

Arizona Preferred Realty LLC

BROKER OFFICE POLICIES MANUAL

DEFINITIONS

Definitions of many terms are found in the real estate law book. In addition to terms defined in A.R.S. § 32-2101, 32-2171, and A.A.C. R4-28-101, the following terms appear in this manual which are defined below:

- A.A.C. - Arizona Administrative Code (unofficially, the Commissioner's Rules).
- ADRE - Arizona Department of Real Estate.
- AAR - Arizona Association of REALTORS[®].
- Broker – A company's designated broker.
- Company – (Arizona Preferred Realty LLC)
- Listing – An employment contract to represent a seller in the marketing of the seller's property.
- MLS – local multiple listing service.
- NAR - NATIONAL ASSOCIATION OF REALTORS[®].
- Sales Associate - A licensed salesperson or associate broker working with the company as either an employee or an independent contractor.
- SPDS - Seller's Property Disclosure Statement.

Introduction

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 clear understanding of standard practices and procedures to help avoid disputes and also to help settle disputes. And lastly, the manual will help you by guiding you in your activities and hopefully enhance your productivity.

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

Address Changes

Brokers and Sales Associates must notify the Department within 10 days of a change of (residence/ mailing) address.

A Broker must notify the Department prior to relocating the business or changing its business/ mailing address.

Advertising

All advertising media, including the Internet Must:

- Comply with Fair Housing and must use of the Fair Housing logo.

- Comply with Regulation Z and Truth in Lending laws.
- Contain Company logo, name, and phone numbers on advertising.
- Be reviewed by Broker before placement of advertising.

Agents Covered

"Agent" means agents of sellers, landlords, tenants and buyers except for buyer's agents who receive all of their compensation from the buyer.

Agent Activities

Authorized Real Estate Activities

- Sales Associates are authorized to practice in the following areas of Real Estate:
- Residential Re-sale
- Residential New-Sales
- Residential Leases
- Bank owned or REO Properties
- FHA-VA-owned properties
- Sale of agricultural
- Sale of Un-subdivided lands
- Sale of Subdivided Lots

Unauthorized Real Estate Activities

- Sales Associates are unauthorized to practice in the following areas of Real Estate
- Property management
- Business opportunities
- Attorney-in-fact/acting on a buyer's or seller's behalf
- Commercial
- industrial
- Land Leases
- Any area of real estate that is not mentioned under the Authorized Real Estate Activities

Agency Disclosure

When initial contacts are by telephone, the best time to give the disclosure form may be hard to pinpoint. Where the telephone conversations are preliminary and only lead to a mailing on different properties, the agency disclosure form may be useful, but it is not necessarily required. Once a particular property becomes the subject of further conversations, the Associate shall verbally discuss agency relationships and mail the Agency Confirmation Status form to the buyer, with a return envelope, if no face-to-face meetings are planned within the next few days. One copy of the form, acknowledged by the buyers, shall be given to the buyer, and one copy retained for the Broker's file. In addition, a copy of the form shall be submitted to the listing agent along with the Offer to Purchase.

Types of Agency permissible or not permissible by the company

Permissible

- The Company represents the seller/landlord exclusively when we are the listing agent but not the selling agent.
- The Company represents the buyer/tenant exclusively when we are the selling/leasing agent and not the listing agent.
- The Company represents both the seller/landlord and buyer/tenant as a dual agent (Limited Representation Disclosure Form required) when there is two Sales Associates from the company. Agency is established with the Broker, not the Sales Associate.
- The Company will cooperate and co-broke with a selling/leasing agent from any other brokerage that represents the seller/landlord exclusively or represents the buyer/tenant exclusively.

Not Permissible

- The Company DOES NOT allow dual agency (Limited Representation Disclosure Form required) when there is 1 Sales Associate only.
- The Company DOES NOT allow "sub-agency."

Anti-Trust Compliance

Sales Associates and employees must take special care to avoid discussion with employees and Sales Associates of competing firms regarding the commission policy of the Company that could be construed to be agreements or conspiracies to fix, establish prices or otherwise restrain competition in violation of state and federal anti-trust laws.

Assistants

Licensed Assistants

- Sales agents are prohibited from personally employing licensed persons to engage in real estate practice.

Unlicensed Assistants

- Employment of a personal assistant who will be providing services which do not require a license (unlicensed assistant) is at the Broker's discretion.

Unlicensed assistants MAY:

- Answer the phone, forward calls and give information contained only on the listing agreement as limited by the Broker
- Fill out and submit listings and changes to any multiple listing service
- Follow-up on loan commitments after a contract has been negotiated and generally secure status reports on the loan progress
- Assemble documents for closing
- Secure public information from courthouses, utility districts, etc.
- Have keys made for company listings

- Write ads for approval of licensee and Broker, and place classified advertising
- Monitor licenses and personnel files
- Compute commission checks
- Place signs on property
- Prepare flyers and promotional information for approval by licensee and Broker
- Deliver documents and pick-up keys
- Place routine telephone calls on late rent payments
- Schedule appointments for licensee to show listed property
- Gather information for a comparative market analysis (CMA)
- Hand out objective, written information on a listing or rental

Unlicensed assistants MAY NOT:

- Make cold calls by telephone or in person to potential listers or purchasers
- Show properties for sale and/or lease to prospective purchasers
- Host public open houses, host licensee open houses, home show booths or fairs
- Answer any questions concerning properties listed with the firm except only that information contained on the listing agreement as limited by the Broker
- Prepare promotional material or advertising or properties for sale or lease without the approval of the Broker
- Discuss or explain listings, offers, contracts, or other similar matters with persons outside of the firm
- Be paid on the basis of real estate activity; such as percentage of commission, or any amount based on listings, sales, etc.
- Act as a "go-between" with a seller and buyer such as when an offer is being negotiated
- Negotiate or agree to any commission split or referral fee on behalf of a licensee

Associate Expenses

Sales Associates shall pay the cost of his/her personal Real Estate License and be responsible for maintaining said license. Independent Contractor shall be responsible for his/her own advertising and personal business expenses. All advertising, business cards and web pages are subject to approval of the Broker before publishing.

Automobile Insurance

Sales Associate agrees to furnish his own automobile and pay all expenses thereof and that Broker shall have no responsibility therefore. Sales person agrees to carry public liability insurance upon his/her automobile with minimum limits of \$200,000 for each person and \$500,000 for each accident and with property damage limit of \$50,000. Sales Associate agrees to furnish to Broker a certificate as to such insurance prepared by the insurance company.

Board / Adhere to Code of Ethics and Bylaws

Adhere to the Code of Ethics and Bylaws of Local Board and MLS

- The parties agree to conform to and abide by all laws, rules and regulations, and codes of ethics that are binding on, or applicable to, Arizona real estate brokers and affiliate brokers.
- Strict adherence to the governing rules and regulations of the Arizona Real Estate Commission, the Real Estate Broker License Act, The Code of Ethics of the National

Association of Realtors[®], Local Board/Association governing documents (Bylaws, MLS Rules and Regulations, etc.) will be followed by the Broker and Sales Associates.

- Each party acknowledges receipt of a copy of the Code of Ethics, the local Board/Association Constitution and/or Bylaws, and the Rules and Regulations of the Multiple Listing Service.

