

*Torrey  
Smith  
Realty Co.*



# **Office Policy & Procedure Manual**

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## Article I. GENERAL STATEMENT OF OFFICE POLICY

### *Section 1.01 BELIEFS & ETHICS*

#### BELIEFS

It is the belief of Torrey Smith Realty Co. that our number one client is You, the individual sales associate, who entrusts his or her career and future with our firm. With this thought ever in mind we will strive always to provide the best products, services and training available in the real estate industry. Also we will provide as much one-on-one personal management and assistance as may be needed to insure your success. All of this will be accomplished in an environment of teamwork and professional integrity.

- The Office policies and procedures are provided in this manual for the standard operating procedures of this firm. 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 a clear understanding of standard practices and procedures to help avoid disputes and in the event of a dispute to help settle it. This manual will help you by guiding you in your activities and enhancing 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 in which changes to policy are discussed does not provide an excuse for any Associate to not follow the policy.

#### ETHICS

Defined simply, the word ETHICS means verbal principles and quality of practice. In the Real Estate business, ethics govern our professional relationship with our prospective buyers and sellers and with our fellow Realtors.

Each Associate in this Company should read & have a thorough understanding of 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.

Under no circumstances should anyone from our office treat anyone other than fair. Hiding listings, claiming to have a contract on a listing when in fact you do not, etc., will not be tolerated.

## Article II. AFFILITATION REQUIREMENTS

### *Section 2.01 Real Estate License*

Associate shall maintain his/her current real estate license.

### *Section 2.02 Mandatory Continuing Education*

Associate shall meet all Continuing Education (CE) requirements as established by the Kentucky Real Estate Commission (KREC). Proof of CE compliance and license renewal shall be provided to Broker no later than fifteen (15) days prior to the applicable renewal date. Associate is responsible for all CE, licensing and license renewal fees, mandatory errors and omission insurance premiums, and all fees relating to changes at the KREC.

### *Section 2.03 Errors & Omissions Insurance Coverage*

Associate shall maintain the mandatory coverage of errors and omissions insurance set forth by the Kentucky Real Estate Commission.

### *Section 2.04 Automobile Liability Coverage - Minimum*

Each associate is encouraged to own or lease a presentable car, adequately insured with liability and property damage coverage.

### *Section 2.05 Membership in Local Board, and/or KAR & NAR*

Associate agrees to become a member of the Shelbyville Board of Realtors, Louisville Board of Realtors, Kentucky Association of REALTORS®, and National Association of REALTORS® and to be responsible for applicable dues and fees. Associate expressly understands that he/she may choose to join any Board/Association in which Broker holds membership. Associate also understands Broker is a member of the Kentucky Association of REALTORS®, the National Association of REALTORS® and may belong to any of the Institutes and Societies of the National Association of REALTORS®.

### *Section 2.06 Adherence to the Code of Ethics & Bylaws of Local Board & MLS and/or KAR & NAR*

Associate agrees to abide by the rules and regulations of the organizations to which Broker belongs. Broker and Associate agree to conform to and abide by all laws, rules and regulations, and codes of ethics that are binding on, or applicable to, Kentucky real estate brokers and sales associates.

- Broker and Associate will strictly adhere to the governing rules and regulations of the Kentucky Real Estate Commission, Kentucky real estate licensing statutes (KRS 324); Code of Ethics of the National Association of

Realtors®, and Local Board/Association governing documents (Bylaws, MLS Rules and Regulations, etc.).

- Associate acknowledges receipt of a copy of the Code of Ethics, the local Board/Association Constitution and/or Bylaws, the Rules and Regulations of the Multiple Listing Service, and the Kentucky licensing laws and regulations.

### Article III. INDEPENDENT CONTRACTOR

Each associate of Torrey Smith Realty Co. is being given a copy of this manual to read and retain. The recipient shall sign the manual receipt and acknowledgment sheet. This Policy & Procedure Manual shall constitute the Independent Contractor Agreement between TORREY SMITH REALTY CO. and the associate.

#### *Section 3.01 IRS Definition*

Brokers should be careful to know and understand the difference between an independent contractor and employee. The IRS may audit Broker's policies and procedures to make sure independent contractors are not being treated as employees. Should the IRS disagree on the status of a particular individual and prove that there was, in fact, an employer/employee relationship. Broker will be responsible for employee-related taxes, interest, and penalties.

Although there are no hard and fast rules on what makes an independent contractor an independent contractor there are certain traits used as indicators of the status.

An Associate may be an independent contractor if he/she:

- Is permitted to employ assistants
- Sets the order or sequence of work
- Sets his/her own hours of work
- Works for other employers
- Is paid by the job or by commission
- Makes his/her services available to the public
- Has an opportunity for profit or loss
- Furnishes his/her own tools
- Has substantial investment in his/her trade
- May be dismissed only under terms of a contract



### *Section 3.02 Independent Contractor Contract*

#### (a) Broker Responsibilities

Broker's obligation is limited to providing a Form 1099. Broker is not liable for deduction of Social Security, income or unemployment taxes for earned commissions.

#### (b) Associate Responsibilities

Associate is responsible for maintaining the necessary personal financial records for purposes of reporting income for his/her state and federal income tax requirements.

### *Section 3.03 Tax Reporting / Filing Requirements*

The Company shall have no obligation to withhold taxes or Social Security from brokerage fees. It is an established fact that Brokers are responsible for the acts of their sales associates. And in light of this, it is just as much a fact that an Associate must always remain sensitive to their responsibility to uphold the service level and standards set by the Broker. Any act or deed by anyone who would hurt the good name of Torrey Smith Realty Co. is cause for dismissal. No transaction is worth our integrity.

The firm will furnish each Associate with a 1099 Form showing the total income received during the calendar year.

### *Section 3.04 Workers Compensation*

Workers Compensation is only provided for the office manager position.

### *Section 3.05 Authorization to Contract for Broker*

Associate cannot obligate, commit, or bind Broker unless Associate receives authorization to do so. Broker may authorize Associate to enter into listing contracts, buyer/seller associate contracts, and other approved forms and contracts. Broker should make it clear which forms may be signed by Associate on behalf of Broker, and what commission/compensation is to be charged for services rendered.

Associate must obtain permission from Broker prior to amending or terminating a listing contract, buyer/seller agency contract, or any other contract/agreement. Associate must also obtain permission to alter the commission/compensation authorized by Broker.

## Article IV. DISPUTES / RESOLUTION

### *Section 4.01 Dispute Definition*

Disputes are disagreements between Associates in regards to:

- The equitable right to work with a certain prospect
- The right to a split of commission or fee when more than one Associate knowingly or unknowingly works with the same customer/client
- The percentage split of commission or fee earned when two Associates have worked with the same customer/client

### *Section 4.02 Right of Broker to Settle Disputes*

#### (a) Disagreement between Broker and associate

Disagreements or disputes between Associate and Broker including:

- A conflict arising out of, or in connection with, their business relationship and dealings
- Company policies, new real estate laws and/or regulations
- Transactions
- Disputes will be submitted to arbitration. Broker and Associate will choose the arbitrator. In the event an agreement cannot be reached as to one arbitrator, each will choose an arbitrator and the arbitrators will choose a third arbitrator. The panel of three arbitrators will make the final, binding decision

#### (b) Intra-office disputes between associates

##### (i) Cooperation with your fellow associates

As ERA Smith Team Realtor's penetration of the market increases, associates will more and more often run into each other in the solicitation of listings.

Good judgment and the Golden Rule will have to be the guide when a property owner says: "We've already been contacted by a representative of Torrey Smith Realty Co.." But here are some guidelines for handling and alleviating the problem:

In the prospect's living room with no other Torrey Smith Realty Co. associate having been there, go for the listing! The associate who only phoned or mailed has no superior claim to the prospect over the associate who called in person.

If another TORREY SMITH REALTY CO. associate called on the prospect some time ago with no follow-up, go for the

listing. A salesperson that does not follow up on a contact has no superior claim to the prospect.

If the property owner says: "I'm going to list with another Associate with TORREY SMITH REALTY CO.," tell him how much you appreciate and enjoy being associated with the professional people at TORREY SMITH REALTY CO. Praise the other Associate to the property owner and call the other Associate immediately after leaving the prospect's home.

If another Associate obviously left a bad impression on the prospect (one can't always bat a thousand in the personality department), go for the listing; and if it is obtained, have a conference with the other Associate. If an apology is in order, make it; but never join or concur in criticism of another Associate.

Torrey Smith Realty Co.' policy calls for discussions between associates when any questions or misunderstanding arises. The associates do not take the matter to the broker until they have first discussed it between themselves. If they are unable to resolve the problem, then it should be taken up with the broker and the Associates should be prepared to abide by his decision.

