

**Berkshire Hathaway
Texas Realty
Policy
&
Procedure Manual**

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Table of Contents

Table of Contents	2
Introduction.....	7
Company Introduction	7
Mission Statement	8
ADDENDUM TO INDEPENDENT CONTRACTOR AGREEMENT	10
1. PERMITTED ACTIVITIES	11
2. COMMISSIONS.....	12
2.1 INDEPENDENT CONTRACTORS.....	12
2.2 LISTING COMMISSION.....	12
2.3 ROYALTY FEE(S)	12
2.4 AGENT BILLING POLICY	12
2.5 Unauthorized Charges & Personal Liabilities of Agent	13
2.7 FOR SALE BY OWNER PROPERTIES	13
2.8 TRUST DEEDS & NOTES IN LIEU OF COMMISSIONS	13
2.9 PAYMENT OF COMMISSION TO ASSOCIATES.....	13
2.10 COMMISSION SCHEDULE	15
2.11 MULTIPLE REALTOR ASSOCIATE INVOLVEMENT.....	16
2.12 TEAM GUIDELINES.....	16
2.13 BONUSES	18
2.14 BUYING AND SELLING PROPERTY FOR YOUR PERSONAL ACCOUNT	18
2.15 PURCHASE.....	18
2.16 SALE	19
2.17 REFERRAL FEES AND COMMISSIONS	19
2.18 RIGHTS TO COMMISSION AFTER TERMINATION	19
3. CONVENTION INCENTIVE PROGRAM	21
4. ADVERTISING.....	22
4.1 AGENT ADVERTISING	22
4.2 BLIND ADVERTISING.....	22
4.3 REGULATION Z REQUIREMENTS	22
4.4 TRUTH IN LENDING CONSUMER CREDIT COST DISCLOSURE GUIDE FOR ADVERTISING	23
5. AGENCY.....	24
5.1 GENERAL.....	24
5.2 COMPANY AGENCY POLICY.....	24
6. COMPANY AGREEMENTS.....	26
6.1 GENERAL PROCEDURE.....	26

7.	ANTI TRUST COMPLIANCE	27
7.1	GENERAL.....	27
7.2	DANGEROUS WORDS AND PHRASES.....	27
8.	AWARDS	28
9.	FLOOR TIME/PHONE DUTY	29
9.1	GENERAL.....	29
9.2	OFFICE HOURS.....	29
9.3	FLOOR SHIFTS.....	29
9.4	SPECIFIC RULES.....	29
10.	LEGAL	30
10.1	ATTORNEYS.....	30
10.2	DISPUTES WITH CLIENTS.....	31
10.3	DISPUTES WITH ANOTHER BROKER.....	31
10.4	DISPUTES BETWEEN COMPANY REALTOR ASSOCIATES.....	32
10.5	ERRORS & OMISSIONS INSURANCE COVERAGE.....	32
11.	OFFICE MEETINGS	34
11.1	GENERAL.....	34
11.2	SALES MEETINGS.....	34
12.	REAL ESTATE BOARDS AND MULTIPLE LISTING	34
12.1	MEMBERSHIP.....	34
13.	REFERRAL/RELOCATION POLICY	35
13.1	GENERAL POLICY.....	35
13.2	CUSTOMER/CLIENT REGISTRATIONS.....	35
13.3	INCOMING BROKER TO BROKER REFERRALS.....	35
13.4	OUTGOING BROKER TO BROKER REFERRALS.....	36
13.5	RELOCATION BUSINESS.....	36
13.6	REFERRAL FEES.....	37
14.	TELEPHONE	39
14.1	GENERAL.....	39
14.2	SUMMARY.....	39
15.	TRAINING	39
15.1	TRAINING POLICY.....	39
15.2	CONTINUING EDUCATION PROGRAM.....	40
16.1	GENERAL.....	40
16.3	ACCEPTANCE OF OFFERS.....	41
16.4	MULTIPLE OFFERS.....	42
16.5	BACK UP OFFERS.....	42
16.6	REPORTING A LISTING/SALE TO THE OFFICE.....	42

16.7	OFFICE COPIES	42
16.8	LISTINGS.....	43
16.9	RESPONSIBILITIES OF LISTING REALTOR ASSOCIATES.....	43
16.10	ASSUMPTION OF A LOAN.....	44
16.11	SELLER FINANCING	44
16.12	WALK THROUGH INSPECTION	44
16.13	GOVERNMENTAL INSPECTIONS.....	44
16.14	EMPTY HOUSES	44
16.15	EARNEST MONEY DEPOSIT	45
16.16	ADDITIONAL EARNEST MONEY DEPOSITS.....	45
16.17	EARNEST MONEY DEFAULTS OR REFUNDS	45
17	PERSONNEL.....	47
17.1	INDEPENDENT CONTRACTOR	47
17.2	NON-DISCRIMINATION	47
17.3	PUBLIC IMAGE	48
17.4	OFFICE APPEARANCE.....	48
17.5	OFFICE SECURITY	48
17.6	CONFIDENTIALITY.....	48
17.7	CHANGES IN ADDRESS AND TELEPHONE NUMBERS.....	49
17.8	INSURANCE ON PERSONAL EFFECTS.....	49
17.9	SMOKING POLICY	49
17.10	DRUG AND ALCOHOL USE	49
17.12	ORIENTATION	50
17.13	BUSINESS CARDS	50
17.14	REALTOR ASSOCIATE EXPENSES	50
17.15	DRESS CODE.....	50
17.16	FAMILY MEMBERS OR CHILDREN IN THE OFFICE	50
17.17	CONDUCT.....	50
17.18	AUTOMOBILE INSURANCE	51
17.19	ILLNESS OR INJURY	51
	Workers' Compensation Requirement	51
17.20	TERMINATION NOTICE	51
17.21	RESIGNATION OF REALTOR ASSOCIATE	52
17.22	ASSOCIATES WORKING AS TEAMS	52
17.23	RECRUITING OTHER REALTOR ASSOCIATES	52
17.24	POLITICS.....	52
18.	SEXUAL HARASSMENT	54
18.1	HISTORY	54

18.2	POLICY.....	54
18.3	SUMMARY	55
19.1	OFFICE EQUIPMENT & SUPPLIES.....	55
19.2	COPY MACHINE	55
19.3	COMPUTERS	56
A.	Use Information Systems Policy.....	56
19.4	POSTAGE.....	58
19.5	STATIONERY.....	59
19.6	PRINTING OR PURCHASING FORMS	59
20	REALTOR ASSOCIATE ACTIVITY	59
20.1	WORK SCHEDULE.....	59
20.2	OPEN HOUSES.....	59
20.3	TRAINING.....	60
20.4	SHARING INFORMATION	60
20.5	SHOWING PROPERTY	60
20.7	NOTIFYING OWNERS BEFORE SHOWING PROPERTY	61
20.8	REIMBURSEMENTS.....	61
22.	SIGNS & LOCK BOXES	62
22.1	GENERAL POLICY	62
22.2	FOR SALE SIGNS	62
21.3	KEYS - CONTROL AND USE	62
21.4	LOCK BOXES.....	63
22.	BUSINESS ETHICS.....	64
22.1	GENERAL.....	64
22.2	USE OF COMPANY FUNDS OR PROPERTY.....	64
22.3	PAYMENT TO OTHERS	64
22.4	COMMISSION AGREEMENTS AND DISPUTES	64
22.5	CODE OF ETHICS	65
22.6	LICENSE RENEWAL AND TRANSFERS	66
23.	PERSONAL ASSISTANTS.....	67
23.1	EMPLOYEE OR INDEPENDENT CONTRACTOR.....	67
23.2	COMPENSATION.....	67
23.3	USE OF COMPANY EQUIPMENT & FURNITURE	67
23.4	TRANSACTION COORDINATOR FEE.....	67
23.5	HOLD HARMLESS.....	68
23.6	TRANSACTION COORDINATOR DISCLOSURE.....	69
1.	INDIVIDUAL AGENT RETIREMENT PROGRAM	71
1.	CONVENTION INCENTIVE PROGRAM ADDENDUM.....	74

2.	REALTOR ASSOCIATE RECRUITING INCENTIVE PROGRAM ADDENDUM	75
4.	CONTINUING EDUCATION REIMBURSEMENT PLAN ADDENDUM	77
5.	AGENCY ADDENDUM	78
6.	DO-NOT-CALL-REGISTRY ADDENDUM	81
7.	ANTI-SPAM-ADDENDUM	84
8.	COMMISSION POLICY ADDENDUM	87
11.	Berkshire Hathaway HomeServices Texas Realty Property Management Policy Addendum	89
11 A.	PROPERTY MANAGEMENT DISCLOSURE AGREEMENT	92
11 A.		94

Introduction

The office policies and procedures are provided in this manual for the standard operating procedures of Berkshire Hathaway HomeServices Texas Realty. The Office Policy Manual is to be used as a guide in your day to day operations as a member of this firm. It will help promote cooperation among Associates and between Associates and Management. The manual provides clear understanding of standard practices and procedures to help avoid disputes and also to help settle disputes. And lastly, the manual will help you by guiding you in your activities and hopefully enhance your productivity.

The right to amend and change content of the Office Policy Manual is reserved for the Broker on an as needed basis. The amendments and changes shall be reviewed during meetings directly following any change to the policy. It is the responsibility of each Associate to keep abreast of all policy changes and to understand the policy set forth. Absence from any meeting discussing changes to policy does not provide an exemption to any Associate from these responsibilities.

Management will, from time to time, make additions and revisions, which will be announced and published to become effective upon notice. A copy of this Manual is always available for reference. Berkshire Hathaway HomeServices Texas Realty is herein referred to as Company, Broker, Office, Realtor, Firm or Management, and Associates shall be referred to as Associates. The association of the Company to its Associates is that of Independent Contractor and no Employer/Employee relationship exists or is to be implied from any title, provision, or language used in this Manual. This Manual and the Independent Contractor/Broker Agreement signed by the sales agent and broker constitute the total agreement between Broker and Sales Associate.

Company Introduction

Berkshire Hathaway HomeServices Texas Realty is a member of the Austin Board of REALTORS®. Each Associate, after association with the Company, shall make application for membership in the Austin Board of REALTORS® within 30 days of receipt of license from the Texas Real Estate Commission.

Each Associate in this Company shall read the Code of Ethics as set forth by the National Association and the codes adopted by our local Board and Multiple Listing Service. It is a must that every Associate live up to these codes. It is fundamental to say that this Company strives to build a solid reputation of ethical behavior for all.

Mission Statement

It is the mission of Berkshire Hathaway HomeServices Texas Realty to build an environment that attracts and retains a team of quality real estate professionals and assists them in being exceptionally productive and profitable in the greater Austin market. This environment is based on a commitment to and responsibility for the highest standards of performance, trust and customer service.

Function & Scope

Our primary service area will be Greater Austin including Travis, Williamson, Hays, Bastrop, Bell, and Caldwell Counties.

We will provide excellence in market evaluations, counseling on pricing of homes, negotiating and closing transactions.

We will provide skilled assistance in locating homes for our buyers, writing offers to purchase and arranging financing.

We will seek out investment opportunities for investors concentrating on residential and commercial investment properties.

Message from the Chairman

I would like to take this opportunity to welcome you to our Company.

We believe in providing our customers and Realtor Associates the finest possible service and the greatest possible opportunity for personal and economic satisfaction.

We believe that the customer always comes first. Every sale must be carefully handled and each Listing presented honestly. Buyers and sellers and other agents are to be dealt with in an honest and forthright manner with enthusiasm, friendliness and understanding.

Satisfied customers will tell others about us. Agents who have been treated right will want to work for us and our endeavors will earn the respect due a quality organization.

The objective of our Company is to make a profit and enjoy our work while displaying the highest degree of integrity.

We support the Realtor Code of Ethics, the Multiple Listing Rules and the Laws and Regulations of the State in which we operate.

Again, welcome to our Company and the beginning of your future success.

Sincerely,

Dede Jenkins
Chairman and C.E.O.

ADDENDUM TO INDEPENDENT CONTRACTOR AGREEMENT

The Realtor Associate has entered into an Independent Contractor Agreement with Berkshire Hathaway HomeServices Texas Realty on _____ and this contract is hereby amended as follows:

1. Company has made available to Realtor Associate a copy of the office Policy & Procedures manual which may also be checked out from the office manager.
2. Realtor Associate hereby acknowledges and certifies that she/he has read and fully understands the provisions contained herein.
3. Both parties acknowledge that the Policy & Procedures manual is a part of the Independent Contractor Agreement and should any conflicts exist between the two documents, the Policy & Procedures manual shall prevail.
4. Realtor Associate understands and agrees the Policy & Procedures manual is the property of Berkshire Hathaway HomeServices Texas Realty and is not intended for distribution outside of the Company.

Berkshire Hathaway HomeServices Texas Realty

Realtor Associate

Date: _____

Date: _____

1. PERMITTED ACTIVITIES

Berkshire Hathaway HomeServices Texas Realty is in the business of selling and leasing real property. Our Professional Liability Insurance covers activities related to the sale and lease of real property only.

No coverage is provided for the following related activities and therefore practice in the following activities is strictly prohibited.

- A. Property Management (See Property Management Addendum)
- B. Appraisal
- C. Title Agent
- D. Escrow Agent
- E. Mortgage Loan Officer or Broker
- F. Insurance Agent or Broker

2. COMMISSIONS

2.1 INDEPENDENT CONTRACTORS

- A. Realtor Associates are independent contractors and will have a written agreement with the Company stating such. The Company will provide the Realtor Associate with a comfortable, pleasant office environment, telephone services, and copy and fax machines.
- B. Desk space is available at a cost. Please see management.
- C. As an independent contractor, Realtor Associates are required to pay their own withholding taxes, social security taxes or any other deductions required by State or Federal Law.
- D. Realtor Associates are reminded that the Broker is responsible for their authorized acts. It is our belief that if Realtor Associates adhere carefully to the following guidelines, the Broker will never have occasion to appear before the Real Estate Commission in their behalf.

2.2 LISTING COMMISSION

The Company has established its standard commission as 6% of the sales price for all residential properties (one to four units) listed for sale.

2.3 ROYALTY FEE(S)

Prior to the calculation for any commission splits, a Berkshire Hathaway HomeServices royalty fee of 7% will be deducted from the gross commission received.

2.4 AGENT BILLING POLICY

As a service to our licensed professionals, certain routine expenses are paid on behalf of agents and billed to the agents on a monthly basis. It should be noted, however, that as an Independent Contractor, each team member is responsible for specific financial obligations and any other obligations that is borne by the Associate should not be construed as an obligation of the company. No Associate may bind the company to any form of contract for services or merchandise. Payment for any product or service requested by an Associate shall be the sole responsibility of that Associate. Typical expenses may, at the option of the firm, be paid by the firm and billed to team members. (Examples are special supply orders authorized by management, business cards and overnight mail.)

The Company has a billing system in place for Realtor Associates which include items such as Error and Omissions Insurance payments, Signs purchased ABOR charges, etc.

Realtor Associates will receive an individual company billing statement by the 5th of every month. Payment is due by the 10th of every month, to the accounting department at Northland. Payment

not received by the 10th will automatically be deducted from the next available commission. No Exceptions.

Should a double payment occur, a check would be issued to repay the credit within 3 business days. There will be a \$25 charge for each insufficient check. The volume flowing through accounting every day does not allow for exceptions.

2.5 Unauthorized Charges & Personal Liabilities of Agent

The Company shall not be liable to the Associate for any expenses incurred by them or for any of their acts. Any and all expenses not otherwise stipulated in this Manual, shall be the responsibility of the Associate and be held liable to the Company. Associates have no right to spend the money of the Firm without the consent of Management. Only Management can authorize charges to be billed to the Company. Any Associate authorizing charges without prior approval from Management will be solely responsible for such.

2.6 Personal Insurance of Personal Property

All associates using personal property in the office or in their business activities is advised to carry insurance through their personal homeowner's insurance carrier or other required insurance as brokers insurance does NOT provide coverage for personal property. While every effort to keep our offices secure is always of the utmost concern, management and Berkshire Hathaway HomeServices Texas Realty cannot be held liable for any loss of furniture, equipment or other personal items brought on the property

2.7 FOR SALE BY OWNER PROPERTIES

- A. The Company will recognize For Sale By Owner (FSBO) transactions as "Co-op" sales and usually accept the commission offered by the seller. A signed disclosure must be obtained from the FSBO seller stating that the Company represents the buyer only. This disclosure is to be the current TREC Information About Brokerage Services Form and signed by all parties.
- B. If the FSBO seller wants Company representation in the transaction, the Company will serve as *an Intermediary* and the commission due shall reflect the representation provided by the Company. The current TREC Information About Brokerage Services Form shall be signed by both buyer and seller. *Both buyer & seller must be notified that the company is acting as an intermediary using the current Notification of Intermediary Relationship Form & sign where indicated.*

2.8 TRUST DEEDS & NOTES IN LIEU OF COMMISSIONS

On occasion Realtor Associates may be asked to take commission in the form of a note secured by a deed of trust. It is the position of the Company to not be involved in this situation. A Realtor Associate may elect to take their portion of the commission in the form of a note, but the Company's portion must be paid in cash.