Associate Affiliation Requirements*

The following provisions will be complied with at the Associate's personal cost:

- Real Estate License, Mandatory Continuing Education, Mandatory Errors & Insurance Coverage, Automobile Insurance Coverage
- The Associate shall maintain his or her own current real estate license
- The Associate shall meet all Continuing Education (CE) requirements as established by the Arizona Real Estate Commission (TREC)
- Proof of CE compliance and license renewal shall be provided to Broker no later than fifteen (15) days prior to the applicable renewal date
- The Associate shall maintain the mandatory coverage of errors and omissions insurance set forth by the Arizona Real Estate Commission
- The Associate is responsible for all CE, licensing and license renewal fees, mandatory errors and omission premiums, or fees relating to name changes.

Membership in the Board of REALTORS[®]

- The Associate agrees to become a member of the local Board/Association, Arizona Association of REALTORS[®], National Association of REALTORS[®] and to be responsible for all applicable dues and fees.
- The Associate expressly understands that they may choose to join any Board/Association in which the Broker holds membership. The associate can also join other Boards/Associations as a secondary membership if the broker holds no membership in the particular Board/Association.
- The Associate also understands the Broker is a member of the Arizona Association of REALTORS[®], the National Association of REALTORS[®] and may belong to any of the Institutes and Societies of the National Association of REALTORS[®].
- The Associate agrees to abide by the rules and regulations of these organizations to which Broker must adhere as a member thereof.

Broker Signature Requirements

Only the designated broker is authorized to sign any and all documents on behalf of Arizona Preferred Realty LLC. This is to included but not be limited to the following:

- Assignment of Commissions
- Commission Changes
- Escrow Changes
- License Renewal
- Listing Releases
- Lockbox Vendor Agreement
- Mutual Cancellations

Business Relationships / Vendor Referral Policy (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 TAR'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 agents

What is Permitted

Regulation X specifically does permit:

- Payments for services actually rendered by attorneys, title companies, lenders, and real estate brokers and also for real estate agents "pursuant to cooperative brokerage and referral arrangements or agreements."

Key Referral Fee Reminders

- Don't pay referral fees to providers of settlement services other than pursuant to a referral agreement with another real estate broker. RESPA generally forbids paying someone for the mere referral of business.
- No "gifts" or fees may be given to individuals who refer business to settlement service providers.
- When someone performs a service, that party should be paid a fee that is reasonably related to the benefit received. He or 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.
- Don't ask for or receive fees for referring business. There is a statutory exemption for broker-to-broker referrals and agreements between brokers and agents. Therefore a real estate licensee should never ask to receive or accept fees for referring business unless he or she has an established written broker-to-broker or broker-to-sales agent fee arrangement.

Commission and Fee Compensation

Definition

Compensation shall be defined to include commissions, buyer agency fees, referral fees, fees for negotiating construction contracts or referring customers to builders, or any other thing of value received in connection with the Associate's real estate brokerage services. (Incentives received when buying property for personal use or investments are not considered compensation and are paid directly to the Associate.) Costs of recovering any commissions shall be deducted from the Sales Associate portion of the commission.

Payment of Commissions

Only Active licensed Sales Associates can be paid a commission.

An Active licensed real estate Sales Associate can only be paid by the designated broker

Commissions are paid to the Sales Associate in accordance with the Associate's commission agreement with the Company.

Arizona Preferred Realty may authorized the escrow company to pay Commissions directly to the sales associate only when all file requirements have be received and approved by the designated broker.

If commission checks are not paid from the escrow company directly to the sales associate then sales associate will be paid once commissions clear the bank.

Commissions Shared Between or Among Sales Associates

If commissions are being shared between or among sales associates it must be in writing and approved by designated broker. No Verbal agreements will be permitted. Any commissions paid outside or inside the company are to be paid by the company, not by the sales associate.

Commission Agreements and Disputes

Entitlement to Commission

Entitlement to compensation shall be documented in writing in all transactions where anything other than the compensation offered through the MLS will be paid. Associates shall obtain a written compensation agreement specifying the commission or fee to be paid to Broker for all non-MLS transactions before beginning any cooperative efforts, and absolutely before the submission of any offer to purchase.

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

Inter-Office Disputes of Compensation

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

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

Intra-Office Disputes of Compensation

Associates are expected to work out their own agreement on how the commission is to be split when a prospect is shared or turned over from one Associate to another. In the event any controversy between Associates concerning a commission, the dispute shall be resolved as stated in Chapter 1 of this Policy Manual

Cooperating Compensation

It is the policy of the Broker to offer maximum exposure to its selling clients. Therefore, all listed properties shall be offered to all other selling and buyer's brokers on a cooperative basis, unless otherwise specifically directed by the owner. The Broker shall establish compensation fees that are appropriate to the marketplace and will lead to a good working relationship with other brokers.

Credit Reports

Due to Federal guidelines dealing with credit reports and confidentiality concerns, at no time should a sales associate generate, review, fax, and/or handle a credit report for a client or customer or prospective client or customer.

Customer Care

Sales Associate's are to be present during all showings, inspections and document signings.

Sales Associate's are to keep clients informed at all times

Disputes

Misunderstandings about brokerage prospects or sales are to be handled through the following processes to negotiate in an equitable manner these types of situations that may arise.

What Constitutes a Dispute?

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

Intra-office Disputes Between Associates

First and foremost, the Associates in conflict must try to come to an agreeable mutual settlement.

In the event the Associates cannot meet a satisfactory agreement, the Broker shall hear both sides of the argument in a meeting with the involved parties. If a legitimate dispute exists, the Broker will make a determination of action to follow. In the event the Broker's action is not satisfactory, three neutral Associates of the firm shall be appointed by the Broker to act as jury and render a final decision (based on the majority vote of the committee). All intraoffice disputes must be reported promptly to the Broker. Personal disagreements not involving business related matters are not the responsibility of the Broker. However, in an effort to promote goodwill, the Broker can counsel the aggrieved parties.

Disagreement between Broker and Associate

Disagreements or disputes between Associate and Broker pertaining to:

- A conflict arising out of, or in connection with, their business relationship and dealings
- The company policy
- Transactions or real estate laws
- Any real estate business related practice unresolved between the Associate and Broker will be submitted to arbitration by an agreed upon chosen arbitrator. The arbitrator's decision shall be final and the Broker and Associate must abide by the decision of the arbitrator.

Documentation

- Sales Associate must fax in every Listing Contract to the Broker immediately upon the Seller's signature
- Sales Associate must fax in every Purchase Contract to the Broker immediately upon the Seller's signature
- Sales Associate must fax in every Rejected offer to the Broker immediately upon rejection
- Affidavit of Disclosure must be used for transactions involving 5 or fewer parcels located in an unincorporated area.
- Agency Form will be used with all real estate transactions.
- Buyer's broker agreement shall be offered to all prospective buyers and shall be used when applicable.
- Buyer advisory shall be used when sales agent is working with a buyer.
- Dual agency form will be used if more than one sales agent from the company is involved in the same transaction (Dual agency with one sales associate is not permitted).

- Limited representation agreement shall be used when applicable.
- Additional required documents shall be made available on the company's website and must be used when posted.

