

LEGAL AND ETHICAL OBLIGATIONS OF SALES ASSOCIATES

1. A. PROPER HANDLING OF TRUST MONIES

It is the responsibility of each Sales Associate to properly safeguard and promptly account for all trust money which comes into the possession of the Sales Associate. Trust money, under Maryland law, is defined to mean a deposit, payment or other money that a person entrusts to the real estate licensee to hold for: (1) the benefit of the owner or beneficial owner of the trust money; and (2) a purpose that relates to a real estate transaction involving real estate in the State. Md. Code Ann., Bus. Occ. & Prof. § 17-501 (West)

Upon the execution of a contract of sale or lease, the Sales Associate shall **promptly** submit the trust money to the Company for processing along with the executed contract of sale, lease, and addenda thereto. The Company promptly, but not more than 7 business days after the Date of Contract Acceptance, shall deposit trust money in an account that is maintained by the Company: (i) separately from the real estate broker's own accounts; and (ii) solely for trust money. The Company may not use trust money for any purpose other than that for which it is entrusted to the real estate broker.

The obligation of the Sales Associate to **promptly** remit the trust money for processing by the Company at the time that a contract of sale or lease is entered into shall be complied with even if the terms and conditions of the contract of sale or lease provide that the trust money is not to be negotiated or deposited until the occurrence of a particular event or contingency in accordance with the contract of sale or lease.

If a Sales Associate receives trust money in the form of a check and is advised by the maker that the account upon which the check is drawn has insufficient funds to cover the amount of the check, the Sales Associate shall advise **the broker and/or manager and shall also notify** the listing agent or seller (in the case of a FSBO) of such fact at the time that the offer or lease is submitted. A Sales Associate shall not accept or receive any trust money by way of a check which is postdated.

If advised by the Company that any trust money in the form of a check has been dishonored by the bank upon which the check was drawn, the Sales Associate shall immediately notify the **broker and/or manager and shall also notify the** listing agent or the seller (in the case of a FSBO) immediately and shall confirm such fact in writing.

A Sales Associate shall not represent, infer or suggest to any party to a contract of sale or lease form that a minimum deposit is required under Maryland law to create or form a binding contract of sale or lease.

Under no circumstances shall a Sales Associate convert any trust money received by the Sales Associate for their own personal benefit or use.

B. DISTRIBUTION OF TRUST MONIES AS REQUIRED UNDER THE MARYLAND REAL ESTATE BROKERS ACT

1. Termination by Buyer Pursuant to a Contingency

In a situation where the Buyer terminates the real estate transaction pursuant to a contingency, as defined by Section 10-803(a)(2) of the Real Property Article, Annotated Code of Maryland, and provides a written notice to the Seller and the holder of the trust money (most commonly, the Broker or Title Company) requesting the full return of the deposit:

- a. If the Seller wants to protest the release of the trust money, Seller must provide the holder of the deposit with a notarized, written request for mediation relating to the release of the trust money within ten (10) days of receipt of the Buyer's request.
- b. If the Seller does **not** protest the release of the trust money or if they fail to provide the holder of the trust money with a notarized, written request for mediation within the ten (10) day period, the holder of the trust money **shall** distribute the trust money to the Buyer within thirty (30) days of receipt of the Buyer's request.

2. Other Termination of Contract

Under Maryland law, a broker must maintain trust money in an authorized account until:

- a. the real estate transaction for which the trust money was entrusted is consummated or terminated; or
- b. the broker receives proper written instructions from Buyer and Seller directing withdrawal or other disposition of the trust money; or
- c. on an interpleader filed by the broker, a court orders a different disposition; or
- d. the Buyer or Seller of the trust money fails to complete the real estate transaction for which the trust money was entrusted and the broker, in the broker's sole discretion, decides to distribute the trust money as specified below.

Prior to distributing the trust money as required under the statute, the broker shall notify Buyer and Seller that the broker intends to distribute the trust money to the person who, in the good faith opinion of the broker, is entitled to receive the trust money in accordance with the terms of the real estate contract which established the trust. The notice required under the law shall:

- i. be in writing;

- ii. state whether the trust money will be paid to the Buyer or Seller; and
- iii. disclose to Buyer and Seller that:
 - either party may prevent distribution of the trust money by submitting a written protest within 30 days from the date the notice was delivered or mailed by the broker; and
 - if neither party submits a written protest within 30 days from the date the notice was delivered or mailed by the broker, the trust money will be distributed in accordance with the broker's notice.

The notice required under this subsection shall be hand delivered to both the Buyer and Seller; **OR** sent by certified mail, return receipt requested, **and** regular mail to both Buyer and Seller.

As stated above, Buyer or Seller may protest the distribution of the trust money. Buyer or Seller shall submit the protest to broker holding the trust money within 30 days from the date the required notice was delivered or mailed by the broker. A protest shall be in writing and either: hand delivered; or sent by certified mail, return receipt requested, and regular mail.

If a written protest is received by the broker, the broker shall distribute the trust money in accordance with the foregoing.

If no written protest is received by the broker holding the trust money, the broker shall distribute the trust money in accordance with the terms of the notice.

When the duty of the broker to maintain trust money in an account terminates, the broker promptly shall account for all trust money.

A real estate broker may not be liable to a Buyer or Seller for a good faith decision to distribute the trust money under Maryland law; or a decision not to distribute the trust money.

C. SAMPLE 30 DAY LETTER

March 3, 2023

Via Certified Mail, Return Receipt Requested, And First Class Mail

To: Sally Seller
123 Sad Street
Annapolis, MD 00000

and

To: Betty Buyer

456 Happy Street
Baltimore, MD 11111

Property: 789 Lovely Lane, Ellicott City, MD 22222

Contract of Sale Date: January 5, 2023

NOTICE OF INTENT TO DISTRIBUTE EARNEST MONEY DEPOSIT

Settlement on the Property under the terms and conditions of the Contract of Sale has not occurred and the parties have either elected not to complete the transaction or have failed to complete the transaction.

The parties have also failed and/or are unwilling or unable to execute a written release of deposit agreement as provided in the Contract of Sale.

This company, in accordance with the terms and conditions of the Contract of Sale, currently holds in its escrow account the deposit(s) paid by the Buyer, on account of the Contract of Sale in the amount of _____ ("the Deposit").