2.9 PAYMENT OF COMMISSION TO ASSOCIATES

- A. Payments for commission will be paid by the Company only after escrow has closed and all required documents are in the file and reviewed by Management. If the Company's accounting department receives the Contract to Closing Form signed by a Sales Manager, the fully executed contract, and the Settlement Statement 24 hours prior to closing, the accounting department will instruct the escrow agent to disburse the Realtor Associate's portion of the commission directly to the Realtor Associate as soon as the closing is funded.
- B. Payments to the Realtor Associate will be on a commission basis only. Realtor Associates will receive a percentage of the commission generated from the successful close of escrow of his/her side of the transaction.
- C. Commissions due the Company cannot be deferred without the express written permission of Management.
 - 1. If a commission is deferred, the payments of any commission to the Realtor Associate will not be made until all funds are received and any costs of collection paid.
 - 2. Decisions to take legal action to collect fees due shall rest solely with Management. Expenses of collection shall be deducted from the total amount recovered and the balance paid to the Realtor Associate in accordance with the Schedule of Commissions.
 - 3. It is understood, however, that if an arbitration hearing or a lawsuit is lost, the Realtor Associates involved will share in all expenses connected with the proceeding, including any award of commission, in the same proportion as they shared in the commission at closing.
- D. Master File Closing Instructions

Files & Documents: In any transaction related to Broker's real estate business in which Associate is involved, Associate must provide, within 72 hours, fax, e-mail or DotLoop copies of all contracts, agreements, disclosures, correspondence, data, and other information related to the transaction. These copies will be maintained at Brokers office. **All required Closing documents are required prior to Broker issuing "Commission Disbursement Authorization" [CDA].**

The Associate is responsible for placing documents in the Broker's file until the file is closed, due to a closing, the expiration of the listing, or the expiration of the agency contract. Closed and expired files are maintained by the office secretary for at a minimum of four years according to TREC regulations and possibly seven years for the IRS.

For the protection of all parties, **all agreements MUST be in writing** and shall be in clear and understandable language expressing the specific terms, conditions, obligations, and commitments of the parties. A copy of each agreement shall be furnished to each party upon their signing or initialing.

1. Every effort will be made by Management and Accounting to timely process the paperwork that you turn in. Disbursement cannot occur until all paperwork has been processed.
2. The Accounting Department (all staff in Accounting) have been instructed to refer all calls from Agents or Title Companies to Management. In an effort to make sure accounting can concentrate on the timely processing of your paperwork, we ask that you refer all concerns that would necessitate a call to Accounting to your Manager.
3. When a HUD statement is received from a title company for which we have incomplete paperwork, Accounting will instruct the Title Company to send the entire disbursement directly to Prudential Texas. Any funds due to an agent will be disbursed in-house after the required paperwork is received.
4. When a HUD statement is received from a title company, for which we have all of the required paperwork, Accounting will process the transaction within 2 hours of receipt. However, any HUD statement received after 3 p.m. will not be processed until the next business day.
5. All leases and referral fees require full documentation be turned into Management. For Leases: fully executed lease, Contract to Close form for Leases, Tenant Representation Agreement (if our tenant), listing agreement (if our lease listing). For referrals: fully executed referral agreement, including a tax id number, or a W-9 form in the absence of a tax id number. Checks for leases and referrals fees will be sent to each office by daily courier service. Checks cannot be picked up at the accounting department.
6. Monies owed to the company continue to be billed on the 5th and are due on the 10th of each month. These bills must be paid in a timely manner and we expect to receive a check from you for the full amount. If a closing takes place and you have bills outstanding, those amounts will be deducted from your commission (no exceptions). However, if a check for payment crosses a deduction from a commission, the company will reimburse the agent within three business day of written request received by Accounting from Management.
7. The fax number of the Accounting department is 512-483-6089.

The company and the management team are not perfect, and we do not demand perfection from you. We commit to you that we will make every effort to "get it right", but we need your commitment to turn in your paperwork in a timely manner, and reduce the "secret contract" syndrome.

2.10 COMMISSION SCHEDULE

- A. All commission splits and commission base periods are defined in the commission schedule contract signed by each Realtor Associate.
- B. The starting commission split for an experienced Realtor Associate who joins the Company will be determined by where the Associate's net earnings during the preceding 12 months places him on the commission schedule. Net earnings will be reflected by the most recent

1099 or reflected by pay stubs from prior Broker or company.

- C. All new licensees will start at level #1 of the commission schedule.
- D. To qualify for the commission split levels shown on the Commission Schedule Addendum, the Realtor Associate must be currently associated with the Company at the time the transaction closes escrow. If a Realtor Associate is no longer with the Company when the transaction closes, a 30% Company referral fee will be charged to the transaction(s). **See 2.15**
- E. The commission schedule herein applies to all sales and/or leasing commissions, fees of any kind related to the practice of Real Estate; including BPO fee, expert witness fees, consulting fee, due Diligence fee, retainers, etc. paid to or on behalf of a Realtor Associate.
 - 1. Realtor Associates production will be reviewed and commission split will be adjusted in accordance with the commission schedule signed by the Realtor Associate.
 - 2. Commission payments will be based on the commission split level the Realtor Associate has qualified for at the time the escrow closes.

(See Commission Policy *Addendum*)

2.11 MULTIPLE REALTOR ASSOCIATE INVOLVEMENT

When two Realtor Associates represent or work with a party in a transaction, both of their names will appear on the Listing or Sales Contract. They will share in the fee according to the written agreement defining their relationship and use the appropriate Company forms to report such sharing agreement.

All such agreements between Realtor Associates, not outlined in this manual, shall be submitted in writing to Management

2.12 TEAM GUIDELINES

Berkshire Hathaway HomeServices Texas Realty Team Guidelines

Berkshire Hathaway HomeServices Texas Realty acknowledges and recognizes teams. In order for all parties to have a clear understanding of how teams are structured within our company, we have established the following general guidelines which may be amended from time to time as needed.

- A team may consist of as many people as you choose. An agent cannot recruit another agent from within our offices to be his/her assistant or team member. This must be done by recruiting from outside our offices.
- Your Manager must interview and hire licensed agents you bring to your team.
- Only one (1) person on a team is eligible for matching convention funds, course

reimbursement, etc. This person will be designated in writing on this form.

- All team closings will utilize Company provided Team Contract/Closing Cover Sheet Form.
- Only the team leader may turn in the “Team Contract Closing Cover Sheet Form” showing how they wish the check to be disbursed to a member of their team. TREC prohibits an agent from receiving money except through their broker.
- Overrides will not be paid on team members you bring to the company.
- Teams will be classified as such with Prudential National and Berkshire Hathaway HomeServices Texas Realty for the purposes of awards.
- All team member must pay for the Company Intranet (Exception is husband/wife teams)
- Agents who are on teams will keep their Errors & Omissions Insurance current. If any one team member fails to pay their quarterly E&O Insurance, the insurance will be deducted from the next closing any of the team members has.
- All team advertising must be approved by management.
- Teams that require the use of more than one desk space will follow the guidelines set forth in their respective Berkshire Hathaway HomeServices Texas Realty Commission schedule regarding multiple desks.
- Team members must enter into a written agreement of understanding signed and dated by all parties with a form provided by Management.

Team Member, Buyer’s Agent or Assistant? Berkshire Hathaway HomeServices Texas Realty has clarified the term Assistant to be a person who:

- May or may not be licensed
- Performs no activities in which they directly help another person buy, sell or lease real property. This includes activities such as negotiating a listing agreement with a property owner, showing houses for sale, negotiating a contract, etc.
- Has no clients/customers

If your assistant performs any of the above activities they may be acting as a team member or buyer’s agent and therefore you may become classified as a “team”.

As agents continually find creative new ways to work together to better serve their clients and their own needs, it sometimes presents unique challenges to the Company in the way we record transactions. In regard to some of those challenges, Berkshire Hathaway HomeServices Texas Realty is issuing some clarifications to our current policy in relation to unit/volume production credits awarded to Individuals versus Teams. The intent of this clarification is threefold:

- First, to provide some additional clarity to differentiate Individual production from Team (or collaborative) production.
- Second, to ensure that competition is fair and that individuals only compete against other individuals and teams only compete against other teams.
- And finally, to clarify the Company’s intent to pay each Individual Agent according to their own respective commission split agreements rather than off-the-bottom of someone else’s schedule.

Groups of individuals operating as a team (within the Company's team guidelines) are allowed to count all unit and volume production of any team member as production of the team. All awards are recognized and issued in the Team's name. Teams referring business to other agents within the company (defined by PTR as a 'share split') do not share in the unit or volume credit awarded on the deal so referred. Only the person (or team) actually working the deal gets to claim production credit for the unit or volume of that deal. Deals that are referred out to other agents (share splits) are paid to the receiving agent on the receiving agent's own respective commission split schedule and not as an off-the-bottom referral on the referring agent's commission split schedule.

Similarly, individuals who are NOT operating as a team (within the Company's team guidelines) are NOT awarded unit or volume credit for any deals that they do not personally work themselves. Awards for Individual production are issued in the Individuals name. Individuals referring business to other agents within the company (defined by PTR as a 'share split') do not share in the unit or volume credit awarded on the deal so referred. Only the person (or team) actually working the deal gets to claim production credit for the unit or volume of that deal. Deals that are referred out to other agents (share splits) are paid to the receiving agent on the receiving agent's own respective commission split schedule and not as an off-the-bottom referral on the referring agent's commission split schedule.

This policy cannot be superseded or otherwise set aside by any mutual agreement between agents.

2.13 BONUSES

Realtor Associates will be allowed to receive 100% of any advertised bonus on the sale or lease of 1-4 family improved residential properties less the PREA royalty fee if the gross commission received by the Company is not less than 3% for the bonus side of the transaction. (see Commission Policy Addendum) Bonuses on Company generated business are discussed in Section 14- Referral/Relocation Policy

2.14 BUYING AND SELLING PROPERTY FOR YOUR PERSONAL ACCOUNT

The Company's Errors and Omissions insurance does not cover transactions where the Realtor Associate is buying or selling their own property and all legal expenses that arise from these transactions will be paid by the Realtor Associate.

2.15 PURCHASE

- A. The Company will not participate in commissions received if Realtor Associate or Realtor Associate and spouse are *100% owner(s) purchasing their homestead*. Royalty fees will still need to be deducted.
- B. As required by TREC, Realtor Associate must disclose to Seller in writing on the Earnest Money Contract that he/she is a licensed real estate agent in the state of Texas and is acting as a principal in the transaction.

2.16 SALE

- A. Any property owned by Realtor Associate and listed for sale shall be listed with the Company, or if located outside the Company's market, referred to a Broker in the Company's referral network.
- B. Once a Realtor Associate has been licensed with the Company for a minimum of 180 days and has earned a company dollar of not less than \$10,000, they become eligible for the following benefit: Sale of a *homestead* property where Realtor Associate or Realtor Associate and spouse *are 100% owner(s)* will require only a .75% commission (instead of the customary 3%) to the Company for the Listing side of sale. This listing side commission will be paid to Realtor Associate on their regular split. Commission received on the selling side of this transaction will be on the Realtor Associates regular split.

Note: Any sale or listing *where agent is less than 100% owner and is not an Associates homestead* will be treated according to standard commission agreement.

2.17 REFERRAL FEES AND COMMISSIONS

- A. Please refer to Section 14 for a complete discussion of Referral/Relocation Department policy.
- B. Referral fees paid to brokers outside the Prudential network are to be negotiated prior to accepting the referral. The Company policy is to offer 25%.
- C. Referral fees to outside brokers are paid prior to any split of commissions between Company and Realtor Associate.
- D. The minimum referral fee the Company expects to be paid for an outgoing referral is 25%.

2.18 RIGHTS TO COMMISSION AFTER TERMINATION

All Listings and Sales are property of the Company and shall remain with the Company upon an Associate's termination.

- A. Escrows may be assigned to another agent to monitor during the balance of the escrow or be worked by the departing Realtor Associate at the Company's option.
- B. Listings may be assigned to another Associate to handle during the remaining term of the listing. Any commission due on any closing, either a listing or a sale, after a Realtor Associate leaves the Company will be based on the Commission Schedule, at the closing date. A 30% referral fee will be charged after the Royalty fee, and before the commission split with the agent.
- C. If a listing expires and is re-listed by the Company, the terminating Realtor Associate shall not be entitled to any compensation.

D. The Company has the option to release a listing to the departing Associate if the Associate's new company agrees in writing to pay a 30% referral fee.

3. **CONVENTION INCENTIVE PROGRAM**

Berkshire Hathaway HomeServices Texas Realty, "Company", will match Realtor Associates contributions up to \$100 per closing not to exceed \$500 per calendar year, which shall be deposited in a "Convention Account" by Company. In the event a Realtor Associate chooses not to attend the next National Convention, Realtor Associate's contributions can be returned upon written request of Realtor Associates and approval of management. Realtor Associates do not have to contribute from each closing.

(See Convention Incentive Program Addendum)

4. ADVERTISING

4.1 AGENT ADVERTISING

- A. In addition to company paid advertising Realtor Associates may advertise their services and specific Company listings that they take, at their cost.
- B. All ads placed should be in compliance with Regulation Z of Truth in Lending Law, the Texas Real Estate Licensing Act and Prudential Real Estate Affiliates, and NAR Code of Ethics.
- C. As Required by TREC & Prudential, all advertising must contain the Prudential signature and logo, the Company DBA, and the disclaimer required by Prudential.
- D. All billing for agent placed advertising should be incurred in the name of the agent and not in the name of the company. Agents are expressly prohibited from setting up any type of revolving vendor credit account in the name of the Company.

4.2 BLIND ADVERTISING

- A. All advertising must adhere to all local and national laws, local Boards/Associations, NAR Code of Ethics and TREC rules and regulations.
- B. As per TREC regulations, "a real estate licensee shall not publish, circulate, distribute nor cause to be distributed in any newspaper or periodical, or by mail, any activity for which a real estate license is required which does not contain a designation disclosing that he is performing acts for which a license is required".
- C. Advertising any services for which a license issued under provisions of the Texas Real Estate Commission is required shall not be under the name of a salesman unless the name of the employing broker is set forth.

4.3 REGULATION Z REQUIREMENTS

- A. All Realtor Associates shall indicate on all listings taken whether the property can be sold "subject to" the existing loan or if it is a transferable loan such as some FHA, VA etc.
- B. Before advertising "subject to" the terms under which the property may be sold need to be verified.
- C. Homes being sold as "Subject To" do not fall under Regulation Z rules.
- D. Terms such as "low FHA or VA terms" may be used without giving all of the terms.

4.4 TRUTH IN LENDING CONSUMER CREDIT COST DISCLOSURE GUIDE FOR ADVERTISING

- A. When advertising, we are responsible for complying with the FTC enforcement of Regulation Z.
- B. The following guidelines will help in recognizing those terms most often at fault in advertising.

1. DON'TS

If any of the terms of financing are offered, all of the terms of financing must be fully disclosed. Examples of statements which trigger this requirement are as follows:

- 10% Down
- Zero Down
- \$500 Down
- No down V.A.
- No down payment
- 30-year financing
- \$800 per month
- No closing costs
- 8.5% loan
- 8.5% APR
- \$800 PITI

2. DO'S

You can state the interest rate provided it is followed by the words (spelled out) Annual Percentage Rate which may not be the same as the annual note rate. You may use the following kinds of phrases to describe your financing without adhering to the full disclosure requirement.

- Low, Low Financing
- FHA-VA Financing
- Excellent conventional financing
- Wide range of financing available
- Easy monthly payments
- Terms to fit your budget
- FHA financing

5. AGENCY

5.1 GENERAL

Agency legislation and TREC regulations require a licensee to provide written disclosure to any potential customer or client concerning the agency relationship options which are available (DISCLOSURE), for buyer and seller to make an election concerning the form of agency selected for the particular transaction (ELECTION) and to confirm in writing the particular agency selected (CONFIRMATION).

5.2 COMPANY AGENCY POLICY

- A. The Company's agency policy encourages the practice of Seller Representation when taking a listing and Buyer Representation when working with a buyer. All consumers will be given the appropriate agency disclosure form at the times which comply with the Texas Real Estate License Act (TRELA). Current law requires disclosure at the first of two occurrences, the first face to face meeting or substantive discussion regarding a potential transaction. The disclosure that must be given is also specifically outlined in TRELA. Both Sellers and Buyers will be informed of their right to representation. The Realtor Associate will explain the types of agency relationships available to Sellers and Buyers.
- B. Sellers shall ratify their agency choices with Berkshire Hathaway HomeServices Texas Realty through the signing of a Listing Agreement. In the listing agreement, the Seller must authorize the company to act as an Intermediary to represent both parties in the event that a Buyer represented by the Company wishes to make an offer on the Seller's property.
- C. Buyers shall ratify their agency choices with Berkshire Hathaway HomeServices Texas Realty through the signing of Buyers Representation Agreement. In the Buyer Representation Agreement, the Buyer should authorize the Intermediary relationship, allowing the Company to represent both parties in the event that the Buyer wishes to make an offer on a Company listing. If a Buyer does not authorize the Intermediary Relationship, the Realtor Associate shall not show Company listings to the Buyer. When such an Intermediary Relationship takes place both the Buyer and the Seller will acknowledge in writing that they are aware that they and the Company are in an Intermediary Relationship, by completing the Notification of Intermediary Relationships form. This form will confirm that each party authorizes Berkshire Hathaway HomeServices Texas Realty to act as an Intermediary. The Realtor Associate/Associates involved in an Intermediary transaction shall comply with TRELA.
- D. The Appointment Process. When one Realtor Associate is involved in an Intermediary transaction there shall be no appointment made to either party. If the Seller or the Buyer prefers that another Realtor Associate be appointed to represent them in an Intermediary transaction, the Sales Manager shall make that appointment with the consent of the other party. When two or more Realtor Associates are involved in an Intermediary transaction

the Realtor Associate working with the Seller shall be appointed to the Seller and the Realtor Associate working with the Buyer shall be appointed to the Buyer. All of the appointments are made and ratified on the Notification of Intermediary Relationship form.

