United States and Canada

Policies & Guidelines Manual

Revision 2/1/2024

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Pages Market Center Must Update

The following pages must be updated by each Market Center. To update all pages but Ethics, Market Centers enter the appropriate values in the indicated fields. The Code of Ethics adopted by the Market Center should be printed by the Market Center and inserted into the Policies and Guidelines Manual where indicated.

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Onward and Upward

The real excitement at Keller Williams is not only how we pay ourselves, but also how we conduct our business. We have become crusaders for customer service, professionalism, ethics, associate leadership, and continuing education. Our goals and ethics are the highest in the industry, and we are the first to admit it takes a very special and unique group of men and women to achieve them. Our salespeople are such a group.

Keller Williams is more than just a real estate company; it is a total philosophy of business and an attitude about life. We believe that if the company develops the individual, then the individual develops the company. We are delighted you have joined us in our cause.

WI4C2TES

Mo Anderson
Board of Directors
Keller Williams Realty, Inc.

Welcome to Keller Williams

We are proud you have joined Keller Williams, and we are excited to be your partner in building your career. Keller Williams Realty, Inc. is a company built on the simple philosophy of people helping people helping people, and is dedicated to being a powerful platform for your career growth and development.

Quite simply, the Keller Williams goal is to help you build the strongest real estate business you can build in your market.

What makes Keller Williams unique is our focus on you, and this focal point sets the tone for everything we do. Everything about Keller Williams is unique because the company is built around what our associates believe is best for their careers. We believe results come through people and that opportunities abound when careers are built on this philosophical foundation. We truly believe that if the company puts the individual first, then the rest takes care of itself.

We are more than a real estate company. We are a culture and a belief system in action. Through the daily operation of our own successful business, we discovered a better way of running a real estate company. We uncovered a better way of life for ourselves and our associates. Our dollars are invested right beside yours—and we are dedicated, just as you are, to helping you provide the best service possible to all buyers and sellers.

I encourage you to “talk the talk, walk the walk, and live the life” of the Keller Williams way of doing business. We are committed to support, and help to assure, the professional and personal success of each associate. Being a member of the Keller Williams family is exciting and if we all work together, you can gain the competitive advantages you’ve been looking for. We are delighted you have joined us in our cause.

SEE YOU IN THE MARKETPLACE!

Gary Keller
Chairman of the Board and Executive Chairman
Keller Williams Realty, Inc.

List of Symbols Used in This Manual



International Issues may be changed by the International ALC.



Regional Issues may be changed by the Regional ALC.



City Issues may be changed by the City ALC.



Local Issues may be changed by the Local ALC.



Exclamation mark - Designates a very important item.

List of Acronyms Used in This Manual

ALC
Associate Leadership Council

E&O
Errors and Omissions

eAgentC
Electronic Agent Consortium

IALC
International Associate Leadership Council

GCI
Gross Commission Income

KWRI
Keller Williams Realty International

LCF
Loss Carry-Forward

MLS
Multiple Listing Service

MC
Market Center

MCA
Market Center Administrator

OP
Operating Principal

RATS
Real Estate Associates Tracking System

RD
Regional Director

ROP
Regional Operating Principal

TL
Team Leader

WI4C2TES
Win-Win, Integrity, Customers, Commitment, Communication, Creativity, Teamwork, Trust, Equity, and Success

Section 1
How to Use Your Manual Effectively

This manual has been specifically designed for you! In order to work "interdependently" together we must make sure everyone understands our policies and guidelines.

1.1 Definition of Interdependent

"On the maturity continuum, dependence is the paradigm of you—you take care of me; you come through for me; you didn't come through for me; I blame you for the results.

Independence is the paradigm of I—I can do it; I am responsible; I am self-reliant; I can choose.

Interdependence is the paradigm of *we*—*we* can do it; *we* can cooperate; *we* can combine our talents and abilities and create something greater together."[1]

1.2 About This Manual

Your manual is divided into the following sections:

- Keller Williams Story and Philosophy

  Keller Williams began as one dream and its success led to another. This section shares the beginning of the company and its philosophies. By studying this section, you will become familiar with our history and philosophy and be able to share it and apply it to your own business.

- Keller Williams Belief System in Action

  Keller Williams is the result of an inspired vision. The company incorporates an incomparable set of beliefs found in no other real estate company. With the belief system shared in this section, Keller Williams shows it has established its own vision and direction for the future.

- Keller Williams Policies and Guidelines

  Keller Williams is led by associates, for our associates! Every policy and guideline in this manual has been created and reviewed by our Associate Leadership Councils (Local, City, Regional, and International) and helps to insure professionalism and fairness in our company. Its number one goal is to empower us to develop market dominating businesses. Our ALC will regularly review these policies and encourage you to learn them and share them proudly with other associates, buyers, and sellers. These policies and guidelines guarantee all of us an interdependent organization of tremendous creativity, high standards and ethics.

[1] *The 7 Habits of Highly Effective People* by Stephen R. Covey

- Keller Williams Risk Management System

  Minimizing your exposure to complaints and potential lawsuits through risk management is the Keller Williams way. This section outlines our simple program which will aid you in effectively managing potential risks encountered in your real estate business.

- Keller Williams Overview of Costs to Associates

  This section discusses your possible business expenses. Most businesses fail, not because they don't make enough money, but because they spend too much! Please always remember this and invest carefully when spending money on your business expenses.

- Keller Williams Referral Procedures

- Keller Williams Recognition Program

- Addenda

Section 2
The Keller Williams Story and Philosophy

Keller Williams is the result of an inspired vision. Our talented team of associates who created Keller Williams were charged with a monumental goal: “Create the industry’s finest interdependent real estate company.”

2.1 The Keller Williams Story: A Convergence of Ideals

Today, more than any other time in real estate history, agent and broker goals seem to be diametrically opposed.

Real estate agents require their commission programs to be exceedingly high, yet brokers are becoming more and more aware that this presents a true profitability squeeze: Two people can’t save the same dollar!

2.1.1 Solving a Riddle

Gary Keller and Joe Williams established Keller Williams in 1983 as a traditional real estate company. The firm had grown to over 30 associates by 1986. Due to the pressures from 100 percent concepts, they found themselves faced with the above mentioned commission-profitability paradox. Their interdependent approach was a creative and team-oriented response to this riddle.

2.1.2 No Compromise Approach

Gary and Joe invited their associates to a meeting where they outlined the commission-profitability squeeze paradox; however, both broker and associate determined that neither was willing to compromise their earning potential. The resulting unanimous solution combined the best of all worlds with a progressive approach. Rather than compromise associate and broker goals the team incorporated the two. The result—the office grew to over 100 associates in less than five months. Few would argue that the inventive Keller Williams programs they designed are some of the biggest advances industry-wide in broker-associate relationships and income opportunities.

2.1.3 Combining the Incompatible

The desire to engineer a truly win-win company with no limits on associate career and income opportunities led the reasons for the change. The Keller Williams Team discovered a way to champion the highest possible commission structure within a full support environment with expansive profit potentials for the broker and associate. By doing so they created a method for combining the incompatible—achieving both associate and broker career and income goals. They then went one step further by advocating the concept that a commission program would be just one form of compensation associates would have—not the only one.

2.1.4 Unexpected Demand

The Keller Williams System became a triumph. Keller Williams associates asked the firm to expand their opportunities by offering the system to brokers in other cities. In fact, the first affiliate broker was brought in by an associate. The San Antonio Market Center was so successful its first year they received their Chamber's "Pride in Progress" award for being the area's fastest growing new business.

The resulting demand for the Keller Williams System was unexpected and as a result Keller Williams did not emerge overnight. The entire company is the result of a massive commitment. It was a commitment from a highly successful group of real estate associates and brokers.

And it was a commitment of time—the time to develop the best, to reject any shortcoming and to rethink, redo and continuously perfect a system, policy, or program until it was right for Keller Williams and its associates.

After this extensive benchmarking and trending development experience, Keller Williams created a new level of real estate company. Your company!

2.2 The Keller Williams Philosophy

If the company successfully develops its associates, then its associates will successfully develop the company.

2.2.1 An End to Compromise Between Broker and Associate

What makes this task so significant is the realization that compromise is inherent in so many real estate companies. For instance, high commission plans usually mean no support, no education and no team environment. Superior support, education and team environment usually lead to low commission plans. Neither compromise creates a win-win company.

Keller Williams is interdependently designed to put all of these compromises to rest. Keller Williams incorporates an incomparable set of concepts found in no other real estate company.

2.2.2 A Clear Mission

Keller Williams has developed a clear sense of its own vision and direction for the future.

MISSION
To build careers worth having, businesses worth owning, lives worth living, experiences worth giving, and legacies worth leaving.

VISION
To be the real estate company of choice for agents and their customers.

VALUES
- God, Family, then Business.
- Real estate is a local service business driven by individual real estate agents and their local image with their centers of influence and client base.
- Our associates should be treated like "stakeholders."
- Stakeholder companies always measure profit or loss, open the books, and tell the truth.
- Who you are in business with really does matter.
- Profit matters.
- No transaction is worth our reputation.

BELIEF SYSTEM – WI4C2TES

Win-Win…	Or No Deal
Integrity…	Do The Right Thing
Customers…	Always Come First
Commitment…	In All Things
Communication…	Seek First To Understand
Creativity…	Ideas Before Results
Teamwork…	Together Everyone Achieves More
Trust…	Begins With Honesty
Equity…	Opportunities For All
Success…	Results Through People

PERSPECTIVE

A technology company that provides the real estate platform that our agents' buyers and sellers prefer. Keller Williams thinks like a top producer, acts like a trainer-consultant, and focuses all its activities on service, productivity, and profitability.

2.2.3 Our Relationship

Keller Williams is an "interdependent" company. Our philosophy is that our associates are uniquely positioned, both as our customer and as our partner. Together, we have but one goal—to dominate our markets, memorably and profitably.

2.2.4 The Design

Keller Williams is designed to achieve the highest commission split possible within a full service company and make a reasonable profit. We share that profit with our associates and remain flexible enough to meet the ever-changing needs of our associates, customers, and marketplace. To accomplish these standards of operation, the following premise was established:

The office should operate as a Market Center designed to service associates and customers based on that which the associate needs to operate his or her business.

Real estate agents need a work environment designed around their needs with the savings passed on to them. The Keller Williams Market Center is not necessarily an office, but rather a place for associates to use as a base of operation. Calls are received and messages taken; management support is provided; research is done; and customers are met. Our sales associates work from the office and from the marketplace. Success always occurs in the marketplace.

2.2.5 Compensation for the Next Generation

The Keller Williams compensation concept is one of a long list of "Firsts." Building upon this heritage of innovation, the compensation concept is a milestone in agent income opportunities.

Keller Williams is committed to the concept of associate compensation being more than just commission programs. This is where other companies stop and Keller Williams begins. This commitment is what lays the conceptual foundation for our innovative alternative to traditional and 100 percent companies. Our dedication to continually explore providing our associates the highest compensation opportunities in the industry is an entirely new dimension in real estate.

2.2.6 High Commission—No Risk Concept

Keller Williams compensation concept was designed by top producers for top producers. After months of study, these top producers determined the commission program the company would embrace:

> The highest commission program possible in a local market within a full support company with no required risk to the associate.

The impact of such a concept is that associates can receive all of the benefits of high commission programs and full-support programs without any of the negatives associated with either.

2.2.7 Profit Sharing—Unexpected Innovation

Few would disagree the real estate agent is the foundation of a real estate company. Without them, there would be no company. Keller Williams goes further than any other real estate organization in recognizing the significance of this by offering an income opportunity unparalleled in the real estate industry.

Keller Williams was searching for an additional way to reward those associates who build the company. Unexpectedly, the result was the most significant compensation innovation in real estate history: An open-ended profit sharing program. This program allows Keller Williams associates, investors, brokers, Team Leaders, Market Center or KWRI staff, and Regional Directors to participate in the profits they help create without assuming any financial risks.

2.2.8 The Benefits

Keller Williams continuously has two associate product and service goals:

- To anticipate the most important real estate products and services trends.
- To develop these products and services first.

We accomplish these goals through our planning process. Countless hours are spent each year by our associates and staff working through this process. Keller Williams associates, and brokers help analyze trends in 10 key areas:

I. Technology
II. Training and Education
III. Literature and Marketing Pieces
IV. Institutional and Promotional Media Advertising
V. Relocation and Referral
VI. Ancillary Business Opportunities
VII. Recognition
VIII. Communication
IX. Marketing and Customer Programs
X. Compensation and Income Opportunities

Through this process, Keller Williams turns the products and services recommendation and quality control process over to its associates and affiliate brokers. The process provides marketplace feedback and the direction needed to develop effective business tools when they're needed. It's part of the culture. Always has been—always will be.

2.2.9 World-Class Image

Keller Williams Realty is one of the most recognized brands in the real estate industry because of the education, training and technology offered to our associates. However, when it comes to local branding, the company strongly believes that real estate is a local business driven by individual real estate associates and their local image within their centers of influence. Thus, it is the associates' brands that matter most. Building and maintaining a powerful, locally relevant brand is the most important strategy for an associate.

Even the National Association of REALTORS® has released research that proves that consumers do business with the real estate professional that they like and trust—not companies or big, heavily-advertised brands. An office, a Region and even KWRI, always take a back seat to the associate's brand.

2.2.10 Tailor-Made Education

Keller Williams Realty is a training and coaching company that also happens to be in the business of real estate. Through its training division, Keller Williams University; online portal, KW Connect; and its coaching division, MAPS Coaching, Keller Williams associates have access to high quality education during every stage of their career. A brand new associate to an experienced mega associate can find the right training and coaching opportunities to propel their career to the next level.

2.2.11 Local and Regional

Contrary to most, Keller Williams views the real estate industry as a local and regional business. For this reason, it has taken unprecedented measures to design the firm as a team of regional operations. In turn, the goal of each Region is to become a major regional power by building major real estate forces in local markets.

This strategy endows our associates with the strongest possible support system in the industry. Everyone wins.

2.2.12 A True System

In the Market Center, Keller Williams has created the industry's strongest long term economic model time tested and proven. This was achieved only after thorough research and practical experience.

For many years there were only two major real estate office economic models—traditional and 100 percent–desk fee. After investigating both systems carefully Keller Williams associates chose to take the best from both. The result was a better win-win economic model which is a hybrid of the two.

Our associates receive all of the support advantages of "traditional" while gaining more compensation advantages than just a "desk fee" concept. For the broker it provides the lowest financial risk operating system possible within a full-support company. The Keller Williams economic and operating system delivers where others fall short.

2.2.13 Get Involved

- Attend orientation and completely read this manual.
- Take part each week in the many educational, support and leadership opportunities available to you.
- GET OUT INTO THE MARKETPLACE, BUILD YOUR OWN MARKET DOMINATING BUSINESS MEMORABLY AND HAVE FUN!

Remember: Support your fellow associates and team and they will support you!

Section 3
The Keller Williams Belief System in Action

At Keller Williams we proudly and fondly refer to our value and belief system as "WI4C2TES." This symbolizes:

- **Win-Win** Or no deal
- **Integrity** Do the right thing
- **Customers** Always come first
- **Commitment** In all things
- **Communication** Seek first to understand
- **Creativity** Ideas before results
- **Teamwork** Together everyone achieves more
- **Trust** Begins with honesty
- **Equity** Opportunities for all
- **Success** Results through people

To an industry of traditional heritage—Keller Williams Realty brings a new pinnacle of interdependent beliefs and values.

We "walk the walk, talk the talk, and live the life" of "WI4C2TES."

Section 4
Policies and Guidelines for Local, City, Regional, and International ALCs

4.1 Structure

Keller Williams Realty is your company, and it exists for you. It has evolved and continually improved through direct input from our sales associates and was designed to be the very best career vehicle possible. The policies and guidelines contained in the following pages are designed to explain the way in which our firm operates and the way many situations should be handled. It is through these policies that we have established ourselves as true professionals.

Beginning in Section 4.8, each issue is designated as follows:

L Local policies determined at the local Market Center ALC level

C City policies determined at the City ALC level

R Regional policies determined at the Regional ALC level

I International policies determined at the International ALC level

4.1.1 Mission, Vision, Values, Beliefs, and Perspective: Associate Leadership Councils

4.1.1.1 Mission

To guarantee our associates a vehicle for giving direct input on the operation of Keller Williams Realty.

4.1.1.2 Vision

To be an interdependent synergistic Leadership Team that protects and enhances the vitality of our company, culture, and Profit Share System.

4.1.1.3 Values (What Is Important to ALCs)

- ALC members should attend and successfully complete all ALC training programs and commit to the ALC Covenant Agreement prior to serving on any ALC. (See ALC Training Manual.)
- ALC members should be diligent about reading and understanding the Policies & Guidelines Manual as well as hold everyone accountable to follow the policies and guidelines.
- Be the forum for the creation of all policies, guidelines, and procedures.
- We believe votes are sacred and should not be political.
- ALC members should address their motivation for each vote and look at how decisions will impact ALL constituents (International, Regional Directors/Investors, Market Center Brokers/Investors, Team Leaders, Employees, Associates, and other Profit Share participants).

- ALC members individually vote for what is best for the greater good of the entire company.
- ALC members are educated on the issues and discuss and debate the issues.
- Inspire and create leadership.
- Provide unity and a spirit of team support.
- Produce the innovation, creativity and leadership for the implementation of these ideas.
- Keep our professional standards and public image world class.
- Work toward helping our associates become the very best salespeople and businesspeople possible.
- Assist in setting annual Market Center goals and plans and take an active part in implementing the plans.
- Help the Market Centers achieve these goals.
- Regional Directors provide information on the issues and facilitate meetings so International ALC delegates can discuss and debate the issues.
- Being on a Local, City, Regional, or International ALC is the highest honor bestowed in the Keller Williams Realty System.

4.1.1.4 Beliefs (The Rules We Live By)

- **Win-Win** Or no deal
- **Integrity** Do the right thing
- **Customers** Always come first
- **Commitment** In all things
- **Communication** Seek first to understand
- **Creativity** Ideas before results
- **Teamwork** Together everyone achieves more
- **Trust** Begins with honesty
- **Equity** Opportunities for all
- **Success** Results through people

4.1.1.5 Perspective

Our leadership councils are continuing to grow in their leadership skills.

4.1.2 Higher Purpose of the Local ALC

The ALC is the highest honor that can be bestowed to an agent. It is an opportunity for the Market Center's best and brightest to communally hone their leadership skills and build their business. ALC Members receive personal benefit from each area of opportunity in Growth, Productivity, Profitability and Culture.

The ALC was created by leaders for leaders to build empowering relationships with other top agents to mastermind on reaching their goals. Spending time together creates the bond that inspires cooperation and a collaborative drive to achieve these goals.

The ALC is considered a laboratory to learn and practice leadership skills.

ALC members have the opportunity to lead committees and master the art of achieving results through others. Great leadership skills will improve every aspect of life.

4.2 Keller Williams Realty Cares / KW Kids Can

4.2.1 KW Cares

The International ALC recognizes the establishment of Keller Williams Realty Cares, or "KW Cares." KW Cares is a 501(c)(3) public charity, as defined by U.S. IRS guidelines, created to support Keller Williams Realty associates and their families with hardship as a result of a sudden emergency. Hardship is defined as a difficult circumstance that a person or family cannot handle without outside help.

KW Cares represents the heart of Keller Williams Realty culture – finding and serving the higher purpose of business by assisting associates and their families in the communities where they live and work.

4.2.2 KW Kids Can/KWKC

The International ALC recognizes the establishment of Keller Williams Kids Can or "KWKC". KWKC is a 501(c)(3) public charity, as defined by U.S. IRS guidelines. The International ALC supports the charity's policies and operating procedures.

KWKC is dedicated to empowering young adults to unlock their greatest potential through self-development events, coaching and scholarships for training, education, certifications, or coaching. KWKC's interactive learning experiences shatter limiting beliefs and help budding entrepreneurs, college students, and next generation leaders define their personal mission and discover their path to a fulfilled life.

4.3 ALC Issues

ALC issues are those issues that directly relate to the associates' compensation program and Market Center operational policies and guidelines. They do not encompass those issues that have to do with the operation of KWRI or Regions, or their relationship with licensees. The Chairperson of the International ALC shall be responsible for designating whether an issue is an ALC issue.

It is suggested that all ALC Meetings, whether they are Local, City, Regional or International, should be conducted using the guidelines established in *Robert's Rules of Order*, provided such guidelines do not contradict the philosophy and culture of Keller Williams Realty, which is to encourage open discussion and participation.

4.4 Local ALC Structure

Each Market Center has a Local ALC. The Local ALC is made up of:

- The Chairperson**,** who shall be the Team Leader (TL) of the Market Center.

- **Associates** from the top 20 percent of the Market Center (MC) are eligible to join the Council based on closed production from the previous year.

- **The Operating Principal for the MC** can be a voting member of the ALC. They may attend ALC meetings and cast the ownership vote, or they may delegate their vote to the Team Leader of the Market Center. Any other investor in the MC, other than the Operating Principal (OP), is also eligible to serve on the ALC as a voting member provided the investor meets the top 20 percent production guideline and they are selected by the Team Leader.

The maximum size for the next year will be determined by the Team Leader no later than December of each year based on the number of eligible associates from the top 20 percent of the Market Center. New Councils will be formed annually by January 5th and the first meeting of each new year will be held by January 15th.

NOTE: Production for qualifying purposes may include an associate's production from a previous company at the discretion of the current ALC. New members that increase the size of the ALC beyond its voted size can be added throughout the year only by a majority vote of the ALC.

For new Market Centers in their first 12 months of operation, the TL shall determine the size and criteria for qualifying for the ALC. On the first January 1st after the Council has been formed for one full calendar year, the maximum size of the ALC shall then be determined by the above guidelines.

The Local ALC is not empowered to hire Market Center Staff and/or hold them accountable.

The Local ALC may decide:

- All designated Local ALC issues set forth in this *Policies & Guidelines Manual*.
- Those local procedures and operations researched, recommended, and approved by the various Local ALC committees.
- Monetary assessments as described in Section 4.4.2.6 on page 4-10.
- Other local issues as from time to time requested by the Local ALC and approved by the Chairperson of the International ALC.

4.4.1 Local ALC Standing Committees

- Financial Planning Committee
- Growth Committee
- Career Development Committee
- Technology Committee
- Culture Committee
- Agent Advocate Committee
- Safety Committee
- Diversity, Equity and Inclusion Committee

Each Market Center may also establish the following committees to support the applicable programs:

- Strategic Alliances Committee
- Luxury Homes Committee
- Commercial Committee

Other associates in the office may be invited to serve on these committees; however, the Chairperson of each committee must be a member of the ALC.

4.4.1.1 Financial Planning Committee

The Financial Planning Committee will:

- Monitor and analyze income and expenses to improve overall profitability.
- Assist in the budgeting and forecasting process.
- Inform the ALC and all local associates on the financial performance of the Market Center.
- Include the Operating Principal.

4.4.1.2 Growth Committee

The Growth Committee will:

- Assist in the overall growth of the Market Center.
- Work with the investor(s) and TL in identifying and attracting other associates to the Market Center.

4.4.1.3 Career Development Committee

The Career Development Committee will:

- Review all levels of training.
- Assist in the implementation of training programs to improve the overall productivity of the associates affiliated with the Market Center.

4.4.1.4 Technology Committee

The Technology Committee will:

- Assist in the evaluation and implementation of ongoing technology training within the Market Center.
- Participate in any KWRI technology-related training.
- Provide input to OP/TL regarding software/hardware issues.
- Encourage and assist all members of the Market Center to adopt Keller Williams technology initiatives to the fullest extent.
- Evaluate the effectiveness of their Market Center website, computer systems, software, etc. and make recommendations for periodic changes and enhancements.

