

Preferred Unit Ownership

Midwest Real Estate Data

Midwest Real Estate Data (MRED) is the real estate data aggregator and distributor providing the Chicagoland multiple listing service (MLS) to nearly 40,000 brokers, agents and appraisers and 8,000 offices. MRED serves Chicago and the surrounding “collar” counties and provides property information encompassing northern Illinois, southern Wisconsin and northwest Indiana.

ATTENTION BROKER OWNERS!

Do you want to influence the future of real estate?

**Do you want to make a positive impact on *your* Multiple Listing Service,
Midwest Real Estate Data (MRED)?**

Would you like to:

Actively participate in the selection of those who govern MRED?

Have a vote on significant issues affecting MRED?

Serve on the MRED Board of Managers?

If your answer to any of these questions is YES, then we have the solution for you. Purchase an MRED Preferred Unit, which gives you ownership in and control of one of the largest and most innovative¹ MLSs. Don't take our word for it; hear what your fellow Broker/Owners have to say about being a Preferred Unit Owner of MRED:

"Purchasing a preferred share of MRED has been a huge value to me and our company. The main benefit to me is being able to serve on the Board and vote for other shareholders to serve. Serving on the Board gives you a chance to take part in decisions that will shape the future of the MLS. It also allows you on a personal level to stay up to date on everything going on with the MLS, current and future technology and allows you to remain credible and valuable to your agents."

- Jim Nelson, Jr., Broker/Owner, Re/Max Suburban

"Owning a Preferred Unit gives you a vote and the ability to participate in the election process. Your representative can bring your ideas for improvement to the table. I believe with so many factors affecting our data, its distribution and its security, having the right to have your thoughts heard through your choice in representation makes sense. Every Broker should consider becoming a Preferred Unit owner now."

- Chuck Dinolfo, President, Century 21 Pro-Team

"Feel out of the loop? Want to get involved? Get on the inside and become a Preferred Unit owner. Your vote will count!! Become a Preferred Unit owner and make it happen. Join now! Get involved in your future!"

- Dennis Stone, Vice-President, Pilmer Real Estate

"After over 30 years in the real estate business and having been involved with four different MLS conversions, I find MRED a breath of fresh air, combining state of the art technology with a skilled and helpful staff. A very well run organization of which the Chicago area can be truly proud. And that's why I purchased a Preferred Unit."

- Tom Guttilla, Broker/Co-Owner, Coldwell Banker Today's Realtors

¹ Awarded Most Innovative MLS by Inman Real Estate Connect 2013

PURCHASE PRICE

The purchase price and capital contribution for a Preferred Unit is \$1,000.00 (One Thousand Dollars) per Preferred Unit, with a quarterly payment option available as outlined below:

You may elect to make payment in installments of \$275 at the time you deliver your subscription agreement to MRED and \$275 on the last day of each of the following three calendar quarters.

The installment option includes a \$25 surcharge per payment.

If you fail to make any installment payment when it is due:

- the previously made payments are forfeited;
- you will be deemed to have dissociated and withdrawn from the company;
- the Preferred Unit will be cancelled;
- you will have no right to vote the cancelled Preferred Unit; and
- you may not purchase a Preferred Unit for a period of three years.

While purchasing a Preferred Unit allows you to participate in the governance of MRED, you should not consider the purchase of a Preferred Unit as an investment or expect any monetary return. MRED will not be paying distributions on the Preferred Units and there are transfer restrictions limiting the holders' ability to transfer the Preferred Units.

In addition, upon your withdrawal as a Preferred Member of MRED, MRED may (but is not required to) repurchase the Preferred Unit for a price equal to the original purchase price (\$1,000.00).

For more information about MRED Preferred Units,
Log in to MREDLLC.com and click on the Preferred Unit Ownership folder.

OR

If you wish to purchase a preferred Unit, please contact Dorinda Gilmore at
dorinda.gilmore@MREDLLC.com to obtain an application.

SUMMARY OF OPERATING AGREEMENT TERMS

MRED is governed by the terms of its Amended and Restated Operating Agreement (the “Operating Agreement”). The Operating Agreement sets forth the rights and obligations of the Managers and Members. The summary below highlights certain provisions of the Operating Agreement, and is not intended to be a comprehensive description of the entire agreement. A complete copy of the current Operating Agreement is available for your review from the MRED website at www.MREDLLC.com.

Formation

MRED was formed as an Illinois limited liability company on February 8, 2008.

Purpose

The purpose and business of MRED is to operate a multiple listing service and to aggregate and distribute listing and other data in a manner that does not generate profits for the Members, but rather, provides effective multiple listing services on an approximately “break even” basis.

