

# THE EXIT FORMULA

(U.S. Revision Effective ~~04.01.05~~04.01.06)

## 1. Franchisor

EXIT Realty Corp. International (“EXIT”) is the Franchisor. EXIT provides centralized control over all EXIT Subfranchises, Districts and Franchises with regard to the establishment and enforcement of all policies, procedures, standards, and business insight of EXIT. EXIT is not a real estate brokerage and does not belong to any real estate board.

## 2. Sales Representatives and EXIT Associates

Sales Representatives mean all licensed real estate salespersons and brokers performing services as an employee or independent contractor for an EXIT Franchise.

EXIT Associates mean all Subfranchisors, Franchisees, Sales Representatives or non-~~licensed~~licensed persons under written contract with a Franchise, Subfranchisor or EXIT.

## 3. Effective Date

The Effective Date for Sales Representatives is defined as the date that (1) the Sales Representative’s license is formally transferred under Franchise’s Real Estate Broker’s License, (2) the Sales Representative has executed a Sales Representative’s Agreement which has been approved by EXIT, and (3) the EXIT Associate Profile (described in section 8.d) has been completed.

The Effective Date for all other EXIT Associates is defined as the date that (1) a written contract is executed with a Franchise, Subfranchisor or EXIT, and (2) execution of the EXIT Associate Profile.

The signing of the contract, the transfer of the real estate license and completion of the Associate Profile (see Section 8.d) are prerequisites to generate the remuneration package outlined in this document. EXIT Associates may not make use of the EXIT trade name or any other proprietary marks of EXIT, on business cards, signage or in any published media until these prerequisites have been met.

## 4. Annual Dues

- a) Each EXIT Associate shall pay to EXIT Annual Dues of Two Hundred ~~Forty~~FortyNinety-five Dollars (\$~~245.00~~295.00). The Annual Dues are non-refundable and are due and payable on the effective date of the Sales Representative’s Agreement or the date the person becomes a part of the EXIT System, as applicable, and on each July 1<sup>st</sup> thereafter. The Annual Dues for the first year shall be prorated based on the number of days to the following July 1<sup>st</sup>.
- b) The payment of Annual Dues is an absolute prerequisite for the receiving of any and all EXIT Sponsoring Bonuses, Retirement and Beneficiary Benefits or awards and to ensure a presence on the EXIT website. The Franchisor reserves the right to deduct Annual Dues from said payments whenever necessary.
- c) Franchises are responsible for the payment and collection of Annual Dues from Sales Representatives. Franchise shall pay the Annual Dues to EXIT immediately upon the

date that the new Sales Representative or EXIT Associate Agreement is signed and upon the annual renewal date of July 1<sup>st</sup>. Payment shall be by wire transfer or by Franchise's check. Any amount not paid by the tenth (10<sup>th</sup>) day after its due date shall be charged interest, from the due date, at a rate computed from day to day, equal to two (2) percentage points in excess of the Prime Interest Rate published in the Money Rates Section of the Wall Street Journal.

- d) ~~Annual dues are subject to increases not to exceed 7% annually.~~

## 5. Commissions

Commission is defined as all revenues (percentage or flat fees) earned in relation to the sale, lease or exchange of real property or any transaction processed through the Franchise.-

The standard commission structure for a Sales Representative is as follows:

- a) Seventy percent (70%) of the first One Hundred Thousand Dollars (\$100,000) of all gross commissions per calendar year earned and received by the Franchise from transactions generated by a Sales Representative are paid to the respective Sales Representative by the Franchise.
- b) Ninety percent (90%) of all gross commissions in excess of One Hundred Thousand Dollars (\$100,000) per calendar year earned and received by the Franchise from transactions generated by a Sales Representative are paid by the Franchise to the Sales Representative for the remainder of the calendar year.

These payments are due immediately upon the closing of each transaction.

## 6. Transaction Fees

Every sales or leasing transaction involves two (2) "Transaction Sides", a "Selling Side" and a "Buying Side". Each "Transaction Side" is subject to the following Transaction Fees payable to EXIT immediately upon the closing of each transaction:

### a) Transaction Fees (Residential)

Each Transaction Side is subject to a Transaction Fee of One Hundred Fifty Dollars (\$150). The Transaction Fees payable on residential transactions generating a gross commission to the Franchise of One Thousand Five Hundred Dollars (\$1,500) or less shall be Forty-five Dollars (\$45).

