



KUD Properties' mission is to be the desert's leading producer and provider of excellent real estate services. We do this by putting God and others before ourselves and representing all people as we're doing good unto God. "Whatever you do, do it all for the glory of God." 1 Corinthians 10:31

I'm beyond excited to have you on the KUD Properties team. What a blessing this company and team has been to my life and others! You will quickly learn that we do things a little differently around here in comparison to other real estate companies. We work harder than everyone else, we have upstanding morals and integrity, and we like to have fun. I hope you'll find a home here in KUD Properties, and we can change the Coachella Valley together by following our mission statement. Remember what KUD stands for: Know. Use. Do.

~Troy Kudlac, President

K.U.D. Know. Use. Do.

K – KNOW

At KUD we know what's up! We have the knowledge and experience to help clients succeed. You as an agent have the confidence, experience, and proven market knowledge in your corner.

KNOW YOUR MARKET

Choose a submarket and be an expert in that area. Grow from there and add more to your repertoire. At some point you'll know every neighborhood, city, and submarket. Use the B.U.M.P. strategy to identify problem properties or reasons why a house may not be selling, needs to be repositioned, etc. Additionally, this is a great way to keep yourself accountable to your clients on the listing side and add value on the buyers' side.

B – Broker. Is the broker/agent doing their job? Are they actively marketing, calling, and pounding the pavement?

U – Utility. Does the space function correctly? Are there reasons for concern on how the property works or its condition? Does it present well?

M – Market. Where are we at in the market cycle? Is the market healthy? More supply or demand?

P – Price. How is the property priced in relation to the competition? Comparables?

If any of these items are misaligned, there is a cause for concern (listing side) or opportunity (buying side).

OPEN HOUSE PROTOCOL

Attire should be Palm Springs business casual. Know your audience. If it's White Party weekend, know what to wear. Be professional but not out of place.

Signage should be KUD Properties approved. If you don't have signs, then borrow from another agent. If in an HOA, use signs that are HOA approved. Most require brown open house (and for sale) signs. Follow city rules for sign placement. In order to maximize open house traffic and exposure, arrive early to hand out flyers to neighbors and don't just be a warm body. Be a market expert for that area and prove you know the comparable sales and ins and outs of that particular market. The goal is not only to sell the house you are holding open but to gain clients with either buyer or listing appointments.

DOOR KNOCKING/COLD CALL PROTOCOL

- Door knocking and cold calling are the most cost effective ways to prospect plus no one in the desert consistently does it well. Be prepared and knowledgeable about the area and recent transactions prior to walking. Add value!
- Try to walk alone if you can or gain leads one at a time. If two people are at the door, one should take the lead role and that would be your lead. Trade off.
- If in a group, map out the areas and streets where each agent goes. Then if we get a call from the flyer, the inquiry can be assigned correctly.

BUYER PROTOCOL

- Expectations – Setting expectations for price, financing, timing for close of escrow, seller response, and contingencies are all key. KUD Properties’ Golden Rule for expectations is “under promise, over deliver.”
- Showings – For all showings have agent and client details printed out so that you have a set of instructions and client details for the buyer. Be prompt and communicate with the buyer if there are changes in the schedule.
- Communication – Communication is key from before first showing through close. Updating clients to tell them nothing has changed is better than not updating them at all. Communicate via phone and e-mail, not text! If client prefers text, then make a decision accordingly.
- Consultation vs. Order Taking – Be on the offense. Get out in front of issues by consulting clients instead of reacting and having the client tell you how to operate your business. Try to think ahead and consider “What is the next move by my opposition, or what is the next problem that can arise?” and solve that up front.

LISTING PROTOCOL

At listing appointments provide comparable sales, under contract properties, and active properties in a KUD Properties folder to show market value. Also include marketing materials and a listing agreement to prove our value. An iPad should be available to show a link to our website and past youtube.com videos. The potential client will dictate the order of the presentation. If they want to talk about market value, lead with the KUD Properties folder. If they want to know about marketing, lead with the iPad presentation.

Independent contractors cannot take less than 2.5% commission unless approved by the Company.

Once the listing agreement is signed, it should be sent to the transaction coordinator to start the listing file and uploaded to the MLS with full description and pictures/video by Peter Tran with Icons Marketing. Submit all listings to team leader to be placed on production board and in the email blasts.

Following all showings, listing agent should update sellers with details, objections, and level of interest. Communication is key and shows your client what you are doing to sell their house.

All price reductions need to be processed on form MT with written permission in an email or screenshot of text from all seller parties.

ZILLOW PROTOCOL

- ANSWER YOUR PHONE! We can't stress this enough. In real estate you have to be available at all times. This is a must to set yourself apart from the crowd. Our "Experience Score" on Zillow can give us special credentials and platforms if we handle the leads in a prompt manner. The only way our score increases is to take every call.
- Call, text, and email. Find out the way the buyer wants to communicate and maintain professional correspondence--we prefer call and email.
- Revisit all past leads on a regular basis, preferably with personalized touches, not a 'drip campaign'. People want personalized and attentive service that goes above and beyond. Set yourself apart and add value. This should be done on a monthly basis--shake trees and grab fruit.
- Premier agent - Independent contractors may register to be a premier agent with Zillow at their own expense. For more information: <https://www.zillow.com/agent-resources/premier-agent-frequently-asked-questions/>

INCOMING CALLS

Incoming calls for *properties listed* by our Company will first be directed to the agent who has the listing. If that agent is not available, the client will be offered the choice of speaking to another member of the listing agent's team. If no team member is available, the broker or office manager will decide who will take the call.

Incoming calls *not specifying a particular listing, but specifying a particular property type* will first be sent to an agent who specializes in that type of property. If one or more agents specialize in that type of property and only one is available,

the call will be sent to them. If more than one agent specializing in that particular property is available, the broker or office manager will decide who should take the call.

NEW CONSTRUCTION PROTOCOL

KUD Properties' agents are fortunate to have the opportunity to work on brand new modern homes. These homes are available for open houses. If a client is obtained through an open house, the agent will receive a 2% commission. If more than one agent is having an open house, there must be distinct client representation.

KUD Properties will write all contracts for NCPA or RPA if the home is already completed with certificate of occupancy issued by city.

APPRAISAL PROTOCOL

Appraisals can be a “do or die” part of every deal. Be sure to communicate with the other agent and/or appraiser to provide relevant comparables that justify the price. Extreme care should be taken to really analyze the comparables as to why they are specifically relevant. With a careful and diligent approach and a positive attitude, appraisals can be a win-win.

TRANSACTION COORDINATOR (TC) PROTOCOL

- The role of the TC is to help with paperwork, disclosures, and related escrow items.
- The TC is a document organizer and stores documents for online audits.
- The TC should not be handling any negotiating terms, request for repairs, or contract changes without clear direction from the agent. Anything outside of the standard disclosure package requires agent approval before the TC sends for signatures.
- The TC is not your assistant! Agents may ask the TC to generate documents but they may not have TC manage clients or transactions.

OFFICE MANAGER/EXECUTIVE ASSISTANT PROTOCOL

Karen is the Office Manager and Executive Assistant to Troy Kudlac. If you need her assistance with a special project/abnormal matter, get approval from Troy.

REFERRAL PROTOCOL (within team, within brokerage, and outside brokerage)

Referral fees should be negotiated before client introduction is made. The industry standard is 25%. Agent will need a CAR referral form to refer out to other brokerages or to receive referrals from other brokerages. Referral fees paid inside brokerage can be distributed on the CDA.

U – USE

We are useful and diligent. Clients use us to provide knowledge and our best efforts. “Use” is purposefully sandwiched between “know” and “do” because “use” is the glue that holds the relationship together.

ESCROW PROCESS

Please see KUD Properties Escrow Package for further information. Our preferred escrow agent is Kim Rogers with Lawyers Title.

FINANCING/LENDING PROCESS

Taylor Loop with Loan Depot is our preferred lender. In order to understand the loan process better, see KUD Properties Lender/Loan Process information sheets included here.

- If your client is completing a cash purchase, push for an expedited close but take care of your client first. Work to get the file done quickly and efficiently while pushing for quick inspections. Be sure to have proof of funds included with your offer.
- If your client is using a hard money loan, you will need proof from a hard money lender via a commitment letter. Write the deal up as a financed offer and check “Other” box and fill in “Hard Money Loan”. This is usually a quick close. Be sure you’re involved in the lender appraisal and property use evaluation.

- If your client is requesting a seller carry, check “Seller Financing” box. Fill in the rate and time period on RPA and then use the CAR form for appropriate financing description. Know the local standard rates and length of carry time typical in the market. Request to get paid commission at close of escrow--not at end of term.

INSPECTIONS

- Termite Inspection - Transaction Termite handles our termite work. You can order from <http://www.transactiontermite.com>.
- Smoke Inspection - The smoke inspection is a \$111 upfront fee for listing agent to incur.
<http://www.palmspringsca.gov/government/departments/fire-department/smoke-detector-inspections>
- Home Inspection - Our preferred inspector is Frank Smith with Agape Home Inspection. This is the other “do or die” part of the deal. Many buyers will want to use this to their advantage and beat down the seller and/or agents. Take care with handling this part of the deal. It is key to set proper expectations on both sides and most certainly bring it up beforehand. Clear communication with this inspection is the key to doing many deals with success.

