United States and Canada

Policies & Guidelines Manual

Revision 3/26/09

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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, agent 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 sales people 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.

WI4C2TS
Mo Anderson
Vice Chairman of the Board
Keller Williams Realty International
Welcome to Keller Williams

We are proud you have joined our firm and we are excited to be your partner in building your career. Keller Williams Realty International ("KWRI") is a company led by successful people, for successful people, which offers many opportunities for career growth and development.

Quite simply, the Keller Williams goal is to help you build the strongest real estate business in your market. We want to associate interdependently with the exceptional real estate sales people in our industry.

What makes Keller Williams unique is our focus on who is our customer and partner—you. This focal point sets the tone for everything we do, from how decisions are made, to our compensation opportunities. Everything about Keller Williams is unique because the company is built around what our associates believe is best for their careers. We believe results come through people and that opportunities abound when careers are built on this philosophical foundation. We believe that if the company develops the individual, then the individual develops the company.

We are more than a real estate company. We are a culture and a belief system in action. We are REALTORS® who through the daily operation of our own successful company, discovered a better way of running a real estate company. We uncovered a better way of life for ourselves and our associates. Our dollars are invested right beside yours—and we are dedicated, just as you are, to providing the best service 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 of our associates. Being a member of the Keller Williams family is exciting and if we all work together, you can gain the competitive advantages you’ve been looking for. We are delighted you have joined us in our cause.

SEE YOU IN THE MARKETPLACE!
Gary Keller
Chairman of the Board
Keller Williams Realty International
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

GCC
Gross Closed Commissions

KWRI
Keller Williams Realty International

LCF
Loss Carry-Forward

MLS
Multiple Listing Service

MC
Market Center

MCA
Market Center Administrator

OP
Operating Principal

RATS
Real Estate Associates Tracking System

RD
Regional Director

TL
Team Leader

WI4C2TS
Win-Win, Integrity, Customers, Commitment, Communication, Creativity, Teamwork, Trust, Success
Section 1
How to Use Your Manual Effectively

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

1.1 Definition of Interdependent

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

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

Interdependence is the paradigm of we—we can do it; we can cooperate; we can combine our talents and abilities and create something greater together.”

1.2 About this Manual

Your manual is divided into the following sections:

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

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

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

- Keller Williams Risk Management System

1. The 7 Habits of Highly Effective People by Stephen R. Covey.
Minimizing your exposure to complaints and potential lawsuits through risk management is the Keller Williams way. This section outlines our simple three-step 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
- Addendums
Section 2
The Keller Williams Story and Philosophy

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

2.1 The Keller Williams Story: A Convergence of Ideals

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

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

2.1.1 Solving a Riddle

Gary Keller and Joe Williams established Keller Williams in 1983 as a traditional real estate company. The firm had grown to over 30 associates by 1986. Due to the pressures from 100% 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 past decade’s biggest advances in broker-associate relationships and income opportunities.

2.1.3 Combining the Incompatible

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

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

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

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

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

---

2.2 **The Keller Williams Philosophy**

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

2.2.1 **An End to Compromise Between Broker and Associate**

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

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

2.2.2 **A Clear Mission**

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

Keller Williams is a training and consulting company that also provides the franchise systems, products and services which lead to productivity and profitability.

Keller Williams thinks like a top producer, acts like a trainer/consultant and focuses all its activities on productivity and profitability.
### MISSION
To build careers worth having, businesses worth owning, and lives worth living.

### VISION
To be the Real Estate Company of choice for a new generation of professional real estate associates and broker owners.

### VALUES
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### WHO WE ARE
A training and consulting company that also provides the franchise systems, products, and services that lead to productivity and profitability.

### GOALS
- 700 Quality Market Centers
- 82,000 Sales Associates
- 8,200 Millionaires
- $52,000,000 in Profit Share

### HOW DO WE ACHIEVE THE GOALS
- Marketing
- Leadership
- Training
- Proper Implementation of the Keller Williams Model

### BELIEF
Real Estate is a local business driven by individual real estate agents and their local image with their centers of influence.

### BEHAVIOR
KELLER WILLIAMS thinks like a top producer, acts like a trainer-consultant and focuses all its activities on service, productivity and profitability.

---

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

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

The company office should operate as a Market Center designed to service agents and customers based on that which the agent needs to operate his/her business.

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

2.2.5 Compensation For The Next Generation

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

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

2.2.6 High Commission—No Risk Concept

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

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

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

2.2.7 Profit Sharing—Unexpected Innovation

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

Keller Williams was searching for an additional way to reward those associates who build the company. Unexpectedly, the result was the most significant compensation innovation in real estate history: An open-ended profit sharing program. This program allows any Keller Williams associate, owner, Market Center Team Leader (“TL”), local and national employed staff, Regional Director or affiliate broker to participate in the profits they help create, anywhere in the world, a Keller Williams® Market Center exists without assuming any financial risks.

2.2.8 The Benefits of a Full Loop™

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 both of these goals through our Full Loop™ Products and Services Planning Process. Countless hours are spent each year by our associates working
through this process. Keller Williams associates and brokers help analyze trends in 10 key areas:

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

Through this Full Loop process, Keller Williams turns the products and services recommendation and quality control process over to its associates and affiliate brokers. The process provides the “from the marketplace” feedback and 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

Countless measurements have been taken to build Keller Williams world class image. Keller Williams believes the key to a successful career is to establish the right image up front and then to strengthen it over time. The company supports the philosophy that the two most important image criteria for a Market Center are:

- It be local and regional.  
- The agent’s image be first—the company’s second.

It has taken years for the real estate industry to prove this and yet most real estate companies ignore it. Real estate is a local industry—not national. It is also a people industry and the fact is, most people do business with people—not companies. These concepts are the heart of the image of Keller Williams.

2.2.10 Tailor-Made Education

As you’d expect in the industry’s finest real estate company, both education and training are tailor-made for our associates. Through our Keller Williams University, Keller Williams associates have the opportunity to receive the very best in real estate education. Both experienced and new associates are provided extensive opportunities to further their education on a weekly, monthly and annual basis.
2.2.11 Local and Regional

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

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

2.2.12 A True System

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

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

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

2.2.13 Get Involved

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

Remember: Support your fellow associates and team and they will support you!
Section 3

The Keller Williams Belief System in Action

At Keller Williams we proudly and fondly refer to our value and belief system as “WI4C2TS.” 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
- Success Results through people

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

We “walk the walk, talk the talk, and live the life” of “WI4C2TS.”
Section 4
Policies and Guidelines for Local, City, Regional and International ALCs

4.1 Structure

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

Each area of this section is designated as follows:

- Local policies determined at the local Market Center ALC level
- City policies determined at the City ALC level
- Regional policies determined at the Regional ALC level
- International policies determined at the International ALC level

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

4.1.1.1 Mission

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

4.1.1.2 Vision

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

4.1.1.3 Values (What is Important to ALCs)

- ALC members should attend and successfully complete all ALC training programs and commit to the ALC Covenant Agreement prior to serving on any ALC. (See ALC Training Manual.)
- ALC members should be diligent about reading and understanding the Policies & Guidelines Manual as well as hold everyone accountable to follow the policy and guidelines.
- Be the forum for the creation of all policies, guidelines and procedures.
- We believe votes are sacred and should not be political.
- ALC members should address their motivation for each vote and look at how decisions will impact ALL constituents (International, Regional Directors/Owners, Market Center Brokers/Owners, Team Leaders, Employees, Associates, and Profit Share participants).
- ALC members individually vote for what is best for the greater good of the entire company.
- ALC members are educated on the issues, and discuss and debate the issues.
- Regional Directors provide information on the issues, and facilitate meetings so International ALC delegates can discuss and debate the issues.
- Inspire and create leadership.
- Provide unity and a spirit of team support.
- Produce the innovation, creativity and leadership for the implementation of these ideas.
- Keep our professional standards and public image world class
- Work toward helping our associates become the very best sales people and business people possible.
- Assist in setting annual Market Center goals and plans, and take an active part in implementing the plans.
- Help the Market Centers achieve these goals.
- Being on a Local, Regional or International ALC is the highest honor bestowed in the Keller Williams Realty System.

4.1.1.4 Beliefs (The Rules We Live By)

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

4.1.1.5 Perspective

Our Leadership Councils are continuing to grow in their leadership skills.
### 4.2 Keller Williams Realty Cares

The International ALC recognizes the establishment of Keller Williams Realty Cares ("KW Cares"), a Texas nonprofit corporation, whose purpose is to help meet the needs of the KW family when tragedies and disasters occur. The International ALC also acknowledges that the Vice Chairman of the Board of Keller Williams Realty International shall administer KW Cares and the International ALC shall support the charity’s policies and operating procedures.
4.3 **ALC Issues**

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

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

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

1. **The Chairperson**, who shall be the team leader (TL) of the Market Center.

2. **Associates** from the top 20% of the Market Center (MC) are invited to join the Council based on closed production from the previous year.

3. **The Operating Principal for the MC** is a voting member of the ALC. They may attend ALC meetings and cast the ownership vote, or they may delegate their vote to the Team Leader of the Market Center. Any other owner(s) of the MC, other than the Operating Partner, is/are also eligible to serve on the ALC as a voting member(s) provided they meet the top 20% production guideline.

The maximum size for the next year will be determined in December of each year by the ALC. New Councils will be formed annually by January 5th and the first meeting of each new year will be held by January 15th.

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

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

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

The Local ALC may decide:

- All designated Local ALC issues set forth in the International *Policies & Guidelines Manual*.
- Those local procedures and operations researched, recommended and approved by the various Local ALC committees.
- Monetary assessments as described in Section 4.4.2.6 on page 4-11.
- Other local issues as from time to time requested by the Local ALC and approved by the Chairman of the International ALC.

4.4.1 Local ALC Standing Committees

Each Market Center shall establish the following standing committees to assist in the growth of the Market Center:

- Financial Planning Committee
- Recruiting Committee
Each Market Center shall also establish the following committees to support the applicable programs:

- Core Services 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 main function of the Financial Planning Committee is to:

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

4.4.1.2 **Recruiting Committee**

The Recruiting Committee will:

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

4.4.1.3 **Career Development Committee**

The Career Development Committee will:

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

4.4.1.4 **Technology Committee**

The Technology Committee will:

- Assist in the evaluation and implementation of ongoing technology training within the Market Center.
- Participate in any KWRI technology-related teleconference calls.
- Provide input to Owner/TL regarding software/hardware issues.
- Encourage and assist all members of the Market Center to utilize the KWRI website to its fullest extent and to have an individual Associate profile on http://www.kw.com.
- Evaluate the effectiveness of their Market Center website, computer systems, software, etc. and make recommendations for periodic changes and /or enhancements.

### 4.4.1.5 KW Cares Committee

The KW Cares Committee performs the following functions as a steward of the Market Center’s Culture:

1. It oversees Market Center fundraising efforts for the annual goal of $3,000 in donations to benefit KW Cares, the 501(c)(3) public charity created by Keller Williams Realty International.

   **NOTE:** Funds donated to KW Cares, the 501(c)(3) public charity created by Keller Williams Realty International, may not be directed for the benefit of specific individuals. They may, however, be designated for a specific purpose such as a flood, fire, tornado, hurricane, etc. Funds raised for the KW Cares 501(c)(3) public charity are tax deductible to the extent allowed by law.

