

ILLINOIS REAL ESTATE LICENSE HOLDING CO.

Office Policy Manual

2015 edition

Office Policy Manual (2015 ed.)

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MISSION STATEMENT

It is the mission of **Illinois Real Estate License Holding Company** to ethically and profitably provide an alternative to surrendering licenses to brokers and leasing agents who no longer wish actively to work in real estate but instead to work entirely by referral.

STATEMENT OF BUSINESS PRINCIPLES

The following principles form the basis for operations of **Illinois Real Estate License Holding Company**. Agents, management and staff of the company work as a team to further the mission of the company while abiding by these principles.

1. **PROFESSIONALISM:** Professionalism at **Illinois Real Estate License Holding Company** means approaching the business with ethical conduct toward our customers and clients. Abiding by the **REALTOR CODE OF ETHICS** forms the basis of that standard. Each agent and employee of **Illinois Real Estate License Holding Company** is pledged to this ideal.
2. **INTEGRITY:** Simply put, honesty in all business dealings is the best way to build and maintain a referral base over the long term. Simple honesty also forms the basis for the best business protection we can get. It is a simple, efficient and cost-effective risk reduction method.
3. **PROFITABILITY:** **Illinois Real Estate License Holding Company** is in business to make profits in the course of its ordinary activity. Each agent and staff member has a responsibility to the company to contribute to its profitability, whether it be in terms of direct production of revenue or careful expenditure of company funds.

This Office Policy Manual for **Illinois Real Estate License Holding Company** is designed to guide each agent and staff member in the most important areas of company activity. If a matter is not covered, bring it to the attention of the Managing Broker for possible inclusion in future revisions. If a matter is covered, the agent or staff member is expected to act according to this Manual. Failure to act in accordance with company policy will be taken into account in future evaluations of the agent or staff member.

EQUAL EMPLOYMENT OPPORTUNITY POLICY

It is **Illinois Real Estate License Holding Company's** policy to provide equal employment opportunities without regard to race, color, national origin, ancestry, religion, sex, sexual orientation, gender identity, marital status, parental status, disability, age, source of income, or military discharge status to all qualified employees and applicants for employment. This policy applies to all areas of employment, job assignment, training, promotion, transfer, compensation, discipline and discharge. The company abides by all federal, state and local laws regarding employment practices, including, but not limited to the Americans with Disabilities Act.

POLICY AGAINST SEXUAL HARASSMENT

Any harassment of an associate, whether agent, employee or applicant, because of race, color, national origin, ancestry, religion, sex, sexual orientation, gender identity, marital status, parental status, disability, age, source of income, or military discharge status is clearly prohibited and will not be condoned. Sexual harassment is one particular form of discrimination which is illegal and violates the company's longstanding equal employment opportunity policy. **Illinois Real Estate License Holding Company** maintains a strong policy prohibiting any form of sexual harassment.

No agent, employee, staff member, customer, or vendor, male or female, may sexually harass an employee, agent or other person associated with the company by:

1. Making unwelcome sexual advances or requests for sexual favors or other verbal or physical conduct of a sexually suggestive nature; or
2. Making submission to or rejection of such conduct the basis for employment, continued employment or any other employment decision affecting the employee; or
3. Creating an intimidating, hostile or offensive working environment by such conduct.

Any agent or employee who has been found to have sexually harassed another agent or employee will be subject to appropriate discipline up to and including discharge from association or employment.

This policy applies equally to any work-related sexual harassment by or to both men and women employed by or associated with the company or who deal with the company in our business, and it is not limited to supervisor/employee or manager/agent relations or to conduct occurring on premises or during working hours.

