

Policy and Procedures Manual



LOCAL HAWAII REAL ESTATE
Honesty • Integrity • Commitment

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Purpose of this Manual

This manual has three main purposes, they are:

- a) Provide a clear understanding of the relationship between Local Hawaii Real Estate, the Principal Broker, Associated Brokers and Salespersons.
- b) Permit the anticipation of and resolution of controversies or issues before they happen.
- c) Promote the use of the Code of Ethics and the Standards of Practice of the National Association of REALTORS® in all Real Estate matters.



Notice


This manual is meant to be a living document. As such it will evolve as Local Hawaii Real Estate grows and evolves. It was prepared after scores of hours of study and the review of many office manuals and manual outlines. The author, John Petrella, relied heavily on the resources provided by the National Association of Realtors published Field Guide to Real Estate Office Policy Manuals, Hawaii Revised Statutes, Chapter 467 Real Estate Brokers and Salespersons, Chapter 436B - Professional and Vocational Licensing Law , Chapter 91 - Hawaii Administrative Procedures Act and Title 16 Department of Commerce and Consumer Affairs, Chapter 99 Real Estate Brokers and Salespersons, and the REALTOR® Code of Ethics.



Copyrights

All Brokers and Salespersons shall abide by copyright laws.

Every attempt has been made to avoid the use of copyrighted material. Any use of copyrighted material in this manual has been inadvertent and by accident. Should you notice any copyrighted material in this manual do not hesitate to bring it to the attention of Local Hawaii Real Estate. No part of this manual shall be reprinted or distributed except by express written permission. ©2012 by Local Hawaii Real Estate, All Rights Reserved.