2. It assists eligible KW associates in need with the KW Cares grant application process.

3. It oversees all of the Market Center’s non-KW Cares related charitable activities, including fundraising for individuals in need within the Market Center or the local community, as well as fundraising efforts for charities other than KW Cares by:

   a. Establishing and maintaining a Market Center’s local emergency fund in order to provide monetary gifts to individuals in need within the Market Center or the local community.

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

      **NOTE:** These local emergency funds must not be used for Market Center expenses. Funds collected should be segregated in separate liability accounts.

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

   c. Conducting fundraising efforts for charities other than KW Cares. 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.

      **NOTE:** 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 not tax deductible. Both the
donor and the Market Center should understand whether any
donation is for a tax deductible or non tax deductible purpose.

The Chair of KW Cares Committee is a member of the ALC.

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

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

4.4.1.6 Core Services Committee

If you have a Core Services program, the Core Services Committee will:

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

Guidelines for a Core Services Chairperson

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

The duties of the Core Services chairperson are to:

1. Attend all ALC Core Services committee meetings.
2. Institute and attend regular meetings with key players from the Core Services providers and the TL.
3. Develop a Core Services committee from producing Associates who support or who are committed to supporting the Core Services model with their business.
4. Work with the Core Services committee to develop and implement strategies that will cultivate support for the Core Services providers and that will drive capture rate momentum.

   a. Work with the TL and the Core Services providers to develop reports on capture rate. Review these reports on a weekly and monthly basis.

   b. Work with the Core Services providers to develop systems for broadcasting their value propositions within the Market Center.

   c. Encourage Associates who are not supporting the Core Services Providers to discover paths to relationship building with Core Services Providers.

   d. Develop best practices model for Core Services, within the Market Center.

5. Act as a sounding board between the Associates, the Market Center staff, and the Core Services providers’ representatives.

4.4.1.7 **Luxury Homes Committee**

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

- Assists in the overall growth of qualified luxury real estate agents in the Market Center.
- 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.
- Assists in the implementation of training programs specifically designated and recommended by the Luxury Division Executive Board and/or KWU for professional development in the luxury real estate market.
- Assists the Director of the Luxury Division in further developing value-adds and deliverables to membership based upon feedback from luxury associates in the Market Center.

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

**NOTE:** Only official members of the Luxury Homes 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.

4.4.1.8 **Commercial Committee**

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

The KW Commercial Committee performs the following functions:

- Assists in the overall growth of qualified KW Commercial associates in the Market Center.
• Harmoniously integrates the KW Commercial Division with the residential specialty of the Market Center and uses the WI4C2TS belief system as its criteria for all decisions.
• Assists in the overall growth of membership in the KW Commercial Division by cultivating an awareness of its existence and by identifying and attracting qualified commercial associates.
• Assists in the implementation of training programs specifically designated and recommended by KW Commercial and/or KWU for professional development.
• Assists the President of KW Commercial in further developing value-adds and deliverables to membership based upon feedback from Commercial associates in the Market Center.
• Assists Keller Williams Leadership and associates in the recruiting of new KW Commercial member associates to the Market Center.
• Assists the Market Center’s Broker with any disputes or issues among commercial associates or relating to commercial transactions.

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

4.4.2 Local ALC Rules of Order

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

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

4.4.2.2 Agenda
1. An agenda shall be prepared for each meeting.

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

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

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

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

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

4. Either a vote or a motion to table the item must occur.
5. No Council member in attendance is allowed to abstain.

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

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

4.4.2.4 Council Member Contribution

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

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

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

4.4.2.5 Decisions

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

2. The management representative and 75% 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 Owner to expend funds not already approved in the Market Center’s budget.

4. The MC Owner 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 an annual fee to all licensed associates in the Market Center for projects deemed necessary for the growth and profitability of the Market Center.

2. Limitations on the amount of any assessment will be decided by the local ALC, subject to their annual review and possible adjustment.

4.4.2.7 Published Minutes

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

4.4.2.8 Attendance

1. Keller Williams Realty wants your input. In order to ensure active participation, an associate must attend at least 75% of all scheduled Council meetings for the year. (For example, assume 12 meetings are scheduled for each year. If an associate misses four meetings, he/she is replaced by the next qualified associate based on closed production from the previous year).
2. If a member must step down for any reason and their production qualifies them to be on the Council the following year, they will be invited to join that year's ALC.

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

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

4.4.2.9 Meetings/Occurrence

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

2. Meetings are to be scheduled each month.

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

4. 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 Market Center may be on the Council based on the team’s combined production.

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

3. If another associate is bumped because of the team or group’s combined production, the bumped associate is added to the ALC regardless of the size limit established under Section 4.4 on page 4-5.
4.5  City ALC Structure

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

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

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

The City ALC can decide:

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

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

4.5.1  City ALC Rules of Order

4.5.1.1  Time Limit

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

4.5.1.2  Agenda

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

1. Discussion on each topic shall be limited to forty minutes.

2. A one-time 20-minute extension of discussion may be granted if requested by any individual Council member, after which a vote must occur.

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

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

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

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

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

4.5.1.4 **Council Member Contribution**

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

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

3. Each meeting shall have an official time keeper 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 Council meeting must be published and distributed to the local Market Centers within **two weeks** of the meeting.

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

4.5.1.7 **Attendance**

1. Keller Williams Realty wants your input. In order to ensure active participation, an ALC member must attend at least 75% of all scheduled Council meetings for the year. (For example, if four meetings are scheduled for each year and an associate misses two meetings, he/she is replaced by another voted representative by his/her local ALC).
2. During any City ALC meeting, only City ALC members are allowed to speak, unless a non-member is presenting an approved agenda item. That is, if a non-member raises an issue to be brought before the ALC, (s)he must first obtain pre-approval to add the issue to the agenda AND is required to be present at the meeting to present that item. However, only ALC members may vote.

4.5.1.8 Meetings/Occurrence

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

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

3. 75% of the City ALC members must be present for this to be a voting meeting.
4.6 Regional ALC Structure

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

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

It can decide:

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

4.6.1 Regional ALC Rules of Order

4.6.1.1 Time Limit

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

4.6.1.2 Agenda

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

4.6.1.3 Discussion

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

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

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

7. If the issue is not resolved at the following meeting, the Chairperson (Regional Director) 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 (Regional Director) allows more time.

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

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

4.6.1.5 Decisions

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

2. 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 Council meeting must be published and distributed to the local Market Centers within two weeks of the meeting.

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

4.6.1.7 Attendance

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

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

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

4.6.1.8 Occurrence

1. A meeting is to be scheduled once a year.
2. Should the need arise, the Chairperson has the right to call additional Regional ALC meetings at his/her discretion.

3. 75% of the Regional ALC must be present for this to be a voting meeting.
4.7 International ALC Structure

There is only one International ALC. The International ALC is made up of:

1. The Vice Chairman of the Board of Keller Williams Realty International is the International ALC Chairperson. The International ALC Chairperson shall appoint someone to be the International ALC Assistant Chairperson as a non-voting position to provide support to the Chairperson.

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

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

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

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

It can decide:

- Should the International ALC decide to create additional International ALC issues, they must first submit this request to the International ALC Chairperson for approval.

There are two methods for the International ALC to vote on an issue:

1. At International ALC Meetings (that is, International Convention/Leadership Meetings).

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

   - This may be done once every two months.
   - All International ALC Members must be given 10 days to discuss the issue with the associates and management in their Regions before the teleconference vote.

**NOTE:** Voting will take place during the teleconference call or during an International ALC Meeting.
4.7.1 International ALC Standing Committees

1. PURPOSE: The International ALC shall establish the following committees to assist the International ALC to function at the highest possible levels and to assure that Keller Williams Realty is truly operating as a bottom up organization through the continuous involvement of our sales associates and management.

- Career Development Committee – would give direction to Keller Williams University on the types of programs to develop, including an ALC training program, and would offer input on the implementation of same.
- Financial/Strategic Planning Committee – would deal with those issues related to the accounting guidelines and the long-range MVVBP for the International ALC.
- Profit-Sharing Committee – would deal with any and all issues that could have an impact on the Profit Sharing Program, including downline issues, eligibility for receipt of the PS funds, sponsorship, vesting, etc.
- Public Relations/Marketing Committee – would provide direction to the PR/Literature Department at International for marketing campaigns and literature designed to promote Keller Williams Realty and its systems.
- Technology Committee – would work on the development and ongoing enhancement of an International ALC website and the incorporation of email applications for ALC members, as well as give input to the KWRI Information Technology (IT) Department and Eagentc (Electronic Agent Consortium).
- Convention Committee – would organize details of the annual KWRI Family Reunion and periodically review the recognition awards presented by KWRI at the annual Family Reunion.
- Policies & Guidelines Committee – would review all agenda items, which involve changes and/or additions to the Policies & Guidelines Manual.

2. The International ALC Chairperson would appoint a Chairman of the Regional Delegation (Regional Director/Operating Principal) to chair each committee, one Associate to serve as Co-Chair, and a Hub & Spoke International staff liaison to assist.

3. The committee chairs will select other members from the International ALC to serve on their respective committees so that there is a balanced representation on the committee from associates and management as well as geographical areas.

4. Requests from the field would be directed to the International ALC Chairman and if deemed necessary, forwarded to the appropriate Committee for review. The committee would make their recommendation to the Chairman regarding action to be taken.

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

6. Any member of the International ALC may participate in the discussion during the International ALC meeting. The Chairman of Delegation (Regional Director/Owner) would report how the four delegates voted. For example: “Mr. Chairman, the Maryland delegation casts two votes for, and two against.”
4.7.2 International ALC Rules for Passing Votes

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

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

3. No member in attendance is allowed to abstain.

4.7.3 International ALC Rules of Order For Meetings

4.7.3.1 Time Limit

1. The International ALC Council meeting shall last no longer than four hours.

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

4.7.3.2 Agenda

1. An agenda shall be prepared for each meeting.

2. In order to place an item on the agenda, it must be submitted to the International ALC Chairperson no later than 30 days prior to the meeting.

3. Information packets on any issue to be voted on must be sent to all International ALC members so they may have 15 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 15 working days in advance of the IALC Business Meeting. The MCA must distribute a copy of the information to each member of the local ALC and post the information in the 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 Council member, after which a vote must occur.

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

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

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

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

7. If the issue is not resolved at the following meeting or teleconferencing-called vote meeting, the Chairperson has the authority to make the decision.
4.7.3.4 Council Member Contribution
1. Each person is limited to a maximum of 10 minutes of comments on each item unless the Chairperson allows more time.

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

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

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

2. At least two-thirds of the total delegates present and voting at the meeting or during the teleconference call must approve an issue for a proposed revision to be made.

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 International Council Meeting must be published and distributed to the local Market Centers within one month following the meeting.

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

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

2. All International ALC members are required to attend the International ALC Meetings at the annual International Convention.

3. International ALC 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 International ALC meeting, but only members may discuss and vote.

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

4.7.3.9 Meetings/Occurrence
It can meet any time the Chairperson calls a meeting.
4.7.4 International ALC Teleconference Guidelines

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

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

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

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

5. Turn off all other noisy equipment such as radios, beepers, cell phones, etc. near you during the call.
4.8 The Associate Leadership Council Input

Organizational Chart

Every issue is designated as Local, City, Regional, or International.

International issues may be changed by the International ALC.

Regional issues may be changed by the Regional ALC.

City issues may be changed by the City ALC.