Maintenance of Transaction Files – Required Forms

Residential Re-sale

- Contract Information Sheet
- Earnest Money Receipt
- MLS Printout / Plano
- Purchase Contract (Fully Executed)
- Buyer Advisory Form
- Agency Disclosure
- Seller's Property Disclosure (SPDS)
- Buyer's Inspection Seller's Response (BINSR)
- HOA Addendum/Addendums
- Consent to Limited Dual Representation
- Counter Offers (numbered at bottom in order)
- Termite Inspection
- Final Walk-Thru
- Lead Based Paint
- FHA Home Inspection
- Pool Disclosure

New Build

- Contract Information Sheet
- Earnest Money Receipt
- Builder Purchase Contract
- Buyer Advisory Form
- Receipt of Public Report
- Agency Disclosure
- Addendums

Residential Leases

- Fully executed lease
- Copy of the listing
- Lease deposit or copy of the lease deposit check
- Real Estate Agency Disclosure and Election Form
- Receipt for Landlord/Tenant Act; commission instructions for Landlord

HUD/VA/REO

- Contract Information Sheet
- Earnest Money Receipt
- MLS Printout / Plano
- HUD/VA/REO Purchase Contract
- Agency Disclosure

Vacant Land

- Contract Information Sheet

- Earnest Money Receipt
- MLS Printout / Plano
- Land Purchase Contract (Fully Executed)
- Counters Offers
- Addendums
- Agency Disclosure
- Land Seller's Property Disclosure Statement (SPDS)
- Affidavit of Disclosure (recorded at COE)

Commercial

- Contract Information Sheet
- Earnest Money Receipt
- MLS Printout / Plano
- Commercial Purchase Contract (Fully Executed)
- Counters Offers
- Addendums
- Agency Disclosure
- Commercial Seller's Property Disclosure (SPDS)

Lead Based Paint (LBP) Disclosure Requirements

The requirement by the U.S. Department of Housing and Urban Development (HUD) requires that every seller of residential property built prior to 1978 disclose to the potential buyer/tenant the possibility for or the existence of lead based paint on the property.

Every buyer/tenant is to receive a copy of the pamphlet "Protect Your Family From Lead In Your Home" and the Lead Based Paint Disclosure Addendum, available from the Department's Web site, at this URL: www.re.state.az.us/leadfacts.html.

Buyer initials or signatures are required to acknowledge receipt of notice.

Sales Associates are required to initial and sign the receipt.

It will be imperative for all Associates to fully comply with the requirements of the federal lead paint disclosure laws in all transactions where the law requires compliance. Penalties available under the law include triple damages plus attorney fees.

Disclosure Requirements

The federal disclosure rules specifically require that sellers and landlords of most residential housing built before 1978 must:

1. Disclose the presence of known LBP and LBP hazards
2. Provide buyers and tenants with any available records or reports about any LBP present in the housing
3. Provide buyers and tenants with a federally- approved lead hazard information pamphlet

Offers to purchase and leases must contain certain disclosures and acknowledgments. Sellers must also provide buyers with an opportunity to inspect for LBP. Finally, real estate agents must ensure compliance with these requirements.

The new rules do not require that any testing be conducted for LBP, nor do they require the removal of such paint or hazards.

Properties and Transactions Subject to LBP Rules

The new EPA/HUD requirements for the disclosure of LBP apply to all transactions to sell or rent target housing, subject to certain exceptions. The following discussion specifies what types of residential properties are covered under the new LBP rules and those which are not subject to the rules' requirements.

Target Housing

"Target housing" means any housing constructed prior to 1978, except for housing for the elderly or persons with disabilities (unless any child who is less than 6 years of age lives in or expects to live in such housing), and except for any "0-bedroom" dwellings.

Excluded Properties

1. Housing for the Elderly (No Resident Children Under 6). Housing for the elderly means retirement communities or similar types of housing designed specifically for households where at least one person is 62 years of age or older at the time of initial occupancy.
2. Housing for Persons with Disabilities (No Resident Children Under 6). With both housing for the elderly and housing for persons with disabilities, the exclusion from the LBP disclosure rules is lost if children under the age of 6 live there or are expected to live there. The parties to any sales or lease transaction involving housing for the elderly or persons with disabilities where children under 6 live or are expected to live would need to comply with the federal LBP disclosure rules.
3. "0-Bedroom" Dwellings. "0-bedroom" dwellings means residential dwelling units where the living area is not separated from the sleeping area. This includes efficiencies, studio apartments, lofts, dormitory housing, military barracks and rentals of individual rooms in residential dwellings.

Transactions Subject to LBP Rules

Both sales and leases (Includes Subleases & Oral Leases). Subleases are included so that the subtenant or sub-lessee (i.e., the new tenant) receives the LBP disclosures and information. Informal rental agreements not involving a written lease, for example, oral leases are included despite the difficulties in complying with the rules requirements during a process handled verbally without written documentation.

Exempted Transactions

1. Foreclosure (sheriff) sales.
2. Leases of Housing Found to be Lead Free. Leasing transactions involving target housing that has been found to be LBP free by a certified inspector are excluded from the LBP disclosure rules. "Lead-based paint free housing" means target housing that has been found to be free of paint or other surface coatings that contain lead equal to or in excess of 1.0 milligram per square centimeter or 0.5 percent by weight.
3. Short-Term Leases of 100 Days or Less (No Renewals or Extensions).
4. Lease Renewals if Disclosures Done and No New Information. LBP disclosures need not be repeated for the renewal or extension of existing leases where the landlord previously disclosed all information required by the rules and no new information concerning LBP on the premises has come to the attention of the

landlord. In situations with no formal renewal process involved, i.e., a month-to-month holdover after the expiration of a one-year lease term, "renewal" shall be interpreted to occur at the point where the parties agree to a significant written change in the terms of the lease such as a rent rate adjustment. Then disclosure would be required as to any new LBP information not previously disclosed to the tenant.

5. Purchase, Sale or Servicing of Mortgages.

Buyer Opportunity to Inspect for LBP

The LBP disclosure rules require that sellers provide buyers with a 10-day opportunity to conduct an LBP risk assessment or inspection of the target housing before becoming obligated under the offer to purchase. The length of time may be shortened or lengthened by mutual agreement of the parties. This requirement does not mean that the buyer must be permitted to conduct an LBP inspection before signing an offer to purchase.

This requirement may be met by having an LBP inspection contingency in the offer, similar to the home inspection contingencies typically used in residential offers. There is no mandatory language or provision for this purpose, so the contingency may be negotiated by the parties. Thus, the terms and conditions for the conduct and completion of the LBP inspection or evaluation will be reached by mutual agreement and not by federal mandate. A lead-based paint inspection contingency which is included in the LBP disclosure and acknowledgment addendum to the offer is discussed later. Buyers may choose to waive their opportunity to inspect for LBP. The rules do not contain any requirement for providing tenants with the opportunity to conduct an LBP inspection. Sellers may not reject an offer to purchase simply on the basis that it contains a lead inspection/contingency provision. They may, however, attempt to negotiate the terms and conditions of the provision.

Timing of LBP Disclosures

The rules only identify the latest point at which full disclosure must occur, that is, before the buyer or the tenant becomes obligated under the offer to purchase or the lease.

Agent Responsibilities

Each agent involved in a sale or lease transaction shall be responsible for ensuring compliance with all the requirements imposed by the rules.