Pursuant to the Contract of Sale and in accordance with Section 17-505 (a) and (b) of the Business Occupations & Professions Article, Annotated Code of Maryland, Seller and Buyer are hereby advised by ("X Brokerage Company"), through its licensed real estate broker ("Broker"), as follows:

1. Broker, in Broker's good faith opinion, and in accordance with the terms and conditions of the Contract of Sale, intends to distribute the Deposit to:
_____.
2. You may protest Broker's proposed distribution of the Deposit by submitting a written protest to Broker at the address as shown in Paragraph 5 below.
3. Any protest must be in writing and must be submitted and received by Broker not later than thirty (30) days from the date that this Notice was either personally delivered to you or was mailed to you.
4. Should you elect to protest Broker's proposed distribution of the Deposit, you must either hand deliver the written protest to Broker or deliver to Broker your written protest by certified mail, return receipt requested AND by first class mail.
5. Any written protest shall be delivered or addressed to Broker at:
_____.

If a written protest is timely received by Broker within the required thirty (30) day time period from the date of mailing of this Notice, Broker shall not distribute the Deposit but shall continue to hold the Deposit in escrow until:

- a. Broker receives proper written instructions from Seller and Buyer directing and authorizing the disposition of the Deposit; or
- b. Following litigation between Seller and Buyer, a court orders and directs the disbursement of the Deposit; or
- c. Broker files a bill of interpleader and transfers the Deposit to the Court for resolution by the Court as to the entitlement of the Deposit. In the event Broker files such action, Broker will be entitled to deduct costs and fees in accord with the Deposit Paragraph of the Contract of Sale.

If no written protest is timely received, Broker shall distribute the Deposit as provided in Paragraph 1 of this Notice.

Sincerely,

Broker

D. TRUST MONIES HELD BY ESCROW AGENT OTHER THAN BROKER

Maryland law requires certain persons holding escrow money (including title companies and attorneys) to have a written agreement with the Buyer and Seller. The agreement must include the following information: (1) the amount of trust money delivered to the escrow agent and the date the trust money was delivered to the escrow agent; (2) the fact the escrow agent will notify the parties if the trust money is returned due to dishonored funds; (3) the conditions under which the escrow agent may release the trust money; and (4) the process to address disputes over the release of the trust money. The current Escrow Agreement Form offered by Maryland REALTORS® and the Maryland Land Title Association complies with the law.

NOTE: This law does not apply to real estate companies who are already obligated to comply with the requirements for handling trust money under Section 17-505 of the Business Occupations & Professions Article, Annotated Code of Maryland.

2. FEDERAL, STATE AND LOCAL FAIR HOUSING REQUIREMENTS

It is the policy of the Company to provide real estate brokerage services to all persons.

A Sales Associate shall not refuse to provide real estate brokerage services to any person who falls within a protected class under federal, state or local law.

A Sales Associate, either intentionally or unintentionally, shall not assist an owner of property, whether residential or commercial, in any agreement, plan, scheme or suspected effort on the part of the owner to discriminate in the sale or lease of real property to any person who is protected under federal, state and local fair housing laws.

Under federal law, protected classes include race, color, sex, religion, national origin, physical or mental disability, and familial status. Under Maryland law, protected classes include all those persons protected under federal law plus the additional classes of marital status, source of income, sexual orientation and gender identity.

Anne Arundel County, Baltimore City, Baltimore County, Harford County, Howard County, Montgomery County and Prince George's County have adopted local fair housing laws that include the protected classes under federal and Maryland law as well as the following additional protected classes, which will vary from county to county. These additional protected classes include:

- Occupation
- Political opinion
- Appearance
- Age
- Citizenship/Immigration
- Creed
- Ancestry
- Genetic status.

A copy of the Maryland REALTORS® Fair Housing Brochure, which provides additional information regarding the protected classes in Maryland, is attached hereto as Exhibit 1.

The following shall apply to the conduct of all Sales Associates to ensure that all persons, regardless of their protected class as described above, are afforded the full and equal opportunity to locate and acquire real property for sale or for lease and to further ensure that such individuals are afforded the full opportunity to receive professional real estate brokerage services from real estate licensees:

- A.** A Sales Associate shall decline to accept any listing agreement where the owner, in advance, has inferred or suggested that the Sales Associate limit the availability of the property to any person based upon their protected status or suggest or infer that the Sales Associate assist the owner in limiting the availability of property for sale or for lease to any person who falls within a protected class.
- B.** A Sales Associate shall not assist an owner in any effort to discriminate against a person attempting to buy or lease real property based upon the person's classification under a protected class.
- C.** In any circumstance where a Sales Associate is requested by an owner or suspects or believes that an owner of real property intends to engage or is engaging in a course of conduct designed to discriminate in the sale or lease of real property, the Sales Associate shall promptly report such matter to the broker or office manager and seek immediate advice and direction as to procedures to be followed under such circumstance.
- D.** A Sales Associate shall not, under any circumstances, make, either verbally or by gesture, any reference to any person in a derogatory or derisive manner based upon the physical characteristics of such individual or their particular circumstance based upon any protected class under federal, state or local law. Under no circumstances shall any Sales Associate make or use any words, phrases or gestures of a derisive or offensive nature, including any stories or jokes, which relate to the physical characteristics of any person. Any Sales Associate who uses derogatory words or phrases based upon the physical characteristics of an individual or based upon their protected class will be summarily terminated from the Company. This will include any such comments by and between the Sales Associates among themselves or to other persons and by any means, both verbal and written.
- E.** A Sales Associate, at all times, shall comply fully with all federal, state and local requirements with respect to the equal opportunity of all persons to purchase or lease real property in accordance with federal, state and local laws and regulations.
- F.** A Sales Associate shall include the equal housing opportunity logo in all display advertisements, whether print, television, or internet, in excess of four (4) inches. The equal housing opportunity logo must be the same size as any other logo included in the advertisement and shall never be less than 1/2 inch by 1/2 inch as required by federal law. Similarly, a Sales Associate shall include the equal

housing opportunity slogan in all print advertisement under four (4) inches. To fully comply with the law, the equal housing opportunity slogan shall be fully stated in such advertisement as "Equal Housing Opportunity" and not as "EHO."

There is **no exception** to federal, state or local fair housing laws if a Sales Associate is involved in a real estate transaction. While there may be certain circumstances under federal, state and local laws which would authorize an owner to discriminate, on a limited basis, against certain persons and protected classes, such exceptions do not apply if the owner has engaged the services of a licensed real estate salesperson in the sale or lease of real property.