Local issues may be changed by the Local ALC.

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

Keller Williams Realty is an organization led by associates for associates.
4.9 Policies And Guidelines

4.9.1 Local Policies and Guidelines

NOTE: 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 Policies & Guidelines section. When a policy is mentioned, it is a point of information for new Market Centers and is not intended to be a recommendation.

4.9.1.1 Administrative Checklist

- Contract File Procedure’s Checklist
- Listing File Procedure’s Checklist

NOTE: These would include the steps a listing and contract file go through inside the local Market Center.

4.9.1.2 Administrative Staff Holidays

4.9.1.2.1 United States

If these holidays are on weekdays, the company's administrative staff will observe these holidays and will not be in the Market Center:

- New Year's Day
- Good Friday
- Memorial Day
- July 4th
- Labor Day
- Thanksgiving Day
- Christmas Day*

*If the day following Christmas Day is a weekday, the administrative staff will not be in the Market Center on that day.

4.9.1.2.2 Canada

To be determined by local Market Center.

4.9.1.3 Advertising Policy

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

4.9.1.4 Agency Policy

Issues involving agency relationships are governed by different state laws and each Market Center must remain in compliance with the laws of its state. Each Market Center should have its own written agency guidelines and/or follow those written guidelines which may be available through its state or local Association/Board of REALTORS®.
Experienced associates who have been affiliated with other brokers and have transferred their license to a Keller Williams Realty Market Center must familiarize themselves with the current Keller Williams Realty agency policy prior to transacting business.

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

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

### 4.9.1.5 Bonuses Paid Policy

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

### 4.9.1.6 Business Meetings (Team Meetings - Sales Meetings)

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

### 4.9.1.7 Closings Policy

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

### 4.9.1.8 Commission Schedule

The commission schedule should be attached to the Independent Contractor Agreement.

### 4.9.1.9 Commission Splits

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

1. **Anniversary Date/Fiscal Year.** When an associate joins a Keller Williams Realty Market Center, his/her anniversary date, for purposes of calculating his/her eligibility for 100% commission, is the first day of the month following the date he/she joins the Market Center. The M.O.R.E. System automatically calculates the eligibility for 100% commission. It uses this date as the anniversary date. For example, if an associate joins March 10, his/her Anniversary Date would be April 1. The associate will have an additional 22 days (March 10-31) in his/her first fiscal year in which he/she could become eligible to receive 100% commission. If the associate has a closing in the month he/she joins, the associate’s company dollar Anniversary Date can be the first day of his/her enrollment month.

2. **Commission Split.** The associate is paid a _______ commission split until the Market Center’s portion of the closed commissions generated by that associate has reached _______ during the associate’s **fiscal or anniversary year** with Keller Williams® Realty.
3. The associate then advances to 100% commission on all transactions closed for the balance of the associate's fiscal year.

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

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

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

7. 100% Commission. When the Market Center's portion of the closed commissions generated by that associate has reached _____________, the associate shall receive 100% commission on all transactions closed and funded during the balance of his/her fiscal year.

8. This Market Center cap shall be reviewed regularly and adjusted to reflect the current local economic and market conditions.

9. When the associate's closed production nears the 100% level, the M.O.R.E. system will warn the MCA and will subsequently calculate the commission when the associate reaches the 100% level.

10. An associate reverts back to his/her standard commission split on the Anniversary Date of his/her fiscal year.

11. 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%.

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

4.9.1.10 Commission Transaction Fee for 100% Associate

When an associate reaches the 100% commission level, a _____________ transaction fee shall be charged ________________ fundings each month, for a maximum monthly transaction fee of _____________. This fee shall not be charged on personal transactions and personal transactions shall not be included in the four (4) fundings for purposes of assessing the ______________ fee.

If two 100% associates are splitting a transaction, they shall split the transaction fee. If the transaction is a sale and a listing sold, each 100% associate will pay a ______________ transaction fee.

4.9.1.11 Complaints/Disputes Involving other Associates

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

- **Alcohol Consumption Policy.** We believe that it is unwise to consume alcohol when working. Therefore, it is a guideline of our company that no member of the organization use alcoholic beverages during business hours. No member of our firm should come to their office and/or Market Center during business hours, or off hours, with alcohol on their breath, or to any extent under the influence of alcohol. We consider this to be a strict guideline.

- **Conduct at the Market Center.** Everyone is to be well-behaved at the Market Center at all times. We do not expect any horseplay around the office. This is an office where professional business is being conducted and you should expect a business-like attitude to be taken. We want everyone to have respect for each other in their daily personal dealings. There should be no vulgar language, cursing or yelling.

- **Cooperation With Other Brokers.** Please be very cooperative with other REALTORS® for they hold the key to a great deal of information. With their help, you can become very successful. We do cooperate and live by the spirit of cooperation with all other REALTORS® and brokers. We do not, by any means, want to be arrogant and feel like we can do the job by ourselves. We solicit the cooperation of other REALTORS® at all times for the benefit of our prospects.

  It is our policy to share information with other companies and follow a practice of total cooperation. This, of course, does not mean the giving of confidential information, or any matters of that nature, but does involve information concerning properties that are available to all REALTORS® who are interested in dealing with our company in an open, above-board manner.

4.9.1.13 Contracts

4.9.1.13.1 Presentation to the Seller

- Each contract should be presented to the seller in person, with a complete Seller's Statement and a qualification sheet on the buyer (if you can obtain one).

- Contract presentations are to be made in a professional manner and are to be discussed with the owner realizing that many items other than money go into a contract offer. For example, date of possession could be a determining factor. These are things that are discussed in your training program and must be considered at each contract presentation.

- The seller should be given every opportunity to accept or reject a contract offer.

4.9.1.14 Dress Policy

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

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

4.9.1.15 Errors and Omissions (E&O)

The E&O premium is determined by the E&O provider.
Market Centers may have the option to:

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

2. Bill each agent a Market Center agent E&O fee monthly through MYOB Accounting Program.

4.9.1.16 Equipment/Software

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

4.9.1.16.2 Fax Machine
- Incoming Plain Paper Fax
- Outgoing Thermal Fax - cost per page

4.9.1.16.3 Other Equipment/Software
Other equipment/software which the ALC may approve to purchase and which may be available in the Market Center.
- Digital camera
- Color copier
- Associate software
- Headsets for prospecting
- Special computers

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

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

4.9.1.19 Legal Fee Policy

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

4.9.1.20 Listings

4.9.1.20.1 Open/Exclusive Right to Sell

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

4.9.1.20.2 Contact with Sellers

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

4.9.1.20.3 Listing/Sales Files

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

4.9.1.20.4 Changes on Listings

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

4.9.1.20.5 Listing Forms

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

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

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

4.9.1.21 Market Center Hours

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

4.9.1.22 Market Center Tidiness

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

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

4.9.1.23 Negotiating Commissions

In extreme cases where the seller cannot complete a transaction without the give and take of all the parties, you may need to negotiate a commission. All commission negotiations should involve you and your TL, if possible. Try not to ever make a snap decision on any commission negotiation request; time buys a position of strength in each negotiation. The decision is ultimately yours.

4.9.1.24 Personal Real Estate (Buying, Selling and Leasing)

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

1. The associate is not required to pay the company 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 local Market Center will determine how to treat personal transactions beyond two sides per year and those properties classified as something other than personal residences. Each local Market Center will also determine required criteria to qualify for this "gift."

   **NOTE:** The ASSOCIATE is required to pay royalty on transactions until they fulfill the KWRI royalty cap.

2. The associate is required to pay the company a real-estate commission on the side of the transaction that involves another associate.
3. It is company policy to charge the associate a minimal transaction fee of ______________. (Check with the Market Center TL.)

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

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

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

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

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

4.9.1.25 Phone Policy

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

4.9.1.26 Priorities

It is the consensus of the ALC that priorities for Keller Williams Realty should always be:

1. Selling real estate.

2. Highest possible commission split.

3. Broker profit and a world class environment and organization.

4. Profit sharing to associates and the creation of a vesting type income, not related to personal sales production.

5. A productivity-specific environment.

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

4.9.1.27 Property Caravan (Tour) Policy

This policy will vary from office to office and be established by the Local ALC.
4.9.1.28 REALTOR® Associations

4.9.1.28.1 National (US)

4.9.1.28.2 State

We encourage you to be actively involved to the greatest possible extent. We realize the time factor causes you to be less active in these than your local Board, but we do want to encourage you to attend these conventions and seminars. These seminars could put money in your pocket, as you might receive referrals from other associates.

4.9.1.28.3 Local

A REALTOR® association is a trade association of the professionals dealing in the real-estate business. Members conform to the high ideals set forth in the Code of Ethics. We encourage you to take an active role in any such local organization.

4.9.1.28.4 Canada

The Canadian Real Estate Association
344 Slater St., Suite 1600
Ottawa, Ontario
K1R 7Y3

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

4.9.1.29 Referral Procedures

**NOTE:** See Section 7.

4.9.1.29.1 Outside Referrals

Use a Keller Williams Realty office, if possible.

4.9.1.29.2 Inside Referrals

A transaction is a listing sold or a sale made.

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

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

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

For example, assume a 100% associate accepts and sells a referral from a non-100% associate in his/her own Market Center, agreeing to pay a 20% referral fee. The transaction is split 80/20 between the two associates, and the company shares in the 20%.
NOTE: The 100% 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 at 100%. The transaction is a $100,000 sale, with a 3% commission. Note that this example does not take into account royalty, E&O, or transaction fees.

Table 1: Example Fees

<table>
<thead>
<tr>
<th>Party</th>
<th>Fee Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Commission</td>
<td>$100,000 x 3% = $3,000</td>
</tr>
<tr>
<td>Associate A</td>
<td>$3,000 x 20% = $600 x 70% = $420</td>
</tr>
<tr>
<td>Associate B</td>
<td>$3,000 x 80% = $2,400 x 100% = $2,400</td>
</tr>
<tr>
<td>Keller Williams® Realty</td>
<td>$3,000 x 20% = $600 x 30% = $180</td>
</tr>
</tbody>
</table>

4.9.1.30 Seller’s Net Statement

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

4.9.1.31 Square Footage

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

4.9.1.32 Supplies

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

4.9.1.33 Termination of Associate Relationship

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

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

Upon the termination of association, the associate leaving the organization will give the Broker/TL a list of transactions that are under contract at the time of the associate’s termination. The associate will receive all of the normal commission he/she would have received if he/she were still associated with the company at the time the transaction
closes. Any listings that are not under contract become property of the sales associate unless the listing was assigned to the associate by management.

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

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

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

4.9.1.34 Time Off - Associate

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

4.9.1.35 Transferring

**Company Dollar Cap:**

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

**Royalty Cap:**

- If the agent transfers within the same Region, the royalty anniversary date will not change.
- If the agent transfers to a different Region, the royalty anniversary date may change.
- The recording of the deletion of the associate from one Market Center and the addition to the new Market Center must be done by KWRI. The transfer form should be faxed to KWRI, attention M.O.R.E. administrator, at 512-306-6715 before the next transmittal date by the new Market Center.

4.9.1.36 Unpaid Bills

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

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

This is a strong policy and should not be taken lightly. It is simply not a wise nor a fair business practice to adopt any other policy. This policy was established and supported by the International ALC.
4.9.2 City Policies and Guidelines

The following are only 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 city issue, they need to pursue to enhance overall city recruiting efforts and to make each Market Center in the city more profitable.