To ensure compliance, the agent must:

- Inform the seller or landlord of his or her duties to disclose known LBP on the target housing
- Furnish LBP records and reports and the EPA-approved lead hazard information pamphlet to buyers and tenants
- Advise the seller that he or she must permit the buyer to have a 10-day opportunity or inspection contingency to conduct an inspection or evaluation of the premises with respect to LBP
- The seller and landlord must also be told about his or her duty to certify compliance with these obligations on and retain a copy of a signed LBP disclosure and acknowledgment addendum

- Certain specifically-prescribed LBP "Warning Language" must be included in sales contracts and leases
- Ensure compliance with all of these requirements

Ensuring compliance can be done by making sure that the seller or the landlord has performed all of these required activities, or by personally performing these activities on behalf of that party. If the agent has informed the client about all of his or her obligations under the federal LBP disclosure rule, the agent shall not be liable for the failure to disclose LBP to a buyer or tenant if the LBP is known by the seller or landlord but not disclosed to the agent. The new LBP disclosure rules require that sellers and landlords disclose to agents the presence of any known LBP as well as any additional information about the basis for the determination that LBP exists on the property, the location of any LBP on the premises, and the condition of painted surfaces. Sellers and landlords must also disclose to agents the existence of any available records or reports pertaining to LBP on the premises. The federal LBP rules provide that each agent shall ensure compliance with all the requirements of the rules. "Agent" is defined as any party who enters into a contract with a seller or landlord for the purpose of selling or leasing target housing. For real estate agents in sales transactions, this means all listing, selling, cooperative, and buyer's agents (except those paid only by the buyer). In rental transactions, this means property managers, and leasing and rental listing agents.

Listing the Residential Property

The listing agent will complete the property condition disclosure, and complete a listing contract which contains a termination of contract date. The following guidelines detail the steps which must be taken by the listing agent to comply with the federal LBP rules.

1. Determine if the property is target housing.
2. Look for painted surfaces in bad condition while inspecting the property.
3. Advise the seller of his or her obligations under the LBP rules.
4. Ask the seller if he or she has any knowledge of LBP or LBP hazards on the property.
5. Obtain copies of any available LBP records pertaining to the property.

By the time the offer is accepted, the seller should have made any LBP disclosures; signed by the seller, buyer, listing agent and cooperating agent, and incorporated into the offer. In addition, the buyer should have received the LBP information pamphlet.

Security of Listed Property

It is the Associate's responsibility to exert as much effort and influence to assure that listed properties are secure.

Cancellation of Listing Contract

All cancellations of listing agreements must be done in writing on the Arizona Preferred Realty mutual cancellation form. Cancellation must be signed by all involved parties
Earnest Money

Duties of Sales Associates and Broker

Fiduciary Duties to the Client

The Broker's and Sales Associates' owe duties of confidentiality, accountability, reasonable skill and care, loyalty, obedience (lawful), accounting, and disclosure.

Obligation To The Non-Client

Duty to Deal Fairly

The Broker's/Sales Associate's obligation to disclose in writing to all other parties, including:

- Any information that materially and adversely affects the consideration to be paid by any party to the transaction.
- That the seller/lessor is, or may be, unable to perform.
- That the buyer/lessee is, or may be, unable to perform.
- Any material defect existing in the property being transferred.
- The possible existence of a lien or encumbrance on the property being transferred.
- That the Broker/Sales Associate is the principal or has a financial or beneficial interest in the property
- That the Broker/Sales Associate is related to one of the principals
- That the Broker/Sales Associate has a conflict of interest

Confidentiality of Offers

AVOID PROBLEMS:

- Do not discuss the possibility of getting an offer with any Associate prior to obtaining a signed Offer to Purchase
- Do not discuss the details of an offer you have drafted or presented with anyone other than the listing agent or the Broker
- Do not ask any Associate about his or her offer unless you are the listing agent

Earnest Money / Lease deposits

- Earnest money deposit must be clearly identified in the offer to purchase and shall be made payable to a specific Arizona escrow company
- Sales Associate can not take cash as a deposit
- Earnest money shall not be kept for more then 24hrs and must be deposited with Arizona escrow company within 24hrs.
- Sales Associates must make a copy of the earnest check and give a copy to the Buyer.
- Receipt for earnest money deposited with a title company must be turned in to the Broker immediately.
- Once the contract has been signed a Sales Associate is not to hold the

- check in his/her possession under any circumstances.
- A post-dated check is NOT acceptable
- Regardless of whether the contract requires that the deposit is to be placed in a trust account or turned over to an escrow company, it is to be promptly given to the Broker, the Broker must produce a paper trail to show how it was handled, i.e., documentation showing what was done with the deposit and when.
- All Earnest Money must be handled in accordance with the terms of the contract and according to the Rules of the ADRE.
- Improper handling of earnest money may be grounds for immediate dismissal of a Sales Associate. Improper handling could include failing to deposit earnest money by the specified time or falsely representing that earnest money has been deposited.

Errors & Omissions Insurance

Sales Associates are cautioned that there are circumstances where E & O may not provide coverage, i.e., fraud, commercial environmental issues, transaction where Sales Associate acts as principal.

Equal Housing

Arizona Association of REALTORS® Code for Equal Housing Opportunity

This office subscribes to the Arizona 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:

1. In the sale, purchase, exchange, rental or lease of real property, REALTORS® and/or REALTOR-ASSOCIATE®s 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. This encompasses:
 - A. Standing ready to enter broker-client relationships or to show property equally to members of all racial, religious, or ethnic groups.
 - 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.

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.

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 the Broker will follow for any accusation of discrimination. If the investigation confirms a violation of discrimination, the Associate's actions will be reported to the Arizona Department of Real Estate for further investigation and necessary disciplinary action. Affiliation with the Broker will be terminated

Fair Employment Practices

It is the Broker's policy that no person shall be discriminated against in either hiring or firing of personnel. According to T.C.A. § 4-21-401, it is discriminatory practice for an employer to:

Fail or refuse to hire or discharge any person or otherwise to discriminate against an individual with respect to compensation, terms, conditions or privileges of employment because of such individual's race, creed, color, religion, sex, age or national origin; or

Limit, segregate or classify an employee or applicants for employment in any way which would deprive or tend to deprive an individual of employment opportunities or otherwise adversely affect the status of an employee because of race, creed, color, religion, sex, handicap, familial status, age or national origin.

Fair Housing laws and rules can be found (real estate lawbook, links from the Department's Web site, www.re.state.az.us).

The Broker shall provide reasonable accommodations to qualified individuals with disabilities, unless such accommodation would impose an undue hardship on business operations. Qualified individuals with disabilities are those who, with or without reasonable accommodation, can perform the essential functions of the job.

Miscellaneous Associate Expenses

- Any expenses relating to customer/client entertainment and agent's personal promotion will be paid for by the associate. The Associate shall order business cards through the office secretary. Each business card will display the name and logo of the Broker.
- All education required to maintain licensing and improve brokerage skills, Realtor® designation courses, unless otherwise approved in writing in advance by the Broker.
- Personal file supplies.

Hiring

Sales Associates are not effectively hired by the broker until the ADRE receives a completed and signed change form reflecting the hire, and the applicable fee.