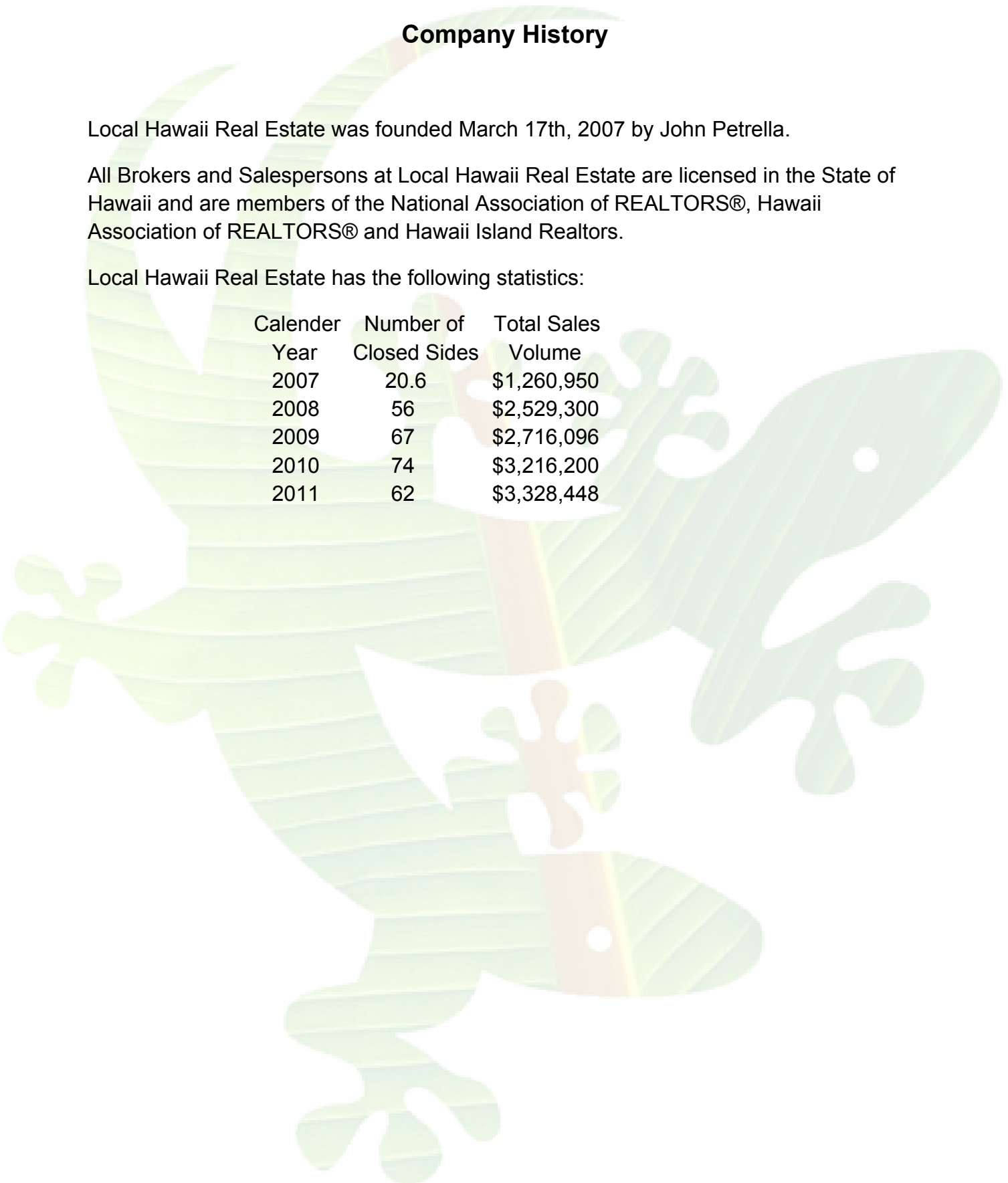
Disclaimer

This Policy and Procedures manual contains no contractual commitments.

Mission Statement

Our mission at Local Hawaii Real Estate is to represent our clients with Honesty, Integrity and Commitment.





Company History

Local Hawaii Real Estate was founded March 17th, 2007 by John Petrella.

All Brokers and Salespersons at Local Hawaii Real Estate are licensed in the State of Hawaii and are members of the National Association of REALTORS®, Hawaii Association of REALTORS® and Hawaii Island Realtors.

Local Hawaii Real Estate has the following statistics:

Calender Year	Number of Closed Sides	Total Sales Volume
2007	20.6	\$1,260,950
2008	56	\$2,529,300
2009	67	\$2,716,096
2010	74	\$3,216,200
2011	62	\$3,328,448



Company Relationships

Principal Broker

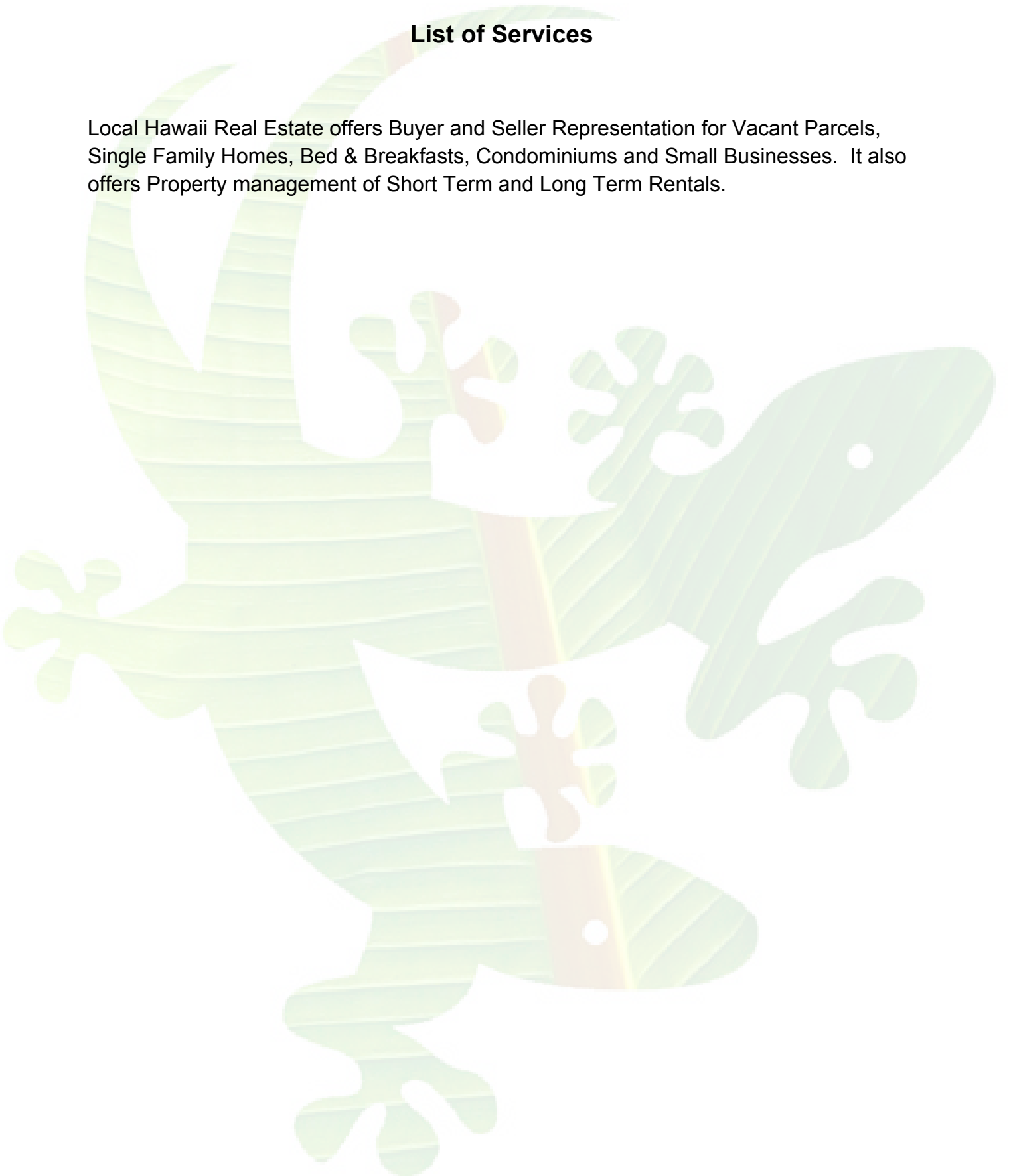
The Principal Broker is John Petrella, REALTOR® Broker, Hawaii License RB-18892. He is the owner of Local Hawaii Real Estate.