4.4.1.5 Culture Committee

KW Cares

- The Culture Committee will oversee Market Center fundraising efforts for the annual goal of $5,000 in donations to benefit KW Cares, a 501(c)(3) public charity (as defined by U.S. IRS guidelines) created by Keller Williams Realty, Inc.

NOTE: Funds donated to KW Cares may not be directed for the benefit of specific individuals. Donations to KW Cares should not be designated for a specific purpose such as a flood, fire, tornado, hurricane, etc. as KW Cares provides assistance for such emergencies from one general fund. As a 501(c)(3) public charity, donations to KW Cares are tax deductible to the extent allowed by law.

- The Culture Committee will assist eligible KW associates in need with the KW Cares grant application process

KW Kids Can

The Culture Committee will oversee Market Center fundraising efforts for the annual goal of $5,000 in donations to benefit KW Kids Can, a 501(c)(3) public charity (as defined by U.S. IRS regulations.)

NOTE: Funds donated to KW Kids Can may not be directed for the benefit of specific individuals. As a 501(c)(3) public charity, donations to KW Cares are tax deductible to the extent allowed by law.

The Culture Committee will share learning, coaching and scholarship opportunities available through KWKC with young adults ages 18-28.

Non-KW Charitable Activities

- The Culture Committee oversees all the Market Center's non-KW charitable activities, including fundraising for individuals in need within the Market Center or the local community, as well as fundraising efforts for charities other than KW Cares/KW Kids Can by:

  a. Establishing and maintaining a Market Center's local emergency fund in order to provide monetary gifts to individuals in need within the Market Center or the local community. These local emergency funds must not be used for Market Center expenses. Funds collected should be segregated in separate liability accounts.

  NOTE: Unless a Market Center has established its own separate 501(c)(3) entity for the local emergency fund, donations to this fund are not tax deductible and donors should not receive receipts for tax purposes. KW Cares cannot issue tax receipts for donations to a local emergency fund.

  b. Providing care, comfort, and non-monetary support to those in need within the Market Center or the local community in the spirit of 'family helping family.'

  c. Conducting fundraising efforts for charities other than KW Cares and KW Kids Can. Donations may be tax deductible as allowable by law and, if appropriate, tax receipts may be issued by the charity for which the effort is being conducted. These funds should be raised for specific purposes, and they should be accounted for separately as there are different tax treatments based on the

purpose of the particular fund. Funds raised for a specific individual are likely not tax deductible. Both the donor and the Market Center should research and/or seek counsel as necessary to fully understand whether any donation is for a tax-deductible purpose.

d. Coordinating the Market Center's annual participation in RED Day by:

   1) Planning and organizing the Market Center's RED Day activities;
   2) Communicating RED Day messages to the associates in their Market Center; and
   3) Encouraging and tracking RED Day attendance with a goal of 100% participation.

The Chair of the Culture Committee is a member of the ALC.

The Chair of the Culture Committee may also serve as the Market Center's KW Cares Representative or may appoint another member of the committee to serve as the Market Center's KW Cares Representative.

The Culture Committee shall provide recommendations to the ALC for the disbursement of funds collected for the Market Center's local emergency fund.

The Chair of the Culture Committee may also serve as the Market Center's KW Kids Can Representative or may appoint another member of the committee to serve as the Market Center's KW Kids Can Representative.

4.4.1.6 Agent Advocate Committee

Each Market Center will have an Agent Advocate Committee that represents the Market Center and its affiliated associates by promoting programs and initiatives that benefit the real estate agent profession. This Committee will lead efforts to advocate agent-centric ideals, and to ensure that agents' needs are met at the administrative and legislative levels.

The Committee should be composed of agents within the Market Center that have a strong passion and desire to advocate the real estate agent profession and use their influence to protect agents' rights within the marketplace. The Committee Chair must be an ALC member.

4.4.1.7 Safety Committee

Each Market Center will have a Safety Committee that promotes training programs and other initiatives to implement safety standards and best practices for Keller Williams offices and for agents conducting business in the field.

The Committee should be composed of agents within the Market Center that have a strong passion and desire for agents' safety in the marketplace. The Committee Chair must be an ALC member.

A Safety Class will be offered in each Market Center at least annually.

4.4.1.8 Diversity, Equity, and Inclusion Committee

The Diversity Equity and Inclusion Committee will:

- Maintain a welcoming and inclusive environment for all protected classes (sex, race, color, creed, age, national origin, ancestry, disability, veteran status, genetic information, and sexual orientation.)
- Actively promote diversity, equity and inclusion education and initiatives
- Uphold our culture to ensure individuals are not discriminated against on the basis of their differences
- Teach agents how to increase their network and net-worth by eliminating bias and becoming accessible to various demographics

4.4.1.9 Strategic Alliances Committee

If you have a Strategic Alliances program, the Strategic Alliances Committee will:

- Work with the OP, TL, and the Strategic Alliances providers to create an implementation plan.
- Elect a Strategic Alliances Chairperson in the ALC.
- Establish a Strategic Alliances Task Force that is responsible for promoting the Strategic Alliances providers.
- Provide a Strategic Alliances update at all ALC meetings.
- Cultivate an awareness of capture rates and enthusiasm for improving capture rates.
- Cultivate an awareness of Strategic Alliances providers' contributions to Market Center profits and Profit Sharing at team meetings.
- Model desired behavior by referring business to the Strategic Alliances providers' representatives.
- Share Strategic Alliances success stories.
- Extend the Market Center culture to the Strategic Alliances providers' representatives and look for opportunities in which the representatives can participate in the Market Center culture.
- Work through ALC committees to support the Strategic Alliances providers.

Guidelines for a Strategic Alliances Chairperson

The Strategic Alliances Chairperson should be someone who is influential in the Market Center and is dedicated to the success of the relationship between the Market Center and the Strategic Alliances providers. The Chairperson should be someone who believes in the Strategic Alliances concept, tells others about it, and supports it with his or her business.

The duties of the Strategic Alliances Chairperson are to:

a. Attend all ALC Strategic Alliances committee meetings.

b. Institute and attend regular meetings with key players from the Strategic Alliances providers and the TL.

c. Develop a Strategic Alliances committee from producing Associates who support or who are committed to supporting the Strategic Alliances model with their business.

d. Work with the Strategic Alliances committee to develop and implement strategies that will cultivate support for the Strategic Alliances providers and that will drive capture rate momentum.

e. Work with the TL and the Strategic Alliances providers to develop reports on capture rate. Review these reports on a weekly and monthly basis.

f. Work with the Strategic Alliances providers to develop systems for broadcasting their value propositions within the Market Center.

g. Encourage Associates who are not supporting the Strategic Alliances Providers to discover paths to relationship building with Strategic Alliances Providers.

h. Develop best practices for Strategic Alliances within the Market Center.

i. Act as a sounding board between the Associates, the Market Center staff, and the Strategic Alliances providers' representatives.

4.4.1.10 Luxury Homes Committee

If a Market Center has a Luxury Homes program, The Luxury Home Committee performs four functions:

1. Assists in the overall growth of qualified luxury real estate associates in the Market Center.

2. Assists in the overall growth of membership in KW's Luxury Homes Division by cultivating an awareness of its existence and by identifying and attracting their qualified luxury associates to division membership.

3. Assists in the implementation of training programs specifically designated and recommended by the Luxury Division Executive Board or KWU for professional development in the luxury real estate market.

4. Assists the Director of the Luxury Division in further developing value-adds and deliverables to membership based upon feedback from luxury associates in the Market Center.

The Committee Chair must be an ALC member and a member of Luxury Homes by Keller Williams.

4.4.1.11 Commercial Committee

Each Market Center is strongly encouraged to have membership in the Commercial program and to have five or more associate members in the Commercial Division to serve on the committee.

The Commercial Committee performs six functions:

1. Assist the overall growth of qualified Commercial associates in the Market Center.

2. Harmoniously integrates the Commercial Division with the residential specialty of the Market Center and uses the WI4C2TES belief system as its criteria for all decisions.

3. Assists in the overall growth of membership in the Commercial Division by cultivating an awareness of its existence and by identifying and attracting qualified commercial associates.

4. Assists in the implementation of training programs specifically designated and recommended by Commercial or KWU for professional development.

5. Assists the KW Commercial leadership in further developing value-adds and deliverables to membership based upon feedback from commercial associates in the Market Center.

6. Assists Keller Williams leadership and associates in the recruiting of new Commercial member associates or relating to commercial transactions.

NOTE: Only official members of the KW Commercial Division may use the trademarks, logos, and materials created for this program; further, nonmembers may not represent themselves in any way that would mistakenly give the impression that they are part of this program.

4.4.2 Local ALC Rules of Order

4.4.2.1 Time Limit

1. Local ALC meetings shall last no longer than one and a half hours.

2. Only by a majority vote of those present may the meeting be extended, but only one 30-minute extension will be allowed.

4.4.2.2 Agenda

1. An agenda shall be prepared for each meeting.

2. In order to place an item on the agenda, it must be submitted to the TL no later than two days prior to the meeting.

3. A copy of the finalized agenda shall be posted in the Market Center no later than one day prior to the meeting, and each ALC member shall be provided a copy of the final agenda at the meeting.

4.4.2.3 Discussion

1. Discussion on each topic should be limited to 20 minutes.

2. A one-time 10-minute extension of discussion may be granted if requested by any individual Council member, after which a vote must occur.

3. No further discussion will be allowed during the current meeting unless majority consent of those present is given.

4. Either a vote or a motion to table the item must occur.

5. No Council member in attendance is allowed to abstain.

6. If no majority prevails, the vote is set aside until the next meeting.

7. If the issue is not resolved at the following meeting, the TL has the authority to make the decision.

4.4.2.4 Council Member Contribution

1. Each person is limited to a maximum of three minutes of comments on each item unless the TL allows more time.

2. Everyone has the right to contribute their thoughts, and this right will be protected by time limits.

3. Each meeting shall have an official timekeeper to ensure time-limit compliance.

4.4.2.5 Decisions

1. Once a decision is made, it shall be carried out.

2. The management representative and 75 percent of the local ALC associate members must be present for a vote to occur.

3. A majority vote decides all issues except personnel issues and those which require an OP to expend funds not already approved in the Market Center's budget.

4. The OP is empowered to veto any expenditure that was not budgeted.

5. Decisions on a specific issue may only be brought up for vote three times a year.

4.4.2.6 Monetary Assessments

1. The local ALC is empowered to assess fees to all licensed associates in the Market Center for projects deemed necessary for the growth and profitability of the Market Center.

2. Limitations on the amount of any assessment will be decided by the local ALC, subject to their annual review and possible adjustment. The local ALC may determine in conjunction with ownership to cease collection of the fees or continue to collect and profit share the excess in accordance with these Policies and Guidelines.

3. When a fund is established through the collection of assessments on the balance sheet, the local ALC will determine the use of the funds and place a cap on the fund balance. If the fund cap is reached, the local ALC may determine in conjunction with ownership to cease collection on the assessments until such time as the fund balance is significantly depleted or continue to collect and profit share the excess in accordance with the policies and guidelines.

4. All assessments collected on behalf of the Market Center's associates in an established fund are required to be matched by cash in an existing bank account.

4.4.2.7 Published Minutes

1. The minutes of each Council meeting must be distributed and published in the Market Center weekly newsletter to all associates in the Market Center within two weeks after the meeting.

4.4.2.8 Attendance

1. Keller Williams Realty wants your input. In order to ensure active participation, an associate must attend at least 75 percent of all scheduled Council meetings for the year. (For example, assume 12 meetings are scheduled for each year. If an associate misses four meetings, he/she is replaced by the next qualified associate based on closed production from the previous year).

2. If a member must step down for any reason and their production qualifies them to be on the Council the following year, they will be invited to join that year's ALC.

3. During any Local ALC meeting, only Local ALC members are allowed to speak, unless a non-member is presenting an approved agenda item. That is, if a non-member raises an issue to be brought before the ALC, the nonmember must first obtain pre-approval to add the issue to the agenda AND is required to be present at the meeting to present that item. However, only ALC members may vote.

4. All new associates are required to attend the first meeting to occur after they have joined.

4.4.2.9 Meetings/Occurrence

1. All local ALC meetings are to be Open Meetings with one exception: When interviewing a Team Leader candidate, the meeting can be a Closed Meeting.

2. Meetings are to be scheduled each month.

3. Should the need arise, the TL has the authority to call additional local meetings at their discretion.

4. Seventy-five percent of the local ALC associate members must be present for it to be a voting meeting.

4.4.2.10 Teams/Groups

1. Only one associate from a team of two associates whose production is combined and treated as one contributor by the Market Center may be on the Council based on the team's combined production.

2. Only one member of a group of more than two associates whose production is combined and treated as one contributor by the Market Center may be on the Council based on the group's combined production.

3. If another associate is bumped because of the team or group's combined production, the bumped associate is added to the ALC regardless of the size limit established under Section 4.4 on page 4-4.

4.5 City ALC Structure

Each City has a City ALC. The City ALC is made up of:

- **The Chairperson**, who shall be a TL elected by a majority vote of the City ALC at their last meeting of the previous year
- **One associate** elected by a majority vote of each local Market Center ALC
- **One leadership representative** (OP or TL) from each active Market Center in the city
- **The Regional Director**
- **One associate-at-large member** voted in by the City ALC

A Market Center should be a part of a city's ALC if it is within one-hour drive from another Market Center. KWRI will make the final determination about which City ALC a Market

Center belongs to, regardless of distance.

The City ALC can decide:

- All designated City ALC issues set out in this *Policies & Guidelines Manual*.
- There are no default City ALC issues. Only designated City ALC issues are City ALC issues.
- Should a City ALC decide to create additional City ALC issues, they must submit this request to the International ALC Chairperson for approval.

NOTE: For purposes of this section, a city is defined as a single incorporated area or a major metropolitan area which may be comprised of several small municipalities or communities in close proximity to the greater metro area.

4.5.1 City ALC Rules of Order

4.5.1.1 Time Limit

1. City ALC Council meetings shall last no longer than two hours.
2. Only by a majority vote of those present may the meeting be extended, and only one 20-minute extension will be allowed.

4.5.1.2 Agenda

1. An agenda shall be prepared for each meeting.
2. In order to place an item on the agenda, it must be submitted to the Chairperson in charge of the meetings no later than 30 days prior to the meeting.
3. A copy of the finalized agenda shall be posted in the Market Center no later than one week prior to the meeting.
4. Each City ALC member shall be provided a copy of the final agenda at the meeting.

4.5.1.3 Discussion

1. Discussion on each topic shall be limited to forty minutes.
2. A one-time 20-minute extension of discussion may be granted if requested by any individual Council member, after which a vote must occur.
3. No further discussion will be allowed during the current meeting unless majority consent of those present is given.
4. Either a vote or a motion to table the item must occur.
5. No Council member in attendance is allowed to abstain.
6. If no majority prevails, the vote is set aside until the next meeting.
7. If the issue is not resolved at the following meeting, the Chairperson has the authority to make the decision.

4.5.1.4 Council Member Contribution

1. Each person is limited to a maximum of six minutes of comments on each item unless the Chairperson allows more time.

2. Everyone has the right to contribute their thoughts, and this right will be protected by time limits.

3. Each meeting shall have an official timekeeper to ensure time-limit compliance.

4.5.1.5 Decisions

1. Once a decision is made, it shall be carried out.

2. Seventy-five percent of the leadership representatives and 75 percent of the associate representatives must be present for a vote to occur.

3. A majority vote decides all issues.

4. Decisions on a specific issue may only be decided on twice a year.

4.5.1.6 Published Minutes

1. The minutes of each City Council meeting must be published and distributed to the local Market Centers within **two weeks** of the meeting.

2. The minutes are to be published in each Market Centers' weekly newsletter to all associates in the Market Center within **one week** of receipt.

4.5.1.7 Attendance

1. Keller Williams Realty wants your input. In order to ensure active participation, an ALC member must attend at least 75 percent of all scheduled Council meetings for the year. (For example, if four meetings are scheduled for each year and an associate misses two meetings, he/she is replaced by another voted representative by his/her local ALC).

2. During any City ALC meeting, only City ALC members are allowed to speak, unless a non-member is presenting an approved agenda item. That is, if a non-member raises an issue to be brought before the ALC, (s)he must first obtain pre-approval to add the issue to the agenda AND is required to be present at the meeting to present that item. However, only ALC members may vote.

4.5.1.8 Meetings/Occurrence

1. Meetings are to be scheduled four times a year.

2. However, should the need arise, the Chairperson has the right to call additional City ALC meetings at his/her discretion.

3. Seventy-five percent of the City ALC members must be present for this to be a voting meeting.

4.6 Regional ALC Structure

Each Region has a Regional ALC. The Regional ALC is made up of:

1. **The Chairperson** shall be the Regional Director or Regional Operating Principal for the Region
2. **One associate** chosen by a majority vote of each Local ALC
3. **One leadership representative** (OP or TL) from each Market Center in the Region
4. **One associate-at-large member** voted in by the Regional ALC

It can decide:

- All designated Regional ALC issues set out in this *Policies & Guidelines Manual*.
- There are no default Regional ALC issues. Only designated Regional ALC issues are Regional ALC issues.
- Should a Regional ALC decide to create additional Regional ALC issues, they must submit this request to the International ALC Chairperson for approval.

4.6.1 Regional ALC Rules of Order

4.6.1.1 Time Limit

1. Regional ALC Council meetings shall last no longer than four hours.
2. Only by a majority vote of those present may the meeting be extended, but only one 30-minute extension will be allowed.

4.6.1.2 Agenda

1. An agenda shall be prepared for each meeting.
2. In order to place an item on the agenda, it must be submitted to the Regional ALC Chairperson (RD or ROP) in charge of the meetings no later than 30 days prior to the meeting.
3. A copy of the finalized agenda shall be posted in the Market Center no later than one week prior to the meeting.
4. Each Regional ALC member shall be provided a copy of the final agenda at the meeting.

4.6.1.3 Discussion

1. Discussion on each topic shall be limited to one hour.
2. A one-time 30-minute extension of discussion may be granted if requested by any individual Council member, after which a vote must occur.
3. No further discussion will be allowed during the current meeting unless majority consent of those present is given.

4. Either a vote or a motion to table the item must occur.

5. No Council member in attendance is allowed to abstain.

6. If no majority vote prevails, the vote is set aside until the next meeting.

7. If the issue is not resolved at the following meeting, the Chairperson (RD or ROP) has the authority to make the decision.

4.6.1.4 Council Member Contribution

1. Each person is limited to a maximum of 10 minutes of comments on each item unless the Chairperson (RD or ROP) allows more time.

2. Everyone has the right to contribute their thoughts and this right will be protected by time limits.

3. Each meeting shall have an official timekeeper to ensure time limit compliance.

4.6.1.5 Decisions

1. Once a decision is made, it shall be carried out.

2. Seventy-five percent of the management representatives and 75 percent of the associate representatives must be present for a vote to occur.

3. A majority vote decides all issues.

4. Decisions on a specific issue may only be decided on once a year.

4.6.1.6 Published Minutes

1. The minutes of each Regional Council meeting must be published and distributed to the local Market Centers within **two weeks** of the meeting.

2. The minutes are to be published in each Market Centers' weekly newsletter to all associates in the Market Center within **two weeks** of receipt.

4.6.1.7 Attendance

1. Keller Williams Realty wants your input. In order to ensure active participation, an associate must attend the scheduled Council meeting for the year.

2. If they cannot attend the required meeting, they must tell their Local ALC to vote on their replacement.

3. During any Regional ALC meeting, only Regional ALC members are allowed to speak, unless a non-member is presenting an approved agenda item. That is, if a nonmember raises an issue to be brought before the ALC, (s)he must first obtain pre-approval to add the issue to the agenda AND is required to be present at the meeting to present that item. However, only ALC members may vote.

4.6.1.8 Occurrence

1. A meeting is to be scheduled once a year.

2. Should the need arise, the Chairperson has the right to call additional Regional ALC meetings at his/her discretion.

3. Seventy-five percent of the Regional ALC must be present for this to be a voting meeting.

4.7 International ALC Structure

There is only one International ALC (IALC) representing associates, Market Centers and Regions in the United States and Canada. The IALC is made up of:

1. **The CEO or President of Keller Williams Realty, Inc. will serve as the IALC Chairperson**. The IALC Chairperson may appoint someone to be the IALC Assistant Chairperson as a non-voting position to provide support to the Chairperson.

2. **One leadership representative from each Region (OP or TL)**. The leadership representative is chosen by a majority vote of the leadership representatives on the Regional ALC.

3. **Two associates from each Region**. The associate representatives are chosen by a majority vote of the associate representatives on the Regional ALC. To maintain consistency through discussion of voting issues, associate representatives will serve for a two-year term. One representative from each Region would then be eligible for replacement each year and one would remain in place until the following year when they would be eligible for replacement. To be eligible to serve on the IALC, an associate representative must be a Sponsor for one or more associates in the Keller Williams Profit Sharing Program.

4. **One Regional Director or Regional Operating Principal from each Regional ALC**.

> **NOTE:** The retiring IALC will participate and vote at the International Convention each year, while the incoming IALC will officially convene after the International Convention each year.

It can decide:

- All designated IALC issues set out in this *Policies & Guidelines Manual*.
- Should the IALC decide to create additional IALC issues, they must first submit this request to the IALC Chairperson for approval.

There are three methods for the IALC to vote on an issue:

1. At the IALC Meeting held annually at Family Reunion.

2. At the IALC Meeting held annually at Mega Camp.

3. If there is an issue that the Chairperson decides should be voted on earlier than the IALC annual meeting, the Chairperson of the IALC may call for a *Teleconferencing Vote*:

    - This may be done once every two months.

- All IALC Members must be given 45 days to discuss the issue with the associates and management in their Regions before the teleconference vote.

NOTE: Voting will take place during the teleconference call or during an IALC Meeting.

4.7.1 IALC Task Forces

1. PURPOSE: The IALC shall utilize task forces composed of associates, Market Center leadership and Regional leadership to assist the IALC to function at the highest possible levels and to assure that Keller Williams Realty is truly operating as a *bottom up* organization through the continuous involvement of our sales associates and management.

2. The IALC Chairperson will appoint a Chairman from the Regional Delegation (Regional Director/Regional Operating Principal) to lead each Task Force and a KWRI staff liaison to assist.

3. The IALC Chairperson, with assistance from the Task Force Leader, will select an equal number of associates and Market Center leadership from the field to serve on each Task Force that is formed so that there is balanced representation on the Task Force between associates and management, and from diverse geographical areas.

4. Requests from the field will be directed to the IALC Chairperson and if deemed necessary, forwarded to an existing or a newly formed Task Force for review. The Task Force will make their recommendation to the IALC Chairperson regarding action to be taken.

5. All IALC agenda items are to be reviewed, discussed, and debated on the Regional Level.

6. Any member of the IALC may participate in the discussion during the IALC meeting. The Chairman of the Regional Delegation (RD or ROP) would report how the four delegates voted. For example: “Mr. Chairman, the Maryland delegation casts two votes for, and two against.”

4.7.2 IALC Rules for Passing Votes

1. Any issue voted on by the IALC must have a two-thirds vote of the total delegates present **PLUS** the approval of the IALC Chairperson for any vote to pass.

2. Any issue brought to the IALC by the Chairperson **MUST** be approved by a majority vote of the IALC, **NOT** counting the Chairperson.