Harassment

Professional behavior is a requirement around your fellow associates, brokers, managers, company employees, staff 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:

- Any racial, ethnic, sexual, religious, jokes / slurs / or insults
- Any physical contact such as unwelcome touching, groping, grabbing, or pinching
- Any visual renderings of sexually suggestive materials or materials negatively reflecting an individual's ethnicity, race, ancestry, or sexual preference
- Any 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 the office manager or Broker. The anonymity of the accuser, as well as the accused, shall be held in confidentiality by the manager and/or Broker. An investigation will commence and a written report will be filed. If the allegation involves the manager or Broker as the accused of such action, an outside investigator may 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.

SEXUAL HARASSMENT POLICY

Sexual harassment is any verbal or physical conduct of a harassing nature, requests for sexual acts or favors, unwelcome sexual advances, or any other conduct with the purpose or effect of which unreasonably interferes with an individual's work performance or creates a hostile, intimidating or offensive work environment. Sexual harassment is illegal. Racial, religious, and ethnic harassment is also illegal. For this reason, you must make sure that you do not engage in such harassment or in any behavior toward your fellow workers that could be viewed as harassment. Because harassment is a serious offense, the Company will deal with these issues in the strictest of terms which may include termination if you are found to have engaged in such conduct. The Company policy states that the following people may not harass you: co-workers; supervisors; any member of the firm; any guest or visitor to the firm. If you believe that you have been harassed, please bring the problem to the attention of your supervisor and (provide the names of any other individuals). You do not have to put your complaint in writing, but it is helpful to provide details about dates, times, places, and witnesses to the harassment. All complaints will be investigated promptly by (provide name of individual). The identity of the employee making the complaint as well as the identity of the individual accused of sexual, ethnic, racial or religious harassment will be kept strictly confidential. Information regarding the charge of sexual harassment and then investigation of that charge will not be made known to anyone who is not directly involved either as a party, a witness, or a member of the investigatory team. Witnesses interviewed will be provided only such information as is necessary to elicit from them their observations and other relevant information.

Independent Contractor

Definition

The relationship of the Associate to the Broker is that of an Independent Contractor. This relationship affords the Associate maximum freedom and flexibility. It is established and described in a contract and includes how listings and compensation will be handled in the event that the Associate leaves the company. It must be signed by the Associate and is included upon affiliation with the Broker.

To meet state and federal requirements, an Associate is an Independent Contractor if:

- The Associate holds a valid real estate license.
- Substantially all of the sales associate's income performed as a real estate agent (90% or more) must be directly related to sales or other output rather than to the number of hours worked.
- A written agreement which specifically states that the Associate will not be treated as an employee for federal and state tax purposes with respect to services performed as a real estate agent.

Independent Contractor's Agreement

Upon affiliation with this Broker, the Associate shall enter into a written Independent Contractor's agreement with the Broker setting forth the duties and responsibilities of both parties. This agreement shall include, but shall not be limited to, the following:

- The terms of compensation for work performed during the time of affiliation with the Broker.
- The terms of compensation for work in progress but not completed prior to termination of affiliation with the Broker.
- The disposition after termination of affiliation of all active listings, buyer agency contracts, and pending sales the Associate obtained during affiliation with the Broker.
- A written accounting to the Broker, at the time of termination of affiliation, of the names of all prospective purchasers, sellers, lessees and lessors which the Associate encountered during affiliation with the Broker.
- A provision for the return to the Broker, at the time of termination of affiliation, all property of the Broker in Associate possession or control, including but not limited to: all property files, computerized files, keys, for sale signs, notebooks, lock boxes and records of any kind used in connection with the listing and sale or leasing of property.

Relationship

Sales Associate agrees to work for Broker as an Independent Contractor and not as an Employee for Federal Tax purposes, (I.R.C. 3508), Workers Compensation (A.R.S. § 23-910), or Employee Security Act (A.R.S. § 23-617(14)). Sales Associate relationship with Broker is not to be construed as a partnership or as an employee. Broker shall not withhold from Independent Contractor's commissions any amounts for taxes, Social Security payments, or premium payments for worker's compensation insurance. Independent Contractor shall not engage in any fraternization with Company employees. Such fraternization can cause favoritism which can lead to problems within the office. Such fraternization may lead to dismissal. Independent Contractor shall not engage in any activity or behavior of harassment of any sort towards any Company employee, not limited to race, color, religion, sex, handicap, familial status or national origin. Such harassment may lead to dismissal.

Ethics, Trade Organization, and Membership

Independent Contractor agrees to follow the rules and regulations that the Broker follows as a member of the local Real Estate Associations, the NATIONAL ASSOCIATION OF REALTORS® and shall adhere to the NAR Code of Ethics. Independent Contractor acknowledges the personal dues required for such membership.

Expenses

Independent Contractor shall pay the cost of his/her personal Real Estate License and be responsible for maintaining said license. Independent Contractor shall be responsible for his/her own advertising and personal business expenses. All advertising, business cards and web pages are subject to approval of the Broker before publishing. Independent Contractor shall use the Company-required forms for all real estate business. Independent Contractor shall adhere to the Broker's Policy and Procedures Manual.

Termination of Independent Contractor Agreement

This Agreement may be terminated by Independent Contractor with a thirty (30) day written notice to Broker. The rights of parties to any commission which accrued prior to said notice shall not be divested by the termination of this Agreement. All existing contracts commenced by Independent Contractor during the term of this Agreement shall be handled by the Broker. Independent Contractor will process contracts through to the close unless earlier severed from the Broker. In case of failure to perform said service, Broker may assign another Independent Contractor to complete transaction and compensate this Independent Contractor from the commission collected as deemed appropriate by Broker. Broker reserves the right to terminate this agreement and dismiss Independent Contractor at will without cause or advance notice.

Lock Boxes

- Lock Boxes will only be placed on listings where the occupants have signed the "Notice to Homeowner or Occupant" and have initialed on the listing agreement agreeing to use a lock box.
- Sales Agents are strictly Prohibited from sharing lockbox keys with anyone
- Lock Boxes must be purchased and maintained by the sales associates

Military Airports

- Broker and Sales Associates are required to inform the buyer/tenant that a property is within the area of a military or other airport
- Sales Associate may obtain maps defining the areas that are affected at the Department's Web site (www.re.state.az.us).

Presenting Offers

- Sales agents must present offers in a timely manner
- If sales agent is not able to contact the listing agents then the sales agent should contact the listing broker to present offer

- If both listing agent and listing broker are not able to be contacted for a period of 24hrs then sales agent should contact the property owner to present offer.

Multiple Offers

- All offers should be presented at time they are received and in order they are received.

Rejected Offers

- Offer should be initialed and dated and include the notation REJECTED or VOID across the face of the contract
- Rejected offers on Company listings must be turned into the office and retained for one year.
- If a contract results, the rejected offers on Company listings must be kept in the transaction file for five years.

Open Houses

- Only Sales associates are permitted to hold open houses.

Pool

- Sales agents are to ensure that the seller comply with provisions of A.R.S. § 36-1681(E) by providing the buyer, lessee, or renter with a notice, approved by the Department of Health Services, explaining safety education and responsibilities of pool ownership.

Pre-Possession and Post-Possession

- That effective August 6, 2002, all Pre-Possession and Post Possession agreements between Sellers and Buyers shall be in writing.
- That Sales Associates must recommend to their clients to seek appropriate counsel (including tax, legal, insurance, etc.) concerning risks associated with pre-possession or post-possession.
- Agents shall obtain Pre-Possession and Post Possession agreements on the company website.