Under no circumstances shall a Sales Associate solicit properties for sale based upon any reference to or suggestion of changing neighborhoods or the changing diversity of a community or neighborhood where the property is located.

At no time shall a Sales Associate determine where a prospective buyer ought to live based upon the Sales Associate's belief or assumptions as to where the buyer would feel more comfortable. Similarly, a Sales Associate shall make available to all buyers all properties currently for sale or lease for which the buyer qualifies to ensure the buyer has the full opportunity to be aware of such available properties and to determine for themselves where the buyers elect to live and reside.

NOTE ABOUT STEERING: "Steering under the Fair Housing Act is the process of influencing a buyer's choice of communities based upon the buyer's race, color, religion, gender, disability, familial status, or national origin. Steering on the basis of any of the characteristics defined under the Fair Housing Act is not only unethical, it's illegal because it limits the housing opportunities available to that buyer. Steering occurs when an agent limits the housing options available to a buyer by directing prospective homebuyers interested in equivalent properties to different neighborhoods or communities or even different parts of the same development according to the buyer's race or other characteristics protected under the Fair Housing Act.

One way such "directing" can occur is through comments by an agent, either positive or negative, about a community. For example, if an agent limits or does not provide housing options to a buyer in a community because of the community's racial composition, that agent may effectively be making housing unavailable. Or if an agent expresses his or her own positive or negative views about certain communities or schools, the purpose of which is to direct a buyer either towards or away from a community, then that agent may be stating a housing preference based on race or familial status or religion. These would be violations of the Fair Housing Act and of the National Association of REALTORS® Code of Ethics.

Nothing in the Fair Housing Act limits buyers' choices of where they want to live. On the contrary, the Fair Housing Act protects the buyer's ability to choose housing and prohibits certain actions by sellers, real estate agents, and others who might otherwise limit that choice. This raises the question of what an agent can do to accommodate a buyer's preferences. Nowhere is this more of an issue than when the question of schools comes up during the homebuyer search.

Discussions about schools can raise questions about steering if there is a correlation between the quality of the schools and neighborhood racial composition--or if characterizations such as "a school with low test scores" or "a community with declining schools" become code words for

racial or other differences in the community. Similarly, making unspoken distinctions by promoting a school in one district while keeping silent about the quality of another school can have the same effect. These become fair housing issues.” **SOURCE: National Association of REALTORS®** (<https://www.nar.realtor/articles/steering-schools-and-equal-professional-service>)

The Company takes its obligations under federal, state and local fair housing laws seriously and it is the established policy of the Company to affirmatively further fair housing and to provide real estate brokerage services to all persons without regard to their classification under a protected class and to enforce, both in spirit as well as intent, all applicable federal, state and local laws regarding fair housing.

3. ADVERTISING REQUIREMENTS

Sales Associates shall be careful at all times to present a true picture in all advertisements.

Advertisement means oral, written, or printed media advertisement including newspaper and magazine advertisement, mailings, correspondence, brochures, business cards, for sale and for lease signs and sign riders, promotional items, newsletters, automobile signage, telephone directory listings, telephone solicitations, as well as internet, online based digital media, mobile phone apps, radio, and television advertisement.

The telephone number of the broker and/or branch office manager shall be included in all advertisements as defined above. The telephone number as required shall be the main office telephone number of the office where the wall license of the Sales Associate is displayed. The telephone number is required by Maryland law to be identified by the use of the word “office” preceded by the main telephone number of the office or “(O)” preceded by the main telephone number of the office.

In all advertisements, the Sales Associate shall include his or her full name as it appears on their real estate license and shall not use any other name, including a nickname, except as otherwise authorized and approved by the Maryland Real Estate Commission (MREC), from time to time. The name of the Company shall be meaningfully and conspicuously displayed in all advertisements and shall include the full name of the Company as it appears on the real estate license of the Sales Associate. Under no circumstances shall the Company name be abbreviated. Any electronic media advertisement shall contain the applicable disclosures set forth above either: (a) On the first 25 percent of the main page of the electronic media advertisement; or (b) If the electronic media has a limitation of 280 characters or fewer, on the first 25 percent of a page that is accessible after a single click on a hyperlink on the main page of the electronic media advertisement.

All print advertisements, including television and internet, shall include the equal housing opportunity logo or slogan as required by federal law. All advertisements shall comply with the HUD Guidelines relating to equal housing opportunity and fair housing under federal law. The media used for promoting property or real estate services cannot target one population to the exclusion of others. The selective use of media, whether by language or geography, may have discriminatory impact. Similarly, limiting advertising to a cable television channel available only to a particular group of residents may be construed as a discriminatory act. If an advertisement appears in general-circulation media as well, however, it may be legal.

When selling, or leasing real property owned by the Sales Associate, the Sales Associate shall include in any advertisement for the sale of the property, the fact that the Sales Associate is a Maryland licensed real estate salesperson or licensed real estate associate broker. A Sales Associate selling or leasing his or her own real property or purchasing or leasing real property on his or her own behalf shall include in the contract of sale or lease, a written disclosure to the buyer or seller, as the case may be, that the Sales Associate selling, leasing or buying real property is a licensed real estate salesperson or licensed real estate associate broker in the State of Maryland. Disclosure in the contract of sale or lease shall also be required when the Sales Associate represents: (i) a member of his or her immediate family; (ii) an entity in which the Sales Associate has an ownership interest; (iii) an employee of the Company; or (iv) an employee of a team or group of which the Sales Associate is a member. As used in this paragraph "immediate family" includes shall include the Sales Associate's spouse or domestic partner, child, stepchild, child's spouse, stepchild's spouse, parent, sibling, grandparent, or grandchild.

A Sales Associate who is a member of a team or group shall not advertise solely in the name of the team or group unless the full name of the Sales Associate, as it appears on their real estate license, and the company name are meaningfully and conspicuously included in the advertisements, as defined above. The team name in the advertisement must be directly connected to the name of the brokerage. MREC considers a team name to be "directly connected" to a brokerage, if: (a) the word "of", "from", "with", or "at" is the only word between the team name and the brokerage name; and (b) no other word, symbol, or image is between the team name and the brokerage name.

Additionally, advertisements may not include the name or photograph of any member of a team or group who is not a real estate licensee and/or is not affiliated with the Company.