All other Brokers and Salespersons

All other Associated Brokers and Salespersons of Local Hawaii Real Estate and are independent contractors and serve at the pleasure of the Principal Broker

List of Services

Local Hawaii Real Estate offers Buyer and Seller Representation for Vacant Parcels, Single Family Homes, Bed & Breakfasts, Condominiums and Small Businesses. It also offers Property management of Short Term and Long Term Rentals.





Target Market

Local Hawaii Real Estate targets Buyers and Sellers of Hawaii Real Estate who use the internet to view and research Real Estate, respond to our Real Estate web sites, Real Estate web advertisements, targeted Real Estate correspondence and Real Estate market philosophy.

Market Demographics

The Big Island is approximately 4,024 Square Miles in size with a population of about 180,000. It has 9 real estate districts. They are:

Puna
South Hilo
North Hilo
Hamakua
North Kahala
South Kahala
North Kona
South Kona
Kau

The following web sites are owned and operated by Local Hawaii Real Estate:

AinaloaRealEstate.com
BlackSandBeachRealEstate.com
EdenRocRealEstate.com
FernAcresRealEstate.com
FernForestEstates.com
HawaiianAcresRealEstate.com
HawaiianBeachesRealEstate.com
HawaiianParadisePark.com
HawaiianParksRealEstate.com
HawaiianShoresRealEstate.com
HawaiianOceanViewRealEstate.com
HiloLandandHomes.com
HonomuTownRealEstate.com
KalapanaSeaviewRealEstate.com
KapohoRealEstate.com
KaumanaRealEstate.com
KohalaRanchLand.com
KonaMakaiCondo.com
LeilaniRealEstate.com
LocalHawaiiRealEstate.com
MaunaLoaRealEstate.com
NanawaleEstates.com
OrchidlandEstates.com
PunaLandandHomes.com
RoyalHawaiianEstates.com
TikiGardensRealEstate.com
VolcanoVillageRealEstate.com

Marketing Analysis and Plan

Analysis

When speaking with potential clients or customers all Brokers and Salespersons are to use Market Absorption analysis.