(c) Inter-office disputes between associates

(i) Cooperation with other offices

When soliciting a listing in competition with another company, the Associate should be competitive but also ethical. (S)he should say nothing derogatory about the other company, but pull out all stops in bragging about themselves and Torrey Smith Realty Co. The other company is good, but you must believe that you and your company is better or you wouldn't be with Torrey Smith Realty Co. .

*Section 4.03 Problems Arising With Clients or Customer*

Associates who have problems with clients or customers should consult the broker at once. Complaints against clients or customers should never be discussed with anyone other than the broker.

Article V. OFFICE RULES

*Section 5.01 Office Hours*

Monday – Friday 8:30 a.m. – 5:00 p.m.

Saturday – 9:00 a.m. – 2:00 p.m.

Sundays - Closed

TORREY SMITH REALTY CO. recognizes the following annual holidays:

- |                                |                     |
|--------------------------------|---------------------|
| 1. New Year's Day              | 4. Labor Day        |
| 2. Memorial Day                | 5. Thanksgiving Day |
| 3. Independence Day (July 4th) | 6. Christmas Day    |

No secretarial assistance will be provided on holidays or weekends; however, Associates may be free to utilize the office facilities and work at any time they desire.

*Section 5.02 Contacting the Broker or Office Manager*

Broker will generally be available during regular business hours to discuss real estate matters. Should Associate need assistance after hours, Broker may be contacted at his/her cell phone.

In the event Broker cannot be reached, Associate should not act until he/she is able to contact the Broker. However, if a situation exists that cannot wait for Broker input which pertains to the wording of a contract; a protective clause should be included. Associate should include the following language: "This contract is subject to the review and approval of legal counsel within (an agreed upon time frame) of acceptance of this offer. In the event legal counsel does not approve the language in this contract, this contract is voidable by either party. Should the contract be voided, the parties shall sign a mutual release and the earnest money shall be returned to the buyer."

*Section 5.03 Sign Out Procedure*

When Associates are absent from the office, or leaving the office they should:

- Contact the Office Receptionist or leave a message with their personal assistant

*Section 5.04 Keeping in Contact With Office*

In the course of business, it is necessary for Associates to be away from the office. However, Associate must provide a means of communication for the receptionist to contact Associate. The Associate shall communicate with the duty agent or the office manager concerning how the Associate can be contacted.

### *Section 5.05 Office Supplies*

With the exception of those materials which are deemed essential to complete a real estate transaction away from the office, no furnishings, supplies, materials or office equipment is to be removed from the office without permission. Diligence should be exercised to avoid waste and undue expense.

### *Section 5.06 Postage*

All associates shall be responsible for providing their very own postage for all deliveries.

### *Section 5.07 Signs*

The Company will furnish all regular "For Sale" signs at no cost to the Salesperson. These signs cost approximately \$30 each, so please take good care of them. A salesperson may purchase signs with their own name imprinted. The company will then supply the frames for these personalized signs.

**Directional Signs** - The signs must be placed in accordance with local zoning laws and any incurring fines will be paid by the offending salesperson. If you feel the need for use of these signs, you should get permission (in writing) from the person on whose property you place them.

**Personalized Name Riders** – sign riders with your telephone number will be ordered for you at your request only. These signs will be purchased at your expense. Should you leave the Company, they are yours to take with you.

**“Open Sunday” Signs** - It has been our experience that the best results are obtained when these signs are placed the Thursday prior to holding the property open.

Should you require any type of **special sign** that we do not have in stock, see the broker or office manager. Each sign will be judged on its own merits as to what portion will be paid for by the Company.

### *Section 5.08 Keys*

Associates are responsible for making 3 COPIES of each key for each listing. The associate shall keep 1 key, and 2 keys shall be given to the office manager so that they can be tagged and assigned to the key box.

Associates shall provide **a written agreement** from the seller that gives the Associate permission to make copies of the keys.

## Section 5.09 Telephone Use

### (a) No call rules

The following NO-CALL Law applies to all associates of Torrey Smith Realty Co.: the law provides, among other things, that any "telemarketing company" or "merchant" which makes "telephone solicitations" is prohibited from calling persons whose residential telephone number is on the Kentucky Attorney General's "No Call" list, unless an exception applies.

Kentucky's Telemarketing No Call Law Amended by HB 47, Effective July 15, 2002

The No Call list is available on line at <http://www.kycall0.com/telemarketer.asp>

### (b) Telephone etiquette

Telephone, as well as walk-in reception, is one of the most critical areas of any office. It forms the basis of initial and long lasting impressions of the office by students and parents. It is also an integral part of maintaining and improving our intra-office communication. These suggestions are offered as a way to maintain and improve your telephone skills.

All incoming calls should be answered:

\*promptly

\*personally, whenever possible (use voice mail only when necessary)

\*professionally

\*courteously

### (c) Long distance Calls

1. Torrey Smith Realty Co. will pay for business calls made in inside the office. The Company will NOT compensate any agent for calls made outside the office or from a cell phone.

### (d) Message for other associates

Accuracy and detail of message taking is important and essential to the business at hand. When taking a message for other Associates, employees, or staff, please include the following on the **message form pad**:

- The date and time of the call
- The name of the caller
- The telephone number where the caller can be reached
- The message left by the caller
- The name or initials of the person taking the message

(e) Messages expected

Associates shall inform the duty associate if they are expecting a phone call. Instructions shall be given concerning how to forward the call or when they shall return.

*Section 5.10 Referral Assignments*

When a referral is directed to a specific Associate (by name) from an outside source, i.e., another company, advance marketing firms, third-party relocation firms, etc., a fee will be charged based upon that source's requirements. The referral fee to such a source may range from 20 to 30 percent. If the referral is not directed to any specific associate, the broker reserves the right to choose how the referral will be handled.

*Section 5.11 Referral Fees*

Where referral fee is to be paid to a referral service or other Company, the Associate and Torrey Smith Realty Co. will split the fee 60/40.

A 25% referral fee is to be paid from either the listing or selling side of the total commission, whichever applies. This fee is taken off the top.

*Section 5.12 Smoking in Office*

The designated smoking area is located underneath the breezeway between the sign room and the office. All other areas are considered nonsmoking areas. Smoking is not permitted in the presence of parties to transactions, while taking property tours, while showing property, and while meeting in the Broker's facility.

Smoke breaks shall be communicated to the office manager so that the phones can be answered in a timely manner.

*Section 5.13 Tours (Caravan)*

All Associates are encouraged to attend the caravan tour and staff conferences.

*Section 5.14 GENERAL POLICIES & PROCEDURES*

(a) Employment EEO

(b) Conformance with ADA

The broker is responsible for assuring that the office facility complies with ADA regulations.

(c) Handling of Confidential Information

All real estate transactions should always be handled with the utmost confidentiality.

(d) Giving Out Information

Some people are very secretive about their financial dealings, which is their right. When giving out information, remember that the wrong thing said could cost you a client that could have been yours for life.

(e) Complete Office Records

State Law requires us to maintain complete office records of all correspondence, contracts, listings and agreements, regardless of by whom written, and they should be placed in the office file pertaining to that transaction. The entire contents of each file are the sole property of this firm and no portion of the contents of any file is to be removed from the office without specific permission the broker. **The office files must contain all documents pursuant to KY law before an associate is paid for a transaction.**

This firm maintains four basic files of primary concern to Associates. These files are the file of current listings, file of pending sales, the closed file, and a file of expired/withdrawn listings.

1. FILES OF *CURRENT LISTINGS* contain the listing contract and any materials, documents, or other information concerning a listed property.
  - a. RESIDENTIAL LISTINGS (**BLUE FOLDER**)
  - b. COMMERCIAL/LAND/FARM LISTINGS (**GREEN FOLDER**)
2. FILE OF *PENDING SALES* contains all pertinent information about a property that has a deposit on it. The associate involved should insure that the file is kept up to date by completing the sales progress portion of the file. **All sales files will be kept in the sale file cabinet. No Exceptions!**
  - a. RESIDENTIAL LISTINGS (**RED FOLDER**)
  - b. COMMERCIAL/LAND/FARM LISTINGS (**YELLOW FOLDER**)
3. FILE OF *CLOSED SALES* is composed of all other files concerning specific properties on which sales have been completed.
4. FILE OF *EXPIRED AND WITHDRAWN LISTINGS* is composed of all other files concerning specific properties.

NOTE: No file may be removed from the office at any time except to take to a closing. These files are permanent records of this firm. Any Associate is free to utilize the files at any time (as long as it does not jeopardize the associate-client relationship), within the office, but must return them immediately when not actively working on them.



(f) Escrow

(i) Procedure for deposits

No excuse is acceptable for late escrow deposits. KREC rules govern and Associates are responsible to make these funds available for **deposit within the 24-hour period**. No Excuse is acceptable for late escrow deposits.