A Sales Associate shall not offer inducements to buyers or sellers in any advertisement which involves a contest; element of chance; lottery; drawing; or other such mechanism by which a prize or anything of value is to be awarded based upon the luck of the draw or other such limited criteria.

A Sales Associate shall not advertise property as being available for sale or lease without the written authority of the owner.

All advertisements placed by a Sales Associate shall, at all times, comply with all requirements of federal, state, and local laws and regulations and shall be submitted for review and audit by the broker or office manager (or the designee of the broker or office manager) as set forth in this Manual.

A Sales Associate shall ensure that the content of any advertisement is factual and true and shall avoid any misstatement or exaggeration of fact.

When advertising a compilation of properties "sold" or "recently sold" in a particular subdivision or neighborhood, the Sales Associate shall include in such advertisement a statement that the compilation is based upon public information and is not intended to suggest or infer that the Sales Associate or broker was actually involved in the listing or sale of the properties included in the compilation.

A Sales Associate shall not offer any type of coupon redeemable by the public without the prior review and approval by the broker or office manager (or the designee of the broker or office manager).

4. REVIEW OF ADVERTISEMENTS

All advertisements to be placed by a Sales Associate shall be promptly submitted to the broker or office manager (or the designee of the broker or office manager) for review and audit to ensure compliance with Company policy and the requirements of federal and Maryland law, prior to the placement of such advertisements. Advertising requirements for real estate licensees are found in a number of locations in Maryland law and regulations. Some of the requirements are found in Title 17, the Brokers Act, and some are found in the Commission's Regulations, including the COMAR Code of Ethics.

Advertisement means oral, print and media advertisement including newspaper and magazine advertisements, mailings, brochures, business cards, for sale signs and for sale sign riders, promotional items, newsletters, as well as internet and television advertisement. And includes all written and verbal contact with the public that is intended to generate business for the licensee.

Following such review and audit as to each advertisement to be placed by a Sales Associate, the Sales Associate shall be advised of any inconsistency in such advertisement. Upon notice of such inconsistency, the Sales Associate shall immediately undertake to correct the inconsistency noted and ensure that such inconsistency does not occur with respect to advertisements to be placed in the future.

5. REVIEW OF CONTRACTS, LEASES AND BROKERAGE AGREEMENTS

The Regulations of the Commission set forth a number of duties and obligations that real estate licensees have to clients, the public, and fellow licensees with respect to contracts. These include: prompt presentation of all written offers and counteroffers in their entirety, putting all agreements to a written form that clearly sets forth all of the obligations of the parties, including their financial obligations, obtaining proper signatures on all forms, giving and retaining copies of all signed agreements, and retaining all transaction records for five (5) years.

Upon execution by all parties to a contract of sale, lease or brokerage agreement, the Sales Associate shall promptly, or as soon as practicable thereafter, submit the contract of sale, lease or brokerage agreement to the broker, office manager (or designee of the broker or office manager) for review and audit.

Brokerage agreement includes a listing agreement for the sale or lease of real property; buyer brokerage agreement; and/or **property management agreement**.¹

The broker, office manager (or designee of the broker or office manager), consistent with Maryland law, shall review and audit all contracts of sale, leases and property management agreements as executed by all parties.

¹ NOTE: If your brokerage does not allow licensees to provide property management services, you should delete all references to property management services.

Following such audit and review, the Sales Associate involved in the contract of sale, lease or property management agreement will be advised of any noted error(s) or omission(s) in or to the contract of sale, lease or property management agreement or the existence of any missing or incomplete items as required by law or Company policy with respect to such contract of sale, lease or property management agreement with instructions to the Sales Associate as to any requirement to complete any missing information, or documents or addenda thereto.

Upon notification to the Sales Associate of the need to correct any error(s) or omission(s) as noted by the review and audit of the contract of sale, lease or property management agreement, the Sales Associate shall promptly comply with all requests by the broker, office manager (or designee of the broker or office manager) to correct such error(s) or omission(s). The Sales Associate shall prepare and complete such missing document(s) as identified for execution by the parties to the contract of sale, lease or property management agreement and shall promptly deliver such corrected or missing document(s) to the broker, office manager (or designee of the broker or office manager).

6. UNLICENSED PERSONAL ASSISTANTS

A Sales Associate shall not engage or hire the services of an unlicensed personal assistant without the express prior written consent of the broker or office manager.

If authorized to hire or engage the services of an unlicensed personal assistant, it is the responsibility of the Sales Associate to take all steps necessary to ensure that the unlicensed personal assistant does not perform any act or engage in any conduct for which a real estate salesperson's license would otherwise be required under Maryland law.

The Maryland Real Estate Commission has issued written guidelines as to those acts which an unlicensed personal assistant may or may not do. The guidelines of the Maryland Real Estate Commission provide as follows:

An unlicensed personal assistant **MAY**:

1. Answer the telephone and forward calls to a licensee;
2. Submit listings and changes to a multiple listings service;
3. Follow up on loan commitments after a contract has been negotiated;
4. Assemble documents for closing;
5. Secure documents (public information) from courthouse, public utilities, etc.
6. Have keys made for company listings;
7. Write and place ads for approval of licensee and supervising broker or office manager;
8. Type contract forms at the direction of and for approval by licensee and supervising broker or office manager;
9. Compute commission checks;
10. Place signs on property;
11. Arrange the date and time of home, termite, and well/septic inspection, mortgage application, pre-settlement walk-thru, and settlement;
12. Prepare flyers and promotional information for approval by licensee and supervising broker or office manager;

13. Act as courier service to deliver documents, pick-up keys, etc.;
14. Schedule an open house;
15. Schedule appointments for licensee to show listed property;
16. Accompany a licensee to an open house or showing for security purposes or to hand out preprinted materials; and
17. Contact clients and potential clients using online communication methods such as web-based chat to accomplish one of the above-listed tasks.

