

SAMPLE LANGUAGE FOR REQUIRED PROVISIONS

The following language is intended as a sample for reference purposes only and is not intended as legal advice. You are not required to use this specific language, and should consult your own attorney regarding our requirements and your entity documents. Please note that any use of all or a portion of the sample language is at your sole risk, and we make no representations or warranties regarding the sample language.

1. Definition of Operating Principal. Operating Principal shall mean an individual who is a [Sole Manager] [Chief Manager] [Principal Manager] designated by the Company and approved by KW to serve as the Company's Operating Principal and will have full authority to operate and manage the Market Center.

2. Designation of Operating Principal. The Company shall designate and retain an individual to serve as Operating Principal of the Market Center, as defined in the Franchise Agreement. The Operating Principal shall meet the qualifications and criteria established in the Franchise Agreement and Manuals and shall be acceptable to KW. Unless otherwise approved in writing by KW, the Operating Principal shall devote his or her substantial energy and best efforts to the supervision and operation of the Market Center. Unless the Company has otherwise secured the services of a real estate broker, the Operating Principal shall be a real estate broker, licensed under the laws of the state or province.

3. Authority and Control. Notwithstanding anything in this Operating Agreement to the contrary, the Operating Principal shall have substantial authority and control over the management and operation of the Market Center. The Operating Principal shall be fully authorized without further approval of the members to take or omit any action that Company is required to take or not take under the Franchise Agreement.

4. Replacement. Any replacement Operating Principal shall be subject to all requirements [this Agreement] [these Bylaws] places on the original Operating Principal.

5. Sole Purpose. The sole and exclusive purpose of the Company is to operate a Keller Williams Realty Market Center, providing real estate brokerage and core real estate services and products as are permitted by the Franchise Agreement.

6. Conflict Resolution. The Market Center Franchise Agreement with KW may contain provisions that impose other or additional requirements on the Company or its members. In case of conflict, between the Franchise Agreement and this Agreement [or these By-laws], the provisions of the Franchise Agreement will govern and control the conflict's resolution, so long as the interpretation does not violate applicable law.

7. KW Consent to Transfer / Right of First Refusal. Pursuant to the terms of the Franchise Agreement, neither the Company nor any successor to any part of the Company's interest in the Franchise Agreement, nor any [Member] [Shareholder] that directly or indirectly owns an interest in the Company, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in the Franchise Agreement, in the Market Center or in the Company without KW's prior written consent. Further, pursuant to the terms of the Franchise Agreement, KW has the first right of refusal on a proposed sale or transfer of any interests in the Company.

8. Non-Competition; Surrender of Ownership Interests. Any [Member] [Shareholder] [Partner] of the Company who purchases, maintains, operates, engages in, or has any interest in any real estate business that competes directly with KW, including any real estate business that involves (i) the real estate brokerage business; or (ii) the offer, sale or operational support of businesses in the real estate brokerage business (whether as a franchisor, licensor, regional representative, area director or other similar service provider capacity); or who affiliates with a non-Keller Williams company that diverts or attempts to divert any business or customer of any Market Center to any competitor by direct or indirect inducement or otherwise, must promptly transfer his or her interests in the Company according to the buy-sell provisions described in this Agreement in order to comply with the non-competition provisions in the Franchise Agreement.

***Note: You should review and consider the buy-sell provisions in your corporate documents and discuss them with your ownership group.**

OTHER ISSUES FOR CONSIDERATION

A Market Center should ideally address in its governing documents the following issues in order to prevent possible future conflicts among the Market Center's owners/investors. We encourage you to discuss these topics with the Market Center's counsel to ensure that they are addressed to your satisfaction:

1. Are the expectations of owners/investors established and documented with respect to participation in training and other licensing requirements? If there is a limited voting role for "non-liability" owners/investors (if any), do the corporate documents establish the expectations of these "non-liability" owners/investors under the Franchise Agreement?
2. What is the process for establishing "cash calls"? What happens to the ownership interests of an owner/investor that does not meet cash calls?
3. What is the method of valuation of ownership interests that are offered for sale by owners/investors, including interests that are required to be sold by non-performing or non-compliant owners/investors?
4. Following KW's right of first refusal, who has the successive rights to purchase ownership interests that are offered for sale, and what are the valuation rules for these ownership interests?
5. Are valuation methods and terms of sale for "voluntary" offers of ownership the same as those for "involuntary" offers of ownership?
6. How are ownership interests treated upon retirement or death of an owner/investor?
7. How will the company treat a repurchase of ownership interests? Are these interests held in reserve or distributed to existing owners/investors?
8. How can the owners/investors remove its OP for non-performance? What are the criteria for removal, and how is it accomplished?
9. What is required to amend the company's governing documents? Are all owners/investors required to approve any amendment or a certain type of amendment?
10. Does the Market Center require a tax referral from a CPA (U.S) or CA (Canada) prior to any ownership transfer or repurchase?