(FOR MORE DETAILED EXPLANATIONS SEE AGENCY ADDENDUM)

6. COMPANY AGREEMENTS

6.1 GENERAL PROCEDURE

- A. Only a corporate officer of the Company with a corporate resolution may bind the Company in any agreement.
- B. Neither Realtor Associates nor employees shall, by promise or representation, in writing or oral, enter into any agreement that attempts to bind the Company.
- C. All agreements shall be in writing and shall be signed by an officer of the Company before they are valid.

7. ANTI TRUST COMPLIANCE

7.1 GENERAL

Realtor Associates and employees must take special care to avoid discussion with employees or associates of competing firms regarding the commission policy of the Company.

Such discussions could be construed to be agreements or conspiracies to fix, establish prices or otherwise restrain competition in violation of state and federal antitrust laws.

7.2 DANGEROUS WORDS AND PHRASES

- A. The most fertile source of antitrust liability for a real estate broker is the way in which sales people interact with sellers, buyers and salespeople affiliated with other firms. Statements made by salespeople in the course of soliciting a listing, showing property and cooperating with another firm are the most frequent source of evidence that commission rates have been fixed or that a particular broker has been boycotted.
- B. Any comment or statement to others that would tend to imply that commission rates are fixed at a particular level must be avoided.
- C. Salespeople who use these phrases are "accidents waiting to happen". They are a danger to their broker, their company themselves and all other competitors in the market. A salesperson who engages in such conduct will be terminated. The following phrasing must be avoided:
 - 1. I'd like to lower the commission rate, but the Board has a rule...
 - 2. This is the rate that everyone charges.
 - 3. The MLS will not accept less than a 120 day listing.
 - 4. Before you list with XYZ Realty, you should know that nobody works on their listings.
 - 5. If John Doe was really professional (or ethical), he would have joined the Board.
 - 6. The best way to deal with John Doe is to boycott him.
 - 7. If you valued your services as a professional, you wouldn't cut your commission.
 - 8. No Board member will accept a listing for less than ninety days.
 - 9. Let him stay in his own market. This is our territory.
 - 10. If he really was a professional, he wouldn't use part timers.

8. **AWARDS**

Realtor Associates are eligible for monthly, quarterly and annual awards based on production and performance. The type of award(s) shall be determined by the Company and can consist of plaques, trophies, trips, prizes or cash. A special annual awards meeting shall be conducted on an annual basis at a date and time set by the Company. The program shall consist of the presentation of awards for outstanding performance during the preceding calendar year (January 1st to December 31st). Realtor Associates who meet the appropriate production levels will be awarded national awards by Berkshire Hathaway HomeServices at the annual convention.

9. FLOOR TIME/PHONE DUTY

9.1 GENERAL

Floor time (Phone Duty) is a privilege, not a right. During floor time, the Associate has charge of servicing incoming calls from clients and handling all inquiries. The purpose of floor time is to make appointments with new clients calling or walking into the office.

The Company will spend a good deal of money on advertising that is designed to make the telephone ring. This activity should make the floor time valuable. As a result, Associates taking opportunity time should make themselves available during the shift.

See Office Manager for specifics on Floor Duty.

9.2 OFFICE HOURS

Office hours vary by office; please see each Sales Manager for those times.

9.3 FLOOR SHIFTS

A. Phone Opportunity time will be set out by Management. Adjustments may be made during the busy summer months.

1. It is the Realtor Associate's responsibility to understand how to use the office's phone system and voice mail.
2. Participation in floor time is voluntary. *Check with Management for specific office procedures.*

B. Realtor Associates holding floor time should arrive in the office 10 minutes prior to the beginning of the shift to be properly briefed by the departing shift.

C. The shift schedule is posted in a conspicuous place in the office, refer to it often.

9.4 SPECIFIC RULES

A. No food, books, televisions or radios are permitted at the floor desk or in the reception area.

B. Outgoing and personal phone calls should be limited when on floor duty so as to be free to handle the incoming calls.

C. If an Associate is away from the floor desk during his/her shift, it will be assumed they are off floor duty and any client calls will be referred to an available associate.

D. Associates, once scheduled, may switch times with other Associates in the office. When

this is done, the floor time schedule must be adjusted to reflect the change and staff should be notified.

- E. Messages are to be sent to voice mail.
- F. The first shift of the day shall be responsible to make coffee, turn on all lights and office equipment and take the phone off "Call Forwarding".
- G. The final shift of the day shall be responsible for turning off all lights, office equipment and coffee machine; and that the phones are call forwarded to our Company voice mail box; and that ALL DOORS ARE LOCKED.
- H. After normal closing hours, a Realtor Associate may remain in the office and may take all calls and inquiries. A Realtor Associate in the office after hours may feel free to take the phone off call forwarding and take prospect calls; however, the phone must be forwarded when the Realtor Associates leaves.
- I. When the floor time schedule is published, review it completely. If you find conflicting days, please make every effort to change with another Realtor Associate and mark the change on the official floor time schedule at the duty desk. This is your responsibility. Remember, it is your responsibility to either be there or change with someone to make sure the floor time is covered. If something unforeseen comes up, such as an emergency or an unexpected client shows up, make every effort to get your floor time covered by another Associate. Only as a last resort should you call Management and say you cannot take your allotted floor time. Management should always be notified by phone or written note by the Realtor Associate who left or did not make their duty. NOTE: If Realtor Associate repeatedly fails to fulfill or find a replacement for floor duty time they volunteered to hold, management may choose to disallow floor duty for that Realtor Associate in future months.
- J. It is the Realtor Associates responsibility to insure that accurate information is available on any lease listing taken and that the information is available to the Realtor Associate on floor time.

10. LEGAL

10.1 ATTORNEYS

- A. Under no circumstances is representation by an attorney to be discouraged.
- B. The Company has legal counsel for any matters that require such attention. If Realtor Associates have questions of a legal nature, they will first advise the Manager who in turn will seek the advice that is needed.
- C. A Realtor Associate will not give legal advice, directly or indirectly, but rather should

recommend that the parties seek the advice of an attorney to answer their legal questions. This includes advice in regards to the legal rights of the parties, the legal effect of notices and instruments and matters affecting the title. When a question is raised by the buyer or seller and the Realtor Associate knows the answer, but it might be bordering on legal a device, it must be made clear that only attorneys can give such advice.

- D. Associates shall not contract with any legal counsel, to provide legal advice on any transactions or on Company business without the express permission of the Manager.
- E. If any transaction in which a Realtor Associate is involved results in a dispute, litigation or otherwise incurs legal expenses, the Realtor Associate shall cooperate fully with Management, and Company and Realtor Associate shall share all expenses incurred, in the same proportion as they would normally share the brokerage fee resulting from such transaction if there was no dispute or litigation.

It is Company policy to avoid litigation whenever possible and the Company 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 and whether or not legal expense shall be incurred.

10.2 DISPUTES WITH CLIENTS

- A. Most disputes with customers can be avoided if we place the customer first. Associates and employees should make every effort to resolve problems before they become serious disputes. (Ignored problems get worse not better)
- B. The number one cause of client disputes is the lack of communication and poor follow up.
- C. Should a dispute arise that cannot be resolved quickly the following procedure should be followed.
 - 1. The Associate should make every effort to be sure the client understands all of the facts in the situation.
 - 2. The Manager should then be consulted and provided with the facts in the dispute.
 - 3. The Manager will then become involved and make every effort to solve the problem.
 - 4. A complete set of notes must be kept on the entire situation and placed in the complaint file for future reference in the event a law suit is initiated.
 - 5. If a Realtor Associate is involved in the matter, a copy of the notes shall be placed in the Agent's

10.3 DISPUTES WITH ANOTHER BROKER

- A. A thorough reading of the Code of Ethics will prevent most disputes with other brokers.
- B. Should one arise, it should be brought to the attention of the Manager at the earliest possible time.
- C. If the Manager is unable to resolve the problem it may be necessary to have the matter resolved by the Ethics Committee of the local Real Estate Board/Association.
- D. Complaints against other offices or Realtor Associates should never be discussed with buyers, sellers or other Realtor Associates.

10.4 DISPUTES BETWEEN COMPANY REALTOR ASSOCIATES

- A. Every effort should be made to resolve a dispute between yourself and another Associate without involving the Manager.
- B. If you are unable to do so, then the entire matter should be reviewed with the Associate and the Manager to see if a solution can be found.
- C. Management reserves the right to make the final decision to resolve disputes.

10.5 ERRORS & OMISSIONS INSURANCE COVERAGE

Berkshire Hathaway HomeServices Texas Realty carries a professional liability insurance policy that covers all of its licensed real estate agents for their acts in conjunction with the buying, selling and leasing of real property for third parties. As previously noted in Section 1-PERMITTED ACTIVITIES of this manual, there are related real estate activities that are specifically excluded from this coverage and Berkshire Hathaway HomeServices Texas Realty agents are strictly prohibited from practicing in any of the following areas:

Property Management

Appraisal

Title Agent

Escrow Agent

Mortgage Loan Officer or Broker

Insurance Agent or Broker

The Realtor Associate's portion of the deductible shall be paid to the Company upon receipt of a potential claim or upon request from the Company.

The Company subscribes to an errors & omissions (E&O) coverage program that provides for payment of the premium on a monthly basis by the Realtor Associates. Both the monthly fee and the deductible are subject to change each year. A monthly E&O fee will be charged to all Realtor Associates whose license is held by the Company. The fee will be collected at the beginning of each month and no portion of the collected fee is refundable should the Associate leave the Company before the end of the month.

There will be a *\$5,000.00 deductible for the listing side of a transaction and a *\$5,000.00 deductible for the selling side of a transaction. *This deductible amount is subject to change annually and is determined to be the actual amount as stated in the current policy that is in effect.

If a deductible is paid on a claim or if a settlement is made in a dispute it shall be split between the Realtor Associate and the Company on the same basis as the Realtor Associate's commission split on the transaction in question.

The Company's E&O policy does not provide coverage when a Realtor Associate is the buyer or the seller. Berkshire Hathaway HomeServices Texas Realty has specific requirements that each agent must follow when buying, selling or leasing property in which they have an equity position. Failure to follow these requirements will result in a transaction that is not covered by our liability insurance and any resulting claim brought against company where an agent did not follow these guidelines will result in the agent being held solely responsible for all expenses associated with the claim.

No agent is permitted to list any property in which they have an equity position. The property must be listed by another agent within the company or by the agent's Branch Manager. The agent with an equity position may be listed only as a secondary agent.

All of the listing documentation, including the Texas required seller's disclosure notice must be reviewed and pre-approved by the agent's Branch Manager prior to the listing being posted to the MLS service.

The E&O Policy does not cover fraud, forgery, theft or any other criminal conduct. If there is a finding of criminal conduct Realtor Associate will be required to pay all expenses.

Our E&O coverage and rates require that all Realtor Associates be members of the local Board/Association of Realtors.

Unlicensed Personal Assistants will be covered by Errors & Omissions Insurance if they are not in violation of TREC licensing act and are working exclusively for a Realtor Associate. If the Personal Assistant is licensed, the Realtor Associate will be responsible for paying the quarterly E & O fee in addition to the monthly fee for themselves.

11. OFFICE MEETINGS

11.1 GENERAL

The Company will conduct meetings for its employees and Realtor Associates, as required...

The meetings will normally be scheduled well in advance and proper notices provided. All Realtor Associates are expected to attend company meetings.

11.2 SALES MEETINGS

- A. Individual office sales meetings vary from office to office. Realtor Associates need to obtain current dates and times from their Managers and are expected to attend.
- B. The Company holds one company wide sales meeting per quarter. Realtor Associates need to obtain current dates and times from their Managers and are expected to attend.

12. REAL ESTATE BOARDS AND MULTIPLE LISTING

12.1 MEMBERSHIP

All residential Realtor Associates must belong to a local Board/Association of Realtors and the Multiple Listing Service. The Company encourages participation in local and state programs and activities and also encourages attending educational programs, whenever possible.

Membership dues, fees, fines, etc. for the Board/Association of Realtors and the Multiple Listing Service shall be paid by the Realtor Associate when permitted by the board. Some Boards require dues to be paid directly by the Broker and collected from the agent. In that instance, it is the Associates sole responsibility to keep their Broker informed of their current status with each Board and to reimburse Broker immediately for any dues paid by Broker on their behalf.

13. REFERRAL/RELOCATION POLICY

13.1 GENERAL POLICY

The Company, recognizing the value relocation business provides to its Realtor Associates, has established a full service Relocation Department. Business received by the Relocation Department goes directly to you, the agent. This includes all corporate transferee listings or home-finding, corporate inventory listings, REO listings and all incoming referrals received from relocation companies or miscellaneous sources.

Criminal Background Screening - Agents who accept relocation referrals understand that some clients may require a criminal background check prior to working with their employees. You will be notified by the Relocation Department if you need to complete the process. The cost of the background checks will be an agent expense. The Company will maintain the results of the tests in accordance with company policy.

13.2 CUSTOMER/CLIENT REGISTRATIONS

You should register any buyer or seller not referred to you by the Relocation Department. Please fax a registration form (available on the Company Intranet) to the Relocation Department @ 512-483-6068.

We have written agreements with some corporations to pay a referral fee regardless of how the business was obtained. Registering these customers will protect your normal commission split. (For details please visit with the Relocation Director.)

13.3 INCOMING BROKER TO BROKER REFERRALS

Qualifications for receiving referral business:

- A. Be a full time Associate.
- B. Closed a minimum of 5 transactions in the previous 12 months.
- C. Completed appropriate Prudential Relocation Modules.
- D. Commitment to providing quality service.
- E. Thorough knowledge of Austin and surrounding communities.
- F. Willingness to provide comprehensive services, including city tours, to corporate transferees while on their survey trip. (Not all transferees will accept the move.)
- G. Enthusiasm and an ability to sell the corporate transferee on Austin.

- H. Upon receipt of an incoming referral, contact **MUST** be made by phone within 24 hours. The Relocation Coordinator needs your up-date no later than 24 hours in order to up-date the broker or Third Party Company. Status reports will be requested regularly by the Coordinator. Contact with the transferee should be continuous whether by phone or correspondence regardless of time frame of move.
1. Once the referral is accepted, it becomes priority to all other activity.
 2. Realtor Associates must be willing to work all price ranges.
 3. Written updates need to be turned in to the Relocation Department in a timely fashion.
 4. Appropriate, professional business attire is required.
 5. Realtor Associates must be willing to assist the Relocation Department with assembling packets, information gathering or other relocation related business.
 6. A Realtor Associate **IS NOT ALLOWED TO RE-ASSIGN A RELOCATION REFERRAL TO ANOTHER REALTOR ASSOCIATE**. If a Realtor Associate cannot work the referral, it will be returned to the Relocation Coordinator for re-assignment.
 7. Returning a referral to the Relocation Department by a Realtor Associate is not viewed as negative or as a rejection; rather it is appreciated by the Company because it recognizes that the interests of the referral comes first. In the long run, this helps the Company with its referral conversion rate and directly impacts the number of referrals we receive.
 8. If Realtor Associates leave the Company, all relocation referrals will be re-assigned to other Realtor Associates.

13.4 OUTGOING BROKER TO BROKER REFERRALS

Referrals to Brokers in other cities must be placed through Berkshire Hathaway HomeServices Texas Realty's Relocation Department. As a BHHS Relocation Network Broker, we are obligated to support the system. Referral fees received from the sale of these buyers and/or sellers will be split with the agent on their normal commission split after royalty fees.

Any agent submitting an outgoing referral to the Relocation Department should qualify the referral. In addition, the client should be aware that they are being referred. The client should also be advised he or she will be called by phone within 24 hours unless he or she specifies otherwise. To process an outgoing referral through our network please access the form "Outgoing Referral Data Sheet" on the company intranet site.

13.5 RELOCATION BUSINESS

The Company may have agreements with one or more Relocation Companies that represent corporate clients.

Because the Relocation Company has a responsibility to its corporate clients, it may impose its own Realtor Associate selection criteria.

13.6 REFERRAL FEES

A. Internet Referrals

- All Internet Generated Referrals (listing or buyer) will be split at 65/35 (65% to agent) with no additional referral fee due to Company. Internet Generated Referrals include those received from the Company Website and those received from Company paid subscriptions to third party lead generation websites. Internet Generated Referrals does NOT include Relocation Referrals as defined below.

B. Relocation Referrals

Relocation Referrals Non-Registered

- A 35% referral fee, based on the gross commission income received on the referred side only, will be paid by Realtor Associate receiving the referral to the Company. This referral fee will be charged on all transactions of the referred party for a period of 18 months. It is very likely that some relocation companies will require referral fees larger than 35%. If this occurs Associates will be notified in advance of an assignment and may choose to not accept that assignment.
- All listing referrals will be split at 50/50 (50% to agent) after the referral fee is paid.
- All Buyer referrals will be split at 60/40 (60% to agent) after the referral fee is paid, unless Associate's current split is less than 60/40.
- All commission income received not classified as "bonus commission" is calculated according to the regular Relocation Schedules. This includes any reimbursement of relocation fees by builders to Prudential Texas. Those rates are currently 50/50 on the List side or 60/40 on the Buyer side.