4.9.2.1 Suggestions
- Joint advertising projects
- Team-building events
- Evaluate recruiting strategies
- Evaluate market share
- Plan KW Cares events
- Joint training
- Assist in planning Awards Banquet
- Other city matters

4.9.3 Regional Policies and Guidelines

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

The following are additional suggestions for the Regional ALC to address:
- Analyze recruiting plans for the Region and hold Market Centers accountable for a specific number of net recruits per month
- Monitor monthly expenses for Market Centers in the Region with a focus on (1) keeping expenses at less than 50% 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, (2) offering Consulting to local Team Leaders and ALC members and (3) getting the Market Centers to participate in KW Connect
- Engineer Regional KW Cares Fund Raising Events
- Other Regional matters as determined by the Region

4.9.4 International Policies and Guidelines

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

The commission rates for a Market Center are based upon the cost of the services provided by that Market Center, the value of these services to their clients and certain competitive market conditions. Commission rates are not determined by Keller Williams Realty International, the International ALC, nor any other person(s) not a party to a Listing Agreement or Buyer Representation Agreement with a particular Market Center.

Business must be conducted in accordance with all applicable antitrust law. This includes, but is not limited to the following:

- Associates affiliated with any Market Center shall not discuss (and shall not be present at any discussion of) commission rates charged by their Market Center or any other real estate brokerage in their community or any other community with any person affiliated with any other real estate brokerage, including other Keller Williams Realty brokerages, any real estate industry trade association, or any entity undertaking a survey of such rates. Any questions or concerns regarding discussion of fees or commissions should be directed only to the Market Center broker or TL. The broker or TL will consult with an attorney on all commission matters for which they do not have a response for the questioning associate.

- Associates affiliated with any Market Center shall not discuss (and shall not be present at any discussion of) their intention to pursue or not to pursue business opportunities with particular potential customers or in particular geographic areas with any person affiliated with any other real estate brokerage, including other Keller Williams Realty brokerages, and any real estate industry trade association.

4.9.4.2 Associates Representing Our Firm

All associates representing our firm:

- Will be licensed through their State or Provincial Real Estate Commission as a Real Estate Salesperson or Broker, and will execute a contract with their Market Center stating their independent contractor status.

- Will become members of their local Board/Association of REALTORS® and MLS except when exempted by their TL, and will keep their membership current and active at all times.

- Can expect to receive training and should go through our company training program and/or our company orientation program. (Our purpose is to create consistency within the organization and to ensure that all of our associates have been properly and thoroughly trained for a successful career in real estate.)

- Are encouraged to attend all educational opportunities that are available.

- Are encouraged to read and abide by these policies and guidelines. Deviation from any designated policy without TL permission is considered a violation of company policy and your contract with your broker.

4.9.4.3 Attitude

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

Keller Williams Realty associates demonstrate:
Section 4

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

- **Self-confidence.** If you believe in yourself, so will others. (The reverse will also be true). You can increase your self-confidence through learning more, practicing more and experiencing more.

- **Pride.** You should love to sell. Always be proud of the services and benefits you provide your customers and clients.

- **A proper attitude toward suggestions and complaints.** When suggestions are offered, accept them with good grace instead of adopting the negative attitude so often displayed by less successful people. (The hardest person to help is the prima donna—the person who refuses to admit any mistakes.) By stubbornly resisting any suggestions, you may delay or even permanently block your own growth.

- **The ability to disagree.** Form the positive habit of letting people speak their minds and explain their points of view. Then look for a point of agreement. Seek first to understand; then to be understood.

- **The willingness to learn.** Always learn and upgrade your knowledge! By doing so, you truly will become a top professional.

- **The desire to be a win-win competitor.** Remember that there is always room for everyone to achieve their goals and win!

- **The desire to participate on a winning team!** To be on a winning team, you must:
  
  - Want to be on our winning team.
  - Want to be successful and just as importantly, you must want your team to be successful.
  - Look for a spot to fit in. Do your thing and let others do theirs.
  - Never let yourself get to the point where you believe you are better than everyone else.
  - Be a leader and let there be a leader. There is a proper place for both!
  - You must look for solutions, not problems! You should believe that you are bigger than any problem which might arise.

4.9.4.4 Authorization to Use Company Name

All material using the Keller Williams logo, must be used in compliance with the *Standards & Identity Guide for the Agent and Standards & Identity Guide for the Franchise*. Should your Regional Director or KWRI determine that any item is in violation of the standards or quality of Keller Williams® Realty, they will require that use of the item be discontinued immediately.

4.9.4.5 Business Cards

All business cards using the Keller Williams logo, name or any of its associated names must be used in compliance with the *Standards & Identity Guide for the Agent and Standards & Identity Guide for the Franchise*.

4.9.4.6 Closed Transactions

A transaction is officially considered closed only after the Market Center has received the commission. This applies to the following issues:
- Moving to or from graduated commission splits
- Determining the associate’s eligibility for ALC
- Determining annual awards
- Determining profit share

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

4.9.4.7 Dispute Settlement Through Arbitration

We all want harmony in our Market Center. Intra-company disputes of any kind between associates or between associates and the firm, 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 Non-binding Arbitration Program attached hereto. See “Points of Information—Internal Dispute Resolution” on page D-1.

4.9.4.8 E&O Insurance

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

4.9.4.9 Equal Employment Opportunity

Keller Williams Realty believes that all persons are entitled to equal employment opportunity. The company does not discriminate against its employees or applicants 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 employment opportunity will be extended to all persons in all aspects of the employer-employee relationship, including recruitment, hiring, training, promotion, compensation, transfer, discipline, layoff and termination.

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

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

4.9.4.10 Equal Housing Opportunity

It is our policy to comply with the Federal Housing Law (Title VIII of the Civil Rights Act of 1968) which states that it is 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; in the provision of real-estate brokerage services. Block busting or steering is also illegal.

NOTE: Serious penalties apply if found guilty.

4.9.4.11 Ethics

We expect all of our associates to adhere to the National Association of REALTORS® Code of Ethics. In all business dealings with the public, outside REALTORS® and associates within this company, a general Code of Ethics should be established following the concept of the Golden Rule. We want to be living examples and to do this we must strive for high ethical standards. The matter of proper ethics shall govern all aspects of our business and the operation of our company. You should familiarize yourself and periodically reread the Code of Ethics. Each TL shall provide a copy of the most current Standards of Practice and Code of Ethics for each of their sales associates and employees.

Please insert the most current copy of The Code Of Ethics And Standards Of Practice in “National Code of Ethics/Standards of Practice” on page F-1.

These can be found at:

4.9.4.11.1 United States
NATIONAL ASSOCIATION OF REALTORS®
430 North Michigan Avenue
Chicago, IL 60611
www.realtor.org/mempolweb.nsf/pages/code

4.9.4.11.2 Canada
THE CANADIAN REAL ESTATE ASSOCIATION
344 Slater Street, Suite 1600
Ottawa, ON
K1R 7Y3

4.9.4.12 Expenses–Associate

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

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

2. A one-time Real Estate Career Manual fee for newly licensed associates. (At the Market Center’s actual cost of providing the manual.) _____________

3. A one-time Keller Williams Realty Policies and Guidelines Manual fee for all associates. (At the Market Center’s actual cost of providing the manual.) _____________
4. **Personal promotion, marketing and advertising expenses** are paid by the associate.

5. **An Annual Accounting Fee** is assessed for each associate each year in January. 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.

6. **Association/Board of REALTORS®, MLS dues** and related charges shall be paid by the associate according to local association/board and MLS requirements.

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

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

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

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

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

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

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

### 4.9.4.13 Fiscal Year

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

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

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

If the associate has a closing in the month they join, their company dollar Anniversary Date can be the first day of their enrollment month.
4.9.4.14 Harassment Policy

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

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

- Unwanted sexual advances or propositions
- Offering employment benefits in exchange for sexual favors
- Making or threatening reprisals after a negative response to sexual advances
- Visual conduct: leering; making sexual gestures; displaying of sexually suggestive objects or pictures, cartoons or posters
- Verbal conduct: making or using derogatory comments, epithets, slurs, and jokes
- Verbal abuse of a sexual nature; graphic verbal commentaries about an individual's body; sexually degrading words used to describe an individual; suggestive or obscene letters, notes or invitations
- Physical conduct: touching, assault, impeding or blocking movements

Racial or ethnic harassment includes, but is not limited to, ethnic slurs, jokes or other verbal or physical conduct relating to an individual's race, national origin or ancestry where such conduct (1) has the purpose or affect 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 opportunities.

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

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

4.9.4.15 Harassment Reporting

1. If an employee believes he or she has been harassed by a co-worker, supervisor, or agent of the company, that employee should promptly report the facts of the incident or incidents and the names of the individuals involved to his or her supervisor or, if the alleged harasser is the supervisor, to the next highest level supervisor, preferably in writing. Supervisors must immediately report any incident of harassment to the President of the company.
2. Once an incident has been brought to the attention of 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 an employee is the accused harasser, the complaining employee or merely a potential witness, those participating in the investigation should keep any communications to the company strictly confidential. A determination will be made and the results communicated to the complaining employee(s), 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 supervisor who is found to have violated the policy is subject to discipline up to and including discharge.

4. If an employee knowingly and deliberately makes a false report about harassment, that employee may be subject to discipline as well, up to and including discharge. However, retaliation for complaining about or opposing harassment, or otherwise participating in an investigation, proceeding, or hearing is illegal.

5. Employees at all times maintain the right to file a complaint of discrimination or harassment with their local Human Rights Commission.

4.9.4.16 Housekeeping Changes

Definition of Housekeeping Changes: Housekeeping Revisions may be made at any time without the necessity of approval from the International ALC. Housekeeping issues would include spelling corrections, typographical errors, formatting of the document, deletions and/or additions that do not change the intent or effect of the Policy and Guidelines Manual. Any Housekeeping revisions that are identified and recommended during the annual review of the Policies and Guidelines Manual will be made to the document and then reported to the International ALC at their next scheduled meeting.

4.9.4.17 Husband and Wife Teams, Other Teams/Groups

Due to the anti-trust guidelines, only the local Market Center owner may recognize teams and/or groups when it comes to production calculations and MC company dollar caps. Associates should check with their local TL to determine what policy(s) may apply in their Market Center. Any consideration of husband and wife teams, or other teams and/or groups of sales associates, will be the decision of the local Market Center owner.

4.9.4.18 Insurance

Each sales associate must provide the company with evidence that he/she has secured and continues to maintain the appropriate endorsement on his/her automobile insurance policy in the minimum amount of $300,000/$100,000/$50,000, naming “Keller Williams Realty, __________ (legal name of Market Center) __________”, as additional insured.

4.9.4.19 Legal and Trial Expense

If you have any legal encounters with the public, or any lawsuits are filed against Keller Williams Realty due to your actions, you will be expected to partake in them as a participant, not just as an associate of this firm. We will also enter into, upon the discretion of the management and leaving final judgment to the Broker, any lawsuit when we have 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 shall cooperate fully with management. Management and the associate shall share all expenses connected.
therewith, in the same proportion as they would normally share the commission resulting from such transaction if there were no dispute or litigation. This does not include the situation where the associate is a named defendant personally.