An unlicensed personal assistant **MAY NOT**:

1. Prepare promotional materials or ads without the review and approval of the licensee and supervising broker or office manager;
2. Show property;
3. Answer any questions on listings, title, financing, closing, etc.;
4. Discuss or explain a contract, listing, lease, agreement, or other real estate document with anyone outside the Company;
5. Be paid on the basis of real estate activity, such as a percentage of commission, or any amount based on listings, sales, etc.;
6. Negotiate or agree to any commission, commission split, management fee or referral fee on behalf of a licensee;
7. Discuss the attributes or amenities of a property, under any circumstances, with a prospective purchaser or tenant;
8. Discuss, with the owner of real property, the terms and conditions of the real property offered for sale or lease;
9. Collect, receive or hold deposit monies, rent, other monies or anything of value received from the owner of the real property or from a prospective purchaser or tenant;
10. Provide owners of real property or prospective purchasers or tenants with any advice, recommendations or suggestions as to the sale, purchase, exchange, or leasing of real property to be listed or presently available for sale or lease;
11. Hold himself or herself out in any manner, orally or in writing, as being licensed or affiliated with a particular company or real estate broker as a licensee;
12. Contact the public concerning the availability of real estate brokerage services unless an inquiry about a specific property is immediately referred to a licensee;
13. Contact clients or prospective clients using online communication methods such as web-based chat to solicit customers with respect to a specific property; and
14. Contact clients using online communication methods such as web-based chat without first disclosing the broker's name or the company name as it appears on the license at the beginning of the chat session or in text visible on the same web page that contains the chat session.

When authorized to hire, or engage the services of an unlicensed personal assistant, the Sales Associate shall enter into a written agreement with the unlicensed personal assistant and shall expressly include in such written agreement the guidelines as provided above and shall have the unlicensed personal assistant acknowledge such guidelines by signing and dating such agreement.

Under applicable federal and Maryland wage and employment laws, an unlicensed personal assistant can never qualify as an independent contractor. Instead, such individual is an employee

only of the Sales Associate who hires or engages the unlicensed personal assistant. As a result, the Sales Associate engaging or hiring the services of unlicensed personal assistants must, at all times, comply with each and every federal and state employment and labor laws. At a minimum, such compliance will include the following:

- Apply for and obtain a federal and state employer identification number;
- Compensate the employee on a salary basis not less than the minimum wage as established by federal law from time to time;
- Withhold from all compensation and salaries paid all applicable federal and Maryland withholding taxes, social security taxes, FICA and Medicare;
- Remit as required by federal and Maryland law all such salary withholdings and the payment of all required matching employer contributions by the Sales Associate as the employer with respect to social security, FICA and Medicare;
- Apply for and remit the required Maryland Unemployment Compensation and Maryland Worker's Compensation reporting requirements, premiums and periodic payments;
- Issue the appropriate federal and Maryland employee payroll withholding forms within the time frame as prescribed by federal and Maryland law;
- Conspicuously post all required federal and Maryland employee notices within the work area of the unlicensed personal assistant employee.

The Sales Associate hiring or engaging such unlicensed personal assistant shall not request or direct such individual to perform any prohibited act in the guidelines set forth above. Additionally, the Sales Associate shall ensure that the unlicensed personal assistant does not perform any act for which a real estate license is required and, further, that the unlicensed personal assistant does not, under any circumstance, hold himself or herself out to the public as being a real estate licensee or affiliated as a licensed real estate salesperson with the Company.

A Sales Associate who permits an unlicensed personal assistant to perform any act or engage in any conduct for which a real estate license is otherwise required is guilty of a criminal misdemeanor under Maryland law, and, in addition to a substantial fine and possible imprisonment, such act could also be grounds for the suspension or revocation of the license of the Sales Associate and a \$5,000 civil penalty for each violation.

7. TEAMS

The Company permits Sales Associates within the Company to form and work together as Teams, with the prior written approval of the Broker, in accordance with Maryland law. Maryland law provides that a Team must consist of two or more Sales Associates who:

- A. Work together on a regular basis;
- B. Represent themselves to the public as being part of one entity; AND
- C. Designate themselves by a collective name such as "Team" or "Group," or by using the words "and Associates."

All licensed team members must be affiliated with the Company, and, if applicable, offer brokerage services at the same branch office.

The name of the Team may NOT contain the terms: "Real Estate," "Real Estate Brokerage," "Realty" or any other term that would lead the public to believe that the Team is offering real estate brokerage services independent of the Company.

Team members must conduct all real estate brokerage activities from the Broker's office or the branch office where their licenses are displayed. A Team may NOT operate out of an office or location other than the Broker's office or the branch office where their individual licenses are displayed.

1) Advertising

- A. All Team advertising must contain:
 - a) The full name of the Company displayed in a meaningful and conspicuous way;
 - b) The name of at least one of the licensed members of the Team; and
 - c) The Team name in the advertisement must be **directly connected to** the name of the brokerage.
 - i. MREC considers a team name to be "directly connected" to a brokerage, if: (a) the word "of", "from", "with", or "at" is the only word between the team name and the brokerage name; and (b) no other word, symbol, or image is between the team name and the brokerage name.

2) Team Leaders

- A. A Team must designate a team member as its Team Leader. The Team Leader must be an Associate Broker or Salesperson with at least three years of experience.
- B. The Team Leader must maintain a current list of all members and employees of the Team.
- C. The Team Leader must provide the list and any revisions to the list to the Broker or Office Manager where the Team Members' licenses are displayed.
- D. The Team Leader must exercise reasonable and adequate supervision over the provision of real estate services by members of the Team.

3) Brokers & Branch Office Managers

- A. The Broker or Branch Office Manager must maintain copies of the lists of team members and employees.
- B. The Broker or Branch Office Manager must supervise the team members, and this supervision is in addition to the supervision responsibilities of the Team Leader.

4) Team Leaders & Members

- A. The Team Leader and all team members must adhere to all office rules, practices and procedures established by the Broker and the Branch Office Manager.
- B. When a team member signs real estate documents in the course of performing brokerage activities, that signature must be the member's own name and not the name of the team.

5) Dual Agency

The Broker or duly designated branch office manager may designate two members of a Team as intra-company agents for the Buyer and the Seller in the same transaction if the parties have **FIRST** been advised in writing that the licensees are part of the same Team and the Team could have a financial interest in the outcome of the transaction. **SECOND** the Broker must obtain the client's consent to this form of representation by having the Buyer and Seller complete the "Notification of Dual Agency Within a Team" disclosure required under existing law before Dual Agency may occur.

8. CREATION AND DISCLOSURE OF BROKERAGE RELATIONSHIPS IN RESIDENTIAL REAL ESTATE TRANSACTIONS

Creation of a Brokerage Relationship. Under Maryland law, a brokerage relationship is created by entering into a written brokerage agreement with the principal (Seller or Buyer). The brokerage agreement must (i) be in writing; (ii) have a definite termination date that is effective automatically without notice from the client; (iii) state the amount of compensation to be paid to broker and whether broker is authorized to receive the compensation from a person other than the client; (iv) state whether the broker is authorized to cooperate with other brokers and share compensation with the other brokers and the amount of the compensation; (v) explain events or conditions that entitle the broker to compensation; and (vi) contain provision for cancellation of brokerage relationship by either the client or the broker.