Any agent or employee who believes that he/she is being or has been sexually harassed by another agent or employee should promptly take one or more of the following steps:

1. If appropriate, discuss the situation directly with the person whom you feel is harassing you, and politely request that the person cease harassing you because you do not like or welcome his/her conduct. You might also add that if such conduct does not cease altogether, you will take further steps under this procedure. (If the person involved is a customer or client, please refer the complaint to senior management instead.)
2. If you believe that some adverse employment consequence may result from your discussions with that person, or if the harassment continues, go to a higher level of supervision including any senior executive of the company. You may be required to state in writing the specific details of the harassing behavior including date, time, place and witnesses, if any.
3. An investigation of any complaint will be undertaken immediately. All complaints will be handled in a prompt, confidential manner insofar as the investigation permits. There will be no adverse action directed toward any complaining agent or employee or witness as a result of making or supporting the complaint, unless there clearly was bad faith.

IDFPR ACTIONS

Illinois Real Estate License Holding Company retains the right to terminate any licensee sanctioned by the IDFPR. Upon completion of the terms and conditions of the board order, the licensee may return to **Illinois Real Estate License Holding Company** at the discretion of the managing broker.

INDEPENDENT CONTRACTOR/EMPLOYMENT AGREEMENT

Illinois Real Estate License Holding Company has a policy of associating with its licensees as independent contractors. Each agent will be required to sign the Sponsoring Broker-Salesperson Contract agreement setting out the relationship as an independent contractor. While the exact terms of the relationship are covered in the contract, a few reminders about being an independent contractor follow. You should have been provided with a copy of your Sponsoring Broker – Sponsored Licensee Agreement upon acceptance as an independent as an independent contractor with **Illinois Real Estate License Holding Company**. Please contact delfin@kalerealty.com or rob@kalerealty.com if you need a copy.

1. **Income Taxes:** All income taxes, federal and state, are the responsibility of the agent. The company does not withhold or pay Social Security taxes on referral earnings. Self-employment tax must be paid by the agent.
2. **Unemployment Taxes:** As an independent contractor, the agent is not covered under state or federal unemployment laws. Independent contractor real estate agents acting under an agreement such as the Sponsoring Broker-Salesperson Contract are exempt from the unemployment laws by Illinois statute. Accordingly, **Illinois Real Estate License Holding Company** does not pay unemployment taxes on the earnings of its agents.
3. **Worker's Compensation:** It is agreed that Sponsored Licensee shall furnish his/her own workman's comp and pay all expenses thereof and that Sponsoring Broker shall have no responsibility therefore. Licensee shall provide sponsoring broker proof of coverage.
4. **Automobile Insurance:** Each agent should carry adequate automobile insurance. In today's legal climate, liability coverage of \$300,000 per person/\$500,000 per accident should be obtained. Any lesser amounts could cause unnecessary exposure of personal assets. Consult carefully with your insurance agent. The agent must name **Illinois Real Estate License Holding Company** as an additional insured and provide the company with a certificate reflecting that status. Keep in mind that while automobile insurance is a legal requirement for all drivers and the recommended coverage will help reduce licensees' liability, as a member of the holding company you are not permitted to practice real estate actively and, therefore, there should never be a situation in which you have clients in your vehicle.

Each agent is reminded that state law requires each person in the front seat of an automobile to wear a seat belt. In addition, state law requires that any child age four or younger must be in an approved child restraint system when seated in a vehicle. To reduce risk, we strongly recommend that you insist that all occupants of your vehicle wear safety belts and that all children age four or younger sit in an approved child restraint system. You should also note that any infant's car seat, (children approximately one year or younger) should not face forward, but should face the rear of the vehicle. In

cars equipped with passenger side airbags, a car seat should never be installed in the front passenger seat but always installed in the rear seat(s). In addition, children and small adults should not sit in the front passenger seat. Airbags are known to release with such force that injury or death is possible for children and small adults.

5. Expenses: As an independent contractor, each agent is expected to be in business for herself/himself. Any expenses of that business will be the responsibility of the agent.

The agent will be expected to pay for all other expenses, including but not limited to licensure and continuing education expenses. Dues for holding the agent's license will be assessed on an annual basis based on the date the agent joined **Illinois Real Estate License Holding Company**.

This list of expenses paid by company or agent may be amended by the company from time to time by appropriate publication to all agents.