Relocation Referrals-Registered

- Any prospects registered with Relocation which are generated by the agent will not result in a change to the agent's commission split.

C. Direct Agent to Agent Referrals (From All Sources)

- Referral Fee will be paid off the top at the % agreed upon (up to 35%) between the referring and receiving agent.
- Berkshire Hathaway HomeServices Texas Realty agent will request referring agent to send IRS Form W-9 with referral agreement. No referral will be paid to a third party unless a current W9 is on file.
- Agent will fax unsigned Referral Fee Agreement and completed IRS Form W9 to Relocation. Relocation will sign referral agreement and fax back to referring agent.

D. Bonuses on Referrals

- **Bonus Commission Defined** - Bonus Commission is that portion of the total commission income received on a Relocation deal that is separately stated and classified as being Bonus Commission. Bonus Commission, therefore by definition, is excluded from the calculation of the amount due to the Referring Relocation Company. Any commission

received that is includable in the calculation of the amount due to the Referring Relocation Company is therefore NOT Bonus Commission.

- *The first \$1,000.00 of Bonus Commission is paid to the agent at 100% minus royalty fees. The remaining Bonus Commission, if any, which is in excess of \$1,000.00, will be paid to the agent on the regular Relocation Splits.

13.7 USE OF CORPORATE CLIENT NAMES IN MARKETING MATERIALS

The Company's major corporate clients, including but not limited to IBM, Dell, Motorola and Applied Materials, specifically prohibit the use of their name in marketing materials and ads soliciting business on our behalf, either by us as a company or by our Realtor Associates.

Promotional pieces that identify Berkshire Hathaway or in any way imply Berkshire Hathaway HomeServices Texas Realty as the official, designated or preferred broker of any corporate client will become known to that company and will reach Management or the Relocation Department. Any and all material used in a presentation book, which refers to Relocation must be approved by the Relocation Department in writing.

The correct language to use in any solicitation of this sort is along the lines of the following:

Several major corporations are currently involved in the process of transferring large numbers of employees into the Austin area. Berkshire Hathaway HomeServices Texas Realty has a solid and extensive background in helping transferring employees and their families. Because of this expertise, Berkshire Hathaway HomeServices Texas Realty has been designated by many of these firms as their preferred broker, and by other of these firms as one of their preferred brokers.

All marketing or promotional materials must follow these guidelines. Ask Management regarding any questions.

13.8 REALTOR ASSOCIATE GENERATED CORPORATE BUSINESS

(See the Relocation Director for specific guidelines)

14. TELEPHONE

14.1 GENERAL

- A. All Associates will be provided the use of telephones for business use. Personal calls should be kept to a minimum.
- B. All messages for Realtor Associates will be forwarded to that person's cell phone. However, it is the responsibility of all Realtor Associates to retrieve their messages.

14.2 SUMMARY

The telephone is one of the more important tools that the Realtor Associate can utilize to conduct and increase business. Proper use of the telephone is important and all Associates are encouraged to take advantage of any training sessions that will be offered on telephone technique.

15. TRAINING

15.1 TRAINING POLICY

It is the policy of Berkshire Hathaway HomeServices Texas Realty that anyone who has been in the real estate business for less than one year and joins the Company should attend training classes.

Those Realtor Associates who have previous real estate experience for over a year and join the Company are encouraged to attend the training. Training is an investment in yourself and your career.

- A. All Realtor Associates are encouraged to attend the training from time to time for a review of all or any portion of the classes.
 - 1. All Realtor Associates who fail to meet the minimum production standards set by the Company may be required to attend additional training courses.
 - 2. The Company will offer special workshops and seminars in various areas and all Realtor Associates are encouraged to attend.
- B. If a Realtor Associate encounters a client who has needs beyond the training or experience of the Realtor Associate, the client is to be referred to a Realtor Associate with the proper training and experience.

15.2 CONTINUING EDUCATION PROGRAM

The Company supports Realtor Associates pursuing designations of A.B.R., G.R.I., and C.R.S., and will share in one half of the cost of any course leading to one of these designations if Realtor Associate meets eligibility requirements.

(See the Continuing Education Plan Addendum)

16. TRANSACTION PAPERWORK

16.1 GENERAL

The Company has established a set procedure to be followed on all listings and sales. This procedure will result in the prompt processing of listings and payment of commission checks. All forms must be completed, signed by all parties and submitted via DotLoop.

16.2 OFFERS AND ACCEPTANCES

Oral contracts are unenforceable, and are not acceptable. All contracts must be in writing, as required by State Law.

A. Delivery of Offers. A copy of any written instrument should be given to the client or customer when it is signed. In order for there to be acceptance of an agreement by a party, delivery to that party is required.

B. Explanation of Offers. Explain all provisions and ask if the document is completely understood. Without exception, all contracts and agreements affecting the rights and liabilities of the parties should be read by them. However, Realtor Associates shall not involve themselves in the unauthorized practice of law.

If a client or prospect is an aged person or has difficulty in speaking, reading, or understanding the English language, advise the party to retain an attorney. Should the party decide to rely on the advice of a relative, friend or other person, that other person should sign as a witness to any agreement.

If a Realtor Associate feels that a party does not understand the obligations or conditions of a transaction, they should recommend that an attorney be retained.

C. Presenting Offers. Prompt presentation of offers is mandated by MLS rules and the NAR Code of Ethics, and these rules should be followed. This policy also applies when the Selling and/or Listing Realtor Associate is the buyer.

Offers will be presented by the Listing Realtor Associate. If the offer is accepted, the owner's

signatures will be obtained in the appropriate places. If a "counter" is made, the owners will modify the offer to indicate what the counter offer will be. It will be made clear to the owners that when the offer is changed or countered in any way, it is a rejection of the offer and the original offer is void unless the purchaser agrees to the new terms. If the new terms are accepted, the purchasers will initial the changes and the offer will be returned to the seller for his/her initials and signature.

All offers written by Realtor Associates will, when appropriate, be communicated to the Sales Manager or the Broker. If necessary, Management or the Selling Realtor Associate may call the listing broker and arrange for the offer to be presented. It should be considered acceptable for us to ask that the selling Realtor Associate be present when the offer is presented.

When an offer has been fully signed by both the buyer and the seller the Realtor Associate will provide document to all parties and vendors involved in the transaction. A Contract-to-Closing form must be filled out completely and submitted for Management approval.

New homes sales contracts are normally written by the representative of the builder. Realtor Associates assisting a buyer should ask for a copy of the contract for the buyer and for themselves.

Although the builder sometimes sees that the buyer goes to the loan company for a loan application, the Realtor Associate assisting the buyer should make sure the application is made as soon as possible.

16.3 ACCEPTANCE OF OFFERS

In the event that the seller or the buyer is out of town and an offer is written, or to be countered, the Realtor Associate may telephone or email the party that is out of town for acceptance. Acceptance only over the telephone is oral and is non-binding. The parties may agree to bind themselves by fax, telegram, mailgram or email with digitized signatures; by mutually agreeing in writing to the binding effect of faxed, telegraphed, mailgram or emailed instructions. The contract document itself in Paragraph 11 should contain language that both parties agree to binding effect of whatever method the Realtor Associate will utilize.

To provide for such an agreement the fax, telegram, mailgram or email should contain language specifying the terms and conditions of the offer and identifying the specific document, such as "I, John Doe, hereby accept the offer dated _____ by Bill Buyer to purchase my home at address of property for a price of \$_____ with all the terms and conditions as set forth in TREC form #_____ and signed by _____."

Acceptance can be realized upon receipt of the fax, telegram, mailgram or email. Digital Signatures will provide a binding contract.

The Company policy regarding MLS status of properties in a pending or option period will be the MLS policy.

16.4 MULTIPLE OFFERS

- A. Follow the standard practice established by local Board/Association of Realtors and Multiple Listing Service and the NAR Code of Ethics.
- B. In a multiple offer situation, if the Listing Realtor Associate is also one of the selling Realtor Associates, the Broker or Manager should assist in presenting the offers.

16.5 BACK UP OFFERS

- A. All offers for purchase must be presented to the seller unless there is a written authorization from the seller to refuse them.
- B. Any offer presented after the seller has accepted an offer for purchase may be accepted as a back-up contract by the seller. The seller should be made aware of his/her right to accept back-up contracts and should indicate in writing his/her instructions to the Realtor Associate regarding the presentation of back-up offers in the MLS listing agreement.
- C. Any acceptance of a back-up contract should be established using the appropriate TREC "Back-up" contract addendum.

16.6 REPORTING A LISTING/SALE TO THE OFFICE

- A. Agents are required to turn all required documents relating to a listing/sale within two business days of the effective date of the listing/contract.
- B. A complete file of the entire transaction will be maintained in the office for the time prescribed by law.
- C. The Realtor Associate will organize the file and insure that all documents required are in the file.
- D. The manager will approve contracts by initialing the Contract Cover Sheet form and notifying the Realtor Associate of any missing documentation. *Failure to submit proper documentation can result in a delay in disbursing Realtor Associate's commission.*

16.7 OFFICE COPIES

- A. Realtor Associates should keep maintain their personal file either electronically or in hard copy form.
- B. All transaction records are confidential and in most cases irreplaceable.
- C. Under no circumstance shall an office file be removed from the office.

16.8 LISTINGS

- A. All listings should be taken in the name of Berkshire Hathaway HomeServices Texas Realty and shall be approved by Management. Agents are required to turn all required documents relating to a listing within two business days of the effective date of the contract.
- B. The Company will accept MLS exclusive right-to-sell and the Company exclusive right-to-sell if accompanied by the sellers signed statement indicating their desire that the listing not be submitted to the MLS.
- C. **Term:** Listings should be for 180 days, however, listings shall not be for less than 90 days without prior approval of Management
- D. **Cancellations:** Listing should be withdrawn or canceled only with the consent of Management. If a seller who has listed his/her property for sale desires to cancel the listing, Management can, if it so desires, agree to do so.
- E. **Changes:** Changes in price, terms or other vital information of a listing must be initialed by the seller and shall be reported to the Sales Manager and the MLS within 48 hours.
- F. **Ethics:** Code of Ethics, NAR, Article 9. The Realtor should attempt to ascertain all pertinent facts concerning every property on which they accept a listing, so that they may fulfill his/her obligation to avoid error, exaggeration, misrepresentation or concealment of pertinent facts.
- G. **Reassignment:** Management reserves the right to reassign a listing to another Realtor Associate, if deemed necessary, for any reason.
- H. **Reassignment Upon Termination:** All listings are taken in the name of the Broker/Company and remain the property of the Broker/Company. Any unsold listings may be assigned to other Realtor Associates at the discretion of Management upon termination of a Realtor Associate.

16.9 RESPONSIBILITIES OF LISTING REALTOR ASSOCIATES

- A. To be proficient in the pricing of residential property and familiar with the proper use of the MLS computer system.
- B. To complete the Listing Agreement and work sheet; submit required forms to staff.
- C. Under no circumstances should signs be placed in the yard until all paperwork is completed.
- D. To see that listings are properly set up for scheduling previews, open houses, proper promotion and advertising.
- E. To have sets of keys made (if applicable) on approval by owner. An extra key should always be made and kept in agents listing file.

- F. To use every possible means to obtain verified information regarding the listing.
- G. To keep in constant contact with the owner.
- H. To run an up-dated market analysis every 30 days and report new listings and sales to the owner.
- I. To present all offers promptly, and in person wherever possible.

16.10 ASSUMPTION OF A LOAN

The assumption of any loan that contains an alienation clause or a "due on sale" clause must be approved by the lender involved. Some lenders may waive these clauses with some conditions and/or restrictions.

Assumptions of any loans that do not contain these clauses may still present some risk. Seller must be made aware of these risks by using the appropriate Company disclosure. It is imperative that all details of the loan be made available to the buyer prior to the closing. Buyer must approve the terms and conditions of the loan in writing.

16.11 SELLER FINANCING

In any transaction involving seller financing extreme care must be exercised to insure that the seller has available all matters that could affect his/her approval of the buyer. The seller should be made aware in writing of the risks associated with seller financing using the appropriate Company disclosure form. Realtor Associates must use the TREC Seller Financing Addendum.

Seller should be made aware of the credit worthiness of the buyer, the terms and conditions of the loan and should be advised to seek legal and tax advice prior to any agreement being final.

16.12 WALK THROUGH INSPECTION

- A. A walk through inspection should be conducted and the property "signed off" by the buyer prior to the close of escrow. Realtor Associate must use the TAR Walk-Through Addendum.
- B. Both the listing and selling agent should be present at the walk through.

16.13 GOVERNMENTAL INSPECTIONS

Inspections required by city, county, health department, etc. should be ordered at the opening of escrow.

16.14 EMPTY HOUSES

The Company will not assume any responsibility for the maintenance of a vacant property unless owner has entered into a specific maintenance agreement with the Company which has been approved by Management.

16.15 EARNEST MONEY DEPOSIT

- A. The recommended deposit is at least 1% of the offer price, except when the type of financing dictates a lower down payment. An offer should be written with the maximum deposit available from the buyers. **NO EARNEST MONEY WILL BE HELD BY BERKSHIRE HATHAWAY HOMESERVICES TEXAS REALTY.**
- B. Realtor Associates should not accept a post-dated check for a deposit.
- C. Promissory notes for the deposit may be used but must be agreed upon by the seller.
- D. When a check is given as an earnest money deposit, it should be made payable to the title company or closing agent. Checks must be **PROMPTLY SUBMITTED TO ESCROW AGENT.**
- E. Checks for deposits will be placed in the title company's escrow account by 5:00 p.m. of the next business day.

16.16 ADDITIONAL EARNEST MONEY DEPOSITS

When an offer is accepted, the selling Realtor Associate is to promptly follow up and collect the additional payment of earnest money if provided for in the contract. If the purchaser delays even one day in paying the additional earnest money that is due:

- A. The Broker, the listing Realtor Associate and the seller should be promptly notified of the Buyer's delay.
- B. The selling Realtor Associate should continuously pursue compliance.
- C. The selling Realtor Associate should report success or failure each day thereafter to the listing associate.

16.17 EARNEST MONEY DEFAULTS OR REFUNDS

- A. If after both parties have signed a contract it becomes necessary to terminate the contract and return an earnest money deposit, it can be done so only by having a ***TERMINATION OF CONTRACT AND RELEASE OF EARNEST MONEY*** form (TAR form #1904) signed by all parties involved.
- B. In the event an earnest money deposit is forfeited, it will be disbursed in accordance with the earnest money release executed by all parties and brokers.
- C. The Company and not the Realtor Associate shall have the exclusive right to determine the disposition of any defaulted deposits or refund of earnest money. Should the Company elect

to retain any share of the earnest deposit, the amount collected shall be split between the Company and the Realtor Associate as per the commission split agreement between the parties at the time.

17 PERSONNEL

17.1 INDEPENDENT CONTRACTOR

Realtor Associates are independent contractors and will have a written agreement with the Company stating such. The Company will provide the Realtor Associate with telephone services, MLS, computer, fax services, and copier services *except when Realtor Associate and Company has agreed otherwise*. (See Independent Contractor Agreement Addendum). Desk space may or may not be provided.

- A. Realtor Associate Responsibilities. Association with our Company entails responsibilities. The responsibilities are covered elsewhere in this Manual but Realtor Associates are reminded, if they expect true cooperation from fellow Realtor Associates, they should:
1. Obtain their share of listings. Each Realtor Associate should maintain at least four (4) active listings at any time.
 2. Be willing at all times to share information which will enable fellow Realtor Associates to consummate a transaction.
 3. Dress properly for business. Image is important for success in real estate.
 4. Follow the "Golden Rule" in relationships and in business transactions with other Realtor Associates.
- B. Realtor Associate Goals. When a Realtor Associate becomes associated with the Company it shall be the Realtor Associate's responsibility with Management assistance to establish, follow and review an annual business plan.
- C. Open Door Policy. No appointment is necessary for you to speak with Management. Please, do not direct questions concerning Company policies and guidelines to anyone other than Management.
- D. Policy, Procedures and Guidelines. From time to time, Company may call special meetings for the sole purpose of changing Company policies and guidelines.
- E. The Final Word. If any situations arise that are not specifically covered in this Manual, the Realtor Associate should abide by the decision made by Management. In addition, Company reserves the right to revise and amend policies and guidelines in this Manual for the betterment of any or all offices of the firm. This flexibility will ensure Company success.

17.2 NON-DISCRIMINATION

- A. The Company is an equal opportunity employer and will not discriminate either in its hiring practices of employees or in its affiliation with Realtor Associates because of a person's race, creed, national origin, age, sex, religion, familial status, physical disability or handicap.

- B. No Realtor Associates affiliated with the Company shall discriminate in the conduct of the Company's business against any other person *because of or for any of* the same reasons listed in A above.
- C. The Real Estate Commission can revoke or suspend a license for discrimination against an owner, potential purchaser, lessor, or potential lessee on the basis of race, color, religion, sex, national origin, ancestry, age, physical disability, familial status or handicap. Realtor Associates are expected to be familiar with the Federal Fair Housing Act and to follow it to the letter *and to attend training when available*.
- D. There is no E & O coverage for discrimination and Realtor Associate will pay for all expenses associated with a discrimination claim.