The Procedure for deposits is as follows:

- Make 2 Copies of the escrow check
- Along with the Contract File...the escrow check shall be given to the office manager.

(ii) Procedure for withdrawal

When both purchaser and seller have signed a contract and it becomes necessary to return an earnest money deposit, it must be done so only by having a CONTRACT RELEASE form signed by ALL parties involved. This includes the signatures of both the Associate(s) and the broker. Checks must have cleared the bank before the earnest money can be returned.

(g) Parking

All associates should attempt to park in the rear parking lot. If parking is unavailable, then an associate may park in the front, on Main Street.

The closest parking spaces are reserved for customers and clients. Please park in all other available spaces.

(h) Office Security

All sales associates are issued an office key and each agent is responsible for the safeguarding of this office. In the event that an office key is lost or stolen, you must immediately inform Broker. 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.

(i) Assignment of Desk Facilities

Associates are assigned to designated areas according to their preference. If there is a discrepancy of location of desk, the associate shall relay the situation to the broker.

(j) Office Appearance

A cleaning service is contracted by Broker to do general cleaning of the building on weekly basis. However, it is your responsibility to keep your work area in a clean, tidy, professional manner. Your office appearance is a reflection on yourself as well as the firm when clients and customers are visiting. Any conference or meeting areas used must be reorganized and cleaned after usage including turning off lights, equipment, and appliances.

(k) Personal Conduct

Personal conduct should 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.
- 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.

If Associate receives threatening, harassing or improper communications he/she shall immediately report the situation to Broker.

(i) Dress Code

Professional manner of dress is a requirement when serving the public in real estate transactions and when representing Broker.

(ii) Other

(l) Eating In Work Area

The Kitchen shall be the designated area for eating meals. All associates are requested to cooperate in the tidiness and mutual enjoyment of the kitchen. Associates shall refrain from eating at the duty desk and their respective desk. If an Associate is with a client or prospect, give him/her the same cooperation in creating a businesslike atmosphere as you would appreciate if you were in this same position.

(m) Business Cards

Associate shall order business cards through the office secretary. Each business card will display the name and logo of Broker.

(n) Personal Income Goals

Associates shall be required to fill out a PERSONAL INCOME PLAN. The following is an illustration of the plan in which the broker shall hold the associate accountable for maintaining their own progress.

• **Personal Income Plan**

- **ANNUAL LISTING UNITS NEEDED**
- A. Desired Annual Income
- B. Percent of Income from Listings
- C. Income Expected from Listings
- D. Average Listing Price of Homes I List
- E. Average Actual Sales Price (D x .96) Round Off
- F. Net Associate Commission % (50-50 split at 3.75 = .0188)
  - $55 = 0206 / 60 = .0225 / 65 = .0244 / 70 = .0263$
- G. Average Commission Per Listing Sold (E x F)
- H. # Of Sold Listings Needed (C divided by G)
- I. # Of Listing Units Needed (H divided by a sales rate of .75)
  - Note: This # is bigger that H!
  
- **HOURS PER DAY NEEDED MAKING CONTACTS**
- J. Presentations made per listing obtained (should be 3)
- K. Total annual presentations needed (I x J)
- L. Total working weeks (usually 48 or 50)
- M. Weekly presentations needed (K divided by L)
  - Contacts per listing presentation appointment needed
- (Using FSBO's, expired's and center of influence, about 25)
  
- **AVERAGE LISTING INVENTORY NEEDED (AT ALL TIMES)**
- N. (D from above) My average listing price
- O. (I from above) Total-listing units needed
- S. Total annual listing volume needed (D x I)
- T. Listing inventory needed at all times (S divided by 3)
  - (3 = average turnover rate) (360 days divided by 120 days = 3)
- U. Average # of listings needed at all times (T divided by D)
  
- **SALES NEEDED**
- V. Amount of Income from Sales (A-C)
- W. Your average sales price
  - (F from above) Net associate commission %
- X. Average income from sales (W x F)
- Y. Annual number of sales needed (V divided by X)
  
- **MONTHLY GOAL**
- 1. Number of listings needed per month (I divided by 12)
- 2. Number of sales needed per month (A divided by 12)
- 3. Income per month (A divided by 12)

(o) Change in Name, Address or Telephone Number

In order to maintain complete personnel records and abide by state licensing laws, all employees and Associates shall immediately notify the firm of any change in address or telephone number.

(p) Home Offices

Associates are encouraged to utilize their home as an office as long as the associate does not violate any of the policies described in this manual.

(q) Personal Assistants

Associate may employ through Broker a personal assistant. Broker will pay the personal assistant, and Associate will be responsible for reimbursing Broker for all costs related to the personal assistant, including his/her salary and benefits. Broker and Associate's personal assistant will enter into a contract for services. Personal assistants may either be licensed or unlicensed. It is important to remember that a licensed assistant who has his/her license in escrow is treated as an unlicensed assistant.

Unlicensed Assistants

The KREC has developed guidelines to be used for unlicensed assistants:

Unlicensed assistants may not:

1. Disclose information available only to the Broker and not to the general public. This prohibition includes information available only on the MLS system.
2. Show property
3. Attend closings without Associate
4. Telemarketing to secure listings; secure buyer representations; sell listed property or attempt to procure transactions requiring a license
5. Interpret information on listings, titles, financing, contracts, closings or other information relating to the transaction
6. Never represent himself/herself as a licensee

Unlicensed assistants may:

1. provide limited information regarding listings to licensees and consumers:
  - a. real estate is sold
  - b. real estate is under contract
  - c. real estate is for sale
  - d. real estate is not listed with the company
2. host and/or distribute literature at an open house under the following conditions:
  - a. all questions are referred to the Associate

3. have keys made for a company listing; perform MLS entry and computer searches providing the Associate exercised adequate supervision with regard to accuracy and all relevant information; Associate must also supervise to assure compliance with all other relevant laws.
5. send direct mail providing that the material complies with all statutes and regulations; Associate must adequately supervise the assistant.
6. may make appointments for showings for the employing Associate and make appointments with sellers for other licensee's to show the employing Associate's listings

(r) Personal Property of Associates

When selling your own property, refer to the *commission schedule agreement* which shall be an addendum to this policy and procedures manual.

Any licensee who participates in any transaction -- either as buyer, seller, lender, or a member of a joint venture -- must make his/her license status known to all parties with whom he/she is negotiating. **Evidence of such notification shall be in the form of a written clause in the negotiating instrument and the agency disclosure disclosing license status as well as his/her association with this firm.**

Any Associate buying or selling for his/her own account must discuss all such transactions with the broker before papers are signed to complete the transaction.

(s) Vacation / Backup

To see business is properly handled when an associate is on vacation, or attending out-of-town meetings, please follow these guidelines:

- \*Associate should notify the broker or office manager in advance and in writing, giving dates of vacation.
- Associate should arrange for a substitute to represent him at any closing to be held during his absence and so notify the broker or office manager in writing.
- Associate should arrange for another associate to take any calls directed to him during his absence and so notify the broker or office manager in writing.

- An alternate greeting message should be recorded for your voice mail so callers will know to whom they should direct their calls.
- Associate should arrange for another Associate to service his listings during his absence and so notify the broker or office manager in writing.
- Associate should arrange for another Associate to service any and all prospects with whom he is working and so notify the broker or office manager in writing.
- Associate should notify the broker or office manager in writing of any predetermined commission splits in the event any sale is made from the various possibilities of sales, from listings or prospects.
- In the absence of a written agreement the following guidelines shall prevail.
- Any sale resulting from a listing or a buyer, the commission based on the original associates split will be divided at a 50%\50% rate or as otherwise agreed upon between the associates.
- Any associate attending a closing in another's place shall be paid \$50.

(t) Sales Meetings

Sales Meetings will be scheduled from time to time in each office and **all-company meetings** will be held as needed.

(i) Time and days

Sales Meeting shall be posted on the "Agent Only" section of the company website. Email notifications shall be sent from the office manager about when and where the sales meeting shall be held. Associates are required to RSVP to all sales meeting notifications.

If **75%** of the associates attend the meeting, a free lunch shall be awarded to one Associate which shall be drawn from the basket.

(u) Use of Dual Licenses

Associates can obtain multiple licenses; however, an associate cannot act as licensed real estate associate if it is a conflict of interest according to State and Federal Real Estate Law.

(v) Awards, Contests, & Bonuses

Awards and contests may be implemented at anytime to increase associate participation or camaraderie.

Recruiting Incentive – a bonus of **\$150.00** will be earned by any Associate who has recruited an Associate to Torrey Smith Realty Co.. This *One-Time* recruiting bonus will be paid upon the recruited Associate's **FIRST** closing.

(w) Auto Mileage Expense

Associates are responsible for tabulating their individual mileage expense.