3. No member in attendance is allowed to abstain.

4.7.3 IALC Rules of Order for Meetings

4.7.3.1 Time Limit

1. The IALC Business Meeting shall last no longer than four hours.

2. Only by a majority vote of those present may the meeting be extended, but only one 30-minute extension will be allowed.

4.7.3.2 Agenda

1. An agenda shall be prepared for each meeting.

2. In order to place an item on the agenda, it must be submitted to the IALC Chairperson no later than 90 days prior to the meeting.

3. Information packets on any issue to be voted on must be sent to all IALC members so they may have 75 days to discuss the issue with the associates and management in their Regions before the vote takes place.

4. A copy of the agenda and any corresponding information packet shall also be forwarded to the MCAs 60 days in advance of the IALC Business Meeting. The MCA must distribute a copy of the information to each member of the local ALC and post the information in the Market Center immediately, so all associates are aware of the issues that are about to be discussed and voted on by the IALC.

4.7.3.3 Discussion

1. Discussion on each topic shall be limited to one hour.

2. A one-time 30-minute extension of discussion may be granted if requested by any individual Council member, after which a vote must occur.

3. No further discussion will be allowed during the current meeting unless majority consent of those present is given.

4. Either a vote or a motion to table the item must occur.

5. No Council member in attendance is allowed to abstain.

6. If no decision is made, the vote is set aside until the next meeting.

7. If the issue is not resolved at the following meeting or teleconferencing-called vote meeting, the Chairperson has the authority to make the decision.

4.7.3.4 Council Member Contribution

1. Each person is limited to a maximum of 10 minutes of comments on each item unless the Chairperson allows more time.

2. Everyone has the right to contribute their thoughts and this right will be protected by time limits.

3. Each meeting shall have an official timekeeper to ensure time-limit compliance.

4.7.3.5 Decisions

1. Once a decision is made, it shall be carried out.

2. Passage of any motion brought to the IALC for consideration is determined in accordance with **Section 4.7.2 – IALC Rules for Passing Votes**.

3. Decisions on a specific issue may only be voted on once a year.

4.7.3.6 Published Minutes

1. The minutes of each IALC meeting must be published and distributed to the local Market Centers within **one month** following the meeting.

2. The minutes are to be published in each Market Centers' weekly newsletter to all associates in the Market Center within **two weeks** of receipt.

4.7.3.7 Attendance

1. Keller Williams Realty wants your input. In order to ensure active participation, a member representative must attend the scheduled IALC meeting(s) for the year. This includes teleconferences as well as actual meetings.

2. All IALC members are required to attend the IALC Meetings at Family Reunion and Mega Camp.

3. IALC members must not miss two consecutive meetings or more than two (2) meetings in any year.

4. If they cannot attend the required number of meetings, the RALC will vote for their replacement prior to the next meeting.

5. Any associate may attend an IALC meeting, but only members may discuss and vote.

4.7.3.8 International Staff Contribution

The Chairperson of the IALC may call upon any member of the International Staff to offer information that would help clarify an issue being discussed during an IALC Meeting.

4.7.3.9 Meetings/Occurrence

It can meet any time the Chairperson calls a meeting.

4.7.4 IALC Teleconference Guidelines

1. The use of cellular or portable phones is prohibited. They cause an inordinate amount of static on the line and it becomes impossible to hear. Always use a land line, as the reception is much clearer.

2. Putting your phone on hold is prohibited because your system may have background music, which would disrupt the entire call.

3. The IALC members who are listening in on a call may use a speakerphone ONLY if you activate the MUTE feature. If your phone does not have a MUTE button, do not use the speakerphone.

4. If you are listening on a headset, be sure the MUTE feature is on.

5. Turn off all noisy equipment such as radios, pagers, cell phones, etc. near you during the call.

6. The number of votes required to pass a motion cannot be determined without an accurate accounting of the number of members participating on the call. Only

members that are present at the teleconference roll call will be able to vote during the meeting.

4.8 The Associate Leadership Council Input Organizational Chart

Every issue that follows in this Section is designated as Local, City, Regional, or International.

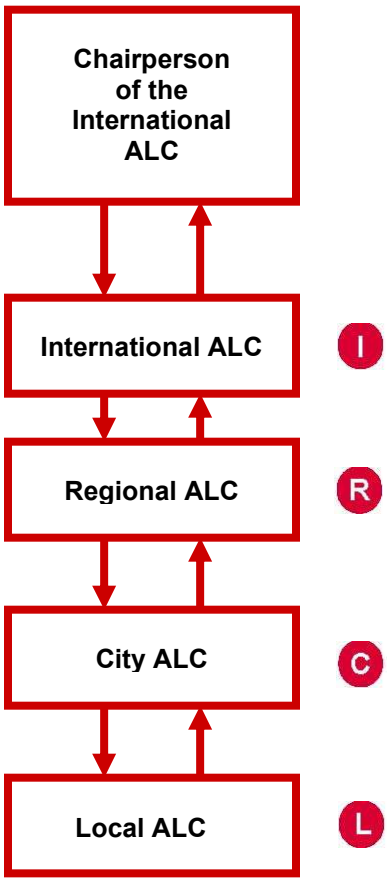
I International issues may be changed by the International ALC.

R Regional issues may be changed by the Regional ALC.

C City issues may be changed by the City ALC.

L Local issues may be changed by the Local ALC.

The Chairperson of the International ALC has the power and responsibility of designating whether an issue is International, Regional, City, or Local. This also includes designating an issue.



Keller Williams Realty is an organization led by associates for associates

4.9 Policies and Guidelines

4.9.1 Local Policies and Guidelines

NOTE: Except where otherwise noted, the following issues are to be decided by the Local ALC. They appear in alphabetized order for your convenience and serve only as reminders for points to include in the Local ALC sections of these Policies & Guidelines. When a policy is mentioned, it is a point of information for new Market Centers and is not intended to be a recommendation.

4.9.1.1 Administrative Checklist

- Contract File Procedures Checklist
- Listing File Procedures Checklist

NOTE: These would include the steps a listing and contract file go through inside the local Market Center which are determined by the Market Center's leadership and staff.

4.9.1.2 Administrative Staff Holidays

If these holidays are on weekdays, the Market Center will observe these holidays and will not be open:

4.9.1.2.1 United States

- New Year's Day
- Good Friday
- Memorial Day
- July 4th
- Labor Day
- Thanksgiving Day
- Christmas Day (If the day following Christmas Day is a weekday, the administrative staff will not be in the Market Center on that day.)

4.9.1.2.2 Canada

- New Year's Day
- Good Friday
- Easter Monday
- Victoria Day
- Canada Day
- Labour Day
- Remembrance Day
- Christmas Day
- Boxing Day

4.9.1.3 Advertising Policy

In many Market Centers, an Advertising Committee will assist in establishing the advertising policy.

4.9.1.4 Agency Policy

Issues involving agency relationships are governed by different local laws and each Market Center must remain in compliance with the applicable laws of its area. Each Market Center should have its own written agency guidelines and/or follow those written guidelines which may be available through its applicable state or province regulators.

Experienced associates who have been affiliated with other brokers and have transferred their license to a Keller Williams Realty Market Center must familiarize themselves with the current Keller Williams Realty agency policy prior to transacting business as it may vary.

Any associate who has a question regarding agency relationships which is not addressed in the Market Center's written agency guidelines, should immediately consult their TL or broker.

As local laws governing agency change, each Market Center shall amend their existing policy to comply with the new law(s).

4.9.1.5 Bonuses Paid Policy

Bonuses paid on a transaction are split according to the associate's commission split at the time of funding the sale or the bonus paid to the 100 percent associate depending on Market Center written policy.

4.9.1.6 Business Meetings (Team Meetings - Sales Meetings)

The Market Center will have one team meeting each week. It is to the benefit of everyone to attend these meetings and to be on time.

4.9.1.7 Closings Policy

- Associates should attend closings.
- The Market Center Administrator (MCA) will send the disbursement authorization to the closing officer after it is approved by the TL.

4.9.1.8 Commission Schedule

If applicable, any commission schedule established by the Market Center should be attached to the Independent Contractor Agreement.

4.9.1.9 Commission Splits of a Market Center

Our goal is to be the most professional and successful real estate company in the US and Canada. To do this, we must attract and retain the most professional people in real estate. The first way to do this is to offer the best compensation plan. In keeping with this philosophy, the ALC designed the following program:

1. **Anniversary Date/Fiscal Year.** When an associate joins a Keller Williams Realty Market Center, his/her anniversary date, for purposes of calculating his/her eligibility for 100 percent commission, is the first day of the month following the date he/she joins the Market Center. The MORE System automatically calculates the eligibility for

100 percent commission. It uses this date as the anniversary date to mark the beginning of the Associate's fiscal year. For example, if an associate joins March 10, his/her Anniversary Date would be April 1. The associate will have an additional 22 days (March 10-31) in his/her first fiscal year in which he/she could become eligible to receive 100 percent commission. If the associate has a closing in the month he/she joins, the associate's company dollar Anniversary Date can be the first day of his/her enrollment month.

2. **Commission Split.** The Market Center associate is paid a _____ commission split until the Market Center's portion of the closed commissions generated by that associate has reached _____, the Company Dollar Cap, during the associate's **fiscal year**.

3. The Market Center associate then advances to 100 percent commission on all transactions closed and funded for the balance of the associate's fiscal year.

4. All income received through an associate's real-estate business (except personal transactions) is included in the commissions calculated at this split.

5. It is the option of the Market Center to choose to include an associate's production (prior to joining a Keller Williams Realty Market Center) in determining the associate's commission split at the time of joining the Market Center.

6. New Associate/Production-Level Commission Plans. Each Market Center may determine production-level commission plans for newly licensed, inexperienced or other associates at particular levels of production.

7. This Market Center cap shall be reviewed regularly and adjusted to reflect the current local economic and market conditions, subject to approval by the Region and KWRI.

8. When the Market Center associate's closed production nears the 100 percent level, the MORE system will warn the MCA and will subsequently calculate the commission when the associate reaches the 100 percent level.

9. A Market Center associate reverts back to his/her standard commission split on the Anniversary Date of his/her fiscal year.

10. All funding checks dated prior to that date and delivered to the TL within 48 hours of the Anniversary Date, will be disbursed at 100 percent.

11. All funding checks with a date later than the Anniversary Date will not be disbursed at the 100 percent level.

4.9.1.10 Administrative Fee for Capped Associates

When a Market Center associate reaches his/her cap for the year, an administrative fee of $_____shall be charged for each additional transaction. This fee shall not be charged for personal transactions in accordance with Section 4.9.1.24 of this manual.

If two 100 percent associates are splitting a transaction, they shall split the Administrative Fee. If the transaction is a sale and a listing sold, each 100 percent associate will pay a $_____Administrative Fee.

4.9.1.11 Complaints/Disputes Involving Other Associates

- Associates who have complaints/disputes against others should immediately direct them to their TL in writing.
- These should never be discussed with other associates or clients.

4.9.1.12 Conduct

- **Alcohol Consumption Policy.** We believe that it is unwise to consume alcohol when working. Therefore, it is a guideline of our company that no member of the organization use alcoholic beverages during business hours. No member of our firm should come to their office and/or Market Center during business hours, or off hours, with alcohol on their breath, or to any extent under the influence of alcohol. We consider this to be a strict guideline.
- **Conduct at the Market Center.** Everyone is to be well-behaved and professional at the Market Center at all times. This is an office where professional business is being conducted and you should expect a business-like attitude to be taken. We want everyone to have respect for each other in their daily personal dealings. There should be no vulgar language, cursing or yelling.

4.9.1.13 Contracts

4.9.1.13.1 Presentation to the Seller

- Each contract should be presented to the seller in person, with a complete Seller's Statement and a qualification sheet on the buyer (if you can obtain one).
- Contract presentations are to be made in a professional manner and are to be discussed with the owner realizing that many items other than money go into a contract offer. For example, date of possession could be a determining factor. These are things that are discussed in your training program and must be considered at each contract presentation.
- The seller should be given every opportunity to accept or reject a contract offer.

4.9.1.14 Dress Policy

It is important that everyone who associates with and represents Keller Williams Realty do so in a professional manner. Associates should conduct themselves properly in public, keep their car clean, drive courteously and maintain a well-groomed appearance.

Appearance is the single most important impression factor you have. It is important to be well-groomed from a well-kept hairstyle down to one's shoes. We are professionals; your manner and appearance should reflect this at all times. This dress code should include coming into a Market Center on an associate’s day off.

4.9.1.15 Errors and Omissions (E&O)

The E&O premium is determined by the E&O provider.

Market Centers may have the option to:

1. Deduct Market Center associate E&O fee from each side (listing or sales) through the Disbursement Authorization in the WinMORE System.

2. Bill each associate a Market Center associate E&O fee monthly through the AccountEdge Accounting Program.

4.9.1.16 Equipment/Software L

4.9.1.16.1 Copy Machine

- Copy Machine will include a *Code* mechanism.
- A cost per copy will be paid by the associate.

4.9.1.16.2 Fax Machine

- Incoming Fax
- Outgoing Fax - cost per page

4.9.1.16.3 Other Equipment/Software

Other equipment/software which the ALC may approve to purchase and which may be available in the Market Center.

- Digital camera
- Color copier
- Associate software
- Headsets for prospecting
- Special computers

4.9.1.17 Escrow Deposits

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- Time is of the essence when depositing earnest money/escrow checks.
- Escrow checks should never be held for any reason once an offer has become a contract.
- All escrow deposits should be immediately turned over to the title company, or other entity named in contract, for deposit or deposited to the Market Center escrow account immediately.

4.9.1.18 Keeping in Contact with Your Market Center

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Keeping in contact with your Market Center is one of the most important responsibilities you have. We suggest you contact your Market Center at least every four or five hours. Always check in when you enter the Center, check out when you leave, state where you are going to be, who you are going to be with, and when you will be in contact again. If you are off, check in with the Market Center at least once, the only exception being if you are out-of-town. If you are going out-of-town, please make the Market Center aware of that fact and designate who will be covering your business in your absence. A phone number where you could be reached in the event of an emergency requiring your attention should be left with the TL.

4.9.1.19 Legal Fee Policy

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Legal Fees will be split between the company and the associate according to the way the commission split was or would have been on the transaction.

4.9.1.20 Listings



4.9.1.20.1 Open/Exclusive Right to Sell

When we have open listings and/or exclusive right to sell, we should always have notice in writing from the owner that we will definitely receive a commission if we procure a sale on that property. If we are not the procuring cause of the sale, then it is not necessary for us to have it in writing. **Before we show any property or give any information, we should have in writing that we will definitely be paid a commission by the owner.**

4.9.1.20.2 Contact with Sellers

You should contact the seller of each of your listings **at least once a week**. This will keep the sellers abreast of all the market activity and any activity on their houses. One out of each four contacts should be in person! This must be one of our strongest areas; **never leave our sellers stranded!** Our reputation is built on this guideline!

4.9.1.20.3 Listing/Sales Files

There is a real necessity for complete records to be kept and recorded so that records of transactions being participated in by the company and the company's associates will be available. All records that have to do with listings, appraisals, leases, the hope of obtaining listings, contracts that have gone through, as well as offers or contracts that have fallen through are to be kept in a file. **Copies** of all letters, contracts and agreements pertaining to real estate, regardless of whether they are written by our associates or others, shall be placed in the file. **This is the only protection you and the company have in the event of a lawsuit. Full knowledge of every case is important. There is no excuse for the violation of this guideline by any associate.**

4.9.1.20.4 Changes on Listings

It is the associate's responsibility to make note of all changes on his/her listings in the Market Center listing filing system and in the Multiple Listing Service (MLS), if applicable. If the change is of a material nature, the listing associate should have written authorization from the seller and put it in the property file for permanent record. Any fines imposed by the MLS for incorrect or missing information are the responsibility of the associate.

4.9.1.20.5 Listing Forms

It is the responsibility of the listing associate to obtain approval from his/her TL before submitting a listing to a MLS. It is our policy for you to provide the TL with the following information to obtain approval:

- Completed listing form and worksheet
- Completed listing system form
- Initialed seller's statement

This file should be in the Market Center file cabinet and in the Market Center Listing Display Book or Computer, before the listing is put on the listing board and the sign and lock box go up. We understand this will always take coordination, but without following this procedure, problems always occur.

4.9.1.21 Market Center Hours

Generally, our Market Centers are open from _____ to _____ Monday through Friday and _____ to _____ Saturday and Sunday. These hours may vary with local practices.

4.9.1.22 Market Center Tidiness

Our Market Centers are to be kept neat and clean at all times. Each associate is to make sure the work areas are clean whenever leaving the Market Center. This includes all areas, or areas which everyone has common use of the Market Center.

We hope everyone will take this attitude and keep our Market Centers clean. You should be able to bring anyone into the Market Center at any time and be confident you will be proud of the way it looks.

4.9.1.23 Negotiating Commissions

Each Market Center and their associates shall be transparent about their compensation and who pays their fees. Commissions are not set by law or practice and are fully negotiable. There is no commission standard and pricing will vary by agent and market conditions. Likewise, offers of cooperative compensation are fully negotiable and not required by law or practice. Offers of cooperative compensation must be openly discussed with the client and authorized before they are made or accepted.

KWRI does not require Market Center associates to make or accept offers of cooperative compensation. In discussing cooperative compensation with a client, Market Center associates shall not suggest that a seller must offer cooperative compensation. Market Center associates also shall not suggest that other agents may not share the listing for the seller's house if the seller does not offer cooperative compensation or does not offer a certain amount of cooperative compensation. Market Center associates representing buyers must share any listing that meets a client's search criteria or needs even if the listing does not include an offer of cooperative compensation.

4.9.1.24 Personal Real Estate (Buying, Selling, and Leasing)

Purchasing or selling real estate (your personal residence or investment properties) is one of the greatest advantages you have as a real estate professional, and it is our goal to preserve this advantage.

1. The associate is not required to pay the Market Center a real estate commission on the portion of the transaction that involves the associate as an owner.

    a. This provision applies to those properties that are considered personal residences and is limited to two sides per year, one as a Buyer and one as a Seller.

    b. Each Market Center will determine how to treat personal transactions beyond two sides per year and those properties classified as something other than personal residences. Each Market Center will also determine required criteria to qualify for this "gift."

    NOTE: The associate is required to pay royalty on ALL transactions until the associate fulfills the KWRI royalty cap.

2. The associate is required to pay the Market Center a real estate commission on the side of the transaction that involves another associate.

3. It is Market Center policy to charge the associate a minimal transaction fee of $_____. (Check with the Market Center TL.)

4. The associate must pay the E&O insurance if the E&O carrier does insure associate personal transactions.

5. The Market Center must have a copy of the contract on the date it becomes effective, as the Market Center is legally liable.

6. All expenses involved in the marketing of an associate's real estate shall be at the associate's expense.

7. Certain federal, state or provincial laws and restrictions may apply to investment properties and/or personal residences.

8. Each associate should obtain a copy of his or her local Market Center policy to determine if there is a minimum company dollar contribution which must be maintained before personal properties can qualify without paying the company a portion of the commission.

4.9.1.25 Phone Policy

- All phone calls should be returned as soon as possible
- **All** long distance calls **are the responsibility of and are to be** paid for by the Associates **placing or authorizing the call**
- Policies **for any** Call Coordinator System or **any Phone** Opportunity Time System should be developed in conjunction with the **Local** ALC

4.9.1.26 Priorities

It is the consensus of the ALC that priorities for Keller Williams® Market Centers should always be:

1. Selling real estate.
2. Highest possible commission split.
3. Broker profit and a world class environment and organization.
4. Profit sharing to associates and the creation of a vesting type of income, not related to personal sales production.
5. A productivity-specific environment.

In keeping with this priority schedule, the Keller Williams Realty Commission and Profit Sharing Programs were created. These concepts set Keller Williams Realty apart as a unique real estate organization and as an associate-focused real estate organization.

4.9.1.27 Property Caravan (Tour) Policy

This policy will vary from office to office and be established by the Local ALC.

4.9.1.28 REALTOR® Associations

KWRI does not require membership or participation in any national, state or provincial, or local REALTOR® associations or in any other trade associations or organizations. Each Market Center may establish its own guidelines. Information about REALTOR® associations can be found here:

United States National Association of REALTORS®
430 North Michigan Avenue
Chicago, Illinois 60611

Tel: 800-874-6500
Website: www.realtor.org

Canada The Canadian Real Estate Association
344 Slater Street, Suite 1600
Ottawa, Ontario K1R 7Y3

Tel: 613-237-7111
Fax: 613-234-2567
Website: www.crea.ca

4.9.1.29 Referral Procedures

NOTE: See Section 7.

4.9.1.29.1 Outside Referrals

Use a Keller Williams Realty office, if possible.

4.9.1.29.2 Inside Referrals

A *transaction* is a listing sold or a sale made.

An *inside referral* is when one associate refers a buyer or listing to another associate within his or her own Market Center. The referring associate receives no production credit on an inside referral; the total production credit goes to the associate paying the referral fee.

A *split transaction* is one in which two associates agree to split their commission on a transaction at an agreed-upon percentage. In a split transaction, both associates receive production credit based on their portion of the split.

A referral from an associate who is at 100 percent commission to one who is not at 100 percent shall be handled as a *split transaction* rather than as an inside referral. The transaction is split between the two associates, and the non-100 percent associate splits his or her portion with the Market Center based on their commission split at the time of funding.

For example, assume a 100 percent associate accepts and sells a referral from a non-100 percent associate in his or her own Market Center, agreeing to pay a 20 percent referral fee. The transaction is split 80/20 between the two associates, and the company shares in the 20 percent.

NOTE: The 100 percent associate's commission remains the same in either case.

The table below shows the fees in an example where Associate A refers a buyer to Associate B and they agree on a 20 percent referral fee. At funding, A is at the 70 percent commission level and B is at 100 percent. It is assumed for purposes of this example that

the total commission earned was $3,000. Note that this example does not take into account royalty, E&O, Administrative, or other fees.

Table 1: Example Fees

Party	Fee Received
Total Commission	$3,000
Associate A	$3,000 x 20 percent = $600 x 70 percent = $420
Associate B	$3,000 x 80 percent = $2,400 x 100 percent = $2,400
Keller Williams® Realty	$3,000 x 20 percent = $600 x 30 percent = $180

4.9.1.30 Seller's Net Statement

L Every seller you make a presentation to, and/or whose property you list, should be given a copy of a Seller's Net Statement. Also, a Seller's Statement should be included with every contract presentation on resale properties. The Seller's Statement should be explained to and initialed by the seller, including the commissions to be paid. These Statements could be used to protect you if any problems arise. On the Statement, the word estimate is used many times. **The seller needs to be verbally told that figures are just that, *estimates*.**

4.9.1.31 Square Footage

L Square footage is never to be quoted or published without the following or similar disclaimers being used in conjunction: "Approximately," "according to tax records," "buyer should verify these figures for themselves," etc. Never represent that you know the exact square footage; you do not wish to mislead anyone.

4.9.1.32 Supplies

L All associate supplies, including signs, forms, lock boxes, etc., unless specifically excluded, are provided by each associate.

4.9.1.33 Termination of Associate Relationship

L The association between a Keller Williams Realty Market Center and an associate may be terminated by either party, with or without cause, at any time upon written notice given by the other party.

I The associate shall not, after termination, use to his or her own advantage or the advantage of any other person or corporation, any information gained for or from the files or business of the Market Center.

