

Referrals Realty Inc., Brokerage
POLICY MANUAL

Referrals Realty Inc., Brokerage (herein after called the “Brokerage”) and _____ (salesperson/ independent contractor) hereby agree, subject to termination at the will of either party pursuant to an independent contractor agreement signed between the parties, to the following policies set out in the Brokerage policy manual. This Manual complements and expands on terms governing the relationship of two independent contracting parties and must be re-signed on a twelve (12) month basis coincident with the renewal of the independent contractor agreement. The terms salesperson and independent contractor are used interchangeably in this manual.

Section 1: General Terms and Conditions

1.1 Brokerage Status

The Brokerage is a real estate brokerage set up to provide Ontario real estate registrants with a venue during times of transitioning from real estates in order to maintain their real estate licenses in an active state so that the salesperson as an independent contractor can earn and receive real estate referral income. The Brokerage DOES NOT provide and listing or buying services for the consumer. The Brokerage is not a member of any real estate board and has no access to MLS® information. To best serve the consumer, The Brokerage requires that salespersons refer any potential buyers and sellers to a Brokerage who actively participates in a local real estate board.

1.2 Independent Contractor Status

All salespersons are independent contractors subject to individual contracts with the Brokerage and such relationships do not in any way constitute an employee/employer relationship. Each sales person agrees to sign an independent contract agreement setting out the rights and responsibilities of both the Brokerage and the salesperson contracting as independent parties. Should any provisions of this manual conflict with the provisions of the independent contractor agreement, that agreement shall take precedence.

1.3 Ethics

Independent contractors will be responsible for and govern their conduct by the Code of Ethics according to and as stated in REBBA 2002.

1.4 Registration

The independent contractor must remain continuously registered with the Real Estate Council of Ontario (RECO) as a salesperson or broker. It shall be the sole responsibility of the independent contractor to ensure that registration with RECO does not expire.

1.5 Office Facilities

The independent contractor understands that no office facility or administration services shall be provided by the Brokerage, other that as stated in the independent contractor agreement and that the independent contractor shall maintain their own set of records at a facility of their choice and that all operating expenses shall be borne by the independent contractor.

1.6 Personal Conduct

Any independent contractor whose conduct results in any unfavorable notoriety, will be subject to termination of his or her contract without notice, if the Brokerage determines that this is necessary in order to maintain a favorable public image or for any other reason.

1.7 Records

The Brokerage maintains complete office records regarding all correspondence, contracts, agreements and other documentation relating to transactions. The independent contractor shall ensure that all such materials in his or her possession, regardless of who originated such documents, shall be provided to the Brokerage for filing in the appropriate office files.

1.8 Trust Accounts

The Brokerage administers a Real Estate Trust Account and a Commission Trust Account for the management and disbursements of trust funds to independent contractors and other parties.

1.9 Trade Record Sheets

A trade record sheet is prepared by the Brokerage from details provided by the independent contractor using a Brokerage transaction form. Such form shall include all pertinent information such as buyer/seller, and relevant details of the property.

1.10 Bulletin and Notices

All pertinent and current information deemed of a general Brokerage nature will be posted on the Brokerage website bulletin board. Independent contractors are responsible to review the bulletin board and remain current on all such information.

1.11 Brokerage Materials

As independent contractors, salespersons are responsible for all the office supplies, promotional materials and other needs in regards to personal marketing or promotion. All advertising and promotional pieces shall comply with REBBA 2002.

1.12 General Inquiries

All general inquiries are to be referred to the applicable independent contractor.

Section 2: Referral Commissions

2.1 Referral Commissions

The Brokerage offers commission plans for real estate referrals to salespersons as independent contractors based on the independent contractor agreement.

2.2 Contract Term for Commissions

This policy manual expires at the end of the twelve (12) month period coincident with the independent contract agreement and a new manual is acknowledged along with the applicable contract for each successive contract term. For purposes of commission calculation, the referral commission split shall apply for referrals in each twelve (12) month period from the date of commencement of this contract. The independent contractor is responsible for costs under the plan for each representative twelve (12) month period regardless of that independent contractor terminating his or her contract with the Brokerage prior to the end of any one such period.

2.3 Calculation of Commission

All commission calculations for commission splits are based on closed transactions within a particular twelve (12) month period. Commissions include closed transactions involving real estate referrals and other remuneration procured by the independent contractor and shall be disbursed by as per the independent contract agreement between that individual and the Brokerage after deducting all commissions owed to other brokerages, salespersons employed by the Brokerage, and any costs owed by the independent contractor to the Broker as a consequence of this policy manual or the independent contractor agreement.

2.4 Brokerage Fees

The Brokerage charges various fees to independent contractors for services supplied. Brokerage administration fees are charged by the way of an annual flat fee charged to the salesperson as an independent contractor. This fee may vary within any respective contract year based on the estimate cost of services rendered to the contractors. Such distribution may be altered, amended, or replaced at the end of any contract year by posting such notice to the independent contractor. The independent contractor is also responsible for transaction fees charged relating to the processing of referral transactions and are charged as a percentage of commissions received on behalf of the salesperson as an independent contractor and retained by the Brokerage. The Brokerage fees are fully describe in the individual independent contractor agreement.

2.5 Commission Payable

Commission due to the independent contractor is calculated on the closing of the transaction and a revised copy of the trade record sheet is provided along with the commission cheque to that individual. Commission calculations are made using the applicable commission split plateau based on commissions received by the independent contractor for the particular twelve (12) month period.

