

Indiana Regional MLS General Information Talking Points – June 2012

The following 16 leading boards are engaged in the initiative to create the Indiana Regional MLS. They are the “Founders” representing about 5,000 REALTORS® with the current intention of creating a new streamlined regional MLS in September 2012. The business plan and governing documents were made available June 20.

1. Bedford Board of REALTORS® FBS flexmls (current MLS system)
2. Bloomington Board of REALTORS - Innovia
3. Crossroads Association - Paragon
4. Elkhart County Board - Paragon
5. Greater South Bend-Mishawaka Association - MLXchange
6. Jackson County Board - Paragon
7. Kosciusko Board - Paragon
8. Lafayette Regional Association - Paragon
9. Mid-Eastern Indiana Board - Paragon
10. Muscatatuck Board – uses Crossroads MLS
11. North Central Indiana Association - Innovia
12. Northeastern Indiana Association - Paragon
13. REALTOR Association of Central Indiana (RACI) – Innovia
14. Southwest Indiana Association (Evansville) – Solid Earth
15. Upstate Alliance (Fort Wayne) – Paragon
16. White County Association - SEI

The Indiana Regional MLS embodies the future of MLS organizations everywhere, representing a more cost-effective new service, a cooperative effort, which is bigger and better than any of the current individual systems. The Indiana Regional MLS is a platform that makes it easier and less expensive for members to conduct business and make money. Access to the Indiana Regional MLS will be available to all REALTORS® through its Founder boards.

The new company (LLC) will be formed in September 2012 and will launch its operations in the first quarter of 2013, initially with at least 3 participating boards. As each succeeding Founder board switches over to the new regional system and replaces the prior MLS contract, that association will realize the cost savings associated with bulk technology purchase agreements, most significantly with the Paragon MLS system provided by LPS, a national MLS vendor used by many MLSs in Indiana and 215 others across the county.

In a nutshell, here is the new Indiana Regional MLS:

- One MLS and a single MLS system for all REALTORS®, brokers, agents and appraisers who choose to participate with a Founder board
- All listings entered, maintained and searchable in one system
- Common MLS and IDX Rules, policies and enforcement
- Common listing input sheets, forms and associated documents
- One-stop shopping for data feeds of all listings for IDX and broker back-office
- One MLS fee for access – Principle Broker chooses which board (fees will vary)

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Services – specifically what's included?

- ✓ Regional MLS system, Paragon from LPS, same software used now by nine Founders, but with a new look and feel to support broader and future needs
- ✓ Support for mobile phones, iPads and other tablets
- ✓ Associated Documents - disclosure forms and other attachments for easy access
- ✓ IDX smart-framing for office and agent websites, using RETS
- ✓ Consumer-facing listing website sponsored by REALTORS®
- ✓ Listing Syndication under broker control
- ✓ Basic Virtual Tours
- ✓ Data Share with other regional MLSs possible
- ✓ Online training, i.e. webinars and videos
- ✓ Local telephone support and training if offered by local board
- ✓ Logon Security by Clarity to manage access for paying subscribers only
- ✓ Paragon toll-free technical support for end-users

The future includes a second phase of additional enhancements and services such as integrated public records. Reciprocal lockboxes and keys are a short-term goal and we envision one unified platform in the long-term. Lockboxes and keys, however, will remain a service of the local associations for the foreseeable future, due to the differences in product technology and financing.

The Business Plan and the supporting Operating Agreement were developed based on input and guidance from a Workgroup of your peers, consisting of 3 representatives from each of the 16 Founder boards. The team includes advisor Kevin McQueen, President of Focus Forward (who serves as facilitator for the group) and the attorney for the process, Brian Larson, who authored the custom governing documents. Once the new BOD is seated in September 2012, the Indiana Regional MLS is scheduled to launch in the first quarter of 2013, as a cooperatively owned MLS, which will provide complete MLS services to Founder boards and their members.

Here's how it will work:

- The Indiana Regional MLS will leverage its buying power to contract with technology vendors and charge each board a per user wholesale fee
- In turn, each local board will determine its own MLS fee and manage billing and collections of MLS fees from its members. Principal Brokers and owners will decide where to obtain MLS services for their firm through an association of their choice, making that choice based on location, pricing, and service options offered by the boards. This business approach has been utilized successfully by many other regional MLSs operating in the same manner.
- Associations are not expected to receive dividends or distributions from the regional organization, since each one sets its own MLS fee for access to the regional MLS. Each Association has the option of adding to the wholesale MLS fee for additional income it may need to sustain its operations.

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The benefits of the recommended approach to the Indiana Regional MLS are many:

- Lower prices through bulk purchasing of vendor and technology services, due to an increased size of a single, common entity
- Autonomy of the local board in collection of fees and administration of policies
- Single data entry and access to all data, which is especially meaningful in overlapping market areas and for multi-office firms
- Choices in board membership based on quality of service and pricing
- Members are concerned about rising prices, duplication of services, and inefficiency. It is the intent of the Indiana Regional MLS to address these issues, while at the same time, provide better member services at lower costs.