L Upon the termination of association, the associate leaving the Market Center will give the Broker/ TL a list of transactions that are under contract at the time of the associate's termination. The associate will receive all of the normal commission he/she would have received if he/she were still associated with the Market Center at the time the transaction closes. While state or provincial law may establish that listings are legally the property of the broker, in maintaining the culture of Keller Williams Realty, it is our policy that a departing sales associate will be able to take his or her listings that are not under contract unless the listing was assigned to the associate by management.

Termination of association with Keller Williams Realty is defined as the termination of the broker/associate relationship.

Keller Williams Realty recognizes that with the Profit Sharing Program, termination of the relationship must be taken very seriously. Nevertheless, no Keller Williams Realty Market Center is obligated to hold the license of any associate for any reason.

NOTE: Applicable state or provincial and federal laws may apply regarding the termination of an associate's relationship with the Market Center, and each Market Center should maintain a current copy of the guidelines pertaining to this issue. Written documentation of performance reviews, complaints, investigations, etc., should be maintained in the associate's file in the event any termination of this relationship is ever questioned.

4.9.1.34 Time Off – Associate

- Notify the TL and Call Coordinator/Receptionist in writing when taking time off.
- Have another Associate who is knowledgeable regarding your transactions be available to handle your business.

4.9.1.35 Transferring

Market Center to Market Center Transfers:

If a Market Center ("New MC") affiliates with an Associate ("Transferring Associate"), whether by contract with the New MC, a Team affiliated with the New MC or a Mega Agent Office affiliated with the New MC, who at the time or within the prior 90 days has been an Associate of another Market Center ("Former MC") whether by contract with the Former MC, a Team affiliated with the Former MC, or Mega Agent Office affiliated with the Former MC, the New MC must compensate the Transferring Associate's Former MC. The compensation payable to the Former MC is equal to the lesser of the Former MC's Company Dollar Cap or the amount of Company Dollar the Transferring Associate paid to their Former MC during the prior 12 months ("Transferring Associate Compensation"). The Transferring Associate Compensation is due to be paid to the Former MC as the New MC collects Company Dollar from the Transferring Associate until the balance of the Company Dollar has been paid in full. The New MC shall have up to four years (from the date of the Transferring Associate's transfer to the New MC) to pay the Transferring Associate Compensation. If a Transferring Associate transfers out of the New MC before the Transferring Associate's Compensation is paid in full to the Former MC, the New MC's obligation to pay the Transferring Associate's Compensation shall immediately cease.

If a Market Center ("New MC") hires a staff member who at the time or within the prior 90 days has been a staff member of another Market Center ("Former MC"), Former MC's Team, or Former MC's Mega Agent Office, the New MC must compensate the staff member's Former MC. The compensation payable by the New MC to the Former MC is equal to the Company Dollar Cap of the Former MC, Former MC's Team, or Former MC's Mega Agent Office, and must be paid within 60 days of the date the staff member joins the New MC.

The compensation specified in this Section reasonably represents the investment made in the Associate or staff member by the Former MC and does not constitute a penalty. No payment is required if the Transferring Associate or staff member is transferring to another Market Center based on a location change of their personal residence outside of

their current Market Center Awarded Area. Any payment required in this Section may be reduced or waived by written consent of the former Market Center's Operating Principal.

Company Dollar Cap:

- Transferring from one Market Center to another may result in an associate having a new fiscal year/anniversary date based on his or her date of transfer. The transfer could result in the loss of 100 percent status. This is an individual Market Center decision.

Royalty Cap:

- If the associate transfers within the same Region, the royalty anniversary date will not change.
- If the associate transfers to a different Region, the royalty anniversary date may change.
- The recording of the deletion of the associate from one Market Center and the addition to the new Market Center must be done by KWRI. The transfer form should be emailed to the KWRI MORE Administrator, at winmoreadmin@kw.com before the next transmittal date by the associate's new Market Center.

NOTE: The Market Center License Agreement prohibits the inducement of Market Center staff and associates by another Market Center.

4.9.1.36 Unpaid Bills

Your Market Center is not in the lending business. Therefore, any outstanding bill is due and payable within _____ days from the date the associate receives the bill.

If the Market Center has not received the payment within the first seven days, there will be a late charge of _____.

This is a very important policy and should not be taken lightly. It is simply not a wise or a fair business practice to adopt any other policy. This policy was established and supported by the IALC and is a significant aspect of the Keller Williams Realty model.

4.9.2 City Policies and Guidelines

The following are only ideas and suggestions on the type of events to co-sponsor and/or information to analyze which have city-wide impact. Each City ALC will identify which of these issues, as well as any other issue, they need to pursue to enhance overall city recruiting efforts and to make each Market Center in the city more profitable.

4.9.2.1 Suggestions

- Participation and collaboration on annual RED Day events and community projects
- Collaboration on fundraising events/efforts for local associates in need
- Joint advertising and PR campaigns
- Team-building events
- Evaluate recruiting strategies
- Evaluate market share
- Plan fundraising events to benefit KW Cares or KW Kids Can
- Host KWKC Quantum Leap events

- Joint training
- Assist in planning
- Awards Banquet
- Other city matters

4.9.3 Regional Policies and Guidelines

Regional ALC Requirements:

- Annually elect one member to replace the retiring IALC member who is completing the 2nd year of their term of service on the IALC
- Review, as a Region, all voting issues prior to each IALC meeting or any Teleconference voting meeting

The following are additional suggestions for the Regional ALC to address:

- Analyze recruiting plans for the Region and hold Market Centers accountable for a specific number of net recruits per month
- Monitor monthly expenses for Market Centers in the Region with a focus on (1) keeping expenses at less than 50 percent of the Company Dollar, and (2) increasing the Profit Sharing to more than 15 percent of Company Dollar
- Demonstrate “learning based leadership” by (1) hosting Mastermind Events, and (2) offering Consulting to local Team Leaders and ALC members
- Assess training, resources, tools, policies, and risk mitigation measures that the Market Centers in the Region should implement to comply with consumer privacy laws, including but not limited to: federal and state telemarketing laws and regulations such as the Telephone Consumer Protection Act, 47 U.S.C. § 227, and the National Do Not Call Registry; the CAN-SPAM Act, 15 U.S.C. § 7701; and state privacy statutes
- Engineer Regional KW Cares Fund Raising Events
- Other Regional matters as determined by the Region

4.9.4 International Policies and Guidelines

The following issues are international issues and can only be changed by the IALC. They appear in alphabetized order for your convenience. All Market Centers are to follow these policies and include them in their local policy manual.

4.9.4.1 Antitrust Compliance Policy

It is the policy of Keller Williams Realty, Inc. that Market Centers and their associates are expected to conduct business in accordance with all applicable antitrust laws. The principal goal of antitrust laws is to ensure that consumers have the benefit of a free, fair, and competitive market that is not undermined by anticompetitive practices, such as price-fixing, bid-rigging, or allocation of customers or markets.

In the business of real estate, broker and agent commissions are a focus of antitrust attention. Commissions must be determined independently as the result of negotiations between associates and their clients and are not to be determined by agreement with any third party. To be clear, commission rates are not determined by Keller Williams Realty,

Inc., the IALC, or any other person(s) not a party to a Listing Agreement or Buyer Representation Agreement with a particular Market Center.

Market Centers and their associates must not enter into any agreements with agents or brokers outside of their Market Centers on the commissions they will charge to clients (or on cooperative compensation amounts they will offer) in their markets. Agreements between agents or brokers from different brokerages on what commissions they charge (or what cooperative compensation they offer) could be considered "price fixing," which can be punished criminally. To be considered price fixing, the agreement does not need to be in writing; an unspoken agreement designed to achieve this unlawful objective can be sufficient.

Because the potential penalties for violating antitrust laws can be severe, including potential substantial fines and even prison time, it also is important that associates avoid participating in any discussions that could later be misunderstood or misconstrued as an effort to reach an agreement on the commissions they will charge (or cooperative compensation they will offer). Do not discuss with or disclose to agents or brokers outside of your Market Center(s) the commission rates you are charging. Similarly, if agents or brokers outside of your Market Center(s) seek to discuss with or disclose to you the commission rates they are charging, you should immediately and forcefully end the discussion and report the occurrence to your TL.

In a profession in which agents and brokers often are compensated based on commissions earned from completed real estate transactions, it is inevitable that associates will hear references to the word "commissions" in the course of their businesses, often without raising any antitrust concerns. What associates must be on notice of and avoid are discussions of commission rates agents or brokers are actually charging or planning to charge their clients in the specific markets in which they operate, because those are the types of discussions that might raise concerns about a potential unlawful agreement between competing agents.

4.9.4.2 Associates Representing the Keller Williams Realty Brand

All associates licensed with a Market Center:

- Will be licensed through their State or Provincial Real Estate Commission as a Real Estate Salesperson or Broker and will execute a contract with their Market Center stating their independent contractor status.
- Have access to and can receive training and can go through our company training program and/or our company orientation program.
- Are encouraged to attend all educational opportunities that are available.
- Are encouraged to read and abide by these policies and guidelines. Deviation from any designated policy without TL permission is considered a violation of company policy and your Independent Contractor Agreement with your Market Center.

4.9.4.3 Attitude

"A person's success in selling is more dependent upon their attitude than upon their ability."

Keller Williams Realty associates demonstrate:

- **A positive attitude** at all times. You should not be afraid you will lose a sale but be excited about making one.

- **Self-confidence.** If you believe in yourself, so will others. (The reverse will also be true). You can increase your self-confidence through learning more, practicing more and experiencing more.
- **Pride.** You should love to sell. Always be proud of the services and benefits you provide your customers and clients.
- **A proper attitude toward suggestions and complaints.** When suggestions are offered, accept them with good grace instead of adopting the negative attitude so often displayed by less successful people. (The hardest person to help is the prima donna—the person who refuses to admit any mistakes.) By stubbornly resisting any suggestions, you may delay or even permanently block your own growth.
- **The ability to disagree.** Form the positive habit of letting people speak their minds and explain their points of view. Then look for a point of agreement. Seek first to understand; then to be understood.
- **The willingness to learn.** Always learn and upgrade your knowledge! By doing so, you truly will become a top professional.
- **The desire to be a win-win competitor.** Remember that there is always room for everyone to achieve their goals and win!
    - Want to be on our winning team.
    - Want to be successful and just as importantly, you must want your team to be successful.
    - Look for a spot to fit in. Do your thing and let others do theirs.
    - Never let yourself get to the point where you believe you are better than everyone else.
    - Be a leader and let there be a leader. There is a proper place for both!
    - You must look for solutions, not problems! You should believe that you are bigger than any problem which might arise.

4.9.4.4 Authorization to Use Company Name

Any use of the Keller Williams logos must be in compliance with the Market Center License Agreement and our Manuals. Should your Regional Director or KWRI determine that any item is in violation of the standards or quality of Keller Williams Realty, they will require that use of the item be discontinued immediately.

4.9.4.5 Business Cards

All business cards using the Keller Williams logo, name or any of its associated names must be used in compliance with the Market Center License Agreement and our Manuals.

4.9.4.6 Closed Transactions

A transaction is officially considered closed only after the Market Center has received the commission. This applies to the following issues:

- Moving to or from graduated commission splits
- Determining the associate's eligibility for ALC
- Determining annual awards

- Determining profit share

NOTE: For all closed-transaction purposes, the end of the month is defined as midnight of the last day of the month. No exceptions!

4.9.4.7 Dispute Settlement Through Arbitration

We all want harmony in our Market Center. Intra-company disputes of any kind between associates or between associates and the Market Center, which cannot be resolved otherwise will be submitted to **arbitration**.

While disputes may be handled locally through binding arbitration, they may also be submitted through the *Keller Williams Internal Dispute Resolution Program* attached hereto. See “Points of Information—Internal Dispute Resolution” on page E-1.

4.9.4.8 E&O Insurance

Each Market Center will carry E&O insurance on every transaction closed. The cost of this insurance shall be paid by the associate in accordance with Section 4.9.1.15 of this manual.

4.9.4.9 Equal Opportunity

Keller Williams Realty believes that all persons are entitled to equal opportunity. Keller Williams Market Centers do not discriminate against their employees, applicants or independent contractor associates because of race, color, religion, sex, sexual orientation, pregnancy, marital status, national origin, citizenship, veteran status, ancestry, age, physical or mental disability, or any other consideration made unlawful by applicable federal, state/provincial, or local laws. Equal opportunity will be extended to all persons in all aspects of the employer-employee relationship and Market Center-independent contractor associate relationship, including recruitment, hiring, training, promotion, compensation, transfer, discipline, layoff, and termination.

Keller Williams Market Centers will make reasonable accommodations for the known and disclosed physical or mental disabilities of an otherwise qualified applicant, employee, or associate, unless undue hardship would result. Any applicant, employee, or associate who requires accommodation in order to perform the essential functions of a job should contact their immediate supervisor or manager. The applicant, employee, or associate should advise the Market Center what accommodations he or she believes are needed in order to perform the job. The Market Center will determine possible accommodations, if any.

If you believe that you have been subjected to any form of unlawful discrimination, harassment, or retaliation, please follow the guidelines for reporting discriminatory harassment as outlined in the employee handbook under the anti-harassment policy. Remember, there will be no action taken against anyone for opposing any form of unlawful discrimination and/or harassment.

4.9.4.10 Equal Housing Opportunity

It is our policy to comply with all federal, state, and provincial Human Rights Codes which protect people against unfair practices in housing by making it illegal to discriminate against any person because of race, color, religion, sex, handicap, familial status or national origin in the sale or rental of housing or residential lots, in advertising the sale or rental of housing, and in the provision of real-estate brokerage services. Block busting or steering is also illegal.

NOTE: Serious penalties apply if found guilty.

4.9.4.11 Ethics

For all business dealings with the public and other real estate agents, a general Code of Ethics should be established following the concept of the Golden Rule. We want to be living examples and to do this we must strive for high ethical standards. The matter of proper ethics must govern all aspects of our business operations. Each Market Center shall adopt a Code of Ethics for each of their sales associates and employees. The NATIONAL ASSOCIATION OF REALTORS® and THE CANADIAN REAL ESTATE ASSOCIATION each publish a Code of Ethics that establishes obligations and standards for their members which may be considered for adoption at the Market Center's discretion.

Please insert the most current copy of the applicable Code of Ethics adopted by the Market Center behind p.G-1.

4.9.4.12 Expenses–Associate

In order to provide the best possible compensation plan for associates licensed with a Market Center, Keller Williams Realty has developed a plan under which the Market Center associate pays for certain variable associate-controlled expenses.

1. **A one-time Association fee** shall be charged each associate joining a Market Center. It shall include the cost of the local and international association or application fees, which are for the operation of the Profit Sharing Program and for statistical records for the associate.

2. **A one-time *Keller Williams Realty Policies and Guidelines Manual* fee** for all associates. (At the Market Center's actual cost of providing the manual.)

3. **Personal promotional, marketing and advertising expenses** are paid by the associate.

4. **An Annual Associate Fee** is assessed for each associate each year in January, including inactive associates that are "Vested Retired" in the Keller Williams system. This fee is waived for any associate joining the company in the month of January for the current year. This fee is paid to KWRI.

5. **Any Professional Dues, if applicable** (e.g., Association/Board of REALTORS®, MLS, and other professional association/organization dues and related charges) shall be paid by the Market Center associate.

6. **New Associate Training** shall also be paid for by the associate, according to Market Center policy.

7. **Lock boxes** shall be purchased by the associate.

8. **Long distance** telephone expenses shall be paid by the associate and should be billed directly to the associate by his or her own long-distance provider.

9. **Signs** shall be purchased by the associate at the cost incurred by the Market Center, including tax and shipping.

10. **Photocopies** are paid by the associate. The price is established by the Market Center. A base level of forms shall be provided by the Market Center (listing agreements and forms, contracts, addenda, etc.).

11. **A Transfer Fee** shall be charged to an associate (in lieu of an Orientation Fee) transferring from one Keller Williams Realty Market Center to another. This fee includes the local and international (established by IALC) accounting transfer fee and covers the cost of re-entering the associate into the Profit Sharing Program in the new Market Center.

NOTE: A sample schedule of fees is published by Keller Williams Realty International in Section 6. Since some local Market Center fees vary, associates should check the policy in their Market Center for the exact fees which will apply to them.

4.9.4.13 Fiscal Year

Fiscal Year Commission is determined by the associate's Company Dollar Anniversary Date which, for purposes of calculating the eligibility for 100 percent commission, is the first day of the month following the date the associate joined the Market Center.

The MORE System automatically calculates the eligibility for 100 percent commission using this date. For example, an associate joining March 10 would have an Anniversary Date of April 1. The associate would have an additional 22 days (March 10-31) in their first fiscal year in which to become eligible to receive 100 percent commission.

The Market Center may choose to use the *actual* date of association as the anniversary date. If so, it will be necessary to track and compute the associate's progress and eligibility for 100 percent commission manually as the MORE System is programmed to track and compute this as described in the previous paragraph.

If the associate has a closing in the month they join, their Company Dollar Anniversary Date can be the first day of their enrollment month.

4.9.4.14 Harassment Policy

Keller Williams Realty is committed to providing a work environment that is free from discrimination. In keeping with this commitment, Keller Williams Realty maintains a strict policy prohibiting unlawful harassment of employees and associates both by supervisory and non-supervisory individuals. Furthermore, we prohibit harassment in any form, including verbal, physical and visual harassment.

Sexual harassment includes making unwanted sexual advances and requests for sexual favors where either (1) submission to such conduct is made an explicit or implicit term or condition of employment or affiliation; (2) submission to or rejection of such conduct by an individual is used as the basis for employment or affiliation decisions affecting such individual; or (3) such conduct has the purpose or effect of substantially interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment. Sexual harassment is also defined as visual, verbal or physical conduct of a sexual nature. This definition includes many forms of offensive behavior and includes gender-based harassment of a person of the same sex as the harasser. The following constitutes a partial list of examples of sexual harassment:

- Unwanted sexual advances or propositions
- Offering employment or other benefits in exchange for sexual favors
- Making or threatening reprisals after a negative response to sexual advances
- Visual conduct: leering; making sexual gestures; displaying of sexually suggestive objects or pictures, cartoons, or posters
- Verbal conduct: making or using derogatory comments, epithets, slurs, and jokes

- Verbal abuse of a sexual nature; graphic verbal commentaries about an individual's body; sexually degrading words used to describe an individual; suggestive or obscene letters, notes, or invitations
- Physical conduct: touching, assault, impeding or blocking movements

Racial or ethnic harassment includes, but is not limited to, ethnic slurs, jokes or other verbal or physical conduct relating to an individual's race, national origin or ancestry where such conduct (1) has the purpose or effect of creating an intimidating, hostile or offensive working environment; (2) has the purpose or effect of unreasonably interfering with an individual's work performance; or (3) otherwise adversely affects an individual's employment or affiliation opportunities.

Also similarly prohibited is any form of harassment against a person on any prohibited ground because of that person's religious creed, physical disability, medical condition, sexual orientation, marital status, or age.

Employees and associates who violate this policy are subject to discipline or discharge for such violations.

4.9.4.15 Harassment Reporting

1. If an employee or associate believes he or she has been harassed by a co-worker, supervisor, or other associate of the Market Center, that person should promptly report the facts of the incident or incidents and the names of the individuals involved to Market Center management or, if the alleged harasser is a supervisor, to the next highest level supervisor, preferably in writing. Supervisors must immediately report any incident of harassment to the Operating Principal of the Market Center.

2. Once an incident has been brought to the attention of Market Center management, an investigation will be conducted promptly to determine all the facts surrounding the incident. The investigation will be kept as confidential as practicable. Whether a person is the accused harasser, the complaining party or merely a potential witness, those participating in the investigation should keep any communications to the Market Center strictly confidential. A determination will be made and the results communicated to the complaining party(ies), to the alleged harasser and, if deemed appropriate, to all others directly concerned.

3. If a violation of this policy is found to have occurred, the employee or associate who is found to have violated the policy is subject to discipline up to and including discharge or the return of the associate’s real estate license.

4. If someone knowingly and deliberately makes a false report about harassment, that person may be subject to discipline as well, up to and including discharge or the return of the associate’s real estate license. However, retaliation for complaining about or opposing harassment, or otherwise participating in an investigation, proceeding, or hearing is illegal.

5. Employees and associates at all times maintain the right to file a complaint of discrimination or harassment with the Equal Employment Opportunity Commission or the state commission governing employment discrimination (in the United States) or the local Human Rights Commission or Canadian Human Rights Commission (in Canada).

4.9.4.16 Housekeeping Changes

Housekeeping Changes may be made at any time without the necessity of approval from the IALC. Housekeeping issues would include spelling corrections, typographical errors, formatting of the document, deletions and/or additions that do not change the intent or effect of the Policy and Guidelines Manual. New provisions or changes to existing provisions that reflect new or updated information regarding applicable state, provincial, or federal regulations are also considered Housekeeping Changes. Any Housekeeping Changes that are identified and recommended during the annual review of the *Policies and Guidelines Manual* will be made to the document and then reported to the IALC at their next scheduled meeting.

4.9.4.17 Teams/Groups

Due to anti-trust guidelines, only the local Market Center Operating Principal may recognize teams and/or groups when it comes to production calculations and Company Dollar caps. Associates should check with their local TL to determine what policy(ies) may apply in their Market Center. Any consideration of teams and/or groups of sales associates will be the decision of the local Market Center Operating Principal.

4.9.4.18 Insurance

Each sales associate must provide the company with evidence that he/she has secured and continues to maintain the appropriate endorsement on his/her automobile insurance policy in the minimum amount of $100,000/$300,000/$50,000 or such additional coverage and limits as required by state or provincial law, naming "[Market Center entity], dba Keller Williams Realty, _____", as additional insured.

4.9.4.19 Investor Cap

One investor Company Dollar Cap per Market Center may be waived for the Market Center Investor(s). This benefit may be taken by one investor or shared by several investors. Should the Investor group wish to waive more than one Company Dollar Cap, a written request must be presented to, and approved by, the Region and KWRI Commitment Department.

4.9.4.20 Investor Royalty Cap

The Investor(s) ***Royalty*** Cap is never waived.

4.9.4.21 Investor/OP Duties

The Operating Principal of a Market Center is required to ensure that all investors receive a copy of the monthly financial statement and other month-end reports following **transmittal each month.**

4.9.4.22 KW Cares and KWKC Funding Through Greensheets Transaction Giving

Each Greensheet, or such other alternative format an associate uses to provide transaction data to the Market Center or KWRI, will include a default donation to each of KW Cares and KWKC of $10 for each transaction. An associate can choose to donate more or "opt out" from this $10/transaction donation, at any point, but the default position will be set for the $10 donation.

4.9.4.23 Legal and Trial Expense

If you have any legal encounters with the public, or any lawsuits are filed against KWRI due to your actions, you will be expected to participate in them as a responsible party, not just as an associate of the Market Center. The Market Center will also enter into, upon the discretion of the Market Center's management and leaving final judgment to the Broker, any lawsuit when the Market Center has a legal remedy and right. In the event any transaction in which an associate is involved results in a dispute, litigation or legal expense, the associate will cooperate fully with Market Center management. Market Center management and the associate will share all expenses connected therewith, in the same proportion as they would normally share the commission resulting from such transaction if there were no dispute or litigation. This **does not** include the situation where the associate is a named defendant personally.

It is the policy of our company to **avoid** litigation wherever possible and Market Center management reserves the right to determine whether or not any litigation or dispute shall be prosecuted, defended, compromised, or settled, and the terms and conditions of any compromise or settlement or whether or not legal expenses shall be incurred. Should legal expenses be incurred and become due, then both the Market Center and the associate shall be responsible for paying the bill at that time.

