



CONNECTICUT MULTIPLE LISTING SERVICE, INC.

Business Plan

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Connecticut Multiple Listing Service, Inc.

Business Plan

INTRODUCTION

This document describes the planned startup and continuing operation of the Connecticut Multiple Listing Service, Inc. (CTMLS). It also presents the assumptions and financial analysis incorporated in the plan. The overall plan is to migrate the MLS of the Eastern Connecticut Association of REALTORS® (ECAR) and the Connecticut Co-op MLS to the new CTMLS entity. However, CTMLS will, on a continuous basis, actively recruit REALTORS® from around the state of Connecticut who are not currently members of ECAR or the Co-op.

Startup and Ongoing Operations

1. **Ownership** - CTMLS will convert to a Connecticut non-stock corporation owned by the Connecticut Association of REALTORS®. An advantage of Association/Board ownership is that coverage can be provided under NAR's E&O blanket insurance policy. Additionally, NAR might, under certain circumstances, participate in the defense of lawsuits against CTMLS.
2. **Governance** - CTMLS will continue to be governed by a Board of Directors as specified in its current Bylaws.
3. **Hours of Operation and User Hotline Support** - CTMLS will operate from 8:30 AM to 6:00 PM, Monday through Friday, exclusive of holidays. There will be no need for weekend hours since user toll-free hotline support will be provided by First American MLS Solutions (FAMLSS). This hotline support, known as AnswerLink, will be provided:
 - ❑ Monday to Friday, 8:30 AM to 8:00 PM
 - ❑ Saturday and Sunday, 8:30 AM to 3:30 PM

With AnswerLink, onsite hotline technical support at CTMLS is not required, but if a subscriber places a call for help to CTMLS, the CTMLS staff will attempt to assist the subscriber before suggesting that they call the AnswerLink hotline. AnswerLink will negate the need to provide dedicated computers, high speed broadband communications or associated software to the homes of any CTMLS staff members for monitoring operations while at home.

4. **Staffing** - CTMLS will have a staff of nine led by a Chief Executive Officer (CEO) who will report to the Board of Directors. CTMLS will not consider any existing Association/Board of REALTORS®/MLS Executive or any other Association Executive with prior MLS history in Connecticut for the CEO position.

In the initial stage of CTMLS operations, a temporary, up to 5-member Management Council will be formed to assist the Board of Directors and the CEO. Until a CEO is hired, the Management Council will report to the Board of Directors. Upon hiring, the Management Council will report to the CEO.

The members of the Management Council will consist of Association Executives and/or MLS Executives that represent all areas of the state. The chairman of the Management Council will be John Bolduc, RCE, Association Executive of ECAR.

The duties of the Management Council will be as defined by the Board of Directors. However they will include, but not be limited to:

- Surveying of existing Connecticut MLSs that will potentially be migrating to CTMLS to identify assets that can be used by CTMLS. Special attention will be paid to software currently operating in the MLSs to determine if any will be relevant to CTMLS and if possible, what will be the process and cost to transfer the licenses of such software to CTMLS. Specific software to be looked at includes, but is not limited to,
 - Rapattoni association management software (Magic),
 - Heat customer relationship management software,
 - LANDesk remote desktop sharing software,
 - Revation online chat software,
 - REI Data listing accuracy verification software,
 - ThreeWide data security software,
 - Form-Docs online fillable forms software,
 - Current operating systems, office productivity software, Exchange Server and Web Server.
- Surveying of the current Co-op partners to identify any staff that could be acquired by CTMLS.

5. **Initial Training** - The training of all subscribers to CTMLS will be conducted by First American Multiple Listing Service Solutions (FAMLSS), but because of the number of people to be trained, these training sessions might not be held at the Service Centers. This training will only cover MLXchange and not new member orientation. New member orientation will be the responsibility of the Service Centers.

6. **Ongoing Training** - All ongoing training will be conducted at the Service Centers. There will be no training facilities at the location of CTMLS.

All new subscribers to CTMLS will be required to attend a training session to be coordinated by the Service Centers. These training sessions will cover the Rules and Regulations of CTMLS and the use of MLXchange. This training will be conducted by CTMLS trainers who can bring some laptop PCs to the training sessions.

