



United States and Canada

Policies & Guidelines Manual

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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.

Commission Splits of a Market Center	4-23
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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

Welcome to Keller Williams

We are proud you have joined the Keller Williams franchise system, and we are excited to be your partner in building your career. Keller Williams Realty, LLC (f/k/a 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 you believe is best for your 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 brokerage company. We uncovered a better way of life for ourselves and our affiliated 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 affiliated associate. Being a member of the Keller Williams franchise system is exciting and if we all work together, you can gain the advantages you’ve been looking for. We are delighted you have joined our cause.

SEE YOU IN THE MARKETPLACE!

Gary Keller

List of Symbols Used in This Manual

- 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.
- !** 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, LLC (f/k/a Keller Williams Realty, Inc.), Keller Williams, KW, or the Company

LCF

Loss Carry-Forward

MLS

Multiple Listing Service

MC

Market Center, a KWRI franchised real estate brokerage

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” 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 franchise system is led by associates affiliated with MCs (“Associates”), for Associates! Every policy and guideline in this manual were created and reviewed by our Associate Leadership Councils (Local, City, Regional, and International) and helps to ensure professionalism and fairness. Its number one goal is to empower us to develop successful 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, who created Keller Williams, was 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 to 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 model 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 model 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 affiliated 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 Associates, then those Associates will successfully develop the Keller Williams franchise system.

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.
- 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

Keller Williams is a training and consulting company with the strategic advantage of being the only real estate franchisor that has proprietary technology. 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 Associates are uniquely positioned, both as our customer and as our partner. Together, we have but one goal—to be the most successful real estate agents in 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 Associates and remain flexible enough to meet the ever-changing needs of 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 the Associate's business.

Real estate agents need a work environment designed around their needs with the savings passed on to them. The Keller Williams MC 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. The 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 agent 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 Associates the highest compensation opportunities in the industry is an entirely new dimension in real estate.

2.2.6 High Commission—No Risk Concept

The 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 franchise system in recognizing the significance of its affiliated Associates by offering an income opportunity unparalleled in the real estate industry.

Keller Williams was searching for an additional way to reward those Associates who help build the franchise system. Unexpectedly, the result was the most significant compensation innovation in real estate history: An open-ended Profit Sharing Program. This program allows Keller Williams' affiliated Associates, franchise investors, brokers, TLs, and MC, Regional or KWRI staff 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 Associates and staff working through this process. 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 the 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 is one of the most recognized brands in the real estate industry because of the education, training and technology offered to Associates. However, when it comes to local branding, the Company strongly believes that real estate is a local business driven by individual real estate agents 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. A MC, a Region and even KWRI, always take a back seat to the Associate's brand.

2.2.10 Tailor-Made Education

Keller Williams 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, 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 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 chose to take the best from both. The result was a better win-win economic model which is a hybrid of the two.

Associates receive all 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 SUCCESSFUL BUSINESS IN A MEMORABLE WAY 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 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 is your company, and it exists for you. It has evolved and continually improves through direct input from Associates and was designed to be the very best career vehicle possible. The policies and guidelines contained in the following pages are designed to establish our brand standards and explain the way in which our franchise system operates. 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 Associates a vehicle for giving direct input on the operation of the Keller Williams franchise system.

4.1.1.2 **Vision**

To be an interdependent synergistic leadership team that protects and enhances the vitality of the Keller Williams franchise system, culture, and Profit Sharing Program.

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 them.
- 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 (KWRI, RDs/Investors, MC Brokers/Investors, TLs, MC and Regional Employees, Associates, and other Profit Sharing Program participants).
- ALC members individually vote for what is best for the greater good of the entire MC.

- 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 Associates become the very best salespeople and businesspeople possible.
- Assist in setting annual MC goals and plans and take an active part in implementing the plans.
- Help the MCs 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 franchise 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 Associate. 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 Next Gen

4.2.1 KW Cares

The IALC 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 affiliated Associates and their families with hardship as a result of a sudden emergency. A hardship is a difficult circumstance that a person or family cannot handle without outside help.

KW Cares represents the heart of Keller Williams 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 Next Gen

The IALC recognizes the establishment of Keller Williams Next Gen or “KW Next Gen.” KW Next Gen is a 501(c)(3) public charity, as defined by U.S. IRS guidelines. The IALC supports the charity’s policies and operating procedures.

KW Next Gen is dedicated to empowering young adults to unlock their greatest potential through self-development events, coaching and scholarships for training, education, certifications, or coaching. KW Next Gen’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 MC 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 franchisees. The Chairperson of the IALC 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, which is to encourage open discussion and participation.

4.4 Local ALC Structure

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

- The Chairperson, who shall be the TL of the MC.
- **Associates** from the top 20% of the MC are eligible to join the Local ALC based on closed production from the previous year.
- **The OP for the MC** can be a voting member of the ALC. The OP may attend ALC meetings and cast the ownership vote, or they may delegate their vote to the TL of the Market Center. Any other investor in the MC, other than the OP, is also eligible to serve on the ALC as a voting member provided the investor meets the top 20% production guideline and they are selected by the TL.

The maximum size of the ALC or the next year will be determined by the TL no later than December of each year based on the number of eligible Associates from the top 20% of the MC. New ALCs 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 who 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 MCs 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 ALC 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 MC 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.
- Other local issues as from time to time requested by the Local ALC and approved by the Chairperson of the IALC.

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 MC 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 MC.
- Include the OP.

4.4.1.2 **Growth Committee**

The Growth Committee will:

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

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 MC.

4.4.1.4 **Technology Committee**

The Technology Committee will:

- Assist in the evaluation and implementation of ongoing technology training within the MC.
- Participate in any KWRI technology-related training.
- Provide input to OP/TL regarding software/hardware issues.
- Encourage and assist all members of the MC to adopt Keller Williams technology initiatives to the fullest extent.
- Evaluate the effectiveness of their MC 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 MC fundraising efforts for the annual goal of \$5,000 in donations to benefit KW Cares.



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 Associates in need with the KW Cares grant application process.

KW Next Gen

The Culture Committee will oversee MC fundraising efforts for the annual goal of \$5,000 in donations to benefit KW Next Gen.



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

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

Non-KW Charitable Activities

- The Culture Committee oversees all the MC's non-KW charitable activities, including fundraising for individuals in need within the MC or the local community, as well as fundraising efforts for charities other than KW Cares/KW Next Gen by:
 - a. Establishing and maintaining a MC's local emergency fund in order to provide monetary gifts to individuals in need within the MC or the local community. These local emergency funds must not be used for MC expenses. Funds collected should be segregated in separate accounts.
 - !** **NOTE:** Unless a MC 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 MC or the local community in the spirit of "family helping family."
 - c. Conducting fundraising efforts for charities other than KW Cares and KW Next Gen. 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 MC should research and/or seek counsel as necessary to fully understand whether any donation is for a tax- deductible purpose.
 - d. Coordinating the MC's annual participation in RED Day by:
 - 1) Planning and organizing the MC's RED Day activities;
 - 2) Communicating RED Day messages to the Associates in their MC; 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 MC's KW Cares Representative or may appoint another member of the committee to serve as the MC's KW Cares Representative.

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

The Chair of the Culture Committee may also serve as the MC's KW Next Gen Representative or may appoint another member of the committee to serve as the MC's KW Next Gen Representative.

4.4.1.6 Agent Advocate Committee

Each MC will have an Agent Advocate Committee that represents the MC 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 Associates within the MC who have a strong passion and desire to advocate for the real estate agent profession. The Committee Chair must be an ALC member.

4.4.1.7 Safety Committee

Each MC will have a Safety Committee that promotes training programs and other initiatives to implement safety standards and best practices for their offices and for conducting business in the field.

The Committee should be composed of Associates within the MC who 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 MC 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 people and 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 the Profit Sharing Program at team meetings.
- Model desired behavior by referring business to the Strategic Alliances providers' representatives.
- Share Strategic Alliances success stories.
- Extend the MC culture to the Strategic Alliances providers' representatives and look for opportunities in which the representatives can participate in the MC 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 MC 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 MC.
- 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 MC.
- i. Act as a sounding board between the associates, the MC 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 Homes Committee performs four functions:

- 1. Assists in the overall growth of qualified luxury real estate Associates in the MC.
- 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 or KWU for professional development in the luxury real estate market.
- 4. Assists the KW Luxury leadership in further developing value-adds and deliverables to membership based upon feedback from luxury Associates in the MC.

The Committee Chair must be an ALC member and a member of the KW Luxury Homes Division.

4.4.1.11 Commercial Committee

Each MC is strongly encouraged to have membership in the KW Commercial Division 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 MC.
- 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 the Commercial Division 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 MC.
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 MC 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 ALC 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 ALC 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 ALC 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. Every ALC member 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% 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 MC'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 MC for projects deemed necessary for the growth and profitability of the MC.
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 MC 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 MC 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 MC'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 ALC meeting must be distributed and published in the MC's weekly newsletter to all Associates in the MC within two weeks after the meeting.

4.4.2.8 Attendance

1. Keller Williams wants your input. In order to ensure active participation, an Associate must attend at least 75% of all scheduled ALC meetings for the year. (For example, assume 12 meetings are scheduled for each year. If an Associate misses four meetings, that Associate 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 ALC 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 TL candidate, the meeting can be a closed meeting.
2. Meetings are to occur each month.
3. Should the need arise, the TL has the discretion and authority to call additional local meetings.
4. 75% 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 MC, may be on the ALC 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 MC, may be on the ALC 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.