6. **Illinois Real Estate License Holding Company** may, at any time and without prior notification, sever its relationship with any of its independent contractors. While the company prefers to maintain its association with its independent contractors, it is necessary for **Illinois Real Estate License Holding Company** to retain this right for its own protection.
7. By signing this agreement, independent contractor agrees to receive emails, text messages and phone call notifications from **Illinois Real Estate License Holding Company**.

OFFICE HOURS

Illinois Real Estate License Holding Company is a subsidiary of Kale Realty, LLC and maintains administrative headquarters at Kale Realty's flagship office, 542 W. Roosevelt, Chicago, IL 60607. Kale staff oversee the operations of **Illinois Real Estate License Holding Company** between the hours of 9:00 am and 5:00 pm Monday through Friday.

HOLIDAYS AND HOLIDAY HOURS

Illinois Real Estate License Holding Company is closed or only open for reduced hours on all major holidays based on the schedule of Kale Realty.

SMOKING POLICY

Smoking is prohibited in the administrative headquarters of **Illinois Real Estate License Holding Company**, including private offices, conference rooms, rest rooms and areas not normally accessible to the public.

USE OF LIKENESS IN MEDIA

Illinois Real Estate License Holding Company reserves the right to use the likeness of its independent contractors on its websites, in advertising, in promotional or instructional videos, or in any other media and may retain such likeness in the event that the independent contractor severs ties with the firm. Under no circumstances shall **Illinois Real Estate License Holding Company** use said likeness to undermine, misrepresent, or damage the professional image of any independent contractor.

INQUIRIES/VISITS BY GOVERNMENT OFFICIALS

Any inquiry by a government official, whether by telephone, letter or in person, should immediately be forwarded to the broker. If the broker is not available, the person receiving the inquiry should immediately contact the company's attorney by phone and request that she/he come to the office. Unless presented with a valid search warrant signed by a federal judge or a judge of the county in which the office is located, the person receiving the inquiry should not allow any representative from a local, state or federal office to see any files or any information maintained in the office, nor should the person ever answer any questions of such a representative official unless the company's attorney is present.

INDEMNITY

All brokers and agents shall defend, indemnify, and hold **Illinois Real Estate License Holding Company**, its officers and employees harmless from any and all claims, injuries, damages, losses or suits, including attorney fees, arising out of or resulting from the acts, errors, or omissions of the broker or agent. Brokers and agents are responsible for any legal fees and/or insurance deductibles incurred.

SUBPOENAS AND SUMMONSES

If a process server appears in the office with a subpoena or summons for the Company, any employee or agent should accept it. Once accepted, it should immediately be turned over to the managing broker. The broker should contact the company's attorney. If the process server asks for a specific person, only that specific person may accept the subpoena or summons. If that person is not in the office, the person receiving the inquiry should not volunteer any information about the person requested and should not give out home phone numbers or home addresses, even if asked. Refer the inquiry to the broker immediately.

CONCEALED WEAPONS

While Illinois law now allows limited concealed carry, it is **Illinois Real Estate License Holding Company's** policy that no employee or independent contractor of **Illinois Real Estate License Holding Company** shall carry a concealed weapon at any time at the administrative headquarters or on the premises of any Kale office, regardless of the location. Carrying a concealed weapon is considered a very serious offense and subjects the offender to immediate termination.

PAYMENTS TO UNLICENSED PERSONS

Illinois Real Estate License Holding Company maintains a strong policy that no unlicensed person will be paid for any real estate activity requiring a license. The license law (Sections 10-15(a) and 20-20(a) (38) makes clear that an unlicensed person may not be paid for engaging in licensed activities.

**AGENT AS PRINCIPAL TO A TRANSACTION
(BUYER OR SELLER OF A PROPERTY)**

In the event contractor, an immediate relative of contractor whom contractor is representing, or any entity owned or controlled by contractor is referred to an active agent, contractor will be paid according to the agreed upon split. In any event, contractor agrees to indemnify and hold **Illinois Real Estate License Holding Company** harmless from any claims, demands, complaints, Realtor arbitration, or other actions made against Broker as a result of any transaction in which contractor, an immediate relative of contractor, or any entity owned or controlled by contractor acts as a principal.