7. **Data Conversion** - Electronic data conversion of listings from the MLS systems of ECAR and the Co-op at the time of their migration to CTMLS will be handled automatically by FAMLSS.

8. **Service Centers** - CTMLS views its relationship with the Service Centers as a partnership, which is intended to provide all common members with high quality MLS service and support. The Service Centers will be responsible for providing services and facilities as stipulated in the Service Center agreement between Associations and CTMLS. CTMLS will not be required to provide any equipment, software or high speed broadband communications to the Service Centers. Service Centers are responsible for subscriber sign up and authentication of their REALTOR® status. They may choose to input agent listings as a service to subscribers and at a fee they choose to charge.

9. **Supra Lockboxes** - It is the intent of CTMLS that there be one lockbox system for the entire State, that only one “key” be required to open lockboxes statewide and that this key will only have to be updated once on a daily basis to provide access to all lockboxes. This will be accomplished via a reciprocal code sharing agreement between the entities with lockbox contracts. However, at this time, each MLS has its own agreement with Supra and these agreements need to be examined to see if one agreement can cover the entire state.

CTMLS is willing to assume any contracts with Supra, subject to approval of the terms of those agreements.

The sale and distribution of the lockboxes will be the responsibility of the Service Centers, not CTMLS.

Financial Analysis

A detailed financial analysis was prepared as part of the CTMLS business plan. The analysis deals with the operations of CTMLS starting with both ECAR and Co-op subscribers concurrently using the CTMLS system from FAMLSS. However, CTMLS will, on a continuous basis, actively recruit REALTOR® from around the state of Connecticut who are not currently members of ECAR or the Co-op.

Summary spreadsheets attached to this report portray the revenues and expenses, or cash flows, associated with the business plan. A more highly detailed spreadsheet was furnished separately

to the CTMLS Board of Directors. Questions about the summarized data can most likely be answered by viewing the more detailed sheet. Also furnished to the Board of Directors is a supporting document entitled "Source Data." It shows the costs used in the cash flow analysis. It can be helpful when studying the detailed worksheet.

THE FINANCIAL PLAN

Plan Assumptions

There are several facts, estimates and assumptions that apply to the financial aspects of the business plan. The more significant are as follows:

- ❑ Association Executives and REALTORS® from ECAR and the Co-op will form a committee to design consolidated data forms and have their work completed by June 1, 2006. The committee will be composed of one Association Executive and one REALTOR® from ECAR and one Association Executive and one REALTOR® from the Co-op.
- ❑ There will be a one-time \$200 application fee for Participants and no application fee for subscribers. Subscribers will pay a flat monthly fee, initially planned to be \$26.00.
- ❑ The number of subscribers stated in this report and the accompanying spreadsheets always includes the number of Participants as well.
- ❑ Payroll costs were obtained from the Connecticut Department of Labor and FAMLSS. They were fringed up 25% for full-time employees and 12% for part-time employees. Salaries were increased 5% per year.
- ❑ Some recurring costs were inflated 5% annually, especially when they were considered somewhat firm estimates. Other costs not considered as firm were not inflated. Inflated costs are so indicated on the detailed cash flow spreadsheets with an asterisk (*).
- ❑ A payroll service like Paychex or ADP will be used for payroll preparation, withholdings, withholding deposits and government reports.
- ❑ Credits due certain Participants are issued in the months of November and December 2006. The credits result from some Participants paying \$500 instead of a \$200 application fee and ECAR contributing \$200 for some Participants who already contributed \$500.
- ❑ The FAMLSS MLXchange system will begin operation in early November 2006. FAMLSS will start billing three months later in February 2007. FAMLSS will be responsible for all initial training, especially for subscribers from ECAR. CTMLS will be responsible for ongoing training of new subscribers after FAMLSS' initial training is completed.