(x) Legal Expenses

It is the policy of Torrey Smith Realty Co. to avoid litigation wherever possible, and Management reserves the right to determine whether or not any litigation or dispute will be prosecuted, defended, compromised or settled, and the terms Sales Associates may neither commit, nor imply, that the Company or Management will take legal action. When an Associate feels that legal action should be taken, a complete written report of all pertinent facts must be given to the broker for consideration.

An Associate must not give legal advice, directly or indirectly. This includes advice in regard to the legal rights of the parties, the legal effect of notices and instruments and matters affecting the title. It must be made clear that only attorneys can give such advice.

(y) Designations

Associates are EXPECTED to attend training opportunities offered by Torrey Smith Realty Co. and are encouraged to attend other various educational programs from time to time. **There are incentives for designations.**

(z) Records Retention Policy

State Law requires the Company to maintain all related files for a period of five years. Therefore, it is required that any needed information be copied from the master file instead of removing it from the office.

*Section 5.15 TRAINING PROVIDED BY BROKER*

(a) In House

New associates are REQUIRED to attend the basic (initial) training offered through Torrey Smith Realty Co.' national affiliation as well as the Company training offered "in-house." A professional working knowledge is REQUIRED by all associates.

Associates are EXPECTED to attend training opportunities offered by Torrey Smith Realty Co. and are encouraged to attend other various educational programs from time to time. **There are incentives for designations.**

(b) Commercial Courses

Associates are anticipated to attend training opportunities offered by management and are encouraged to attend other various educational programs from time to time.

*Section 5.16 KNOWLEDGE / EXPERIENCE REQUIRED TO LIST*

(a) Residential

Associates must have sufficient knowledge regarding local zoning issues, local market trends, and new developments in order to operate in the residential arena.

(b) Farms

Associates must have sufficient knowledge regarding local agricultural, zoning issues, local market trends, and demands for farms in order to operate in the farm arena.

(c) Income Property

Associates must have sufficient knowledge regarding cap rates, gross rent multiplying, local market trends, and new income-producing developments in order to advise on incoming property.

(d) Commercial

Associates must have sufficient knowledge regarding commercial uses such as: leasing, retail, warehousing, industrial, and office space. In addition, an associate should be up to date with local zoning issues, local market trends, and new developments in order to operate in the commercial arena.

(e) Industrial

Associates must have sufficient knowledge regarding local existing industries, demands for new industry, unemployment trends, zoning issues, local market trends, and new developments in order to operate in the industrial arena.

*Section 5.17 SERVICE PROVIDERS REFERRING*

(a) Lenders

No gifts or fees may be given to individuals who refer business to lending services.

(b) Appraisers

Under no circumstances shall any fees be given to individuals who refer business to appraising services.



(c) Home Inspectors

A list of no less than 3 Home Inspectors shall be provided to the client for their choosing. No fees shall be given to individuals who refer business to home inspecting services.

(d) Wood Infestation Inspectors

A list of no less than 3 Wood Infestation Inspectors shall be provided to the client for their choosing. No fees shall be given to individuals who refer business to wood infestation inspecting services.

(e) Repair & Service Companies

No fees may be given to individuals who refer business to repair or service companies.

*Section 5.18 CLIENT & CUSTOMER RELATIONS*

(a) Discrimination Issues

(i) Federal Fair Housing Laws

It is illegal to discriminate against any person because of age, race, creed, color, religion, sex, handicap, familial status or national origin in:

- The sale or rental of housing or residential lots
- The advertising for sale or rental of housing
- The financing for housing
- The providing of real estate brokerage services
- The appraising of housing

Blockbusting, panic selling, and steering are illegal.

(ii) State Fair Housing Laws

Associate should take care to ascertain that exclusion of any person does not violate Federal or State Fair Housing Laws. Exclusions should be written on the additional provisions blank lines in the listing contract from, on an addendum to the listing contract, or as a separate memorandum or letter from the seller.

(iii) KAR Code for Equal Housing Opportunity

This office subscribes to the Kentucky Association of REALTORS® Code for Equal Housing Opportunity in which equal opportunity in the acquisition of housing can best be accomplished through leadership, example, education, and

the mutual cooperation of the real estate industry and the public. In the spirit of this endeavor, this firm proclaims the following provisions of its Code for Equal Opportunity to which each member is obligated to adhere:

In the sale, purchase, exchange, rental or lease of real property, REALTORS® and their Associates have the responsibility to offer equal service to all clients and prospects without regard to race, color, religion, sex, handicap, familial status or national origin.

1. This encompasses:
  - a. Standing ready to enter broker-client relationships or to show property equally to all people regardless of their age, race, color, religion, sex, handicap, and familial status.
  - b. Receiving all formal written offers and communicating them to the owner.
  - c. Exerting their best efforts to conclude all transactions.
  - d. Maintaining equal opportunity employment practices.
2. Members, individually and collectively, in performing their agency functions have no right or responsibility to volunteer information regarding the racial, religious, or ethnic composition of any neighborhood or any part thereof.
3. Members shall not engage in any activity which has the purpose of inducing panic selling, blockbusting, and/or steering.
4. Members shall not print, display or circulate any statement or advertisement with respect to the sale or rental of a dwelling that indicates any preference, limitations, or discrimination based on race, color, religion, sex, handicap, familial status, or national origin.
5. Members who violate the spirit or any provision of this Code for Equal Opportunity shall be subject to disciplinary action.

#### Discrimination Accusations

An investigation by Broker will follow for any accusation of discrimination. If the investigation confirms a violation of discrimination, Associate's actions will be reported to the KREC for further investigation and necessary disciplinary action. Affiliation with Broker will be terminated immediately upon the determination that discrimination has occurred.

(iv) Steering

When someone performs a service, that party should be paid a fee that is reasonably related to the benefit received. He/she should not be given an excessive payment that blatantly announces itself as a reward for steering business in the direction of a certain company.

(v) Blockbusting

Members shall not engage in any activity which has the purpose of inducing panic selling, and/ or blockbusting.

(vi) Redlining

Redlining is illegal. Enough said.

*Section 5.19 COMMISSION*

(a) Antitrust Compliance

(i) Sherman Act

This statute enacted in 1890 was the first modern United States antitrust law and remains the cornerstone of all the federal antitrust statutes. It establishes two broadly stated principles of antitrust policy:

1. Section 1 of the Sherman Act prohibits agreements, combinations or conspiracies between two or more persons, firms, corporations, or associations which unreasonably restrain trade.
2. Section 2 of the Act prohibits the monopolization or any attempted monopolization of any market for a particular product or service.

These very general precepts of the Sherman Act have achieved specific meaning through a process of court interpretation, which has continued for more than 90 years. The selected cases most applicable to real estate brokers and the real estate industry have been compiled by the National Association of Realtors® as Volume 2 of its publication, *Antitrust and Real Estate*. It is not necessary to show a written contract to prove a violation of the Act. "Understandings," formal or informal, written or verbal, express or implied, are enough for a court or jury to infer that an agreement has been reached. As the Supreme Court said in a leading antitrust case, "A wink of the eye or a shrug of the shoulder is often more important than a formal handshake."

(ii) Clayton Act

The Clayton Act was enacted by Congress in 1914, and was the next major antitrust statute. Its approach differs from the Sherman Act in two basic ways:

1. While the Sherman Act applies to restraints of trade which have a present anti-competitive effect, the Clayton Act represents an effort to stop anti-competitive practices in the beginning by outlawing future conduct resulting in an unreasonable restraint of trade.

2. While the Sherman Act deals in broad principles, the Clayton Act is concerned with a limited number of specific subjects such as exclusive bidding arrangements (Section 3); acquisitions or mergers (Section 7); interlocking boards of directors (Section 8).

(iii) Robinson-Patman Act

The Robinson-Patman Act enacted in 1936, amended the Clayton Act and deals with discrimination in prices charged various customers. The basic purpose of the Robinson-Patman Act was to protect small businessmen by putting constraints on the ability of a large company to command price discounts by use of greater purchasing power. The Federal Trade Commission is the enforcing agency for this law.

(iv) Federal Trade Commission Acts

The Federal Trade Commission Act authorizes the FTC to enforce these federal laws. Such authority is shared with the Department of Justice. The FTC also enforces Section 5 of the Federal Trade Commission Act, which prohibits "unfair methods of competition" and "deceptive practices." Under this general provision, the FTC has enjoined potentially anti-competitive conduct before it could ripen into a violation of any of the antitrust laws.

In addition to having the authority to seek injunctions, the FTC is authorized to sue in federal court to recover refunds for consumers who have been injured by violation of an FTC rule or cease and desist order.

(b) Commission Splits

The effective minimum professional fee for Torrey Smith Realty Co. is **6%** on pre-owned homes, **5%** on new construction, and **6%** on acreage, commercial and income-producing properties.

Special cases will be handled on an individual basis and must be discussed with the broker.

