

Agent Attraction in a World of Real Estate Disruption

FUD (Fear, Uncertainty and Doubt) is a well-known marketing strategy sometimes used by market leaders against smaller firms who may pose a threat to their position. FUD strategy tries to create a negative perception about the newcomer and can take many forms such as exaggerating the weaknesses of the competitive company, “denying” that the newcomer offers better products or services by announcing the capability to create even better products or services and even making up incorrect facts and figures. It’s usually the biggest players in an industry that have the most to gain from FUD, as a way to stifle disruptive innovation from upstart competitors and to convince many to hold on to an outdated way of thinking and operating.

Unfortunately, we are hearing that some of our agent-owners are experiencing FUD about eXp Realty in their local markets.

On one hand, that eXp is the target of negative comments is certainly a compliment to the good work that our agent-owners have done in building our company into one of the top 15 brokerage firms in the country with now over 3000 agent-owners in 43 states and Canada. The fact that much of eXp’s growth has occurred in the past 18 months is no doubt distressing to some of our competitors.

On the other hand, no one wants to deal with negative comments about eXp, especially when the comments may not be accurate, so we have prepared this document to assist our agent-owners if and when they encounter FUD. While no list can cover all potential disinformation, here are a few of the things we are hearing:

- **A Revenue Sharing model is not sustainable but a Profit Sharing model is**
 - **FACT:** As a concept, Revenue Sharing differs from Profit Sharing as money is paid out before operating expenses. The benefit of Revenue Sharing to agents is that it provides a transparent and calculable view of future income opportunity without the potential negative of “to be determined” operating expenses that could result in little or no profit. Some say that Revenue Sharing could create a situation where there is not enough money to pay expenses after Revenue Share payments are made. We treat Revenue Sharing as a just another “fixed” expense that must be taken into account when budgeting and operating in order to generate a company profit.

- **The eXp Revenue Sharing model is not sustainable because there is the potential to pay out 100% of company commission income**
 - **FACT:** Theoretically, at some point in the future, it is possible that for a given transaction at eXp, all commission income could be paid out in splits and Revenue Share. For a variety of reasons, we believe that is highly unlikely on any scale (e.g. the inherent movement of agent-owners in and out of the business) and after 7 years of operation, that has never happened. In addition, that idea ignores the other non-commission income that eXp currently generates as well as the many other income streams that the company may generate in the future separate from commission income (e.g. title, mortgage, escrow, etc.).

- **eXp lost millions in 2016 and is not financially viable**
 - **FACT:** If you exclude eXp's large non cash expenses of stock compensation and stock options (which are common employee incentives for new ventures), eXp operated profitably last year AFTER paying our agent-owners their commission splits and Revenue Share. Since eXp is owned by a public company, eXp World Holdings, Inc. (OTCQB: EXPI), our financial performance is available for all to see even though public company financial reporting is complicated and can be confusing to the untrained eye. While stock compensation and stock option expenses are recorded as part eXp's Profit and Loss statement, like Depreciation expense, it does not involve the payment of cash. In addition, eXp has never missed making any commission split or Revenue Share payments and we have paid out millions of dollars in Revenue Share over the lifetime of the company.

- **eXp offers very little Broker support to its agent-owners**
 - **FACT:** We have a State Principal Broker in every state we do business (currently 43) and in some of those states, we also have compliance brokers who provide added transaction support. We also have a team of transaction specialists across the country who regularly draw rave reviews. Our brokers are some of the hardest working in the business, and are attentive to the success of our agent-owners. In addition to being available through telephone, text and email, they provide the added opportunity to meet "in person" in our exclusive 3D Immersive Cloud environment, eXp World.

- **eXp does not offer Errors and Omissions Insurance and agents are left to handle disputes on their own**
 - **FACT:** eXp provides our agent-owners with up to \$2 million for covered claims through our global Errors and Omissions insurance carrier. In the rare situations where an eXp agent-owner is in a dispute, they receive immediate support from company lawyers and staff.

- **eXp agent-owners are not satisfied with the company**
 - **FACT:** eXp uses the well-known Net Promoter System survey (NPS) to assess the satisfaction and loyalty of our agent-owners. The question we ask is, on a scale of 1-10, how likely are they to “refer eXp to a colleague or friend”. In our just completed NPS survey, more than 80% of our agent-owners answered with a 9 or 10 (10 being the highest positive response) and less than 10% could be viewed as dissatisfied. We continue to invest heavily to improve our agent-owner experience with the goal to have an industry-best retention rate.

The eXp Realty model has attracted many of the top agents and teams in the country and we look forward to that trend continuing. That said, eXp is not for every agent. We want all eXp agent-owners to ensure that all agents who might be interested in learning about eXp Realty get accurate information about us and we hope that this document will help. If you are dealing with a prospective agent who may have received inaccurate information about eXp Realty and need assistance, please email FUD@exprealty.com and we will do our best to provide the accurate information they need.

We invite you to explore eXp!

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