and any subsequent sale of such Class A common stock. As a result, RIHI's interests may conflict with the interests of our Class A common stockholders. For example, RIHI may have a different tax position from us which could influence its decisions regarding certain transactions, especially in light of the existence of the tax receivable agreements that we entered into in connection with our IPO, including whether and when we should terminate the tax receivable agreements and accelerate our obligations thereunder. In addition, RIHI could have an interest in the structuring of future transactions to take into consideration its tax or other considerations, even in situations where no similar considerations are relevant to us.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

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Exhibit No.	Exhibit Description	Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation	10-Q	001-36101	11/14/2013	3.1	
3.2	Bylaws of RE/MAX Holdings, Inc.	8-K	001-36101	2/22/2018	3.1	
4.1	Form of RE/MAX Holdings, Inc.'s Class A common stock certificate.	S-1	333-190699	9/27/2013	4.1	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

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SIGNATURES

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

		RE/MAX Holdings, Inc.	
		(Registrant)	
Date:	November 2, 2018	By:	/s/ Adam M. Contos Adam M. Contos Chief Executive Officer (Principal Executive Officer)
Date:	November 2, 2018	By:	/s/ Karri R. Callahan Karri R. Callahan Chief Financial Officer (Principal Financial Officer)
Date:	November 2, 2018	By:	/s/ Brett A. Ritchie Brett A. Ritchie Chief Accounting Officer (Principal Accounting Officer)