### b) Transaction Fees (Industrial, Commercial and Investment)

A transaction shall be deemed to be an industrial, commercial or investment (hereinafter referred to as "ICI") transaction if it is in accordance with the real estate board where the Franchise is registered and shall be subject to the following:

- i) ICI Fee Units. A system of "Fee Units" shall be calculated to determine the Transaction Fees in the ICI transactions. "Fee Units" are calculated by dividing the gross commission earned by the Franchise per Transaction Side by a factor of 5,000 (rounded to the nearest 1/100<sup>th</sup> of a unit). For example, if the gross commission earned is \$61,250.00, 12.25 Fee Units are generated. and 12.25 transaction sides will be recorded for the purposes of awards calculations.
- ii) Transaction Fees (ICI). Each ICI Fee Unit is subject to a Transaction Fee of One Hundred Fifty Dollars (\$150) per Fee Unit.

c) **Partial Commissions**

All transaction fees for commissions on residential or ICI properties that are paid in installments either before or after the closing date of the transaction will be calculated in the same manner as ICI transactions. For example, each installment of commission will be entered into EXIT's computer reporting system separately and the transaction fee will be calculated using the same formula as ICI transactions.

d) **Referrals**

All Transaction Fees that pertain to referral commissions shall be treated in the same manner as a standard sale or lease or ICI transaction except in the case of referrals between EXIT offices. The transaction fees that pertain to referral commissions between EXIT offices shall be split in direct proportion to the percentage of commission earned. For example the office that receives 25% of the side pays 25% of the transaction fee.

e) **Appraisals, Letters of Opinion, Mortgage Referrals and Nominal Commissions**

Appraisals, letters of opinion, mortgage referrals and nominal commissions of \$150.00 or less are not subject to transaction fees.

f) **Payment**

Transaction Fees are payable by Franchise to Subfranchisor and EXIT. Transaction Fees are payable at the closing of the Transaction Side and are deducted from the Sales Representative's portion of the commission.

The maximum Transaction Fees paid per calendar year per Sales Representative is Two Thousand, Seven Hundred Dollars (\$2,700).

**7. Company Development Fee**

a) Franchise shall pay EXIT a Company Development Fee of ten percent (10%) of the first One Hundred Thousand Dollars (\$100,000) of gross commissions per calendar year earned and received by the Franchise for transactions generated by each Sales Representative, including the Broker and Franchisee. The maximum Company Development Fee per calendar year per Sales Representative is \$10,000.

b) The Company Development Fee shall be paid by Franchise to EXIT at the closing of each Transaction Side. All Company Development Fees shall be deposited into a designated trust account by the Franchisor upon receipt.

c) Appraisals, letters of opinion, mortgage referrals and nominal commissions of \$150.00 or less are not subject to company development fees.

**8. Sponsoring Bonus**

a) The introduction of a person ("Recruit") to the EXIT System, who is subsequently hired by a Franchise as a Sales Representative, is a process known as "Sponsoring."

b) Franchisees control the actual hiring of Sales Representatives. Every effort should be made by Franchisees to develop a high quality sales force to assist the public in the sale and purchase of real estate in an ethical and business like manner. The Sponsoring process is intended to assist Franchisees in attracting this type of high quality work force.