Real Estate License

- Sales Associate is to keep his or her license current and on active status to sell real estate in Arizona, and may include a statement as to who is responsible for license and related costs.

Safety Practices

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

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

Referral and Finders' Fees

Outgoing referral fees should be paid only to a licensed broker and only when a referral agreement from has been signed with a copy of that broker's license. The referral agreement must be included in the transaction file. No fees may be paid to unlicensed people or entities at any time.

Incoming referral fees are paid only to the Company; sales agents should refer to their compensation schedule for information for how the fee will split with the Company.

A form is required to be used with either incoming or outgoing referrals.

Sales Transactions

This section should include:

Cemetery Sales, Membership Camping Contracts, and/or Timeshare Sales are not authorized by the Broker.

Transaction records for closed sales and leases must be kept for 5 years.

Records for transactions that do not close must be kept for one year. (A.R.S. § 32-2151.01 and A.A.C. R4-28-802).

Additional records must be kept include copies of earnest money receipts; closing statements showing receipts, disbursements, and adjustments; purchase and lease contracts; addenda and listing agreements.

Transactions where a binding contract results, the broker must also retain prior rejected offers for at least 5 years. (A.R.S. § 32-2151.01 (J))

The following is a list of required documents that must be turned in with specific time frames when applicable:

New Home Sale

- ◆ AAR Agency Disclosure and Election with signatures*
- ◆ Registration/Commission Agreement
- ◆ HUD: For Your Protection: Get a Home Inspection w/signatures (If FHA)
- ◆ Cancellation form from Builder or Title Company (If Applicable)
- ◆ Detailed Communication Log (At close of escrow or any Cancellation)

** Submit to Office within 3 days of Contract Date*

Resale

- AAR May/2000 Contract with all signatures and initials
- AAR Counter Offer/Addendum with all signatures
- AAR Agency Election and Disclosure with signatures *
- AAR Limited Dual Representation with all signatures (if applicable)
- Earnest Deposit Receipt from Title Company (Buyer's Agent)
- HUD: "For Your Protection: Get a Home Inspection" with signatures (If FHA)
- MLS Printout
- Fully completed AAR Lead-Based Paint Disclosure with ALL Initials AND Signatures (Properties Prior to 1978) (NO EXCEPTIONS!)
- Super Fund/Defense Site Disclosure WITH buyers' signatures (if applicable)
- Pre-possession and/or Post-possession Agreement with all signatures (If applicable)
- Other Addenda: (If applicable)
- AAR Seller Property Disclosure Statement (SPDS), with all signatures **
- AAR Buyer Inspection Notice with Buyer's signatures
- Seller's Response --- (within 5 calendar days of Buyer's Notice)
- Buyer's Response --- (within 5 calendar days of Seller's Notice)
- Wood Infestation Report **
- Final Walk Through Report with signatures (Buyer's Agent)
- Final Walk Through Report with signatures (Seller's Agent)
- Detailed Communication Log (Close of Escrow or Cancellation)
- Settlement Statement (if closed) or
- Cancellation Letter from Escrow Company (if cancelled) (and any other applicable file documents, with signatures, such as mutual cancellation).

** Submit to Office within 3 days of a fully signed contract.*

*** Submit to Office during the inspection period.*

Listing

- MLS Exclusive Right to Sell (Legal) with signatures and initials
- MLS Residential Profile (Data) Sheets with signatures and initials
- AAR Agency Election and Disclosure with signatures
- Fully completed AAR Lead-Based Paint Disclosure with ALL Initials AND Signatures (Properties built prior to 1978--NO EXCEPTIONS!)
- Home Warranty Coverage (If applicable)
- Estimated Cost Sheet with signatures
- AAR Request for Loan Information with signatures (Mail original to lender)
- Ad sheet
- Broker

Broker or assigned Branch Manager must acknowledge all contracts, including listing contracts, within 3 days of receiving signatures.

Additional required documents include contract check, contract info sheet and buyer advisory form (found on the company website). These must be turned in prior to a Sales Associate being paid a commission.

Seller Property Disclosure Statement

The company will not accept listings where the seller refuses to fully complete the Seller Property Disclosure Statement. Every Box must be filled out.

The Company requires all sellers complete a Seller's Property Disclosure Statement ("SPDS") on every listing with exception to bank-owned property. Bank-owned properties can use an "AS-IS" addendum in lieu of Seller Property Disclosure Statement. The "AS-IS" addendum must be signed by all parties. AS-IS addendum must state that "buyer accepts AS-IS addendum in-lieu of Seller Property Disclosures".

Severing from the Company

When a Sales Associate terminates association with the Company, or the Company terminates the Sales Associate, the sales associate must transfer any and all listings not in escrow to their new broker within 3 business days from date of severing. Listings that are not transferred within 3 business days will remain with Arizona Preferred Realty LLC.

All of the Sales Associate's pending sales will remain with Arizona Preferred Realty LLC and the sales associate will cooperate with Arizona Preferred Realty LLC until transaction is complete. Arizona Preferred Realty LLC will honor commission schedule for those sales associates who leave the company in good standings.

Sales Associates in good standings are those who have an active license at time the transaction closes, who cooperate fully throughout transactions period of outstanding files and who have turned in all file requirements for current and previous files.

Severance is not effective under the licensing laws until the Department receives the notice of severance and the Sales Associates' license.

Signs

Sales Associates must receive authorization from Designated Broker for any sign that deviates in any way from the format of the sample sign located on the companies website.

Sales associates must received verbal authorization from listings prior to placing a sign on the property. Sales associates must receive written authorization from property owner for placement of signs anywhere other then listing property.

Sales Associate must install signs on all of their listings except when the client has given written instruction for the sign not to be placed on the property.

Signs are to be placed upon signed listing agreement and are to be removed upon close of escrow.

Superfund and WQARF

Information about areas that have been designated by the Federal Government and by the State of Arizona as environmentally impacted can be found at www.adeq.state.az.us.

Sales associates are to make every effort possible to inform the client if a property of interest is located the superfund area. Maps can be obtained on www.adeq.state.az.us. Efforts would include printing a map and having clients sign it along with any recent articles that have been written about the area.

Vacation/Out of Town

Sales Associate are required to be in communication with the company at all times. While out of town sales associates are required to carry a pager or a mobile phone and to provide the company with contact info. Email access is recommended.

When leaving town, Sales Associates are expected designate another Company Sales Associate to handle their business. The Sales Associate must notify the company directly. The sales associate must make an appropriate recording on their voice mail as to who is handling their business along with accurate contact info for that person.

Wrap-Around, Carry-back or Subordinating Financing

Sales Associates must contact the broker concerning an offer which proposes to wrap, carry, or subordinate a loan which contains an alienation and acceleration clause.

The Broker requires a special review of the contract to see that proper form and verbiage have been used.

If a sales associate proceeding with one of these contracts without first consulting the Broker it may result in the sales associate's immediate termination from the company.

Arizona Preferred Realty, LLC.
Independent Contractor Agreement

THIS INDEPENDENT CONTRACTOR AGREEMENT (hereinafter referred to as "the Agreement")

made and entered into this _____ day of _____ 20____, by and between Arizona Preferred Realty, LLC, herein after referred to as Broker, and herein after referred to as Sales Associate.