Dual Agency. The Company permits Sales Associates to engage in Dual Agency, provided the Sales Associate complies with Maryland law. Maryland law expressly prohibits single agent dual agency, meaning that a Sales Associate may not represent the Seller and the Buyer in the same

transaction. Maryland law specifies that the Broker or Branch Office Manager designated by broker serves as the Dual Agent. The Broker or duly designated Branch Office Manager assigns an agent to represent the seller (Intra-company agent for seller) and assigns another agent to represent the buyer (Intra-company agent for the buyer). The Dual Agent cannot also be an Intra-company Agent. Intra-company agents MUST keep confidential information CONFIDENTIAL, except to the Dual Agent.

The Intra-Company Agent for the seller and the Intra-Company Agent for the buyer must obtain the written consent of their respective clients to engage in Dual Agency. Such consent is obtained by using the Consent for Dual Agency form issued by the MREC. The Consent for Dual Agency form may be signed at the time the parties execute the brokerage agreement. This serves as an authorization to show Company listings to buyer clients of the Company.

The Consent for Dual Agency form requires an additional step after it is executed. If a party has previously signed a Consent for Dual Agency form (most likely), the seller must affirm consent for the sale to a particular buyer. Similarly, the buyer must affirm consent for the purchase of a particular property. This Affirmation is accomplished on the lines provided on Page 2 of the Consent for Dual Agency form.

Subagent. A Sales Associate who becomes the agent of a principal (Seller or Buyer) owes certain duties to that principal. All Sales Associates should keep these duties in mind when transacting business with a Buyer or Seller. **Unless a Sales Associate has entered into a written Exclusive Buyer/Tenant Residential Brokerage Agreement with a Buyer, the Sales Associate is a Subagent of the Seller and owes a fiduciary duty of care to the Seller.** In this situation, the Sales Associate is working with the Buyer as a customer and not as a client.

Disclosure to Unrepresented Parties. Under Maryland law, a Sales Associate who represents a buyer or seller is required to provide written disclosure to unrepresented parties. To the extent that Maryland law is inconsistent with any provision of the Code of Ethics of the National Association of REALTORS® with respect to disclosure of the brokerage relationship, Maryland law will control and shall be complied with by all Sales Associates.

Disclosure of the brokerage relationship to unrepresented parties shall occur not later than the first scheduled face-to-face contact with a seller, buyer, landlord or tenant. This disclosure is required to be in writing and must be made on the form "Understanding Whom Real Estate Agents Represent" ("Disclosure Form") as published by the MREC. No other Disclosure Form may be used. The Sales Associate shall ensure that he or she utilizes the most current version of the form.

In addition to the written disclosure described immediately above, if the first contact between a seller's agent and a prospective buyer or tenant is not a face-to-face contact, the seller's agent shall disclose, through the medium in which the contact occurs, that the seller's agent represents the seller or landlord. Similarly, if the first contact between a buyer's agent and a prospective seller or landlord is not a face-to-face contact, the buyer's agent shall disclose, through the medium in which the contact occurs, that the buyer's agent represents the buyer or tenant.

The following, while not intending to be an exhaustive analysis of the disclosure requirements, is a basic statement of the licensee's duty with respect to such disclosure:

Sales Associate Acting as Listing Agent:

If the seller(s) have executed a written exclusive listing agreement for sale or for lease, there is no requirement that seller(s) be provided with or sign the Disclosure Form, since the seller(s) are now represented.

Sales Associate Acting as Buyer Agent:

If the buyer(s) have signed a written exclusive buyer brokerage agreement for the purchase or lease of property, there is no requirement that the buyer(s) be provided with or sign the Disclosure Form, since the buyer(s) are now represented.

Sales Associate Acting as a Listing Agent Working with an Unrepresented Buyer:

At the first contact (not face-to-face) with an unrepresented Buyer, the listing agent shall immediately advise the unrepresented Buyer, in the medium in which the contact occurred, that the listing agent is representing the Seller and acting as the listing agent on behalf of the Seller. At the time of the first scheduled face-to-face contact, the listing agent shall provide the unrepresented Buyer with the Disclosure Form and shall check the box marked "seller/landlord's agent."

Sales Associate Acting as Selling Agent for a Company Listed Property Working with an Unrepresented Buyer.

When working with an unrepresented Buyer who is interested in considering for purchase or lease a property listed with the Company, the Sales Associate, at the first contact (not face-to-face) with the unrepresented Buyer, shall immediately advise the unrepresented Buyer, in the medium in which the contact occurred, that the Sales Associate is representing the Seller and acting as a Seller agent on behalf of the Seller. At the time of the first scheduled face-to-face contact, the Sales Associate shall provide the unrepresented Buyer with a completed Disclosure Form and shall check the box marked "seller/landlord's agent."

Sales Associate Acting as a Subagent Working with an Unrepresented Buyer.

When working with an unrepresented Buyer who is interested in considering for purchase or lease a property **not** listed with the Company, the Sales Associate, at the first contact (not face-to-face) with the unrepresented Buyer, shall immediately advise the unrepresented Buyer, in the medium in which the contact occurred, that the Sales Associate is representing the Seller and acting as a Subagent on behalf of the Seller. At the time of the first scheduled face-to-face contact, the Sales Associate shall provide the unrepresented Buyer with a completed Disclosure Form and shall check the box marked "subagent of the seller."

Sales Associates Acting as a Buyer/Tenant Agent Working with an Unrepresented Seller.

At the time of first contact with an Unrepresented Seller ("FSBO"), the Buyer Agent shall immediately advise the FSBO, in the medium in which the contact occurs, that the Buyer Agent is representing the Buyer and acting as a Buyer agent on behalf of the Buyer. Not later than the first scheduled face-to-face contact with a FSBO, the Buyer Agent shall provide the FSBO with a completed Disclosure Form and shall check the box marked "buyer's agent."

In those instances, where the Sales Associate acting as a buyer's agent has prepared a contract offer on behalf of the Buyer client and has not had a prior scheduled face-to-face contact with a FSBO, the Sales Associate shall complete the Disclosure Form as described immediately above and shall include the completed Disclosure Form along with the contract offer when presented to the FSBO.