- ❑ No provision was made for new subscribers and Participants coming into the MLS or dropouts during the analysis period through July 2010. This is because the numbers would be an uncertain guess. The same is true for revenues from fines associated with rules violations. Further, interest income and income taxes have not been factored into the analysis.
- ❑ There is some overlap in Participants and subscribers between MLSs today, but the numbers are indeterminable and therefore left out of the analysis.
- ❑ It was assumed that CTMLS will start with \$100,000 in cash on May 1, 2006.
- ❑ The cost for FAMLSS to convert ECAR's AmMe database and Greater Hartford's Rapattoni database electronically to MLXchange is factored into the analysis
- ❑ E&O excess coverage insurance is not required and not included
- ❑ Subscriber bills will be mailed semi-annually. This cost can be reduced significantly if a great number of subscribers accept invoices by e-mail or allow their credit card numbers to be kept on file. It was also assumed that second notices and turn off notices will not be mailed. Instead, subscribers will be e-mailed when they are delinquent in paying their semi-annual invoice and their access to MLXchange will be turned off.
- ❑ Service Centers can grant subscribers the ability to initially sign up and subsequently change certain information about themselves via a temporary and secure Internet connection to the Rapattoni system.
- ❑ Subscribers will have the ability to pay invoices by credit card via an Internet connection to the Rapattoni system. All credit card fees will be the responsibility of CTMLS.
- ❑ CTMLS will begin operations with 1349 Participants. This number was derived from information provided by the Connecticut Association of REALTORS® (CAR) and ECAR.
- ❑ CTMLS will begin operations with 12000 subscribers. This number was derived from information provided by CAR, ECAR and some Co-op partner Associations.
- ❑ A staff of 9 personnel was estimated based on the services to be provided by CTMLS and FAMLSS, plus conversations with some MLS CEOs across the country.
- ❑ An executive suite will be utilized for two months by two staff during startup. Office space will then be leased with the assumption that major leasehold improvements will be required.
- ❑ The leased space will accommodate a Board Room for the CTMLS Board of Directors.

- ❑ As the number of subscribers increases, the FAMLSS fess for MLXchange decline. This produces a more favorable cash flow as subscriber numbers increase because many expenses are fixed and do not increase in direct proportion to the number of subscribers.
- ❑ Tax data for all of Connecticut will be provided and available to all subscribers.
- ❑ Online electronic smart forms, such as ZIP Form or Form-Docs, will not be provided since CAR already has a statewide license with Zip Form to provide electronic forms to REALTORS® in Connecticut.
- ❑ Acquiring tax data amounts to about \$3.00 in monthly cost per subscriber. This is 12% of the subscriber fee of \$26.00 established provisionally by CTMLS.

Plan Period

The analysis covers the period from May 1, 2006 through July 31, 2010. This time period was selected because the FAMLSS system contract expires in July 2010.

Subscribers

For cash flow purposes, it was assumed that no other MLSs will join CTMLS during the time period analyzed even though CTMLS will continuously recruit subscribers from all areas of the state. There is no allowance for possible crossovers between current MLSs.

Operation

CTMLS will operate out of leased space along I-91 north of New Haven. It was assumed that the space will be built out and furnished with the one-time application fee of \$200 collected from Participants. Initially, the facility planned will house enough personnel (9) to accommodate current subscribers from ECAR and the Co-op partner Associations. An additional four staff could be accommodated by the planned facility as the number of subscribers grows. Additional furnishings and equipment for additional personnel will be purchased in the future as needed. Because the facility will not be ready for occupancy when the first two employees are hired by CTMLS, an executive suite will be utilized by two staff for two months.

For planning purposes, it was assumed that the FAMLSS MLXchange system will be ready for productive use by early November 2006. Both ECAR and Co-op subscribers will begin using the system at the same time. It is contemplated that the Associations will help with initial billing and collections between September and November 2006. Monies collected will be deposited in a CTMLS account. One Association will also perform CTMLS' accounting during October through December. Billing and collections will not be an incremental work load on the Associations, but the accounting will be. The Associations will be compensated for these efforts on a deferred basis in early 2007.

As mentioned, the MLS will be staffed with nine persons. A CEO will be hired to start on July 1 with various other staff placed through February 2007. Staffing pressures will be somewhat

eased if the two persons now employed by FAMLSS for the benefit of the Co-op were to join CTMLS when MLXchange goes live. Their services will no longer be needed by FAMLSS.

MLS System

The FAMLSS MLXchange system will begin operation in early November 2006. FAMLSS will start billing three months later in February 2007. The system will maintain tax records, but it will not provide access to electronic forms. FAMLSS will charge \$7.55 per subscriber per month, including \$1.20 for toll-free user support. An annual CPI increase, which was estimated at 5%, will go into effect in February 2008.