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

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

### 4.9.4.20 Marketing Items Policy

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

### 4.9.4.21 Open Door Policy

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

### 4.9.4.22 Personal Real Estate: Buying, Selling and Leasing

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

1. The associate is not required to pay the company 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 local Market Center will determine how to treat personal transactions beyond two sides per year and those properties classified as something other than personal residences. Each local Market Center will also determine required criteria to qualify for this “gift.”

   **NOTE:** The ASSOCIATE is required to pay royalty on transactions until they fulfill the KWRI royalty cap.

2. The associate is required to pay the company a real-estate commission on the side of the transaction that involves another associate.
3. It is company policy to charge the associate a minimal transaction fee of ____________.

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

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

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

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

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

4.9.4.23 Policies and Guidelines Review

1. At the International ALC Convention Meeting, a standing Policy and Guidelines Committee shall be permanently established by the International ALC to annually review the entire Policies & Guidelines Manual and make annual revision recommendations to the International ALC.

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

3. A majority vote is required to change any policy or guideline. In addition, it must be approved by the International ALC Chairperson.

4. Any policy or guideline change recommended by the International ALC Chairperson must be approved by a majority vote of the International ALC.

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

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

4.9.4.24 Profit-Sharing Program

1. The Keller Williams Realty Profit-Sharing Program is International in scope, with all employees, owners, TLs, Regional Directors, Market Center brokers, and sales associates having the opportunity to participate.
2. Eligibility to participate is determined by an employee's or associate's contribution to the growth of Keller Williams Realty in the area of recruiting new sales associates to any Market Center in the system.

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

4. The profit-sharing fund is distributed on a multi-tiered format based on sponsorship of one associate or employee by another associate or employee. There are two concepts in the Profit Sharing Program:
   a. First, determining the total funds available for profit sharing each month.
   b. Second, determining the way in which associates who recruit producing associates will share in these funds.

5. The total funds available for profit sharing are determined as follows:
   a. Each Market Center calculates its Profit Sharing contribution based on its monthly Gross Closed Commissions (GCC).
   b. Less: Keller Williams Realty Royalty Fee
   c. Equals: Net GCC
   d. Less: Associates share of line c (associates commissions)
   e. Equals: Company Dollar (Gross Profit)
   f. Less: Market Center's KW Approved Costs
   g. Less: Market Center's Loss Carry Forward from prior months, if any.

4.9.4.24.1 Profit Share Calculation

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

**Table 2: Profit Sharing Contribution Calculation**

<table>
<thead>
<tr>
<th>Profit Share Profit</th>
<th>Profit Sharing Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $2,990</td>
<td>25% of such amount (25% X 2990 = 747.50)</td>
</tr>
<tr>
<td>Over $2,990 but less than $11,240</td>
<td>35% of such amount plus 747.50 (35% of 8250 = 2887.50 + 747.50)</td>
</tr>
<tr>
<td>Over $11,240</td>
<td>50% of such amount plus $3,635.00 (2887.50 + 747.50)</td>
</tr>
</tbody>
</table>

The following two tables are examples:
Example: A Market Center collects $150,000 in gross commissions during the month. The following is an example of what their Profit Share Calculation could be.

**Table 3: Profit Share Profit Calculation**

<table>
<thead>
<tr>
<th>Fee</th>
<th>Amount</th>
<th>Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly GCC</td>
<td>$150,000</td>
<td>Line 1</td>
</tr>
<tr>
<td>Less: Keller Williams Realty royalty fee (6% example)</td>
<td>-9,000</td>
<td>Line 2</td>
</tr>
<tr>
<td>Net GCC</td>
<td>$141,000</td>
<td>Line 3</td>
</tr>
<tr>
<td>Less: Associates’ share of Line 3 (70% example)</td>
<td>-98,700</td>
<td>Line 4</td>
</tr>
<tr>
<td>Company Dollar (Gross Profit)</td>
<td>42,300</td>
<td>Line 5</td>
</tr>
<tr>
<td>Less: Total KW Approved Costs (Set Costs)</td>
<td>-18,000</td>
<td>Line 6</td>
</tr>
<tr>
<td>Less: Operating losses from prior month</td>
<td>0</td>
<td>Line 7</td>
</tr>
<tr>
<td>Profit Share Profit (Profit before Profit Sharing is calculated)</td>
<td>$24,300</td>
<td>Line 8</td>
</tr>
</tbody>
</table>

Using the figures in Table 3 on page 4-47, this would be the corresponding Profit Share contribution.

**Table 4: How the Profit Sharing Contribution is Calculated**

<table>
<thead>
<tr>
<th>Profit Share Profits</th>
<th>Associate Profit Sharing Pool</th>
<th>Owner’s Portion of the Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$24,300</td>
<td>$ 747.50</td>
<td>$ 2,242.50</td>
</tr>
<tr>
<td>- 2,990 x 25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$21,310</td>
<td>$ 2,887.50</td>
<td>$ 5,362.50</td>
</tr>
<tr>
<td>- 8,250 x 35%</td>
<td>$ 6,530.00</td>
<td>$ 6,530.00</td>
</tr>
<tr>
<td>$13,060 x 50%</td>
<td>$10,165.00</td>
<td>$14,135.00</td>
</tr>
</tbody>
</table>

**4.9.4.24.2 Profit Share Distribution**

The way an associate participates in profit sharing is as follows:

- By recruiting other associates who contribute to the profitability of a Keller Williams Realty Market Center. It exists as long as there is production associated with individual(s) in the down line.
 Associates or employees may recruit other associates or employees anywhere in the United States, Canada or other countries where Keller Williams Realty regions and Market Centers currently exist or may be established in the future.

In those circumstances when an individual may have been recruited by more than one person, the recruit will decide which person to name as his/her sponsor.

When an associate becomes affiliated with Keller Williams Realty, his/her sponsor is established by the associate at that time. Each associate may have several different levels of sponsors:

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

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

<table>
<thead>
<tr>
<th>Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>50%</td>
</tr>
<tr>
<td>Level 2</td>
<td>10%</td>
</tr>
<tr>
<td>Level 3</td>
<td>5%</td>
</tr>
<tr>
<td>Level 4</td>
<td>5%</td>
</tr>
<tr>
<td>Level 5</td>
<td>7.5%</td>
</tr>
<tr>
<td>Level 6</td>
<td>10%</td>
</tr>
<tr>
<td>Level 7</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

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

- The Market Center generates $150,000 in GCC, $42,300 in Company Dollar, and pays a $10,165 Profit Sharing Contribution to the profit sharing pool that month.
- The Market Center $10,165 Profit Sharing Contribution divided by $42,300 Company Dollar equals a Profit Sharing Factor of .240307.
- The associate’s $900 Company Dollar generates $216.28 total profit sharing available to be distributed to 7 levels of Sponsors.

- **Level 1** sponsor would receive profit sharing on that sale:  
  \[ 50\% \times 216.28 = 108.14 \]
- **Level 2** sponsor would receive:  
  \[ 10\% \times 216.28 = 21.63 \]
- **Level 3** sponsor would receive:  
  \[ 5\% \times 216.28 = 10.81 \]
4.9.4.25 Profit Sharing Program: Operating Policies and Procedures

4.9.4.25.1 Distribution of Profit Sharing Checks

1. The Market Center closes its books by the 3rd working day of the month.

2. The MCA transmits the previous month’s records to KWRI via electronic upload.

3. KWRI collects the franchise royalties and Profit Sharing contributions through direct withdrawal from each Market Center’s bank account.

4. KWRI calculates and distributes individual Profit Sharing funds by the 21st day of the month (see note below) via direct deposit into an account as specified by each individual participating in the Profit Sharing Program.

NOTE: The 21st is a goal. Should transmittal problems arise in any month, this date could vary.

5. The MCA prints the individual PS statements from the website once they are available after the 21st of each month and distributes them to the recipients in their MC within 24 hours of receipt.

4.9.4.25.2 Personal Volume

Since the Profit Sharing Program was designed to reward anyone affiliated with Keller Williams Realty who contributes to the growth of the organization at any level, there will be no personal closing volume requirement as a prerequisite to their participation in the program. This guideline pertains to all sales associates, teams, groups, associate assistants, associates’ buyer/listing Associates within the Market Center, as well as brokers, OPs, TLs, and members of any Local, Regional or International staff of Keller Williams Realty.

4.9.4.25.3 Vesting

1. After an associate has been affiliated with any Market Center for 3 years, they would be permanently vested in the Profit Sharing Program.
NOTE: At this time, there will be no requirement to continue to work as an associate with a Market Center.

2. Vested individuals who have no downline will be removed from the system on a regular basis by KWRI.

NOTE: Should any of these individuals return to Keller Williams Realty after this removal, they will be reinstated as a vested associate in the system.

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 system grow through the addition of associates, the opening of a Market Center and/or work promoting the growth of a Region, and KWRI will pay any applicable Profit Sharing to the deceased's estate per guidelines which are established by the International ALC and KWRI.

4. Upon the death of an individual who has vested in the Keller Williams Realty Profit Sharing System, future distributions shall be payable to the estate of the deceased per the following guidelines:

KWRI must be notified of the following:

- Beneficiary to whom future distributions are payable per any will/probate;
- Tax ID# and address of beneficiary; and
- Verification for KWRI records of the beneficiary’s authority to be the recipient of future Profit Sharing distributions.

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 Keller Williams Realty, 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 Keller Williams Realty, the individual's anniversary date will be reinstated for vesting purposes, and their original downline, if any, will be reinstated. If they return to Keller Williams Realty after 9 months, they will restart their vesting with a new anniversary date and with no downline.

4.9.4.25.4 Termination or Amendment of the Profit Sharing Plan

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

2. KWRI does not have the right to amend any aspect of the guidelines and policies used to calculate a Market Center's Profit Sharing Contribution or a recruiting sponsor’s profit sharing check except as per the specific direction of the International ALC.

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

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

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

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

4.9.4.25.6 **Real Estate Associates Tracking System (RATS) Fee**

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

4.9.4.25.7 **Husband and Wife Teams, Other Teams/Groups**

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

4.9.4.25.8 **Employees of Affiliated Companies**

Sponsorship into the Profit Sharing Program by an employee of an affiliated company **owned in whole or in part by a Market Center/Market Center Owner** 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 International ALC.

- To be eligible for receipt of Profit Sharing funds, the employee must have recruited at least one person into the Keller Williams Realty system.

- The time requirement for vesting will not start accumulating until the employee of the affiliated company has recruited their first person into the system.

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

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

**NOTE:** The International ALC reserves the right to modify these policies at any time.

4.9.4.25.9 **Ownership Cap**

One ownership Company Dollar Cap per Market Center may be waived for the Market Center Owners. This benefit may be taken by one owner or shared by several owners. Should the Ownership group wish to waive more than one Company Dollar Cap, a written request must be presented to the International ALC Chairperson.
4.9.4.25.10 **Ownership Royalty Cap**

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

4.9.4.25.11 **Ownership/OP Duties**

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

4.9.4.26 **Profit Sharing Residual Account**

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

4.9.4.27 **Referrals - Outside**

When sending or receiving a referral, the Keller Williams Realty Referral Information Form (found on the FTP Site) should be used. It provides for all the information, as well as for signatures by both the referring and receiving associate and company representative or broker.

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

4.9.4.28 **Referrals - Inside**

These fees may vary depending upon the type of referral and the agreement between associates. The Keller Williams Realty Referral Information Form (found on the FTP Site) 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 company). The only exception is when the associate paying the referral fee is at a 100% commission split and the associate receiving the referral is not at 100%.