NOTE: Should an associate leave the Market Center (regardless of reason) and a legal encounter occur because of their actions while with the Market Center, or while they are representing the Market Center in any agreed capacity, these policies still apply.

Should KWRI incur legal expenses or damages as the result of a lawsuit or demand arising from actions taken by Market Centers and their associates, we will assert all applicable indemnification rights we have to recover those amounts. We are not legally or financially responsible for your actions.

4.9.4.24 Marketing Items Policy

KWRI has designed many quality marketing pieces, designs, forms, manuals, award certificates, recruiting materials and signs. Presenting a world-class image to the public is an overriding concern to all at Keller Williams Realty. Many of these pieces are available through Keller Williams Realty-approved vendors or in a digital form from KWRI. Any deviation from these designs must be approved by your TL, OP and Regional Director.

4.9.4.25 Open Door Policy

The door is always open for you. You should feel free to visit with your TL anytime. We care.

4.9.4.26 Policies and Guidelines Review

1. A standing Policy and Guidelines Committee shall be permanently established by the IALC to annually review this entire *Policies & Guidelines Manual* and make annual revision recommendations to the IALC.

2. Recommendation, rationale, and one alternative solution must be submitted before a change may be considered.

3. A two-thirds vote is required to change any policy or guideline in accordance with Section 4.7.2 of this *Policies & Guidelines Manual*, in addition to approval by the

IALC Chairperson, except changes recommended by the IALC Chairperson are approved by a simple majority vote of the IALC.

NOTE: Housekeeping Revisions may be made at any time without the necessity of approval from the IALC. Housekeeping issues would include spelling corrections, typographical errors, formatting of the document, and deletions or additions that do not change the intent of the Policies and Guidelines Manual.

Any Housekeeping revisions that are identified and recommended during the annual review of the Policies and Guidelines Manual will be made to the document and then reported to the IALC at their next scheduled meeting

4.9.4.27 Profit-Sharing Program

NOTE: This Policies & Guidelines Manual details the specific methods for the calculation and distribution of funds in the Profit Sharing Program for Market Centers operating in the United States and Canada. Due to the complex differences in legal, taxation, currency valuation and other financial and business matters, the specific methods for calculating and distributing growth share funds from Market Centers outside of the U.S. and Canada will likely differ from country to country. The specific methods for calculation and distribution of these funds from Market Centers outside of the U.S. and Canada will be established after counsel with international legal, accounting and licensing experts.

1. The Keller Williams Realty Profit-Sharing Program is international in scope with all sales associates, employees, Market Center investors, TLs, Regional Directors, Market Center brokers, members of teams and groups, members of affiliated companies and KWRI employees having the opportunity to participate.

2. Eligibility to participate is determined by contribution to the growth of Keller Williams Realty in recruiting new sales associates to any Market Center anywhere in the U.S. and Canada.

3. The profit sharing is based on the sales closed by an associate as it relates to the profits of the Market Center in which that associate works.

4. The profit-sharing fund is distributed on a multi-tiered format based on sponsorship of one associate or employee by another associate or employee. There are two concepts in the Profit Sharing Program:

    a. First, determining the total funds available for profit sharing each month.
    b. Second, determining the way in which associates who recruit producing associates will share in these funds.

5. The total funds available for profit sharing are determined as follows:

    a. Each Market Center calculates its Profit Sharing contribution based on its monthly Gross Commission Income (GCI).
    b. Less: Keller Williams Realty Royalty Fee
    c. Equals: Net GCI
    d. Less: Associates share of line c (associates commissions)
    e. Equals Gross Market Center Income: (Company Dollar)
    f. Less: Market Center's KW Approved Costs
    g. Less: Market Center's Loss Carry Forward from prior months, if any.

4.9.4.27.1 Profit Share Calculation

The Market Center's profit line (Line 8 in the example below) is then used to calculate the Profit Sharing Contribution based on the following tables:

Table 2: Profit Sharing Contribution Calculation

Profit Share Profit	Profit Sharing Contribution
Up to $10,000	25% of such amount (25%X $10,000 = $2,500)
Over $10,000, up to $30,000	35% of such amount plus $2,500 (35% of $20,000 = $7,000 + $2,500 = $9,500)
Over $30,000	50% of such amount plus $9,500

The following two tables are examples:

Example: A Market Center collects $500,000 in gross commissions during the month. The following is an example of what their Profit Share Calculation could be.

Table 3: Profit Share Profit Calculation

Fee	Amount	Line
Monthly GCI	$500,000	Line 1
Less: Keller Williams Realty royalty fee (6% example)	$30,000	Line 2
= Net GCI	$470,000	Line 3
Less: Associates' share of Line 3 (70% example)	$329,000	Line 4
= Company Dollar	$141,000	Line 5
Less: Total KW Approved Costs	$60,000	Line 6
Less: Operating losses from prior months (LCF)	$0	Line 7
= Profit Share Profit (Profit before Profit Share is calculated)	$81,000	Line 8

Using the figures in Table 3, this would be the corresponding Profit Share contribution.

Table 4: How the Profit Sharing Contribution Is Calculated

Profit Share Profits	Associate Profit Sharing Pool	Owner's Portion of the Profit
$81,000		
$10,000 x 25 %	$2,500	$7,500
$71,000		
$20,000 x 35 %	$7,000	$13,000
$51,000 x 50 %	$25,500	$25,500
Totals:	$35,000	$46,000

4.9.4.27.2 Profit Share Distribution

An associate participates in Profit Sharing as follows:

- By recruiting other associates who contribute to the profitability of a Keller Williams Realty Market Center in the United States and Canada. It exists as long as there is production associated with individual(s) in the down line.
- On occasion, an individual may have been recruited by more than one person. In those circumstances, the recruit will decide which person to name as his/her sponsor.

The associate establishes his or her sponsor when he or she becomes affiliated with Keller Williams Realty. Each associate has several different levels of sponsors:

- *Level One* sponsor is the individual who directly recruited the associate to become affiliated with a Market Center. This is the person that the associate chooses as a sponsor.
- *Level Two* sponsor is the individual who directly recruited the associate's level one sponsor.
- *Level Three* sponsor is the individual who directly recruited the associate's level two sponsor, etc.

The number of levels of sponsors who may receive profit-sharing checks is currently seven. A sponsor will share in the monthly profit-sharing program if a sponsored associate closes a sale that produces Company Dollar during a month in which there is a Profit Sharing Contribution by the Market Center for that month. Sponsors of producing associates, who contribute to a profitable Market Center, share in the Profit Sharing Contribution generated by the associate's closed sales as follows:

Level 1 = 50%

Level 2 = 10%

Level 3 = 5%

Level 4 = 5%

Level 5 = 7.5%

Level 6 = 10%

Level 7 = 12.5%

Example: You sponsor an associate into a Keller Williams Realty Market Center and that associate generates a $3,000 gross commission from a sale with $900 Company Dollar.

- The Market Center generates $150,000 in GCI, $42,300 in Company Dollar, and pays a $10,165 Profit Sharing Contribution to the profit sharing pool that month.
- The Market Center $10,165 Profit Sharing Contribution divided by $42,300 Company Dollar equals a Profit Sharing Factor of .240307.
- The associate's $900 contribution to the Market Center's total Company Dollar generates $216.28 total profit sharing available to be distributed to 7 levels of Sponsors.
    - **Level 1** sponsor would receive profit sharing on that sale:
      50% x $216.28 = $108.14
    - **Level 2** sponsor would receive:
      10% x $216.28 = $21.63
    - **Level 3** sponsor would receive:
      5% x $216.28 = $10.81
    - **Level 4** sponsor would receive:
      5% x $216.28 = $10.81
    - **Level 5** sponsor would receive:
      7.5% x $216.28 = $16.22
    - **Level 6** sponsor would receive:
      10% x $216.28 = $21.63
    - **Level 7** sponsor would receive:
      12.5% x $216.28 = $27.04

      100%= $216.28

4.9.4.28 Profit Sharing Program: Operating Policies and Procedures

4.9.4.28.1 Distribution of Profit Sharing Funds

1. The Market Center closes its books by the third business day of the month.
2. The MCA transmits the records to KWRI via electronic upload.
3. KWRI collects the franchise royalties and Profit Sharing contributions through direct withdrawal from each Market Center's bank account.
4. KWRI calculates and distributes individual Profit Sharing funds by the 21st day of the month (see note below) via direct deposit into an account as specified by each individual participating in the Profit Sharing Program.

   NOTE: The 21st is a goal. Should transmittal problems arise in any month, this date could vary.
5. KWRI transmits an electronic communication to Profit Share recipients after the 21st of each month once the calculation is complete.

4.9.4.28.2 Personal Volume

Since the Profit Sharing Program was designed to reward anyone affiliated with Keller

Williams Realty who contributes to the growth of the organization at any level, there will be no personal closing volume requirement as a prerequisite to their participation in the program. This guideline pertains to all sales associates, teams, groups, associate assistants, associates' buyer/listing Associates within the Market Center, as well as brokers, OPs, TLs, and any member of any Region and the staff of KWRI.

4.9.4.28.3 Vesting

Pre April 1, 2020, Associates. Effective no earlier than the date that the WinMORE system can be updated to accurately process the Profit Share distribution amounts in accordance with this subsection 6, a vested participant in the Keller Williams Profit Share program who has a Keller Williams anniversary date of April 1, 2020 or earlier, and: (i) is currently an owner, contractor, employee, or affiliate of a non-Keller Williams brokerage; (ii) disassociates from a Keller Williams brokerage or is no longer employed by KWRI and joins a non-Keller Williams brokerage or otherwise competes with KWRI or its franchisees; or (iii) directly or indirectly attempts to induce an associate, staff member or owner of any Keller Williams brokerage to affiliate with a non-Keller Williams brokerage (each of (i) - (iii) is a "Vested Competing Associate"), will no longer receive 100% of the Vested Competing Associate's monthly Profit Sharing distribution provided for under the Profit Share program. Instead, such Vested Competing Associate's monthly Profit Sharing distribution will be reduced to 5% of the amount provided for under the Profit Share program.

Any Profit Share amounts that would have been distributed to a Vested Competing Associate if their Profit Sharing distribution was not reduced (i.e., the remaining 95%) is considered not earned and such amounts are forfeited upon notice that an associate is a Vested Competed Associate and will be redistributed back into the Profit Share program as detailed below.



NOTE: Each month the Profit Share calculations are processed for the entire Profit Share program. During those initial calculations, standard Profit Share amounts are calculated for all eligible associates including those who have been designated a Vested Competing Associate. For those associates who are a Vested Competing Associate, 5% of their Profit Share amount will be paid to them. In the following example, for illustration purposes only, an associate in Level 6 is designated as a Vested Competing Associate and the associate whose production contributed to company dollars resulted in $100 being contributed to the Profit Share pool. A Level 6 associate would traditionally receive $10, but because this associate is designated as a Vested Competing Associate, the Vested Competing Associate is paid $.50.

The recaptured Profit Share amount (in this example, $9.50) is redistributed back into the Profit Share pool. This is done by reducing the original Profit Share contribution amount of $100 by the amount paid to the designated Vested Competing Associate. $100 - $.50 = $99.50

The associates who are designated a Vested Competing Associate are then temporarily removed from the Profit Share tree and the Profit Share tree compresses. In this example, the associate in Level 6 would be removed and the associates on Level 7 and Level 8 would move up one level.

The standard Profit Share calculations are then processed again, but now with the adjusted Profit Share pool amounts and with the Vested Competing Associates removed from the Profit Share tree.

If a Vested Competing Associate returns to Keller Williams on or within 6 months of the date that Vested Competing Associate's monthly Profit Sharing distribution reduction became effective ("Allowable Reinstatement Date"), such Vested Competing Associate will no longer be deemed a Vested Competing Associate and the monthly Profit Sharing distribution will be reinstated to 100% and the downline will remain intact.

If a Vested Competing Associate returns to Keller Williams after the Allowable Reinstatement Date, there will be no reinstatement of the Profit Sharing distribution to 100% and the returning associate's vesting will re-start with a new anniversary date and Sponsor, and with no downline.

Post April 1, 2020, Associates. A participant in the Profit Share program, who has a Keller Williams anniversary date of April 1, 2020, or later but otherwise meets the definition of a Vested Competing Associate, shall not be eligible to participate in the Profit Share program (an "Ineligible Competing Associate").

If an Ineligible Competing Associate returns to Keller Williams on or within 6 months of the date that such person became an Ineligible Competing Associate, that associate will be reinstated in the Profit Share tree in the same position from which that associate was removed, but if an Ineligible Competing Associate returns to Keller Williams after that 6-month period, the returning associate will restart vesting with a new anniversary date and Sponsor, and with no downline.

Notice will be provided by the Market Center via email and regular mail to the last known address one-month prior to a Profit Sharing distribution reduction becoming effective for a Vested Competing Associate and one-month prior to the effective date of removal from the Profit Share program for an Ineligible Competing Associate. If after receiving notice of their Vested Competing Associate status or Ineligible Competing Associate status, as the case may be, individuals believe they do not meet the definition and (i) they believe their Profit Sharing distribution should not have been reduced or (ii) they believe they should not have been removed from the Profit Sharing program, they may submit their appeal through the Internal Dispute Resolution process described in Addendum E to this Policies & Guidelines Manual.



NOTE: The following operational components will be utilized to enforce this section:

- Credible evidence of competition or solicitation must be submitted to KWRI by associates, leadership or staff of Keller Williams Market Centers or Regions.
- Credible evidence of competition must include documentation of:
  - A former associate's release from a KW brokerage and subsequent affiliation with a non-KW brokerage.
  - A former employee's release from the KW brokerage and affiliation with a non-KW brokerage.
  - A former associate or employee's attempt to induce a KW agent/staff member/owner to leave KW.
- A new associate status code will be established for use by the Market Center and KWRI to identify Vested Competing Associates and Ineligible Competing Associates.
- The Market Center will intake and evaluate evidence of competition, send notice to Vested Competing Associates and Ineligible Competing Associates, submit removal requests to the Region and KWRI, update databases, process reinstatement requests for Vested Competing Associates and

Ineligible Competing Associates returning to KW within the 6 month time period and facilitate deliberation of any appeals.

4.9.4.28.4 Termination or Amendment of the Profit Sharing Program

1. KWRI does not have the right at any time to terminate the Profit Sharing Plan.

2. KWRI does not have the right to amend any aspect of the methods used to calculate a Market Center's Profit Sharing Contribution or a recruiting sponsor's profit sharing distributions except as per the specific direction of the IALC.

NOTE: If any termination or amendment took place, it would be prospective only in its effect and would not affect a Market Center or a recruiting sponsor with respect to Profit-Sharing Contributions owed or profit-sharing distributions earned prior to the effective date of the termination or amendment.

3. **Administration and Defense of the Profit Sharing Program**. Any and all funds in the Profit Share program may be utilized by KWRI for administration or defense of the Profit Share program, including to cover all costs, attorneys' fees, expenses, sums of money, debts, interest, losses, damages, settlements, fines, penalties, assessments, and judgements incurred, levied, or resulting from any claims or disputes related to the Profit Share program.

4.9.4.28.5 Insolvency or Bankruptcy of Keller Williams Realty, Inc.

1. If KWRI were to become insolvent or be a debtor in a bankruptcy proceeding, the Profit Sharing Plan would automatically terminate.

2. No further Profit Sharing Contributions would be charged and no profit sharing checks paid.

3. The funds in the Profit Sharing Account are general assets of KWRI and are fully subject to the claims of its creditors.

4.9.4.28.6 Real Estate Associates Tracking System (RATS) Fee

Each Profit Sharing distribution will have a fee of 20 percent of the gross amount of the distribution, with a maximum of $10.00, deducted. This is a profit sharing calculation and processing fee.

4.9.4.28.7 Teams/Groups

Teams and groups may position their production so that one of them can receive profit sharing on their total combined production.

4.9.4.28.8 Employees of Affiliated Companies

Sponsorship into the Profit Sharing Program by an employee of an affiliated company **owned in whole or in part by a Market Center/Market Center Investor** is encouraged and permissible under the following guidelines:

- Affiliated companies that currently qualify for inclusion are: Mortgage, Title/Escrow, Property Management, Real Estate Licensing Schools, Insurance, Auction and/or Referral Companies. Other companies may be considered for future inclusion in the Profit Sharing Program with recommendations from KWRI and approval by the IALC.

- To be eligible for receipt of Profit Sharing funds, the employee must have recruited at least one person into the Keller Williams Realty system.
- The time requirement for vesting will not start accumulating until the employee of the affiliated company has recruited their first person into the system.

NOTE: The date the first recruit joins Keller Williams Realty will then be considered the anniversary date for the Keller Williams Realty Profit Sharing Program, not the date they first start work for the affiliated company.

- If the affiliated company employee also holds a valid real-estate license, the license must be kept under the sponsorship of the Market Center or the Market Center's Referral Company to retain eligibility for distributions through the Profit Sharing Program.

NOTE: The IALC reserves the right to modify these policies at any time.

4.9.4.28.9 Embezzlement-Removal from the Profit Sharing System

Any individual who is criminally convicted in a court of law of embezzlement, larceny, theft, or conversion (in which someone wrongfully convert's another's property for his or her own use) related to funds, property, or services wrongfully taken from a Market Center will be immediately removed from the Profit Share system and will no longer receive profit share distributions.

4.9.4.29 Profit Sharing Residual Account

The IALC has authorized the funds in this account to be utilized for an International Awareness & Image Campaign. KWRI shall determine the most advantageous way for the funds to be spent for the Campaign.

4.9.4.30 Referrals - Outside

When sending or receiving a referral, the Keller Williams Realty Referral Information Form (found on mykw.kw.com) should be used. It provides for all the information, as well as for signatures by both the referring and receiving associate and Market Centers.

All referral compensation must be through the Market Center. These fees vary depending on the source, i.e., corporate transfer, third party, outside broker, etc. A signed referral form reflecting any referral fees to be paid or received should accompany every sale pending file or referral check received.

4.9.4.31 Referrals - Inside

These fees may vary depending upon the type of referral and the agreement between associates. The Keller Williams Realty Referral Information Form (found on mykw.kw.com) should be used as a record of the referral. Inside referral fees are based on the receiving associate's portion of the commission (i.e., 20 percent of the associate's commission after split with the Market Center). The only exception is when the associate paying the referral fee is at a 100 percent commission split and the associate receiving the referral is not at 100 percent.

4.9.4.32 RESPA Compliance Policy

The Real Estate Settlement Procedures Act, 12 U.S.C. §2601 ("RESPA") was enacted in the United States to ensure that consumers are provided with full information on the nature and costs of the settlement process and are protected from kickbacks or referral fees that tend to unnecessarily increase the costs of certain settlement services in real

estate transactions. All U.S. Keller Williams Realty Market Centers, their brokers, leadership, ownership and associates must fully comply with RESPA guidelines.

We expect you to consult with your local RESPA counsel on any affiliated business transactions and always abide by the RESPA statute and all related regulations.

While RESPA only applies in the U.S., all Keller Williams Market Centers and associates should comply with all regulations related to disclosure and referral issues.

4.9.4.33 Sign Policy

Keller Williams Realty's image is one of the most important assets we have. Protecting it is one of our most important jobs. In order to maintain a consistent and professional public image, the following will apply when using signs to market properties:

- Keller Williams Realty associates will only use standard KWRI for sale, open house, directional, rider and any other so-designated signs. Any deviation must be approved by the Regional Director, with final approval by KWRI.

3. All generic signs will be purchased through the local Market Center at cost. KWRI cannot guarantee the repurchase of signs and associates must pay for stocked signs upon receipt and must pre-pay for ordered signs.

4. All personal name/phone rider signs placed on Keller Williams Realty signs must be in the Keller Williams Realty standard color scheme except for signs or riders using an associate's personal logo and photo which have been approved by the local TL or the Regional Director. No former company name riders may be used. If an associate does not own his/her riders, then **no** rider should be used.

5. All for sale signs must have a Market Center phone number unless the listing associate has been given the exception to do so by his/her TL, based upon the following:

    a. Our associates must have a direct line to an active office setting where someone (an associate) will be answering the phone between 8 a.m. - 6 p.m., Monday through Friday. Saturday and Sunday may be call forwarded to another setting where someone (an associate) will be answering the phone between 6 a.m. - 6 p.m. No exception.

    b. Our associates may never use a recorder for an answering service during 8 a.m. - 6 p.m. business hours.

    c. The number of listings an associate has will warrant the use of a direct line with the approval of the TL.

4.9.4.34 Sponsorship

4.9.4.34.1 Sponsorship of Associates

KWRI encourages the recruitment and sponsorship of top associates.

All associates must decide on their sponsor prior to joining and must execute the Binding Sponsorship Agreement. See Addendum B for the complete Binding Sponsorship Agreement which will be executed by the Associate, their TL, the MCA, and a witness. The Binding Sponsorship Agreement must be printed from the WinMORE System by the MCA. Should a dispute arise over who is the sponsor of record for an associate, it is up

to the newly recruited associate to decide.

4.9.4.34.2 Dual/Multiple Sponsorship

Sponsorship by more than one associate, etc. is not allowed in the Keller Williams Realty Profit Sharing Plan. In those circumstances when an individual has been recruited by more than one person, the recruit will decide which person to name as his/her sponsor at the time of joining the Market Center.

4.9.4.34.3 Binding Sponsorship Agreement

NOTE: See Addendum B for the complete Binding Sponsorship Agreement which will be executed by the Associate, TL, MCA, and a witness. The Binding Sponsorship Agreement must be printed from the WinMORE System by the MCA.

Choosing a Sponsor is a very important decision that you must consider wisely since the person you choose will be your sponsor for life. The Profit Share System and Growth Sharing Program were implemented to reward Keller Williams Realty associates and employees for helping build the company by attracting additional, talented, and productive members.

The spirit of the system is that your sponsor is that person whom you feel is primarily responsible for bringing you to Keller Williams Realty. In fact, it may or may not be the first or last person who talked to you about joining. You may, over time have met with many people in the company. ***Your Sponsor should be the person most instrumental in bringing you to serious discussions with Market Center leadership about joining the Market Center.***

While you may initially consider one of the following leaders as your sponsor because they made personal contact with you, ***that leader is ethically bound to honor leads given to them by other Keller Williams Realty family members by ensuring you name the person most instrumental in facilitating your meeting with them.*** These leadership positions include:

- Market Center Leadership / Staff
- Regional Leadership / Staff
- Keller Williams Realty, Inc. Executives and Staff

Additionally, sponsorship is **NOT** related to the following:

1. Whose team you join.
2. Any promises to help you.
3. Any benefit offered you to join.
4. Any promise to mentor.
5. Someone wanting or thinking or asking to be your Sponsor.
6. The Team Leader's presentation.

You are the sole person with the right to name your Keller Williams Sponsor—any future profit sharing benefits should be given to the person whom you believe actually helped us grow because they brought you to us. We honor your rights because your affiliation with us adds value to the entire Keller Williams Realty family.

If you join Keller Williams Realty and are the primary reason others come along with you (spouse, family member, partner, staff, etc.), you may want to consider how you/they are "stacked" in the Keller Williams Realty Profit Share and Growth Share Tree. After you choose your primary Sponsor, others, if they choose, may then name you as their sponsor. You may do this in such a way as to maximize the profit share and growth share you can receive. For example, spouses that qualify for participation in the Profit Share or Growth Share system may decide to have the producing spouse name the other spouse as their sponsor so that they may actually receive distributions from their own family's production.

If you bring family or team members, the only requirement is that they are **ACTIVELY** in the real-estate business with you. If they are an administrative staff member, they do not need to be licensed to receive Profit Share or Growth Share.