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 MC ALC.
- **One leadership representative** (OP or TL) from each active MC in the city.
- **The RD.**
- **One Associate-at-large member** voted in by the City ALC.

A MC should be a part of a City ALC if it is within a one-hour drive from another MC. KWRI will make the final determination about which City ALC a MC 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 IALC 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 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. 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 MC 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 40 minutes.
2. A one-time 20-minute extension of discussion may be granted if requested by any individual City ALC member, after which a vote must occur.
3. No further discussion will be allowed during the current meeting unless a majority of those present consent to further discussion.
4. Either a vote or a motion to table the item must occur.
5. No City ALC 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 City ALC Member Contribution

1. Each person is limited to a maximum of 6 minutes of comments on each item unless the Chairperson allows more time.
2. Every City ALC member 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. 75% of the leadership representatives and 75% 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 ALC meeting must be published and distributed to the local MCs within **two weeks** of the meeting.
2. The minutes are to be published in each MCs' weekly newsletter to all Associates in the MC within **one week** of receipt.

4.5.1.7 Attendance

1. Keller Williams wants your input. To ensure active participation, a City ALC member must attend at least 75% of all scheduled Council meetings for the year. (For example, if 4 meetings are scheduled for each year and an Associate misses two meetings, that Associate is replaced by another voted representative by that Associate's 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, that non-member 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 City ALC members may vote.

4.5.1.8 Meetings/Occurrence

1. Meetings are to occur 4 times a year.
2. Should the need arise, the Chairperson has the authority and discretion to call additional City ALC meetings.
3. 75% of the City ALC members must be present for it 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**, who is the RD or ROP for the region.
2. **One Associate** chosen by a majority vote of each Local ALC.
3. **One leadership representative (OP or TL)** from each MC in the region.
4. **One Associate-at-large member** voted in by the Regional ALC.

The Regional ALC 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 that request to the IALC Chairperson for approval.

4.6.1 Regional ALC Rules of Order

4.6.1.1 Time Limit

1. Regional ALC meetings shall last no longer than 4 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. 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 MC 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 1 hour.
2. A one-time 30-minute extension of discussion may be granted if requested by any individual Regional ALC member, after which a vote must occur.
3. No further discussion will be allowed during the current meeting unless the of those present consent.
4. Either a vote or a motion to table the item must occur.
5. No Regional ALC 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. Every Regional ALC member 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. 75% of the management representatives and 75% 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 ALC meeting must be published and distributed to the local MCs within **two weeks** of the meeting.
2. The minutes are to be published in each MCs' weekly newsletter to all Associates in the MC within **two weeks** of receipt.

4.6.1.7 Attendance

1. Keller Williams wants your input. To ensure active participation, an Associate must attend the scheduled Regional ALC meeting for the year.
2. If the Regional ALC member cannot attend the required meeting, that Regional ALC member 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 non-member raises an issue to be brought before the Regional ALC, that non-member 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 Regional ALC members may vote.

4.6.1.8 Occurrence

1. A meeting is to occur once a year.
2. Should the need arise, the Chairperson has the authority and discretion to call additional Regional ALC meetings.
3. 75% of the Regional ALC must be present for the meeting to be a voting meeting.

4.7 International ALC Structure

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

1. **The CEO or President of KWRI, who 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 (an MC 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 RD or ROP from each Regional ALC.**



NOTE: The retiring IALC will participate and vote at the KWRI convention known as "Family Reunion" each year, while the incoming IALC will officially convene after that 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, if one is called.
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 special meeting held via a Teleconference/Videoconference Vote:
 - This may be done once every two months.
 - All IALC members must be given 45 days to discuss with the Associates and management in their Regions before the teleconference vote any issue that is the subject of a special meeting.



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

4.7.1 IALC Task Forces

1. PURPOSE: The IALC shall utilize task forces (“Task Forces”) composed of Associates, MC leadership and Regional leadership to assist the IALC to function at the highest possible levels and to assure that the Keller Williams franchise system is truly operating as a *bottom up* organization through the continuous involvement of Associates and management.
2. The IALC Chairperson will appoint a Task Force Leader 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 MC 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 Keller Williams franchise system 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. IALCs shall last no longer than 4 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. 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 Meeting. The MCA must distribute a copy of the information to each member of the Local ALC and post the information in the MC 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 IALC member, after which a vote must occur.
3. No further discussion will be allowed during the current meeting unless a majority of those present consent.
4. Either a vote or a motion to table the item must occur.
5. No IALC 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 IALC Member Contribution

1. Each IALC member is limited to a maximum of 10 minutes of comments on each item unless the Chairperson allows more time.
2. Every IALC member 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 MCs within **one month** following the meeting.
2. The minutes are to be published in each MCs' weekly newsletter to all Associates in the MC within **two weeks** of receipt.

4.7.3.7 Attendance

1. Keller Williams wants your input. In order to ensure active participation, all IALC members must attend the scheduled IALC meeting(s) for the year. This includes teleconferences/videoconferences as well as actual meetings.
2. All IALC members are required to attend the IALC Meetings at Family Reunion and Mega Camp (if one is scheduled).
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 Regional ALC will vote for their replacement prior to the next meeting.
5. Any Associate may attend an IALC meeting, but only IALC members may discuss and vote.

4.7.3.8 KWRI Staff Contribution

The Chairperson of the IALC may call upon any member of the KWRI 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/Videoconference Guidelines

1. Using your computer for all videoconference meetings is the preferred method of meeting participation.
2. All meeting attendees must place their devices on mute unless they are speaking.
3. 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

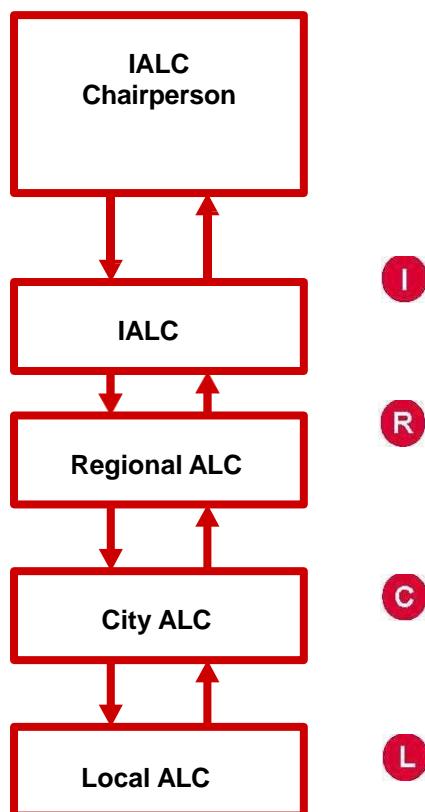
IALC members that are present at the teleconference roll call will be able to vote during the meeting.

4.7.5 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 IALC has the power and responsibility of designating whether an issue is for the IALC, Regional ALC, City ALC, or Local ALC. This also includes designating an issue.



Keller Williams is an organization led by Associates for Associates.

4.8 Policies and Guidelines

4.8.1 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. All of these policies are mentioned, as a point of information for new MCs; they are not intended to be a requirement or recommendation.

4.8.1.1 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 MC which are determined by the MC's leadership and staff.

4.8.1.2 Administrative Staff Holidays



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

4.8.1.2.1 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 MC on that day.)

4.8.1.2.2 Canada

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

4.8.1.3 Advertising Policy

L In many MCs, an Advertising Committee will assist in establishing the advertising policy.

4.8.1.4 Agency Policy

L Issues involving agency relationships are governed by different local laws and each MC must remain in compliance with the applicable laws of its area. Each MC 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 MC, must familiarize themselves with the MC's agency policy prior to transacting business as it may vary.

Any Associate, who has a question regarding agency relationships that is not addressed in the MC's written agency guidelines, should immediately consult their TL or broker.

As local laws governing agency change, each MC shall amend their existing policy as necessary to comply with the current law(s).

4.8.1.5 Bonuses Paid Policy

L Bonuses paid on a transaction are paid according to the MC's written policy.

4.8.1.6 Business Meetings (Team Meetings - Sales Meetings)

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

4.8.1.7 Closings Policy

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

4.8.1.8 Commission Schedule

L If applicable, any commission schedule established by the MC should be attached to the MC's form Independent Contractor Agreement.

4.8.1.9 Commission Splits of a MC

L Our goal is to be the most professional and successful real estate company in the U.S. 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 MC, the anniversary date, for purposes of calculating the Associate's eligibility for receiving 100% commission (a "Capped Associate" or "Capper"), is the first day of the month following the date the Associate joins the MC ("Anniversary Date"). KWRI's system automatically calculates an Associate's eligibility for being a Capped Associate. 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, the Anniversary Date would be April 1. The Associate will have an additional 22 days (March 10-31) in the Associate's first fiscal year in which that Associate could become a Capper. If the Associate has a closing in the month joined, the Associate's Anniversary Date can be the first day of the enrollment month.