TITLE PROCESS

Please see KUD Properties Title Package for further information. Our preferred title officers are Kathleen Buys, and Catherine Robinson with First American Title.

Agents should become experts at title reports. Learn certain types of easements and normal clouds to title. Ask for backup documents when necessary to clarify when there is a certain recordation on file. Be prepared to discussed title reports with clients. Be an expert!

MARKETING VIA EMAIL BLASTS

- Communicate new listings and open house schedules to the Office Manager no later than Thursday morning.
- Share email addresses to improve our reach. The more email addresses and lists created on the email platform, the better reach KUD Properties has. Lists can be completed so all potential leads go directly to that agent.
- Specialized email blasts on Company platform may be created with prior approval.

SOCIAL MEDIA

Independent contractors should utilize social media to grow their business and represent KUD Properties well. They should schedule posts and use stories to communicate their activity in the market. They should tag posts and Instagram stories that are relevant to KUD Properties with @kudproperties so there is cross promotion. Independent contractors' personal content should be appropriate and not demean the KUD Properties brand. Continual misrepresentation of our mission statement and brand can be a cause for termination.

Independent contractors are allowed to market their listings and sales underneath their own MailChimp platform or other email platform. Electronic communication and media may not be used in any manner that would be discriminatory, harassing, or obscene, or for any other purpose that is illegal, against Company policy, or not in the best interest of the Company. Independent contractors' personal content on social media should be appropriate.

D - DO

Do it and go get it! God goes before our "do". "The Lord Himself goes before you and will be with you; He will never leave you nor forsake you. Do not be afraid; do not be discouraged." Deuteronomy 31:8

MASTERMIND MEETINGS

The Company conducts weekly mastermind meetings starting promptly at 9:00 AM on Mondays. Every independent contractor is expected to attend these meetings on a weekly basis. This is a display of courtesy to each other and the Company as well as a display of strength and professionalism to our clients.

Questions/talking points along with weekly highlight(s) and goal(s) should be prepared to foster intentional and productive discussions. This makes everyone better together! Independent contractors are permitted to miss one meeting per month on a reasonable basis, i.e. vacation, business trip, doctor, etc. If continual absences occur, independent contractor may receive a warning/probation.

LENDER/TITLE MARKETING OPPORTUNITIES

There are many opportunities to co-market and co-brand with our professional partners. Review the lender and title booklets and decide how you want to position your business. Be sure to always analyze how your marketing reflects you and KUD Properties.

CLIENT GIFTS

At KUD Properties we want to appreciate our clients. KUD Properties provides a logo cutting board and zip drive to be gifted following the close of escrow. We encourage agents to add their own personal touch to the gift depending on clients' liking. Let's go above and beyond for our clients as they make this business worth doing.

COMMUNITY/SOCIAL INVOLVEMENT

- See KUD Properties calendar for scheduled events. To schedule additional events, please connect with Karen.
- IWCC Events
- YPN Events
- PSRAR Training
- Fundraisers: Pendleton Foundation Dinner, Young Life Tonight Show

LISTINGS; ACCEPTABILITY OF

All listings taken by independent contractors are taken in the name of and subject to the approval of the Company. The Company prefers Exclusive-Right-To-Sell listings. All other types of listings are the decision of the Independent Contractor. Once a listing is accepted, the original signed Listing Agreement and the New Listing form must be given to Administration for process, whether or not the independent contractor intends to have the listing marketed.

LISTINGS; TERMS OF, CHANGES IN, CANCELLATIONS

The independent contractor has full power to negotiate terms (including length and commission rate) of a new listing with the client. Also, the independent contractor is empowered to negotiate changes or cancellations of their listings.

LISTINGS; ASSIGNMENT OF

When the Company obtains a listing it may either market it or assign it to an independent contractor. In offering listings to independent contractors, the Company will do so based on its determination of an independent contractor's ability to effectively promote the property, not on a rotating basis.

SELLER AND/OR LESSOR LISTING

Our Company policy is to act as the agent and advisor of the seller and/or lessor, *exclusively*, at the time the listing agreement is executed. The disclosure of our election must be made to the seller and/or lessor prior to the time the listing agreement is signed. The seller and/or lessor must understand the potential of dual agency in-house. Broker becomes listing agent and can also be selling agent, therefore becomes a dual agent.

Remember, agency is a consensual relationship, and the seller's and/or lessor's informed consent must be obtained.

DUAL AGENCY; CONTENT OF DISCLOSURE

On occasions, our Company policy may permit a dual relationship to be elected at a later time when a prospective buyer and/or lessee is located (with the written consent of the parties and approval of the Broker). Therefore, the seller and/or

lessor should, prior to the time the listing agreement is signed, be advised of this possibility. Since both principals require informed written consent for a dual agency, it would be inappropriate to have the seller and/or lessor approve dual agency representations *before* a prospective buyer and/or lessee is identified. However, it's prudent to explain the role of dual agency and the fact that it does often occur.

The seller and/or lessor should be told that, in the event a potential buyer and/or lessee also desires our representation, a request may be made to change the single agency relationship to one of dual agency. In such cases, if the seller and/or lessor later consents to the change, dual agency must be executed in writing, with said confirmation being a part of the transaction file. The independent contractor would be required to make all of the dual agency disclosures and to take any appropriate actions.

SHARING WITH BUYER'S AND/OR LESSEE'S BROKER

Our Company policy is to share in commissions and split fees with selling and/or leasing agents from other offices that, along with their buyers and/or lessee, choose to be exclusive agents for the buyer and/or lessee. Seller and/or lessors should be told of this policy prior to signing the listing agreement and encouraged to authorize the sharing of commissions with a subagent, an exclusive buyer's and/or lessee's agent, or a dual agent. The seller's and/or lessor's written consent to share commissions in this manner is to be included in the listing agreement.

IN-HOUSE TRANSACTIONS WITH BUYER AND/OR LESSEE

Our Company policy for in-house transactions, where the buyer and/or lessee is not represented by another brokerage office, is to first attempt to educate the buyer and/or lessee. The Broker must approve any variations from this policy. One exception could arise: in cases of seller and/or lessor – turned – buyer and/or lessee. This basically means that our Company will be the exclusive seller and/or lessor's agent and work for and have primary loyalty to the seller and/or lessor

who lists with us. Yet, we are prepared to work with the buyer and/or lessee as a customer and provide customer level services to that buyer and/or lessee.

In such cases, the selling independent contractor (the one who locates the buyer and/or lessee) will be responsible for providing the buyer and/or lessee and seller and/or lessor with the mandatory agency disclosure form and obtaining their signed acknowledgment.

Educating the buyer and/or lessee means to make full disclosure regarding agency relationships to the buyer and/or lessee and, in a clear, business-like, and friendly fashion, to obtain the buyer's and/or lessee's consent to work with our Company with fiduciary representation.

WHEN THE BUYER AND/OR LESSEE IS NAÏVE OR VERY INEXPERIENCED

Remember, customer status may not be suitable for a naïve or inexperienced buyer and/or lessee, particularly in a complex transaction. The possibility of referring the buyer and/or lessee to another brokerage office, an attorney, or a licensed real estate broker who will act as a consultant is always an alternative to customer or dual agency status in an in-house sale. If any doubt arises in this area, the Company should be consulted.

Remember also to advise buyers and/or lessees that you will be happy to represent them as an exclusive agent for properties listed by other agents and offices. Caution should be employed here. We must be careful not to encourage buyers and/or lessees to impart unnecessary confidential information to us when the buyer and/or lessee is being shown an outside listing. We must be friendly, but business-like and professional. Although the duty to retain such confidences may continue should the buyer and/or lessee later become a customer interested in an in-house listing, we may experience some ethical discomfort when we have gained confidential information about the buyer and/or lessee that could materially assist one of our sellers and/or lessors in the negotiating process. If such cases arise, the Company should be consulted. In some of these instances, it may prove to be a dual agency transaction, where we act more as a middleman, mediator, or facilitator, may be the *safest harbor* for all involved.

CONFIRMATION BY BUYER AND/OR LESSEE

If the buyer and/or lessee agree to customer status, the proper blank on our Purchase and Sale Agreement and or Intent to Lease should be marked *the seller and/or lessor exclusively*. The seller and/or lessor must agree to, and confirm, that representation election made by the selling and/or leasing independent contractor and the buyer and/or lessee. If the confirmation is part of the offer, and the seller and/or lessor does not accept the election made by the selling and/or leasing independent contractor and the buyer and/or lessee, a counter-offer may be made by the seller and/or lessor. (This may be more common in cases where the seller and/or lessor decline a sub-agency relationship elected by a cooperating agent.)

Where the selling and/or leasing independent contractor does not deal directly with the seller and/or lessor, the listing independent contractor will obtain from the seller and/or lessor the signed acknowledgement of receipt for disclosure form, or prepare the declaration explaining why the seller and/or lessor would not sign it. A copy of the appropriate document should be placed in the office transaction file.