2.6 Gross Commissions

The salesperson as an independent contractor authorizes the Brokerage to receive gross commissions being paid to him or her for real estate trades and agrees to have Brokerage administration fees and other fees, as provided for in this policy manual or the independent contractor agreement, to be deducted from said gross commissions prior to issuing commission cheques to that individual. The salesperson as an independent contractor acknowledges that no source deductions e.g. Canada Pension Plan, or other deductions concerning taxation will be made from commissions and the independent contractor is fully responsible for all provincial and federal programs, deductions and related items.

2.7 Commission Payable

The Brokerage processes all commission cheques bi-monthly as they are received and after allowing seven (7) Monday to Friday weekdays for the cheque to clear.

Section 3: Commission Trust Account

3.1 Commission Trust

The Brokerage follows procedures for the creation, management, and distribution of funds from the commission trust consistent with insurer requirements under the Commission Protection Program. The Commission Protection Program was approved pursuant to By-law #12 of the Real Estate Council of Ontario, effective September 1, 2000. The Brokerage acknowledges that salespersons are required to verify that the Brokerage does operate on

commission trust account for purpose of insurance coverage under this plan and will provide, upon request, appropriate verifying documentation.

The Brokerage has developed detailed procedures for the operation of the commission trust. In particular, the order of disbursements is as follows: to co-operating brokers, then to applicable salespeople within the brokerage, and finally to the Brokerage.

The commission trust account is established and maintained by the Brokerage in a bank listed in the schedules to the *Bank Act (Canada)* and is designated as a commission trust account that is used solely for the receipt and disbursement of commission trust funds. Such funds held in trust are kept separate and apart from the statutory real estate trust account.

Section 4: Brokerage Expenses Charged to Independent Contractors

4.1 Fees

The salesperson as an independent contractor is responsible to pay all fees as set out in the independent contractor agreement. Fees that are due and payable by the independent contractor are deductible from commissions received by the Brokerage on behalf of the applicable individual. If no commissions are received and the independent contractor's account goes unpaid for a period of thirty (30) days, this situation shall constitute cause for termination of the independent contractor agreement at the sole discretion of the Brokerage.

4.2 Consumer Protection Program

All salespeople as independent contractors are required to remit all fees, as established from time to time by the Real Estate Council of Ontario, in relation to the Consumer Protection Program. Failure to do so, within prescribed time limits set by RECO, constitutes a violation of RECO membership by-laws and the potential cancellation of RECO registration. Loss of RECO registration by any independent contractor shall immediately result in the cancellation of this agreement.

Section 5: Termination of Independent Contractor Agreement

5.1 Pending Firm Transactions

The independent contractor agrees to settle all of his or her affairs in the connection with any transaction still pending according to the conditions and provisions as outlined herein. Any closed transaction where the independent contractor has not received his or her commission prior to termination will be paid in the regular manner, even though subsequent to the severance date. Any deferred commission due will likewise be paid promptly when received by the Brokerage.

5.2 Fees Due

Upon termination, the independent contractor shall be required to pay immediately any outstanding fees or other miscellaneous items. In the event commissions are due, the fees are deducted from such amounts due. In the event that such funds are insufficient to cover such amounts, the full amount is immediately due and payable to the Brokerage at the time of termination.

Section 6: Advertising

6.1 Regulatory Requirements

All advertising must comply with all applicable regulatory requirements including, but not limited to, provisions set out in the *Real Estate Business and Brokers Act* and *Competition Act*, with all the guidelines as established from time to time by the Real Estate Council of Ontario, and with all the codes of ethics and/or professional standards relating to membership in RECO or other professional organizations of which the independent contractor is a member.

6.2 Advertising

The Brokerage provides institutional advertising to promote the Brokerage's interest and to increase awareness to real estate registrants in Ontario. All costs regarding advertising for personal promotion are the sole responsibility of the independent contractor. All advertising whether paid by the Brokerage or paid by the independent contractor, must at all time comply with the Brokerage advertising policies and standards.

6.3 Business Cards

All business card must comply with all requirements as set out by the *Real Estate Business and Brokers Act* and must be approved by the Brokerage. All costs associated with business cards are the responsibility of the independent contractor.

6.4 Disclosure of Salesperson Purchasing Real Estate Property

Ant real estate transaction in which a salesperson is involved or has beneficial interest, directly or indirectly, shall be disclosed to the Brokerage and partied to the transaction pursuant to statutory requirements set out by the *Real Estate and Business Brokers Act* and also in compliance with ethical standards as set out by the Real Estate Council of Ontario.

Section 7: Agency

7.1 Agency Policies

All contracted salespeople are requires to abide by the general principles as set out in the law of agency.

7.2 Ethical Requirements

The Brokerage adheres to all ethical requirements regarding the disclosure of agency relationships as set out by the Real Estate Council of Ontario including procedures as detailed in the RECO Code of Ethics.

The undersigned, by affixing his or her signature, acknowledges that he or she has received and read a copy of the policy manual and further acknowledges that he or she is legally bound by the provisions of the policy manual in addition to provisions set out in the independent contractor agreement. The policy manual is in full force and effect for a period of twelve (12) months from the date affixed hereto and constitutes the same expiry date as the independent contractor agreement.

Independent Contractor Signature

Date: Month/Day/Year

Independent Contractor Print Name

Referrals Realty Inc., Brokerage/Broker of Record