The Indiana Regional MLS will be **governed by its Board of Directors**, consisting of one director appointed by each Founder with the exception of The Upstate Alliance (Ft. Wayne) and Southwest (Evansville), which will each have two directors. There will be a total of 18 directors of the Indiana Regional MLS, a manageable size.

A separate **MLS Advisory Board** will provide the users with a voice. They will make recommendations to the BOD for improvements to the system and policies and will support the direction set by the BOD. Approximately 12 members will be appointed by the BOD, representing various geographic areas and bringing a good understanding of various local business practices. The Advisory Board will be important to the regional MLS, informing the Directors of local issues and proposing improvements to the organization.

The **General Manager** – the GM is a non-voting Executive who will oversee the start-up activities and day-to-day operations of the regional. The GM is one of the current association execs, appointed by the BOD for a one-year position beginning in September 2012.

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Wholesale cost to Founder boards, assumptions and projected operating expenses:

- The regional MLS is not designed to generate significant taxable income or pay income taxes. The intention is to operate on a pass-thru basis. The regional MLS will need start-up capital to pay bills prior to launching the new site.
- The regional MLS will have monthly expenses, which will be charged back to the Founder boards monthly, based on the number of active MLS Subscribers for each Founder board:
 - LPS Paragon MLS system - 5,000 users - \$5.25 (same as 2011 proposal)
 - 15 MLS conversions, significantly more than forecast in 2011 - \$0.60
 - Paragon end-user support, currently used by Paragon users - \$1.00
 - Clarity Logon Security to ensure that everyone is paying for access - \$1.35
 - Professional advisors: legal, financial and MLS advisor for 2013 only - \$0.67
 - Business expenses directly related to running the regional MLS including the General Manager, PM for MLS conversions, BOD meetings - \$1.68

Total projected wholesale cost: \$10.55

Note: negotiations are not complete.

What are the anticipated expense reductions or elimination for my board?

- Local MLS contract will be replaced, eliminating direct costs to MLS vendor(s)
- Data Sharing costs for (5) AREX boards - \$3.25 /subscriber per month
- Virtual Tours, IDX Smart Framing, mobile
- Consumer-facing listing websites (\$0 - \$27,000 annually per board based on feedback so far)
- Other services currently offered that will move to regional / dropped by local boards
- MLS vendor management and communications (up to 1,300 staff hours per year @ avg. loaded cost \$30/hr. \$39,000 per board)
- Management and support of MLS Board or committee, meetings, agendas/minutes (up to 780 staff hours per year - \$23,400)

When considering the financial impact, each board must look at all of the MLS-related costs including the MLS vendor fees which are replaced with the wholesale fee from the regional MLS. Other costs (above) should also be considered. As a result, association staff can focus more time on other association services, which may have become a lower priority in the past.

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The reasons to participate in the Indiana Regional MLS are many and more than just financial. They include building a bigger and better MLS and providing members with the new and improved tools and information they need to sell more homes and make money. In the end, this is a sound survival strategy for navigating the big shifts taking place in organized real estate.

A financial worksheet will be available to each Founder to determine the specific financial impacts.

When does my board switchover to the new system? The order for 15 transitions will be determined based on the following business criteria:

- GM and MLS Project Manager boards will be early adaptors
- 2013 Q1: likely to convert 3-4 existing LPS Paragon customers and leverage their knowledge of the system; for early momentum and many success stories.
- 2013 Q2: Bloomington, South Bend and Evansville have contract deadlines.
- 2013 Q3 and ongoing: the rest ASAP for increased access / improved services

What's Next – Recommended Steps - Now that the Business Plan and Operating Agreement have been distributed, it's time to begin educating BODs, association staff and brokers. Share this Talking Points document and the Business Plan with leadership and your broker customers to get their input. The process is open and fluid and so are the documents; anticipate updates and improvements between now and July 31. Hold open discussions and gather questions and concerns. For answers, send them to indiana@kevinmcqueen.com.

Some associations are already holding broker meetings to inform, educate and gain their perspectives. Most associations are scheduling joint meetings of their boards of directors, to have the discussion in the open, one-time, rather than holding many separate meetings.

In July-August (and before August 31), each association is expected to vote on becoming a signatory to the Operating Agreement. This is a requirement to join in with the other Founders. When the new company is launched in September, each Founder will select their director(s) and the new BOD will begin doing the good work of the Indiana Regional MLS in the fourth quarter, 2012. Operations are expected to begin in Q1 2013.

Let us know what you need to know to make an informed decision at indiana@kevinmcqueen.com or (248) 374-1045.