In the event that the agent refers him or herself, his or her immediate family (mother, father, brother, sister, children, any of their spouses of any business owned fully or partially by any of these persons), then agent or his or her immediate family shall be represented by the agent receiving the referral only as a buyer or seller and not in a dual agency capacity. Agent shall also disclose his or her status as a real estate licensee in the state of Illinois.

In the event that the agent refers any relative by blood or marriage not in the agent's immediate family as defined above, or if the agent refers a close friend, business associate or long term past customer or client, **Illinois Real Estate License Holding Company** strongly urges that such be represented by the agent receiving the referral only as a buyer or seller and not in a dual agency capacity.

DO NOT CALL REGISTRY ACKNOWLEDGEMENT

The undersigned acknowledges and agrees as follows:

- 1) The National Do Not Call Registry administered by the United States Federal Trade Commission and the equivalent list administered by the State of Illinois may be applicable to telephone solicitation and other telephone marketing calls made by the **Illinois Real Estate License Holding Company** independent contractor;
- 2) the contractor will comply with the requirements of the National Do Not Call Registry and the equivalent list administered by the State of Illinois and with all rules and regulations related thereto; and
- 3) the contractor agrees to indemnify and hold harmless **Illinois Real Estate License Holding Company** from and against any and all liability for fines, penalties, attorney fees, and related costs and expenses arising out of or in connection with any violation by the controls, or any person, firm or legal entity acting on the contractor's behalf, of the National Do Not Call Registry or the equivalent list administered by the State of Illinois, including all rules and regulations related thereto.

MARKETING POLICY

The provisions of the Do Not Call Registry acknowledgment notwithstanding, soliciting referral fees is not a generally accepted practice by the IDFPR. For this reason, it is the policy of **Illinois Real Estate License Holding Company** that its members not actively market their referral services.

FAIR HOUSING POLICY

Illinois Real Estate License Holding Company believes that fair housing policies are not just the law of the land but simply the right thing to do. **Illinois Real Estate License Holding Company** maintains a strong policy upholding all federal and state fair housing laws and Article 10 of the REALTOR Code of Ethics and the NAR Code of Fair Housing Practices.

Accordingly, **Illinois Real Estate License Holding Company** prohibits any agent or staff member from discriminating against any person in the provision of any of the company's services because of the person's race, color, national origin, ancestry, religion, sex, sexual orientation, gender identity, marital status, parental status, disability, age, source of income, military discharge status, or any other class protected by Article 3 of the Illinois Human Rights Act. The parties agree to comply with all applicable federal, state and local fair housing laws.

Among the prohibited practices which are against this policy and the law are:

1. Refusing to show, sell or rent based on a person being a member of a protected class.
2. Different treatment/disparate treatment to persons of a protected class.
3. Steering: A person shall not encourage or discourage another from moving into any area because of the race, color, religion, sex, handicap, marital status, familial status, ancestry, age of the present residents, or military status.
4. Discriminatory advertising that "expresses" a preference for buyers or tenants of a particular race, color, religion, sex, handicap, marital status, familial status, national origin, ancestry, age or military status.
5. Harassment (i.e., coercion, intimidation, threats or interference with a person's fair housing rights or because a party is abiding by fair housing law).
6. Applying more burdensome criteria to applicants of protected classes.
7. Blockbusting/Panic Peddling: A person is prohibited from inducing or attempting to induce another to sell or rent a property by making any express or implied representations regarding the entry or prospective entry into a neighborhood of a person or persons of any particular race, color, religion, national origin, sex, ancestry, age, marital status,

physical or mental handicap, familial status, or any other class protected by Article 3 of the Illinois Human Rights Act. The parties agree to comply with all applicable federal, state and local fair housing laws

Agents and staff should be aware that persons with AIDS are considered handicapped and "familial status" means families with children under the age of 18 years, an individual who is pregnant or an individual in the process of obtaining legal custody of a person under the age of 18 years.