COOPERATIVE TRANSACTION WITH OTHER BROKERS

When the buyer and/or lessee is represented by another office and we exclusively represent the seller and/or lessor, the selling and/or leasing (cooperating) agent is required to be responsible for agency disclosure to the buyer and/or lessee. The listing independent contractor from our Company will, whenever possible, assist the selling and/or leasing agent in obtaining from the seller and/or lessor a signed acknowledgment of receipt of all disclosure forms submitted by the selling and/or leasing agent in the transaction.

It is our Company policy to ask cooperating agents, at first contact, about their election of agency status, particularly whether they have chosen to act as subagents. **Advise them as to our Company policy to reject sub-agency and encourage all cooperating agents to be consistent with our policy.**

CONFIRMATION AND COUNTER-OFFERS

Unless other arrangements are made, or the selling and/or leasing agent is present at the time of the presentation of the offer, our Company policy requires the listing independent contractor to obtain a copy of the signed Agency Disclosure. If the election of the selling and/or leasing agent, and buyer and/or lessee is different than that elected by the listing independent contractor and seller and/or lessor, then the listing independent contractor shall advise the seller and/or lessor of the right to make a counter-offer. If any complications arise from these matters, the Broker or team leader shall be immediately notified.

FIDUCIARY DUTY WITH CLIENTS

Our Company policy is to cooperate in fee sharing with outside selling and/or leasing agents who represent the buyer and/or lessee exclusively. In such cases, the selling and/or leasing independent contractor should be careful not to share any seller and/or lessor-made confidences with the buyer's and/or lessee's agent, or otherwise jeopardize the seller's and/or lessor's negotiating position. Only when appropriate, it is our policy to allow the selling and/or leasing agent and the buyer and/or lessee to inspect the property without the supervision of the seller and/or lessor or the listing independent contractor. It is our policy to provide access to exclusive buyer's and/or lessee's agents. As usual, sellers and/or lessors should be advised to take reasonable security measures relating to valuable and personal and confidential documents and possessions.

WRITTEN CONTRACT WITH BUYER AND/OR LESSEE

When a buyer and/or lessee signs a Purchase and Sell Agreement and/or Intent to Lease provided by our Company, they are establishing that we are the "procuring cause" for the particular property shown if the buyer or lessee purchase or lease it. Although the seller and/or lessor may pay the commission, the buyer and/or lessee agrees that we are entitled to the selling and/or leasing commission.

IN-HOUSE LISTINGS

If the seller and/or lessor is interested in an in-house listing, our Company favors a dual agency status for the seller and/or lessor when in the role of the seller and/or lessor -turned- buyer and/or lessee.

EARNEST MONEY DEPOSITS

An offer to purchase that is obtained by an independent contractor shall be accompanied by an earnest money deposit or promissory note sufficient in size and form to reasonably assure the culmination of the transaction if accepted by the seller, unless otherwise indicated on the listing. The size and form of earnest money deposits must be clearly identified in the offer to purchase. It is mandatory that all checks or wires go directly to the escrow company. **(It is a normal market standard to request a deposit of approximately 3% of the purchase price.)**

If the earnest money is payable to an escrow company, the independent contractor must tender it to the title company by the same business day which allows ample time for the escrow company to comply with State of California licensing requirements. **The independent contractor must provide the Company with a copy of the earnest money check or note, and a receipt from the title company.**

OPENING ESCROW

Unless otherwise indicated, each independent contractor involved in a transaction is to open escrow on their own transactions and be responsible for the accuracy of the escrow instructions. At the time of opening escrow, the independent contractor is to fill out a Letter of Instruction/Broker Demand form, include the Purchase and Sale Agreement or copy of Lease, and submit it to transaction coordinator for processing. The independent contractor shall also copy additional agreements and submit to the transaction coordinator.

FAIL OF TRANSACTION

In the event a transaction fails, the independent contractor is responsible to obtain appropriate paperwork and advise the team leader and transaction coordinator to complete the proper cancellation documents.

CLOSE OF TRANSACTION

It is Company policy that selling and listing independent contractors attend to closings to be of assistance to their principals. The final days of any transaction can bring many ups and downs and roller coaster rides. It is the independent contractor's role to be an advisor and guide each client through the process with confidence.

SELECTIVE DUAL AGENCY POLICY

DISCLOSURE REQUIREMENTS

If dual agency is elected in a particular transaction, the independent contractor must do more than write in the disclosure in the back in the Real Estate Purchase and Sale Agreement. The independent contractor must carefully explain to both buyer and/or lessee and seller and/or lessor that they and/or the designated broker is also acting for the other party to the transaction. The independent contractor must make it clear that he/she owes a fiduciary duty of utmost care, integrity, honesty and loyalty to both parties. In addition to any other disclosures required, the following specific disclosures and actions should also be immediately implemented:

1. **Disclosure** – The dual agent must make it clear that, without the express written permission of the respective party, he/she cannot disclose to the other party that the seller and/or lessor will accept a price less than the listing price, or that the buyer and/or lessee will pay a price greater than the price offer.
2. **Disclosure** – The dual agent must disclose his/her obligation to maintain as confidential information relating to the respective parties that, if revealed, could adversely affect the other party's negotiating position (e.g. the seller and/or lessor has purchased or leased other real estate and is highly motivated, or the buyer and/or lessee must relocate quickly and is highly motivated). However, it must be made clear to the parties that the agent is not relieved from being fair and honest and must disclose all facts known to the agent materially affecting the value or desirability of the property not know to the parties.
3. **Disclosure** – The dual agent must disclose that he/she cannot negotiate on behalf of one client to the disadvantage of the other. Therefore, in many phases of the transaction, the agent will be acting more as a mediator or facilitator. The seller and/or lessor and buyer and/or lessee must be advised that they are not relieved from the responsibility to protect their own interest and negotiate in their own behalf, using the independent contractor as an informed intermediary.
4. **Action** – Both parties are to sign an Agency Disclosure form or a Consensual Dual Agency Agreement.

5. **Action** – If the independent contractor encounters or suspects any problem in the course of the transaction that creates or could cause a conflict of loyalties, the broker or team leader must be immediately notified.

POLICY IN DUAL AGENCY CONFLICTS

The resolution of any dual agency problems may require any or all of the following actions:

- Immediate notification to the Broker or Manager.
- Possible consultation with our Company attorney.
- Letters be directed to the respective clients describing the conflict in general terms and a suggested resolution.
- The clients be requested to attend a joint meeting.
- One of the clients be given the opportunity to convert to customer status, requiring new confirmation forms to be signed.
- One of the clients be referred to another brokerage office.
- Referral of one or both clients to an attorney of choice.

GENERAL POLICIES

ADVERTISING/MARKETING POLICY

Advertising/Marketing packages will be available for the following pieces and must remain congruent as per KUD Properties specifications:

- Business cards
- Open House signs
- For Sale signs
- Postcards
- Property brochures

The independent contractor is responsible for the costs associated with package changes and production of advertising/marketing pieces.

CLIENT/BUSINESS PARTNER RELATIONS

Independent contractors are expected to be polite, prompt, and attentive to our clients and business partners. Clients are to be treated courteously and given proper attention at all times. Never regard a client's question or concern as an interruption or an annoyance. You must respond to inquiries from clients, whether in person, by telephone, or written correspondence, promptly and professionally. Through your conduct, show your desire to assist the client in obtaining the help he or she needs. If you are unable to help a client, find someone who can. When an independent contractor encounters an uncomfortable situation that he or she does not feel capable of handling, your team leader should be called immediately.

ALCOHOL AND DRUG USE/SMOKING

KUD Properties is concerned about the use of alcohol, illegal drugs, or controlled substances as it affects the workplace. Use of these substances, whether on or off the job can detract from your work performance, efficiency, safety, and health, and therefore seriously impair the independent contractor's value to the Company. In addition, the use or possession of these substances on the job constitutes a potential danger to the welfare and safety of other independent contractors and exposes the Company to the risks of property loss, damage, or injury to other persons.

Furthermore, the use of prescription drugs and/or over-the-counter drugs also may affect an independent contractor's job performance and may seriously impair the independent contractor's value to the Company.

The following rules and standards of conduct apply to all independent contractors either on Company property or during the workday (including meals and rest periods). Behavior that violates Company policy includes:

- Possession or use of an illegal or controlled substance, or being under the influence of an illegal or controlled substance while on the job.
- Driving a Company vehicle while under the influence of alcohol or drugs.
- Distribution, sale, or purchase of an illegal or controlled substance while on the job.

Violation of these rules and standards of conduct will not be tolerated. Also, KUD Properties may bring the matter to the attention of appropriate law enforcement authorities.

In order to enforce this policy, KUD Properties reserves the right to conduct searches of Company property, independent contractors and/or their personal property, and to implement other measures necessary to deter and detect abuse of this policy.

An independent contractor's conviction on a charge of illegal sale or possession of any controlled substance while off Company property will not be tolerated because such conduct, even though off duty, reflects adversely on KUD Properties. In addition, the Company must keep people who sell or possess controlled substances off Company premises in order to keep the controlled substances themselves off the premises.

Any independent contractor who is using prescription or over-the-counter drugs that may impair the independent contractor's ability to safely perform the job, or affect the safety or well-being of others, must notify a supervisor of such use immediately before starting or resuming work.