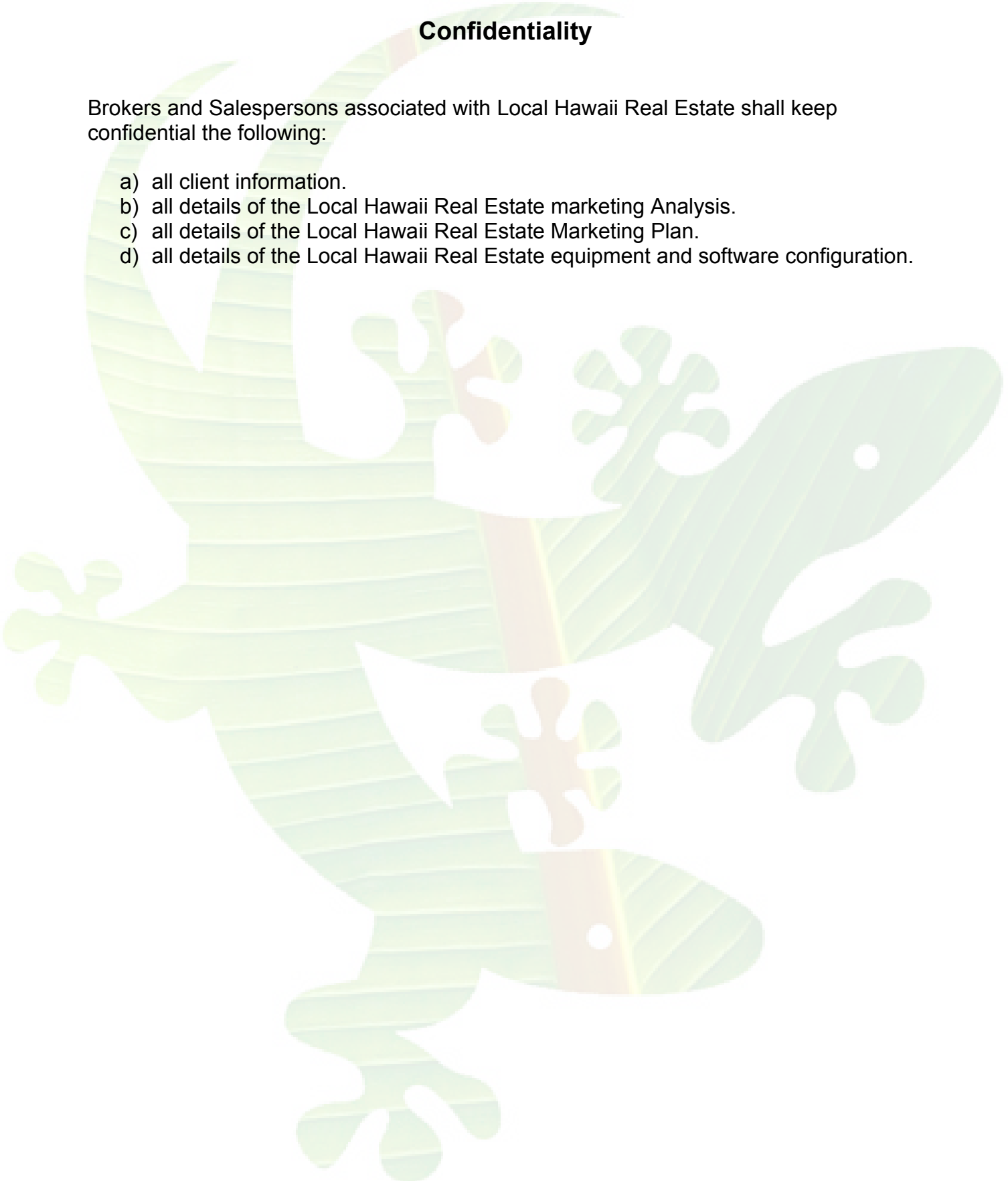
When listing or preparing an offer All Brokers and Salespersons shall provide clients with a current Market Absorption analysis.

Plan

Local Hawaii Real Estate shall market properties via the Big Island MLS, thru company owned web sites and Zillow.

All Brokers and Salespersons shall not engage in any form of spamming and opt-in marketing.

Local Hawaii Real Estate does not engage in email or web based or mail based contests.



Confidentiality

Brokers and Salespersons associated with Local Hawaii Real Estate shall keep confidential the following:

- a) all client information.
- b) all details of the Local Hawaii Real Estate marketing Analysis.
- c) all details of the Local Hawaii Real Estate Marketing Plan.
- d) all details of the Local Hawaii Real Estate equipment and software configuration.

Smoking Statement

Smoking is prohibited in the Local Hawaii Real Estate office, its conference room or within
The side walk are in front of the office.



Anti-Discrimination and Harassment Policy

Local Hawaii Real Estate is an Equal Opportunity organization. Local Hawaii Real Estate does not discriminate in its Association with Brokers, Salespersons on the basis of sex, race, ancestry, national origin, religion, color, disability, age, marital status, military service, veteran's status, sexual orientation, lactation, arrest and court record¹ citizenship, or any other classification protected by Hawaii State or United States Federal law. ¹ in keeping with Federal and State laws, Local Hawaii Real Estate may consider an individual's criminal history for employment purposes before making a conditional job offer.

Local Hawaii Real Estate does not tolerate harassment based on sex, race, ancestry, national origin, religion, color, disability, age, marital status, military service, veteran's status, sexual orientation, lactation, arrest and court record¹ citizenship, or any other classification protected by Hawaii State or United States Federal law, or harassment based on opposition to discrimination on participation in complaint proceedings. Local Hawaii Real Estate will not tolerate retaliation against anyone who complains of harassment or who participates in an investigation.