4.9.4.29 **Sign Policy**

Our 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:

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

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

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

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

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

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

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

4.9.4.30 Sponsorship

4.9.4.30.1 Sponsorship of Associates

KWRI encourages the recruitment and sponsorship of top associates to the company. Should a dispute arise over who is the sponsor of record for an associate, it is up to the newly recruited associate to decide.

All associates must decide on their sponsor prior to joining and must execute the Binding Sponsorship Agreement. See “Binding Sponsorship Agreement” on page B-1 for the complete Binding Sponsorship Agreement which will be executed by the Associate, their TL, the MCA, and a witness. The Binding Sponsorship Agreement must be printed from the WinMORE System by the MCA.

4.9.4.30.2 Dual and Multiple Sponsorship

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

4.9.4.30.3 Binding Sponsorship Agreement

NOTE: See “Binding Sponsorship Agreement” on page B-1 for the complete Binding Sponsorship Agreement which will be executed by the Associate, his/her TL, the MCA and a witness. The Binding Sponsorship Agreement must be printed from the WinMORE System by the MCA.

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

The Spirit of the System is that the person named as your sponsor is that person whom you feel is the person primarily responsible for bringing you to Keller Williams® Realty. It
may or may not be the first or last person who talked to you about joining Keller Williams Realty—during your considerations, you may in fact have met with many people in the company. Your sponsor should be the person most instrumental in bringing you to these serious discussions. It is similar to the procuring cause issue that is traditional in the real-estate business.

Please know that any person in a leadership position is ethically bound to honor leads given to them by other Keller Williams Realty family members. While you may consider one of these people as your sponsor because they made personal contact with you, that leader must ensure that you name as your sponsor the person who actually referred you to them. These leadership positions include:

- KWRI Staff
- Regional Owner/Director/Administrator
- Market Center Owner/Team Leader/Administrator

Sponsorship is not related to the following:

1. Whose team you join.
2. Any promises to help you.
3. The Team Leader’s presentation.
4. Someone wanting or thinking they should be your sponsor.
5. Any other benefit offered to you to join Keller Williams Realty.
6. Any promise to mentor.

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

If you are joining Keller Williams Realty and bringing others along with you (spouse, family member, partner, staff, etc.), you will want to consider how you are stacked in the Keller Williams Realty Profit Share Sponsorship Tree. After you have picked your primary Sponsor, you have these others name you as their sponsor. You may do this in such a way as to maximize the profit share you can receive. For example, a husband and wife may decide to have the producing spouse name the other spouse as their sponsor so that they may actually receive profit share from their own production.

If you bring family or team members with you, the only requirement is that they are actively in the real-estate business with you—if they are an administrative staff member, they do not need to be licensed to receive profit sharing.

Once with Keller Williams Realty, you and each of your family or team members may also sponsor new people and build their own profit share tree. Please discuss all of this with the Team Leader or Owner of the Market Center you are joining. You want to make the right decisions now, because your decision won’t be able to be changed later except by methods stated in “Change of Sponsorship” on page 4-55.
By activating the “I confirm” button below, I confirm the following information and statements with respect to my participation in the Keller Williams Realty Profit Sharing program. I understand that if I decline to make the required confirmations, my participation in the Keller Williams Realty Profit Sharing program will be deactivated.

1. The person I consider my sponsor into the Keller Williams Realty family for purposes of my Profit Sharing participation is [                           ]

2. I understand that Keller Williams Realty, Inc./Regional Representative (the “Company”) has no financial interest in my designation of a sponsor and that, in recording my sponsor’s name, the Company merely follows my instructions.

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

4. I understand that, except for a nominal renewal fee per year per associate as specified in the UFOC, a per distribution RATS fee, and monies accumulated in the residual account, the Company does not receive any part of a Market Center’s Profit Sharing contributions and does not otherwise share in or benefit financially from Profit Sharing contributions.

5. On the basis of these understandings and their consequences, I voluntarily waive and relinquish any right I may have to sue the Company on account of any disagreement over the designation of my sponsor or my status as the sponsor of another participant in the Profit Sharing program, except in cases based on my good faith belief that the Company has acted with actual malice toward me or in willful disregard for my rights.

6. I confirm.

4.9.4.30.4 Corporate Sponsorship

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

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

4.9.4.30.5 Change of Sponsorship

1. Once an individual’s sponsor has been entered into the Profit Sharing Program, it may be changed due to typographical errors that may have occurred when the individual was first entered into the system.

2. If a clerical error was made by the individual, or by the MCA, the mistake can be corrected provided the individual who recently joined Keller Williams Realty submits a written statement of the nature of the mistake, along with a copy of the document that originally named their sponsor, to the TL of their Market Center.
3. The statement must be approved and signed by both the TL and the Regional Director, within 90 days of the date the individual originally joined Keller Williams Realty.

4. If the error is not noted within this 90-day grace period, then the individual’s sponsor, as originally entered into the MORE system, shall remain unchanged.

### 4.9.4.30.6 Substitute Sponsorship

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

2. If the true sponsor eventually joins Keller Williams Realty themselves, within a 90-day grace period of the individual’s start date and the individual notifies KWRI in writing that their true sponsor is now part of the Keller Williams Realty family, then the individual’s substitute sponsor in the system may be changed using the same procedures as those for typographical errors as outlined in Section 4.9.4.30.5 on page 4-55.

3. If, however, the intended true sponsor does not affiliate themselves with Keller Williams Realty within the 90-day grace period, or if the individual fails to notify KWRI in writing of the affiliation, then the person that was originally designated as the Substitute Sponsor will remain as the individual’s sponsor in the Profit Sharing Program.

4. Any affiliation by the true sponsor after the 90-day grace period has expired shall not be deemed a valid reason to change the individual’s substitute sponsor.

**NOTE:** Both the substitute sponsor and the individual agree to hold Keller Williams Realty International, its staff, all Keller Williams Realty affiliates and their staffs harmless from any claims related to this substitute sponsorship issue once the grace period has expired and the required notice was not timely given that the true sponsor had joined Keller Williams Realty.

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

- Individuals moving from one Keller Williams Realty location to another, individuals who go to work as an assistant or member of another associate’s team or group, and individuals who leave Keller Williams Realty for a period of time and later return would all keep their original sponsors unless they are away from the Keller Williams Realty organization for at least nine (9) months.

- Upon their return to Keller Williams Realty, after the minimum 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.
Section 5
The Keller Williams Risk Management System

5.1 Introduction

It has become increasingly important that every real estate sales associate and Market Center employ a sound risk management program. The Keller Williams Risk Management Program consists of three components:

- An E&O Insurance Program
- A Homeowners Warranty Program
- A Disclosure Program

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

5.2 E&O Insurance (see Addendum H)

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

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

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

5.3 Home Warranty Program

A homeowner’s warranty, when processed on a particular house, provides insurance coverage to the seller (if applicable) and buyer against problems that may arise on certain items covered by the policy.
5.4 Disclosure Program

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 reduce liability and risk management.

Different states have different disclosures and standards so be sure to check with your TL for a set of disclosure paragraphs or forms that should be used in your state and Market Center. Each Keller Williams Market Center has its own set of available disclosures.
6.1 Estimated Costs to Associates (see Addendum G and Addendum H)

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

- An Annual Accounting Fee is assessed for each associate each year in January. 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.

- A one-time Real Estate Career Manual fee for newly licensed associates. (At the Market Center's actual cost of providing the manual.)

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

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

<table>
<thead>
<tr>
<th>Items</th>
<th>Estimated Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Cards</td>
<td>$55 to $2,000 per 1,000 depending on the type of card ordered</td>
</tr>
<tr>
<td>“For Sale” Signs</td>
<td>See Sign Vendors on KW Intranet Site. See your MCA for USER ID &amp; PASSWORD.</td>
</tr>
<tr>
<td>Name Rider Signs</td>
<td>See Sign Vendors on KW Intranet Site. See your MCA for USER ID &amp; PASSWORD.</td>
</tr>
<tr>
<td>Special Forms</td>
<td>$.55 to $2.75 each depending on the form and number of pages</td>
</tr>
<tr>
<td>Brochures</td>
<td>$.75 and up each depending on the brochure</td>
</tr>
<tr>
<td>Audio/Video Training Tapes</td>
<td>$5.00 and up each depending on the tapes</td>
</tr>
<tr>
<td>Promotional Items (Pens, Koozies, shirts, etc.)</td>
<td>Local Market Center and See Specialty Vendors on KW Intranet Site. See your MCA for USER ID &amp; PASSWORD.</td>
</tr>
<tr>
<td>Lock Boxes/Keys</td>
<td>See local Board/Association</td>
</tr>
<tr>
<td>Quarterly/Annual fees to Board/Association, MLS</td>
<td>See local Board/Association</td>
</tr>
<tr>
<td>Computer Charges</td>
<td>Local Market Center</td>
</tr>
</tbody>
</table>
NOTE: Since some local Market Center fees vary, associates should check the policy in their Market Center for the exact fees that will apply to them.

You control your business expenses. Spend money for these items only when it makes you money!

<table>
<thead>
<tr>
<th>Items</th>
<th>Estimated Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>See local newspaper, magazine and printing—Local Market Center</td>
</tr>
<tr>
<td>Profit Sharing Production Calculation &amp; Processing Fee</td>
<td>20% of gross amount, to a maximum of $10.00, deduction from profit sharing check each month</td>
</tr>
<tr>
<td>Copiers</td>
<td>See MCA.</td>
</tr>
</tbody>
</table>
Section 7
Keller Williams Referral Procedures

7.1 Referral Information

1. Sending Agent Procedures

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

   Confirm the referral fee. The customer referral fee among agents in Keller Williams is _________ of the side of the transaction referred.

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

   Give a copy of the referral form to your TL.

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

2. Receiving Agent Procedures

   Upon receiving the referral form, contact the customer.

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

   Give a copy to your TL.

3. Completing the Keller Williams Referral Information Form

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

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

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

   SECTION 4—REALTOR’S® ACCEPTANCE OF REFERRAL—This should be completed by the receiving agent and returned to the sending agent.
7.2 Status Request/Report Procedures

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

2. Referring Agent Procedures
   Referring agent 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 agent should furnish a copy of the “Status Report/Request” form to his/her TL when sent or received.

THESE FORMS CAN BE DOWNLOADED BY THE MCA FROM THE KW INTRANET.
Section 8

The Keller Williams Recognition Program

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

8.1 Weekly Awards

Each week, the following award is presented:

OOOH Award for those agents with outstanding achievements other than sales. 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 are presented:

The Sales Agent of the Month award goes to the associate who has the highest written sales volume based on a 3% commission.

The Listing Agent 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 Agents 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 Agents 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 are presented:

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

The Listing Agent of the Year award is in recognition of the top listing agent for the Market Center. It goes to the associate who obtains the largest number of qualified residential listings during the calendar year. (In case of a tie, the dollar volume is the tie breaker.)
The **Rookie of the Year** award is in recognition for being the top rookie of the Market Center. It goes to the associate who is new in real estate and has completed his/her first twelve-month period in real estate during the calendar year with Keller Williams® and had the highest closed sales volume.

