



# REAL estate TRANSACTIONS

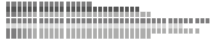
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*with you in mind™*

**Corporate Overview**

January 2009

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## EXECUTIVE SUMMARY

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We launched RT Brokerage Services with two principles in mind. First, full-service real estate is here to stay. Second, in rethinking the traditional full-service real estate model, any complementary models would need to embrace new consumer-centric practices to attract and accommodate the growing segment of savvy, online real estate consumers.

In shifting from a purely agent-centric model of full-service in which the agent was the exclusive facilitator for real estate shopping to a broader consumer-centric model in which the consumer shares in the search for properties, we identified and focused on four consumer needs.

### ***Deliver What Consumers Want***

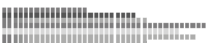
Real estate consumers want four things. They want 1) access to consolidated listing information; 2) assistance in understanding that information; 3) an experienced professional to efficiently and successfully close their real estate transaction; and 4) an option, if they choose, to transform their in-kind contributions in the transaction into some form of savings.

We have left the “more information” aspect of the equation to the data aggregators, and focused exclusively on delivery of the latter three needs. This effort led us to a hybrid model for full-service real estate based on consumer-choice.

### ***A Consumer-Choice Approach***

RT Brokerage Services, Inc. is a full-service, licensed real estate brokerage in Washington State. We are the first full-service, consumer-choice real estate brokerage in the US. We provide consumers with a choice of two full-service models to close their real estate transactions. The option is an innovative consumer-choice strategy called *reConsidered*™.

In *reConsidered*™ the consumer decides how their brokerage and agent will be compensated. They can go traditional with a commission-based model, or they can go hourly with a fee-for-service model—whichever works best for them. It’s fair, simple, and straightforward.



## THE PRESSURES FOR A COMPLEMENTARY MODEL

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Thanks to the Internet, home and garden television channels (i.e. HGTV and the DIY Network), and real estate data aggregators (i.e. Zillow.com and Trulia.com), today’s consumers know a lot more about real estate. They can get on the web and independently search for homes, find a home’s values, and decide what’s

worth seeing and not seeing. The upside of this independence and access to real estate data has been consumer empowerment. They know what they want, and how much they are willing to pay, including real estate commissions.

Consumer demands for lower commissions have left brokers and agents hanging on to old strategies to defend their commissions. The strategies are no longer effective because they are based on arguments that no longer resonate with today's consumers.

### ***Debunking Buyer Representation as “Free”***

Buyers no longer subscribe to the notion that their representation is “free.” Sure, in the commission-based model the seller pays the agent's commissions, and the buyer bears no out-of-pocket costs, but the idea that their representation is free is materially false. A buyer's agent commission is always absorbed by the buyer as part of the final sales price in their purchase and sale agreement. If buyer representation were truly free, the buyer would receive a credit amount in their settlement statement equal to the commission received by their agent. Only then could it accurately be called “free.”

To work with this changed notion of buyer representation, real estate needs a model that lets buyers decide how to pay for their services, not the industry.

### ***When Full-Service Doesn't Necessarily Account for More Service***

Why would a consumer pay 6% in real estate commissions if they can get the same service for 4%. Or can they? That's a hard question to answer because there are no documented or prescribed standards for full-service real estate.

In not standardizing the practice of full-service real estate, brokers have made it easy for any agent to make the “full-service” claim with no meaning. For example, of the homes we tour weekly, most are represented by traditional, full-service brokerages. We estimate that fewer than 20% of the listing agents ever follow-up with an email or telephone call requesting feedback. As a seller utilizing a full-service agent, shouldn't this be a requirement of full-service? This lack of consistency explains why consumers constantly question the value of the commission: they don't know what they should expect for their money.

If agents are to successfully distinguish themselves based on measurable levels-of-service (LOS) standards for full-service, then the industry has to adopt standards that consumers can hold their agents accountable to as part of their representation.

Since the current model for full-service has been unable to overcome the inertia for standards, a new model based on time-accountable standards could be the right vehicle to finally introduce standards for full-service representation.

### ***The Demand for Reduced Transaction Costs***

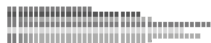
The weak economy and the unprecedented decline in home values have forced homeowners to find ways to lower their real estate transaction costs.

Unfortunately for the real estate industry, the only real negotiable costs in selling real estate are the real estate commissions. Given the weak economic forecasts for the economy, the pressure to reduce commissions further is only likely to continue.

Homeowners aren't the only ones looking at the real estate commissions as a place to minimize their losses. Banks, carrying real estate owned (REO) properties, have been lopping off agent's commissions as part of their own strategy to reduce their losses.