Illinois Real Estate License Holding Company and the Illinois Department of Financial and Professional Regulation, National Association of Realtors, Illinois Association of Realtors, Chicago Association of Realtors, and Main Street Association of Realtors have agreed to and adopted the Fair Housing Partnership as adopted by the National Association of REALTORS® and the Department of Housing and Urban Development.

ANTITRUST POLICY

Illinois Real Estate License Holding Company maintains a strong policy against any antitrust involvement by the company, its agents or employees. Few obligations can be taken more seriously than those in this area. Two primary areas of antitrust focus are:

1. **PRICE FIXING:** Price fixing means any agreement, setting, consent to, suggestion or implication with a competitor regarding a fee to charge. This includes fees charged to the public, fees split among brokers and fees paid to agents. "Agreement" can be overt, covert, express or implied. It is very broad based and can even be suggested or implied by casual conversation with any competitor.

In any discussion with a member of the public about our charges (such as a listing appointment), do not be drawn into a discussion about company fees as "the standard rate," "the Board rate," "the typical rate" or the like. If questions arise about other company's fees, suggest that the potential client call several competitors and ask about their rates.

2. **BOYCOTTING COMPETITION:** It is also a violation of federal law to make any agreement, express or implied, with a competitor to boycott or otherwise not deal with a third party competitor. For example, assume Discount Realty opens up an office. Then assume Bob Broker, an agent with Big Bucks Broker, and Alice Agent, an agent with Just As Big Broker are having lunch one day and discuss the competitive impact of Discount Realty. Bob and Alice agree that Discount is a danger to their large listing portfolios and further agree that individually they will not show Discount's listings because "Something has got to be done about that price-cutting monger." This simple agreement with two agents is an illegal boycott. Even if it were implicit and not overt, it could be construed as an illegal boycott.

Illinois Real Estate License Holding Company prohibits any agent or staff member from making any agreement or suggestion with a competitor, including an individual agent, that he/she or the company will not deal with a third broker or agent, whether it be a listing company, buyer's brokerage, discount broker or any other broker or agent whatever.

CLOSING PROCEDURES

1. **INTERNAL VERIFICATION PROCEDURES: Illinois Real Estate License Holding Company** ensures completion of all necessary documentation by requiring submission of all documentation relevant to a deal to be submitted prior to the agent being paid. Each agent is expected to cooperate fully and promptly with any requests for verification, further information or correction of any oversights in the documents.

For other related policies, see the section on Risk Reduction Policy.

RISK REDUCTION POLICY

Illinois Real Estate License Holding Company advocates and encourages the concept of risk reduction. The strong majority of claims filed against real estate agents and brokers allege some misrepresentation or fraud. The trend of the law in the real estate industry is for more and more disclosure. Accordingly, **Illinois Real Estate License Holding Company** has the following policies regarding risk reduction and disclosure.

1. **COMPLIANCE WITH ALL LAWS, RULES AND REGULATIONS:** As an agent of **Illinois Real Estate License Holding Company**, each person assumes the obligation of strict compliance with all laws, rules and regulations which govern real estate licensees in the State of Illinois.
2. **COMPLIANCE WITH THIS POLICY MANUAL:** As an agent of **Illinois Real Estate License Holding Company**, each person agrees to comply with all policies as stated in this manual and its additions, changes and amendments as from time to time published by management of the company. Failure to comply with the policies herein subject the agent or staff member to disciplinary action which may include termination of association with the company.
3. **USE OF LEGAL COUNSEL:** Whenever an agent believes she/he requires legal assistance, the broker should be contacted. The company has legal counsel for appropriate legal questions and problems. In addition, the Illinois Association of REALTORS[®] provides a free Legal Hotline for legal educational information for those registered by the company or the designated broker. The earlier a legal question or problem is brought to the attention of management, the earlier the problem can be solved. The company's position is that wisely spent legal fees early in a problem can save many thousands of dollars if a formal complaint or lawsuit arises.
4. **ERRORS AND OMISSIONS INSURANCE:**

Illinois Real Estate License Holding Company carries errors and omissions insurance in the amount of \$500,000 with a deductible of \$2,500. All agents and staff of the company are covered by the policy. The policy is paid by agents through fees charged for each rental deal and by annual fees charged to brokers.