KUD Properties will encourage and reasonably accommodate independent contractors with alcohol or drug dependencies to seek treatment and/or rehabilitation. Independent contractors desiring such assistance should request a treatment or rehabilitation leave. The Company is not obligated, however, to continue to employ or remain in contract with any person whose performance of essential job duties is impaired because of drug or alcohol use, nor is the Company obligated to re-employ or renegotiate a contract with any person who has participated in treatment and/or rehabilitation if that person's job performance remains impaired as a result of dependency. Additionally, independent contractors who are given the opportunity to seek treatment and/or rehabilitation, but fail to successfully overcome their dependency or problem, will not automatically be given a second opportunity to seek treatment and/or rehabilitation. This policy on treatment and rehabilitation is not intended to affect the Company's treatment of independent contractors who violate the regulations described previously. Rather, rehabilitation is an option for an independent contractor who acknowledges a chemical dependency and voluntarily seeks treatment to end that dependency.

Our office interior is non-smoking for agents and clients. Make sure tobacco is disposed of properly and safely. In the interest of safety, this policy will be strictly enforced and violations may result in discipline up to and including termination. Smoking is not allowed within 100 feet of any office entrance or exit.

HARASSMENT

KUD Properties is committed to providing a work environment free of unlawful harassment. Company policy prohibits sexual harassment and harassment based on pregnancy, childbirth, or related medical conditions, race, religious creed, color, gender, national origin or ancestry, physical or mental disability, medical condition, marital status, registered domestic partner status, age, sexual orientation, sexual identity or any other basis protected by federal, state or local law or ordinance or regulation. All such harassment is unlawful. The Company's anti-harassment policy applies to all persons involved in the operation of the Company and prohibits unlawful harassment by any independent contractor of the Company, including managers and team leaders, as well as vendors, customers, and any other persons.

Prohibited unlawful harassment includes, but is not limited to, the following behavior:

- Verbal conduct such as epithets, derogatory jokes or comments, slurs or unwanted sexual advances, invitations or comments;
- Visual displays such as derogatory and/or sexually-oriented posters, photography, cartoons, drawings or gestures;
- Physical conduct including assault, unwanted touching, intentionally blocking normal movement or interfering with work because of sex, race or any other protected basis.
- Threats and demands to submit to sexual requests as a condition of continued employment, or to avoid some other loss and offers of employment benefits in return for sexual favors; and Retaliation for reporting or threatening to report harassment.

If you believe that you have been unlawfully harassed, submit a written complaint to the Company as soon as possible after the incident. You will be asked to provide details of the incident or incidents, names of individuals involved, and names of any witnesses. The Company will immediately undertake an effective, thorough, and objective investigation of the harassment allegations.

If the Company determines that unlawful harassment has occurred, effective remedial action will be taken in accordance with the circumstances involved. Any person determined by the Company to be responsible for unlawful harassment will be subject to appropriate disciplinary action, up to, and including termination. The Company will advise all parties concerned of the results of the investigation. The Company will not retaliate against you for filing a complaint and will not tolerate or permit retaliation by management or co-workers.

The Company encourages all independent contractors to report any incidents of harassment forbidden by this policy immediately so that complaints can be quickly and fairly resolved. You also should be aware that the Federal Equal Employment Opportunity Commission and the California Department of Fair Employment and Housing investigate and prosecute complaints of prohibited harassment in employment. If you think you have been harassed or that you have been retaliated against for resisting or complaining, you may file a complaint with the appropriate agency.

PROHIBITED CONDUCT

The following conduct is prohibited and will not be tolerated by KUD Properties. This list of prohibited conduct is illustrative only; other types of conduct that threaten security, personal safety, independent contractor welfare, and Company operations also may be prohibited.

- Falsifying Company records;
- Theft and deliberate or careless damage or destruction of any Company property, or the property of any independent contractor or customer;
- Removing or borrowing Company property without prior authorization;
- Unauthorized use of Company equipment, time, materials, or facilities;
- Provoking a fight or fighting during working hours or on Company property;
- Participating in horseplay or practical jokes on Company time or on Company premises;
- Carrying firearms or any other dangerous weapons on Company premises at any time;
- Engaging in criminal conduct whether or not related to job performance;
- Causing, creating, or participating in a disruption of any kind during working hours on Company property;
- Insubordination, including but not limited to failure or refusal to obey the orders or instructions of management, or the use of abusive or threatening language toward management;
- Using abusive language at any time on Company premises;
- Wearing disturbing, unprofessional or inappropriate styles of dress or hair while working;
- Violating any safety, health, security or Company policy, rule, or procedure;
- Committing a fraudulent act or a breach of trust under any circumstances; and
- Committing or being involved in any act of unlawful harassment of another individual.

This statement of prohibited conduct does not alter the Company's policy of at-will employment. Either you or KUD Properties remain free to terminate the employment relationship at any time, with or without reason or advance notice.

PUBLIC IMAGE/CONDUCT

All independent contractors with the Company will conduct their business activities so as to enhance and promote the goodwill and reputation of the Company. The Coachella Valley is a small community so always remember if you don't have anything nice to say, don't say anything at all. Careless words can come back around and tarnish not only you but KUD Properties. Be smart with your words and treat others in a manner that honors Christ.

All work areas must be kept neat and orderly. People using common areas such as lunchrooms, conference rooms, and restrooms are expected to keep them sanitary. Please clean up after meals and dispose of trash properly. All clients and business partners of the Company must be treated with courtesy and respect. The Company encourages all independent contractors to be active in and contribute to the good of the community.

Unless in designated break area, all independent contractors should be conducting themselves in a quiet, hardworking manner. No loud music, no TV, and no leisure activities unless a special circumstance. The office is a place to conduct business and with the correct attitude and ethic, there will be plenty of time for leisure inside the office, when appropriate, and out.

STANDARDS OF CONDUCT

Our Company is involved in a highly competitive business in which many individuals rely on the quality and reliability of our service, thus all independent contractors are expected to provide excellent and reliable performance. Any failure to meet the high standard is a ground for concern, discipline, or possible termination. When an unsatisfactory independent contractor performance or conduct problem emerges, corrective action should be initiated as promptly as possible to give the independent contractor an opportunity to address the problem. Application of the following steps may be applied progressively by the independent contractor's manager:

- *Oral Warning* – Identify the problem to the independent contractor and counsel the independent contractor (and note, in writing, for future reference).
- *Written Warning* – Present a written warning to the independent contractor and copy to their personnel file.

- *Termination* – Recommend the independent contractor’s termination after obtaining approval from the Company.

Performance and conduct issues should be addressed according to the nature and severity of the problem. There are certain kinds of actions that cannot be permitted to occur because of their unfair impact on clients, guests or co-workers. Such offenses may result in discharge on the first occurrence. They include, but are not limited to:

- Failure or refusals to carry out job assignments and management requests.
- Unauthorized release of confidential Company information.
- Falsification of any work, personnel, or other company records.
- Removal of Company property without permission.
- Unauthorized taking of Company funds or property, or unauthorized charges against the Company.
- Dishonesty.
- Insubordination.
- Discrimination against or harassment of co-workers, clients and/or vendors.
- Possession, consumption, or being under the influence of illegal drugs at work or on Company premises.
- Deliberate damage to Company property.
- Fighting or threatening to fight with co-worker.
- Participation in a business directly competing with the Company.
- Serious misconduct of any kind.
- Failure to comply with safety or security rules and procedures as defined in this policy manual.

CONFIDENTIALITY

Each independent contractor is responsible for safeguarding the confidential information obtained during employment. All records, files, documents, and correspondence of the Company and independent contractors, as well as all conversations between any persons and independent contractors with the Company are considered to be confidential. No person or independent contractor with the Company shall use records, files, documents or correspondence to the advantage of themselves or any other person, firm, partnership or corporation to

the detriment of the Company, either during their association with the Company or at any time afterward. All independent contractor work areas are private and are to be respected by all other independent contractors.

In the course of your work, you may have access to confidential information regarding KUD Properties, its vendors, its customers, or other independent contractors, and you have a responsibility to prevent revealing or divulging any such information unless it is necessary for you to do so in the performance of your duties. Access to confidential information should be on a “need-to-know” basis and must be authorized by your team leader. Any breach of this policy will not be tolerated and legal action may be taken by the Company.

CONFLICT OF INTEREST

All independent contractors must avoid situations involving actual or potential conflict of interest. Personal or romantic involvement with a competitor, vendor, or business partner, which impairs an independent contractor's ability to exercise good judgment on behalf of the Company, may create an actual or potential conflict of interest.

An independent contractor involved in any of the types of relationships or situations described in this policy should immediately and fully disclose the relevant circumstances to his or her team leader or the Company for a determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, KUD Properties may take whatever corrective action appears appropriate according to the circumstances. Failure to disclose facts shall constitute grounds for disciplinary action.

DRESS POLICY

Since there is always an opportunity to show property or attend a listing presentation, be ready for the day. Independent contractors are expected to wear clothing appropriate for the nature of our business and the type of work performed. Clothing should be neat, clean and tasteful. Avoid clothing that can create a safety hazard. Because independent contractors are representative of KUD Properties in the eyes of the public, independent contractors must report to work or meetings with clients properly groomed and wearing appropriate clothing. Independent contractors are expected to dress neatly and in a manner consistent

with the nature of the work performed. Management understands that viewing certain properties requires safety attire and wants all independent contractors to think in terms of safety first when visiting construction sites or properties.