Fair Housing

It is the Policy of Local Hawaii Real Estate to fully abide by and support all Federal, State and Local Fair Housing Laws.

Fair housing laws make it **ILLEGAL** to discriminate in the rental, sale, financing, or insurance of housing based on these “Protected Classes”:

The following are Federal Protected Classes

1. RACE: A person’s race or the race of persons with whom one associates.
2. COLOR: A person’s skin color.
3. NATIONAL ORIGIN: The country of one’s birth or the nationality of one’s ancestors.
4. RELIGION: A person’s religious beliefs or denomination.
5. FAMILIAL/FAMILY STATUS: The make up of the family, including size of family, number of children, and pregnant women.
6. DISABILITY/HANDICAP: A physical or mental disability, which limits a major life activity like walking, breathing, learning, or sleeping.
7. SEX: A person’s gender, including sexual harassment or intimidation
8. The following are Hawaii State Protected Classes:
9. AGE: The age of a person 18 years or older.
10. GENDER IDENTITY or EXPRESSION: Includes a person’s actual or perceived gender or gender-related expression or appearance.
11. SEXUAL ORIENTATION: Having a sexual preference or being identified or perceived as having a certain sexual preference.
12. MARITAL STATUS: Whether a person is married, single, divorced, or widowed.
13. HIV INFECTION

Special Protections for Persons with Disabilities

The Following are Special Protections for Persons with Disabilities.

1. “REASONABLE MODIFICATION” – request for a PHYSICAL change to housing.
Example: Installing grab bars in showers
2. “REASONABLE ACCOMMODATIONS” – request for a change in an existing POLICY. Example: Allowing a Seeing Eye dog in a no pet building

Federal Fair Housing Laws Source: <http://www.hud.gov/offices/ftheo/FHLaws/>

Applicable HUD publications can be found at: <http://www.huduser.org/publications/pdrpubli.html>

Fair Housing Act: Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, (Continued on next page)

familial status (including children under the age of 18 living with parents of legal custodians, pregnant women, and people securing custody of children under the age of 18), and handicap (disability).

Title VI of the Civil Rights Act of 1964: prohibits discrimination on the basis of race, color, or national origin in programs and activities receiving federal financial assistance.

Section 504 of the Rehabilitation Act of 1973: prohibits discrimination based on disability in any program or activity receiving federal financial assistance.

Section 109 of Title I of the Housing and Community Development Act of 1974: prohibits discrimination on the basis of race, color, national origin, sex or religion in programs and activities receiving financial assistance from HUD's Community Development and Block Grant Program.

Title II of the Americans with Disabilities Act of 1990: prohibits discrimination based on disability in programs, services, and activities provided or made available by public entities. HUD enforces Title II when it relates to state and local public housing, housing assistance and housing referrals.

Architectural Barriers Act of 1968: requires that buildings and facilities designed, constructed, altered, or leased with certain federal funds after September 1969 must be accessible to and useable by handicapped persons.

Age Discrimination Act of 1975: prohibits discrimination on the basis of age in programs or activities receiving federal financial assistance.

Title IX of the Education Amendments Act of 1972: prohibits discrimination on the basis of sex in education programs or activities that receive federal financial assistance.

Executive Order 11063: prohibits discrimination in the sale, leasing, rental, or other disposition of properties and facilities owned or operated by the federal government or provided with federal funds.

Executive Order 11246: as amended, bars discrimination in federal employment because of race, color, religion, sex, or national origin.

Executive Order 12892: as amended, requires federal agencies to affirmatively further fair housing in their programs and activities, and provides that the Secretary of HUD will be responsible for coordinating the effort. The Order also establishes the President's Fair Housing Council, which will be chaired by the Secretary of HUD.

Executive Order 12898: requires that each federal agency conduct its program, policies, and activities that substantially affect human health or the environment in a manner that does not exclude persons based on race, color, or national origin.
(Continued on next page)

Executive Order 13166: eliminates, to the extent possible, limited English proficiency as a barrier to full and meaningful participation by beneficiaries in all federally-assisted and federally conducted programs and activities.

Executive Order 13217: requires federal agencies to evaluate their policies and programs to determine if any can be revised or modified to improve the availability of community-based living arrangements for persons with disabilities.

Expectations for Neighborhoods Populated by Protected Classes

Source: <http://homebuying.about.com/od/realestateBrokersandSalespersons/qt/AgentDuties.htm>

A real estate agent **cannot** address some requests because it is against the law. For example, if a newly married Jewish couple asks a real estate agent to find them a home close to a synagogue in an "adults only" community, the agent can't accommodate that request.