Once with Keller Williams Realty, you and each of your family or team members may also sponsor new people who can then build their own profit share tree. Please discuss all of this with the Team Leader or Operating Principal of the Market Center you are joining. You want to make the right decisions now, because you won't be able to change your decision later.

4.9.4.34.4 Associate Affirmations

By signing the Binding Sponsorship Agreement Form, an individual participating in the Profit Sharing and Growth Sharing Programs will acknowledge the following:

I understand that Keller Williams Realty, Inc. and its authorized representatives ("KWRI") and KW Worldwide, Ltd. and its authorized representatives ("KWW") have no financial interest in my designation of a Sponsor and that, in recording my Sponsor's name, KWRI and KWW merely follow my instructions.

I understand that I will have no vested interest as a sponsor of any other Keller Williams Realty associate unless and until that person properly designates me as his or her sponsor in accordance with Keller Williams Realty policies and procedures.

I understand that, except for a per distribution Real Estate Associates Tracking System ("RATS") fee collected for the administration of the Profit Sharing Program or Growth Share Management ("GSM") fee collected for the administration of the Growth Share Program, and funds accumulated in the residual account, and any funds utilized by KWRI for administration or defense of the Profit share program as further detailed in this Policies & Guidelines Manual, KWW or KWRI does not receive any part of a Market Center's Profit Sharing or Growth Sharing contributions and does not otherwise share in or benefit financially from Profit Sharing or Growth Sharing contributions.

Duty to not compete: I specifically acknowledge and agree that I shall forfeit my opportunity to continue to participate in and receive any benefit from the Profit Share program by competing with Keller Williams Realty brokerages through the following actions:

1. Affiliating with any non-Keller Williams real estate brokerage company; or

2. Directly or indirectly attempting to induce any individual retained as an Associate, staff member or owner of any Keller Williams brokerage to leave the Keller Williams brokerage or affiliate with a non-Keller Williams brokerage.

On the basis of these understandings and their consequences, I voluntarily waive and relinquish any claims I may have against KWRI and KWW on account of any disagreement over the designation of my Permanent Sponsor or my status as the sponsor of another participant in the Profit Sharing and Growth Sharing programs, except

in cases based on my good faith belief that KWRI or KWW has acted with actual malice toward me or in willful disregard for my rights.

4.9.4.34.5 Online Confirmation of Sponsor

KWRI will implement and maintain an online confirmation system in which an individual participant in the Profit Sharing Program must confirm his or her Permanent Sponsor. This will enable the individual participant to ensure that a clerical error was not made in the input of their Permanent Sponsor.

4.9.4.34.6 Corporate Sponsorship

Sponsorship into the Profit Sharing Plan by a corporation or other legal business entity may be considered and approved by KWRI provided it does not impact the Profit Sharing Plan Distribution by creating more than one level of participation for those individuals who are principals in the corporation, etc.

NOTE: An individual who is already established in the Profit Sharing Plan could not, for example, also participate as a corporation which creates another Profit Sharing position, as that would create two levels of participation for that individual and eliminate at least one level of distribution which would typically be paid to someone else in the organization.

4.9.4.34.7 Correction of Clerical Error When Entering Sponsorship Information

1. An associate is not allowed to change his/her mind about who they list as their sponsor once they submit a Binding Sponsorship Agreement. However, if an individual's sponsor has been entered into the Profit Sharing Program, it may be changed due to a typographical or clerical error as long as the error is corrected in the system within 90 days of the date the individual originally joined Keller Williams Realty.

2. The typographical or clerical error can be corrected provided the individual who recently joined Keller Williams Realty submits a written statement of the clerical mistake, along with a copy of the document that originally named their sponsor, to the TL of their Market Center.

3. A Sponsorship Correction Form provided by the MCA must be completed by the associate and signed by the associate, current sponsor, new sponsor, TL and the Regional Director, and the Form must be submitted to KWRI's MORE Administrator, within 90 days of the date the individual originally joined Keller Williams Realty.

4. If the error is not noted and the completely executed Sponsorship Correction Form is not submitted to KWRI's MORE Administrator within this 90-day grace period, then the individual's sponsor, as originally entered into the MORE system, will remain unchanged.

5. For an associate that joins Keller Williams as part of a new Market Center launch, the 90-day grace period will begin on the first day of the month that the new Market Center transmits for the first time.

4.9.4.34.8 Substitute Sponsorship

1. Should an individual's intended Permanent Sponsor be someone who is not currently affiliated with Keller Williams Realty, the individual must designate a *Substitute Sponsor* when they originally join the system.

2. If the Permanent Sponsor joins Keller Williams Realty, within the ninety-day grace period from the individual's start date and the individual notifies the MCA, TL, RD, and KWRI in writing that their Permanent Sponsor is now part of the Keller Williams Realty family, then the individual's Substitute Sponsor in the system may be changed using the same procedures as those for typographical errors as outlined in Section 4.9.4.33.7.

3. If, however, the intended Permanent Sponsor does not affiliate themselves with Keller Williams Realty within the 90-day grace period, or if a completely executed Sponsorship Correction Form is not submitted to KWRI's MORE Administrator within this time frame, then the person that was originally designated as the Substitute Sponsor will remain as the individual's Sponsor in the Profit Sharing Program.

4. Any affiliation by the intended Permanent Sponsor after the 90-day grace period has expired shall not be deemed a valid reason to change the individual's sponsor.

5. For an associate that joins Keller Williams as part of a new Market Center launch, the 90-day grace period will begin on the first day of the month that the new Market Center transmits for the first time.

NOTE: The intended Permanent Sponsor, Substitute Sponsor and the individual agree to hold KWRI, its staff, all Keller Williams Market Centers and Regions, and their staffs harmless from any claims related to this sponsorship issue once the grace period has expired and the required notice was not timely given that the intended Permanent Sponsor had joined Keller Williams Realty.

4.9.4.34.9 Change of Sponsorship When Returning to the Market Center or Joining Another Market Center After a Nine-Month Absence (Non-Vested)

- Individuals moving from one Keller Williams Realty Market Center to another, individuals who go to work as an assistant or member of another associate's team or group, and individuals who leave Keller Williams Realty for a period of time and later return, all keep their original sponsors unless they are away from the Keller Williams Realty organization for at least nine (9) months.
- Upon their return to Keller Williams Realty, after the minimum nine-month period, they may then choose a different sponsor provided they were not already vested at the time of their departure.

NOTE: Once an individual is vested in the Profit Sharing Program, their sponsorship cannot be changed.

4.9.4.35 TCPA/Do Not Call Compliance Policy

The Telephone Consumer Protection Act, 47 U.S.C. § 227, and its implementing regulation, 47 C.F.R. § 64.1200 (the "TCPA"), regulate calls and texts in the United States and impose strict requirements on how telemarketing can be done. Violations of the TCPA can result in statutory damages of $500 to $1,500 per call or text. Many states also have their own laws that govern telemarketing, and these laws can impose stricter requirements than the TCPA.

Among other things, federal law:

- prohibits the use of an automatic telephone dialing system ("ATDS") to make calls or texts and to use an artificial or prerecorded voice without prior express written consent;
- prohibits telemarketing calls and texts to numbers on the National Do Not Call ("DNC") Registry without proper consent;
- requires persons making telemarketing calls or texts to have access to the National DNC Registry and synchronize any telemarketing contact lists with the Registry at least every 31 days;
- requires a written DNC policy that is available upon demand;
- requires maintenance of an internal DNC list that has a record of consumers who have requested not to receive further telemarketing calls or texts from you; and
- restricts the times at which telemarketing calls and texts may be made.

All U.S. Keller Williams Market Centers and their associates must fully comply with the TCPA and DNC rules, and any similar state laws and regulations that are applicable to you. Although KWRI offers resources to help you understand the TCPA and DNC rules, we expect you to consult with your own attorneys to determine if your telemarketing practices comply with the TCPA and DNC rules and applicable state laws and regulations. Market Centers and their associates are solely responsible for identifying, interpreting, understanding, and complying with the most recent versions of all applicable federal and state telemarketing laws and regulations.

Market Centers and their associates do not have authority to call, text, email, or otherwise communicate with anyone on behalf of KWRI or to suggest that you have such authority. You must use your individual and Market Center DBA names to communicate with consumers. KWRI does not control and is not responsible for actions related to any calls, texts, emails, or other communications that Market Centers and their associates make. You are solely responsible for your actions.

If you violate the TCPA or DNC rules or any other federal or state telemarketing laws or regulations, you face potentially catastrophic legal damages for which you, and not KWRI, are solely legally and financially responsible and liable. Should KWRI incur legal expenses or damages as the result of a lawsuit or demand arising from a TCPA or DNC violation, we will assert all applicable indemnification rights we have to recover those amounts. KWRI is not legally or financially responsible for the actions of Market Centers and their associates.

Section 5
The Keller Williams Risk Management System

5.1 Introduction

It is clear that every real estate sales associate and Market Center must employ a sound risk management program. The Keller Williams risk management program consists of multiple components:

1. E&O Insurance
2. Homeowners Warranty
3. Full Disclosure
4. Any other requirements according to local, state, or provincial law

As an active real estate professional, you should always use these risk management components at all times to give yourself the maximum protection available. Below is a brief explanation of these components. For more details, consult your TL.

5.2 E&O Insurance (see Addendum I)

E&O insurance is an insurance policy against any errors or omissions that may have occurred during a real estate transaction in which you were involved.

Each Market Center has E&O insurance. Request the following information from your TL:

- Policy exceptions
- Amount of coverage per occurrence
- Amount of aggregate coverage
- How does it work?
- Who is the policy issued by?
- Who is covered?
- What is covered?
- Who is the Underwriter?

5.3 Home Warranty

A homeowner's warranty, when processed on a particular house, provides a service policy to the seller (if applicable) and buyer for problems that may arise on certain items covered by the policy.

5.4 Full Disclosure

Full disclosure by a real estate associate is the best way to properly protect against legal ramifications. Written disclosure can range from agency disclosures, hazardous materials, latent defects, home protection plans and even such environmental hazards as earthquakes and floods. The purpose of a disclosure form is to disclose, in writing, any condition or situation that might affect a seller or buyer. The goal is to let them know of the condition or situation before a decision is made so they can make a fully informed decision. The obvious benefit is to manage risk and reduce liability.

States and provinces have different disclosures and standards so be sure to check with your TL for a set of disclosure paragraphs or forms that should be used in your area. Each Keller Williams Market Center has its own set of available disclosures.

5.5 TCPA/Do Not Call Compliance

Market Center and Associate TCPA/DNC Risk Mitigation Program

Having a TCPA/DNC risk mitigation program is the best way for Market Centers and their associates to comply with their legal obligations and protect themselves against potential liability for TCPA and DNC violations. Contact your attorney to assist you and ensure your compliance with all applicable federal and state telemarketing laws and regulations.

Among other things, a risk mitigation program can include written policies and procedures for complying with federal and state telemarketing laws and regulations. It also can include training, resources, and technology tools that foster compliance with federal and state telemarketing laws and regulations. While insurance policies generally exclude TCPA/DNC liability, Market Centers and their associates can explore whether specific insurance can be purchased by them to cover such risks. Market Centers and/or their associates need to maintain access to the National Do Not Call Registry and state DNC lists as required by applicable law, and they must maintain an internal DNC list of numbers that cannot not be called or texted.

5.6 Buyer Representation Agreement

If not already required by state or local law or your Market Center, each Market Center associate representing a home buyer should consider having the buyer sign a buyer representation agreement that allows the associate to act on the buyer's behalf. The associate should explain the terms of the agreement to the buyer and be prepared to negotiate those terms. Among other things, the agreement should explain the nature of the relationship between the associate and the buyer, the duties they owe to each other, the commission or fee to be paid to the associate, and the manner in which the associate will be paid (including whether the associate will share compensation with other real estate brokers and agents who may represent other parties to a transaction). The agreement also should comply with any requirements established by state and local laws and regulations.

Section 6
Overview of Costs to Associates

6.1 Estimated Costs to Associates (see Addendum H and Addendum I)

- **A one-time Association fee** shall be charged each associate joining a Market Center. It shall include the cost of the local and international association or application fees, which are for the operation of the Profit Sharing Program and for statistical records for the associate.
- **An Annual Accounting fee** is assessed for each associate each year in January, including inactive associates that are "Vested Retired" in the Keller Williams system. This fee is waived for any associate joining a Market Center in the month of January for the current year. This fee is paid to KWRI.
- **New Associate Training** shall also be paid for by the associate, according to Market Center policy.

Items	**Estimated Costs**
Business Cards	$55 to $2,000 per 1,000 depending on the type of card ordered
"For Sale" Signs	See sign vendors on KW Intranet site. *See your MCA for USER ID and PASSWORD.*
Name Rider Signs	See sign vendors on KW Intranet site. *See your MCA for USER ID and PASSWORD.*
Special Forms	$0.55 to $2.75 each, depending on the form and number of pages
Brochures	$0.75 and up each, depending on the brochure
Audio/Video Training Materials	$5.00 and up each, depending on the item
Promotional Items (Pens, Koozies, Shirts, etc.)	See local Market Center and specialty vendors on KW Intranet site. *See your MCA for USER ID and PASSWORD.*
Lockboxes/Keys	See local board/association, if applicable.
Professional Fees (if applicable)	See,e.g., local board/association, MLS, and other professional associations/organizations, if applicable.
Computer Charges	See local Market Center.

Items	Estimated Costs
Advertising	See local newspaper, magazine and printing—Local Market Center
Profit Sharing Production Calculation & Processing Fee	20% of gross amount, to a maximum of $10.00, deduction from profit sharing distributions each month
Copiers	See MCA.

NOTE: Since some local Market Center fees vary, associates should check the policy in their Market Center for the exact fees that will apply to them.

You control your business expenses.

Spend money for these items only when it makes you money!

Section 7
Keller Williams Referral Procedures

7.1 Referral Information

1. Sending Associate Procedures

   Contact the chosen associate to see if he or she can provide the service you are interested in. If you do not know an associate in that Market Center, it may be necessary to speak with the TL to seek assistance in selecting a receiving associate. Be sure that the associate is completely familiar with the area the customer has indicated or where you have a potential listing.

   Confirm the referral fee. The customer referral fee in Keller Williams is generally negotiated by the sending and receiving associates, subject to Broker approval.

   Complete your portion of the referral form and send two copies to the associate.

   Give a copy of the referral form to your TL.

   Follow-up with the customer to make sure the associate has contacted him/her and is satisfied with the receiving associate.

2. Receiving Associate Procedures

   Upon receiving the referral form, contact the customer. Complete your portion of the referral form on each copy. Return one copy to the sending associate and retain one copy for your records. Be sure to include a copy of the contract pending file when a sale is consummated.

   Give a copy to your TL.

3. Completing the Keller Williams Referral Information Form

   SECTION 1—RECEIVING OFFICE/SENDING OFFICE—This identifies the receiving/sending associates. This portion should be completed by the sending associate.

   SECTION 2—SELLER INFORMATION—This is used when sending out a listing referral. This portion should be completed by the sending associate.

   SECTION 3—BUYER INFORMATION—This contains data about the customer. It should be completed by the sending associate.

   SECTION 4—ACCEPTANCE OF REFERRAL—This should be completed by the receiving associate and returned to the sending associate.

7.2 Status Request/Report Procedures

1. Receiving Associate Procedures

   Receiving associate should report status to sending associate at least every thirty days using the “Referral Status Report/Request” form.

2. Referring Associate Procedures

   Referring associate can use the “Referral Status Report/Request” form to request the status of an outgoing referral at any time.

3. Reporting to Team Leader

   Either associate should furnish a copy of the “Status Report/Request” form to his/her TL when sent or received.

THESE FORMS CAN BE DOWNLOADED BY THE MCA FROM THE KW INTRANET.

Section 8
The Keller Williams Recognition Program

Recognizing the top achievers of Keller Williams is something we are proud to do. Our top associates are recognized for outstanding sales and listing achievements each week, each month and at the end of each year.

8.1 Weekly Awards

Each week, the following award may be presented:

OOOH Award. This recognition award goes to those associates who have outstanding achievements other than sales during the past week.

8.2 Monthly Recognition Awards

Each month the following recognition awards may be presented:

The **Listing Associate of the Month** award goes to the associate who obtains the largest number of qualified residential listings during the month. (In case of a tie, the dollar volume is the tie breaker).

The **Sales Associates for the Month with Exceptional Sales Volume** award goes to those associates who have sold an exceptional volume of real estate during the month.

The **Listing Associates for the Month with Exceptional Listing Volumes** award goes to those associates who have listed an exceptional number of listings during the month.

8.3 Annual Awards

Each year the following awards may be presented:

The **Sales Associate of the Year** award is in recognition for being the top sales production associate for the Market Center. It goes to the associate who has the highest closed sales volume during the calendar year.

The **Listing Associate of the Year** award is in recognition of the top listing associate for the Market Center. It goes to the associate who obtains the largest number of qualified residential listings during the calendar year. (In case of a tie, the dollar volume is the tie breaker.)

The **Rookie of the Year** award is in recognition for being the top rookie of the Market Center. It goes to the associate who is new in real estate and has completed his/her first twelve-month period in real estate during the calendar year with Keller Williams Realty and had the highest closed sales volume.

The **Million Dollar Club** is in recognition of closed sales volume achievement of $1 million or more.

The **Two Million Dollar Club** is in recognition of closed sales volume achievement of $2 million or more.

The **Silver Circle** is in recognition of closed sales volume achievement of $3 million or more.

The **Gold Circle** is in recognition of closed sales volume achievement of $5 million or more.

The **Platinum Circle** is in recognition of closed sales volume achievement of $8 million or more.

The **President's Club** is in recognition of closed sales volume achievement of $12 million or more.

The **ALC Award of Excellence** is in recognition of dedicated service on the ALC. An associate must be a member of the ALC at the end of the year to receive this award.

The **Keller Williams Realty Profit Sharing Award** is in recognition of outstanding organizational achievement in the Profit Sharing Program.

8.4 International Awards

An IALC Committee shall be established to review and make proposals for the types of awards. Award categories are updated annually and will be published each year on the Keller Williams intranet so all associates will know what categories they could be recognized for at the annual International Convention.

Addendum A
Keller Williams Realty Profit Share Accounting Policies and Guidelines

The following are the guidelines used in reviewing Keller Williams Market Center accounting reports:

A.1 Accounts Receivable

All associates are to pay their Market Center bill by the end of each month resulting in a $0 (or credit) balance. A $0 (or credit) AR balance occurs only when all AR has been paid in full. The MC may not force a $0 AR balance through accounting adjustments. The MC will establish policies on late office bills and Late Fees which could result in the returning of a real estate license. The MC will send demand letters via certified mail, “return receipt requested”, to all associates with invoices 90 days or more past due. If still unpaid, the MC will write off invoices as Bad Debt Expense.

Accounts Receivable between Market Centers are not allowed. These entries are in the form of loans documented with a signed note (including terms for interest) OR paid in full by the end of the month.

A.2 Auto Expense

Should not exceed $100 per month.

A.3 Cash

Operating Bank Account signatures should include the TL and Operating Principal only. It is highly recommended that the MCA is not on the signature card because of a potential conflict of interest or liability.

Cash – Depository—Maintaining a depository account is highly recommended, however, this account must be in the name of the Market Center and show on the Market Center’s Balance Sheet. The Operating Principal is the only signature on this account and is responsible for transferring sufficient funds from this account to the operating account to cover the Market Center’s monthly expense budget on a monthly or semi-monthly basis. Therefore, if the transfer does NOT cover the monthly expenses, the TL and MCA are accountable to the Operating Principal to justify the variance when requesting additional funds to cover expenses over and above their monthly budget.

A.4 Franchise Investment

Fifty percent of the ownership investment in the Market Center must be coded to the Equity Paid in Capital account. The other 50 percent may be booked as a Long Term Liability Note Payable. The Note Payable can be with a bank or a shareholder loan and

the interest rate may not exceed Prime + 1 percent unless otherwise approved in writing by your Regional Director and KWRI Commitment Department.

A.5 Contract Labor/Consulting

There are very strict regulations regarding the utilization of independent contractors (as opposed to the employment of staff members). The definition of a TL or MCA position is an employee of the Market Center. Please consult with your Market Center CPA (US) or CA (Canada) regarding this issue.

A.6 Excess E&O Reserve

The Excess E&O Reserve liability account is capped at the greater of 10 percent of the market center's average sale price, or twice the market center's KW Owner Profit, for the previous calendar year. The Excess E&O Reserve represents amounts collected from the agents over and above the current year's annual E&O insurance premium. This reserve is used to pay attorneys' fees, deductibles, settlements and other costs associated with the Market Center's legal expenses.

If the MC can prove the probability of higher costs associated with E&O due to high deductibles or an increase in claims, the Region and the KWRI Commitment Department may approve a higher Excess E&O Reserve cap. The KWRI Commitment Department approval will be in writing to the MC.

When a Market Center collects more E&O from their associates than it has paid the insurance carrier within the current year, the income in excess of the approved E&O Reserve limit for your Market Center must be handled with one of the following options:

1. Enter it to an "above the line" Other Income account and profit share the excess over the approved Excess E&O Reserve cap for your Market Center; or

2. Spend the money on Special Events. Set up two new "below-the-line" accounts named "Excess E&O" and "Special Events". At the end of your fiscal year the remaining "Excess E&O" is booked to Other Income and profit shared.

3. Set up another liability account called "Special Events Payable" and book all "Excess E&O" over the approved E&O Reserve cap to this account. All Special Events expenses are also booked to the "Special Events Payable" account. This account must always maintain a credit or zero balance. A debit balance must be explained and approved with a KW Budget Variance Request to your Regional Director prior to transmittal.

   For all Market Centers, except those that are self-insured, the balance of a "Special Events Payable" account should not exceed $50,000. Excess over $50,000 should be recorded to Other Income - Excess E&O above the line for Profit Sharing.

   The Local ALC must approve the expenses related to "Special Events."

   Examples of "Special Events" that could be allowed are: Awards Ceremony, a holiday party, a Market Center Inspirational Breakfast, or taking recruits to Family Reunion.

   The market center must maintain a separate bank account with a balance equal to that of the Excess E&O liability account and Special Events payable account

combined. This account will be reported to the Financial Planning Committee monthly for review.

A.7 KW Convention (Family Reunion)

This account is used for the OP, TL, and MCA, for the KW Family Reunion Convention. Other Investor KW Convention costs (besides the OP) are booked below the line. Payment of ALC Members Family Reunion costs is NOT ordinarily an approved KW above-the-line expense. This exception would require Regional Director and the KWRI Commitment Department approval on a Budget Variance Request form.

A.8 KW Debt Allowance

There are two acceptable methods for using this account:

1. Purchase of a fixed asset for which depreciation will NOT be booked "above the line".

2. The total of your monthly principal payments used to repay debt incurred by the Market Center.

KW Debt Allowance is limited to $2,000 per month. Any overage in this account must be approved by your Regional Director and the KWRI Commitment Department prior to transmittal. The total historical amount charged to this account plus Depreciation/ Amortization cannot exceed Total Fixed Assets (on Balance Sheet) before Depreciation. This process is a KW feature that allows a Market Center to write off their Fixed Assets over the life of a bank loan period rather than the standard 5 to 7 years of straight-line depreciation (US) or declining balance depreciation (Canada) allowed by the federal government. The total Fixed Assets before Depreciation are obviously the cap amount so Market Centers do not over expense depreciation. **Market Centers must not "double dip" and take depreciation and KW Debt for the same Fixed Asset!**

NOTE: KW Debt Allowance is not permitted as a vehicle for the owners to recoup their original investment in the Market Center. Market Center Owners do not, "conceptually" get their "startup" capital back before profit sharing.