Errors and omissions insurance generally covers the negligent acts of the insured. It does not cover all possible damages for which the company could be liable. For example, no errors and omissions insurance covers punitive damages. For other exceptions, contact the broker for a copy of the policy.

Errors and omissions insurance does cover defense costs, that is, the legal fees involved in defending a claim against the company or agent subject to any pertinent deductible. This is very valuable coverage.

The policy of **Illinois Real Estate License Holding Company** is that each agent must notify the broker as soon as the agent is aware of a possible claim against the agent/broker. "Possible claim" means the potential of a disagreement which could lead to a lawsuit against the company or agent. Only in this way can the company properly invoke the errors and omissions coverage, if necessary.

5. **COMPLAINT HANDLING PROCEDURES:** One of the simplest and most cost effective risk reduction methods is a good complaint handling process. Accordingly, **Illinois Real Estate License Holding Company** establishes the following procedures for handling complaints.
 - a. If the complaint comes to an agent involved in a transaction, the agent will initially be the primary contact person to handle the complaint with management assistance. At a minimum, the agent should immediately notify the broker of the complaint. The broker will then make a determination as to whether the agent should continue to handle the complaint or whether the complaint should be handled by a designated management representative.
 - b. If the complaint comes in without specifying an agent, the broker will handle the complaint. If a specific management person is requested (such as "I want to speak to the President!"), the person answering the call should courteously direct the call to the requested person, if available, or the broker in the requested person's absence. The caller should **ALWAYS** be assisted in some way. The person taking the call should not say "Oh, she isn't here right now." or "You'll have to call him later." or "Please call her office." It is very important to handle an aggravated or upset caller with the utmost courtesy and care.
 - c. Whoever takes the complaint, the key factor in handling the call is to **LISTEN** to what the caller's complaint is. The most appropriate and helpful thing the call handler can do is give the person filing the complaint a full and fair airing of his/her grievance. Many times, simply listening to the complaint does much to alleviate the caller's frustration. Sometimes, being listened to is all the person really wants. **ACTIVE LISTENING** is critical.
 - d. Usually, the most successful way to handle the initial complaint call is to validate the caller's concerns. In general, it is best not to challenge the caller or become defensive. **GET THE FACTS!!** Simply try to get all necessary information from the caller's perspective, even if the complaint handler knows it may not be 100% accurate. Remember to document the conversation in writing. Make notes or write a memo about the conversation as soon as possible.
 - e. Usually the call can be ended by assuring the caller that the matter will be investigated. The complaint handler should tell the caller what he/she can expect. For example, "Mr. Smith, I would hope you understand that I need to do some

research. I will look into the matter, discuss it with Suzie and get back to you by Tuesday." The caller should always be told what the complaint handler will do and by when. **THEN DO IT!!**

The basic risk reduction techniques in this manual can contribute significantly to the safe and successful practice of the real estate business for **Illinois Real Estate License Holding Company** and each agent. The company appreciates each agent's and staff member's enthusiastic endorsement of these concepts.

ACKNOWLEDGMENT AND AGREEMENT

The undersigned agent or employee of **Illinois Real Estate License Holding Company** acknowledges receipt of a copy of **Illinois Real Estate License Holding Company's** Office Policy Manual.

As a condition of his/her association or employment with **Illinois Real Estate License Holding Company**, the agent or employee agrees to abide by the terms of this Manual as presently adopted and as amended in the future by publication from management of any changes.

Failure to abide by the terms of this Manual as adopted and amended will be grounds for disciplinary action of the agent or employee, including termination of association or employment.

Agent or Employee

Date