- (i) Intra-office - See Attached Commission Schedule
- (ii) Inter-office - See Attached Commission Schedule

(c) Negotiation of Commission

It is the policy of Torrey Smith Realty Co. not to cut or reduce commissions. Neither the Listing Associate nor the Selling Associate has the right to negotiate the office portion of a commission without prior approval of the broker. When a brokerage fee is reduced in order to affect a sale, prior approval by the broker is required or the entire reduction will be borne by the Associate.

(d) Commission to Teams

Teams are considered to be the equal of 1 associate and shall be paid the same accordingly.

(e) Referral Commission

Internal referrals are referrals sent to the Company from a licensed Associate of Torrey Smith Realty Co.. Such referral fees will be treated as follows: The receiving Associate of Torrey Smith Realty Co. will split his/her listing or selling commission (as the case may be) with the one supplying the referral. A split of 20% of the Associate's fee is normal; however, it could be more demanding upon the circumstances of the case. Any deviation from the 20% shall be in writing and on file with the broker.

(f) Time of Commission Payments

The Office will make every attempt to pay the Associate immediately after receipt of the commission, provided the Associate has completed his/her part of the closing reporting requirements. Since the Associates of Torrey Smith Realty Co. are independent contractors, there will be no deduction for taxes, etc. It is the full responsibility of the Associate to account for and to pay any taxes due.

**DETAILED INFORMATION TO BE COMPLETE PRIOR TO COMMISSION PAYMENT.** All Associates are required to complete all transaction reporting information and all required paperwork before commission checks will be written. **All documentation required by KY law will be in the sales file before commissions are paid.**

(g) Deferred Payment Commission

Commissions that are deferred will be reflected on the net commission check labeling the specific transactions involved in the net commission.

(h) Bonuses

Bonuses are based on regular sales commissions paid to an associate. Bonuses paid for recruiting do not count. This amount is after any deductions, such as transaction fees, money paid to another associate who assisted, etc.

(i) Advance of Commission

No commissions shall be advance prior to the closing of the transaction unless agreed upon, in writing, by the Broker and the Associate.

(j) Property Management Fees

*Section 5.20 PROPERTY MANAGEMENT*

(a) Management Agreements

The company shall not permit property management under the name of Torrey Smith Realty Co., LLC. An Associate acting as a property manager is a violation of the policy and procedures set forth herein.

*Section 5.21 BUY-SELL OF PERSONAL REAL ESTATE*

(a) Buying of Personal Real Estate

This firm does not object to associates buying or selling real estate either as individuals or as members of a joint venture or syndicate.

Unless agreed upon in writing, between the Broker and the Sales Associate, normal commissions apply when an Associate is buying or selling. Licensed Associates of Torrey Smith Realty Co. **agree NOT to sell "By Owner"** and understand that they are expected to list with Torrey Smith Realty Co. their own property should they want to sell. A FSBO IS CONSIDERED A POOR EXAMPLE TO SET BEFORE THE GENERAL PUBLIC AND ASSOCIATES AGREE NOT TO DO THIS.

(b) Selling

When selling your own property, refer to the commission schedule addendum attached herein.

*Section 5.22 FLOOR DUTY*

(a) Assignment of Voluntary Floor Duty

The floor duty assignment sheet is posted prior to each month at the duty desk. 2 phone duty sessions Monday – Friday. 1<sup>st</sup> session is 8:30 a.m. – 12:30 p.m.; 2<sup>nd</sup> 12:30 p.m. – 5:00 p.m. Saturday floor duty is 9 a.m. – 2:00 p.m.

(b) Responsibility for Replacement

Associates are responsible for coordinating their replacements for floor duty.

(c) Walk In Customers

The floor duty associate will have the first right to claim a walk in customer as their client unless:

- The customer was working with an associate prior to walking in.
- The customer asked to see one of our associates.

(d) Call In On Ads

If a customer calls on an ad pertaining to a property listed with an associate who is **presently** in the office, the call must be forwarded to that associate. If the associate is absent and has not been working with another associate, then the floor duty associate can pursue the client.

(e) Sign Calls

If a customer calls in because of a sign on a property listed with an associate who is **presently** in the office, the call must be forwarded to that associate. If the associate is absent and the customer has not been working with another associate, then the floor duty associate can pursue the client.

(f) Call In Asking For An Associate by Name

If a customer calls in asking for an associate by their name, the floor duty associate must forward the call to the associate's cell phone or voice mail.

*Section 5.23 LISTINGS*

(a) Listing Types to Be Used

Torrey Smith Realty Co. adopts ONE listing type for all properties with the exception of Leasing: Exclusive Right to Sell

(b) Co-Listing

(i) With office associate

When Intra-office Associates list a property together, both of their names will appear on the Authorization to Sell Agreement and they will share the listing fee.

When two or more Associates work together with a prospect and affect a sale, they shall share the selling fee. All agreements between Associates not outlined in this Manual shall be submitted to the broker in writing.

Any Associate giving leads to another that produces a sale or a listing must have written agreement as to any compensation due him or he has no claim to the transaction. A copy of said agreement is to be on file in the Office.

(ii) With another office

When Inter-office Associates list a property together, both of their names will appear on the Authorization to Sell Agreement and each Broker shall share the listing fee.

(c) Commission

(i) Anti Trust

This office is very aware of the anti-trust laws and strictly adheres to them. Associate shall comply with all anti-trust laws at all times. By signing this policy manual, Associate certifies that he/she has read and understands the Summary of Principal Antitrust Laws which follows.

Associate clearly understands and agrees not to discuss our company commissions, listing periods, policies, procedures, and other company activities with brokers and associates in other companies. All questions by anyone outside the office relating to commissions, listing periods, policies, procedures, etc. should be directly personally to Broker without exception.

(ii) Office

The Broker shall be the only one to establish a commission rate for Torrey Smith Realty Co..

(iii) Negotiations

It is the policy of Torrey Smith Realty Co. not to cut or reduce commissions. Neither the Listing Associate nor the Selling Associate has the right to negotiate the office portion of a commission without prior approval of the broker. When a brokerage fee is reduced in order to affect a sale, prior approval by the broker is required or the entire reduction will be borne by the Associate.

(d) Price

(i) Providing CMA

All associates shall provide a CMA for ALL clients before listing or selling a property.

(e) Agency Relationships Used By Office / Associate

LIMITED DUAL AGENCY:



In this relationship the Broker represents both the seller and the buyer. Both the seller and the buyer are clients and the Broker owes fiduciary duties to both. It is imperative that the seller and buyer both consent to the representation, because each is limiting the amount of representation they will have. Dual agency should be created in writing to avoid misunderstandings, although writing is not required by Kentucky law to create the relationship. When acting as a dual associate, the Broker and his/her associates cannot disclose anything to either party which relates to the negotiating position of the other party.

(f) Length of Listing

Each Associate shall sign no less than a 6 month listing on all properties unless agreed upon by the Broker.

(g) Information on Listing

Associate shall complete the listing contract in it's entirely and should never leave blanks. All owners must sign the listing before a sign may be placed in the yard and the listing turned into the MLS service. Associate can never sign the listing contract for the seller. Associate shall review the contract in detail with the owners and leave a copy of the signed agreement with them. If the owners have legal questions they should be advised to consult legal counsel. Associate must verify all information on the listing that he/she can reasonably verify.

If owners refuse submission of the listing to the MLS or to the Internet, the listing contract must so state. The listing must specify other brokers who the seller wishes to have excluded from cooperation. The listing shall always obtain specific written instructions from the seller as to any buyers or licensees that are to be excluded from access to the property. Associate should take care to ascertain that exclusion of any person does not violate Federal or State Fair Housing Laws. Exclusions should be written on the additional provisions blank lines in the listing contract from, on an addendum to the listing contract, or as a separate memorandum or letter from the seller.

(h) Square Footage Measurement

(i) ANSI Standard Z765-1996

All associated shall have 3 hours of Training every 2 years year in measuring square footage based on ANSI Standards.

(i) Showing Instructions

All showing instructions shall be filed in the showing instruction box located next to the key box. Instructions shall include: Name of Seller, Property Description, Showing Instructions, Key #, Lockbox Combo #, and Listing Associate's Name and Contact info.

**Under no circumstances, shall a UNLICENSED real estate agent in the state of KY be allowed to show or view properties unless accompanied by an agent w/ Torrey Smith Realty Co., LLC.**

In order for a showing to take place, a REALTOR must set their showing up on the ShowingTime system. In the event that the agent does not belong to the LBAR or GLAR, the agent MUST produce a KY real estate license # and a copy of their driver's license prior to showing the property.

(i) Exclusions to showings

No exclusions from informing an associate of showing their property.

(j) Advertising Policy

(i) Broker expense or Associate expense

This Company does not agree to give unlimited advertising to a specific property, but to advertise such properties as will aid in securing prospects for seller's property.