The following additional guidelines shall be adhered to at all times by Sales Associates:

- A person completing the Disclosure Form or Consent for Dual Agency form shall date their signature on the line where indicated. Under no circumstances shall any such date be postdated or pre-dated or altered in any fashion.
- All unrepresented persons with whom the licensee deals are required to be asked to execute the Disclosure Form. For example, if the unrepresented seller or buyer are married or there are two or three unrelated individuals, both husband and wife and all individuals who either own or intend to buy the property, must be given the completed Disclosure Form and be requested to execute their acknowledgment of the receipt of the Disclosure Form.
- In those circumstances when one or more of the persons to whom the disclosure is being made is either unable or unwilling to acknowledge their receipt of the Disclosure Form by signing and dating their names thereto, the Sales Associate who made the disclosure shall complete and certify the last paragraph as it appears on Page 2 by signing and dating their name and by printing or typing in the name of the person(s) to whom the disclosure was made.
- As soon as practicable after the Disclosure Form or Consent for Dual Agency forms have been signed by the individual, a copy of the Disclosure Form and/or Consent for Dual Agency form shall be delivered to all persons who signed such form.
- With respect to any transaction which leads to an ultimate contract of sale or lease, the original executed Disclosure Form, if any, and the Consent for Dual Agency form and Notification of Dual Agency within a Team, if applicable, shall be maintained in the Company's transaction file and must be submitted with all contracts or leases at the time of processing through the Company.

Open House. When holding an open house, the agent, whether the agent is the listing agent or is an agent from the Company who is holding the open house, is required to display in a conspicuous manner a notice to prospective buyers or tenant that the licensee present on the property represents the seller or landlord. Such notice shall comply with the requirements of the MREC.

Finally, in a situation where the relationship between a Sales Associate and an individual changes, with that individual becoming a customer, rather than a client, the Sales Associate shall complete a separate Disclosure Form consistent with the relationship then existing between the customer and the Sales Associate as described above.

9. DISTRIBUTION AND DISSEMINATION OF INFORMATION

It is the responsibility of all Sales Associates to keep themselves informed of all new laws or changes in the laws or regulations as enacted by local, State and federal governmental and regulatory agencies which affect real estate transactions and the duties of Sales Associates in the conduct of providing real estate brokerage services to the public.

The broker or office manager shall, from time to time, disseminate to Sales Associates copies of memoranda, articles, notices or other written materials which relate to information regarding new or changed requirements in the real estate laws and regulations as enacted by local, State and federal governmental and regulatory agencies. Such information will be disseminated by a number and variety of means. These may include, but are not limited to, uploading to a company intranet, providing hard copies in the mailbox of each Sales Associate, transmission by e-mail, general postings or by inclusion as a specific topic at a sales meeting or training and education session. It is the responsibility of all Sales Associates to read and understand all such memoranda, articles, notices or written materials as distributed and disseminated by the broker or office manager regarding such changes in laws and regulations. If a Sales Associate has any questions regarding the contents of such memoranda, articles, notices or written materials, the Sales Associate shall promptly contact the broker or office manager for clarification.

If requested by the broker or office manager, the Sales Associate shall acknowledge, in writing, their receipt of the memoranda, articles, notices or written materials regarding such changes in the laws and regulations affecting real estate transactions and the provision of real estate brokerage services.

Such changes in laws or regulations affecting real estate transactions and the provision of real estate brokerage services shall be discussed on an as-needed-basis at the Company's established sales meetings or training and education sessions. Such sales meetings or training and education sessions shall be held regularly and at least once every two (2) months. While neither the broker nor the office manager can compel you, as an independent contractor, to attend such regularly scheduled sales meeting or education or training sessions, it is the policy of the Company, as well as the requirement of the law, that Sales Associates keep themselves informed with respect to changes in the laws and regulations affecting real estate and real estate brokerage services. To that extent, the Company shall exercise reasonable efforts to provide such information to the Sales Associate. Although the broker may not compel you to attend such sales meetings, education or training sessions, it is the lawful obligation of the broker to ensure that changes in the laws and regulations are made available and discussed with Sales Associates to assist the Sales Associate in providing appropriate services for the protection of the public and those with whom the Sales Associate deals. As a consequence, a Sales Associate who demonstrates a failure to take advantage of the memoranda, articles, notices or written materials, sales meetings and/or education and training sessions regarding such changes in the law and regulations, could constitute grounds for the broker to terminate the Sales Associate's affiliation with the Company.

Additionally, on a case-by-case basis, if the broker or office manager determines that a Sales Associate lacks the basic knowledge or understanding of recent changes in the laws and regulations affecting real estate transactions and the provision of real estate brokerage services,

the broker and/or office manager may require that the Sales Associate complete a course of instruction or self-study course of instruction to better educate the Sales Associate regarding such changes in the laws and regulations and to demonstrate evidence satisfactory to the broker or office manager that the Sales Associate has a thorough working knowledge and understanding of such changes in laws and regulations. A Sales Associate who fails to comply with any such request by the broker or office manager to attend a course of instruction or self-study course of instruction to educate himself/herself on such changes in the laws and regulations could constitute grounds for the broker to terminate the Sales Associate's affiliation with the Company.

10. COMPLIANCE WITH ALL APPLICABLE LAWS

All Sales Associates in all transactions and at all times are required to and shall fully comply with all applicable provisions of the Maryland Real Estate Brokers Act; the Code of Ethics, as adopted and amended from time to time by the MREC; the Code of Ethics of the National Association of REALTORS®, as amended from time to time, and all applicable local, State and federal laws and regulations affecting real estate transactions and the legal and ethical duties of a real estate licensee in such transactions.

In furtherance of this mandatory obligation by Sales Associates, any Sales Associate who is uncertain as to the legal and ethical obligations of the Sales Associate in any particular transaction is obligated to seek out the advice of the broker or office manager (or designee of the broker or office manager) to ascertain the proper procedures to be followed on a case-by-case basis with respect to each transaction.

The Company makes available to all Sales Associates, experienced and trained management personnel and numerous methods of contact with such management personnel at all times to answer any questions and to assist the Sales Associate in ensuring compliance with all such legal and ethical obligations of real estate licensees. The availability of experienced management personnel is intended to assist the Sales Associate. All Sales Associates are required to avail themselves of such service at any time that the Sales Associate is uncertain about any matter regarding the legal and ethical obligations of a real estate licensee.