17.3 PUBLIC IMAGE

All persons Associated with the Company will conduct their business activities so as to enhance and promote the good will and reputation of the Company. They will refrain from eating or drinking in the public areas of the office and the work areas must be neat and orderly at all times. All customers of the Company must be treated with courtesy and respect.

17.4 OFFICE APPEARANCE

It is important that the office always appear neat and orderly. All Realtor Associates and employees are, therefore, urged to be conscious of this fact: OFFICES, DESKS, CONFERENCE ROOMS, KITCHEN, are to be straightened after use, and to be kept clean and neat.

17.5 OFFICE SECURITY

Anyone issued an office key is responsible for the safeguarding of this office. In the event that an office key is lost or stolen, you must immediately inform the Broker. There will be a charge for replacement of lost or stolen keys. The Broker is not responsible for any theft or loss of personal items left in the office. The last person leaving the office **MUST** make sure that all accesses into the building are firmly secured, all lighting and business equipment and appliances are turned off, before leaving the building.

17.6 CONFIDENTIALITY

All records, files, documents and correspondence of the Company and the Realtor Associate, as well as conversations between persons associated with the Company are to be considered confidential and no person shall use them to advantage of themselves or any other person, firm partnership or corporation to the detriment of the Company, *or those that the Company represents* either during their association with the Company or at any time afterward.

17.7 CHANGES IN ADDRESS AND TELEPHONE NUMBERS

TREC Rule §535.96. Mailing Address and other Contact Information. *[Adopted January 1, 2011; amended November 1, 2011]*

(a) Each licensee shall furnish a mailing address, phone number, and email address, if available, to the commission and shall report all subsequent changes within 10 days after a change of any of the listed contact information. If a licensee fails to update the mailing address, the last known mailing address provided to the commission will be deemed to be the licensee's mailing address. All changes in name, address, email addresses and telephone numbers of any Associate must be reported immediately by the Associate to the Office Manager or secretary who will make a record of the changes and report these changes to the TREC and the local Board/Association of REALTORS[®]. The Associate is responsible for any fees associated with name, address and telephone number changes from TREC or the Board/Association of REALTORS[®].

17.8 INSURANCE ON PERSONAL EFFECTS

It is possible that the company's liability insurance may not cover personal equipment and items of the Realtor Associates. It is therefore advisable that all persons secure private insurance to cover any personal items that will be used in the office. The Company will not be responsible for any lost, stolen or damaged personal property.

17.9 SMOKING POLICY

All Company offices are non-smoking offices. City ordinances prohibit smoking in most office buildings. Smoking is prohibited in all areas of the office environment. Those persons who wish to smoke may do so outside, in designated areas.

17.10 DRUG AND ALCOHOL USE

Drug and alcohol use are strictly prohibited while engaged in real estate brokerage transactions and shall not be present or used during work hours unless medically prescribed and under the supervision of the Associate's health care provider. Any situations in which duties cannot be properly performed without the assistance of prescribed medication must be reported to the Broker. Drug and alcohol use in the workplace may be grounds for termination.

Client or Customer Substance Use

An Associate should also discourage the use of drugs or alcohol by any party during a transaction. Upon discovering that a party is under the influence of either drugs or alcohol, the Associate **should** take appropriate action to terminate that day's activity and suggest that they discuss or complete the transaction another time.

17.11 CONCEALED WEAPONS

Unlicensed or unauthorized persons ARE NOT allowed to carry concealed weapons on its premises. This policy applies to all persons on the premises, including employees and licensees of the Company.

17.12 ORIENTATION

A special orientation will be held for each new Associate to familiarize him/her with the office surroundings and procedures.

17.13 BUSINESS CARDS

Each Realtor Associate will be responsible for the cost of their own business cards. Cards may be ordered online by agents.

17.14 REALTOR ASSOCIATE EXPENSES

- A. Realtor Associates pay for personal business expenses such as communication expenses, insurance, license fees, trade association memberships, internet access, sales promotional items and business cards. Realtor Associates also pay for prospecting and direct mail programs, administrative assistants, personal marketing, and other expenses necessary for them to conduct business.
- B. The Company will provide only those items specified in this policy manual and will not be responsible for any other Realtor Associate expense.

17.15 DRESS CODE

- A. Agents should present a professional appearance while conducting business. The Company discourages wearing jeans at any time during office hours. Associates need to remember that clients are in our offices at all hours. Shorts are never appropriate. Men should wear ties unless circumstances clearly indicate less formal attire is appropriate. Shirts with collars are required, T shirts are never appropriate.
- B. The only exception will be those situations where a Realtor Associate is in the office to drop off or pick up papers during a day off.
- C. Persons hired by Realtor Associates to perform work in the office shall adhere to the dress code at all times.

17.16 FAMILY MEMBERS OR CHILDREN IN THE OFFICE

The office is a place of business and it is not appropriate to have children or other family members present in the office other than for very brief visits.

17.17 CONDUCT

- A. In the office, the "Golden Rule" should be remembered. All Realtor Associates are Independent Contractors. They are entitled to respect and should be given the opportunity to concentrate on outlining their day's activities and conducting their business without unnecessary interruptions.
- B. Good fellowship and a sincere desire to be cooperative and helpful are encouraged. Loud talking, boisterous behavior, etc. are entirely another matter and have no place in a successful and professional business office.
- C. The office is not a place in which to loiter, and all Realtor Associates are requested to use it strictly as a place of business. It is inappropriate to bring young children and pets to the office.

17.18 AUTOMOBILE INSURANCE

- A. Realtor Associates shall furnish their own automobile and pay all expenses thereof and shall furnish the Broker with a certificate or memorandum showing the name of the Company with whom insured, policy dates, type of coverage and limits of liability for personal injury and property damage.
- B. Property damage and liability will be a minimum of \$100,000/\$300,000/\$50,000 covering all vehicles used in business.
- C. Commissions may not be disbursed without receiving proof of insurance for our file.
- D. Realtor Associates will provide the Company with a copy of their automobile insurance showing Berkshire Hathaway HomeServices Texas Realty as an "additional insured".

17.19 ILLNESS OR INJURY

Workers' Compensation Requirement

According to Texas state law, as long as the Broker has a valid independent contractor agreement with an Associate then the Broker is not responsible for providing or paying Workers' Compensation workers/staff classified as employees under worker's compensation program guidelines. Under the present worker's compensation law as an independent contractor, you are **NOT** covered under the worker's compensation policy of the Company.

- A. The Manager should be notified of any serious illness or injury involving an employee or Realtor Associate.
- B. As an independent contractor, on the job accidents or illness may not be covered by workers compensation and each agent should have their own medical policy for such needs.

17.20 TERMINATION NOTICE

- A. Under the terms of the Independent Contractor Agreement, the Company will provide

notice of termination.

- B. If an Associate is terminated, the Manager will notify the local Board/Association of Realtors, MLS, and the Real Estate Commission.
- C. Upon termination, the Realtor Associate must return all of the Company property including all signs, keys, forms, files, and supplies.

17.21 RESIGNATION OF REALTOR ASSOCIATE

- A. A Realtor Associate may terminate the Independent Contractor Agreement with one day written notice.
- B. Upon termination, the Realtor Associate must return all Company property. The Company will return Realtor Associate's license to TREC.

17.22 ASSOCIATES WORKING AS TEAMS

- A. All Associates working as a team with another Associate shall have a written agreement between themselves detailing exact commission split agreements and agreements detailing how the transaction is to be handled should one of the team members leave the Company.
- B. Copies of any such agreements must be approved by a Manager and shall be in the personnel file of those Associates involved.
- C. Associates MUST submit any assumed names such as team names to the broker and may not use the assumed name until it has been properly register with TREC.

17.23 RECRUITING OTHER REALTOR ASSOCIATES

Realtor Associates are encouraged to recruit other Realtor Associates to the office. The Company has established a Recruiting Incentive Program to reward those Associates who actively recruit others to the Company. (See Agent Recruiting Incentive Program Addendum)

17.24 POLITICS

- A. Each Realtor Associate has the sole discretion to believe or not believe in any political party so long as it does not interfere with the day to day professional operations of the office.
 - 1. It is normally inappropriate to discuss political issues in front of clients.
 - 2. Distribution of political matter within the office, other than that distributed by the Board/Association of Realtors, is prohibited.
- B. The Company supports the TREPAC programs

- C. The company supports the local Board/Association and encourages Realtor Associates to be involved.

18. SEXUAL HARASSMENT

18.1 HISTORY

During the latter part of 1980, the Equal Employment Opportunity Commission issued regulations and guidelines making sexual harassment a form of prohibited employment discrimination under Title VII.

Sexual harassment is currently defined as sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature.

There are three basic theories of sexual harassment:

- A. Quid Pro Quo. QUID PRO QUO means "you give me this, I'll give you that." Examples might include such things as:
 - 1. A supervisor who conditions an employee's raise or promotion on submission to sexual advances.
 - 2. A boss saying "if you want a promotion, you will have to go out with me"
- B. Environmental Harassment. This means unwelcome sexual suggestions, physical contact such as pinches, massages, pats, dirty jokes and obscenities that create an intimidating or hostile environment.
- C. Favoritism theory of sexual harassment. This situation can occur when an employee engages in a sexual relationship with a superior and as a result enjoys better terms of employment while similar benefits or terms are not offered to co-workers who do not engage in such relationships.

18.2 POLICY

The Company will not allow any form of sexual harassment or any such conduct that has the purpose or effect of interfering with an individual's work performance or creating an intimidating, hostile or offensive work environment.

- A. Any such conduct when experienced or observed should be reported to the Manager, Broker or Owners at once.
- B. An investigation will be conducted and the findings reviewed with the complainant. If investigation is done by the Manager, Manager will also be required to report any findings to an officer of the Company.
- C. Even if the employee or Associate requests that a complaint be confidential and that no formal action be taken, the Company has a legal duty to investigate and shall initiate an immediate investigation after which any appropriate corrective action shall be taken.

- D. The privacy of the individual under investigation shall be respected at all times and good common sense and discretion shall be the guideline.
- E. If after investigation, any intentional sexual harassment was found, it shall be deemed to be a major violation of Company policy and will be dealt with by,
 - 1. Corrective counseling,
 - 2. Suspension, or
 - 3. Termination, depending on the severity of the violation.
- F. The victim or complainant shall be notified of the outcome of the investigation and shall be advised in writing of the corrective action that was taken.

18.3 SUMMARY

It is the intent of the Company to provide a work environment free from verbal, physical and visual (signs, posters or documents) forms of sexual harassment. All employees and Associates are asked to be sensitive to the individual rights of their co-workers.

19. OFFICE EQUIPMENT & SUPPORT

The Company will furnish the following equipment for use by the agents as described herein.

19.1 OFFICE EQUIPMENT & SUPPLIES

- A. Office equipment and supplies, are for office use only.
- B. The administrative staff's desks are the property of the Company and nothing should be removed from their desks at any time.
- C. Depending upon the availability of desk space, Realtor Associates or Personal Assistants may be asked to share desk facilities.

19.2 COPY MACHINE

- A. The copy machine is for Company business only. Personal use is unauthorized and may result in Associate being billed for copies. The copy machine is a large expense to the Company and Realtor Associates are requested to keep copying to a minimum.
- B. Associates shall not use the machine for printing farming materials or for making up marketing flyers. All printing of this nature must be done through an outside printing source. Home Feature Sheets and property brochures should be sent to a printer if more than 50 copies are needed.
- C. Realtor Associates are assigned a code for the copier and may be billed for all copies in excess of 200 each month.

19.3 COMPUTERS

A. Use Information Systems Policy

The Information Systems which includes all hardware, software, e-mail, voice mail, Internet access and data entered, transmitted, downloaded, uploaded, imported, exported and used in the daily operations of business are proprietary to the Broker. This includes but not limited to the following:

- All business, products and services of Broker
- All market data, financial data, personnel data and computer programs
- All files, letters, memoranda, reports, records, data and other written materials that you prepared as an Associate for the Broker or that others prepared in the employment of the Broker

With respect to the Information Systems, these items shall not be removed, destroyed or modified except within the scope of business. Any associate, employee, or staff using any form of the Information Systems is responsible for adhering to the Information Systems policy. Violations of this policy may warrant termination of certain information systems access, disciplinary action, up to and including discharge from employment and possible civil liability

Routine maintenance and routine operations of information systems regarding security, legal or business requirements through authorized contractors, employees, staff, and Associates will occur. With this in mind, employees, staff and Associate are given fair warning that the Information Systems are subject to inspection. Therefore, it would be prudent that the Information Systems are to be used for business purposes only, as is noted below.

B. Information Systems Usage

The Information Systems are business assets and are to be used only for business purposes. Keep in mind:

- Personal use of the Information Systems are strictly prohibited if unauthorized
- Personal use of the Information Systems requires written permission from the manager or Broker and each request shall be considered on a case by case basis for limited personal use.

C. Information Systems Conduct

Use of the information systems requires certain conduct be maintained to enhance professionalism among your working peers, customers, and clients. The following are strictly prohibited:

- Harassment, in any form, will not be tolerated
- Forwarding of messages or information that will disparage individuals or groups based on their gender, race, national origin or other protected characteristic
- Forwarding of messages which might disrupt the work place or damage morale
- Offensive comments, jokes/riddles, cartoons, pornography, profanity and offensive messages or information in any form
- Threatening messages or forms of other threatening communications
- Forgery or attempted forgery of e-mail or voice mail

- Accessing, deleting, copying or modifying of e-mail and/or voice mail. This includes the attempt to do so.

Any Associate who receives threatening, harassing or improper communications shall immediately report the situation to their immediate supervisor, consistent with our prohibition of harassment.

D. Computer Safety and Security Measures

All employees or associates who utilize the Information Systems must properly maintain all hardware, software and information. Safety and security measures include:

- Regular file maintenance of documents and files in an easily accessible organized manner
- Avoiding any unauthorized downloading of software, games, or Internet material that may carry viruses
- Avoid eating, drinking or placing of any hazardous substance around hardware or software
- Activation of screen savers to avoid screen imprinting
- The practice of correctly turning on and off of equipment.

E. Viruses

Computer viruses are programs intentionally designed to crash, destroy, delete or make inoperable system programs, applications, or data. Copying or importing of unauthorized nonproprietary software can expose the Broker to copyright infringement, computer viruses and system overloads and is strictly prohibited. The effect of such hazards can expose the Broker to costly remedies. The introduction of a computer virus can be obtained by means of and not limited to:

- Importation through the Internet
- Copying software which contains a computer virus of any sort, including software licensed by an individual, shareware, or freeware
- Unauthorized loading of non-proprietary software
- Unauthorized downloading of an attached program through e-mail or FTP (file transfer protocol).

All outside source software, disks, or data input sources must be checked for viruses and pre-approved for downloading, loading, and importation.

F. Copy-right Infringement

Broker licenses the use of computer software from a variety of outside sources. Broker does not own this software or its related documentation, and unless authorized by the software developer, does not have the right to reproduce it. Associates shall use the software only in accordance with the relevant license agreement.

Any duplication of copyrighted software, except for backup purposes, is a violation of the Federal Copyright Law. All software installed in the information systems must be preapproved by the network administrator and be non-proprietary or properly licensed. Broker will not tolerate any Associate making or importing unauthorized copies of software or data. Likewise, Broker will not tolerate any Associate conveying software or data to an outside third party, including clients, members, customers, or associates in other companies, without proper written authorization.

According to the United States copyright law, illegal reproduction of software can be subject to civil damages of as much as \$100,000 per copyright violated and criminal penalties, including fines and imprisonment. Associates learning of any misuse of software on the information systems or in related documentation shall immediately notify the network administrator.

F. The World Wide Web

The World Wide Web or Internet can be a very powerful and beneficial tool for our Associates, clients and customers. In addition to MLS-like marketing opportunities, the Internet provides an unlimited resource tool for access to and delivery of information and interpersonal contacts. When properly utilized, it can increase our capabilities and efficiency. However, access to the Internet also carries with it significant risks and potential problems including non-secure transfer of data and non-reliability and accuracy of information found on the Internet. Associates must have written approval from their immediate supervisor to access the Internet via brokerage facilities. All of the previous provisions of this policy apply to access to and use of the Internet.

Most Internet communications are not secure. The Internet should not be used for communications that require confidentiality or involve financial transactions without both ensuring the security of the communication via an accepted mechanism and receiving written approval from the associate's or employees immediate supervisor for such communications.

Use of the Internet also requires conformance to certain etiquette as recognized by other users of the Internet. When using the Internet, Associates are to conduct themselves as "ambassadors" of the Broker and must show consideration and respect to others. Do not swear, use vulgarities or any other inappropriate language in your messages. Transmission or importing of any material or data in violation of any federal or state law or regulation is prohibited, including, but not limited to, copyrighted material, threatening, pornographic, or obscene material, or information constituting trade secrets. It is the responsibility of each Associate to ensure that use of the Internet is done responsibly and economically, and that access to the Internet services does not adversely affect his/her productivity.

Summary

The information systems provided to you as Associates of Broker are powerful business tools, intended to enhance and not detract from your productivity, and to be used solely for business purposes. We live in the "Age of Technology" in which the dynamics of Information Systems will change drastically and quickly. The Information Systems policy is an attempt to identify some major issues that we see today. However, the evolution of this policy will be constant due to technology changes that occur every day. Any suggestions for the enhancement of the information system are gladly received.