(ii) Newspaper

Regular classified advertising will be paid for by the Broker. The broker reserves the right to review advertising expenditures.

(iii) Homes magazine

Advertising placed will be run at the discretion of the office manger. The office manager's responsibility will write the ads, but it is the salesperson's responsibility to proof the ads for publication. The Broker shall pay for the FIRST LISTING for each Associate in the HOMES MAGAZINE. Subsequent listings shall be split 50/50 and billed to the Associate in the quarterly billing.

(iv) Special Advertising, Direct mailing, Internet Marketing

The Sales Associate shall be responsible for all special advertising, direct mailings, and internet marketing (outside the realm of the company's website) unless agreed upon otherwise by the Broker.

(k) Caravan

Caravan shall be held every other Thursday at 9:30 a.m. to 10:30 a.m. All associates are required to attend unless they have a valid excuse for not attending. **Those who fail to communicate (via email or phone) a valid excuse shall be billed \$1.00 per absence.**

(l) Ad's Associates Provide with Listing

All ads to each listing shall be provided in the "REMARK" section of the MLS program. These ads shall be proofed by the office manager and corrected on the MLS. This allows for less dual entry for ads and displays more professionalism since all of the information inputted in the MLS is displayed on the internet.

(m) Sold Sign Policy

After property sales...the associate shall have one week to advertise the property as "SOLD". If the associate fails to return the sign after two weeks, the associate will be fined \$50.00.

(n) Extender Clause

Any extension clauses MUST be initialed by the owner on the "MLS Change Notice" pink slip along with the date and time of acknowledgement. Change forms must be turned in for processing within 24 hours of any change.

(o) Lock Box Procedure

Lock boxes may be used to aid in showings. You are advised to get the sellers' permission in writing before placing a lock box on a property. Lockboxes are available upon request from the office manager.

(p) Explanation of Listing To Sellers

Never let an owner sign the listing without going over it item by item. Most misunderstandings arise from a seller not clearly knowing what he is signing.

(q) Procedure / Requirements To Turn In Listing

(r) Associates Responsibility to Sellers

Good service, like good public relations, depends upon good communications. The seller forms his impression of our Firm by the service we render and the results that we produce. If successful results are obtained quickly, he is usually not too concerned about the quality of service; but if results are not obtained quickly, the seller almost always automatically concludes that poor service is responsible.

The listing Associate is primarily responsible for the servicing and sale of his/her listing. The property owner looks to him/her for counsel and guidance and the Office holds him/her accountable for anything that may happen to the listing.

The Associate should keep daily records on advertising and showings of each listing. Moreover, the listing associate is responsible for the care of vacant properties, for seeing that the furniture is not disturbed, furnace is working, lawn is being taken care of, and for insuring that no unauthorized person has access to the key.

If an Associate leaves the Organization, he/she forfeits all rights to listings and commissions on listings not sold. All listings assigned to an Associate during his/her term of service are the sole property of this Office.

(s) Associates Responsibility for Property Defects

The best way to respond to a consumer's quest for accurate information and the property owners' and your desire to minimize liability is to use the disclosure forms.

An associate who makes representations about a property's condition should make it very clear that they are based on the seller's disclosures. Otherwise, the associate could be liable if they are inaccurate. Remember that an associate can rely on the seller's representations, **provided there are no indications** that a defect might exist that the associate could have detected. **INSTRUCT SELLER'S TO COMPLETE THE SELLER'S DISCLOSURE AS SPECIFICALLY AS POSSIBLE.**

(t) Associates Responsibility for Environmental Considerations

It is extremely important not only to make proper disclosures for environmental issues, but also to see that prospective purchasers get authoritative information to make informed decisions.

Possible environmental issues: asbestos, lead, polychlorinated biphenyls, radon, urea formaldehyde, underground storage tanks, industrial sites, landfills, and toxic waste sites.

(u) Policy related to Psychologically Impacted Property

If there is any question regarding if a property is, in any way, a stigmatized property, the associate shall **immediately** consult with the broker concerning what legal steps to take in disclosing.

Examples of events that may "stigmatized" or "psychologically impact" a property include: suicide, murder, felony, ghosts, lingering illness, or death.

(v) Reassignments of Listings

Should an Associate take a listing that for some reason he/she doesn't feel he/she can service properly, it is suggested that he/she designate someone as a co-listing associate. Normally, this situation is handled as an even split. Should any other arrangement concerning commission split be decided upon, it should be in writing with a copy on file in the Office.

(w) Termination or Cancellation of Listing

Listings CANNOT BE CANCELED without the broker's approval. If a seller desires to cancel a listing, all of the details must be discussed with management to determine proper procedure. Sellers who request cancellation must submit a signed letter explaining the reason for canceling and normally pay the liquidated damages, consisting of all moneys spent to date in servicing the listing.

*Section 5.24 SHOWING PROPERTY*

(a) Agency Relationship Established

The determination of an established client/customer shall be based upon the following facts: 1) any person who inquires for you by name, 2) any person referred to you through your personal contact, or 3) a person or persons to whom you have shown property within the past sixty (60) days and with whom you are still actively working on a regular basis.

Associates should instill in their clients the importance of requesting them by name when calling in. If a client doesn't ask for you by name, that client obviously does not consider you his associate.

Associates must solidify their relationship with their clients by explaining in no uncertain terms that they only get paid if they sell the client a home. "Buy From Me Or Get Out Of My Car"

Associates must school their clients to call them on every listing in which they have an interest. Clients should be given a supply of the associates business cards at first meeting and **INSTRUCTED TO TELL ANY ASSOCIATE with whom THEY COME IN CONTACT THAT THEY ARE WORKING WITH YOU.**

(b) In House Listings

(i) Making appointment

Associates shall refer to the showing instruction box regarding making specific arrangements to show an in house listing. The instructions should provide a back-up plan if the listing associate is unavailable or out of reach. All keys shall be signed out and reported on the key log sheet.

(c) Other Company Listings

The Associate shall request the listing Realtor to make appointments, furnish keys, get lock box information, etc.

When showing property, the Associate should not discuss listing, price, or other Realtors with the owner.

(d) Leaving Torrey Smith Realty Co. Thank You Card w/ Business Card

All Associates should always leave an Thank You card along with their business card when showing property regardless of whether or not the owner of the property is present. The cards should be left in a conspicuous place so that the owner will note that the Associate has been there.

(e) Locking Property

Associates are responsible for locking and securing all doors to the homes after showings of any property unless otherwise given other instructions.

(f) Open House

(i) Advertising

1) Ad Deadlines

Henry Co. Local – Monday, September 18<sup>th</sup>, 10:00 am

Sentinel News – Tuesday, September 19<sup>th</sup>, 2:00 pm

Louisville Homes – Wednesday, September 20<sup>th</sup>, 2:00 pm

State Journal – Thursday, September 21<sup>st</sup>, 10:00 am

(ii) Special Advertising

Allocation of advertising to listings will be the sole responsibility of the Broker. Additional requests for more ads must be approved and is at the discretion of the Broker since the Broker pays for all approved advertisements. Promotional materials that are costly and expensive such as brochures should not be promised to the client unless pre-approved by the Broker.

*Section 5.25 OFFERS*

Present every offer as soon as possible and let owner make decision with your guidance. Associates must present ALL offers as soon as practical. If you have more than one, present them all together.

(a) Verbal Offers

Verbal Offers are Invalid as our office policy. In the event the seller is out of town and a contract is written, the listing Associate may telephone the owner for acceptance. This acceptance may be by fax and should so state in

the contract. Actual signatures must be obtained as soon as possible after a signed fax has been received.

Acceptance is realized when the fax has been received officially by phone or signature by mail and the buyer has been so informed. The contract should then be mailed to the out-of-town sellers for their signatures.

It is the policy of this Office that no property will be taken off the market until the seller has accepted an offer and advises they want their property removed from the market. Therefore, until a seller has accepted an offer, other offers must be presented.

(b) Written Offers

(i) Qualifying

Associates are required or obtain either a written or verbal commitment from a lending institution prior to writing an offer.

(ii) Clear & definite terms

1) *Financing*

Financing terms shall be specifically outlined: down payment, source of funds (cash, FHA, VA, fixed or adjustable loan), escrow amount.

2) *Use of time is of the essence*

All offers shall be delivered without undue delay.

(iii) Earnest money

Never hold an earnest money check. Never take a postdated check. Be familiar with current procedures and requirements. Contracts stating that the earnest money shall be tendered on acceptance by the seller have been ruled unenforceable by the KREC. If an Associate learns of escrow violations within Torrey Smith Realty Co., he/she is charged with informing management immediately as all of our licenses are in jeopardy.