E & O Insurance

E & O Insurance is covered by KUD Properties and is paid from the 7% off-the-top royalty fee paid per transaction. This does not mean you are 100% covered so you should not act carelessly with other agents or your clients. If there is a lawsuit or legal matter that does arise with your involvement, independent contractors are responsible to pay the E & O deductible.

EQUAL EMPLOYMENT OPPORTUNITY

KUD Properties is an equal opportunity employer and makes employment decisions on the basis of merit. We want to have the best available persons in every job. Company policy prohibits unlawful discrimination based on race, color, creed, gender, religion, marital status, registered domestic partner status, age, national origin or ancestry, physical or mental disability, medical condition including genetic characteristics, sexual orientation, or any other consideration made unlawful by federal, state, or local laws. It also prohibits unlawful discrimination based on the perception that anyone has any of those characteristics. All such discrimination is unlawful.

The Company is committed to compliance with all applicable laws providing equal employment opportunities. This commitment applies to all persons involved in Company operations and prohibits unlawful discrimination by any employee of the Company, including team leaders, independent contractors and co-workers.

PERFORMANCE EVALUATIONS/GOAL SETTING

Each independent contractor will receive periodic performance review conducted by his or her team leader. Your first performance evaluation will take place within 12 months from the day your independent contractor's agreement was signed. The frequencies of performance evaluations may vary depending upon length of service, job position, past performance, changes in job duties, or recurring performance problems.

Your performance evaluations may review factors such as the quality and quantity of the work you perform, your knowledge of the job, your initiative, your work attitude, and your attitude toward others. The performance evaluations are intended to make you aware of your progress, areas for improvement, and objectives or goals for future work performance. After the review, you will be required to sign the evaluation report simply to acknowledge that it has been presented to you, that you have discussed it with your supervisor, and that you are aware of its contents.

Goal setting meetings will be conducted quarterly with your team leader. [See Zig Ziglar handbook for the wheel and goal setting exercise.]

SECURITY

KUD Properties has developed guidelines to help maintain a secure workplace. Be aware of persons loitering for no apparent reason in parking areas, walkways, entrances and exits, and service areas. Report any suspicious persons or activities to security personnel. Secure your desk or office at the end of the day. When called away from your work area for an extended length of time, do not leave valuable and/or personal articles in or around your workstation that may be accessible. The security of facilities as well as the welfare of our independent contractors depends upon the alertness and sensitivity of every individual to potential security risks. You should immediately notify your supervisor when unknown persons are acting in a suspicious manner in or around the facilities, or when keys are missing.

Keys to the front door of the building are issued to all independent contractors. Each person is responsible for ensuring that the front door is locked, all lights are turned off, and the building is secure when they are the last to leave.

TERMINATION

Voluntary termination results when an independent contractor voluntarily resigns his or her employment, or terminates his or her contract with KUD Properties. All Company-owned property must be returned immediately upon termination of employment.

Violation of KUD Properties policies and rules may warrant disciplinary action. The Company has established a system of progressive discipline that includes verbal warnings, written warnings, and suspension. The system is not formal and KUD Properties may, in its sole discretion, utilize whatever form of discipline is deemed appropriate under the circumstances, up to, and including, termination of employment. The Company's policy of progressive discipline in no way limits or alters the at-will employment relationship.

WORKER'S COMPENSATION

You are protected by the Company's workers' compensation insurance policy while in contract with KUD Properties at no cost to you. The policy covers you in case of occupational injury or illness.

KUD Properties in accordance with state law, provides insurance coverage for independent contractors in case of work-related injury. The workers' compensation benefits provided to injured employees may include:

- Medical care;
- Cash benefits, tax free, to replace lost wages;
- Assistance to help qualified injured employees return to suitable employment.

To ensure that you receive any workers' compensation benefits to which you may be entitled, you will need to:

- Immediately report any work-related injury to the Company;
- Seek medical treatment and follow-up care if required;
- Complete a written Employee's Claim Form (DWC Form 1) and return it to the Company;
- Provide the Company with a certification from your health care provider regarding the need for workers' compensation disability leave, as well as your eventual ability to return to work from the leave.

Upon submission of a medical certification that an independent contractor is able to return to work after a workers' compensation leave, the independent contractor, under most circumstances will be reinstated to his or her same position held at the time the leave began, or to an equivalent position, if available.

The law requires KUD Properties to notify the workers' compensation insurance company of any concerns of false or fraudulent claims.

INDEPENDENT CONTRACTOR POLICIES

INDEPENDENT CONTRACTOR STATUS

All independent contractors affiliated with the Company are not employees but independent contractors as defined by the Internal Revenue Service. The independent contractor acknowledges that as a non-employee, he/she is not eligible to participate in any of the Company's employee benefit programs (nor are his/her spouse or dependents) and waives all rights to such benefits, including any right to file a claim for any employee benefits under the Employee Retirement Income Security Act, applicable state or local law, or any Company policy, practice, procedure or program.

AFFILIATION AGREEMENT/COMPLIANCE AFFIDAVIT

Upon affiliation with the Company, each independent contractor will sign the Independent Contractor Disclaimer and Acknowledgement included with this Policy Manual identifying an independent contractor relationship between the independent contractor and the Company and the responsibilities of each.

NON-SUPERVISION

As an independent contractor the independent contractor may establish his/her own hours and methods of work without control or direction by the Company.

RECRUITMENT BONUS

KUD Properties wants to recruit quality agents and in order to do so, encourages independent contractors to refer qualified candidates to the Company. If your referral is employed by KUD Properties a recruiting bonus will be paid to independent contractors under the following terms:

- Referrals will be paid only if the original application completed by the applicant contains the independent contractor's name as the referral source.
- Referrals will be paid as a one-time flat fee of \$500 following the successful completion of the applicant's first sales transaction.
- If the applicant is referred by more than one independent contractor, the referral bonus will be split equally among the referring independent contractors and paid on the same terms as above.

INDEPENDENT CONTRACTORS COMMISSIONS

Settlement of commissions will be paid following close of escrow and once the file has been completed with all necessary documentation confirmed by transaction coordinator. Commission checks will be dispersed at the Company office.

COMPANY SERVICES

The Company will provide the independent contractor some services at no charge; others will be billed. Billings will be invoiced or deducted from independent contractor's next close of escrow. The following list is subject to change per KUD Properties. If independent contractor leaves office before reimbursement of billables, said billables will become due and payable immediately by independent contractor. If billables are not paid at request of Company, legal recourse may be used to recover such monies.

The provided services include: desk space, first 500 business cards, some marketing training, listing database maintenance (all except personal REA), stationery and envelopes, WiFi, Company website with property information, and printer/copier.

Billable services include: marketing supplies (folders, postcards), postage (except when applies to listings and earnest money agreements), personal database entry and maintenance, subscriptions (real estate dues, REA, databases, etc.), all print advertising unless approved by the Company, sign creation and production, and all software, maintenance and repairs on personal computer/devices.

The following items are examples of items not furnished by the Company and are considered "tools of the trade" an independent contractor may wish to acquire: computer, briefcase, and appointment book. In addition, independent contractors

are responsible for purchasing their own office supplies, i.e. pens, folders, note pads, office furniture above and beyond what is provided, etc.

LICENSURE; BOARD OF REALTORS

Each independent contractor shall maintain an active license to sell real estate in this state at their own expense. Independent Contractors will also pay their own applicable membership and participation fees and keep up to date with PSRAR training. Both the broker and independent contractor agree to comply with all rules and regulations of all real estate associations to which either or both of the parties belong. Each party agrees to save the other harmless from violation of any such rules or regulations.

ETHICS

The Golden Rule and the REALTOR'S Code of Ethics are the foundations of the Company's business conduct policy. The independent contractor is expected to similarly adhere to both in his/her dealings with the public.

KNOWLEDGE OF INVENTORY

It is important that independent contractors be familiar with all properties listed with the Company, particularly those being shown to a customer. Additionally, know all properties and areas by being on the MLS and in the market daily to become an expert and fulfill the "know" of KUD.

PRODUCTION STANDARDS

Minimum production standards may be set by the Company at the Company's sole discretion. Such standards will be reviewed between each independent contractor and management at regular intervals.

COMPETENCE/EDUCATION

If an independent contractor encounters a client with a need in a specialized real estate field in which the independent contractor is not well versed, he/she is to enlist the assistance of the Company. Worthwhile education programs are offered by KUD Properties, the Association of Realtors, the National Association of

Realtors and various institutes, societies, councils and private organizations. While the Company cannot subsidize an independent contractors' costs of attending such programs, all are urged to allocate a portion of their earnings for continuing education to improve professional competence.

COMPENSATION

The independent contractor will be compensated by the Company on a commission basis, exclusively, receiving a percentage of the funds received by the Company on the successful completion of any real estate transaction in which an independent contractor participates as an agent. Payment shall be according to the Company's Commission Schedule Agreement with the independent contractor in effect at the time of closing.