RECITALS

WHEREAS, Broker is now engaged in business as a Real Estate Broker in the State of Arizona and is duly licensed to and does sell, offer for sale, buy, offer sale or exchange of real estate, negotiate loans on real estate, lease or offer to lease and negotiate the sale, purchase or

exchange of estate or improvements there on for another or others, has and does enjoy the good will of the public and a reputation for fair and honest dealing with the public and
WHEREAS, Sales Associate is a duly licensed real estate Salesperson or Broker, by the State of Arizona, and has a good reputation for fair and honest dealings with the general public. Sales Associate is in a position and has been offered the opportunity to promote the real estate services of Broker.

NOW, THEREFORE in consideration of the mutual covenants and promises here in contained and each act done pursuant hereto, the undersigned hereby enter into the following Independent Contractor Agreement.

1. ASSOCIATION

BROKER and SALES ASSOCIATE hereby establish between them a relationship of broker/independent contractor, rather than a hiring or employment, and SALES ASSOCIATE shall not otherwise be an agent, servant, employee or partner of BROKER. Accordingly, Sales Associate will not be treated as an employee for federal or state tax purposes with respect of services rendered under this agreement. BROKER shall not withhold income taxes, social security taxes, disability, workers compensation, or unemployment insurance payments or any other assessments or taxes for the commissions of Sales Associate, unless otherwise provided for herein, by mutual agreement of the parties hereto, or required to do so by law. Sales Associate shall furnish Broker with his or her social security number.

2. AUTHORITY AND OBLIGATIONS OF SALES ASSOCIATE

SALES ASSOCIATE agrees to proceed diligently, faithfully, loyally, legally and with his/her best efforts to sell, trade, lease or rent any and all real estate listed with broker. Sales associate agrees to solicit additional listings and customers for Broker, and otherwise to promote the business of serving the public and real estate transactions to the end that each of the parties hereto may derive the greatest profit possible. Beyond assuring that the Broker operations are in conformity with the law, Broker will not direct or control the means by which Sales Associate conducts his/her activities, including, but not limited to, Sales Associates hours, floor time, open houses, leads, sales meetings, training, vacation, time off, or other activities.

SALES ASSOCIATE agrees to conform to and abide by all laws and regulations, code of ethics that are binding on, or applicable to real estate brokers governed by the code of ethics of the National Association of Real Estate Boards, the real estate laws of the State of Arizona, the by-laws of the local real estate board, the rules and regulations of any Multiple Listing Service with which the Broker now or in the future may be affiliated, and any future modifications or additions to any of the foregoing. It is expressly understood and agreed by Sales Associate that Broker is a member of the local Association of Realtors, and as a result thereof, Broker is subject to the rules and regulations of those organizations. Sales Associate agrees to be governed by the same rules and regulations. Whenever Broker is a member of any Real Estate Organization, and the rules and regulations of said organization require membership of salesperson in said organization, then the Sales Associate agrees that he/she shall become a member and pay dues required by said membership.

SALES ASSOCIATE agrees that broker shall not be liable to the salesperson for any expense incurred by his/her acts, nor shall the sales associate have the authority to bind the broker by any promise or representation unless specifically authorized in particular transactions. Suits for commissions shall, agreeable to the law, be maintained only in the name of the broker, and the salesperson shall be construed to be a "sub-agent" only, with respect to the clients and customers for whom services shall be performed, and shall otherwise be deemed to be an independent contractor, and not a servant, employee, or partner of the broker. Sales Associate shall furnish his/her own transportation for the conduct of his/her business at his/her own expense.

3. RIGHTS AND OBLIGATIONS OF BROKER

Broker shall make available to Sales Associate all current listings of the company, including listings of the appropriate area multiple listing service, in accordance with the understandings, practices, and procedures which presently exist at the Broker's offices.

Broker will make available to Sales Associate applicable policies and procedures with which Sales Associate shall conscientiously refer to and comply. Broker reserves the right to change such policies and procedures from time to time. Broker will also provide such advice, information, and cooperation, as Sales Associate shall reasonably request. Sales Associate acknowledges that Broker periodically provides meetings for the education and training of its sales associates, which Sales Associate may be required to attend.

Sales Associate agrees that any and all listings of property, and all actions taken in connection with the real estate business, shall be taken by Sales Associate in the name of the Broker pursuant to the requirements of the STATE regarding the obligations of the responsible broker to the general public. Sales Associate shall file such listings with the Broker within 24 hours after receipt of it. All listings shall be and remain the separate and exclusive property of broker unless otherwise agreed by the parties hereto.

It is agreed by Broker and Sales Associate that all correspondence received, copies of all correspondence written, listing information, memos, files, photographs, reports, legal opinions, accounting information, and any and all instruments, documents or information of any nature whatsoever concerning the transaction will be maintained in the Brokers transaction file. However, Sales Associate is entitled to a copy of each upon reasonable request.

4. LIABILITIES

Broker shall not be liable to the Sales Associate for any expenses incurred by him/her, or for any of his/her acts, nor shall the Sales Associate be liable to the Broker for office help or expense, and the Sales Associate shall have no authority to bind the Broker by any promise or representation, unless specifically authorized in particular transactions.

Sales Associate shall pay all of the cost of his/her own real estate license, and of his/her dues for membership in any Real Estate Organization that Broker is a member the Sales Associates are required to also join. Sales Associate will pay for all costs of continuing education courses required by the State of Arizona. Sales Associate will pay any and all costs related to any other education they may wish to take. Sales Associate shall also pay his/her expenses incurred in the performance of services such as meals, entertainment, auto expense, insurance, workers compensation, social security and other expense they may incur.

Sales Associate agrees to furnish his own automobile and pay all expenses thereof and that Broker shall have no responsibility therefore. Sales person agrees to carry public liability insurance upon his/her automobile with minimum limits of \$200,000 for each person and \$500,000 for each accident and with property damage limit of \$50,000. Sales Associate agrees to furnish to Broker a certificate as to such insurance prepared by the insurance company.

Broker shall have the exclusive right to determine whether to commence litigation to collect a commission, or for any other purpose, or to settle any such litigation or dispute as to commissions due, or for any other purpose. Sales Associate shall promptly reimburse Broker for Sales Associate's share of such fees and costs as Broker incurs them.

Expenses for attorney fees and related costs incurred by Broker in the collection of commissions shall be shared by Sales Associate on the same basis and in same proportions as commissions are split in the Commission Agreement. To the extent feasible, Broker will consult with Sales Associate in advance of initiating any such collection.

Claims or Litigation- When litigation or a claim or dispute arises concerning a property or a transaction in which Sales Associate was involved whether the property have

closed escrow, have not closed escrow, or have not been sold, the parties herein shall mutually cooperate with each other to resolve such claim or dispute. In disputes or litigation where Sales Associate has not acted in a manner described below Broker and Sales Associate shall share all costs and legal expenses arising from the dispute or litigation.

In such disputes or litigation, Broker shall pay the negotiated settlement or judgment rendered against either Broker or Sales Associate or both provided whoever that Sales Associate is fully in compliance with the terms of this Agreement. Sales Associate expressly acknowledges that Broker shall have the exclusive right to settle claims including litigation, as it deems necessary. Sales Associate shall immediately notify Broker of each claim and shall immediately provide Broker with all demand letters, legal papers, and other documents which might relate to that matter. Sales Associate shall not make any payment, admit any liability, settle any obligation, or incur any expenses without the written consent of Broker.