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

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

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

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

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

The **President's Club** is in recognition of closed sales volume achievement of twelve 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

A Family Reunion Committee shall be established to review and make proposals for the types of awards to be presented annually at the International Convention. Award categories will be published each year on the Keller Williams intranet so all associates will know what categories they could be recognized for at the annual International Convention. The awards categories are updated annually and can be found on the Keller Williams intranet.
Addendum A
Keller Williams Realty Profit Share Accounting Policies and Guidelines

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

A.1 Accounts Receivable

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

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

A.2 Auto Expense

Should not exceed $100 per month.

A.3 Cash

Operating Bank Account signatures should include the TL and Owner(s) only. It is highly recommended that the MCA not be 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 KW Market Center and show on the Market Center’s Balance Sheet. The Owner(s) is the only signature on this account and is responsible for transferring sufficient funds from this account to the operating account to cover the Market Center’s monthly expense budget on a monthly or semi-monthly basis. Therefore, if the transfer does NOT cover the monthly expenses, the TL and MCA are accountable to the Owner(s) to justify the variance when requesting additional funds to cover expenses over and above their monthly budget.

A.4 Franchise Investment

50% 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 Regional Director.
A.5 Contract Labor/Consulting

There are very strict Federal Government and Department of Labor rules 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. Please consult with your Market Center CPA (US) or CGA (Canada) regarding this issue.

A.6 Excess E&O Reserve/Payable

The Excess E&O Payable liability account (reserve account) is capped at $10,000 or 25% of the actual cost of the next year’s Market Center annual E&O premium. The Excess E&O Reserve/Payable limit represents amounts collected from the agents over and above the current year’s annual E&O insurance premium. This account is used once the MC has fully recouped all E&O premiums paid from the Prepaid Insurance account. This reserve is used to pay legal fees and/or the deductible associated with the E&O claims.

If the MC can prove the probability of higher costs associated with E&O due to high deductibles, the KWRI Compliance Department may approve a higher Excess E&O Reserve/Payable cap. The KWRI Compliance Department approval will be in writing to the MC.

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

1. Enter it to an “above the line” Other Income account and profit share the excess over the approved E&O Reserve limit for your Market Center.

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

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

For all Market Centers, except those that are self-insured, the balance of this 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, if there is an overage.

The ALC must approve the expenses related to “Special Events.”

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

A.7 KW (Family Reunion) Convention

This account is used for the OP, TL, and MCA, for the KW Family Reunion Convention. Other Owner 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-line expense. This exception would require Regional Director and the KWRI Compliance Department approval on a Budget Variance Request form.

A.8 KW Debt Allowance

There are two acceptable methods for using this account:

1. Purchase of a fixed asset for which depreciation will NOT be booked “above the line”.
2. The total of your monthly principal payments used to repay debt incurred by the Market Center.

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

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

A.9 Loss Carry-Forward Cap

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

EXCEPTIONS:

If a Market Center experiences:

1. A natural disaster or
2. A national emergency or
3. Normal market fluctuation resulting in a loss

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

Further, when the Market Center achieves: 1) three months of consecutive profit, 2) strong Company Dollar projections, 3) strong cash flow, and 4) a KWRI Financial Statement Review, the Operating Principal may select one of the three LCF Write Off options (see next section.)
When an existing MC is purchased by a new legal entity with different ownership, the new MC owners begin with a zero LCF and are then subject to a capped LCF after the new ownership has transmitted 18 months.

A.10 Loss Carry-Forward Write Off

Overview

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

LCF Rules & Guidelines:

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

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

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

List of LCF Write off Options:

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

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

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

   NOTE: The option you choose must be submitted in writing to the KWRI Compliance Department for approval and copied to your Regional Director. The KWRI Compliance Department must approve your choice so that proper documentation is in the KWRI franchise file for auditing purposes.

A.11 Meals

Should not exceed $200 per month. Travel Meals are also coded to this account.
A.12 Meetings

This account should not exceed $200 per month. Used for renting meeting facilities outside of the MC, i.e. local hall.

A.13 Miscellaneous Expense

This account is not generally used and, if it is, it should be no more than $50 per month.

A.14 Payroll—Agent Sales Assistant Payroll

This should NOT be calculated and reported through MYOB© using the MC Tax ID #. All agents with assistants on the payroll must have their own Federal and State Tax ID# and either process the payroll themselves or contract with a payroll service.

A.15 Payroll—General Manager

GM salary and payroll tax expense must be approved by the Region and the KWRI Compliance Department before allowed as an “above the line” expense and cannot exceed $2,000 per month without approval from the Region and KWRI. Example: A General Manager who closely supervises the Market Center TLs for multiple MCs owned by the same owner.

A.16 Payroll—Leased MC Employees

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

A.17 Payroll—Owner’s Personal Sales Assistant Payroll

Owner’s Personal Sales Assistants can be calculated and reported with MYOB© (using the MC Federal and State Tax ID #) but MUST be, both Gross Salary and payroll taxes, booked as a “below the line” expense. Owner Sales Assistants are NOT an allowable before profit sharing expense.

A.18 Payroll—Designated Broker

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

The other states/provinces may file a request for the Broker Salary to be an Approved Cost. Their request will be considered by the Compliance Department and evaluation will be based on agent count and profitability of the MC.
A.19 Payroll—OP

If a Market Center ALC votes to allow the OP Salary to be included as a KW Approved Cost (before profit share is calculated) the Market Center must submit their ALC minutes to their Regional Director and the KWRI Compliance Department for written approval. OP Salary above the line cannot exceed $2,000 per month. An OP Salary may only be included as a KW Approved Cost if the Market Center is profitable year-to-date for that particular calendar year. If an OP Salary is approved above the line, the same Market Center may not also include a GM Salary above the line.

A.20 Payroll—Productivity Coach

If a Market Center OP decides to use the services of a Productivity Coach, which must be approved by the Region, one of the following procedures must be used to account for the Productivity Coach’s compensation.

- 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 agents before adding a Productivity Coach to its payroll as an employee whose expense is not offset by fees collected from the Associates.

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

A.21 Payroll Service Fees

All fees paid to ADP or any other 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 Compliance Department must also approve it.

A.22 Public Relations

Should not exceed $250 per month.

A.23 Recruiting Incentives

Is used for giveaways of business cards, signs, etc. and should not exceed $100 per month.
A.24 Taxes—Federal Income

Expense can only be claimed when the Market Center is historically profitable. Income Tax is allowed as an expense when the Market Center's Balance Sheet account named "Current Period Profit" exceeds the account named "Retained Earnings" loss and must reflect the actual tax liability as assessed by the federal government and approved by your CPA (US) or CGA (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 CGA (Canada) must submit a request in writing to the KWRI Compliance Department. The Market Center tax liability must be viewed as "stand alone". (This liability cannot be commingled with other tax issues of the owner.) If the Market Center prior year losses derived a decrease in owner taxes in that prior year, the owners should not take taxes as a "before profit sharing" expense until the Market Center is historically profitable.

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

This expense is allowed as a MC expense before profit sharing for all legal entity types no matter who writes the check to the federal government. If the MC is a Limited Liability Company, for example, the Market Center does not write the income tax check to the IRS directly. The owner receives a K-1 and writes the check to the federal government. According to the Franchise Document, income tax is a valid KW Approved Expense and is recorded via a Journal Entry in MYOB© to record this “above-the-line” before profit sharing expense to the account named “Taxes – Federal Income” and then reversed “below the line” using the account named “Reverse Taxes – FIT”.

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

A.25 Telephone—Long Distance

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

A.26 Travel

Account is now named Travel/Lodgings. All traveling expenses, including lodging and airfare, are booked to this account.

A.27 OP Expenses

For all training courses and events required by KWRI is an allowable “above-the-line” or before profit sharing expense.

A.28 Opening Costs Versus Organizational Costs

Costs incurred prior to the MC opening their doors for business, can be capitalized and booked to Organizational Costs. This is different than the first purchase of advertising,
printed material, signs, supplies, and phone installation for the MCs use 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 or KW Solutions Consultant 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. For example, January data will be transmitted on February 3. Market Centers transmitting late are assessed a Transmittal Fee of $100 per day and are subject to any additional fee as stated in the applicable Market Center License Agreement. These fees will be collected through electronic transfer of funds, such as the Automated Clearinghouse system. These fees are NEVER waived for any reason.

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

2. Direct Withdrawals to KWRI for the monthly profit share and franchise royalty is 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 as outlined in your Franchise Document. This Late Fee is NEVER waived for any reason.

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

3. No one within the Keller Williams Realty system is allowed to sign over his or her profit share position to any other entity. The only exception is in the case of death when the position is assigned to the estate upon proper notification to KWRI of the death.

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

5. It is important to pay attention to the date of a check issued to your agent and record the closing in the correct 1099-year. If the Title Company or attorney cuts the check it is very important to record the closing in the same month as the agent check date. If the MC cuts the check, pay attention to the date of the check and record the closing in the same month as the check is dated. This is especially critical if a closing occurs in December and the agent's check is issued in January. The federal government requires taxable income payments be recorded in the month they are paid.

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

7. Accounting Errors—When an accounting error is discovered in a transmitted Market Center Financial Statement, the correction is entered into the current transmittal month. If the correction amount is material ($2,000.00+) the MC has the option to write off the correction over a 1–6 month period with Regional Director and KWRI Compliance 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. **Guidelines for Incubation of Associate(s) in a Market Center**—It is common for a Market Center (referred to as “New MC”) to incubate in an existing Market Center (referred to as “Existing MC”) prior to leasing space and opening for business. When this occurs, please refer to the following guidelines regarding the structuring of income generated by the incubating associates, reimbursements to the Existing MC, etc.

   a. Associates are input into the Existing MC’s WinMORE program and begin conducting business as usual. Associate caps are input using default amounts for this Existing MC.

   b. The Existing MC agrees to pay any portion of the Company $, if agreed upon in advance between the OPs of the Existing MC and the New MC. This payable is recorded at each month’s end, before transmittal, and is coded to debit account #6-9157 “Co $ Paid to Other MC,” and to credit a MC user defined account, which is renamed to “MC # Payable,” in the current liability category. This expense offsets the Company $ generated in the Existing MC.

   c. When the New MC receives their software and all associate real estate licenses are transferred to the New MC, the Existing MC will remit a check to the New MC for the balance in the New MC Payable account. The New MC will then input their associates and begin recording all closings through their own WinMORE program.

   d. Existing MC will print an Anniversary DA Company Dollar & Anniversary DA Royalty report for each of the incubated associates. The New MC will use these reports to reduce the Enter–Associates record cap figures (under “Commission” tab) to reflect the amounts paid at Existing MC.

   e. The associates will have these reduced caps for the remainder of their current Anniversary year. At the beginning of their next Anniversary year, New MC will edit caps back to the full MC default cap amounts.

10. **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 agents and recorded as Other Income (e.g., copies, desk space) and should be recorded to GL accounts 8-0010 thru 8-0160 (or the corresponding accounts for Market Centers in Canada).
c. External Income is defined as Market Center expenses that are billed to entities outside of the business and recorded as Other Income (e.g., mortgage companies, title companies) and should be recorded to GL accounts 8-7000 thru 8-7260 (or the corresponding account for Market Centers in Canada).

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

12. 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: See “Binding Sponsorship Agreement” on page B-1 for the complete Binding Sponsorship Agreement which will be executed by the Associate, their Team leader, the MCA and a witness. The Binding Sponsorship Agreement must be printed from the WinMORE System by the MCA.

Choosing a “Sponsor” is a very important decision that you must consider wisely since the person you choose will be your “sponsor for life.” The Profit Share System was implemented to reward Keller Williams’ employees and associates for helping to build the Company by attracting new, talented and productive members.