- c) A Sponsoring Bonus is paid to the person or persons responsible for the introduction that results in the recruitment of a new Sales Representative into the EXIT System (the "Sponsor"). Each EXIT Associate is eligible to receive a Sponsoring Bonus for sponsoring equal to ten percent (10%) of the gross commissions generated by the Recruit. The Sponsoring Bonus is paid by EXIT to a maximum of Ten Thousand Dollars (\$10,000) per Recruit per calendar year, less applicable Sponsoring Bonus Fees (defined in subsection 8.k).
- d) It is mandatory that each Sales Representative be sponsored into the EXIT System. Sponsor designation is determined by the new Recruit. Sales Representatives cannot be designated as their own sponsor. The sponsorship must be acknowledged and verified, in writing, by each Recruit and Sponsor in a manner and on a form satisfactory to EXIT known as the "EXIT Associate Profile".
- e) In the event that a Recruit is introduced to the EXIT System by two (2) Sponsors, then the Sponsoring Bonus will be split evenly between the Sponsors. A Recruit cannot be sponsored into the EXIT System by more than two (2) Sponsors.
- f) EXIT Franchises may be designated as the Sponsor for a Recruit. The Franchise Sponsor shall name the individual(s) responsible for the introduction of the Recruit. All other Sponsoring Bonuses will be payable to an individual Sponsor unless the Sponsor signs a direction that his/her Sponsoring Bonuses be paid to a U.S. or Canadian company of which he/she (including the interests of his/her spouse) owns the controlling voting and equity interests. In order for this redirection to be effective, documents acceptable to EXIT must be provided verifying the Sponsor's interest in the entity. A Sponsor cannot redirect his/her Sponsoring Bonuses to more than one legal entity.
- g) EXIT, as Franchisor, is responsible for the payment of all Sponsoring Bonuses throughout the entire EXIT system. Sponsoring Bonuses for all licensed Sales Representatives will be made payable to the Sponsor and sent for disbursement to the EXIT Franchise holding the Sponsor 's license.
- h) The Sponsoring Bonus is paid by EXIT within seven (7) days after the Company Development Fee designated for the same Recruit is received by EXIT.
- i) Sponsoring Bonuses are calculated and paid out in the currency of the country in which the transaction is finalized.
- j) Sponsoring Bonuses are not part of any transaction record sheet and do not pertain to any trade or sale of real estate. Sponsoring Bonuses are never paid by Subfranchisors, Franchisees or Sales Representatives. This is the full responsibility of EXIT.
- k) Each Sponsoring Bonus is subject to a Sponsoring Bonus Fee of Forty-five Dollars (\$45) per Transaction Side in a Residential Transaction and per Fee Unit in an ICI Transaction, and Fifteen Dollars (\$15) per Transaction Side in a Minimum Commission Transaction Side, all as defined in Section 6. Sponsoring Bonus Fees for referrals between EXIT Offices will be pro-rated in the same manner as outlined in paragraph 6d. In the event of the death of the Sponsor, an additional administration fee of Thirty-Five Dollars (\$35) will be deducted from each Sponsoring Bonus prior to disbursement. The Sponsoring Bonus Fee shall cease each calendar year once the sponsored Sales Representative generates One Hundred Thousand Dollars (\$100,000) of gross commissions for his or her Franchise in that calendar year. The Sponsoring Bonus Fee is deducted by EXIT prior to disbursement of the Sponsoring Bonus.

- l) The Franchise with whom the Recruit is registered automatically becomes the Sponsor if no Sponsor has been provided and acknowledged in writing by the Recruit.
- m) Sponsoring Bonuses will be paid for sponsoring throughout the entire EXIT System. Franchisees, Subfranchisors and EXIT agree to honor the payment of all Sponsoring Bonuses in accordance with this Formula.
- n) This bonus structure will continue for as long as both the Sponsor and the Recruit remain licensed and/or employed within the EXIT System or until the Sponsor or Recruit enter the EXIT Part-time and Retirement Program (explained in Section 9) or the EXIT Beneficiary Program (explained in Section 10).
- o) In the event that a Sponsor leaves the EXIT system, the Sponsor loses his rights to any Sponsoring Bonuses unless the Sponsor returns to the EXIT system within 30 days of departure. For any Recruits the Sponsor sponsored into the EXIT system prior to the Sponsor's departure, the Sponsoring Bonuses accruing subsequent to the Sponsor's departure will be redirected to the EXIT Franchise that held the Sponsor's license, or employed the Sponsor at the time of departure or, if the Franchise no longer exists, to the Subfranchisor.
- p) Should a Recruit return to the EXIT System within two years of departure then the original Sponsor who sponsored the Recruit will, upon reinstatement of the recruit, be entitled to receive the Sponsoring Bonus for this Recruit. If the original Sponsor is no longer in the EXIT system, then the EXIT Franchise that held the original Sponsor's license, or employed the Sponsor at the time of departure, will immediately become the Sponsor or, if the Franchise no longer exists, the Subfranchisor of that Franchise will become the Sponsor.
- q) Should an Associate return to the EXIT system after an absence of more than two years, the Associate will be processed as a new Associate.

## 9. EXIT Part-time and Retirement Program

- a) All EXIT Associates are automatically eligible to receive Sponsoring Bonuses at the rate of 10% until December 31<sup>st</sup> of the year in which the Associate joins EXIT. For those Associates who join after October 1<sup>st</sup>, the 10% eligibility will continue for the remaining calendar year in which the Associate joins EXIT and for the entire calendar year following.
- b) If the Associate does not close a minimum of eight (8) Transaction Sides or earn at least Forty Thousand Dollars (\$40,000) in gross closed commissions per calendar year (pro-rated in the first year and extended as noted in 9.a for those Associates who join after October 1<sup>st</sup>), the Associate shall be designated "part-time" for the following calendar year. (This minimum sales production does not apply to Franchisees or Subfranchisors.)
- c) An Associate may "retire" from the real estate business entirely and continue to receive Sponsoring Bonuses by signing an Affidavit stating that they will not work in any capacity for a competing real estate company. The Associate will continue to be affiliated with EXIT under the umbrella of the Franchise or Subfranchise that formerly held the Associate's license or contract with the approval of the Franchisee or Subfranchisor.
- d) If an Associate becomes "part-time" or "retires", any Sponsoring Bonuses payable to the Associate (Sponsor) shall automatically reduce from the equivalent of ten percent (10%) to seven percent (7%) of the gross commissions generated by the Recruit to a maximum