A.9 Loss Carry-Forward Cap

On the 18th month of transmittal, the Loss Carry Forward (LCF) must be capped and no further operating losses may be added.

EXCEPTIONS:

If a Market Center experiences:

1. A natural disaster; or

2. A national emergency; or

3. Normal market fluctuation resulting in a loss.

The MC, with approval from their Regional Director, can include the resulting losses prior to calculating the next month's profit share, even though they have transmitted 18+

months.

Further, when the Market Center achieves: 1) three months of consecutive profit, 2) strong Company Dollar projections, 3) strong cash flow, and 4) a KWRI Financial Statement Review, the Operating Principal may select one of the three LCF Write Off options (see next section).

When an existing MC is purchased by a new legal entity with different ownership, the new MC entity begins with a zero LCF and is then subject to a capped LCF after the new entity has transmitted 18 months.

A.10 Loss Carry-Forward Write Off

Overview

Normally a KW Market Center begins to profit share when the Market Center breaks even, and historical losses are zeroed out by subsequent Market Center profits. At times it is a “win-win” decision for the MC to decide to begin profit sharing before the MC breaks even.

LCF Rules & Guidelines:

1. LCF Write off Plan must be approved in writing by Region and the KWRI Commitment Department.

2. Once a LCF Write off Plan is approved and implemented, the Market Center is committed to the process and there is no going back.

3. When the Market Center chooses to use Option 2 or 3 (see below) the MC will be provided with the KWRI LCF Tracking spreadsheet to track their LCF write off so that the MC knows when to stop booking the monthly write off. The LCF Allocation stops when the original LCF amount is zeroed out by the subsequent monthly LCF Allocation expense and KW Owner Profits.

List of LCF Write off Options:

1. Write off entire LCF. This process eliminates the LCF in the MORE System. The result is immediate profit sharing. The Operating Principal is aware that eventually the Market Center will break even. No entry is made for this in the AccountEdge accounting software. This option maximizes the resulting Profit Sharing.

2. Convert entire LCF to the KWRI LCF Allocation process. The Market Center eliminates the LCF in the MORE System but chooses to write off a portion of the LCF every month via a Journal Entry in AccountEdge until the Market Center breaks even. This monthly AccountEdge Journal Entry must not exceed $2,000 per month.

3. Write off 25 percent of any month’s profit to the KWRI LCF Allocation process. The Market Center eliminates the LCF in the MORE System but chooses to write off 25 percent of the current month’s pre-profit sharing profit until the LCF is paid.

NOTE: The option you choose must be submitted in writing to your Regional Director for consideration and, if recommended, forwarding to the KWRI Commitment Department for approval. The KWRI Commitment Department

must approve your choice so that proper documentation is in the KWRI franchise file for auditing purposes.

A.11 Meals

Should not exceed $200 per month. Travel Meals are also coded to this account.

A.12 Meetings

This account should not exceed $200 per month. Used for renting meeting facilities outside of the MC.

A.13 Payroll—Associate Sales Assistant Payroll

This should NOT be calculated and reported through AccountEdge using the MC Tax ID #. All associates with paid assistants must have their own federal and state or provincial Tax ID# and either process the payroll themselves or contract with a payroll service.

A.14 Payroll—General Manager

Although the GM salary is determined by the Market Center owners, the amount of the GM salary and payroll tax expense must be approved by the Region and the KWRI Franchise Systems Department before it is allowed as an above the line KW Approved Cost (before Profit Share is calculated) and such Approved Cost cannot exceed $5,000 per month. For clarification, a General Manager's role is to closely supervise multiple MCs owned by the same OP. A General Manager's salary may only be included as a KW Approved Cost when the Market Center has KW Owner Profit year-to-date for that particular calendar year. A Market Center may not include both an OP salary and a GM salary above the line.

A.15 Payroll—Leased MC Employees

Leased employees are an allowable above the line expense in place of payroll. Independent contractors within the MC can choose to lease their employees but must do so independently.

A.16 Payroll—Operating Principal's Personal Sales Assistant Payroll

Operating Principal's Personal Sales Assistants can be calculated and reported with AccountEdge (using the MC federal and state or provincial Tax ID #) but MUST be, both Gross Salary and payroll taxes, booked as a "below the line" expense. Operating Principal's Sales Assistants are NOT an allowable before profit sharing expense.

A.17 Payroll—Designated Broker

For Market Centers in states/provinces where the law requires a Designated Broker be on site, the Designated Broker salary may be included in a KW Approved Cost category before profit share is calculated. The salary cannot exceed $2,000 per month without approval from the Regional Director and the KWRI Commitment Department.

Market Centers in other states/provinces may file a request for the Broker Salary to be an Approved Cost. Their request will be considered by the Region and the KWRI Commitment Department and evaluated based on associate count and Market Center profitability.

A.18 Payroll—OP

If the Local ALC votes to allow the OP Salary to be included as a KW Approved Cost (before Profit Share is calculated) the Market Center must submit their ALC minutes to their Regional Director and the KWRI Franchise Systems Department for written approval to be an above line KW Approved Cost. Although the OP Salary is determined by the Market Center owners, the above line Approved Cost cannot exceed $5,000 per month. An OP Salary may only be included as a KW Approved Cost when the Market Center has KW Owner Profit year-to-date for that particular calendar year. A Market Center may not include both an OP salary and a GM Salary above the line.

A.19 Payroll—Productivity Coach

If a Market Center OP chooses to use a Productivity Coach, it must be approved by the Region in writing, and one of the following procedures must be used to account for the Productivity Coach's compensation.

- Productivity Coach is paid as contract labor 100 percent by the Associates using the service.
- Productivity Coach is paid as contract labor by the Associates using the service and the Market Center agrees to pay a portion of this amount.
- Productivity Coach is paid through payroll as an employee of the Market Center, and the Market Center collects a fee from the Associates using the service.
- Productivity Coach is paid through payroll as an employee of the Market Center and the Market Center collects no fee from the Associates using the service.

NOTE: A Market Center should have at least 150 associates before adding a Productivity Coach to its payroll as an employee whose expense is not offset by fees collected from the Associates.

NOTE: Any amount that is paid to a Productivity Coach by the Market Center and not offset by fees collected from Associates may be included in a KW Approved Cost category before Profit Share is calculated, so long as the Market Center ALC and the Regional Director approved the expense.

A.20 Payroll – Co-Team Leader

A Co-Team Leader salary may be placed above the line for any Market Center that meets the following criteria:

1. 300 or more agents
2. Enough capping agents to pay all KW approved costs including the Co-Team Leader salary
3. Third level profit share in each of the previous six consecutive months
4. Regional approval

A.21 Payroll Service Fees

All fees paid to a payroll service can be no more than the percentage of the total Gross Payroll as approved by your Regional Director. If the percentage of the Payroll Service Fee, including health insurance, exceeds 21 percent of the total Gross Payroll, the KWRI Commitment Department must also approve it.

A.22 Public Relations

Should not exceed $250 per month.

A.23 Recruiting Incentives

Is used for giveaways of business cards, signs, etc. and should not exceed $500 per month.

A.24 Taxes—Federal Income

Expense can only be claimed when the Market Center is historically profitable. Income Tax is allowed as an expense when the Market Center's Balance Sheet account named “Current Period Profit” exceeds the account named “Retained Earnings” loss and must reflect the actual tax liability as assessed by the federal government and approved by your CPA (US) or CA (Canada). This expense cannot exceed 30 percent of the bottom-line Net Profit. To use a percentage in excess of 30 percent, the Market Center CPA (US) or CA (Canada) must submit a request in writing to the KWRI Commitment Department. The Market Center tax liability must be viewed as “stand alone”. (This liability cannot be commingled with other tax issues of the investors.) If the Market Center prior year losses derived a decrease in investors’ taxes in that prior year, the investors should not take taxes as a “before profit sharing” expense until the Market Center is historically profitable.

When a Market Center reports a loss in the current month and has been profitable in all preceding months of the current year, it should not record Federal Income Tax at month end. An adjustment should be made no later than the next transmittal. If a final adjustment is necessary, it must be done by the last transmittal of the calendar year. (Example: YTD net profit x 30 percent = YTD tax owed)

This is allowed as a MC expense before profit sharing for all legal entity types no matter who writes the check to the federal government. If the MC is a limited liability company,

for example, the Market Center does not write the income tax check to the federal government directly. The investors receive the applicable tax form for the distributed share of income and writes the check to the federal government. According to the Franchise Document, income tax is a valid KW Approved Expense and is recorded via a Journal Entry in AccountEdge to record this above-the-line before profit sharing expense to the account named “Taxes – Federal Income” and then reversed “below the line” using the account named “Reverse Taxes – FIT”.

NOTE: Any state, provincial, or local taxes incurred by the Market Center may be paid above-the-line as an Approved Expense.

A.25 Telephone—Long Distance

For new MCs should not be more than $200 per month and should only include TL and MCA long distance expenses. The associates should arrange for their own long distance service.

A.26 Travel/Lodgings

All traveling expenses, including lodging and airfare, are booked to the Travel/Lodgings account.

A.27 OP Expenses

All training courses and events required by KWRI are an allowable above-the-line expense.

A.28 Opening Costs Versus Organizational Costs

Costs incurred prior to the MC opening their doors for business, can be capitalized and booked to Organizational Costs. This is different than the first purchase of advertising, printed material, signs, supplies, and phone installation for the MC once the business is open. This type of cost should be classified as a below-line Opening Cost. Discuss the details of these items with your CPA (United States) or CA (Canada) or Market Center Angel (kwmcangel@kw.com) if you need further clarification.

A.29 General Guidelines

1. Transmittals are due by the end of the 3rd business day of the following month. Market Centers transmitting late are assessed a Transmittal Fee of $100 per day at a minimum and are subject to any additional or higher fee as stated in the applicable Market Center License Agreement. These fees will be collected through electronic transfer of funds, such as the Automated Clearinghouse system. These fees are NEVER waived for any reason.

   RATIONALE: KWRI Profit Share calculations cannot begin until all data from every Market Center is transmitted. Transmitting on time is a discipline that must be maintained in a Profit Share System. The larger we grow, the more important discipline becomes!

2. Direct Withdrawals by KWRI for the monthly profit share and franchise royalty are taken out of the designated Market Center cash account on the 7th business day of the month. If the MC designated cash account does not have sufficient funds to cover the Withdrawal, late payments are assessed a Late Fee of $100 per day at a minimum and are subject to any additional or higher fee as stated in the applicable Market Center License Agreement. These fees are NEVER waived for any reason.

   RATIONALE: Profit Share cannot be electronically distributed unless funds are received.

3. No one within the Keller Williams Realty system is allowed to sign over his or her profit share position to any other entity. The only exception is in the event of death as addressed in Section 4.9.4.27.3.4

4. Associates within a Market Center may NEVER be paid in the MORE System as an Outside Referral or Deduction from another agent in the same Market Center. This disrupts the MORE 1099 process as well as profit share!

5. It is important to pay attention to the date of a check issued to your associate and record the closing in the correct tax-year. If the Title Company or attorney cuts the check it is very important to record the closing in the same month as the associate check date. If the MC cuts the check, pay attention to the date of the check and record the closing in the same month as the check is dated. This is especially critical if a closing occurs in December and the associate's check is issued in January. The federal government (both in the US and Canada) requires taxable income payments be recorded in the month they are paid.

6. All Late Fees to vendors are booked below-the-line as an Owner Cost.

7. Accounting Errors—When an accounting error is discovered in a transmitted Market Center Financial Statement, the correction is entered into the current transmittal month. If the correction amount is material ($2,000.00+) the MC has the option to write off the correction over a 1–6 month period with Regional Director and KWRI Commitment Department approval.

8. Accrual Rules—Costs incurred by a Market Center can be allocated to multiple months in some instances. When this is valid, the Market Center will pay expense from Prepaid Expenses (asset) and record monthly journal entries for the duration of the allocation period (i.e., 10/1, 11/1, 12/1, etc.). Once all journal entries are recorded, the MCA will produce a Trial Balance Detail of the Prepaid Expense account to confirm it has a $0 ending balance. Accruals in advance of the Market Center actually receiving an invoice for the expense are only allowed when the expense is incurred but the vendor invoice has not yet been received or it is a historical annual expense, i.e., property taxes. Estimated expenses are never allowed to accrue prior to the Market Center actually paying the invoice.

9. Associate Reimbursable versus Other Income

    a. When a Market Center bills an associate the exact amount as was billed to the Market Center by the vendor, the amount invoiced to the associate is coded to offset the expense account.

    b. Internal Income comprises certain arbitrary Market Center expenses that are billed back to associates and recorded as Other Income (e.g., copies, desk space) and should be recorded to the appropriate GL accounts (8-0010 through 8-0150 for Market Centers in the United States) (8001 through 8015 for Market Centers in Canada).

b. External Income comprises revenue the Market Center received from outside entities and recorded as Other Income (e.g., mortgage companies, title companies) and should be recorded to the appropriate GL accounts (8-7010 through 8-7250 for Market Centers in the United States) (8701 through 8725 for Market Centers in Canada).

10. Budgets and Goals—Budgets and Goals for the following year must be uploaded to the KW Intranet by December 10th.

11. Budget Variance Requests—Budget Variance Requests are required to be submitted to the Regional Director for approval prior to spending the money! If the Regional Director does not approve the Budget Variance, the money should not be spent or, if spent, it must be coded to a below the line Owner Cost account.

Addendum B
Binding Sponsorship Agreement

NOTE: The Binding Sponsorship Agreement must be executed by the Associate, their Team leader, the MCA and a witness. The Binding Sponsorship Agreement must be printed from the WinMORE System by the MCA.

Binding Sponsorship Agreement

MC#: _____

MC Name: _____

Choosing a Sponsor

Choosing a Sponsor is a very important decision that you must consider wisely since the person you choose will be your sponsor for life. The Profit Share System and Growth Sharing Program were implemented to reward Keller Williams Realty associates and employees for helping build the company by attracting additional talented and productive members.

The spirit of the system is that your sponsor is that person whom you feel is primarily responsible for bringing you to Keller Williams Realty. In fact, it may or may not be the first or last person who talked to you about joining. You may over time have met with many people in the company. Your Sponsor should be the person most instrumental in bringing you to serious discussions with Market Center leadership about joining the Market Center.

While you may initially consider one of the following leaders as your sponsor because they made personal contact with you, that leader is ethically bound to honor leads given to them by other Keller Williams Realty family members by ensuring that you name the person most instrumental in facilitating your meeting with them.

These leadership positions include:

- Market Center Leadership / Staff
- Regional Leadership / Staff
- Keller Williams Realty, Inc. Executives and Staff

Additionally, sponsorship is **NOT** related to the following:

1. Whose team you join.
2. Any promises to help you.
3. Any benefit offered you to join.
4. Any promise to mentor.
5. Someone wanting or thinking or asking that they be your Sponsor.
6. The Team Leader's presentation.

You are the sole person with the right to name your Keller Williams Realty Sponsor — any future profit sharing benefits should be given to the person whom you believe actually helped

us grow because they brought you to us. We honor your rights because your affiliation with us adds value to the entire Keller Williams Realty family.

Positioning in the Profit Share Tree

If you join Keller Williams Realty and are the primary reason others come along with you (spouse, family member, partner, staff, etc.) you may want to consider how you/they are "stacked" in the Keller Williams Realty Profit Share Sponsorship Tree. After you choose your primary Sponsor, others, if they choose, may then name you as their sponsor. You may do this in such a way as to maximize the Profit Share you can receive. For example, spouses that qualify to participate in the Profit Share system may decide to have the producing spouse name the other spouse as their sponsor so that they may actually receive Profit Share from their own family's production.

If you bring family or team members, the only requirement is that they are **ACTIVELY** in the real estate business with you. If they are an administrative staff member, they do not need to be licensed to receive Profit Share. Once with Keller Williams Realty, you and each of your family or team members may also sponsor new people who can then build their own Profit Share Tree. Please discuss all of this with the Team Leader or Operating Principal of the Keller Williams Market Center you are joining. You want to make the right decisions now, because **YOU WON'T BE ABLE TO CHANGE YOUR DECISION LATER**.

Formal Designation of Sponsor

Fully understanding the meaning of Sponsorship, the undersigned hereby designates:

First: _____ Middle: _____ Last: _____
Name of Permanent Sponsor

_____
City, State

_____
Market Center (if known)

as his/her Permanent Sponsor for purposes of the Keller Williams Realty Profit Sharing system and Growth Sharing Program. The undersigned, by execution hereof, understands that the designation of a Sponsor, once executed, can only be changed as follows:

1. **SUBSTITUTE SPONSORSHIP**

   (Section 4, Policies and Guidelines Manual)

   The Associate's Permanent Sponsor (named above) has not yet joined Keller Williams Realty but, he/she intends to join within 90 days of the Associate's start date. Because the Permanent Sponsor designated above has not yet joined Keller Williams Realty, the Associate hereby designates _____ to be their Substitute Sponsor, and understands this individual will automatically become their Permanent Sponsor unless written notification is given **WITHIN 90 DAYS OF THE ASSOCIATE'S START DATE.** Notification of the change from Substitute to Permanent Sponsor, using the ASSOCIATE SPONSOR CORRECTION FORM in the MORE system, must be signed by the Associate, Substitute Sponsor, Permanent Sponsor, Team Leader and Regional Director, and forwarded to the KWRI MORE Administrator, **ALL WITHIN 90 DAYS FROM**

THE ASSOCIATE'S START DATE*.

No change will be made if:

- the Permanent Sponsor designated above by the Associate, does not join Keller Williams Realty **WITHIN 90 DAYS OF THE ASSOCIATE'S START DATE**;
- the proper notices are not given as noted above; or
- the ASSOCIATE SPONSOR CORRECTION FORM is not completely executed and submitted to KWRI's MORE Administrator **WITHIN THE 90 DAY PERIOD**.

IT IS THE ASSOCIATE'S RESPONSIBILITY TO ENSURE THAT HIS/HER SPONSOR IS PROPERLY CHANGED WITHIN THIS TIME FRAME.

**For an associate that joins Keller Williams Realty as part of a new Market Center launch, the 90-day grace period begins on the first day of the month that the new Market Center transmits for the first time.*

2. **CHANGE OF SPONSORSHIP – CLERICAL MISTAKE**
(Section 4, Policies and Guidelines Manual)

A clerical mistake can be corrected **ONLY WITHIN 90 DAYS OF THE ASSOCIATE'S START DATE*** by the Associate submitting a written statement of the clerical mistake to the Market Center, using the ASSOCIATE SPONSOR CORRECTION FORM in the MORE system. The ASSOCIATE SPONSOR CORRECTION FORM must be signed by the Associate, Current Sponsor, New Sponsor, Team Leader and Regional Director, and forwarded to the KWRI MORE Administrator, **ALL WITHIN 90 DAYS OF THE ASSOCIATE'S START DATE***.

IT IS THE ASSOCIATE'S RESPONSIBILITY TO ENSURE THAT HIS/HER SPONSOR IS PROPERLY CORRECTED WITHIN THIS TIME FRAME. IF THE ERROR IS NOT NOTED AND CORRECTED WITHIN 90 DAYS OF ASSOCIATE'S START DATE*, THEN THE SPONSOR, AS ENTERED INTO THE MORE SYSTEM, WILL REMAIN UNCHANGED.

**For an associate that joins Keller Williams Realty as part of a new Market Center launch, the 90-day grace period begins on the first day of the month that the new Market Center transmits for the first time.*

3. **CHANGE OF SPONSORSHIP AFTER AN ABSENCE OF 9 MONTHS OR LONGER**
(WHEN RETURNING TO ORIGINAL MARKET CENTER OR JOINING ANOTHER) (Non-Vested) (Section 4, Policies and Guidelines Manual)

Individuals moving from one Keller Williams Realty location to another, individuals who go to work as an assistant or member of another associate's team or group and individuals who leave Keller Williams Realty for a period of time and later return, all keep their original sponsors - unless they are away from the Keller Williams organization and removed from the Keller Williams Profit Share System for at least nine (9) months. Upon return, provided they were not vested at the time of departure, they may choose a new Permanent Sponsor only after the minimum 9-month period of absence.

Online Confirmation of Sponsor

The undersigned Associate acknowledges that an online confirmation of his or her Permanent Sponsor is required. The purpose of the Online Confirmation of Sponsor is for the Associate to confirm that a clerical error was not made in the input of the Permanent Sponsor.

Associate Affirmations

I understand that Keller Williams Realty, Inc. and its authorized representatives ("KWRI") have no financial interest in my designation of a Sponsor and that, in recording my Sponsor's name, KWRI and KWW merely follow my instructions.

I understand that I will have no vested interest as a sponsor of any other Keller Williams Realty associate unless and until that person properly designates me as his or her sponsor in accordance with Keller Williams Realty policies and procedures.

I understand that, except for a per distribution Real Estate Associates Tracking System ("RATS") fee collected for the administration of the Profit Sharing Program or Growth Share Management ("GSM") fee collected for the administration of the Growth Share Program, and funds accumulated in the residual account, and any funds utilized by KWRI for administration or defense of the Profit share program as further detailed in this Policies & Guidelines Manual, KWW or KWRI does not receive any part of a Market Center's Profit Sharing or Growth Sharing contributions and does not otherwise share in or benefit financially from Profit Sharing or Growth Sharing contributions.

Duty to not compete: I specifically acknowledge and agree that I shall forfeit my opportunity to continue to participate in and receive any benefit from the Profit Share program by competing with Keller Williams Realty brokerages through the following actions:

1. **Affiliating with any non-Keller Williams real estate brokerage company; or**

2. **Directly or indirectly attempting to induce any individual retained as an Associate, staff member or owner of any Keller Williams brokerage to leave the Keller Williams brokerage or affiliate with a non-Keller Williams brokerage.**

On the basis of these understandings and their consequences, I voluntarily waive and relinquish any claims I may have against KWRI and KWW on account of any disagreement over the designation of my Permanent Sponsor or my status as the sponsor of another participant in the Profit Sharing and Growth Sharing programs, except in cases based on my good faith belief that KWRI or KWW has acted with actual malice toward me or in willful disregard for my rights.

Designation of Beneficiary

I hereby designate the following person or entity as the Beneficiary of my Account under the Keller Williams Realty Sharing System and Growth Sharing Program payable in the event of my death.

I understand that if no beneficiary is designated, then in the event of my death KWRI must be notified of the following prior to making any change to whom distributions are paid:

- ☐ Beneficiary to whom future distributions are payable with documentation of the beneficiary as evidenced by court order, probated will, will ratified by the court, or similar document
- ☐ Tax ID# and address of beneficiary

_____
Name of Beneficiary

_____
Social Security Number/TIN#

_____
Address

_____
City, State

_____
Date of Birth

_____
Relationship to Associate*

*If you are married, and DO NOT designate your spouse as the beneficiary of your Profit Share and Growth Share distributions, your state may require that your spouse consent in writing to said designation in order for the designation to be upheld if challenged. A Consent of Spouse form is attached hereto for this purpose. KWRI is aware that some states do not require a Consent of Spouse, and due to the reality that such laws change and KWRI is unable to determine which state's laws may apply to an associate's estate, KWRI encourages any married associate designating someone other than their spouse as their Profit Share beneficiary to have the attached consent form signed by their spouse before a Notary Public.

Executed and agreed to this _____ day of _____, 20_____

_____ _____
Associate's Printed Name Team Leader Signature

_____ _____
Associate's Signature MCA Signature

_____
Witness to Associate's Signature

CONSENT OF SPOUSE TO DESIGNATION OF BENEFICIARY

(*Only necessary if the Associate is married and does not designate his/her spouse as the beneficiary of his/her Profit Share distributions.)