19.4 POSTAGE

- A. The Realtor Associate will provide and pay for all postage and farming letters.
- B. The Company will not pay postage for any personal mailing.
- C. The Company does not pay for express mail services. Agents using the Company express mail

account will be billed for the cost of all express mail deliveries through their respective billing accounts.

19.5 STATIONERY

All envelopes & letterhead for business use, but not bulk mail or farming, shall be provided by the Company. These forms are kept in the forms storage area and may be utilized as necessary for business. For quantity usage of letterhead and envelopes for use in direct mail programs, Realtor Associates will purchase letterhead and envelopes from the Company.

19.6 PRINTING OR PURCHASING FORMS

- A. The Company has strict design & style requirements for forms and materials.
- B. All printing or purchasing of forms shall be the responsibility of the Office Administrator.
- C. No Realtor Associate is authorized to order or purchase printing supplies on behalf of the Company.

20. REALTOR ASSOCIATE ACTIVITY

Success in real estate depends on many factors. Listed below are some of the activities and functions recommended by the Company to each Realtor Associate.

20.1 WORK SCHEDULE

Each Associate should maintain a schedule of activity and have well defined goals and objectives for each hour of each day.

20.2 OPEN HOUSES

- A. Realtor Associates should hold open houses; however, they must have permission from the property owners. A Realtor Associate who has agreed with an owner to hold a house open should keep the appointment.
- B. No Realtor Associate holding an occupied open house should leave the property for any reason during the hours it is advertised as open.
- C. OPEN HOUSES ARE ENCOURAGED AND REALTOR ASSOCIATES SHOULD HOLD A MINIMUM OF TWO PER MONTH.
- D. Open house invitation cards should be mailed no later than three days prior to the open house.

- E. Realtor Associates should pre-determine the number of open house signs needed (at least 5 signs are recommended) and post signs properly and carefully directing potential buyers to the subject property. Realtor Associates should obtain permission from owners for placement of directional signs in yards leading to the subject property.

20.3 TRAINING

Realtor Associates will be provided the opportunity to attend Company training programs. Some courses will be paid for by the Company while others will be charged to the Realtor Associate. (See Continuing Education Program Addendum)

Prior to handling commercial/investment transactions the NAR Code of Ethics and TREC regulations require that a Realtor Associate be competent in dealing with commercial/investment real estate sales. Realtor Associates should have completed the basic C/I Course available through NAR, or the C/I course available through Prudential or CCIM courses. There are significant legal and licensing risks for both the Company and the Realtor Associate if an Associate is not "competent" and trained to handle commercial/investment transactions. Residential Realtor Associates should usually refer commercial clients to the commercial office, or a qualified commercial agent.

20.4 SHARING INFORMATION

It is the policy of this Company to share information with other offices. This, of course, does not mean giving confidential information, but giving information concerning properties that are available, and cooperating fully to affect a successful closing.

20.5 SHOWING PROPERTY

Realtor Associates should be prepared to show property with confidence, having all necessary information. A property cannot be shown to its best advantage unless the Realtor Associate has seen the neighborhood and the property prior to showing.

20.6 OBSERVANCE OF SAFETY PRACTICES

All associates are encouraged to be aware of unsafe situations and prepare themselves to avoid unsafe practices. Some suggestions are:

- Get a prospect's full name, address and telephone number at the first meeting. Ask to see their driver's license and jot down the driver's license number and the date of birth.
- If you are meeting for the first time, or are otherwise concerned about a buyer or seller, ask the Broker, another Associate or a personal assistant to accompany you.
- Always have your buyers and sellers meet you at the real estate office, never at a vacant property, and use your car or take separate cars.
- While showing a property, unlock the door and allow the prospects to enter first and keep them in front of you at all times.
- Don't carry a lot of cash or wear expensive jewelry during showings and open houses
- When leaving the office, always let someone know where you will be and how you can be reached.
- Use caution and judgment. **DO NOT** put yourself in an unsafe or compromising position.

20.7 NOTIFYING OWNERS BEFORE SHOWING PROPERTY

In the matter of showing a Berkshire Hathaway HomeServices Texas Realty listing, whenever possible, notify the owner that you are going to show the property. If you are unable to keep the appointment, call the owner and notify him of this. It is only common courtesy. The same applies when making appointments to show another Broker's property. If for some reason, you do not get to show the property, afford that Broker the courtesy of calling and either canceling the appointment or explaining the reason for not showing. Always leave your business card in the homes you preview and show.

20.8 REIMBURSEMENTS

- A. Management shall not be liable to the Realtor Associates for any expenses incurred by Realtor Associates, nor for any of the Realtor Associate's acts that would obligate said Realtor Associates, nor, except as otherwise stipulated in this Manual, shall the Realtor Associate be liable to Management for office help or expense...
- B. Realtor Associates shall not obligate the Company financially without consent of the Owner. This applies to cards, signs, advertising, etc. If Realtor Associates desire such expenditures to be made, they must speak to, and make arrangements with, the Management.
- C. If any employee or Realtor Associate requests reimbursement for any expense the Associate must use the following procedure or request will not be approved:
 1. All requests must be submitted within **30 days** from the date the expense is incurred on the appropriate Berkshire Hathaway HomeServices Texas Realty forms which are available on the Company Website and can be obtained from Management.
 2. All requests must be **in writing** and have the following information:
 - Itemized list of expenditures.
 - Location of expenditure (include name of establishment and city).
 - Purpose of expenditure (include client's name and company).
 - A copy or the original of all receipts.
 3. All requests must be **signed and dated** by the person making the request and their supervisor prior to submittal to accounting.
 4. Every effort should be made to obtain Management or supervisors' approval prior to incurring any reimbursable expenses.

22. SIGNS & LOCK BOXES

22.1 GENERAL POLICY

Only the signs approved by the Company may be used on any listing or sold property.

22.2 FOR SALE SIGNS

- A. Standard FOR SALE signs and DIRECTIONAL signs are supplied by the Company.
- B. Signs are not considered expendable. Realtor Associates are responsible for maintaining and retrieving any signs they erect. Signs should be re-used if in good condition.
- C. No sign of any kind may be placed on any property without the owner's written permission.
- D. Realtor Associates are responsible for retrieving signs placed illegally and paying any fines.
- E. If a For Sale sign is not returned to the office, the Realtor Associate will be charged \$25.00
- F. Realtor Associates are encouraged to attach their name rider signs to the For Sale signs on their listings. Realtor Associates pay for their own sign riders and should have them made in on a 6" x 24" sign.
- G. Magnetic car signs are available. It is requested that all Realtor Associates use these signs. They can be purchased through the office.
- H. The yard sign should be removed from the property after closing and funding, unless other arrangements have been made with the buyer.
- I. Large, billboard type signs are available for selected properties. See Management for eligibility guidelines.

21.3 KEYS - CONTROL AND USE

- A. The need to exercise strict care in the control and use of the home owners keys cannot be over emphasized.
- B. It is important to always have an extra set of keys made. Realtor Associates must get permission from the home owner to have extra sets of keys made (at Realtor Associate's

expense) to satisfy the following requirements.

1. Key inside of MLS lock-box
 2. Key taped in the Agent's Listing File - in case needed.
- C. After a contract has been accepted, if the purchaser for any reason desires entry before closing, the selling Realtor Associate will accompany them. All other entries will be the responsibility of the listing Realtor Associate.
- D. Realtor Associates using keys are responsible for assuring that property is secured when leaving premises. Realtor Associates should always leave a business card in the property after entering for any reason.

21.4 LOCK BOXES

- A. Associates provide lockboxes. They can be purchased from the local Board of Realtors.
- B. Realtor Associates must have written approval from the client prior to placing a lock box on the property. **If a listed property is occupied by tenants the Company requires the owner to provide written permission from the tenant before placing lock box on the property.**

22. BUSINESS ETHICS

22.1 GENERAL

These guidelines are not meant to be a complete text of the legal and ethical obligations of Associates and employees of the Company. No matter how well we try there will always be situations that arise in which the proper course of conduct will not be clear. In this type of situation, you should consult with the Manager.

22.2 USE OF COMPANY FUNDS OR PROPERTY

It is Company policy to require Associates and employees to account for use of property or funds belonging to the Company and to prohibit the personal use of such funds or equipment.

- A. No Associate or employee shall appropriate or permit any other Associate or employee to appropriate for his/her own personal use any funds or property that belongs to the Company except as may be specifically authorized.
- B. Misappropriation is theft and may subject an Associate or employee to possible criminal penalties and immediate dismissal.

22.3 PAYMENT TO OTHERS

- A. No funds of the Company shall be used for any unlawful or unethical purpose. Employees and Associates shall avoid any attempt to purchase privileges or benefits through the payment of bribes, kickbacks or gifts.
- B. Customary and normal business courtesies of nominal value (\$25.00 maximum) are allowable except where prohibited by law,

22.4 COMMISSION AGREEMENTS AND DISPUTES

A. Entitlement to Commission

Entitlement to compensation shall be documented in writing in all transactions where anything other than the compensation offered through the MLS will be paid. Associates shall obtain a written compensation agreement specifying the commission or fee to be paid to Broker for all non-MLS transactions before beginning any cooperative efforts, and absolutely before the submission of any offer to purchase. If Broker has a policy letter agreement with the listing broker setting commissions in non-MLS transactions, a specific compensation agreement will not be needed.

- B. Compensation agreements shall identify the property, name the parties and the brokers, state the amount of the commission or fee (or the way the same shall be calculated, e.g., 2.4% of purchase price*), when the commission or fee shall be paid, and what must be done to earn it (e.g., write offer that closes, procure the buyer, etc.).

C. Inter-Office Disputes of Compensation

Any Associate becoming aware of any commission dispute with another company shall promptly inform the Broker or office manager. Management shall make all decisions regarding negotiation of settlements, retaining legal counsel and filing arbitration.

In the event that the Broker finds it necessary to sue for a commission or fee, all expenses, including court costs and attorney's fees, must be subtracted from the commission before the split between the Broker and the Associate. The decision to initiate legal action will rest solely with the Broker.

Associates are expected to work out their own agreement on how the commission is to be split when a prospect is shared or turned over from one Associate to another. In the event any controversy between Associates concerning a commission, the Broker will make the final decision.

D. Personal Real Estate Transaction

When a licensed agent and/or a member of the immediate family has an interest in any real estate transaction, extreme care is necessary in drafting the contracts to comply with Texas Real Estate Commission requirements for full disclosure of acts to all parties to the contract. Any agent owned property placed on the market for sale should be listed with another agent in the Company. No agent shall attempt to purchase or sell real estate without making the offer in writing, complete with earnest money. All such properties must be clearly identified as "Agent Owned," containing a clause as follows or any such clause as the Texas Real Estate Commission may mandate in the future:

"The Seller (or Buyer) acknowledges that the Buyer (or Seller) is a real estate agent, licensed in the State of Texas, (License #) and is selling (or purchasing) for his/her own account."

22.5 CODE OF ETHICS

Defined simply, the word ETHICS means moral principles and the quality of practice. In the real estate business, ethics govern our professional relationship with our prospective buyers and sellers and with our fellow Realtors. Our ethics represent our honesty, integrity and spirit of proper conduct.

- A. The Company subscribes to the NAR Code of Ethics of the National Association of Realtors and the Local Board/Association of Realtors.
- B. A copy of the NAR Code of Ethics is available from Management. All Associates should read and be familiar with its content.
- C. Failure to abide by the NAR Code of Ethics can result in the termination of the Associate.
- D. Any act of dishonesty will be grounds for termination.

22.6 LICENSE RENEWAL AND TRANSFERS

- A. It is the Realtor Associate's responsibility to carefully monitor license renewal dates and requirements. The Company is not responsible for advising an Associate that his/her license is about to expire.
- B. Should a Realtor Associate's license expire during a transaction, a duly licensed Associate will be assigned the transaction and will be paid part of the commission commensurate with the amount of activity performed.
- C. Should a Realtor Associate's license be expired at the time of closing, any commission due will be held until that Associate is fully licensed.
- D. Upon the transfer of a Realtor Associate from the Company, the Real Estate Commission shall be notified and a transfer of license form submitted by the Company.
- E. Termination of the Independent Contractor Agreement between the Company and the Realtor Associate will be effective upon receipt of written notice by the other party that is being terminated.

23. PERSONAL ASSISTANTS

23.1 EMPLOYEE OR INDEPENDENT CONTRACTOR

Realtor Associates are encouraged to seek qualified, professional advice from their C.P.A. or attorney regarding the employee/employer relationship between themselves and their Personal Assistant(s) regarding accounting, payroll taxes, federal and state withholding requirements, workman's comprehensive insurance, reporting requirements, etc.

23.2 COMPENSATION

The amount and type of compensation for the Personal Assistant shall be at the sole discretion of the Realtor Associate and all expenses of the Personal Assistant shall be borne by the Realtor Associate.

23.3 USE OF COMPANY EQUIPMENT & FURNITURE

Personal Assistants shall be allowed to utilize equipment or furniture within the office that is normally available to the Realtor Associate, specifically for real estate duties assigned by the Realtor Associate. The Company at its sole discretion may provide a designated working area for use by Personal Assistants. Depending upon the availability of desk space,

Personal Assistants may be asked to share desk facilities.

23.4 TRANSACTION COORDINATOR FEE

If the Transaction Coordinator service is provided and billed by a third party provider ("Service Provider"), the following policies apply:

- A. Agents may charge whatever fee is agreed to in writing by Buyer and/or Seller.
- B. If the fee is the exact amount of the fee charged by Service Provider, then associate must:
 - 1. Have the Buyer and/or Seller sign a "net sheet" showing a Transaction Coordinator Fee being paid to Service Provider and provide a copy of the 'net sheet' to Service Provider.
 - 2. Service Provider will send invoice to the title company.
 - 3. Service Provider will be responsible for collecting their fee and having the fee placed on the HUD-1, settlement statement.
 - 4. The fee will be paid directly to Service Provider by the title company.
- C. If the fee is greater than fee charged by Service Provider then associate must:
 - 1. Have the Buyer and/or Seller sign the Berkshire Hathaway HomeServices Texas Realty Transaction Coordinator Fee Disclosure form and attach to sales contract and/or listing agreement.

2. Provide Service Provider a copy of the signed form.
3. Send copy of disclosure form to the title company with instructions to show the Transaction Coordinator Fee being paid to Berkshire Hathaway HomeServices Texas Realty as a line item on the HUD-1 settlement statement.
4. The royalty fee will be deducted from the entire amount, then the remaining balance will be paid to associate and associate will be responsible for paying any fees they have agreed to pay.

23.5 HOLD HARMLESS

The Realtor Associate hiring said Personal Assistant shall be totally responsible for all acts of the Personal Assistant and shall hold the Company harmless from any legal liability for any acts committed by their Personal Assistant.

23.6 TRANSACTION COORDINATOR DISCLOSURE

Realtor Associate, _____, and Berkshire Hathaway HomeServices Texas Realty have hereby disclosed to Buyer / Seller that there will be a Transaction Coordinator Fee charged to Buyer / Seller in the amount of \$ _____, and the Buyer / Seller has agreed to pay this Fee at closing to Berkshire Hathaway HomeServices Texas Realty in connection with the closing of the transaction at _____. This Fee is in addition to any real estate commission Buyer / Seller has contracted to pay.

Buyer Date

Buyer Date

Seller Date

Seller Date

Realtor Associate Date

ADDENDA

1. INDIVIDUAL AGENT RETIREMENT PROGRAM

Berkshire Hathaway HomeServices Texas Realty Plan for Retirement Plan Participants

The Company has a Retirement Program available for Realtor Associates.

To encourage savings and planning for retirement in the future, Berkshire Hathaway HomeServices Texas Realty (Company) offers a plan for those Associates who are participants in a Simplified Employee Pension Plan (SEP) or Individual Retirement Account (IRA).

Company will contribute to Realtor Associate's retirement plan equal to 10% of the amount the Realtor Associate placed in his/her retirement account each calendar year, if Realtor Associate follows the guidelines below. Disbursement of this money will be on or before April 25th, if the Realtor Associate has followed the guidelines and is associated with Berkshire Hathaway HomeServices Texas Realty on April 15th.

- A. Realtor Associate needs to be enrolled, as an independent contractor, in an approved Simplified Employee Pension Plan (SEP) or Individual Retirement Account (IRA).
- B. In order for the Company to facilitate this plan, the Realtor Associate will provide the Company's Accounting Department with the name and address of the institution administering their account and their account number.
- C. Realtor Associate shall choose either a specific dollar amount (i.e. \$50.00) or a fixed percentage (up to 15%) to be deducted from **every** commission at closing. Once each year (prior to March 31st) Realtor Associate may change the amount deducted from each commission.
- D. To simplify the process for the Realtor Associates, the Company will authorize *at each closing* a separate check *to be issued made payable* to Realtor Associate's retirement account.

NOTE: Federal law would seem to state that you may not be able to contribute to both a SEP and an IRA at the same time. If you withdraw money early from your retirement account the IRS may charge you a 10% penalty plus you may have to pay the taxes due on the amount you have withdrawn early.