COMMISSION SHARING

When one independent contractor cooperates with another independent contractor of the Company to the extent that they or the Company feel they should share in a commission, the Company will compensate each of them in such manner as they may jointly agree between them. However, in no event shall the total amount paid them by the Company exceed that which they would have earned individually. Commission splits will be decided and put in writing before beginning work on a new listing. All splits shall be approved by the Broker. If independent contractors are unable to agree on how such a commission should be divided, the Company will decide how the commission is to be divided.

GROSS SALES CALCULATIONS

Gross sales calculations are based on the percentage of the deal the independent contractor is paid on. If the independent contractor is the sole agent on a side and receives full commission, then 100% of the gross sales value is assigned to that agent. If splitting the commission with one or more agents, then independent contractor will get paid on the percentage of the deal you are involved in. (For example, if a deal is split with two agents 50% of the gross sale will be distributed. If you are giving a 25% referral fee to another agent for a deal, you will receive 75% of the gross sale.) This gross sale number will determine your progress to reach contractual commission split increases with KUD Properties.

INDEPENDENT CONTRACTORS' PERSONAL PROPERTY TRANSACTIONS

The Company encourages its independent contractors to invest in real property. An independent contractor should recognize that opportunities for buying and selling profitably often occur as a result of the Company's advertising and other marketing activities and should be especially careful not to appear to be exploiting these benefits to their own advantage and to the detriment of a seller or buyer.

Whenever an independent contractor buys, sells, or invests in real estate, they must fully disclose to the seller or buyer in writing of their interest, intention, and State of California real estate licensing status.

KUD Properties allows one personal transaction per calendar year at zero commission. Every subsequent transaction in a calendar year will be disbursed per the independent contractor's normal split.

When buying or selling for their personal investment portfolio, independent contractors will pay a commission to the Company per their normal split. The broker is to be made aware of the intent and approve any commission reduction to the company.

COMMISSION/CLIENT DISPUTE RESOLUTION

All disputes as relates to commissions or clients that cannot be resolved by the agents involved will be brought to the broker of record. After hearing the disagreement and seeing any paperwork, the broker and agents involved will attempt to mediate a resolution satisfactory to all agents concerned. If a resolution cannot be negotiated within 5 days, a panel of three agents as jurors and the broker as moderator will hear the disagreement and the jurors will render a decision. All parties to the dispute must first agree to this decision of their peers as binding and must sign a document stating their agreement.

ACTION AGAINST THE COMPANY AND AN INDEPENDENT CONTRACTOR

In any action brought jointly against the Company and an Independent Contractor, the expenses of defending against such action shall be borne by each proportionate to the division of the commission applicable to the Independent Contractor's participation in the transaction involved in such action. If no property

transaction is involved, and, thus no commission split is indicated, all costs shall be shared by the Company and the Independent Contractor equally.

The Company reserves the right to settle independently on its own behalf without further obligation to the Independent Contractor, and it recognizes the Independent Contractor's equal right to do the same without further obligation to the Company.

If a professional standards or grievance charge is brought jointly against the Company and an Independent Contractor, all costs incurred in responding to the charge, as well as all fines, costs and awards levied by the Board of Realtors, will be shared by the Company and the Independent Contractor in the same manner unless otherwise indicated by the Board. In the event there is no property transaction involved, and thus no commission split is indicated, all costs, fines and awards will be shared equally unless otherwise indicated by the Board.

If a professional standards or grievance charge involving the Company and an Independent Contractor is brought after a termination with the Company, the expenses of responding to the charge, as well as costs, fines and awards, will be shared by the Company and the Independent Contractor as noted in the preceding paragraph.

Notwithstanding the above, If there is a lawsuit or legal matter that does arise with your involvement, you as Independent Contractor are responsible to pay the E&O Deductible payment solely on your own.

SUITS FOR COMMISSION

The Company will have the sole discretion in determining whether to sue for a commission. Any such action will be maintained in the name of the Company. If an independent contractor participates in such a suit he/she will be expected to pay a share of its costs proportionate to his/her share of the commission being sought. If the independent contractor chooses not to participate in such costs, or fails to pay his/her agreed-upon share of the costs, the independent contractor shall forfeit any entitlement or claim to a share of a commission subsequently obtained by the Company from such a suit.

TAXES/UNEMPLOYMENT COMPENSATION

The Company will not withhold income taxes from an independent contractor's earnings nor will it withhold or match FICA (social security) taxes on an independent contractor's behalf. It is the independent contractor's responsibility to fulfill their own obligations in this regard. The Company does not provide unemployment compensation coverage for independent contractors.

We strongly recommend for the benefit of you and your family to set up an interest-bearing account where you keep approximately 30% of all commissions earned. Please consult a CPA as this is general advice but very important.

CHECK-IN AND CHECK-OUT

The Company maintains facilities for the use of the independent contractors and should notify the Company as to where they can be reached when absent from the office. In a prolonged absence from the office, the independent contractor should let administration know how they would like their phone calls handled (i.e. voicemail) and, if possible, leave an emergency number.

AUTO INSURANCE

Each independent contractor must provide the Company with evidence of securing and continuing to maintain required coverage of bodily injury limit of liability at a minimum of \$1,000,000/\$500,000 unless the Company reasonably requires a larger amount. The property damage limit of liability shall be at least \$100,000 unless the Company reasonably requires a larger amount. This coverage must be by endorsement rider on the independent contractor's insurance policy to protect the Company. Each independent contractor shall furnish either the original or copy of such insurance policy to the Company, together with a certificate or other satisfactory evidence that such insurance is in effect, which certificate will not be cancelled or diminished without a minimum of thirty (30) days written notice to the Company.

VACATIONS

Vacations are encouraged and necessary to secure rest and relaxation from work. Each independent contractor is responsible for finding another independent contractor in the Company to handle his/her business during any vacation time.

TERMINATION; COMPANY PROPERTY

It is the Company's policy to counsel independent contractors who fail to meet performance standards rather than resort to immediate dismissal. If an independent contractor, however, fails to attain and maintain satisfactory performance levels, the Company may terminate the independent contractor's service immediately.

When an independent contractor is terminated, he/she shall return to the Company all files, records, keys, and other materials belonging to the Company or satisfactorily account for them. After termination the independent contractor may not enter the office without supervision.

PAYMENT AFTER TERMINATION

If a transaction in which the independent contractor was the listing and/or selling agent, was pending with minimal work remaining at the time of termination, he/she will be entitled to a full share of the commission to which the independent contractor otherwise would have been entitled. If more than minimal work is required by the Company to complete the sale, the Company may assign the closing to another independent contractor and reduce the amount deemed thus earned by up to 50% of the independent contractor's otherwise earned share.

The Title Company's Role

The purchase of a home is often the largest single financial investment many people may make in their lifetime. The importance of fully protecting such an investment cannot be overly stressed. A basic home ownership protection essential to the security of the home is safe, sound, reliable title insurance.

What Is Title Insurance?

It is the application of the principles of insurance to risks present in all real estate transactions. These risks are divided into two main categories: hidden hazards that cannot be detected in the examination of title, and human errors which will always be with us. Examples of hidden hazards are forgery, incompetence of grantor or mortgagor, unknown heirs, fraud, impersonation, etc.

Title insurance differs from other types of insurance by protecting against future losses arising out of events that have happened in the past. There are no annual premiums. A single premium, based on the amount of the sale or mortgage, is paid when the policy is issued and is good for the life of the policy. A lender's policy, insuring the lender, stays in effect until the loan is paid off. An owner's policy, insuring the buyer, is good as long as the owner or owner's heirs own the property.

Preliminary Report or "Commitment for Title Insurance"

The title company will search and examine the public records to investigate information surrounding title to the property. The title search is used to create a preliminary report provided to the lender or purchaser before closing, and reveals the following:

- Who the legal owner of the property is
- That the "estate" or degree of ownership being sold is currently and accurately vested in the seller
- Property tax status and other public or private assessments
- The presence of any unsatisfied mortgages, judgments or liens that must be satisfied before "clear title" can be conveyed
- Existing easements, restrictions, rights of way or other rights granted to others

Teamwork

The title company is involved in the real estate transaction almost from the time the purchase agreement is signed, through and beyond the closing. Working mostly behind the scenes, but always in close coordination with real estate agents, lenders, escrow officers, and legal counsel, the title company strives to carry out an important, complex procedure in an efficient and professional manner.

Frequently Asked Question About Title Insurance

Why Is Title Insurance Important?

Title insurance is recommended on any home, no matter how new or apparently secure. Undoubtedly, the land has had many previous owners. Claims against any one of these persons can be filed against the property and against you as the present owner. Such hazards as fraud, missing heirs, old liens and many others can, and sometimes do, arise like ghosts out of the past. Title insurance protects you against these claims and title defects. Your title insurance policy is your shield of protection and will defend your ownership against loss as outlined by the policy. Your protection and peace of mind last as long as you and your heirs remain in ownership.

How Much Does Title Insurance Cost?

Unlike the annual premiums of most other forms of insurance, you pay a one-time premium for title insurance. The premium will depend on the type of coverage you and/or your lender request.

Who Is Covered?

There are two basic types of title insurance policies: an Owner's Policy and a Lender's Policy.

Owner's Policy:

Owner's title insurance is generally issued for the amount of the purchase price. It protects the purchaser and the purchaser's heirs as long as they own the property.

Lender's Policy:

Most lenders require title insurance as security for their investment in the property. The borrower typically pays for the Lender's Policy, which is issued for the loan amount.