2. **Commission Split.** The MC Associate is paid a 80% commission split until the MC's portion of the closed commissions generated by that Associate has reached \$18,000, which will be the "Company Dollar Cap" during the Associate's **fiscal year**.
3. The MC Associate then becomes a Capped Associate 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 MC to choose to include an Associate's production (prior to joining a Keller Williams MC) in determining the Associate's commission split at the time of joining the MC.
6. New Associate/Production-Level Commission Plans. Each MC may determine production-level commission plans for newly licensed, inexperienced or other Associates at particular levels of production.
7. This MC commission 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 Associate's closed production nears the 100% level, KWRI's system will warn the MCA and will subsequently calculate the commission when the Associate becomes a Capped Associate.
9. An Associate reverts back to that Associate's standard commission split on the Anniversary Date of the Associate's 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%.
11. All funding checks with a date later than the Anniversary Date will not be disbursed at the 100%.

4.8.1.10 Administrative Fee for Capped Associates



When an Associate becomes a Capped Associate, an administrative fee of \$ 25 shall be charged for each additional transaction. This fee shall not be charged for personal transactions in accordance with Section 4.8.1.24 of this Manual.

If two Capped Associates are splitting a transaction, they shall split the Administrative Fee. If the transaction is a sale and a listing sold, each Capped Associate will pay a \$ 25 Administrative Fee.

4.8.1.11 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.

4.8.1.12 Conduct

- L** • **Alcohol Consumption Policy.** We believe that it is unwise to consume alcohol when working. Therefore, it is a guideline that no Associate use alcoholic beverages during business hours. No one should come to an office and/or MC 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 MC.** Everyone is to be well-behaved and professional at the MC at all times. This is an office where professional business is being conducted, and you should expect a business-like attitude to be adopted. We want everyone to have respect for each other in their daily personal dealings. There should be no vulgar language, cursing or yelling.

4.8.1.13 Contracts

4.8.1.13.1 Presentation to the Buyer or Seller Client

- L** • Each contract should be presented to the buyer and seller in person. Seller contracts should have a complete Seller's Statement and a qualification sheet on the buyer (if you can obtain one). All contracts must comply with the local real estate laws and board regulations (as applicable).
- Contract presentations are to be made in a professional manner and are to be discussed 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 client should be given every opportunity to accept or reject a contract offer.

4.8.1.14 Dress Policy

- L** It is important that everyone who associates with and represents the Keller Williams brand 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.
- L** 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 times when coming into a MC on an Associate's day off.

4.8.1.15 Errors and Omissions (E&O)

- L** The E&O premium is determined by the E&O provider. MCs may have the option to:
 1. Deduct an MC Associate E&O fee from each side (listing or sales) through the Disbursement Authorization in the transaction platform (Command, or any successor system).

2. Bill each Associate a MC Associate E&O fee monthly through the accounting platform (AccountEdge or any successor system).

4.8.1.16 Equipment/Software L

4.8.1.16.1 Copy Machine

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

4.8.1.16.2 Fax Machine

- Incoming Fax
- Outgoing Fax - cost per page

4.8.1.16.3 Other Equipment/Software

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

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

4.8.1.17 Escrow Deposits



- 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 MC escrow account immediately.

4.8.1.18 Keeping in Contact with the MC



Keeping in contact with the MC is one of the most important responsibilities an Associate has. It is suggested that an Associate should contact the affiliated MC at least every four or five hours. The Associates should check in when entering the MC, check out when leaving, and provide pertinent information to allow for contact. If the Associate is off, the Associate should check in with the MC at least once, the only exception being if the Associate is out-of-town, in which case, the Associate should make the MC aware of that fact and designate who will be covering their business in their absence. A phone number where the Associate could be reached in the event of an emergency requiring attention should be left with the TL.

4.8.1.19 Legal Fee Policy



Legal fees will be split between the MC and the Associate according to the way the commission split was or would have been on the transaction.

4.8.1.20 Listings

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4.8.1.20.1 Open/Exclusive Right to Sell

When an Associate has open listings and/or the exclusive right to sell, the contract should articulate the compensation if the Associate procures the sale of that property. **Before showing any property, an Associate must have in writing how the Associate will be compensated.**

4.8.1.20.2 Contact with Sellers

Associates 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 Associates' strongest areas; **never leave sellers stranded!** The Keller Williams reputation is built on this guideline!

4.8.1.20.3 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 MC and the MC'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 Associates or others, shall be placed in the file. **Proper record keeping can protect Associates and the MC 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.**

4.8.1.20.4 Changes on Listings

It is the Associate's responsibility to make note of all changes on the Associate's listings in the MC 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.

4.8.1.20.5 Listing Forms

It is the responsibility of the listing Associate to obtain approval from the Associate's TL before submitting a listing to an MLS. The following information should be provided to the TL to obtain approval:

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

This file should be in the MC files and in the MC Listing Display Book or technology system, before the listing is put on the listing board and the sign and lock box go up. This will always take coordination, but without following this procedure, problems always occur.

4.8.1.21 MC Hours

L Generally, MCs are open from 9am to 5pm Monday through Friday and Closed to Saturday and Sunday. These hours may vary with local practices.

4.8.1.22 MC Tidiness

L MCs are to be kept neat and clean at all times. Each Associate is to make sure the work areas are clean whenever leaving the MC. This includes all areas, or areas which everyone has common use of the MC.

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

4.8.1.23 Negotiating Commissions

KWRI does not determine commissions and plays no role in establishing commissions. **L** Each MC and their Associates shall be transparent about their compensation and who pays their fees. Associates shall not say or imply that their services are free unless they are actually not receiving compensation for their services. Each MC and their Associates shall disclose to prospective sellers and buyers and state in conspicuous language in their listing agreements, buyer representation agreements, and pre-closing disclosure documents (if any) that 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.

KWRI does not require MCs or their Associates to make or accept offers of cooperative compensation and plays no role in the decision to offer or accept cooperative compensation. Offers of cooperative compensation are fully negotiable and not required by law or practice and must be openly discussed with prospective sellers and buyers and authorized in writing before they are made or accepted. If an offer of cooperative compensation is made, KWRI does not require such offer to be blanket, unconditional, or unilateral. In discussing cooperative compensation with sellers, MC Associates shall not suggest that a seller must offer cooperative compensation. MC 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. Associates representing buyers must share any listing that meets a client's search criteria or needs regardless of the existence or amount of cooperative compensation, and they must not filter out or restrict listings based on the existence or amount of cooperative compensation.

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

Purchasing or selling real estate (an Associate's 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.

- I** 1. The Associate is not required to pay the MC 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 MC will determine how to treat personal transactions beyond two sides per year and those properties classified as something other than personal

residences. Each MC 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.

- I** 2. The Associate is required to pay the MC a real estate commission on the side of the transaction that involves another Associate.
- L** 3. It is MC policy to charge the Associate a minimal transaction fee of \$ 25. (Check with the MC TL.)
- L** 4. The Associate must pay the E&O insurance if the E&O carrier does not insure Associate personal transactions.
- L** 5. The MC must have a copy of the contract on the date it becomes effective, as the MC is legally liable.
- L** 6. All expenses involved in the marketing of an Associate's real estate shall be at the Associate's expense.
- L** 7. Certain federal, state or provincial laws and restrictions may apply to investment properties and/or personal residences.
- L** 8. Associates should obtain a copy of their affiliated MC's policy to determine if there is a minimum company dollar contribution that must be maintained before personal properties can qualify without paying the company a portion of the commission.

4.8.1.25 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 Associate 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.
- All phone calls and text messages must comply with the TCPA and local and federal Do Not Call rules and regulations.

4.8.1.26 Priorities



It is the consensus of the ALC that priorities for MCs should always be:

1. Selling real estate.
2. Highest possible commission split.
3. Broker profit and a world class environment and organization.
4. MC 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 commission and Profit Sharing Programs were created. These concepts set Keller Williams apart as a unique real estate organization and as an Associate-focused real estate organization.

4.8.1.27 Property Caravan (Tour) Policy

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

4.8.1.28 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 MC 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

4.8.1.29 Referral Procedures

 **NOTE:** See Section 7.

4.8.1.29.1 Outside Referrals

Use a Keller Williams MC, if possible.

4.8.1.29.2 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 that Associate's own MC. 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 a Capped Associate to one who is not a Capped Associate shall be handled as a *split transaction* rather than as an inside referral. The transaction is split between the two Associates, and the non-Capped Associate splits their portion with the MC based on their commission split at the time of funding.

For example, assume a Capped Associate accepts and sells a referral from a non-Capped Associate in that Associate's MC, agreeing to pay a 20% referral fee. The transaction is split 80/20 between the two Associates, and the MC shares in the 20%.

 **NOTE:** The Capped 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% referral fee. At funding, A is at the 70% commission level and B is a Capped Associate. 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	$\$3,000 \times 20 \text{ percent} = \$600 \times 70\% = \$420$
Associate B (Capped Associate)	$\$3,000 \times 80 \text{ percent} = \$2,400 \times 100\% = \$2,400$
MC	$\$3,000 \times 20 \text{ percent} = \$600 \times 30\% = \$180$

4.8.1.30 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 ("Seller's 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 Seller's Statements could be used to protect you if any problems arise. On the Seller's Statement, the word estimate is used many times. **The seller needs to be verbally told that figures are just that, estimates.**

4.8.1.31 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.

4.8.1.32 Supplies

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

4.8.1.33 Termination of Associate Relationship

L The association between a Keller Williams MC 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 MC.