I acknowledge that I am the spouse of _____ (the "Associate). I hereby certify that I have read this Designation of Beneficiary information and understand that I may possess a beneficial interest in my spouse's account under the Keller Williams Realty Profit Sharing and Growth Sharing Programs if I survive him/her. I hereby acknowledge and consent to the Designation of Beneficiary. My consent shall be irrevocable unless my spouse subsequently changes the Designation of Beneficiary.

If my spouse changes the designation, [Choose EITHER (a) OR (b):]

- ☐ (a) I understand I must sign a new consent to the new designation for it to be effective.
- ☐ (b) I waive my right to consent to any future change in designation. I understand I have the right to restrict my consent only to the Beneficiary designated on this Form by checking box (a).

_____
Signature of Associate's Spouse

_____
Date

Notarization of Spouse's Signature

_____
STATE/PROVINCE OF

_____
COUNTY OF

On this _____ day of _____, 20____, before me appeared _____ who acknowledged herself or himself to be the person who executed the consent set forth above and acknowledged the consent to be his or her free act and deed.

_____
Notary Public
My Commission Expires:

Addendum C
Designation or Change of Beneficiary

I hereby designate the following person or entity as the Beneficiary of my Account under the Keller Williams Realty Profit Sharing System and Growth Sharing Program payable in the event of my death. This designation supersedes any prior designation.

_____
Name of Beneficiary

_____
Social Security Number/TIN#

_____
Address

_____
City, State

_____
Date of Birth

_____
Relationship to Associate*

*If you are married, and DO NOT designate your spouse as the beneficiary of your Profit Share and Growth Share distributions, your state may require that your spouse consent in writing to said designation in order for the designation to be upheld if challenged. A Consent of Spouse form is attached hereto for this purpose. KWRI is aware that some states do not require a Consent of Spouse, and due to the reality that such laws change and KWRI is unable to determine which state's laws may apply to an associate's estate, KWRI encourages any married associate designating someone other than their spouse as their Profit Share beneficiary to have the attached consent form signed by their spouse before a Notary Public.

Executed and agreed to this _____ day of _____, 20 ____

_____
Associate's Printed Name

_____
Associate's Signature

_____
Witness to Associate's Signature

CONSENT OF SPOUSE TO DESIGNATION OF BENEFICIARY

(*Only necessary if the Associate is married and does not designate his/her spouse as the beneficiary of his/her Profit Share distributions.)

I acknowledge that I am the spouse of _____ (the "Associate). I hereby certify that I have read this Designation of Beneficiary information and understand that I may possess a beneficial interest in my spouse's account under the Keller Williams Realty Profit Sharing and Growth Sharing Programs if I survive him/her. I hereby acknowledge and consent to the Designation of Beneficiary. My consent shall be irrevocable unless my spouse subsequently changes the Designation of Beneficiary.

If my spouse changes the designation, [Choose EITHER (a) OR (b):]

- ☐ (a) I understand I must sign a new consent to the new designation for it to be effective.
- ☐ (b) I waive my right to consent to any future change in designation. I understand I have the right to restrict my consent only to the Beneficiary designated on this Form by checking box (a).

_____
Signature of Associate's Spouse

_____
Date

Notarization of Spouse's Signature

_____
STATE/PROVINCE OF

_____
COUNTY OF

On this _____ day of _____, 20____, before me appeared _____ who acknowledged herself or himself to be the person who executed the consent set forth above and acknowledged the consent to be his or her free act and deed.

_____
Notary Public
My Commission Expires:

Addendum D
Keller Williams Realty, Inc. Policy Statement - Securities Offering

1. The following policies apply to offerings in Keller Williams Market Centers and Regions.

2. You must include the following statement in bold type on the front page of your written disclosure materials**: "Keller Williams Realty, Inc. ("KWRI") will receive no part of the proceeds from this offering. KWRI is not sponsoring and does not endorse this offering. Further, KWRI has not verified the accuracy of any information in this [disclosure document] and expressly disclaims responsibility or liability for any statement or omission that may cause any part of this [disclosure document] to be false, misleading or deceptive."**

3. You may not cite KWRI as the source of any statistics, data or information you include in your offering materials without KWRI's express written permission, which you are responsible for obtaining.

4. You must provide KWRI an express indemnity against liability for any securities law violations with which KWRI may be charged as a result of your failure to provide legally adequate disclosure or your attempt to raise money under false pretenses.

5. You must submit your offering materials and a non-refundable $2,500 review fee to KWRI at least 15 Business Days before you commence the offering.

6. If coverage is available from your insurance company, we require an endorsement to your insurance policies.

Addendum E
Points of Information—Internal Dispute Resolution

KELLER WILLIAMS REALTY - NON-BINDING ARBITRATION PROGRAM FOR RESOLUTION OF DISPUTES BETWEEN FAMILY MEMBERS

Purpose

The purpose of the Keller Williams Realty Non-Binding Arbitration Program is to provide members of the Keller Williams Realty family a speedy, convenient, inexpensive opportunity to resolve disputes between themselves without resorting to binding arbitration or litigation. Although an arbitration panel's conclusions and recommendations will not bind either party to an arbitration, Keller Williams Realty, Inc. is confident that the arbitration process will pave the way for negotiated settlements and reduce the incidence of unresolved discord among family members.

E.1 Program Characteristics

1. Program Scope

   The Program will be open and available to members of the Keller Williams family at all levels, from Market Center associates to KWRI itself. Participants can use the Program to air disputes over policies, procedures, contract rights and any other claim that could properly be pursued in court. However, the Program will not be available to address disputes that:

   - Involve conditions of employment, including questions of workplace safety, sexual harassment or discrimination.
   - Involve a claim for more than $100,000.
   - Involve an obligation to pay Production Royalty, Profit Sharing contributions or other financial obligations to KWRI.

2. The Arbitrators

   Disputes will be submitted to panels composed of three arbitrators. The list of eligible arbitrators will be chosen by KWRI's CEO from among the members of the Strategic Leadership Council and from among Regional Operating Principals and Regional Directors who indicate a willingness to serve as arbitrators. Arbitrators will be charged to act fairly and without bias. An arbitrator may not participate in a panel if any party involved in the dispute is a business associate[2],personal friend or relative (by blood or marriage) of the arbitrator.

[2] A *business associate* is someone (1) who, at any time during the last five years, has owned an interest in a business in which a party to an arbitration proceeding has also owned an interest (in either case, no matter how small the interest); (2) who owns or serves as an executive of the Regional Representative of the Region in which the Market Center of a party to an arbitration proceeding is located; (3) who, within the last five years, has loaned money to or borrowed money from a party to an arbitration proceeding or a business in which a party to an arbitration proceeding owns an interest of 5 percent or more; (4) who, within the last five years, has co-brokered a real-estate purchase or sale with a party to an arbitration proceeding that generated more than $2,500 in gross commissions; or (5) who is currently a party to a co-listing or similar arrangement with a party to an arbitration proceeding (no matter how small the potential commission)

3. Participation Fee

   To ensure that the Program will not be used frivolously, both parties must pay a participation fee. The fee will be $250 for Market Center sales associates, and $500 for everyone else, including Market Center licensees, administrators and executives. The fee will be used to cover the arbitrators' out-of-pocket expenses, with any excess donated to Keller Williams Realty Cares. Arbitrators will not receive a fee for their services as arbitrators.

4. Oral Presentations Only in Special Circumstances

   Except in rare cases, the arbitration proceedings will be conducted through submission and examination of documents. However, both parties will be permitted to submit 30-minute tape recordings in which they personally explain and argue their cases. There will be no depositions, oral testimony or hearings. If a situation is unusually complicated or sensitive, the parties may petition KWRI's CEO to authorize the arbitrator to hear oral arguments (but no testimony) in person at KWRI's offices in Austin, Texas. If KWRI's CEO authorizes a hearing, the parties must pay KWRI a fee equal to the greater of $1,000 or the actual amount of the arbitrators' travel and lodging expenses.

5. Prohibited Contact with Arbitrators

   Participants may not communicate with an arbitrator outside the formal channels of the arbitration proceedings, whether by phone, mail, e-mail or other means, and whether directly or through an attorney or business advisor. Nor may participants request that executives of KWRI intercede on their behalf with the arbitrator. One-sided contact with an arbitrator or a KWRI executive will result in immediate termination of an arbitration proceeding. Further, any arbitrator who initiates contact with a participant or a participant's representatives while an arbitration proceeding is pending will be permanently disqualified from serving as an arbitrator.

6. Sworn Statements of Facts

   To ensure fair and honest use of the process, each statement of facts (including supplemental and rebuttal statements) must be covered by a certificate, signed and sworn to before a notary public, that the facts included in the statement are true, accurate and complete to the best knowledge and belief of the party submitting the statement. In addition, each tape recorded statement in which a party presents facts must include a recorded statement by the party that the facts are true, accurate and complete to the party's best knowledge and belief. Also, all letters, agreements and other exhibits a party submits in support of his or her position must be covered by a certificate, signed and sworn to before a notary public, that the document submitted is an authentic and complete copy of the original. Arbitrators will be instructed to disregard statements of facts and exhibits that are not properly certified.

7. Protection of Arbitrators

   To encourage willing participation by qualified arbitrators, all participants will be required to waive any right to call an arbitrator to testify as a witness or to produce documents in a formal arbitration proceeding or lawsuit. Also, to encourage arbitrators to produce thorough, candid reports, both parties to an arbitration will be required to waive any right to introduce an arbitrators' conclusions and recommendations in evidence at any subsequent arbitration proceeding or lawsuit. Further, all participants will be required to waive any right to sue or otherwise pursue a claim against an arbitrator on the basis of an arbitrators' conclusions and recommendations.

8. Use of Documents in Litigation

   The parties will be entitled to subpoena and use in any subsequent arbitration proceeding or lawsuit all written statements and documents the other party submits under oath. However, any tape recorded statement a party submits to the arbitrator in confidence will not be subject to later discovery, and all participants will be required to waive any right to subpoena or otherwise discover another participant's tape recorded statement.

9. Advice of International's Legal Counsel

   Except in cases in which KWRI is a party, KWRI will allow the arbitrators to consult with KWRI's legal counsel for explanations of the parties' legal analyses and to answer questions about the law and the contract provisions that apply to a particular case. All communications between an arbitrator and KWRI's legal counsel will be treated as privileged and confidential, and all participants will be required to waive any right to request or compel KWRI's legal counsel to disclose the contents of any oral or written communications between counsel and an arbitrator.

E.2 Procedures

1. Starting the Arbitration Process

   A person with a grievance (a "Petitioner") will start the arbitration process by sending a letter ("Initial Letter") to KWRI's General Counsel, with a copy to KWRI's CEO. The Initial Letter must include:

   - The Petitioner's name, mailing address, telephone number and e-mail address.
   - The name, mailing address, telephone number and e-mail address of the opposing party (the "Respondent"), including the name and e-mail address of a contact person for the Respondent, if the Respondent is a business entity.
   - A brief statement of the claim or grievance in not more than 200 words.
   - A brief, concise statement of the relief sought.
   - A signed agreement ("Participation Agreement") to have the claim submitted to non-binding arbitration in accordance with Program policies and procedures.
   - A $250 check, representing half of the participation fee.

   KWRI's General Counsel will promptly send a copy of the letter to the Respondent, together with a form of the Participation Agreement. To establish date of receipt, the General Counsel will send the materials via certified mail or commercial courier.

2. The Respondent's Reply

   If the Respondent wishes to participate, he or she will sign and return the Participation Agreement to KWRI, with a check for $250 representing the other half of the participation fee. If the Respondent does not return a signed Participation Agreement or fee payment within 30 days after receipt of the materials from KWRI's General Counsel, he or she will be deemed not to want to participate. In that case, KWRI's General Counsel will notify the Petitioner of the Respondent's lack of interest and return the Petitioner's participation fee check.

3. Appointing the Arbitrators

   Upon receiving a Respondent's signed Participation Agreement and participation fee check, KWRI's CEO will select five qualified people from the list of arbitrators. The CEO will send the list of potential arbitrators ("Arbitrator List") to the participants, with a request that they rank their choice of arbitrators in descending order (i.e., first choice = 1; second choice = 2; third choice = 3; etc.). The three people who receive the lowest combined point total will be chosen to serve as the arbitrators. In case of a tie for the third position, KWRI's CEO will select the arbitrator.

   After the arbitrators are selected, KWRI's CEO will designate one of them to serve as Corresponding Arbitrator. The Corresponding Arbitrator will manage all communications between the arbitrators and the parties but will have no special status in relation to the arbitration proceedings. KWRI's General Counsel will orally notify the participants and the arbitrators of the arbitration panel's composition and the Corresponding Arbitrator's selection. The General Counsel will also provide the arbitrators a copy of the Petitioner's Initial Letter and an Arbitrator's Oath for the arbitrators to sign and return.

4. Collecting the Facts and Legal Positions

   Promptly after taking the oath, the Corresponding Arbitrator will invite the participants to submit formal presentations of their positions. All presentations (except the tape recorded presentations discussed later) must be computer generated on letter size paper, single spaced, using type no smaller than 10 point Times New Roman or an equivalent font. The arbitrators may reject a presentation that does not comply with these specifications or that exceeds the page limits stated in the next series of paragraphs.

5. The Petitioner's Presentation

   The Petitioner's presentation will include (i) a certified statement of the facts on which his or her complaint is based (not to exceed five pages), (ii) a legal analysis of the Petitioner's position (not to exceed 15 pages, including citations to cases and statutes), (iii) a business analysis of the Petitioner's position (optional; not to exceed 10 pages, including graphs, charts and other illustrations), (iv) certified copies of policies, agreements, correspondence and other supporting materials the Petitioner considers relevant to the case, and (v) a revised statement of the relief sought, if different than the statement in the Initial Letter.

6. The Respondent's Presentation

   The Respondent's presentation will include (i) a certified rebuttal or supplemental statement of the facts (not to exceed five pages), (ii) a legal analysis of the Respondent's position (not to exceed 15 pages, including citations to cases and statutes), (iii) a business analysis of the Respondent's position (optional; not to exceed 10 pages, including graphs, charts and other illustrations), (iv) certified copies of any additional policies, agreements, correspondence and other supporting materials the Respondent considers relevant to the case, and (v) a statement of any relief the Respondent seeks from the Petitioner arising from the same circumstances.

   The participants will submit three complete copies of their presentations to the arbitrators within 30 days after the Corresponding Arbitrator invites their submission. Neither party will be penalized for failure to meet the 30-day (or any other) deadline, although the arbitrators may take a participant's failure to cooperate or comply into account in reaching their conclusions and recommendations.

7. Responding to the Other Side's Presentation

   Within 15 days after the arbitrators receive the required number of presentations from each participant, the Corresponding Arbitrator will send a copy of the Petitioner's presentation to the Respondent, and vice versa. The arbitrators may include with either party's packet a request for clarification of particular elements of the party's statement of facts or a request for additional facts pertinent to the issues.

   Within 30 days after the participants receive their packets from the arbitrators, they will be allowed (but not required, except to the extent necessary to respond to inquiries from the arbitrators) to submit a supplemental presentation to the arbitrator. Supplemental presentations may include a tape recording of up to 30-minutes duration in which a party personally explains and defends his or her own position and analyzes the other party's position. These tape recordings will be submitted in confidence to the arbitrators, will not be shared with the other party, and may not be subsequently subpoenaed. A participant's supplemental presentation may also include (i) a certified supplemental statement of facts (not to exceed five pages); (ii) a supplemental legal analysis (not to exceed 10 pages, including citations to cases and statutes); and (iii) certified copies of any additional exhibits the participant wants to submit. Participants must submit the written portions of their supplemental presentations to each other and, in duplicate, to the arbitrators.

   When the participants submit their supplemental presentations, the information gathering phase of the proceeding will end. At that point, neither participant may submit additional information or analyses, and the arbitrators may not request additional factual information, either from the participants or from any other source.

8. Evaluating the Information

   After the information gathering phase ends, the arbitrators will study and evaluate the participants' presentations. The arbitrators may request the advice of legal counsel to understand the legal theories and legal authorities on which the participants base their positions. If interpretations of Keller Williams Realty policies and procedures are involved, the arbitrators may also request interpretations or clarifications of those policies and procedures from KWRI's CEO or General Counsel.

9. Communicating the Arbitrators' Recommendations

   The arbitrators will endeavor to complete their evaluation of the presentations and to formulate conclusions and recommendations within 60 days after the information gathering phase ends. The arbitrators will compose a joint statement that explains the basis of their conclusions and describes their recommendations for submission to the Petitioner and the Respondent. The statement can be of any length the arbitrators consider appropriate, recognizing that the more thoroughly and candidly the arbitrators analyze the issues and state the reasoning for their recommendations, the more likely the participants will be to accept the recommendations as the basis of a settlement.

10. Effect of Arbitrators' Recommendations

    The arbitrators' conclusions and recommendations will not have the force of an arbitration award or court judgment; neither party will be bound to follow the arbitrators' recommendations.

E.3 Required Documents

Initial Letter
Arbitrators' Oath
Participation Agreement
Certificate for Statement of Facts
Arbitrator List
Certificate for Exhibits

Addendum F
The Keller Williams Realty
Real Estate Professional's Creed

I am a professional real estate agent. I will always strive to do what a professional does, for this is what my business associates, my buyers and my sellers deserve.

I will be a **TEAM PLAYER**. I will always support the team and I will expect the team to support me.

I will always **KEEP MY WORD**. If I say I will do something, then I will do it. My word is my guarantee.

I will be **CAREFRONTATIVE**, not confrontive in dealing with problems. I will resolve problems, not create additional ones.

I will be a **PROBLEM-SOLVER**, not a problem-maker. I will not try to be right, but better, I will always strive to do the right thing.

I will always **DO MY SHARE** of the work and be responsible for everything I do. I will not use nor take advantage of others.

I will **NEVER GOSSIP** about others. I believe in the Golden Rule and intend to abide by it.

I will **UPGRADE MY EDUCATION** on a regular basis. I know that school is never out for the professional.

I will always **DRESS PROFESSIONALLY** when conducting business.

I will **PROSPECT AND FOLLOW-UP DAILY**. These are the foundations of my business, and I will never neglect them. By doing this regularly, I will earn the right to succeed.

I will always **PLACE THE BUYER AND THE SELLER FIRST**. I am in business to serve their needs and will never forget this responsibility.

I will always **ABIDE BY THE HIGHEST MORALS AND ETHICS**. People who do business with me deserve the highest standards.

I will always **CARE ABOUT THE FUTURE OF MY INDUSTRY**. I will continually work to upgrade the real-estate business and the many opportunities it provides to real-estate professionals.

I will **ACCEPT TOTAL RESPONSIBILITY FOR MY CAREER**. I will regularly establish goals and plans and work consistently to reach these objectives. I am accountable for my actions and my future is in my hands.

I AM A PROFESSIONAL.

Addendum G
Code of Ethics/Standards of Practice Adopted By Market Center

Each Market Center is to print and attach the current version of the Code of Ethics/Standards of Practice it has adopted.

Addendum H
Commission Policy of a Market Center

1. **Commission Split** — The Market Cener associate is paid a _____commission split until the Market Center's portion of the closed commissions generated by that associate has reached _____ during the associate's **fiscal or anniversary year** with this MC.

2. **100 percent Commission** — When the Market Center's portion of closed commissions generated by the associate has reached _____, the associate shall then receive 100 percent commission on all transactions closed and funded during the balance of their **fiscal year**.

3. **Administrative (Transaction) Fee for Capped Associates** — An Administrative Fee of _____ will be paid by the 100 percent associate to the Market Center on all sales and listings sold and funded. If two 100 percent associates are splitting a transaction, they shall split the Administrative Fee. If the Administrative Fee is for a sale and a listing sold, each 100 percent associate will pay an _____ Administrative Fee.

4. **Personal Real Estate — (Buying, Selling and Leasing)**

   Purchasing or selling your personal residence and/or investment properties is one of the greatest advantages you have as a real estate professional, and it is our goal to preserve this advantage. The following guidelines apply to personal transactions:

   a. The minimum Company Dollar contribution which must be maintained before any personal properties can qualify, without paying the Market Center a portion of the commission, is _____ annually based on each individual associate's anniversary date.

   b. The ASSOCIATE is required to pay royalty on any of their personal transactions until they reach the Market Center's annual cap. Local MC Royalty is based on _____ percent of the GCI for the transaction and would be deducted from the total commission, along with any required E & O fee, before the associate would receive the rest of the commission.

   c. In those circumstances when the associate is not required to pay the Market Center a real estate commission on the portion of the transaction that involves the associate as an owner, the associate is still required to pay the Market Center a real estate commission on the side of the transaction that involves another associate in the MC.

   d. Administrative Fee for Capped Associates: This fee will not be charged on "personal" transactions and "personal" transactions shall not be included in the number of closed transactions used for purpose of assessing the fee in accordance with Section 4.9.1.24 of this manual.

   5. **New Associate/Production-Level Commission Plans**—The commission plans for newly licensed and/or inexperienced associates are as follows:

Addendum I
Miscellaneous Policies & Fees of a Market Center

Keller Williams Realty Policies and Guidelines Manual

1. **Auto Insurance** — Each sales associate of a Market Center must provide the Market Center with evidence that he/she has secured and continues to maintain the appropriate endorsement on his/her automobile insurance policy in the minimum amount of $100,000/$300,000/$50,000, or such additional coverage and limits as required by state or provincial law, naming "[Market Center entity], dba Keller Williams, _____" as additional insured.

2. **E&O Insurance** — The firm will carry E&O insurance on every transaction closed. A portion of the cost of this insurance will be paid by the associate as follows:

   Other E&O Details:

   - Policy exceptions._____
   - Amount of coverage per occurrence. _____
   - Amount of aggregate coverage. _____
   - How does it work? _____
   - Who is covered?_____
   - What is covered? _____
   - Who is the Underwriter? _____

3. **Unpaid Bills** — Your Market Center is not in the lending business. Therefore, any outstanding bill is due and payable within _____ days from the date the associate received the bill. If the firm has not received the payment within the first seven days, there will be a late charge of _____.

4. **Keeping in Contact with your Market Center** — Generally, our Market Center is open from _____ to _____ Monday through Friday and _____ to _____ Saturday and Sunday. We suggest you contact the Market Center at least every four or five hours. Always check in when you enter the MC and check out when you leave. When you are off you should check in with the Market Center at least once each day, the only exception being if you are out-of-town and have another associate who will be covering your business for you.

5. **Other Market Center Fees** —

Addendum J
Agency Policy of a Market Center

Keller Williams Realty Policies and Guidelines Manual

All associates are to abide by the following guidelines as they relate to the local and state or provincial policy on agency relationships:

Addendum K
Policies for Teams and Groups of a Market Center

Keller Williams Realty Policies and Guidelines Manual

Due to federal anti-trust laws, Keller Williams Realty International does not establish any guidelines to be followed in determining the commission structures of teams and/or groups of sales associates compared to that of an individual sales associate. The Market Center Operating Principal/Broker may establish guidelines for each of their business operations, and the policies that pertain to this MC are as follows:

Addendum L
Policy Manual Acknowledgment

I have read the *Keller Williams Realty Policy and Guidelines Manual*, I understand it fully, and agree to abide by the Policies and Guidelines set forth.

_____

Associate Signature

_____

Date

_____

Market Center Name and Number

NOTE: *One copy for the associate*
One copy for the Market Center files