How Does A Title Company Eliminate Risks?

Title insurers conduct an examination of the public records looking for matters affecting the title to the real property. These records can include, among other things:

- » Deeds
- » Civil and Probate court records » Easements
- » Maintenance Agreements
- » Assessments
- » Debts and other burdens
- » Restrictions on the property

An important part of the title insurance process is eliminating risk prior to insuring, thereby reducing the possibility of claim or loss. However, even the most careful examination cannot disclose “hidden hazards” to title.

What Are Some Hidden Hazards?

Hidden hazards can emerge after completion of a real estate purchase creating an unpleasant and sometimes costly surprise. Some examples are:

- » Forged deeds, releases or wills
- » Undisclosed heirs claiming an interest in the property » Documents executed under an expired or fabricated power of attorney
- » Mistakes made in the public record
- » Deeds executed by persons of unsound mind » Gaps in the “chain of title”
- » Invalid divorces
- » Fraud

While many of these hidden hazards might not be revealed as a result of a routine title examination, they may be covered under the terms of a title insurance policy. First American Title Insurance Company will defend the insured owner against an attack on their title and cover the cost of any settlement, up to the amount of the policy.

Vesting Information

Arizona, California and Nevada (and only a handful of other states) are community property states. That means the buyer must provide marital status as well as instructions on how the name(s) will appear on the Grant Deed.

The escrow officer often provides a form that will be filled in with the vesting choice at the beginning of the escrow. The form will also ask how the buyer intends to take title to the property (i.e., an Unmarried Man, a Married Woman as her Sole and Separate Property, Husband or Wife, etc). Vesting information must also be provided to the new lender so that loan documents may be prepared to reflect the buyer name(s) and vesting according to the buyer's wishes.

Your escrow or title company can provide you with a list of vesting choices, as well as descriptions of some of the consequences of each method of vesting. Although vesting choices vary by state, they concern either individuals (such as a married man and woman) or entities (such as a corporation, partnership or trust).

One of the most frequent questions asked of escrow officers is "How should I hold title?" Escrow officers are not attorneys and cannot give legal advice; therefore, it is important that buyers take some time before the close of escrow to research and decide upon their vesting choice. There are important legal and tax ramifications inherent in the vesting choice, and clients are encouraged to speak with their legal or tax advisor.

Escrow and Taxes

Change of Ownership Filings

When property changes hands, local government agencies require notice of change of ownership. At the local level, this would be any county office that assesses or collects taxes. Reporting a change in the ownership of the property allows the local jurisdiction to assess the tax liability for each property as the title is transferred from seller to buyer.

The reporting documents vary from state to state, but all states require at minimum the names of the seller and buyer, assessor's parcel number or other property identifying number, the property location and tax address. Also required is the total purchase price, terms of sale and signature of the new owner. The reporting document is recorded along with documents evidencing a change in ownership. In California, the document is called a Preliminary Change of Ownership (PCOR), and it assists the local agency in identifying situations in which a property reassessment is allowed under Proposition 13. In Arizona, the required document is an Affidavit of Property Value, and in Nevada, it is called the State of Nevada Declaration of Value.

Penalties or fines may be assessed from the governing body for failure to file the document as required by state or local laws. The escrow officer will generally assist the client in completing the document and ensuring that it reaches the Recorder's Office along with the other documents pertinent to the change of ownership.

Some situations which appear to be a change of ownership are exempt from the filing of this type of document, including corrections to the record and status changes such as a change in vesting.

Federal Requirements

The Internal Revenue Service (IRS) requires that sellers report certain information pertaining to sales of real property. Under the Tax Reform Act of 1986, reportable transactions include sales and exchanges of properties including, but not limited to, houses, townhouses and condominiums. Also reportable is stock in cooperative housing corporations and mobile homes without wheels. Specifically excluded from reporting are foreclosures and abandonment of real property, as well as financing or refinancing of properties.

The escrow officer, as the settlement agent, will ask the seller to complete a Certificate for Information Reporting for the 1099-S form which may be required by the IRS. The seller is required to provide his or her correct taxpayer identification number (social security number), as well as the closing date of the transaction and gross proceeds of the transaction. Most settlement agents now transmit the reportable information electronically to the IRS at the end of the year, although a "hard copy" of the form is included in the seller's closing documents.

Property Taxes

Homeowners pay property taxes to their appropriate assessment, collection or franchise tax department in each county. A change in ownership or the completion of new construction could result in a change in the assessed value of the property and may result in the issuance of a supplemental property tax bill. Taxes are due on predesignated dates and become delinquent when not paid. Penalties are assessed for delinquent taxes. The yearly “tax calendar” varies by state.

In addition to standard property taxes, many jurisdictions also contain special assessment districts, which may have been formed as a means of financing infrastructure. Bonds may have been sold to finance the infrastructure and the ultimate property owner continues to make payments on the principal and interest on the bond. The bond issues vary in size and term. Other special city and county districts may be assessed for a variety of purposes, including street lights and traffic signals, street maintenance, certain educational purposes, etc.

Transfer Taxes

Transfer Tax, often called Real Property Transfer Tax, is a tax collected by the County Recorder when an interest in real property is conveyed. It is paid at the time of recording, and is computed using the actual sales price. An amount, legislated by the state or county, is charged per \$500 or \$1,000 of the sales price. Although it is common for the seller to pay this tax, in some areas tradition dictates that the buyer and seller will split the payment.

Many cities have levied an additional tax within their jurisdictions. In some counties, these taxes are collected by the County Recorder along with county transfer tax, but in other areas a separate check will be mailed to the city. Your escrow officer is familiar with the taxes required and will coordinate payment of the appropriate amount.

Withholding Requirements (California)

Some states, such as California, require that certain sellers “prepay” their required state taxes through withholding of a percentage of the sale proceeds. State law requires that the buyer accomplish the withholding, and he/she may be subject to penalties for failure to withhold and send the appropriate amount to the State Franchise Tax Board. However, the buyer may delegate this responsibility to the escrow holder, and the escrow holder may charge a fee for this service. The law requires the escrow agent to give written notice of the withholding requirement to the buyer.

Most sellers will qualify for an exemption to the withholding law. Here are some of the exemption situations:

- Principal residence
- Property that is part of a like-kind exchange
- Properties under \$100,000
- Sales that result in zero gain or loss for state tax purposes
- Property owned by certain corporations and partnerships
- Property ownership by tax-exempt entities

The escrow holder will provide a state withholding form to the seller to help determine if any of the exemptions apply. The withholding guidelines can seem quite complex, but your escrow officer has forms and educational materials to help educate your clients. Further information is also available through your local Franchise or Tax Board or from the American Land Title Association.

Other Legal Issues

Occasionally, parties to the escrow are required to bring in additional funds to complete the transaction. Most states have laws which stipulate that the escrow cannot proceed unless the funds are “good” (i.e. have cleared the appropriate banking institution and are available for use).

For this reason, funds should be delivered to the escrow holder in the form of a cashier’s check, certified check, bank treasurer’s check or by a transfer of funds (wire) between accounts through the Federal Reserve Banks or any federally-chartered bank or credit union. Personal or out-of-area checks will add several days to the processing time and will cause delays in the escrow closing.

Statements of Information

Name duplications are inevitable in heavily-populated counties, so the parties to the escrow may be sent a document known as a “Statement of Information” (which is often referred to as an “S of I” or “SI”). This document seeks further information to clarify the identity of the parties to the transaction and should be completed and returned as soon as possible. It allows the title officer to eliminate any issues involving another person of the same or similar name which may cloud the title. The information provided is subject to extensive privacy protection regulations.

Gramm-Leach Bliley Privacy Act (GLBA)

This federal law requires financial institutions to protect non-public personal information of consumers and customers. The Act also requires government agencies that regulate financial institutions to implement regulations to carry out the Act’s financial privacy provisions.

For title and escrow companies, this legislation has simply reinforced our dedicated commitment to preserving the privacy of our customers and protecting their information. Lawyers Title has strict guidelines in place to ensure the safe storage of information as well as the appropriate electronic safeguards. Contact your local representative for a copy of Lawyers Title’s Privacy Policy.

Terms You Should Know

Appraisal

An estimate of value of property resulting from analysis of facts about the property; an opinion of value.

Annual Percentage Rate (APR)

The borrower's costs of the loan term expressed as a rate. This is not their interest rate.

Beneficiary

The recipient of benefits, often from a deed of trust; usually the lender.

Closing Disclosure (CD)

Closing Disclosure form designed to provide disclosures that will be helpful to borrowers in understanding all of the costs of the transaction. This form will be given to the consumer three (3) business days before closing.

Close of Escrow

Generally the date the buyer becomes the legal owner and title insurance becomes effective.

Comparable Sales

Sales that have similar characteristics as the subject real property, used for analysis in the appraisal. Commonly called "comps."

Consummation

Occurs when the borrower becomes contractually obligated to the creditor on the loan, not, for example, when the borrower becomes contractually obligated to a seller on a real estate transaction. The point in time when a borrower becomes contractually obligated to the creditor on the loan depends on applicable State law. Consummation is not the same as close of escrow or settlement.