Nor can the agent take into consideration the request to be located near any specific church.

The agent can't so much as advertise that his or her listing is around the corner from a parish.

An agent cannot answer questions about the ethnic make-up of a neighborhood. For example, buyers should not expect an agent to show homes in neighborhoods comprised of primarily Latinos, African-Americans, American Indians or any other ethnicity or race.

If a buyer was adamant and said, "Tony said I need to buy in an Italian neighborhood or else," the agent must refuse, regardless.

Discrimination in Listing Advertising

In advertising, Brokers and Salespersons must refrain from using words deemed to represent any protected classes. For example, none of these words is appropriate and many of them could violate Fair Housing laws.

Sports-minded	Bachelor apartment
Professional	Mother-in-Law quarters
Couples	Single Only
Mature	Married
Gentleman's Farm	Golden Agers
Section 8	Integrated
Handicapped	Seniors
Children Welcome	

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Demands for School Districts

Guaranteeing a certain school district is not within the scope of your fiduciary duties to a client and could also be construed as a violation of Fair Housing.

Safe Neighborhoods

If a buyer wants to know the crime statistics of an area, direct the buyer to the police department or other sources of information. An agent should never ever disclose crime stats or say a neighborhood is a relatively safe place to live even if he or she believes it to be true.

Hawaii Fair Housing Law

Source: http://www.capitol.hawaii.gov/hrscurrent/Vol12_Ch0501-0588/HRS0515/HRS_0515-0003.htm

Summary: HRS §515-3 prohibits discriminatory practice for an owner or any other person engaging in a real estate transaction, or for a real estate broker or salesperson, because of race, sex, color, religion, marital status, familial status, ancestry, disability, age, or HIV (human immunodeficiency virus) infection

§515-3 Discriminatory practices. It is a discriminatory practice for an owner or any other person engaging in a real estate transaction, or for a real estate broker or salesperson, because of race, sex, including gender identity or expression, sexual orientation, color, religion, marital status, familial status, ancestry, disability, age, or human immunodeficiency virus infection:

- (1) To refuse to engage in a real estate transaction with a person;
 - (2) To discriminate against a person in the terms, conditions, or privileges of a real estate transaction or in the furnishing of facilities or services in connection therewith;
 - (3) To refuse to receive or to fail to transmit a bona fide offer to engage in a real estate transaction from a person;
 - (4) To refuse to negotiate for a real estate transaction with a person;
 - (5) To represent to a person that real property is not available for inspection, sale, rental, or lease when in fact it is available, or to fail to bring a property listing to the person's attention, or to refuse to permit the person to inspect real property, or to steer a person seeking to engage in a real estate transaction;
 - (6) To print, circulate, post, or mail, or cause to be published a statement, advertisement, or sign, or to use a form of application for a real estate transaction, or to make a record or inquiry in connection with a prospective real estate transaction, that indicates, directly or indirectly, an intent to make a limitation, specification, or discrimination with respect thereto;
 - (7) To offer, solicit, accept, use, or retain a listing of real property with the understanding that a person may be discriminated against in a real estate transaction or in the furnishing of facilities or services in connection therewith;
 - (8) To refuse to engage in a real estate transaction with a person or to deny equal opportunity to use and enjoy a housing accommodation due to a disability because the person uses the services of a guide dog, signal dog, or service animal; provided that reasonable restrictions or prohibitions may be imposed regarding excessive noise or
- (Continued on next page)

other problems caused by those animals. For the purposes of this paragraph:

"Blind" shall be as defined in section 235-1;

"Deaf" shall be as defined in section 235-1;

"Guide dog" means any dog individually trained by a licensed guide dog trainer for guiding a blind person by means of a harness attached to the dog and a rigid handle grasped by the person;

"Reasonable restriction" shall not include any restriction that allows any owner or person to refuse to negotiate or refuse to engage in a real estate transaction; provided that as used in this paragraph, the "reasonableness" of a restriction shall be examined by giving due consideration to the needs of a reasonable prudent person in the same or similar circumstances. Depending on the circumstances, a "reasonable restriction" may require the owner of the service animal, guide dog, or signal dog to comply with one or more of the following:

(A) Observe applicable laws including leash laws and pick-up laws;

(B) Assume responsibility for damage caused by the dog; or

(C) Have the housing unit cleaned upon vacating by fumigation, deodorizing, professional carpet cleaning, or other method appropriate under the circumstances.