Everyone seems to have a plan for minimizing their losses, except for brokers and agents. If every real estate transaction had a guaranteed margin built into it, then an off the top discount wouldn't be so bad. However, real estate transactions are not equal, and as such, they all carry different costs and profits with them.

If, as part of a complementary model, agents began recording their time diligently, it would make it difficult for anyone to arbitrarily reduce an agent's commission as part of a cost saving measure. This is where a trail of documented time and expenses, as justification for compensation, would stand for itself.



### **CONSUMER-CHOICE IN FULL-SERVICE**

At RT Brokerage Services we let consumers choose the model that works best for them. Instead of only paying for real estate services in the form of a percentage based commission, we give consumers the option to pay on an hourly, fee-for-service basis.

### ***The New Cost of a Transaction*®**

In offering consumers a choice for how they pay for their representation, it allows us to present the real estate commission for what it is: a risk premium, and shifts the discount burden from the agent to the buyer or seller.

The real estate commission has remained a fixed percentage of the sales price because it is a risk premium, not a prescribed methodology for service. The risk

in the traditional practice of real estate is that a client may walk away from representation for any reason, at any time, thereby yielding no return on the agent's investment of time. The correlated premium, in a successful transaction, is the market rate commission charged by the agent to the buyer or seller for a guaranteed result under no-money down terms. A consumer-choice model gives each side the ability to bear the risk and reap the associated reward.

### ***Go Traditional, or Go Fee-for-Service***

In our commission-based (traditional) model, where we assume the commission risk of a buyer or seller closing or not closing a transaction, we charge the market rate real estate commission based on a fixed percentage of the sale price. A client only pays if a transaction closes. It's exactly like any other full-service brokerage in the industry.

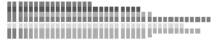
The commission model works well for consumers who are not entirely committed or confident they can close a sale. The advantage of the commission model is it lets consumers engage an agent, whether buying or selling, with no out-of-pocket costs or reimbursement of the agent's time and expense in the event they change their mind.

### ***The Fee-for-Service (Hourly) Model***

In our hourly-based (fee-for-service) model, where the buyer or seller eliminates our commission risk because he or she is sure of closing a transaction, we track our time and charge hourly rates for the services provided. The model is like any professional services profession that operates under a fee-for-service compensation basis (e.g., law, accounting, and engineering): clients only pay for what they use, and never more than 3% for their side of the transaction.

Our hourly model differs from most fee-for-service or a la carte brokerages in that it is 1) full-service only; 2) services are invoiced and payable semi-monthly; and 3) recommended only to consumers who are sure they will close a transaction.

We have found that committed and knowledgeable consumers realize significant commission savings because they end up using less agent billable time and more transaction processing billable time.



## RATES AND PLANS

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### ***Commission Real Estate Services***

Our traditional model operates exactly like any other traditional full-service brokerage. The listing and selling office commissions are negotiated at the onset of representation and only payable if there is a closing. Any agent-time invested or expenses incurred as part of an unclosed transaction are simply written off as a loss. It's a no-money down guarantee of service.

### ***Hourly Real Estate Services***

Our hourly real estate model operates on fee-for-service basis. Our exclusive time-accountable REAL estate TRANSACTIONS® model based on tiered rates and level of personnel ensures clients only pay for the services they use. Real estate services are provided across a team environment and always lead by a senior or principal real estate agent.

Teams are made up of cross-functional domain experts. Using domain experts in a real estate transaction yields higher task efficiency and lowers the overall transaction costs.

The total number of hours and rates of those hours are always pre-quoted and signed-off by both parties in a client Scope of Work (SOW) prior to the beginning of service. The SOW will vary depending on client need, familiarity with the real estate process and market knowledge. The hourly rates quoted and billed are based on the type of service required, the level of personnel providing the service and the billing plan selected.

We currently offer four types of hourly services to consumers. These services cover Administration and Design, Transaction Management, Tours and Inspections, and Real Estate Services. These services are broken down into non-licensed and licensed real estate services since aspects of a transaction do not require a license. Additionally, five varying levels of personnel are equipped to manage services based on experience and knowledge.

Invoices are prepared twice a month. The semi-monthly invoice is part of our process to ensure we manage to every client's SOW. In cases where we anticipate having to exceed our initial estimate in the SOW, we are required to provide justification to the client and gain approval for any additional billable hours that may result. Clients are billed for services on the 15th of the month and the last day of the month. All services are billed in increments of 10 minute intervals, or 1/6th of an hour. For example, let's say a negotiation call by a

senior with the other agent takes 20 minutes. 20 minutes is equal to 2/6th of hour or 0.33 of an hour.