(iv) Personal property

Associates are required to classify what is and what is not personal property at the time of listing. All the items shall be described in the listing and communicated to all associates who show the property. Associates are encouraged to advise sellers and buyers to negotiate outside of closing for personal items to be sold or purchase. All personal property listed in the listing should also be stated **clearly** in all real estate offers pertaining to the subject property.

(v) Contingencies

The office manager should be notified of a contingency contract. The Associate should notify the office manager when the contingency is removed, and this should be done IN WRITING. It is the responsibility of the Associate to note on the MLS that there is a contingency offer, and the Associate should list instructions regarding showing of the property.

(vi) Estimating Costs to Purchaser

Associates are responsible for making sure the selected lending institution provides a good-faith estimate of closing costs within a 3 day period after application for a loan.

(vii) Signatures required

1) *Offer*

All offers must be in writing and any changes in a contract must be initialed (time & date) by all parties to the contract.

Any transaction turned in without the proper documentation or signatures will be returned with the correction form attached and will not be accepted until correct. This protects you, the company, the buyers and sellers.

2) *Lead base Paint*

Associate shall furnish to prospective purchasers a copy of the Lead Base Paint Disclosure form completed by the seller. All signatures are required for the buyers and sellers when reviewing the lead base paint disclosure.

(c) Plural Offers

Utmost care must be taken to see that the sellers' (if listed property) best interest are served, regardless of who gets what commission (i.e., sometimes a co-brokers offer is better for the seller and the in-house offer should NOT be encouraged or "pushed." NEVER let the commission rule over "best interest of the principal.

General rules when handling two offers at once:

1. Present all offers at the same time, if possible.
2. Let each Associate know that there "may be competition from another source" and encourage each to be sure to get the buyers' "best offer."



3. NEVER reveal or disclose the details on one offer to the Associate submitting the other offer. This is unfair and leads to "hard feelings" and possible ethical complaints.
4. Remember the duty to reveal FACT, REPORTS, or even RUMORS to the seller if it might affect his decision. Based on this, never allow an owner to accept an offer where you know or even suspect there is a chance of another coming in without advising the seller of the possible other offer.
5. Let the seller make the final decision.

(d) Counter-Offers

All counter offers must be in writing and presented in the same manner as the first offer. A counter offer may be obtained by making changes on the bottom of the original contract or by preparing a new contract for the signature of the sellers, or by use of an addendum page. Any changes in a contract must be initialed (time & date) by all parties to the contract. A counter offer must have a specific time of expiration.

(e) Withdrawal of Offer

Any party to a contract, original offer or counter offer, unless the contract states to the contrary, has the right to withdraw his offer at any time before it has been accepted in writing. All parties to the contract must be notified immediately of acceptance, rejection, changes or withdrawals by telephone or telegram and as quickly as possible in writing. Multiple counter offers must never be made. The associate must ALWAYS present a copy of anything a client signs to the signer.

*Section 5.26 OFFER PRESENTATION*

Presentation of a contract to the seller may be made by the listing associate or manager. An Associate who is new to Torrey Smith Realty Co. must first have approval on the contract before it is delivered to the listing associate or cooperating manager.

(a) Estimation of Net to Seller

Associates are responsible for making sure the selected closing institution provides a preliminary closing statement within 3 days prior to closing.

(b) License Law Requirements

All offers shall be presented in the manner they were received. By no means, can an associate dismiss an offer simply because it is presumed to be a bad offer.

(c) Local Board Requirements

Louisville Board of Realtors require that all offers shall be presented in the manner they were received. By no means, can an associate dismiss an offer simply because it is presumed to be a bad offer.

(i) Office listings

All offers shall be completely confidential, especially in house listings. Associates are not allowed to communicate any information relating to a particular offer within the office. The fax machine shall be used only when the cooperating associate is outside of the room.

(ii) Intra-office listings

When dealing with intra-office listings all offers shall be completely confidential. Associates are not allowed to communicate any information relating to a particular offer within the office. The fax machine shall be used only when the cooperating associate is outside of the room.

*Section 5.27 ACCEPTANCE OF OFFERS*

(a) Notification Procedure

Both Buyer(s) and Seller (s) shall be notified of the acceptance of an offer as soon as the offer is accepted.

(b) Earnest Money Deposit

Every attempt should be made to obtain a sufficient "Earnest Money" deposit at the time the offer is made. Larger deposits usually show good faith intent to close and better protect the seller in event of default by buyer.

(i) Cold checks

It is the office manager's responsibility to inform the associate that an escrow check is a cold check. The writer of the check will be charged a \$25.00 fee and will be required to provide sufficient funds to secure the contract.

(c) Counter offers

All counter offers must be in writing and presented in the same manner as the first offer. A counter offer may be obtained by making changes on the bottom of the original contract or by preparing a new contract for the signature of the sellers, or by use of an addendum page. Any changes in a contract must be initialed (time & date) by all parties to the contract. A counter offer must have a specific time of expiration.

Any party to a contract, original offer or counter offer, unless the contract states to the contrary, has the right to withdraw his offer at any time before it has been accepted in writing. All parties to the contract must be notified immediately of acceptance, rejection, changes or withdrawals by telephone or telegram and as quickly as possible in writing. Multiple counter offers must never be made. The associate must ALWAYS present a copy of anything a client signs to the signer.

#### *Section 5.28 REJECTED OFFERS*

(a) Notification

All parties to the contract must be notified immediately of rejection by telephone or telegram and as quickly as possible in writing.

(b) Earnest Money

After written notification of a rejected offer, the escrow deposit shall be returned to the cooperating associate.

#### *Section 5.29 CANCELLATION OF A CONTRACT*

(a) Notification

When both purchaser and seller have signed a contract and it becomes necessary to cancel the contract, it must be done so only by having a CONTRACT RELEASE form signed by ALL parties involved.

(b) Disposition of Earnest Money

When both purchaser and seller have signed a contract and it becomes necessary to return an earnest money deposit, it must be done so only by having a CONTRACT RELEASE form signed by ALL parties involved. This includes the signatures of both the Associate(s) and the broker. Checks must have cleared the bank before the earnest money can be returned.

#### *Section 5.30 CLOSING PROCEDURES*

(a) Attorneys at Closings

It is the policy of Broker that Associates always recommend, to both buyers and sellers, that they seek legal advice from an attorney with respect to their legal questions throughout the negotiation process and transaction, and that an attorney attend the closing to represent their legal interests. Problems often occur that are not necessarily related to title and attorneys are best equipped to solve these problems. Furthermore, many legal burdens are lifted from Associate when an attorney is in attendance at closing.

(b) Forms / Information Required At Closing

Closing statements on buyer and seller, commission checks and completed listing or sales folders are to be given to the coordinator immediately after closing. Commission checks will not be written until all paperwork has been completed and turned in, including state-required forms.

(c) Obtaining Earnest Money Deposit

If an escrow check is involved in the closing, the coordinator should be notified IN WRITING 48 hours prior to the closing, making sure the deposit check has had time to clear the bank and in order to see that escrow check preparation may be completed. Escrow checks will be made out to the name of the person signing the original escrow deposit check.

(d) Attending Closing

All Associates are required to provide representation at all closings. All associates should arrange for a substitute to represent him at any closing to be held during his absence and so notify the broker or office manager in writing.

Any associate attending a closing in another's place shall be paid \$50.

(e) RESPA

Associates are required to comply with RESPA law requirements at all times. The area of referral fees is specifically addressed in this policy manual in order to explain the sometimes-confusing requirements of the federal law and to emphasize the importance of compliance. Additional information on RESPA law can be obtained from KAR's Legal Hot Line.

- Prohibition Against Kickbacks and Unearned Fees
- Regulation X details the elements of a RESPA Section 8 violation:
  - Pursuant to Section 8, paying or receiving a fee or a "thing of value" for the referral of business related to a mortgage loan settlement without rendering a service is illegal under RESPA.
  - Reg. X also prohibits the splitting of any settlement charge except for paying for actual services rendered. If no or nominal services are performed or if duplicative fees are charged, an unearned fee exists and payment of this fee violates Section 8.
  - Reg. X makes clear that any agreement or understanding that a thing of value will be given in exchange for a settlement service referral need not be written or even verbalized. This agreement can be established by a practice, pattern or course of conduct.

- Reg. X gives a list of the real estate-related services which are defined to be "settlement services."

These "settlement services" include, without limitation, any services related to:

1. The origination, processing or funding of a federally-related mortgage loan
  2. Mortgage broker services such as counseling, taking applications, obtaining verifications and appraisals, lender-borrower communications, etc.
  3. Title company services
  4. An attorney's legal services
  5. Closing document preparation
  6. Credit reports and appraisals
  7. Property inspections
  8. Conducting the settlement
  9. Mortgage insurance
  10. Hazard, flood or casualty insurance and home owner warranties
  11. Mortgage life, disability or similar insurance
  12. Real property taxes and assessments
  13. Real estate brokers and associates
- Regulation X specifically permits:
    - Payments for services actually rendered by attorneys, title companies, lenders, and real estate brokers and also for real estate associates "pursuant to cooperative broker age and referral arrangements or agreements."