The foregoing list is illustrative only, and neither exhaustive nor mandatory;

"Service animal" means any animal that is trained to provide those life activities limited by the disability of the person;

"Signal dog" means any dog that is trained to alert a deaf person to intruders or sounds;

(9) To solicit or require as a condition of engaging in a real estate transaction that the buyer, renter, or lessee be tested for human immunodeficiency virus infection, the causative agent of acquired immunodeficiency syndrome;

(10) To refuse to permit, at the expense of a person with a disability, reasonable modifications to existing premises occupied or to be occupied by the person if modifications may be necessary to afford the person full enjoyment of the premises. A real estate broker or salesperson, where it is reasonable to do so, may condition permission for a modification on the person agreeing to restore the interior of the premises to the condition that existed before the modification, reasonable wear and tear excepted;

(11) To refuse to make reasonable accommodations in rules, policies, practices, or services, when the accommodations may be necessary to afford a person with a disability equal opportunity to use and enjoy a housing accommodation;

(12) In connection with the design and construction of covered multifamily housing accommodations for first occupancy after March 13, 1991, to fail to design and construct housing accommodations in such a manner that:

(A) The housing accommodations have at least one accessible entrance, unless it is impractical to do so because of the terrain or unusual characteristics of the site; and

(B) With respect to housing accommodations with an accessible building entrance:

(i) The public use and common use portions of the housing accommodations are accessible to and usable by disabled persons;

(ii) Doors allow passage by persons in wheelchairs; and

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(iii) All premises within covered multifamily housing accommodations contain an accessible route into and through the housing accommodations; light switches, electrical outlets, thermostats, and other environmental controls are in accessible locations; reinforcements in the bathroom walls allow installation of grab bars; and kitchens and bathrooms are accessible by wheelchair; or

- (13) To discriminate against or deny a person access to, or membership or participation in any multiple listing service, real estate broker's organization, or other service, organization, or facility involved either directly or indirectly in real estate transactions, or to discriminate against any person in the terms or conditions of such access, membership, or participation.

Some Questions (Source: <http://starbulletin.com/2007/04/03/news/story12.html>)

Q: Who do fair housing laws protect?

A: According to Cynthia Thomas, Legal Aid's fair housing project manager, Hawaii fair housing laws protect people from being discriminated against for the following reasons: race, color, national origin, religion, familial status (e.g., pregnancy, living with children under the age of 18, etc.), disability, gender, age, marital status, HIV infection, sexual orientation, and gender identity or expression.

Q: I am a landlord and I want to follow the laws. Are there any local agencies that provide training on fair housing laws?

A: From Cynthia: April is National Fair Housing Month. To promote awareness of -- and compliance with -- fair housing laws, various state agencies are collaborating with the Hawaii Civil Rights Commission and the U.S. Department of Housing & Urban Development to provide free fair housing training statewide during the month. To learn more about these events, call the Legal Aid Society's Fair Housing Hotline at 527-8024.

Q: I live in a condo that has a "no-pets" policy. My doctor recommended that I get a companion animal to help me cope with the effects of my mental disability.

What should I do?

A: From Cynthia: You should ask your condo association for an exception to the no-pet policy. Fair Housing laws call this exception a "reasonable accommodation." These are necessary changes to rules, policies, practices, or services so that a disabled person can use and enjoy their home. Under fair housing laws, landlords and other housing providers (such as condo associations) must allow "reasonable accommodations" when the accommodation is necessary. Be aware that you may need to provide a doctor's note that verifies you have a disability and a need for the accommodation.

If you believe you or a customer or client has been a victim of housing discrimination bring the matter to the attention of the Principal Broker and call the US Department of Housing and Urban Development at (800) 347-3739.

FHEO Contact

Jelani M. Madaraka
(808) 522-8182 ext. 269
Lead, Civil Rights Analyst

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State, City & County Agencies in Hawaii
Hawaii Civil Rights Commission
Fair Housing Assistance Program
830 Punchbowl Street, Room 411
Honolulu, HI 96813
(808) 586-8636

Hawaii Public Housing Authority
Compliance Office
1002 North School Street
Honolulu, HI 96817
(808) 832-6012

City and County of Honolulu
Department of Community Services
Fair Housing Office
715 South King Street, Room 311
Honolulu, HI 96813
(808) 768-7751

Kauai County Housing Agency
Fair Housing Office
4444 Rice Street, Suite 330
Lihue, HI 96766
(808) 241-4433