11. VERIFICATION OF LICENSING STATUS OF HOME IMPROVEMENT CONTRACTORS

If a Sales Associate offers the name of a home improvement contractor to a client, the Sales Associate shall: (1) first annually verify that the home improvement contractor is currently licensed by the home improvement commission under Title 8 of the Business Regulation Article of the Annotated Code of Maryland to act as a home improvement contractor before offering the name to the client; and (2) inform the client of the web site on which the licensing information may be found, and the date on which the Sales Associate verified the information.

12. SALE, LEASE OR PURCHASE OF REAL PROPERTY PERSONALLY OWNED BY A LICENSEE²

A Sales Associate may sell, lease or purchase real property on his or her own account. However, the Sales Associate shall advise the broker or office manager, in writing, of each such purchase, lease or sale prior to Sales Associate making or accepting an offer. Once an offer is made and accepted, the Sales Associate shall provide the broker or office manager with a copy of the written contract or lease. In any purchase, sale, or lease of real property by a Sales Associate, notice shall be given to the broker or office manager prior to the property being offered for sale or lease and shall identify and describe the property; identify all of the owners of the property; specify the terms on which the property is offered for purchase or sale; and state whether the property is being listed.

A Sales Associate may purchase, lease or sell, for their own account, personal real estate under the following conditions:

- (1) All documents intended to be used for the purchase, lease or sale of real property by a Sales Associate **must** be submitted to the broker or office manager for prior review and approval.
- (2) Under **no** circumstances shall Sales Associate use any contract or lease form or document bearing the Company name or logo in any personal purchase, lease or sale of real property by Sales Associate which property is not currently listed for sale or lease by the Company.
- (3) Throughout the course of each such purchase, lease or sale, a Sales Associate shall apprise the broker or office manager in a timely fashion and in writing, of all developments relating to such purchase, lease or sale.
- (4) **A Sales Associate shall comply fully and strictly with every law, ordinance, rule, regulation and ethical standard (including but not limited to every standard applicable to advertising) with respect to the transaction and Sales Associate's involvement in such transaction.³**

In every instance when purchasing, leasing or selling real property, a Sales Associate shall make written disclosure to the other parties to the transaction, in the contract of sale or lease, that the Sales Associate selling, leasing or buying real property is a licensed real estate salesperson or licensed real estate associate broker in the State of Maryland. Disclosure in the contract of sale or lease shall also be required when the Sales Associate represents: (i) a member of his or her immediate family; (ii) an entity in which the Sales Associate has an ownership interest; (iii) an employee of the Company; or (iv) an employee of a team or group of which the Sales Associate is a member. As used in this paragraph "immediate family" includes shall include the Sales

² NOTE: Broker should carefully review their E & O Policy to identify any requirements or limitations set forth in the Policy with respect to agent owned property. Broker should ensure that the requirements or limitations set forth in the E & O Policy are consistent with any requirements or limitations set forth in Broker's Policy and Procedure Manual. Failure to do so could result in a denial of insurance coverage in the event a claim is filed.

³ This obligation includes complying with all local regulations concerning permits and use of licensed contractors.

Associate's spouse or domestic partner, child, stepchild, child's spouse, stepchild's spouse, parent, sibling, grandparent, or grandchild.

13. SHORT SALES

Sales Associates are not authorized to act as Short Sale Negotiators on behalf of their clients. The MREC has provided guidance on this topic which can be found at: <https://www.dlir.state.md.us/license/mrec/mrecshortsales.shtml>. Sales Associates need to be fully aware of the Maryland laws that regulate the activities of those who assist homeowners under these circumstances; laws that go beyond those that govern real estate brokerage activities.

14. UNAUTHORIZED PRACTICE OF LAW

Sales Associates are not trained in the law and are not qualified to give legal advice to clients or non-clients regarding real estate transactions.

It is the established policy of the Company that a Sales Associate shall not, under any circumstance, advise either a seller, buyer, owner or tenant with respect to any question or inquiry regarding the legal rights and remedies of a party to an existing contract of sale or lease. Under no circumstance is a Sales Associate authorized to advise a party to an existing contract of sale or lease as to whether there has been a breach of the contract of sale or lease; as to whether any party to the contract of sale or lease has a right to cancel the contract or lease; or as to whether the party to the contract of sale or lease has a valid and enforceable agreement.

In all instances where such questions or inquiries are raised by a party to an existing contract of sale or lease, the Sales Associate shall promptly, clearly and affirmatively advise the party making such inquiry that the Sales Associate is not a lawyer and is not trained in the law to answer such questions. Instead, the Sales Associate shall firmly and affirmatively recommend the party making such inquiry to consult with competent legal counsel for a full review of the contract of sale or lease and to obtain advice from a lawyer with respect to the legal rights, obligations and remedies available to the party under such contract of sale or lease with respect to the dispute involved as well as the existence or non-existence of a valid and enforceable contract of sale or lease.

A Sales Associate affiliated with the Company is not authorized and shall not, under any circumstance, engage in any practice which may constitute the unauthorized practice of law.

From time to time, a Sales Associate may find himself or herself in a position of having to draft language by way of an amendment to the preprinted contract of sale or lease form or by way of an addendum to such agreement with respect to a particular issue unique to the transaction and upon which the parties have agreed. In cases where a Sales Associate has been requested or deems it necessary to draft language regarding a contract of sale or lease or addenda thereto, based upon an agreement or dispute existing between the parties to the contract of sale or lease, the Sales Associate, if unsure as to how to proceed, shall consult with the broker or office manager (or the designee of the broker or office manager) regarding such matter and shall receive direction and advice as to the proper procedure to follow.

Revised 5/2023

RECEIPT

I acknowledge receipt of [company name] Policy and Procedures Manual. I understand that the Policy and Procedures Manual, which I have received and read, is not to be interpreted as a contract between me and [company name], and that I may voluntarily leave or be terminated by [company name] at any time and for any reason. I understand that any oral or written statements to the contrary are hereby expressly disavowed and should not be relied upon by me. I further understand that [company name] reserves the right to change, modify, or delete any of its rules and provisions of this Policy and Procedures Manual at any time.

Date

Sales Associate

EXHIBIT 1

MARYLAND REALTORS® FAIR HOUSING BROCHURE