### *Section 5.31 GUARANTEED SALES PLAN*

#### (a) Broker Policy

Torrey Smith Realty Co. has a guaranteed sales plan called the Seller's Security Plan. All associates must receive 6 hours of education, once a year, in order to utilize the SSP. All SSP applications must be turned in to the office manager for review of application completion.

### *Section 5.32 RELOCATION*

#### (a) Outgoing Referrals

A referral fee paid into Torrey Smith Realty Co. as the result of an Associate entering a prospect into the ERA Referral System will be split equally between that Associate and the Company. This is a 50/50 split.

#### (b) Incoming Referrals

Clients will be matched with associates according to expertise in the area requested, closing average with similar buyers, and any other factors deemed important by the broker.

It is the duty of the associate who has a "difficult" referral client with whom they do not get along to come to management and discuss the situation. If necessary, the client will be given to another associate for possible better compatibility. In that instance, the associate will be strongly considered for the next inbound referral. If the associate does not notify management of this type of problem and loses the client through inability to get along or deal with a situation and has taken no steps to allow the company to help correct the problem, then associate will be removed from consideration for future referrals.

### *Section 5.33 HARASSMENT AND SUBSTANCE ABUSE*

#### (a) Company Policy

Professional behavior is a requirement around your fellow associates, brokers, managers, company employees, staff, clients, and customers. Harassment, including verbal, physical, visual, religious, and sexual is strictly prohibited in this office. A list of things that can be considered harassment:

- All racial, ethnic, sexual, religious, jokes/slurs/insults.
- All physical contact such as unwelcome touching, groping, grabbing, or pinching.
- All visual renderings of sexually suggestive materials or materials negatively reflecting an individual's ethnicity, race, ancestry, or sexual preference.
- All unwelcome sexual advances, physically, verbally, and visually of a sexual nature that has a purpose or effect of work performance interference, intimidation, or hostile/offensive working atmosphere.

In the event an employee, Associate, or any other staff person feels that he or she has been harassed, the incident must be reported immediately to Broker. The name of the accuser and the accused shall be held in confidentiality by

Broker. An investigation will commence and a written report will be filed. If the allegation involves Broker as the accused in such action, an outside investigator will be retained. Retaliation against complainants is strictly prohibited. Any employee, Associate or staff found guilty of engaging in harassment may be subject to disciplinary action up to and including reprimand, counseling, suspension, and termination.

**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 Associate's health care provider. Any situations in which duties cannot be properly performed without the assistance of prescribed medication must be reported to Broker. Drug and alcohol use in the workplace may be grounds for termination of affiliation.

### *Section 5.34 LEGAL*

#### (a) Kentucky Real Estate License Laws

##### (i) Adherence

Associates are required to adhere to all the rules and regulations specified in the updated license law manual. Associates are responsible for educating themselves on any new laws that are made in the license law manual.

##### (ii) Procedure when receiving copy of complaint from KREC

If a complaint is filed with the KREC, the associate will most likely receive the complaint in the mail at their home address. Upon reception of the complaint, the associate shall be required to contact the Broker **IMMEDIATELY**.

#### (b) Adherence to Financing Laws

Associates are required to adhere to all financing laws. Associates are responsible for educating themselves on any new financing laws that are made.

#### (c) Adherence to Advertising Laws

Associates are required to adhere to all advertising laws. Associates are responsible for educating themselves on any new advertising laws that are made.

(d) Procedure When Notified of a Civil Suit

If a notification is given pertaining to a civil suit, the associate will most likely receive a letter from an attorney in the mail at their home address. Upon reception of the letter, the associate shall be required to contact the Broker **IMMEDIATELY**.

(e) Legal Expenses to Be Paid By

It is the policy of Torrey Smith Realty Co. to avoid litigation wherever possible, and Management reserves the right to determine whether or not any litigation or dispute will be prosecuted, defended, compromised or settled, and the terms Sales Associates may neither commit, nor imply, that the Company or Management will take legal action. When an Associate feels that legal action should be taken, a complete written report of all pertinent facts must be given to the broker for consideration.

*Section 5.35 USE OF OFFICE EQUIPMENT*

(a) Computers

The two computers located in the working area are available for all associates for real estate use only. Computer use outside the real estate arena shall be prohibited.

**Computer Software.** The Company may provide you with proprietary computer software licensed for use only by ERA associates. In the event you should leave the company for any reason, signing this document is your agreement that all Company software will be removed from your personal computer and you will agree not to use ERA-generated software if no longer affiliated with the Company.

(b) Copy Machine

Our plain paper copier is for use by all associates as needed to copy contracts for sale, listings agreements, and other real-estate related documents. It may be used for personal copying as outlined below.

1. Real estate documents copies will be paid for by the office.
2. Unless approved by the Broker, non-real estate copies will be charged at 10 cents per copy. The secretary will collect at time copies are made, or you may add the amount to your bill with the office.

(i) Copy 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. Associate 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 pre-approved 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.

(c) Fax

Our plain paper copier is also used as a fax machine for use by all associates as needed to fax contracts for sale, listings agreements, and other real-estate related documents.

(d) Telephone

Our telephones are used only for real estate business and phone calls made outside the real estate arena are prohibited.

(e) Other

*Section 5.36 PERSONAL EQUIPMENT*

(a) Computers

Associates are encouraged to purchase their very own laptops, desktops, or PDA's, however, the broker or office is not responsible for personal property stolen or damaged.

(b) Cell Phone

Associates are encouraged to purchase their very own cell phones, however, the broker or office is not responsible for personal property stolen or damaged.

(c) Other

*Section 5.37 ADMINISTRATIVE ASSISTANCE PROVIDED BY BROKER*

(a) Secretarial

Secretarial services are provided by the broker for associates for the purpose of word processing needs through forms and contracts.

(b) Clerical

Clerical services are provided by the broker for associates for the purpose of processing earnest money and file maintenance. (The remainder of the secretary's time is devoted to company business.)

(c) Other

*Section 5.38 INTERNET*

(a) Adherence to Kentucky Real Estate License Law

All internet use shall be within compliance and shall adhere to Kentucky Real Estate Law.

(b) Broker / Firm Web Site

The office manager shall be responsible for updating the firm's website.

(c) Associate Web Site

An associate's web site **must** include in the heading: Torrey Smith Realty Co. Logo, 905 Main Street, Shelbyville, KY, and phone – 502-633-0220.

(d) 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 Broker to copyright infringement, computer viruses and system overloads and is strictly prohibited. The effect of such hazards can expose 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.

### *Section 5.39 ASSOCIATE STATUS*

#### (a) Full Time Status vs. Part Time Status

There is no real distinction based on hours of work. Torrey Smith Realty Co. recognizes an Associate as either full- or part-productive, i.e., some associates accomplish more in 6 hours than others do in 6 days. Part-time productive Associates may be asked to give up all or a portion of floor time, depending upon current situations in offices. Also, individually assigned desk or work space is for full-productive associates first.

#### (b) Termination of Associate

Upon termination of an Associate's tenure with this Organization, all of the office files, exclusive contracts, supplies, company software, this manual, keys, and prospects are considered to be the sole property of this Firm, and must be surrendered.

Each member Associate of this Firm accepts the conditions, procedures, and policies as set forth in the Policy and Procedure Manual and agrees to abide by them. If he/she departs, he/she further agrees to settle all of his/her affairs in connection with any transaction still pending according to the conditions and provisions as outlined herein. Any sale started or revived by other Associates of this Firm with the prospect of a departing Associate is to be considered a new sale and the departed Associate will have no further interest in any resulting commissions.

**WRITTEN OR VERBAL NOTICE OF TERMINATION.** The terms and conditions as set forth in the Policy and Procedure Manual are in effect until they are terminated. Either party hereto may terminate this association at any time upon written or verbal notice given to the other without divesting the right of either party to any commission which was earned prior to said notice of termination.

The Associate agrees not to use any information which he/she gained as a result of this association to his/her personal advantage or the advantage of any other person, company, or corporation. All matters which are considered pertinent and confidential in nature shall continue to be so considered by all parties after said termination.



This copy of the Policy and Procedure Manual has been updated through January 3, 2008.

Signature of Associate and Broker below makes this Manual official.

\_\_\_\_\_  
Associate                                      Date                      Principal Broker, Torrey M. Smith                      Date

### ACKNOWLEDGMENT

I, \_\_\_\_\_, acknowledge that I have received a copy of the Torrey Smith Realty Co. Policy & Procedures Manual and that I will read it, abide by it, and ask The broker, my manager, should I not understand any portion, for clarification.

\_\_\_\_\_  
Associate Name                                      Date