The “Spirit of the System” is that the person named as your “sponsor” is that person whom you feel is the person “primarily responsible” for bringing you to Keller Williams Realty. It may or may not be the first or last person who talked to you about joining Keller Williams Realty—during your considerations, you may in fact have met with many people in the company. Your Sponsor should be the person most instrumental in bringing you to these serious discussions. It is similar to the “procuring cause” issue that is traditional in the real estate business.

Please know that any person in a leadership position is ethically bound to honor the leads given to them by other Keller Williams family members. While you may consider one of these people as your Sponsor because they made personal contact with you, that leader must insure that you name as your Sponsor the person who actually referred you to them. These leadership positions include:

- Keller Williams International Staff
- Regional Owner/Director/Administrator
- Market Center Owner/Team Leader/Administrator

“Sponsorship” is not related to the following:

1. Whose team you join.
2. Any promises to help you.
3. The Team Leader’s presentation.
4. Someone wanting or thinking they should be your Sponsor.
5. Any other benefit offered to you to join Keller Williams Realty.
6. Any promise to mentor.

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

If you are joining Keller Williams and are the primary reason others come along with you (spouse, family member, partner, staff, etc.) you will want to consider how you are “stacked” in the KW Profit Share Sponsorship Tree. After you have picked your primary Sponsor, these others may name you as their sponsor, if they so choose. You may do this in such a way as to maximize the profit share you can receive (i.e. a husband and wife may decide to have the producing spouse name the other spouse as their sponsor so that they may actually receive profit share from their own production).

If you bring family or team members with you, the only requirement is that they are actively in the real estate business with you—if they are an administrative staff member, they do not need to be licensed to receive profit sharing. Once with Keller Williams, you and each of your family or team members may also sponsor new people and build their own profit share tree. Please discuss all of this with the Team Leader or Owner of the Keller Williams Market Center you are joining. You want to make the right decisions now, because your decision won’t be able to be changed later.

Fully understanding the meaning of “Sponsorship”, the undersigned hereby designates____________________________________________ as his/her sponsor for purposes of the Keller Williams Profit Sharing system.

The undersigned, by execution hereof, understands that the designation of a sponsor, once designated, can only be changed by one of the three following circumstances listed below:

1. CHANGE OF SPONSORSHIP (“Change of Sponsorship” on page 4-55)

   If a clerical mistake is made by the Market Center, the mistake can be corrected by the Associate submitting a written statement of the clerical mistake, and a copy of this document which named your correct sponsor, to the Team Leader. The statement must be approved and signed by the Team Leader and Regional Director within 90 days of the Associate’s start date.

   If the error is not noted within 90 days of Associate’s start date, then the Associate’s sponsor, as entered into the MORE system, shall remain unchanged.

2. CHANGE OF SPONSORSHIP WHEN RETURNING TO THE MARKET CENTER OR JOINING ANOTHER MARKET CENTER AFTER AN ABSENCE OF 9 MONTHS OR LONGER (Non-Vested) (See page 4-56)

   Individuals moving from one KWR location to another, individuals who go to work as an assistant or member of another associate’s team or group and individuals who leave KWR for a period of time and later return would all keep their original sponsors unless they are away from the Keller Williams organization for at least nine (9) months. Upon their return to KW, 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.

3. SUBSTITUTE SPONSORSHIP (“Substitute Sponsorship” on page 4-56)

   The Associate’s “true sponsor”___________________________________________, is currently a licensed real estate salesperson, associate broker, broker or staff person
of another company, or a person who has not yet joined Keller Williams Realty. Upon this person’s joining Keller Williams Realty, and the Associate informing the staff in writing, the Associate’s substitute sponsor will be changed to designate this named person as the Associate’s sponsor. The Associate hereby designates ___________________________ to be their Substitute Sponsor when they first enter the Keller Williams system, and by signature below understands this individual will remain their sponsor unless notification is given within the first 90 days.

If the “true sponsor” does not join Keller Williams Realty within 90 days of the Associate’s start date, or if the proper notices are not given within the 90 day period, no changes to the Associate’s sponsor in the system will be made.

Executed and agreed to this __________ day of __________________________, 20____

____________________________________
Associate’s Printed Names

____________________________________
Associate’s Signature

____________________________________
Witness Signature

____________________________________
Team Leader Signature

____________________________________
MCA Signature
Addendum C
Keller Williams Realty International
Policy Statement
Securities Offering

1. The following policies apply to offerings in Keller Williams Market Centers and Regions by Market Center owners and Regional Directors.

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

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

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

5. You must submit your offering materials and a $2,000 review fee to International at least 30 days before you commence the offering.

6. If coverage is available from you insurance company, we require an endorsement to your E&O insurance policy.
Addendum D
Points of Information—Internal Dispute Resolution

Internal Dispute Resolution – Section 20.04(a) & (b) of 2003 UFOC

KELLER WILLIAMS

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

January 14, 2003

Purpose

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

D.1 Program Characteristics

1. Program Scope

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

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

2. The Arbitrators

   Disputes will be submitted to panels composed of three arbitrators. The list of eligible arbitrators will be chosen by International’s CEO from among the members of the President’s Advisory Council and from among Regional Operating Principals and Regional Directors who indicate a willingness to serve as arbitrators.
Arbitrators will be charged to act fairly and without bias. An arbitrator may not participate in a panel if any party involved in the dispute is a business associate, personal friend or relative (by blood or marriage) of the arbitrator.¹

3. Participation Fee

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

4. Oral Presentations Only in Special Circumstances

Except in rare cases, the arbitration proceedings will be conducted through submission and examination of documents. However, both parties will be permitted to submit 30-minute tape recordings in which they personally explain and argue their cases. There will be no depositions, oral testimony or hearings. If a situation is unusually complicated or sensitive, the parties may petition International’s CEO to authorize the arbitrator to hear oral arguments (but no testimony) in person at International’s offices in Austin, Texas. If International’s CEO authorizes a hearing, the parties must pay International 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 International intercede on their behalf with the arbitrator. One-sided contact with an arbitrator or an International 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.

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¹ 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% 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).
complete to the party’s best knowledge and belief. Also, all letters, agreements and other exhibits a party submits in support of his or her position must be covered by a certificate, signed and sworn to before a notary public, that the document submitted is an authentic and complete copy of the original. Arbitrators will be instructed to disregard statements of facts and exhibits that are not properly certified.

7. Protection of Arbitrators

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

8. Use of Documents in Litigation

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

9. Advice of International’s Legal Counsel

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

D.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 International’s Legal Director, with a copy to International’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.

International’s Legal Director 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 Legal Director will send the materials via certified mail or commercial courier.

2. The Respondent’s Reply

If the Respondent wishes to participate, he or she will sign and return the Participation Agreement to International, 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 International’s Legal Director, he or she will be deemed not to want to participate. In that case, International’s Legal Director 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, International’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, International’s CEO will select the arbitrator.

After the arbitrators are selected, International'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. Legal Director will orally notify the participants and the arbitrators of the arbitration panel's composition and the Corresponding Arbitrator’s selection. The Legal Director 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 criticizes 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 International’s CEO or Legal Director.

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.

D.3 Required Forms

Initial Letter
Arbitrators’ Oath
Participation Agreement
Certificate for Statement of Facts
Arbitrator List
Certificate for Exhibits
Addendum E
The Keller Williams Realty
Real Estate Professional's Creed

I am a professional REALTOR®. 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 F
National Code of Ethics/Standards of Practice

Each local Market Center is to input the most recent version of the NAR Code of Ethics.
Addendum G
Commission Policy of a Market Center

1. **Commission Split**—The associate is paid a ____________________ commission split until the Market Center’s portion of the closed commissions generated by that associate has reached _____________ during the associate’s fiscal or anniversary year with this MC.

2. **100% Commission**—When the Market Center’s portion of closed commissions generated by the associate has reached _____________, the associate shall then receive 100% commission on all transactions closed and funded during the balance of their fiscal year.

3. **Commission Transaction Fee**—A commission transaction fee of _____________ will be paid by the 100% associate (with a cap of _____________ per month) to the Market Center on all sales and listings sold and funded. If two 100% associates are splitting a transaction, they shall split the transaction fee. If the transaction fee is a sale and a listing sold, each 100% associate will pay a transaction fee.

4. **Personal Real Estate**—(Buying, Selling and Leasing)

   Purchasing or selling your personal residence and/or investment properties is one of the greatest advantages you have as a real estate professional, and it is our goal to preserve this advantage. The following guidelines apply to personal transactions:

   a. The minimum company dollar contribution which must be maintained before any personal properties can qualify, without paying the company a portion of the commission, is _____________ annually based on each individual associate’s anniversary date with the company.

   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 _____% 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 company 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 company a real estate commission on the side of the transaction that involves another associate in the MC.

   d. Transaction Fee for 100% Associates: This fee shall 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.

5. **New Associate/Production-Level Commission Plans**—The commission plans for newly licensed and/or inexperienced associates is as follows:
Addendum H

Miscellaneous Policies & Fees of a Market Center

Keller Williams Realty International Policies and Guidelines Manual

1. **Auto Insurance**—Each sales associate must provide the company with evidence that he/she has secured and continues to maintain the appropriate endorsement on his/her automobile insurance policy in the minimum amount of $300,000/$100,000/$50,000, naming "Keller Williams, _____(legal name of Market Center)_______ as additional insured.

2. **E&O Insurance**—The firm will carry E&O insurance on every transaction closed. A portion of the cost of this insurance will be paid by the associate as follows:

   Other E&O Details:
   - Policy exceptions._________________________________________
   - Amount of coverage per occurrence. __________________________
   - Amount of aggregate coverage. ______________________________
   - How does it work? __________________________________________
   - Who is covered?____________________________________________
   - What is covered? __________________________________________
   - Who is the Underwriter?____________________________________

3. **Unpaid Bills**—Your Market Center is not in the lending business. Therefore, any outstanding bill is due and payable within ________ days from the date the associate received the bill. If the firm has not received the payment within the first seven days, there will be a late charge of ____________.
4. **Keeping in Contact with your Market Center**—Generally, our Market Centers are open from ________ to ________ Monday through Friday and ________ to ________ Saturday and Sunday. We suggest you contact your Market Center at least every four or five hours. Always check in when you enter the MC and check out when you leave. When you are off you should check in with the Market Center at least once each day, the only exception being if you are out-of-town and have another associate who will be covering your business for you.

5. **Other Market Center Fees**—
Addendum I
Agency Policy of a Market Center

KWRI Policies and Guidelines Manual

All associates are to abide by the following guidelines as they relate to the local and state policy on agency relationships:
Addendum J
Policies for Teams and Groups of a Market Center

KWRI Policies and Guidelines Manual

Due to federal anti trust laws, Keller Williams Realty International does not establish any guidelines to be followed in determining the commission structures of husband & wife teams, other teams and/or groups of sales associates compared to that of an individual sales associate. The Market Center Owner/Broker will establish guidelines for each of their business operations, and the policies that pertain to this MC are as follows:
Addendum K
Policy Manual Acknowledgement

I have read the Keller Williams Policy and Guidelines Manual, I understand it fully, and agree to abide by the Policies and Guidelines set forth.

_________________________
Associate Signature

_________________________
Date

_________________________
Market Center Address

NOTE: Keep one copy for the Agent
Keep one copy for the TL
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