Indemnification By Sales Associate. Sales Associate shall indemnify and hold harmless Broker as permitted by law against all losses and damages, including attorney fees and costs which Broker may incur or become liable for, resulting from claims actions, disputes, proceedings, or litigation, arising out of Sales Associates performance of services under this agreement where:

The acts or omissions of Sales Associate, giving rise to the claim, action, dispute, proceedings, or litigation, were unlawful, dishonest, fraudulent, criminal, malicious or the result of reckless misconduct or gross negligence: or Sales Associate acted as a principal, or outside the scope of his/her authority, as defined in this agreement or The acts of the Sales Associate are contrary to the restrictions as provided for in the Errors and Omissions policy or Sales Associate did not document the sales file as required by Arizona State law and Broker's policy & Procedures. Documentation required shall be defined as, but not limited to, Listings agreements, Extensions & Changes, Purchase Contracts, Counter Offers & Addendums, Earnest Money Deposit Receipt, Escrow Addendum, Settlement Statement, Agency Disclosure, Election/Consent for Dual Agency, Sellers Real Property Disclosure, Lead based paint disclosure Buyer Walkthrough, Property inspection notice/Waiver if required and all other documentation required, not waved in the future by Broker or Branch Manager.

5. COMPENSATION

When Sales Associate performs any services hereunder whereby a commission is earned, the net commission shall, when collected by Broker, be divided between Broker and Sales Associate in accordance with the terms and provisions of a separate Commission Agreement, which is specifically, incorporated herein reference and made a part hereof. The term "net commission" as used herein shall mean the amount of commission actually received and collected by Broker after first deducting from them any amounts paid by Broker to any cooperating broker or multiple listings service and such other amounts constituting the normal brokerage expenses chargeable against commissions as is customary in the industry.

In no case shall Broker be personally liable to Sales Associate for any commissions nor shall Sales Associate be personally liable to Broker for any commissions not collected. In the event that two (2) or more Sales Associates with Broker participate in a sale they must have a written agreement as to the split of commissions. If no written agreement exists then the commission will be paid to the Sales Associate whose name appears on the contract.

The division and distribution of the earned commission as set out hereinafter, which may be paid to or collected by Broker, but from which Sales Associate is due certain

commissions, shall take place as soon as practicable after collection and receipt of such commissions. Commissions shall be paid by the end of the second business day after receipt by Broker. If Sales Associate has outstanding financial obligations, including but not limited to office-billing, reimbursements of overpaid commissions etc to Broker, then Sales Associate authorizes Broker to deduct these expenses from any commissions or reimbursements otherwise due Sales Associate.

Sales Associate shall present to Broker or Branch Manager Sales Associate's complete transaction file or files immediately upon accepting a listing or offer to purchase, closing, closing of escrow, or cancellation of any transaction or immediately upon termination of this Agreement and the associate created thereby. No commission shall be earned or paid unless Sales Associate has fully complied with the terms of this paragraph.

6. AGREEMENTS AND REPRESENTATIONS OF SALES ASSOCIATES

It is the Broker's policy to fully support equal opportunities in housing, and the laws and principles pertaining thereto, and Sales Associate agrees to so and shall conduct his/her endeavors in **full** and total compliance therewith in furtherance of Broker's policy to strictly abide by such fair housing laws, thereby providing services to buyers and sellers regardless of race, creed, color, national origin, sex, age, handicap or familial status.

While an independent contractor with the Broker, Sales Associate shall conduct his/her activities so that at no time will Sales Associate be associated with any other firm or entity that is in any manner connected with real estate, or the sales, listing, or marketing thereof, and will not receive any commissions or other forms of compensation from any such firm or entity, or anyone else except by or through Broker thereby satisfying the requirements of the laws of the State of Arizona.

7. TERMINATION OF AGREEMENT

This agreement and the relationship created hereby may be terminated by either party hereto with or without cause, at any time within the guidelines of any federal discrimination laws.

Upon termination of this agreement, all negotiations commenced by Sales Associate during the term of this agreement shall continue to be handled through Broker.

All listings are the property of the Broker however; listings will be released to the Sales Associate with client's written approval of the transfer of said listing to new Broker.

Broker shall have the right to deduct or offset any sums advanced by or owed Broker by Sales Associate from any sums due or to become due to Sales Associate.

Upon his/her termination Sales Associate shall promptly and accurately provide Broker with a memorandum summarizing Pending Transactions and the current status of all listings, sales and commissions and Sales Associate acknowledges that payment of commissions owing upon termination will necessarily be delayed unless accurate and timely information is provided.

8. CONFIDENTIAL INFORMATION

Upon termination of this agreement Sales Associate further agrees not to furnish to any person, firm, company, or corporation engaged in the real estate business any information as to Broker's clients, customers, properties, prices, terms of negotiations nor Broker's policies or relationships with clients and customers nor any other information concerning Broker and/or his business. Sales Associate shall not after termination of this agreement, remove from the files or from the office of the Broker any maps, books and publications, computer files, customer or client lists, or any other materials, files or data and it is expressly agreed that the aforementioned records and information are the property of Broker. After said termination, Sales Associate shall not use to his /her own advantage, or to the advantage of any other person or entity, any such Proprietary Data or confidential information.

9. ARBITRATION

In the event of a disagreement or dispute between Sales Associate and Broker, or Sales Associate under contract with Broker, arising out of or connected with this agreement, which cannot be adjusted or resolved by and between the parties involved under the terms and conditions of this agreement, the parties hereto agree to submit such disagreement or dispute to arbitration. Such arbitration would be in accordance with the rules, regulations and procedures of the American Arbitration Association. Broker and Sales Associate hereby agree to be bound by the decision of the arbitrator named by the above arbitration body.

10. MISCELLANIOUS

Heirs, successors and assigns. This agreement shall be binding upon and the benefits shall inure to the heirs, successors and assigns of parties hereto. This agreement shall be governed by the laws of the State of Arizona. This agreement is personal to the parties hereto and may not be assigned, sold or otherwise conveyed by either party.

This Agreement supersedes all prior agreements between the parties, written or oral.

If any term, provision, covenant, or condition of this Agreement is held by a court or competent jurisdiction or through arbitration to be invalid, void, or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

All representations, warranties and indemnities of and between the parties contained in this agreement shall survive its termination.

All Notices provided for under this agreement shall be in writing and shall be sufficient if sent by certified mail to the following listed addresses of the parties hereto or to such other address as shall be designated in writing to the other party.

BROKER:Arizona Preferred Realty
24520 S. 211th Pl
Queen Creek, AZ 85242

SALES ASSOCIATE:

Broker and Sales Associate acknowledge to one another that this Agreement, the compensations program and schedule of commissions referred to herein as the Commission Agreement constitute the entire agreement between them. No representations, warranties, undertakings, or promises whether oral, implied, or otherwise, have been made by either party hereto. Please note that all commissions paid after termination, will be paid in accordance with the Commission Agreement.

IN WITNESS WHEREOF, the parties have affixed their signatures on the day and date first above written.