Upon the termination of association, the Associate leaving the MC 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 the Associate would have received if the Associate was still affiliated with the MC 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, it is our policy that a departing Associate will be able to take the listings that are not under contract unless the listing was assigned to the departing Associate by management.

L Termination of affiliation with Keller Williams is defined as the termination of the broker/associate relationship.

I Keller Williams recognizes that with the Profit Sharing Program, termination of the relationship must be taken very seriously. Nevertheless, no Keller Williams MC 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 MC, and each MC 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.

4.8.1.34 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.

4.8.1.35 Transferring



MC to MC Transfers:

If a MC ("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 MC ("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 MC ("New MC") hires a staff member who at the time or within the prior 90 days has been a staff member of another MC ("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 MC based on a location change of their personal residence outside of their current MC Awarded Area. Any payment required in this Section may be reduced or waived by written consent of the Former MC's Operating Principal.

Company Dollar Cap:



- Transferring from one MC 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 Capped Associate status. This is an individual MC decision.

Royalty Cap:



- If the Associate transfers within the same Region, the royalty Anniversary Date will not change.

- I** • If the Associate transfers to a different Region, the royalty Anniversary Date may change.
- I** • The recording of the deletion of the Associate from one MC and the addition to the New MC must be done by KWRI. Unless notified otherwise, the transfer form should be emailed to KWRI before the next transmittal date by the Associate's New MC.
- !** **NOTE:** The MC Franchise/License Agreement addresses the inducement of MC staff and Associates by another MC.

4.8.1.36 Unpaid Bills

- L** Your MC is not in the lending business. Therefore, any outstanding bill is due and payable within 10 days from the date the Associate receives the bill.

If the MC has not received the payment within the first seven days, there will be a late charge of \$25.

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 model.

4.8.2 City Policies and Guidelines

- C** 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 MC in the city more profitable.

4.8.2.1 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 Next Gen
- Host KW Next Gen Quantum Leap events
- Joint training
- Assist in planning
- Awards Banquet
- Other city matters

4.8.3 Regional Policies and Guidelines

- R** 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 MCs accountable for a specific number of net recruits per month
- Monitor monthly expenses for MCs in the Region with a focus on (1) keeping expenses at less than 50% of the Company Dollar, and (2) increasing the Profit Sharing to more than 15% 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 MCs 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 (“TCPA”), and the National and State Do Not Call Registries; the CAN-SPAM Act, 15 U.S.C. § 7701; and state privacy statutes
- Engineer Regional KW Cares fundraising events
- Other Regional matters as determined by the Region

4.8.4 International Policies and Guidelines

I

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

4.8.4.1 Antitrust Compliance Policy

It is KWRI's policy that MCs 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 KWRI the IALC, or any other person(s) not a party to a Listing Agreement or Buyer Representation Agreement with a particular MC.

MCs and their Associates must not enter into any agreements with agents or brokers outside of their MCs on the commissions they will charge to clients (or on cooperative compensation amounts they may offer) in their markets. Agreements between agents or brokers from different brokerages on what commissions they charge (or what cooperative compensation they may 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 may offer). Do not discuss with or disclose to agents or brokers outside of your MC(s) the commission rates you are charging. Similarly, if agents or brokers outside of your MC(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.

4.8.4.2 Associates Representing the Keller Williams Brand

All Associates affiliated with a MC:

- 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 MC stating their independent contractor status.
- Have access to and can receive training and can go through the Keller Williams training program and/or the Keller Williams 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 policy and likely the independent contractor agreement between the Associate and the MC.

4.8.4.3 Attitude

“A person’s success in selling is more dependent upon their attitude than upon their ability.”

Keller Williams affiliated Associates demonstrate:

- **A positive attitude** at all times. Don’t be afraid to 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.

4.8.4.4 Authorization to Use Company Name

Any use of the Keller Williams® name, marks, logos, or any of its associated names must comply with the MC License/Franchise Agreement and all Keller Williams Brand Standards Manuals. Items that violate KW's standards or quality shall be immediately discontinued.

4.8.4.5 Business Cards

All business cards using Keller Williams® name, marks, logos or any of its associated names must comply with the MC License/Franchise Agreement and all Keller Williams Brand Standards Manuals.

4.8.4.6 Closed Transactions

A transaction is officially considered closed only after the MC 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!

4.8.4.7 Dispute Settlement Through Arbitration

We all want harmony in and among our MCs. Disputes of any kind between Associates, between Associates and their affiliated MC, or between or among MCs, 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.

4.8.4.8 E&O Insurance

Each MC will carry E&O insurance on every transaction closed. The cost of this insurance shall be paid by the Associate in accordance with Associate's affiliated MC and this Manual.

4.8.4.9 Equal Opportunity

Keller Williams believes that all persons are entitled to equal opportunity. MCs 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 MC's relationship to its employees and its independent contractors, including recruitment, hiring, training, promotion, compensation, transfer, discipline, layoff, and termination.

MCs will make reasonable accommodations as required by federal and state law. Any MC applicant or employee, who requires a reasonable accommodation in order to perform the essential functions of a job, should contact their immediate supervisor or manager. The MC applicant or employee should advise the MC what accommodations their physician attests are needed in order to perform the essential functions of their job, and if warranted

by law, the MC will engage in an interactive process to 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 such conduct as outlined in your MC's employee handbook or other policies. Remember, there will be no action taken against anyone for reporting or opposing any form of unlawful discrimination and/or harassment.

4.8.4.10 Equal Housing Opportunity

The Keller Williams franchise system and its affiliated Associates must 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.

4.8.4.11 Ethics

MCs should establish a general Code of Ethics, following the concept of the Golden Rule, for all business dealings with the public and other real estate agents. 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 business operations. Each MC shall adopt a Code of Ethics for each of their 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 MC's discretion.

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

4.8.4.12 Expenses—Associate

To provide the best possible compensation plan for Associates, Keller Williams has developed a plan under which Associates pay for certain variable Associate-controlled expenses.

1. **A one-time Association fee** shall be charged each new Associate at the time an Associate joins a MC ("Orientation Fee"). 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 MC'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 Profit Sharing Program. 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 Associate.

6. **New Associate Training** shall be paid for by Associates, according to their MC's policy.
7. **Lock boxes** shall be purchased by the Associate.
8. **Long distance or Cellular** telephone expenses shall be paid by the Associate and should be billed directly to the Associate.
9. **Signs** shall be purchased by the Associate at the cost incurred by the MC, including tax and shipping.
10. **Photocopies** are paid by the Associate. The price is established by the MC. A base level of forms shall be provided by the MC (listing agreements and forms, contracts, addenda, etc.).
11. **A Transfer Fee** shall be charged to an Associate (in lieu of an Orientation Fee) who transfers from one MC 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 MC.



NOTE: A sample schedule of fees is published in Section 6. Since some local MC fees vary, Associates should check the policy in their MC for the exact fees which will apply to them.

4.8.4.13 Fiscal Year

An Associate's fiscal year commission split is determined by the Associate's Anniversary Date which, for purposes of calculating the eligibility for being a Capped Associate, is the first day of the month following the date the Associate joined the MC.

KWRI's system automatically calculates the eligibility for Capped Associates 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 become a Capped Associate.

The MC may choose to use the *actual* date of association as the Anniversary Date. If so, unless otherwise notified, it will be necessary to track and compute the Associate's progress and eligibility to become a Capped Associate manually as KWRI's system is currently programmed to track and compute this as described in the previous paragraph.

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

4.8.4.14 Harassment Policy

MCs shall be committed to providing a work environment that is free from discrimination. In keeping with this commitment, MCs should maintain a strict policy prohibiting unlawful harassment of employees and Associates both by supervisory and non-supervisory individuals. Furthermore, harassment in any form, including verbal, physical and visual harassment is prohibited.

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 can also be 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 non-exhaustive 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 can include 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 in any protected class 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.

4.8.4.15 Harassment Reporting

1. If an employee or Associate believes they have been harassed by a co-worker, supervisor, or other Associate, they should promptly report the facts of the incident or incidents and the names of the individuals involved to MC 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 OP of the MC.
2. Once an incident has been brought to the attention of MC 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 MC 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 may be 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 prohibited.

5. Nothing contained herein shall prohibit employees or Associates (as dictated by applicable law) from maintaining a right to file a complaint of discrimination or harassment with any applicable regulatory agency.

4.8.4.16 Housekeeping Changes

Housekeeping Changes may be made at any time without the necessity of approval from the IALC. Housekeeping issues include, without limitation, spelling corrections, typographical errors, formatting of the document, deletions and/or additions that do not change the intent or effect of this 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 this Manual will be made to the document and then reported to the IALC at their next scheduled meeting.

4.8.4.17 Teams/Groups

Only the local MC OP 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 MC. Any consideration of teams and/or groups of Associates will be the decision of the local MC OP.

4.8.4.18 Insurance

Each Associate must provide their MC with evidence that the Associate 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 “[MC entity], dba Keller Williams Realty, Temecula Valley”, as an additional insured.

4.8.4.19 Investor Cap

One investor Company Dollar cap per MC may be waived for the MC 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's Franchise Systems Department.

4.8.4.20 Investor Royalty Cap

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

4.8.4.21 Investor/OP Duties

The MC OP is required to ensure that all investors receive a copy of the monthly financial statement and other month-end reports following transmittal each month.