Units

MRED has two classes of units: Preferred and Common. The Common Unit is held by MLSNI (or if MLSNI is dissolved in the future, each of its shareholder associations will hold one Common Unit). The Preferred Units are being offered to Firms for \$1,000 per unit. Each Firm may only purchase one Preferred Unit, regardless of the size of the Firm.

Distributions

MRED operates on a break-even basis and distributions are not expected to be material. MLSNI is also entitled to all proceeds if MRED is sold or liquidated, except for a \$1,000 payment to each Preferred Member, if funds are available.

The Preferred Members do not receive any distributions or dividends. Preferred Members do not have an economic interest in MRED.

Voting Rights

Each Preferred Member has one vote for each Preferred Unit held and each Preferred Member is only entitled to hold one Preferred Unit.

Preferred Members elect 13 Managers to the Board of Managers. Preferred Members are also entitled to vote on certain fundamental transactions, such as the sale or dissolution of MRED and “Major Amendments” to MRED’s Articles of Organization or the Operating Agreement. “Major Amendments” require the approval of: (1) first, the Board of Managers; (2) second, at a meeting of the Preferred Members having a quorum, the affirmative vote of majority of the Preferred Units represented at the meeting; and (3) third, provided that the approval of the Preferred Members has been obtained, the approval of 80% of the total Common Units outstanding (or a per capita vote of the Associations at MLSNI). “Major Amendments” include amendments to the composition of the Board of Managers, quorum requirements, voting provisions or voting requirements.

Management

MRED is managed by its Board of Managers. That Board of Managers consists of 13 Managers elected by the Preferred Members. MLSNI’s Shareholder Associations are entitled elect 1 member of MRED’s Board of Managers. The group of Association’s who have Services Agreements with MRED elect another Manager. The Board may have up to 2 “Strategic Managers” elected by the Board of Managers.

The 13 Managers elected by the Preferred Members (the “Broker Seats”) are divided into 3 categories:

Category 1: consisting of the largest firms having in the aggregate 30% of the closed transaction sides from MRED’s most recently completed fiscal year (October 1- September 30). Category 1 elects 4 Managers;

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Category 2: consisting of the next biggest firms (other than Category 1 firms) having in the aggregate 40% of the closed transaction sides from MRED's most recently completed fiscal year (October 1 – September 30). Category Two elects 5 Managers; and

Category 3: consisting of all other firms (other than Category 1 and Category 2 firms). Category 3 elects 4 Managers.

The Manager Elections process will be administered by the Elections Committee consisting of 5 Preferred Members appointed by the Chairman, with the approval of the Board of Managers. The Elections Committee will establish administrative rules for the nomination of persons for election to the Board of Managers.

Managers shall be elected for three year terms to the Board of Managers. No Preferred Member Manager shall be allowed to serve more than three consecutive terms to the Board of Managers. A former Preferred Member Manager who is ineligible for continued service due to having served the maximum three consecutive terms shall be eligible to fill any mid-term vacancies in the following year.

Transfer Restrictions

Firms must purchase Preferred Units directly from MRED. Transfers (including any sale, transfer, assignment, pledge, hypothecation or any other indirect disposition) of Preferred Units are not permitted unless it is in connection with an acquisition, sale, merger or other combination of two Firms and provided that after such transaction the resulting entity holds only one Preferred Unit. In all cases, the Board of Managers must consent to the transfer.

MLSNI may distribute its Common Units equally to the shareholders of MLSNI for the purpose of distribution to its shareholders in proportion to the percentage of shares owned in MLSNI, without the consent of MRED or the Preferred Members.

Withdrawal

Any Member may withdraw by delivering notice to MRED. Involuntary Withdrawal will occur upon the Member's insolvency, dissolution, reorganization, or liquidation.

If a Preferred Member withdraws, MRED may - but is not obligated to - repurchase the withdrawing Preferred Member's Preferred Unit for the original capital contribution (\$1,000.00), without interest. MRED may elect to pay the purchase price in four quarterly installments of \$250.00 each. A withdrawing Preferred Member may not buy a Preferred Unit for 3 years.

Dissolution

Upon dissolution of MRED, after payment of the company's obligations the Preferred Members will receive repayment of their capital contributions (\$1,000.00), without interest, to the extent that funds are available.

Sale of the Company

A sale of MRED must be approved by the affirmative vote of a majority of the Preferred Units at a meeting of the Preferred Members having a quorum and approved by the affirmative vote of a majority of the total Common Units outstanding (or a per capita vote of the Associations of MLSNI). If the Common Members do not approve the proposed transaction, the holders of 25% of the Common Units (or the holders of 25% of the outstanding common shares of MLSNI) may call for a unitary system-wide pass-through vote of all Member-Users of the MLS System. Approval of a majority of the Member-Users constitutes approval by the Common Members.