Deed of Trust

An instrument used in many states in place of a mortgage. CA Sellers Guide | 4

Deed Restrictions

Limitations in the deed to a parcel of real property that dictate certain uses that may or may not be made of the real property.

Disbursement Date

The date the amounts are to be disbursed to a buyer and seller in a purchase transaction or the date funds are to be paid to the borrower or a third party in a transaction that is not a purchase transaction.

Earnest Money Deposit

Down payment made by a purchaser of real property as evidence of good faith; a deposit or partial payment.

Easement

A right, privilege or interest limited to a specific purpose that one party has in the land of another.

Endorsement

As to a title insurance policy, a rider or attachment forming a part of the insurance policy expanding or limiting coverage.

Hazard Insurance

Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended coverage for personal property.

Impounds

A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.

Legal Description

A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire parcel of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.

Lien

A form of encumbrance that usually makes a specific parcel of real property the security for the payment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust.

Loan Estimate (LE)

Form designed to provide disclosures that will be helpful to borrowers in understanding the key features, costs and risks of the mortgage loan for which they are applying. Initial disclosure to be given to the borrower three (3) business days after application.

Mortgage

The instrument by which real property is pledged as security for repayment of a loan.

PITI

A payment that includes Principal, Interest, Taxes, and Insurance.

Power of Attorney

A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an “Attorney-in-Fact.”

Recording

Filing documents affecting real property with the appropriate government agency as a matter of public record.

Settlement statement

Provides a complete breakdown of costs involved in a real estate transaction.

TRID

TILA-RESPA Integrated Disclosures

Eagle Owner's Policy

The Benefits of First American Title Insurance Company's Eagle Owner's Policy Versus the Standard ALTA Owner's Policy

First American Title Insurance Company's EAGLE Owner's Policy provides expanded title coverage for owners of one-to-four family residences, including condominiums. Coverages included in the EAGLE Owner's Policy offer the highest levels of protection available to our California homeowners.

Eagle Owner's Policy benefits you won't get with a Standard ALTA Owner's Policy:

Post-policy Forgery

Post-policy Encroachments Post-policy Adverse Possession

- Coverage extended to homeowner when someone claims to have the insured's title arising out of someone else's continued use and occupancy

Post-Policy Easement by Prescription

- Coverage if another claims right to use a part of the insured's land as an easement because of continuous use over time

Building Permit and Zoning Violation

- Coverage for losses up to \$25,000, after a small deductible, for building permit violations and forced remediation of zoning violations, and up to the full policy amount for forced removal of structures due to zoning violations

Expanded Access

- Expanded to include both vehicular and pedestrian access to and from land, based upon legal right

Encroachment of Improvements onto Easements and Set-backs Subdivision Violation

- Homeowners are covered up to \$10,000, after a small deductible, for protection against subdivision violations prior to purchase

Restrictive Covenant Violations

- Coverage provided for violations of restrictive covenants, occurring before homeowner acquired land if the homeowner is forced to correct or remove the violation or if the homeowner's title is lost or taken because of the violation

Structural Damage for Mineral Abstraction or Easement Use Encroachment of Boundary Walls and Fences

- Protection of up to \$5,000, after a small deductible, for encroachments onto a neighbor's land, onto an easement, or over a building set-back line

What Is Escrow?

Escrow is a process that evolved to ensure protection for all parties to a real estate transaction. A “neutral third party” or “stakeholder” was nominated to hold the funds until the purchaser received appropriate assurance that the property had been transferred. An escrow may also be created for other purchases, although it is most commonly used during the transfer of

real estate. Today, the escrow is overseen by an escrow officer employed by an independent escrow company or title company. All parties are protected because the escrow holder will retain funds and documents until all the instructions are fulfilled.

An escrow is created when money and/or documents are deposited with the escrow officer. The escrow officer’s authority is strictly governed by written instructions, mutually agreed upon by the parties involved. The instructions direct the escrow holder to perform duties necessary to complete the transaction. A few of the tasks which may be required are:

- Receive and deposit earnest money
- Order information for payoff of existing liens
- Calculate and/or prorate taxes, liens, interest, rents, and insurance policies
- Make arrangements for title insurance protection for the buyer and lender
- Prepare and/or receive documents relating to the escrow
- Request and receive funding from new lender when conditions have been satisfied
- Arrange for recording of the conveyance documents and any other legal instruments required to transfer title to the property pursuant to the terms of the purchase agreement
- Close the escrow and disburse funds as agreed upon in the instructions
- Prepare a closing statement for the parties showing disposition of funds

Definition of “Escrow” from Black’s Law Dictionary

A writing, deed, money, stock or other property delivered by the grantor, promissor or obligor into the hands of a third person, to be held by the latter until the happening of a contingency or performance of a condition, and then by him delivered to the grantee, promisee or obligee. A system of document transfer in which a deed, bond or funds is delivered to a third person to hold until all conditions in a contract are fulfilled.

Fun Fact

Escrow practices evolved from English common law. The word “escrow” is actually derived from the Middle English (12th to 15th century) word for “scroll,” on which all of the escrow instructions and lists of properties were recorded.

The Escrow Officer

The escrow officer is a highly-trained and experienced employee of a title company, independent escrow company or real estate broker. Escrow officers act as neutral third parties to accomplish the closing of the real estate transaction. Lawyers Title escrow officers are not only expert in the complexities of closing a real estate transaction, they are also accustomed to dealing with the public and working closely with real estate agents, lenders, and other real estate service providers involved in each transaction.

It is safe to say that most escrow officers learned their craft on the job. Most served an extended “apprenticeship” of several years before earning their escrow officer designation. In addition, many escrow and title companies provide formalized training in escrow. There are escrow schools, classes through the American Escrow Association and its state-level affiliates, and escrow classes at junior colleges and trade colleges. The real test of an escrow officer’s expertise is the coordination of many transactions simultaneously, all the while answering the telephone, coordinating the signing of documents, overseeing the work of an assistant, and frequently managing an office as well! Your escrow officer likely has many years of experience and has closed thousands of escrows—each one individual and unique.

Title, escrow and real estate companies are members of highly regulated industries. They are overseen by local, state and federal regulatory agencies and must comply with extremely high standards of integrity and fiscal responsibility. However, escrow officers are not attorneys and may not give legal or tax advice. They do take a great interest in the satisfaction of all parties involved in the real estate transaction, and they will often work long hours to make sure the escrow closes as expected.

Opening the Escrow

The selection of the escrow holder is normally done by agreement between the parties to a transaction. Typically, the escrow is opened by the real estate agent. Which agent (the “seller side” or the “buyer side”) will open the escrow is generally determined by local practice.

Escrow may be opened via telephone, email, website form or in person, depending upon the preference of the agent and which options are available through the escrow company. An “escrow number” is assigned and the appropriate information is entered into the computer. Upon issuance of an escrow number, the escrow officer will order a Preliminary Report or Commitment from the title company or title department.

The escrow officer will need some basic information in order to open and proceed with the escrow:

- Correct street address and parcel # if available
- Sales price
- Full names of all parties involved and marital status
- Contact information for all parties
- Existing lender name, loan number, contact information and approximate unpaid balance.
- New lender contact information if applicable
- Homeowner’s association information, such as address and dues
- HOA management company information (if any)
- Commission amount and additional conditions

In general, the first item to enter the escrow is the buyer’s initial deposit. The escrow file will grow, item by item, until all of the conditions have been met and the escrow is ready to close.

Expedite Your Escrow

The escrow officer's goal is to make the closing smooth and error-free, and to be an active participant in your success. Throughout the escrow process, securing timely and complete information is one of the keys to exceptional escrow service. You can be of tremendous assistance as the "information pipeline" and the escrow officer will greatly appreciate this information.

If You Are Opening the Escrow, Please Provide the Following:

- Complete street address (Avenue, Drive, Street, Number, etc.) and parcel number if possible.
- Full names and marital status of all sellers (initials are not enough). If a married couple is involved, the first name of the wife as well as the husband is essential, along with addresses and phone numbers.
- Type of property: is it a rental or owner-occupied?
- Names of any existing mortgage companies, including all lien holders and private parties, to be paid off at closing. Include the company name, loan number, address, telephone number, and approximate unpaid balance.
- Homeowners Association name and the name and phone number of the Management Company.
- Appropriate information and reports, such as termite report and/or completion, home protection invoice, natural hazard report invoices, etc.

Agape Home Inspection
42215 Washington St., Suite A #262
Palm Desert, CA
760.567.2777

Agape inspects the structure, systems and components of the home, inside and out, from the foundation to the roof, using the latest tools and technology.

The agent is encouraged to attend the inspection so Agape can describe the process, explain findings, point out important maintenance items, and answer all questions.

As a Certified Professional Inspector trained by InterNACHI, Agape adheres to a comprehensive Residential Standards of Practice. This means that Agape will inspect all of the following, when visible and accessible:

Roof, structural components, attic, ventilation and insulation, exterior cladding including EIFS, porch and deck attachments, garage, driveway, foundation, electrical system, plumbing system, HVAC system, interior including built-in appliances, ceilings, floors, walls, windows, and doors.

Following evaluation, Agape will compile findings in an easy-to-read report which will include detailed descriptions and high-resolution digital photos of any issues discovered. The report will be e-mailed to the agent and explained fully.