4.8.4.22 KW Cares and KW Next Gen Funding Transaction Giving

Every transaction will include a default donation to each of KW Cares and KW Next Gen of \$10. 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.

4.8.4.23 Legal and Trial Expense

If an Associate has any legal encounters with the public, or any claims are asserted or lawsuits are filed against KWRI due to an Associate's actions, the Associate will be expected to participate in the defense of the claims or lawsuits as a responsible party, not just as an Associate of the MC. The MC will also participate in, upon the discretion of the MC's management and leaving final judgment to the Broker, any lawsuit when the MC 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 MC management. MC 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 KWRI to **avoid** litigation wherever possible and MC management reserves the right to determine whether or not a litigation or dispute involving its MC or its Associates 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 MC and the Associate shall be responsible for paying the bill at that time.



NOTE: Should an Associate leave the MC (regardless of reason) and a legal claim arises because of that Associate's actions while with the MC, or while they are representing the MC 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 MCs or their Associates, KWRI will assert all applicable indemnification rights to recover those amounts. **KWRI is not legally or financially responsible for MCs' or Associates' actions.**

4.8.4.24 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. Many of these pieces are available through Keller Williams-approved vendors or in a digital form from KWRI. Any deviation from these designs must be approved by your TL, OP and Regional Director.

4.8.4.25 Open Door Policy

The MC door is always open for its Associates. Associates should feel free to visit with their TL anytime. The Keller Williams franchise system cares.

4.8.4.26 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 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.

4.8.4.27 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 MCs operating in the U.S. 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 MCs 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 MCs outside of the U.S. and Canada will be established after counsel with international legal, accounting and licensing experts.

1. The Keller Williams Profit Sharing Program is international in scope with all Associates, MC and Regional employees, MC and Regional investors, MC brokers, members of affiliated companies and KWRI employees having the opportunity to participate.
2. Eligibility to participate is determined by contribution to the growth of the Keller Williams franchise system in recruiting new real estate sales associates to any MC anywhere in the U.S. and Canada.
3. The profit sharing is based on a "Profit Sharing Fund" that is made up of contributions from the sales closed by an Associate as it relates to the profits of the MC in which that Associate is affiliated.
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 Profit Sharing Fund available for profit sharing each month.
 - b. Second, determining the way in which vested Associates, who recruit producing Associates, will share in the Profit Sharing Fund.
5. The Profit Sharing Fund available for profit sharing in any given month is determined as follows:
 - a. Each MC calculates its monthly GCI
 - b. Less: Royalty paid to KWRI
 - c. Equals: Net GCI
 - d. Less: Associates' share of line c (the amount of Associates' commissions paid to Associates)
 - e. Equals Gross MC Income: ("Company Dollar")
 - f. Less: MC's KWRI Approved Costs
 - g. Less: MC's Loss Carry Forward from prior months, if any.

4.8.4.27.1 Profit Share Calculation

The MC's profit line (Line 8 in the example below) is then used to calculate the MC's profit share 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: The following is an example of the profit share contribution for an MC that collects \$500,000 in GCI during the month:

Table 3: Profit Share Profit Calculation for Determining an MC's Contribution to the Profit Sharing Fund

Fee	Amount	Line
Monthly GCI	\$500,000	Line 1
Less: Royalty paid to KWRI (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 KWRI Approved Costs	\$60,000	Line 6
Less: Operating losses from prior months (LCF)	<u>\$0</u>	Line 7
= MC's profit share profit (profit, before the MC's profit sharing contribution is calculated)	\$81,000	Line 8

Applying Line 8 to the figures in Table 4, would be the MC's corresponding profit share contribution to the Profit Sharing Fund.

Table 4: How the MC's Profit Sharing Fund Contribution Is Calculated

Profit Share Profit	MC's Profit Sharing Fund Contribution	MC's Portion of the Profit
\$81,000 (Table 3, Line 8)		
\$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

4.8.4.27.2 Profit Share Distribution

An individual can participate in the Profit Sharing Program as follows:

- By recruiting other Associates who contribute to the profitability of a MC in the U.S. and Canada. Participation exists as long as there is production associated with individual(s) in the downline (described below).
- 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 their sponsor.

Associates establish their sponsor when they become affiliated with a MC. Each Associate has several different levels of sponsors:

- *Level One* sponsor is the individual who directly recruited the Associate to become affiliated with a MC. This is the person who 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 distributions from the Profit Sharing Fund, is currently seven (known as a "downline"). A sponsor will receive distributions from the Profit Sharing Fund if an Associate in their downline closes a sale that produces Company Dollar during a month in which there is a profit sharing contribution made by that sponsored Associate's affiliated MC for that month. Sponsors of producing Associates, who contribute to a profitable MC, share in the MC's contributions to the Profit Sharing Fund that are generated by their downline'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, and that Associate generates a \$3,000 gross commission from a sale, of which there is \$900 of Company Dollar.

- The MC generates \$150,000 in GCI, \$42,300 in Company Dollar, and pays \$10,165 into the Profit Sharing Fund that month.
- The MC's \$10,165 profit sharing contribution is then divided by the MC's monthly Company Dollar amount of \$42,300, which equals a profit sharing factor of .240307.
- The Associate's \$900 contribution to the MCs total Company Dollar generates \$216.28 (\$900 x .240307) that is available to be distributed to 7 levels of sponsors.
 - **Level 1** sponsor would receive a profit sharing distribution on that sale: $50\% \times \$216.28 = \108.14
 - **Level 2** sponsor would receive: $10\% \times \$216.28 = \21.63
 - **Level 3** sponsor would receive: $5\% \times \$216.28 = \10.81
 - **Level 4** sponsor would receive: $5\% \times \$216.28 = \10.81
 - **Level 5** sponsor would receive: $7.5\% \times \$216.28 = \16.22
 - **Level 6** sponsor would receive: $10\% \times \$216.28 = \21.63
 - **Level 7** sponsor would receive: $12.5\% \times \$216.28 = \27.04

100% = \$216.28

4.8.4.28 Profit Sharing Program: Operating Policies and Procedures

4.8.4.28.1 Distribution of Profit Sharing Fund

1. The MC closes its books by the third (3rd) business day of the month.
2. The MCA transmits the records to KWRI via electronic upload.
3. KWRI collects the MC's franchise royalties and profit sharing contribution through direct withdrawal from each MC's bank account.
4. KWRI calculates and distributes individual profit sharing distributions 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 to people who received a profit sharing distribution an electronic communication after the 21st of each month, that is, after the calculation is complete.

4.8.4.28.2 Personal Volume

Since the Profit Sharing Program was designed to reward anyone affiliated with the KWRI franchise system who contributes to its growth, there will be no personal closing volume requirement as a prerequisite to their participation in the program. This guideline pertains to everyone in the Profit Sharing Program.

4.8.4.28.3 Vesting (formerly Section 4.9.4.28.3 of the July 14, 2021, version of the Policies & Guidelines Manual)

1. For any individual who joins or joined the Keller Williams franchise system prior to April 1, 2020, once the individual has been affiliated with Keller Williams for 3 consecutive years, they are vested in the Profit Sharing Program. For any individual who joins Keller Williams on or after April 1, 2020, and remains affiliated with Keller Williams for 7 consecutive years, they are vested. Except as otherwise removed by virtue of other provisions in this Policies & Guidelines Manual, at such time as an individual is vested, there is no requirement to continue to remain affiliated with the Keller Williams franchise system in order to remain in the Profit Sharing Program.
2. On a regular basis, KWRI will remove from the Profit Sharing Program vested individuals, who have no downline or who have not paid the required Associate fee.

! **NOTE:** Should any individual return to the Profit Sharing Program after this removal, they will be reinstated as a vested Associate. All unpaid annual Associate fees must be paid prior to reinstatement.

3. In the event of the death of a non-vested individual, KWRI will make arrangements for the early vesting of an individual who has helped the KWRI franchise system grow through the addition of Associates, the opening of a MC and/or work promoting the growth of a Region, and KWRI will pay any applicable Profit Sharing distributions to the deceased's estate per guidelines which are established by the IALC and KWRI.
4. Upon the death of an individual who has vested in the Profit Sharing Program, future distributions shall be payable to the estate of the deceased per the following guidelines:
 - a. To the Designated Beneficiary, as established by the individual in the BINDING SPONSORSHIP AGREEMENT, or as reflected in a more current DESIGNATION OR CHANGE OF BENEFICIARY FORM, the form of which is provided as Addendum C.

b. If no Designated Beneficiary exists, then KWRI must be notified of the following information prior to making any distributions:

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



NOTE: Until notified of above, KWRI will continue distributions in the name of the deceased. Since Profit Sharing distributions are payable to a single individual or entity, all parties are advised to specify only one recipient, or entity such as a trust account, to be the beneficiary of any future distributions.

5. If a non-vested individual leaves the Keller Williams franchise system, their vesting will cease immediately and their downline, if any, will move up one level. If they return in 9 months or less after leaving the Keller Williams franchise system, the individual's vesting anniversary date will be reinstated and their original downline, if any, will be reinstated. If they return to the Keller Williams franchise system after 9 months, they will restart their vesting with a new anniversary date and with no downline.
6. A vested participant in the Profit Sharing Program, who joined the Keller Williams franchise system on or after April 1st, 2020, and who: (i) leaves the Keller Williams franchise system and joins a competing brokerage; or (ii) directly or indirectly induces an Associate, staff member or owner of any MC to leave the MC or affiliate with a non-Keller Williams brokerage (each, a "Competing Associate"), will no longer participate in the Profit Sharing Program.