For the customer's convenience, invoices may be paid with a major credit card. We accept VISA, MasterCard, American Express, and Discover Card. Payment instructions are provided on the semi-monthly invoices.

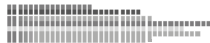
The rates below are subject to change from time to time, and do not constitute a legally binding contract for fee-for-service. The detailed services and rates quoted in a client SOW will prevail over the prices shown in the table below.

### **NET 15 Plan**

The NET 15 plan is our flagship cost savings hourly rate plan. Payments must be received within fifteen (15) calendar days of the dated invoice. Clients are invoiced for services on the 15th of the month and the last day of the month.

**Table 1.2: NET 15 Plan (Hourly Rates)**

	<i>Non-licensed</i>			<i>Licensed</i>	
	<u>Admin</u>	<u>Analyst</u>	<u>Associate</u>	<u>Senior</u>	<u>Principal</u>
Administrative Services	\$60	\$75	\$96	\$145	n/a
Transaction Management	n/a	\$95	\$140	\$175	n/a
Tours/Inspections	n/a	n/a	\$160	\$200	TBD
Real Estate Services	\$95	\$145	\$195	\$235	TBD



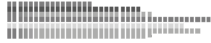
### **EVERYONE WINS WITH CONSUMER-CHOICE**

If full-service brokerages and agents want to be credible with tomorrow's consumers then they need to be able to show them the real cost of real estate transactions, both profitable and failed. In offering hourly rates as part of our consumer-choice option, we are collecting actual time and expense data. We don't have to rely on anecdotal accounting to show consumers the real cost of a transaction.

### **The Next Generation of Real Estate Professionals™**

The sale of real estate should always leave consumers feeling good about the value of their agent brought to the transaction. In delivering consumer-choice for full-service real estate, we have reframed the real estate commission as a risk premium, given brokerages and agents a new model to meet consumer demand, and maybe, will finally put the real estate professional on par with professions like accounting, engineering, and law.





## ABOUT THE COMPANY

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### **Mission Statement**

RT Brokerage Services, Inc.'s mission as *the next generation of real estate professionals™* in the marketplace is to bring operational efficiency to the real estate transaction by 1) providing consumers with a choice in full-service real estate representation; and 2) leveraging cross-functional sales teams to close *data driven, market focused™* real estate transactions.

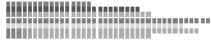
### **Rethinking the Real Estate Industry**

RT Brokerage Services was founded by Louis Herrera's desire to combine his academic and professional experience in urban planning, real estate finance, and geographic information systems (GIS) with ten years of high-tech startup experience. Louis sees fee-for-service real estate transactions as the natural complement to today's web-based real estate tools and services, and ultimately, as a method to create a justifiable commission schedule (rate card) for traditional brokers.

### **History**

The Company was incorporated in Washington State on October 11, 2006 by Louis Herrera, CEO/Designated Broker, and David Mires, Secretary of the Board. The Washington State Department of Licensing (DOL) licensed the company as a real estate brokerage on January 23, 2007. RT Brokerage Services is a privately held company.

The Company is located in the SODO (South of Downtown) neighborhood of Seattle in an industrial office space. The facilities serve as the corporate headquarters, and operations center.



## MANAGEMENT TEAM

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### **Louis Herrera**

Louis Herrera is the CEO and Designated Broker of RT Brokerage Services, Inc.

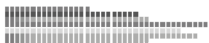
Louis brings fifteen years of venture-backed, high-technology startup experience and regional government growth management experience to RT Brokerage Services. Prior to RT Brokerage Services, he was the director of operations at m:metrics (acquired by ComScore), a syndicated data service for the mobile sector, where Louis was responsible for finance, accounting, human resources, information technology, operations, and legal affairs. As part of the initial management team, Louis played an integral part of the company's early success.

Louis was also the director of operations at Nimble Technology (acquired by Actuate), an XML data integration company, and at Appliant, Inc. (acquired by Tonic Software) a performance monitoring company— both venture-backed companies with technology licensed out of the University of Washington's Computer Science and Engineering Department.

Before his startup experiences, Louis was a growth management planner at the Puget Sound Regional Council (PSRC). At the PSRC, Louis' worked focused on the Growth Management Act's (GMA) certification and consistency requirements for local governments and real estate finance strategies in urban centers.

In addition, Louis serves on the Advisory Board of Coyote Central, an after-school arts program for middle-school kids in the Central Area, and is active in neighborhood planning efforts.

Louis holds BA in urban studies and planning from the University of California, San Diego (Warren College).



## CONTACT INFORMATION

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