of Seven Thousand Dollars (\$7,000) per Recruit per calendar year, less Sponsoring Bonus Fees (defined in paragraph 8.k). The other three percent (3%) shall be paid to the Franchise holding the Sponsor's License, or, if the Sponsor is not a licensed Sales Representative, to the Franchise for whom the Sponsor worked at the time of retirement or, if the Franchise no longer exists, to the Subfranchisor. The Sponsoring Bonus shall be paid out by EXIT and delivered, for disbursement, to the Franchise for whom the retired Sponsor last worked or was last registered prior to retirement or to the Franchise or Subfranchisor that holds the contract for the part-time Associate.

- e) The Sponsoring Bonus will be restored to the ten percent (10%) level immediately upon the closing of the 8<sup>th</sup> transaction side or \$40,000 in gross closed commissions in the current calendar year by the Sales Representative. Restoration is not retroactive.
- f) A retired or part-time Associate may continue to sponsor more recruits into the EXIT System.

#### **10. EXIT Beneficiary Program**

- a) Sponsors may select a beneficiary to receive the Sponsoring Bonuses upon the death of the Sponsor. Beneficiary designation shall be in writing on documentation supplied or approved by EXIT. The designated beneficiary may be an individual, a trust or the Sponsor's estate.
- b) Upon the death of a Sponsor, the Sponsoring Bonuses shall be payable to the Sponsor's designated beneficiary and shall automatically reduce from an amount equivalent to ten percent (10%) to five percent (5%) of the gross commissions generated by the Recruit to a maximum of Five Thousand Dollars (\$5,000) per Recruit per calendar year, less Sponsoring Bonus Fees (defined in paragraph 8.k). The other five percent (5%) shall be paid to the Franchise that held the Sponsor's License or, if the Sponsor was not a licensed Sales Representative, to the Franchise for whom the Sponsor worked at the time of the Sponsor's death or, if the Franchise no longer exists, to the Subfranchisor.

#### **11. Data Transfer And Access**

All Multiple and exclusive listings, all transaction record sheet data, all information pertaining to license transfers for recruitment and termination of Sales Representatives and all current information pertaining to retired Sales Representatives (collectively, "Business Information") will be transferred to EXIT by Franchise immediately upon execution via a specified computer reporting system made available by EXIT.

#### **12. The EXIT Referral System**

- a) The commission split for EXIT referrals shall remain uniform. The rate of commission to be paid for a listing referral is forty percent (40%) of the listing commission received. The rate of commission to be paid for a buyer referral is twenty-five percent (25%) of the selling commission received. All referrals must be confirmed in writing on documentation supplied or approved by EXIT.
- b) Should a transaction be a referral whereby a portion of the commission is payable on closing to another Sales Representative, then all pertinent data must be submitted to the Franchise prior to the finalization of the Transaction Record Sheet.

**13. Non-competition**

As a condition to receiving Sponsoring Bonuses, the Associate (and his or her beneficiary upon the death of the Associate) shall not work for any business that is in any way competitive with the business conducted by EXIT or EXIT Franchise, as determined in the sole discretion of EXIT.

**14. Commission ~~Trust~~ Account**

Franchises must establish and operate a Commission ~~Trust~~ Account, subject to state approval, which shall be separate and distinct from the escrow account. The Commission ~~Trust~~ Account is for the purpose of receiving and disbursing all commission monies generated from Real Estate Transactions and all disbursements to EXIT and Subfranchisor.

**15. Modifications to the EXIT Formula**

It is understood that this EXIT Formula may not be changed or modified in any way without the prior express written permission of EXIT. EXIT reserves the right to modify this EXIT Formula- and may increase the dues and fees up to seven percent (7%) per year. If EXIT increases the dues and fees less than seven percent (7%), the unused portion may be carried over to subsequent years. Any modification shall become effective upon notice to all Subfranchisors and Franchisees. It shall be Franchisee's obligation to notify its Sales Representatives and employees of modifications in the EXIT Formula.

**16. Currency**

Except as provided in Section 8.i above, all amounts described in the EXIT Formula are in U.S. Dollars.

**THIS FORMULA MUST FORM PART OF EACH EXIT CONTRACT FOR ALL EXIT ASSOCIATES AND REVISIONS TO THIS FORMULA MUST BE PROVIDED TO EACH ASSOCIATE IN A TIMELY MANNER.**