If a Competing Associate returns to the Keller Williams franchise system within 6 months of the date they were removed from the Profit Sharing Program, that person will be reinstated in the Profit Sharing Program tree in the same position from which they were removed. If a Competing Associate returns to the Keller Williams franchise system after this 6-month period is over, that person will restart their vesting with a new anniversary date and Sponsor, and with no downline.

If an individual believes that they should not have been removed pursuant to this provision because they do not meet the definition of a Competing Associate, they may submit their cause through the Internal Dispute Resolution process described in Addendum E to this Policies & Guidelines Manual.

7. In the event that profit share distributions are returned to KWRI because a vested individual's or legal beneficiary's account information has changed, and that individual cannot be located after the MC and KWRI perform the necessary due diligence to locate that individual, KWRI will remove the individual from the Profit Sharing Program. The profit share distributions, which were returned, will be processed in accordance with local regulations.

4.8.4.28.4 Termination or Amendment of the Profit Sharing Program

1. KWRI does not have the right at any time to terminate the Profit Sharing Program.
2. KWRI does not have the right to amend any aspect of the methods used to calculate a MC'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 MC or a recruiting sponsor with respect to profit

sharing distributions 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 Sharing 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 Sharing Program.

4.8.4.28.5 Insolvency or Bankruptcy of Keller Williams Realty, LLC

1. If KWRI were to become insolvent or be a debtor in a bankruptcy proceeding, the Profit Sharing Program would automatically terminate.
2. No further profit sharing contributions would be charged and no profit sharing distributions paid.
3. The funds in the Profit Sharing Program are general assets of KWRI and are fully subject to the claims of its creditors.

4.8.4.28.6 Real Estate Associates Tracking System (RATS) Fee

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

4.8.4.28.7 Teams/Groups

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

4.8.4.28.8 Employees of Affiliated Companies

Sponsorship into the Profit Sharing Program by an employee of an affiliated company that is **owned in whole or in part by a MC/MC 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 to receive Profit Sharing distributions, the employee must have recruited at least one person into the Keller Williams franchise system.
- The time requirement for vesting will not start accumulating until the employee of the affiliated company has recruited their first person into the Keller Williams franchise system.

! **NOTE:** The date the first recruit joins the Keller Williams franchise system will then be considered the anniversary date for the Profit Sharing Program, not the date they first started 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 MC or the MC'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.

4.8.4.28.9 Embezzlement-Removal from the Profit Sharing Program

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

4.8.4.29 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.

4.8.4.30 Referrals - Outside

When sending or receiving a referral, the Keller Williams Referral Information Form (currently 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 MCs.

All referral compensation must be through the MC. 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.

4.8.4.31 Referrals - Inside

These fees may vary depending upon the type of referral and the agreement between Associates. The Keller Williams Realty Referral Information Form (currently 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% of the Associate's commission after split with the MC). The only exception is when the Associate paying the referral fee is at a Capped Associate and the Associate receiving the referral is not a Capped Associate.

4.8.4.32 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. MCs, 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 MCs and their Associates should comply with all regulations related to disclosure and referral issues.

4.8.4.33 Sign Policy

KWRI'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:

- Associates affiliated with MCs will only use standard KWRI for sale, open house,

directional, rider and any other so-designated signs. Any deviation must be approved by the RD, with final approval by KWRI.

- All generic signs will be purchased through the local MC 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.
- All personal name/phone rider signs placed on KWRI signs must be in the KWRI standard color scheme except for signs or riders using an Associate's personal logo and photo which have been approved by the MC's TL or the RD. No former company name riders may be used. If an Associate does not own his/her riders, then **no** rider should be used.
- All "for sale" signs must have a MC phone number unless the listing Associate has been given the exception to do so by the Associate's TL, based upon the following:
 - a. 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. 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.

4.8.4.34 Sponsorship

4.8.4.34.1 Sponsorship of Associates

KWRI encourages the recruitment and sponsorship of top real estate agents.

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 form of the Binding Sponsorship Agreement used must be the form maintained by KWRI and available to the Associate by their affiliated MC. Should a dispute arise over who is the sponsor of record for an Associate, it is up to the newly recruited Associate to decide.

4.8.4.34.2 Dual/Multiple Sponsorship

Sponsorship by more than one Associate, etc. is not allowed in the Profit Sharing Program. In those circumstances when an individual has been recruited by more than one person, the recruit will decide which person to name as their sponsor at the time of joining the MC.

4.8.4.34.3 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.

Choosing a sponsor is a very important decision that Associates must consider wisely since the person chosen will be their sponsor for life. The Profit Sharing Program and Growth Sharing Program were implemented to reward people for helping build the Keller Williams franchise system by attracting additional, talented, and productive Associates.

The spirit of the Profit Sharing Program is that a sponsor is the person who the Associate feels is primarily responsible for bringing them to the Keller Williams franchise system. In fact, it may or may not be the first or last person who talked to them about joining. An Associate may, over time, have met with many people in the Keller Williams franchise

system. An Associate's sponsor should be the person most instrumental in bringing them to serious discussions with MC leadership about joining the MC.

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

- MC leadership / staff
- Regional leadership / staff
- KWRI executives and staff Additionally, sponsorship

is NOT related to the following:

1. Whose team an Associate joins.
2. Any promises to help the Associate.
3. Any benefit offered the Associate to join.
4. Any promise to mentor.
5. Someone wanting or thinking or asking to be a sponsor.
6. The TL's presentation.

The Associate is the sole person with the right to name their Profit Sharing Program sponsor—any future profit sharing benefits should be given to the person who the Associate believes actually helped the Keller Williams franchise system grow because they brought the Associate to it. Associates' rights to choose their sponsor are honored because their affiliation adds value to the entire Keller Williams franchise system.

If an Associate joins the Keller Williams franchise system and is the primary reason others come along with them (spouse, family member, partner, staff, etc.), that Associate may want to consider how their downline is “stacked” in the Profit Sharing Program and Growth Share tree. After choosing a primary sponsor, others, if they choose, may then name you as their sponsor. An Associate may do this in such a way as to maximize the profit share and growth share, they can receive. For example, spouses that qualify for participation in the Profit Sharing Program 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.

When an Associate joins, if they bring family or team members/associates, the only requirement is that they are ACTIVELY in the real-estate business with the Associate. If they are an administrative staff member, they do not need to be licensed to receive Profit Sharing distributions or Growth Share.

Once with the Keller Williams franchise system, an Associate and each of their family or team members may also sponsor new people who can then build their own Profit Sharing Program downline. Associates should discuss all of this with the TL or OP of the MC they are joining.

Associates want to make the right decisions at the time they join, because they won't be able to change your decision later.

4.8.4.34.4 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, LLC 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 Associate unless and until that person properly designates me as that person's sponsor in accordance with KWRI's 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, funds accumulated in the residual account, and any funds utilized by KWRI for administration or defense of the Profit Sharing Program as further detailed in this Policies & Guidelines Manual, neither KWW nor KWRI receives any part of a MC'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 Sharing Program by competing with Keller Williams affiliated 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 MC to leave the MC 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 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.

4.8.4.34.5 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.

4.8.4.34.6 Corporate Sponsorship

Sponsorship into the Profit Sharing Program by a corporation or other legal business entity may be considered and approved by KWRI provided it does not impact the Profit Sharing Program 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 Program 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.

4.8.4.34.7 Correction of Clerical Error When Entering Sponsorship Information

1. An Associate is not allowed to change the Associate's 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 the Keller Williams franchise system.
2. The typographical or clerical error can be corrected provided the individual who recently joined submits a written statement of the clerical mistake, along with a copy of the document that originally named their sponsor, to their MC's TL.
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 RD, and that form must be submitted to KWRI, within 90 days of the date the individual originally joined the Keller Williams franchise system.
4. If the error is not noted and the completely executed Sponsorship Correction Form is not timely submitted (as detailed above), then the individual's sponsor, as originally entered into the Profit Share Program, will remain unchanged.
5. For an Associate, who joins a MC as part of a new MC launch, the 90-day grace period will begin on the first day of the month that the new MC transmits for the first time.

4.8.4.34.8 Substitute Sponsorship

1. Should an individual's intended permanent sponsor be someone who is not currently affiliated with a MC, the individual must designate a "Substitute Sponsor" when they originally join the Keller Williams franchise system.
2. If the intended permanent sponsor affiliates with a MC within the 90-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 affiliated with a MC, then the individual's Substitute Sponsor may be changed using the same procedures as those for typographical errors outlined in Section 4.8.4.34.7.
3. If, however, the intended permanent sponsor does not affiliate with a MC within the 90-day grace period, or if a completely executed Sponsorship Correction Form is not timely submitted to KWRI within this time frame, then the person who was originally designated as the Substitute Sponsor will remain as the individual's permanent 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 who joins a MC as part of a new MC launch, the 90-day grace period will begin on the first day of the month that the new MC transmits for the first time.



NOTE: The intended permanent sponsor, Substitute Sponsor and the individual agree to hold KWRI, its staff, all KWRI MCs and Regions and their respective staff, 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 affiliated with a MC.