With a SEP you may contribute up to 15% of your earned income or approximately \$22,500.00, whichever is less. Check with your tax advisor. There are other rules and regulations that your program administrator will be able to explain. Contributions to a SEP are usually tax deductible. These rules are subject to change without notice.

With an IRA you may contribute up to approximately \$2,000.00 of your earned income. There are other rules and regulations that your program administrator/custodian will be able to explain. Contributions to an IRA are usually tax deductible.

Any reference or explanation of a SEP, an IRA and/or the tax laws mentioned above should not be relied upon and should be verified by the administrator/custodian of your SEP or IRA, the IRS, your attorney and/or your CPA.

This is a voluntary program. Realtor Associate shall not be treated as an employee with respect to his/her retirement program or to services performed during his/her affiliation and association with Berkshire Hathaway HomeServices Texas Realty and shall be an independent contractor for federal tax purposes.

This program is subject to change at any time by the IRS or by Berkshire Hathaway HomeServices Texas Realty without prior notice to Realtor Associate.

BERKSHIRE HATHAWAY HOMESERVICES TEXAS REALTY PLAN

FOR RETIREMENT PROGRAM PARTICIPATION AGREEMENT

I wish to participate in the Berkshire Hathaway HomeServices Texas Realty Retirement Plan

Participants Realtor Associate's Name: _____

Amount I want deducted from each closing is (Percentage or \$ Amount): _____

Name of SEP or IRA administrator: _____

Address and Zip of Realtor Associates SEP or IRA administrator: _____

Type of account: Account Number: _____

Realtor Associate

Management

_____ Date _____ Date

THIS PLAN/PROGRAM IS SUBJECT TO CHANGE WITHOUT NOTICE.

1. CONVENTION INCENTIVE PROGRAM ADDENDUM

Berkshire Hathaway HomeServices Texas Realty, "Company", will match Realtor Associates contribution of \$100 per closing not to exceed \$500 per calendar year, which shall be deposited in an account by the Company to be used by the Realtor Associate for expenses incurred in attending a Berkshire Hathaway HomeServices Texas Realty Affiliates National Convention Conference. In the event a Realtor Associate chooses not to attend the next National Convention Conference, the Realtor Associate's actual contribution amount will be returned. Realtor Associates do not have to contribute from each closing.

To take advantage of this incentive the Realtor Associate must meet all the following qualifications:

- A. Must attend 50% of all sales meetings.
- B. Produce a minimum of ***\$18,000*** net to Company after royalties and split with Realtor Associate and after any contribution to Retirement Program, the Continuing Education Reimbursement Program, and after any payments under this plan during a calendar year. These production requirements will be prorated for a Realtor Associate joining the Company after the first of the year.
- C. Realtor Associate must have annual written production goals for both sales and listings as well as a written plan for achieving the production goals that are signed by Associate and approved by manager prior to participating in the incentive program.
- D. Realtor Associate must indicate on the Company Contract to Closing form that he/she wishes to make a deduction from that specific closing.

THIS PLAN/PROGRAM IS SUBJECT TO CHANGE WITHOUT NOTICE.

2. REALTOR ASSOCIATE RECRUITING INCENTIVE PROGRAM ADDENDUM

OBJECTIVE: To assist the Company in attracting and retaining top producing residential Realtor Associates. Productive Realtor Associates increase everybody's success through additional inventory, increased and improved Company name recognition and quality representation of the Company and our listings.

THE PROGRAM: Berkshire Hathaway HomeServices Texas Realty Residential Realtor Associates can earn overrides on the production of any agent whom they play an active role in recruiting to the Residential Division of the Company.

HOW IT WORKS:

- A. You identify an agent as a prospective Associate for our Company and **make a specific appointment** for that person to meet with a Manager. Set the appointment for a day and time which is convenient with the prospective Associate. Notify the Manager **in writing** of the appointment; this will serve as your "registration" of the prospective Associate. The Manager will attend the appointment or call the prospective Associate to re-schedule.
- B. If the prospective Associate meets our eligibility standards and ultimately agrees to join us, you will serve as his/her "buddy" or "mentor". Your responsibilities are to help the new Associate make an easy transition, to learn the ins and outs of our Company more quickly, and to help in any other ways that you can to make the new Associate happy and comfortable.
- C. You will receive an override of **5% of the company dollar** on **every transaction** your Associate closes as long as both of you are affiliated with the Residential Division of the Company. Payment for these overrides will be made periodically (not less than once a month) as the current accounting system permits.

THIS PLAN/PROGRAM IS SUBJECT TO CHANGE WITHOUT NOTICE.

3. REALTOR ASSOCIATE PERSONAL COMPUTER ADDENDUM

The Company encourages Realtor Associates to invest in technology. As a Company, we are committed to support and help Realtor Associates in their personal automation goals.

The company maintains a network for use by all Realtor Associates and staff. All Realtor Associates who wish to connect to this network will have installed and working versions of Virus Protection Software to protect from computer generated viruses. The Company specifically reserves the right to refuse to allow any user to connect to the Company network unless that user can provide proof of Company approved Virus Protection Software.

The Company will assign Realtor Associate an e-mail account on our network. All Company communications will be sent to the Realtor Associate at this e-mail address. If Realtor Associate has another e-mail account, the Associate has the ability to forward all e-mails received at their BHHS.com account to this account.

The Company will assign Realtor Associate a Zip Forms Online account. To access this account please see the instructions provided at hire date or ask your manager. This account will provide the Realtor Associate with access to the following forms libraries:

Austin Board of Realtors

Texas Association of Realtors

Texas Real Estate Commission

- A. Internet bandwidth is a finite resource and company does not have the capacity to support bandwidth intensive activities that are not business related. As a result, any non-essential personal or business use of streaming media is strictly prohibited. This includes, but is not limited to: Google Video, YouTube and internet radio. Use of online backup services is permitted, provided that the backup only runs only during non-business hours (7pm to 6am) and does not adversely affect the network or any other users. The Company reserves the right to monitor, reroute or drop network traffic as it deems necessary to ensure the speedy and secure operation of the network.

As additional network services are added, Realtor Associate will be notified of how to access these services.

THIS PLAN/PROGRAM IS SUBJECT TO CHANGE WITHOUT NOTICE.

4. CONTINUING EDUCATION REIMBURSEMENT PLAN ADDENDUM

In order to promote professionalism and to ensure that our associates are informed of recent changes and current practices in our business, Berkshire Hathaway HomeServices Texas Realty has established the following program.

The Company will reimburse 50% of the tuition (based on "early-bird" tuition rates) of any course, successfully completed and passed, which leads to *one of the following nationally recognized, NAR sanctioned designation*:

- GRI
- ABR
- CRS

Upon receipt of a copy of a certificate evidencing completion, and a copy of a canceled check, credit card invoice or bill, or other evidence of payment, the Company will issue a check or credit to Associate's account in the amount of 50% of the tuition.

Qualifications and Eligibility Requirements:

- A. Associate must have been licensed with the Company for a minimum of 180 days.
- B. The course must lead to *an approved residential designation*, as described above.
- C. Associate must attend 50% of all sales meetings.
- D. Associate must produce a minimum of **\$18,000** net to Company after royalties and split with Associate, after any contribution to Associate's Convention Account and after any payments under the Retirement Bonus Plan or this Plan during a calendar year **or** 90% of previous year's closed production, whichever is greater. These production requirements will be prorated for an Associate joining the Company during the year.
- E. Associate must have written annual production goals for both sales and listings as well as a written plan for achieving the production goals signed by Associate and approved by Management.

THIS PLAN/PROGRAM IS SUBJECT TO CHANGE WITHOUT NOTICE.

5. AGENCY ADDENDUM

AGENCY

An agent is an individual or organization representing the interests of another person. The State of Texas licenses real estate brokers and salespeople to represent clients in the sale or leasing of real property.

In real estate transactions, the Broker (usually a company) and the client establish an agency relationship. The client, either as buyer or seller, generally works with an agent associated with the Broker. To assure that clients may rely on agents placing client interests first, state and federal laws firmly define Agent responsibilities. Before working with a real estate broker, you should know that the duties of a broker depend on whom the broker represents.

- A. If you are a prospective seller or landlord (owner) or a prospective buyer or tenant (buyer), you should know that the Broker who lists the property for sale or lease is the owner's agent.
- B. A broker who acts as a subagent representing the owner in cooperation with the listing broker.
- C. A broker may act as an intermediary between the parties if the parties consent in writing.

A broker can assist you in locating a property, preparing a contract or lease or obtaining financing without representing you. A broker is obligated by law to treat you honestly.

If the Broker Represents the Owner:

The Broker becomes the owner's agent by entering into an agreement with the owner, usually through a written listing agreement, or by agreeing to act as a subagent by accepting an offer of subagency from the listing broker.

- A. A subagent may work in a different real estate office.
- B. A listing broker or subagent can assist the buyer and must place the interests of the owner first.
- C. The buyer should not tell the owner's agent anything the buyer would not want the owner to know because an owner's agent must disclose to the owner any material information known to the agent.

If the Broker Represents the Buyer:

The Broker becomes the buyer's agent by entering into an agreement to represent the buyer, usually through a written buyer representation agreement. A buyer's agent can assist the owner but does not represent the owner and must place the interests of the buyer first. The owner should not tell a buyer's agent anything the owner would not want the buyer to know because a buyer's agent must disclose to the buyer any material information known to the agent.

If the Broker acts as an Intermediary:

A broker may act as an intermediary between the parties if the broker complies with The Texas Real Estate License Act. The Broker must obtain the written consent of each party to the transaction to act as an intermediary. The written consent must state who will pay the Broker and, in conspicuous bold or underlined print, set forth the Broker's obligations as an intermediary. The Broker is required to treat each party honestly and fairly and to comply with the Texas Real Estate License Act. A broker who acts as an intermediary in a transaction:

Shall treat all parties honestly.

- A. Shall not disclose that the owner will accept a price less than the asking price unless authorized in writing to do so by owner.
- B. May not disclose that the buyer will pay a price greater than the price submitted in a written offer unless authorized in writing to do so by the buyer.
- C. May not disclose any confidential information or any information that a party specifically instructs the Broker in writing not to disclose unless authorized in writing to disclose the information or required to do so by the Texas Real Estate License Act or a court order or if the information materially relates to the condition of the property.

With the parties' consent, a broker acting as an intermediary between the parties may appoint a person who is licensed under the Texas Real Estate License Act and associated with the Broker to communicate with and carry out instructions of one party and another person who is licensed under that Act and associated with the Broker to communicate with and carry out instructions of the other party.

If you choose to have a broker represent you, you should enter into a written agreement with the Broker that clearly establishes the Broker's obligations and your obligations. The agreement should state how and by whom the Broker will be paid. You have the right to choose the type of representation, if any, you wish to receive. Your payment of a fee to a broker does not necessarily establish that the Broker represents you. If you have any questions regarding the duties and responsibilities of the Broker, you should resolve those questions.

In those circumstances which dictate it, Berkshire Hathaway HomeServices Texas Realty will act as an intermediary. If two sales associates from the company are involved (one with the Seller and a different one with the Buyer), Berkshire Hathaway HomeServices Texas Realty will appoint one sales associate to work with and offer opinions and advice to the Seller, and one sales associate to work with and offer opinions and advice to the Buyer. Both parties will be notified in writing of the appointments.

6. DO-NOT-CALL-REGISTRY ADDENDUM

Policy

Berkshire Hathaway HomeServices Texas Realty Do-Not-Call Registry

OVERVIEW

The cold-calling activities of real estate professionals at Berkshire Hathaway HomeServices Texas Realty after October 1, 2003 need to comply with the requirements of the new federal do-not-call registry, based on rules issued by the Federal Communications Commission ("FCC"). The FCC has broadened the reach of the federal "do-not-call" registry originally created by the Federal Trade Commission ("FTC") to now cover **intrastate** telemarketing as well as the **interstate** telemarketing calls covered by the FTC rule. While the federal do-not-call registry contains exemptions, these do not cover the telemarketing activities of real estate professionals. The federal rules permit states to adopt more stringent telemarketing rules, but any state telemarketing rules, which are less restrictive than the federal rules, are preempted and superseded by the federal rules. Therefore, any exemptions found in state laws for real estate professionals are now eliminated and real estate professionals who engage in telemarketing now require compliance with the federal "do-not-call" registry.

A complete copy of the Federal "Rules" is available on the Internet at

<http://www.ftc.gov/bcp/online/edcams/donotcall/index.html> .

A complete copy of the State "Rules" is available on the Internet at

<http://www.puc.state.tx.us/ocp/telephone/telemark.cfm> .

PURPOSE

By adoption and utilization of the compliance procedures, as well as all other necessary steps, Berkshire Hathaway HomeServices Texas Realty will benefit from the "safe harbor" provisions of the National do-not-call rules, and will therefore not be liable for violations of the Telemarketing Sales Rule (TSR) which are the result of error.

The TSR has a "safe harbor" for inadvertent mistakes. If a seller or telemarketer can show that, as part of its routine business practice, it meets all the requirements of the safe harbor, it will not be subject to civil penalties or sanctions for mistakenly calling a consumer who has asked for no more calls, or for calling a person on the registry. To meet the safe harbor requirements, the seller or telemarketer must demonstrate that:

- 1 It has written procedures to comply with the do not call requirements
- 2, It trains its personnel in those procedures
3. It monitors and enforces compliance with these procedures
4. It maintains a company-specific list of telephone numbers that it may not call
5. It accesses the national registry no more than three months before calling any consumer, and maintains record documenting this process.

POLICY and REQUIRED PROCEDURES

Berkshire Hathaway HomeServices Texas Realty expressly states that the company complies with the FCC and FTC's federal telemarketing rules and the company accesses the Registry. The Rules now make it illegal to call a residential telephone subscriber with a "telephone solicitation" if the residential telephone subscriber has registered his or her number with the federal do-not-call registry. A "telephone solicitation" is defined as "a telephone call or message for the purpose of encouraging the purchase or rental of, or investment in, property, goods or services, which is transmitted to any person." The FCC's discussion of the Rules makes it clear that the cold-calling activities of a real estate professional fall within this definition.

There are three exceptions to the do-not-call registry: first, if the caller has received the express permission of the consumer; second, if an "established business relationship" exists between the parties; and third, calls may be made by or on behalf of a tax-exempt nonprofit organization. An "established business relationship" is one between a business and a consumer with whom the business has an established business relationship for up to 18 months after the consumer's last purchase, delivery or payment or a consumer whom, within the last three months, made an inquiry to the business. The established business relationship exception is terminated if a consumer requests to be placed on the business's company-specific do-not-call list, even if the parties continue to do business.

Berkshire Hathaway HomeServices Texas Realty has implemented this policy effective immediately. The process for monitoring compliance with the Rules will include recirculation of this policy every three months on the date the "Do Not Call" list is retrieved from the FTC. Furthermore, periodic compliance checks will occur to ensure understanding of the policy and adherence to the guidelines set forth herein.

Berkshire Hathaway HomeServices Texas Realty will create its company do-not-call lists every three months. On or about the first business day in January, April, July and October the "Do Not Call" list will be retrieved from the FTC. The list will be available utilizing Berkshire Hathaway HomeServices Texas Realty's intranet. Berkshire Hathaway HomeServices Texas Realty Agents may access the FTC "Do Not Call" registry for area codes 254, 325, 512, 830 and 979 from our company Intranet.

Effective immediately, if any customer makes a specific request that agents or employees from Berkshire Hathaway HomeServices Texas Realty cease telephone calls to their residence, the agent will immediately add that number to our Company Specific Do Not Call List using the Do Not Call application located on our Company Intranet as required by the statute. A request overrides any exception (such as an established business relationship) that would otherwise allow the business to call the consumer. The company-specific do-not-call list will be checked against the National registry as required by the statute. A consumer's request to a business is good for five years from the date is made.

This policy provides guidance on the following: time when calls can be made (10 am- 8 pm, Monday-Saturday); what the agent needs to say during every call (name, company name, and have contact information available); and also sets forth guidelines on what is unacceptable conduct during a call (examples: repeatedly calling the same number; allowing phone to ring numerous

times; abusive tactics such as threats or obscene language; or hanging up when consumer begins to request placement on company's do-not-call list).

This policy prohibits blocking the transmission of company information through a caller identification service. The policy further requires that Berkshire Hathaway HomeServices Texas Realty must provide a number in the called ID where consumers can call the business during normal business hours and make a business-specific do-not-call request.

Agents/Employees must wait at least 15 seconds or four rings before disconnecting a telemarketing call.

Berkshire Hathaway HomeServices Texas Realty does not "sell, rent, lease, purchase or use" the "Do Not Call" list for any purpose except compliance purposes. Berkshire Hathaway HomeServices Texas Realty gains access from the administrator of the Registry for area codes 254, 325, 512, 830 and 979, and does not share the Registry with any other telemarketers. Should agents wish to access telephone numbers outside these area codes, they are required to contact their Manager for instructions.

Every agent and employee at Berkshire Hathaway HomeServices Texas Realty will sign an acknowledgement indicating his or her understanding of this policy. A reply, utilizing the attached form, will be sufficient to meet this obligation.

I acknowledge that I have read, understand and agree to abide by the attached policy regarding the "Do Not Call" registry. I understand that the penalty for violating the FTC rules regarding the "Do Not Call" registry can include a maximum fine of \$11,000 per incident. Furthermore, if any fine is assessed, Berkshire Hathaway HomeServices Texas Realty has followed the "Safe Harbor" rules and will not participate in the payment of any fines imposed. If I violate any State law, Federal law or Company policy as defined above, I agree to be 100% responsible for any fines that may be imposed.