Revenue

The cash flow analysis prepared to support the plan assumed a subscriber rate of \$26.00 for the duration of the FAMLSS contract through July 2010. Credits in the amount of \$24,200 are due certain Participants. The analysis shows this amount returned in the months of November and December 2006.

Conclusions

It was assumed that CTMLS will start with \$100,000 in cash on May 1, 2006. The analysis shows that by July 31, 2010, just over \$1.4 million will be in surplus. Based on the healthy positive cash flow, it should be possible for CTMLS to reduce the subscriber fee from \$26.00 to a lower amount and/or provide additional services to subscribers.

Timetable

The major milestones of the plan are as follows:

May – Jun	Design forms and set business rules for MLXchange Recruit CEO Locate permanent office space
Jul	CEO candidate accepts position Sign lease for temporary executive suite Sign lease for permanent office space Negotiate public records (tax data) contract
Aug	CEO starts (occupies executive suite for 2 months) Build out of permanent office space begins CEO begins ordering furniture and equipment CEO begins recruiting staff MLXchange review period begins Execute public records (tax data) contract

Sep	Administrative Assistant/Compliance staff person starts Build out of permanent office space continues Order Rapattoni Magic or equivalent system MLXchange parallel testing period begins
Oct	Begin occupancy of permanent office space IT Manager starts Customer Service Rep/Compliance staff starts FAMLSS begins training ECAR and other than Co-op subscribers
Nov	Receptionist starts First Trainer starts Supervisor/Administrator/Membership staff person starts Server and network installed Begin training on Rapattoni Magic or equivalent system MLXchange goes live for all subscribers Full Charge Bookkeeper starts
Dec	Install Rapattoni Magic or equivalent system
Jan	Start up Rapattoni Magic or equivalent system
Feb	Clerk/Receptionist/Trainer starts

The above are milestones. A more complete and detailed schedule will be developed by the CTMLS CEO in August 2006.

Connecticut Multiple Listing Service, Inc.
Business Plan Analysis - ECAR & Co-op Subscribers (Revision 3)

12000 Subscribers, Monthly Fees of \$26.00

	2006								2007				Balance	Jan - Dec	Jan - Dec	Jan - Jul
	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	2007	2008	2009	2010
May 1, 2006 Cash Balance	100,000															
Revenue & Credits																
Initial fee per Participant					60,000	120,000										
Credits due 10 Participants							(5,000)									
Credits due 64 Participants								(19,200)								
Monthly fee per subscriber								1,872,000					3,744,000	3,744,000	3,744,000	936,000
Association per share cost			6,000													
TOTAL REVENUE		6,000		60,000	120,000	1,867,000	(19,200)						3,744,000	3,744,000	3,744,000	936,000
Salaries				16,667	20,833	28,905	46,877	48,959	48,959	52,084	52,084	52,084	425,298	665,333	698,610	422,091
MLS System						12,800	49,200	49,200	49,200	142,800	139,800	139,800	1,123,320	1,762,116	1,850,227	1,127,858
Furnishings & Office Equipment						49,230	20,640			500						
Computer Equipment				2,500	1,700	17,100	8,800	1,700	1,700							
Software				360		300	1,000	50,400	1,180	580	580	580	9,140	11,820	12,192	4,711
Other	14,335	6,335	3,835	9,185	26,595	38,475	104,222	70,425	105,725	69,800	78,150	81,450	631,743	931,915	934,983	528,767
TOTAL EXPENSES	14,335	6,335	3,835	28,712	49,128	146,810	230,739	220,684	206,764	265,764	270,614	273,914	2,189,501	3,371,184	3,496,012	2,083,427
REVENUE OVER/ (UNDER) EXPENSES	(14,335)	(6,335)	2,165	(28,712)	10,872	(26,810)	1,636,261	(239,884)	(206,764)	(265,764)	(270,614)	(273,914)	1,554,500	372,817	247,988	(1,147,427)
CASH BALANCE	85,665	79,330	81,495	52,783	63,655	36,845	1,673,106	1,433,222	1,226,458	960,694	690,080	416,166	1,970,665	2,343,482	2,591,469	1,444,042