4.8.4.34.9 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 MC to another, individuals who go to work as an assistant or member of another Associate's team or group, and individuals who leave the Keller Williams franchise system for a period of time and later return, all keep their original sponsors unless they are away from the Keller Williams franchise system for at least nine (9) months.
- Upon their return to the Keller Williams franchise system, after the minimum 9-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.

4.8.4.35 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. MCs and their Associates must fully comply with the TCPA and DNC rules, and any similar state laws and regulations that are applicable. Although KWRI offers resources to help you understand the TCPA and DNC rules, KWRI expects MCs and Associates to consult with their own attorneys to determine if their telemarketing practices comply with the TCPA, DNC rules, and applicable state laws and regulations. MCs 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.

MCs and their Associates do not have authority to call, text, email, or otherwise communicate with anyone on behalf of KWRI or to suggest that they have such authority. Associates must use their individual and/or MC DBA names to communicate with consumers, and not KWRI's name. KWRI does not control and is not responsible for actions related to any calls, texts, emails, or other communications that MCs and their Associates make. Associates are solely responsible for their actions. If Associates violate the TCPA or DNC rules or any other federal or state telemarketing laws or regulations, they face potentially catastrophic legal damages for which they, 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, KWRI will assert all applicable indemnification rights to recover those amounts. **KWRI is not legally or financially responsible for the actions of MCs and their affiliated Associates.**

Section 5

The Keller Williams Risk Management System

5.1 Introduction

It is clear that every Associate and MC must employ a sound risk management program. The Keller Williams risk management program consists of multiple components:

1. Errors & Omissions (“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, Associates should always use these risk management components to give the maximum protection available. Below is a brief explanation of these components. For more details, consult your MC’s TL.

5.2 E&O Insurance (see Addendum I)

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

Each MC has E&O insurance. Associates should request the following information from their MC’s 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 Associates should be sure to check with their MC's TL for a set of disclosure paragraphs or forms that should be used in their area.

Each MC 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 MCs and their Associates to comply with their legal obligations and protect themselves against potential liability for TCPA and DNC violations. Contact an attorney for assistance and ensure 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, MCs and their Associates can explore whether specific insurance can be purchased by them to cover such risks. MCs 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, your MC, or otherwise, each Associate representing a home buyer should have 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 also Addendum H and Addendum I)

- **A one-time Association fee** shall be charged each associate joining a MC. It shall include the cost of the fees 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 tracking system. This fee is waived for any associate joining a MC 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 that Associate’s MC’s 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 MC 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 MC.

Items	Estimated Costs
Advertising	See local newspaper, magazine and printing—Local MC
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 MC fees vary, Associates should check the policy in their MC 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 that Associate can provide the service you are interested in. If you do not know an Associate in that MC, 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 the seeking Associate may have a potential listing. Confirm the referral fee. The customer referral fee is generally negotiated by the sending and receiving Associates, subject to broker approval. The sending Associate should complete their portion of the referral form and send two copies to the receiving Associate. Give a copy of the referral form to your TL. Follow-up with the customer to make sure the Associate has contacted the customer and is satisfied with the receiving Associate.

2. Receiving Associate Procedures:

Upon receiving the referral form, contact the customer. The receiving Associate should complete their portion of the referral form on each copy. Return one copy to the sending Associate and retain the other copy. Be sure to include a copy of the contract pending file when a sale is consummated. Give a copy to your MC's 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 the 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 the Associate’s 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 the Keller Williams franchise system 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 MC. 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 MC. 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 MC. It goes to the Associate who is new in real estate and has completed the first twelve-month period in real estate during the calendar year within the Keller Williams franchise system 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 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 KWRI convention known as Family Reunion.

Addendum A

Keller Williams Realty Profit Share Accounting Policies and Guidelines

The following are the guidelines used in reviewing MC accounting reports:

A.1 Accounts Receivable (AR)

All Associates are to pay their MC 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 that could result in the revoking 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 a bad debt expense.

Accounts Receivable between MCs 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 MC and show on the MC's balance sheet. The OP is the only signature on this account and is responsible for transferring sufficient funds from this account to the operating account to cover the MC'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 OP 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 MC must be coded to the equity paid in capital account. The other 50% 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% unless otherwise approved in writing by your RD and the KWRI Franchise Systems Department.

A.5 Contract Labor/Consulting

There are very strict laws and 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 MC. Please consult with your MC accounting and legal experts regarding this issue.

A.6 Excess E&O Reserve

The excess E&O reserve liability account is capped at the greater of 10% of MC's average sale price, or twice the MC's 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 MC'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 Franchise Systems Department may approve a higher excess E&O reserve cap. The KWRI Franchise Systems Department approval will be in writing to the MC.

When a MC 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 that MC 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 the MC; 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 the MC's 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 RD prior to transmittal.

For all MCs, 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: an awards ceremony, a holiday party, a MC inspirational breakfast, or taking recruits to Family Reunion.

The MC 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 MC 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 RD and the KWRI Franchise Systems Department approval on a Budget Variance Request form.

A.8 KW Debt Allowance Account

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 an MC’s monthly principal payments used to repay debt incurred by the MC.

KW Debt Allowance is limited to \$2,000 per month. Any overage in this account must be approved by your RD and the KWRI Franchise Systems Department prior to transmittal. The total historical amount charged to this account plus depreciation/ amortization cannot exceed total fixed assets (on the MC balance sheet) before depreciation. This process is a KW feature that allows a MC 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 (U.S.) or declining balance depreciation (Canada) allowed by the federal government. The total fixed assets before depreciation are obviously the cap amount, so MCs 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 MC owners to recoup their original investment in the MC. MC owners do not, “conceptually” get their “startup” capital back before contributing to the Profit Sharing Program.

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 MC 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 RD, can include the resulting losses prior to calculating the next month’s Profit Sharing Program contribution, even though they have transmitted 18+ months.

Further, when the MC achieves: 1) three months of consecutive profit, 2) strong Company Dollar projections, 3) strong cash flow, and 4) a KWRI Financial Statement Review, the OP 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 MC begins to profit share when the MC breaks even, and historical losses are zeroed-out by subsequent MC profits. At times, it is a “win-win” decision for the MC to decide to begin contributing to the Profit Sharing Program before the MC breaks even.

LCF Rules & Guidelines:

1. LCF write-off plan must be approved in writing by the MC's RD and the KWRI Franchise Systems Department.
2. Once an LCF write-off plan is approved and implemented, the MC is committed to the process and there is no going back.
3. When the MC 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 MC owner profits.

List of LCF Write off Options:

1. Write off entire LCF. This process eliminates the LCF in the MORE System (or its successor platform). The result is immediate contribution to the Profit Sharing Program. The OP is aware that eventually the MC will break even. No entry is made for this in the AccountEdge accounting software. This option maximizes the resulting contribution to the Profit Sharing Program.
2. Convert entire LCF to the KWRI LCF allocation process. The MC eliminates the LCF in the MORE System (or its successor platform) but chooses to write off a portion of the LCF every month via a Journal Entry in AccountEdge until the MC breaks even. This monthly AccountEdge Journal Entry must not exceed \$2,000 per month.
3. Write off 25% of any month's MC profit to the KWRI LCF allocation process. The MC eliminates the LCF in the MORE System (or its successor platform) but chooses to write off 25% of the current month's pre-Profit Sharing Program profit until the LCF is paid.



NOTE: The option the MC chooses must be submitted in writing to the MC's RD for consideration and, if recommended by the RD, forwarding to the KWRI Franchise Systems Department for approval. The KWRI Franchise Systems 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 and should be 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 MC 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 (a cost deducted before the Profit Sharing contribution is calculated) and such KW 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 MC has MC owner profit year-to-date for that particular calendar year. A MC may not include both an OP salary and a GM salary as a KW Approved Cost.

A.15 Payroll—Leased MC Employees

Leased employees are an allowable above-the-line KW Approved Cost 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

The 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 above-the-line KW Approved Cost.

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 an above-the-line KW Approved Cost. The salary cannot exceed \$2,000 per month without approval from the MC's RD and the KWRI Franchise Systems Department.

Market Centers in other states/provinces may file a request for their broker's salary to be an above-the-line KW Approved Cost. Their request will be considered by the MC's RD and the KWRI Franchise Systems 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 an above-the-line KW Approved Cost, 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-the-line KW Approved Cost. Although the OP Salary is determined by the Market Center owners, the above-the-line KW Approved Cost cannot exceed \$5,000 per month. An OP Salary may only be included as an above-the-line KW Approved Cost when the Market Center

has MC 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 designations and procedures must be used to account for the Productivity Coach's compensation. A MC's designation of the Productivity Coach as contract labor or an employee must comply with the federal and local laws and regulations.

- Productivity Coach is paid as contract labor 100% 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 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 an above-the-line KW Approved Cost, 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 included as an above-the-line KW Approved Cost for any Market Center that meets the following criteria:

1. 300 or more Associates;
2. Enough Capped Associates to pay all above-the-line KW Approved Costs including the Co-Team Leader salary;
3. Third level profit share in each of the previous six consecutive months; and
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% of the total gross payroll, the KWRI Franchise Systems Department must also approve it.

A.22 Public Relations Fees

Should not exceed \$250 per month.