Agent/Employee Printed Name: _____

Agent/Employee Signature : _____ Date _____

Manager/Witness Signature : _____ Date _____

7. ANTI-SPAM-ADDENDUM

Policy

Berkshire Hathaway HomeServices Texas Realty State Anti-Spam Laws

Berkshire Hathaway HomeServices Texas Realty adheres to the following State of Texas policy regarding Anti-Spam Legislation which will be amended from time to time by the State.

Texas Adopts New Anti-Spam Laws

By Greg Abbott
Attorney General of Texas

Electronic mail has made personal and commercial correspondence expedient and convenient. Unfortunately, e-mail has also made it easy for businesses and individuals to inundate consumers with unwanted advertisements and solicitations. That is why the 78th Texas Legislature passed a new anti-spam law to protect Texas consumers and precisely why I plan to enforce it.

The new law does not make unsolicited e-mail advertisements illegal. However, effective September 1, 2003, it does provide penalties for failing to meet certain requirements.

Texas law now bans people from sending e-mails that contain false, deceptive or misleading information in the subject line, or from falsifying the e-mail address. E-mail advertisers must also include a working e-mail address so that consumers can ask to be removed from the advertising list.

If you make such a request, the advertiser must remove your e-mail address within three days. Normally we recommend that you do not use the remove feature. When you respond this way you are indicating that your e-mail address is an active one. Instead of getting less spam, you are likely to get even more.

In the past, spammers have also been known to use this feature to commit a certain kind of identity theft. Spammers can actually use your valid e-mail address as the apparent source of their advertisements.

With the new law in place, you may want to consider using the remove feature for e-mails received from reputable companies and not using it for e-mails where the sender is not identifiable. You should use your best judgment when exercising this option. Unsolicited email advertisements must also include the letters "ADV" in the subject line. If the message contains

pornographic material, "ADV: Adult Advertisement" must be included in the subject line.

Spammers who break the law by sending obscene materials without a label face being charged with a Class B misdemeanor and may spend up to 180 days in a county jail and be fined up to \$2,000.

Unsolicited obscene e-mails are a great nuisance to parents everywhere. While the new law is a step in the right direction, we are not out of the woods yet. It is believed that much of the pornographic e-mail is produced in Eastern Europe and Russia.

Ideally, the new law should be followed by all businesses and individuals that send unsolicited e-mail to and from Texas. Realistically, only reputable, law-abiding businesses and people will follow the law. The newly enacted legislation may not deter illegal spam from other states or countries where spam laws may not exist or where enforcement is a low priority. Nigerian Fraud (also known as advance fee fraud) and foreign lottery scams are prime examples of spam that will probably not be slowed by anti-spam legislation. These solicitations are based out of foreign countries, which make enforcement and prosecution extremely difficult.

Our office continues to urge consumers NOT to send money to e-mailers who claim that you have won a large prize and not to provide your personal identifying information (i.e. credit and Social Security card numbers). These spammers, mainly from Canada and Europe, have robbed thousands of Texans. Cooperation among states and countries is crucial to curtailing illegal spam.

While spam laws will be challenging to enforce, rest assured that our office is firmly committed to protecting Texas consumers. We will work to find the most effective, reasonable method of enforcement.

POINTS TO REMEMBER

Ask your Internet service provider about e-mail filters to block spam.

To remove your e-mail address from many national direct e-mail lists, visit:

<http://www.e-mps.org/> .

To report illegal spam, visit the Consumer section of our Web site.

Report child pornography to the National Center for Missing and Exploited Children (NCMEC)

at: <http://www.cybertipline.com/>.

Additional information on how to report child pornography:

www.usdoj.gov/criminal/ceos/report.htm .

The Federal Trade Commission investigates complaints about spam e-mail. You can forward spam directly to the Commission at: uce@ftc.gov .

To report advance fee fraud or Nigerian Fraud:

Contact your local U.S. Secret Service Field Office, Email: <mailto:419.fcd@uss.treas.gov> .

Information on this and other topics is available on the Attorney General's Web site at <http://www.oag.state.tx.us/> .

8. COMMISSION POLICY ADDENDUM

The company's expectation of company dollar on a transaction will be calculated at 3% of the sales price on the listing side and 3% of the sales price on the selling side, less the franchise fee and the Associate's split. The Associate has the freedom to negotiate or give away only the Associate's share of the commission. The Company's share is sacred and the Associate cannot negotiate or give away any portion of the Company's share of the commission.

If an Associate lists an improved residential property (one to four units) where the commission is more than 3%, the Associate will be paid 100% of the amount over 3% as described in the Commission Schedule. If an Associate sells an improved residential property (one to four units) where the co-op commission is more than 3%, the Associate will be paid 100% of the amount over 3% as described in the Commission Schedule, provided the buyer client signs a disclosure acknowledging that the amount over 3% is being paid wholly to Associate. (This policy does not apply to Company generated Relocation business.)

An Associate may accept a listing with less than 3% paid on the listing side of the transaction, but the Company will calculate the Company's part of the listing commission based on 3%, and the balance will be paid to the Associate. An Associate may negotiate a buyer-controlled sale with less than a 3% commission on the selling side of the transaction, but the Company will calculate the Company's part of the commission based on 3%, and the balance will be paid to the Associate, except when a property is offered at less than 3% in MLS, in which case the Company will split the selling side commission based on the commission offered in MLS.

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10. Berkshire Hathaway HomeServices Texas Realty Relocation Department Privacy Statement and Policy

By accepting referral assignments from Berkshire Hathaway HomeServices Texas Realty's Relocation Department and performing services described herein, Agent agrees to the following Terms and conditions:

- You agree to regard and preserve as confidential all Non-Public Personal Information including but not limited to: name, address, telephone number or other unique identifier.
- You agree to hold the Personal Information in strict confidence, using such degree of care as is appropriate to avoid unauthorized use or disclosure and to use such Personal Information solely in the manner contemplated and authorized by the customer.
- You agree that you will not disclose, and that you will not permit anyone who works with you to disclose, Personal Information without customer's prior written consent.
- Upon completion of the services provided in the Referral Agreement, or at any time Berkshire Hathaway HomeServices Texas Realty Relocation may so request, you will promptly return to Berkshire Hathaway HomeServices Texas Realty Relocation all such Personal Information in your possession or destroy all such Personal Information in your possession and maintain time/date of such destruction in agent file.
- You agree to notify Berkshire Hathaway HomeServices Texas Realty's Relocation Department immediately should an unauthorized personal access or disclose Non-Public Personal Information about referred customer.
- You agree to maintain these standards as long as you are affiliated with Berkshire Hathaway HomeServices Texas Realty.

Signature

Date

11. Berkshire Hathaway HomeServices Texas Realty Property Management Policy Addendum

Associates shall not engage in property management while under the sponsorship of Berkshire Hathaway HomeServices Texas Realty without written permission being granted by Management.

1. In an effort to keep our Errors & Omissions (E&O) insurance rate as low as possible for all Associates, Berkshire Hathaway HomeServices Texas Realty filed our E&O application and obtained E&O coverage representing that BHHS TX Realty was not engaged in any property management & consequently does not have E&O coverage for property management.
2. If an Associate is granted written permission by Management to own and operate a property management firm, the Associates must comply with all city, state and federal regulations as well as all Texas Real Estate Commission (TREC) rules and regulations.
3. If an Associate is granted written permission by Management to own and operate a property management firm, the Associate must have a written and fully executed property management agreement signed by each property owner and listing each property being managed. Associate must provide a copy of the executed property management agreement to Company immediately upon execution.
4. As per TREC Section 535.15, a salesperson may own a property management firm, but the leasing and rental business must be conducted through BHHS TX Realty, the sponsoring broker, and Associate's commission split agreement will apply to all leasing commissions.
5. As per TREC Section 535.159(g) all security deposits must be held in a separate account or in a trust or escrow account.
6. All owners of property that are being managed by an associate shall obtain, carry and maintain commercial general liability insurance of at least \$500,000.00 per occurrence, \$1,000,000.00 aggregate, with contractual liability coverage, and with the contractual liability exclusion with respect to personal injury deleted and no contractual liability limitation endorsements (specifically no ISO form CG 21 39 or CG 24 26), and naming PTR as an "Additional Insured". Such commercial general liability insurance shall be issued by an insurance carrier having a Best's Rating of A or better, and a Best's Financial Size Category of VIII, or better, and admitted to engage in the business of insurance in the State of Texas and contain a provision for 30 days' prior written notice by insurance carrier to Broker required for cancellation, non-renewal, or substantial modification.

7. If an Associate is granted written permission by Management to own and operate a property management firm, Associate shall obtain, carry and maintain an Errors and Omission Insurance Policy with liability limits of not less than \$500,000.00 per occurrence and shall also obtain, carry and maintain commercial general liability insurance of at least \$500,000.00 per occurrence and \$500,000.00 aggregate with contractual liability coverage, and with the contractual liability exclusion with respect to personal injury deleted and no contractual liability limitation endorsements (specifically no ISO form CG 21 39 or CG 24 26), and naming BHHS TX Realty as an "Additional Insured" prior to engaging in any form of property management and Associate shall provide Management with a copy of all Error and Omissions Insurance Policies prior engaging in any form of property management.

8. If an Associate is granted written permission by Management to own and operate a property management firm, the Associate and the property owners must sign the attached Property Management Disclosure Agreement for each property that Associate is managing disclosing that BHHS TX Realty is not involved in the management of their property and disclosing who owns and operates the property management firm prior to engaging in any form of property management and Associate shall provide Management with a copy of the fully executed Property Management Disclosure Agreement immediately after it has been executed by Associate and property owner.

9. If an Associate is granted written permission by Management to own and operate a property management firm, complies with all BHHS TX Realty policies & procedures and complies with all TREC rules, Associate may own and operate a property management firm and Management will not be involved in the associate's property management firm, its accounting or its revenue.

10. If an Associate is granted written permission by Management to own and operate a property management firm, the Associate is representing to Management that they are aware that property management requires significant attention to detail, the use of Generally Accepted Accounting Practices (GAAP) and financial record keeping and that BHHS TX Realty will not be involved in their property management firm in any way.

TREC's rules and regulations are available on TREC website.

BHHS TX Realty policy and procedures are available on BHHS Texas Realty website.

By signing below Associate represents that he/she has read and understands BHHS Texas Realty's Property Management Policy and agrees to be bound by all terms of BHHS Texas Realty's current (or as amended) Property Management Policy and is requesting permission to own & operate a property management firm. Copies of Associate's proof of required Commercial General Liability coverage and Errors & Omissions coverage must be attached to this form prior to permission being granted by Berkshire Hathaway HomeServices Texas Realty.

By signing below Berkshire Hathaway HomeServices Texas Realty acknowledges that Management is granting permission for Associate to operate said Property Management Company subject to all of the conditions of Berkshire Hathaway HomeServices Texas Realty current (or as amended) Property Management Policy.

Associate Name _____

Signature: _____ Date: _____

Berkshire Hathaway HomeServices Texas Realty

Signature: _____ Date: _____

Name: _____ Title: _____

11 A. PROPERTY MANAGEMENT DISCLOSURE AGREEMENT

THIS AGREEMENT is made and entered into as of the ____ day of _____ 20____, by and between, _____, Owner, with mailing address at _____, or its assignee (hereinafter referred to as "Owner"), Owner's designated property management company, _____ ("Property Manager"), with a mailing address at _____ and Austin Area Realty Group, LLC, a Texas limited liability company, dba Berkshire Hathaway HomeServices Texas Realty, having offices at 900 Congress Ave, Austin TX, 78701, or its assigns (hereinafter referred to as "BHHS TX Realty").

WHEREAS, Owner is the owner of real estate located at _____ (address), _____ (city), _____ (state) (hereinafter referred to as the "Property"), and

WHEREAS, Owner desires to contract with Property Manager to manage Property and Owner has been made aware that Property Manager is not in any way related to, owned by, supervised by, or affiliated with Berkshire Hathaway HomeServices Texas Realty and that BHHS TX Realty is not in the property management business;

WHEREAS, Owner is contracting with Property Manager independent of any contractual or agency relationship Owner has or may have with Berkshire Hathaway HomeServices Texas Realty;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, Owner, Property Manager and BHHS TX Realty hereby agree as follows:

1. Indemnities and Insurance.

A. Owner shall and hereby agrees to indemnify, defend (in litigation, arbitration, mediation or other proceeding with counsel reasonably acceptable to the party being defended and to pay all costs associated with the preparation or prosecution of such defense) and hold harmless BHHS TX Realty, its agents, members, managers, officers, and/or employees (collectively, the "Berkshire Hathaway HomeServices Texas Realty Indemnified Parties"), from and against all foreseeable or unforeseeable demands, losses, costs, liabilities, damages (including actual, consequential or punitive damages), claims, suits, fines, penalties, expenses (including attorneys' fees, experts' fees, court costs, or other expenses incurred in investigating, preparing, prosecuting or settling any legal action or proceeding or arbitration, mediation, or other method of alternative dispute resolution), disbursements, costs, charges, assessments, demands, litigation, settlement payments, causes of action (whether in tort, contract, or under a theory of strict liability, or whether in law, equity, statutory or otherwise) or judgments, incurred by any Indemnified Party, arising directly or indirectly, in whole or in part, or occurring in connection with or as a result of or relating to, resulting from or based upon any property management function or activity, by Owner or Property Manager including the following:

- (1) any act, action, omission, negligence or willful misconduct on the part of any property manager, property management employee, property management agent, property management vendor, property management owners, officers, shareholders, directors, including, but not limited to, statements, representations or performance of any property management service;
- (2) any injury, harm to, impairment incurred by, or death of a tenant, vendor, or a person who views, inspects or otherwise enters the Property, or a loss of, or impairment or loss of use of the Property.

B. Owner's indemnification obligations (i) are independent of, and will not be limited by, each other or any insurance obligations in this Agreement, and (ii) will survive the expiration of this Agreement until all related claims against BHHS TX Realty and its Indemnified Parties are fully and finally barred by

applicable law. ALL INDEMNITIES DESCRIBED ABOVE WILL BE ENFORCED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW FOR THE BENEFIT OF PRUDENTIAL AND ITS INDEMNIFIED PARTIES.

C. During the entire term of this Agreement, Owner shall obtain, carry and maintain commercial General liability insurance of at least \$500,000.00 per occurrence, \$1,000,000.00 aggregate, with contractual liability coverage, and with the contractual liability exclusion with respect to personal injury deleted and no contractual liability limitation endorsements (specifically no ISO form CG 21 39 or CG 24 26), and naming BHHS TX Realty as an "Additional Insured". Such commercial general liability insurance shall be issued by an insurance carrier having a Best's Rating of A or better, and a Best's Financial Size Category of VIII, or better, and admitted to engage in the business of insurance in the State of Texas and contain a provision for 30 days' prior written notice by insurance carrier to Broker required for cancellation, non-renewal, or substantial modification.

D. Property Manager shall maintain an Errors and Omission Insurance Policy with liability limits of not less than \$500,000.00 per occurrence and shall also maintain commercial general liability insurance of at least \$500,000.00 per occurrence and \$500,000.00 aggregate and shall provide BHHS TX Realty with a copy of all Error and Omissions Insurance Policies and all general liability insurance policies.

2. Miscellaneous.

A. All notices sent under this Agreement shall be in writing and sent to the parties at the addresses set forth on the first page of this Agreement. Any notice shall be either (a) personally delivered to the address set forth below, in which case it shall be deemed delivered on the date of delivery to the addressee; or (b) sent by registered or certified mail/return receipt requested, in which case it shall be deemed delivered three (3) business days after deposited in the U.S. Mail; (c) sent by a nationally recognized overnight courier, in which case it shall be deemed delivered one (1) business day after deposit with such courier; (d) sent by telecommunications ("Fax") in which case it shall be deemed delivered on the day sent as long as sent before 5:00 p.m., Austin, Texas time, and provided an original is received by the addressee by a nationally recognized overnight courier within one (1) business day of the Fax or by certified mail/return receipt requested within three (3) business days of the Fax; or (e) sent by e-mail, in which case it shall be deemed delivered on the day sent, as long as sent before 5:00 p.m., Austin, Texas time, and provided an original is received by the addressee by a nationally recognized overnight courier within one (1) business day of the e-mail or by certified mail/return receipt requested within three (3) business days of the e-mail. The addresses, Fax number and e-mail addresses listed herein may be changed by written notice to the other parties, provided, however, that no notice of a change of address, Fax number or e-mail address shall be effective until date of delivery of such notice in the manner set forth in this Section.

B. This Agreement and the covenants, terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of Texas.

C. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings, arrangements, oral or written, between them. This Agreement may not be modified or amended, except by an instrument in writing signed by the party against which enforceability of any such modification or amendment is sought.

Signature Page follows:

11 A. PROPERTY MANAGEMENT DISCLOSURE AGREEMENT – Signature Page

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

OWNER:

Company Name: _____

By: _____

Name: _____

Title: _____

PROPERTY MANAGER:

Company Name: _____

By: _____

Name: _____

Title: _____

Berkshire Hathaway:

Austin Area Realty Group, LLC, a Texas limited liability company, dba Berkshire Hathaway HomeServices
Texas Realty

By: _____

Name: _____

Title: _____