GREATER SAN DIEGO ASSOCIATION OF REALTORS®

RESPONSE TO "YOUR MLS IS IN JEOPARDY"

A recent communication from NSDCAR and PSAR about your MLS is grossly misleading. You deserve to know the facts in a truthful manner, that does not cover up the real problems of how Sandicor and its shareholders have arrived at this point in time.

If your MLS is in jeopardy, it is due to the action and – even more importantly – inaction of Sandicor, which we will clarify below. Also, you should know that SDAR has offered a reasonable path forward.

One thing we completely agree on – the MLS must have the greatest possible functionality and integrity today, and must be even better tomorrow as technology advances, in order to serve and support YOU, our members.

One thing we vehemently disagree on is a rushed, ill-informed decision to spend half a million dollars with no due diligence on what may well be an erroneous solution, or, as the only alternative presented by Sandicor, committing to an absurdly long and expensive service agreement.

Here is a brief recap of the relevant facts.

- 2009 – HP stopped manufacturing the SAN server that was later purchased by Sandicor. The end-of-life projection for that piece of equipment was five years, which was not a secret.
- 2012 – Sandicor purchased its current SAN server used and should have known full well that it would come to its end-of-life two years later, in 2014. Sandicor did nothing to properly plan for the timely replacement of this equipment until presenting a motion to approve a half-million dollar expense

to its Shareholders in February 2016!

- 2013 – At the end of that year, Sandicor completed a 2014-2016 plan that referenced the need to replace the SAN server, but failed to announce a budgeted plan for the replacement or follow up in a timely manner.

- 2015 – In the fall, Sandicor in a few verbal sentences informed shareholders that it might have to bring forward an equipment purchase proposal for acceptance. No specifics were provided.

- 2016 – Sandicor presented its board of directors with a motion to approve -- without documentation, supporting bids, analysis, or plan -- the purchase of a new server (HP EVA 8000) plus a three year maintenance plan for $500,000, or move to the "cloud" for $75,000 a month for a term of three years with no exit clause. Again, there were no vendor documents to back this up, no competitive bids, and no due diligence conducted by the other board members. In addition, SDAR was told another $300,000 was needed in 2017 on top of the $300,000 spent in 2012. When asked to produce the strategic plan to avoid this large capital expense every 4 years, Sandicor admitted they do not have one.

- 2016 – SDAR in no way boycotted any meetings. In contrast, SDAR worked to obtain information about this important and critical decision by hiring an independent consultant, OSI Consulting, to assess the situation and make recommendations. SDAR did this to perform due diligence and avoid blindly rubber stamping a $500,000 decision. Sandicor, verbalizing absurd concerns about the possibility of OSI Consulting installing spyware, proceeded to refuse the consultant access for three weeks, causing further delay.

- 2016 – OSI Consulting concluded that a replacement server for Sandicor should cost no more than $350,000, or that Sandicor could move to a Vendor Hosted Solution ("cloud") for substantially less than Sandicor presented to its shareholders. According to the latest Clareity Annual MLS Customer Satisfaction Survey, nearly 80% of Paragon MLS's respondents use this cloud solution with a high degree of customer satisfaction. In addition, by not hosting its own data Sandicor can avoid another $300,000 investment by purchasing a more efficient and technologically advanced system.

- 2016 – SDAR found that under current hosting operations totaling thousands less than the proposed Sandicor solution, the MLS was down for a total of only 8 hours over an annual period, by a provider who guarantees a 98% uprate. With Sandicor's proposed solution to self host, we have no guarantee of an uprate percentage, leaving our MLS vulnerable to considerable outages.

- Today, March 22, 2016 – Sandicor produced, for the first time, the equipment list they will be replacing. SDAR found they plan to purchase not one, but two servers in the $500,000 proposal. The second server for a co-location was found by OSI Consulting to have an ineffective disaster recovery plan; Sandicor conceded that because their disaster recovery equipment is outdated, they could only recover approximately 50% in a disaster event.

- Today, March 22, 2016 – Sandicor stated that they have experienced NO performance issues with the current equipment and have not received any complaints related to hardware. The statements by NSDCAR and PSAR claiming your MLS is in jeopardy, are merely an attempt to create a distraction from the real issues to be addressed with the pending litigation. This further highlights SDARs ongoing concerns with the management of Sandicor and the collusion between NSDCAR, PSAR, and Sandicor alleged in our complaint.

This issue has been looming for a long time, which Sandicor certainly should have known since it bought the already outdated SAN server in 2012. SDAR hired a consultant and sought the advice from more than 6 of the top MLSs in the country, and the overwhelming feedback was that the expense Sandicor is requesting is unfathomable. Greater, more advanced systems have been implemented for far less. SDAR is not interested in creating delays. SDAR's inquiries and requests have been reasonable, in good faith, and in the best interest of our members and all subscribers of the Sandicor MLS. SDAR's consultants presented a well thought out and documented proposal that would provide Sandicor a sound and prudent plan for the future to ensure you have an MLS that is positioned to embrace new technologies to better serve you, your business and clients.

Still, we want resolution. Therefore, based on OSI Consulting's conclusions, SDAR has made various offers and compromises to ensure the MLS has what it needs. Simply, Sandicor's lack of management, planning, and strategic direction, as well as the other shareholders' willingness to "rubber stamp" recommendations without conducting due diligence, is representative of how Sandicor has conducted business for years and further illustrates why SDAR has had to pursue legal remedies.

SDAR hopes that Sandicor, its directors and shareholders consider the recommendations SDAR has brought forth to create a better roadmap for the future and resolve this promptly.

If you have any questions, please do not hesitate to contact SDAR leadership at sdarmls@sdar.com.

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