A.23 Recruiting Incentives

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

A.24 Taxes—Federal Income

Certain tax expenses are only allowed as an above-the-line KW Approved Cost when the Market Center is historically profitable. Income tax expense is allowed as an above-the-line KW Approved Cost 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% of the bottom-line net profit. To use a percentage in excess of 30%, the Market Center CPA (US) or CA (Canada) must submit a request in writing to the KWRI Franchise Systems 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 an above-the-line, 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% = YTD tax owed)

This is allowed as an above-the-line KW Approved Cost 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, if the Market Center does not write the income tax check to the federal government directly, but rather the MC investors receive the applicable tax form for the distributed share of income and write the check to the federal government, it is still allowable. According to the MC's license/franchise agreement, income tax is a valid above-the-line KW Approved Cost and is recorded via a Journal Entry in AccountEdge 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 above-the-line KW Approved Cost as articulated in this section.

A.25 Telephone—Long Distance

For new MCs, this expense should not be more than \$200 per month and should only include TL and MCA long-distance expenses/cell phones. The Associates should arrange for their own long-distance service/cell phone usage.

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 above-the-line KW Approved Cost.

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 KWRI’s MCA support staff 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 MC's license/franchise agreement. These fees will be collected through electronic transfer of funds, such as the Automated Clearinghouse system. These fees should not be waived.

RATIONALE: The Profit Sharing Program calculations cannot begin until all data from every Market Center is transmitted. Transmitting on time is a discipline that must be maintained. 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 MC license/franchise agreement. These fees are NEVER waived for any reason.

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

3. No person within the Keller Williams franchise system is allowed to sign over their profit share position to any other entity. The only exception is in the event of death as addressed in the Policy & Guidelines Manual.
4. Associates within a Market Center may NEVER be paid in the MORE System (or any successor system) as an outside referral or deduction from another Associate in the same MC. This disrupts the 1099 process as well as profit share!
5. It is important to pay attention to the date of a check issued to an MC's Associate and record the closing in the correct tax-year. If a title company or attorney cuts the check, it is very important to record the closing in the same month as the Associate check's 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 MC 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 Franchise Systems 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).
 - c. “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.

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 Sharing Program and Growth Sharing Program were implemented to reward people for helping build the Keller Williams franchise system by attracting additional talented and productive Associates.

The spirit of the Profit Sharing and Growth Sharing Programs is that your sponsor is the person whom you feel is primarily responsible for bringing you to the Keller Williams franchise system. 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 Keller Williams franchise system. 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 others in the Keller Williams franchise system 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
- KWRI 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 sponsor — any future profit sharing benefits should be given to the person whom you believe actually helped the Keller Williams franchise system grow because they brought you to it.

We honor your rights because your affiliation with KW adds value to the entire Keller Williams franchise system.

Positioning in the Profit Share Program

If you join the Keller Williams franchise system 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 Profit Sharing Program. 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 Sharing Program distributions you can receive. For example, spouses that qualify to participate in the Profit Sharing Program may decide to have the producing spouse name the other spouse as their sponsor so that they may actually receive the Profit Sharing Program 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 the Profit Sharing Program distributions. Once affiliated with a MC, you and each of your family or team members may also sponsor new people who can then build their own downline. 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 in the Profit Sharing Program, the undersigned hereby designates:

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

City, State

Market Center (if known)

as my permanent sponsor for purposes of the Profit Sharing Program 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 the Keller Williams franchise system but intends to join within 90 days of the Associate’s start date. Because the permanent sponsor designated above has not yet joined, 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 Sponsor to permanent sponsor, using your MC provided ASSOCIATE SPONSOR CORRECTION FORM, must be signed by the Associate, Substitute Sponsor, permanent sponsor, Team Leader and Regional Director, and forwarded to KWRI, **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 the Keller Williams franchise system **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 **WITHIN THE 90 DAY PERIOD**.

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

**For an associate that joins the Keller Williams franchise system 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 your Market Center provided ASSOCIATE SPONSOR CORRECTION FORM. The ASSOCIATE SPONSOR CORRECTION FORM must be signed by the Associate, current Sponsor, new Sponsor, Team Leader, and Regional Director and forwarded to KWRI. **ALL WITHIN 90 DAYS OF THE ASSOCIATE'S START DATE.***

IT IS THE ASSOCIATE'S RESPONSIBILITY TO ENSURE THAT THE 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 PROFIT SHARING PROGRAM, WILL REMAIN UNCHANGED.

**For an associate that joins the Keller Williams franchise system 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 MC to another, individuals who go to work as an assistant or member of another Associate's team or group, and individuals who leave the Keller Williams franchise system for a period of time and later return, all keep their original sponsors - unless they are away from the Keller Williams franchise system and removed from the Profit Sharing Program 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 the 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, LLC 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 affiliates Associate unless and until that person properly designates me as a sponsor in accordance with Keller Williams 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 Sharing Program as further detailed in this Policies & Guidelines Manual, KWW or KWRI does not receive any part of a Market Center's Profit Sharing Program or Growth Sharing Program and does not otherwise share in or benefit financially from the Profit Sharing or Growth Sharing Programs.

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 Sharing Program by competing with Keller Williams 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 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 Profit Sharing Program distributions under the Keller Williams Profit 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 Sharing Program 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 Sharing Program distributions 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 their spouse as the beneficiary of their Profit Sharing System 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 Profit Sharing System distributions under the Keller Williams 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 Profit Sharing Program distributions under the Keller Williams Profit Sharing Program 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 Sharing Program 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 Sharing Program distributions 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 Sharing Program 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 distributions under the Keller Williams 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, LLC Policy

Statement - Securities Offering

1. The following policies apply to offerings in Keller Williams Realty, LLC's affiliated Market Centers and Regions.
2. The following statement must be included for any offerings, in bold type, and on the front page of your written disclosure materials: "**Keller Williams Realty, LLC ("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. KWRI may not be cited as the source of any statistics, data or information included in your offering materials without KWRI's express written permission.
4. Keller Williams affiliated Market Centers and Regions must provide KWRI an express indemnity against liability for any securities law violations with which KWRI may be charged as a result of a failure to provide legally adequate disclosure or an attempt to raise money under false pretenses.
5. Keller Williams affiliated Market Centers and Regions must submit all 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 an insurance company, KWRI requires an endorsement to your insurance policies.

Addendum E

Points of Information—Internal Dispute Resolution

KELLER WILLIAMS - NON-BINDING ARBITRATION PROGRAM FOR RESOLUTION OF DISPUTES AMONG PEOPLE IN THE KELLER WILLIAMS FRANCHISE SYSTEM ("PROGRAM")

Purpose

The purpose of the Keller Williams Non-Binding Arbitration Program is to provide members of the Keller Williams franchise system 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 this arbitration, Keller Williams Realty, LLC 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 franchise system 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 Program 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 associate², 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 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 KW 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 KWRI's Legal Department ("KWRI Legal")

Except in cases in which KWRI is a party, KWRI will allow the arbitrators to consult with KWRI Legal 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 Legal will be treated as privileged and confidential, and all participants will be required to waive any right to request or compel KWRI Legal 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 Chief Legal Officer, 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 Chief Legal Officer 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 materials will be sent 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 Chief Legal Officer, he or she will be deemed not to want to participate. In that case, KWRI's Chief Legal Officer 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 Chief Legal Officer will notify the participants and the arbitrators of the arbitration panel's composition and the Corresponding Arbitrator's selection and 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 policies and procedures are involved, the arbitrators may also request interpretations or clarifications of those policies and procedures from KWRI's CEO or Chief Legal Officer.

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 Center Associate is paid a 80% commission split until the Market Center's portion of the closed commissions generated by that Associate has reached \$18,000 during the associate's **fiscal or anniversary year** with this MC.
2. **100% Commission** — When the Market Center's portion of closed commissions generated by the associate has reached \$18,000, the associate shall then be a Capped Associate and receive 100% 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 \$25 will be paid by Capped Associates to the Market Center on all sales and listings sold and funded. If two Capped Associates are splitting a transaction, they shall split the Administrative Fee. If the Administrative Fee is for a sale and a listing sold, each Capped Associate will pay an \$25 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 KW's 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 \$6000 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 6% 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 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 Policies & Guidelines Manual

1. **Auto Insurance** — Each sales Associate of a Market Center must provide the Market Center with evidence that the Associate has secured and continues to maintain the appropriate endorsement on their 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 an additional insured.
2. **E&O Insurance** — The MC 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** — The Market Center is not in the lending business. Therefore, any outstanding bill owed to the MC is due and payable within _____ days from the date the Associate received the bill. If the MC has not received the payment within the first seven days after the due date, there will be a late charge of \$25.
4. **Keeping in Contact with your Market Center** — Generally, the Market Center is open from 9am to 5pm Monday through Friday and _____ to closed Saturday and Sunday. It is suggested that Associates contact the Market Center at least every four or five hours; they always check in when they enter the MC and check out when they leave; and when they are off, they should check-in with the Market Center at least once each day, the only exception being if they are out-of-town and have another Associate who will be covering their business.
5. **Other Market Center Fees** —

Addendum J

Agency Policy of a MC

Keller Williams Policies & 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 MC

Keller Williams Realty Policies & Guidelines Manual

Due to federal anti-trust laws, KWRI 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 MC OP/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 Policy & Guidelines Manual*, I understand it fully, and agree to abide by it.

Associate Signature

Date

Market Center Name and Number



NOTE: One copy for the Associate
One copy for the Market Center files