Maui County Department of Housing and Human Concerns
Fair Housing Division
86 Kamehameha Ave.
Kahului, HI 96732
(808) 270-7157

County of Hawaii
Office of Housing and Community Development
50 Wailuku Drive
Hilo, HI 96720
(808) 961-8379

Disability and Communication Access Board
919 Ala Moana Blvd., Room 101
Honolulu, HI 96814
(808) 586-8121

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Attorneys and Legal Assistance
Legal Aid Society of Hawaii

924 Bethel Street
Honolulu, HI 96813

Callers who are experiencing discrimination in any housing situation (renting a unit, financing a housing purchase, applying for subsidized housing, etc) can call the Fair Housing Enforcement Program 808-527-8024 on Oahu or 1-866-527-FAIR (3247) on the Neighbor Islands or in Hilo 934-0678.

American Civil Liberties Union of Hawaii (ACLU)

P.O. Box 3410
Honolulu, HI 96813
(808) 522-5900

Hawaii Disabilities Rights Center

900 Fort Street Mall, Suite 1040
Honolulu, HI 96813
(808) 949-2922
Toll free: (800) 882-1057

sources:

<http://www.hud.gov/groups/fairhousing.cfm>
<http://www.civilrights.org/issues/housing/fairhousing/federal.html>
http://www.legalaidhawaii.org/FAIR_HOUSING_LAW.htm

Agency and Duties

Honesty

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. (Article 1 of the REALTOR CODE OF ETHICS)

Disclose

When in doubt, disclose. As a licensed real estate professional, disclosure should be your mantra. If you know something that is or could be important, you should make sure that your seller discloses that fact.

Be the Source of the Source

Stay in your area of expertise - Know what hat you're wearing. Anyone in a client-serving business wants to be helpful to their clients. Unfortunately, however, in today's litigious society it is not wise to give advice beyond your area of expertise. Real estate professionals aren't usually trained as lawyers, or engineers or inspectors. So don't go beyond your expertise to answer someone's questions. That means you shouldn't tell your client that he should sign an arbitration clause because it's "cheaper and quicker" or that you think creaking in the floorboards is probably nothing. Rather, suggest and document that he discuss his concerns with the appropriate specialist. Recognize your role in the process. While you shouldn't give advice outside your area of expertise, as a real estate professional you're often in a better position than your clients to spot red flags. Courts will Brokers and Salespersons to a higher standard than the average person. So while you should not give advice about a problem, it's very important that you point out potential trouble spots and steer your clients to the right specialist to help them evaluate their options.

Document all communications

Find a translator when necessary. If your client isn't proficient in English, then you must locate a family member or friend who can translate for him. Equally important: document the conversation. For example, write down and confirm that the mother who's buying a property had her daughter explain the terms to her satisfaction, in her native language.

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Understand your fiduciary duties

Your fiduciary responsibility is what you, as a real estate agent, owe to your client.

Avoid Conflicts of Interest

You have the duty to be absolute and undivided in your loyalty to your clients. Even with customers, there should be no hint of any conflict of interest.

Do not commingle funds

Any currency, checks or monies that you are holding for one client must be kept separate from other funds. Never commingle monies.

You are not a lawyer

However, as a real estate agent, it is your obligation to make sure that your client understands his or her obligations under the contract. This means, for example, that a listing agent must explain the nature and scope of disclosure requirements. And a buyer's agent needs to explain the client's right to bring in specialists to investigate aspects of the property. When the contract is escrowed and finally closed, it doesn't matter whether a buyer opts to get an inspection—just that you informed him of his right to do so and confirmed the buyer either did investigate or chose not to do so.

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Duties to the Public

Hawaii §16-99-3 states: The licensee shall protect the public against fraud, misrepresentation, or unethical practices in the real estate field.

Duties to non-clients or customers

- 1) Disclosure
- 2) Accounting
- 3) Reasonable Care

Our Client Fiduciary Duties are:

- 1) Obedience
- 2) Loyalty
- 3) Disclosure
- 4) Confidentiality
- 5) Accounting
- 6) Reasonable Care

Customers

All Brokers and Salespersons shall inform potential customers the following:

" As a Customer, Local Hawaii Real Estate will not act as your Agent and is not required to promote your best interests or keep your bargaining information confidential. If you use our services without a written agreement, you will remain a Customer.

As a customer we will perform only the necessary and customary acts to assist you in the purchase or sale of real estate, we will perform these acts in good faith and with reasonable care, we will properly account for the money or property you place in our care, we will disclose "adverse material facts" to you which are within our knowledge."

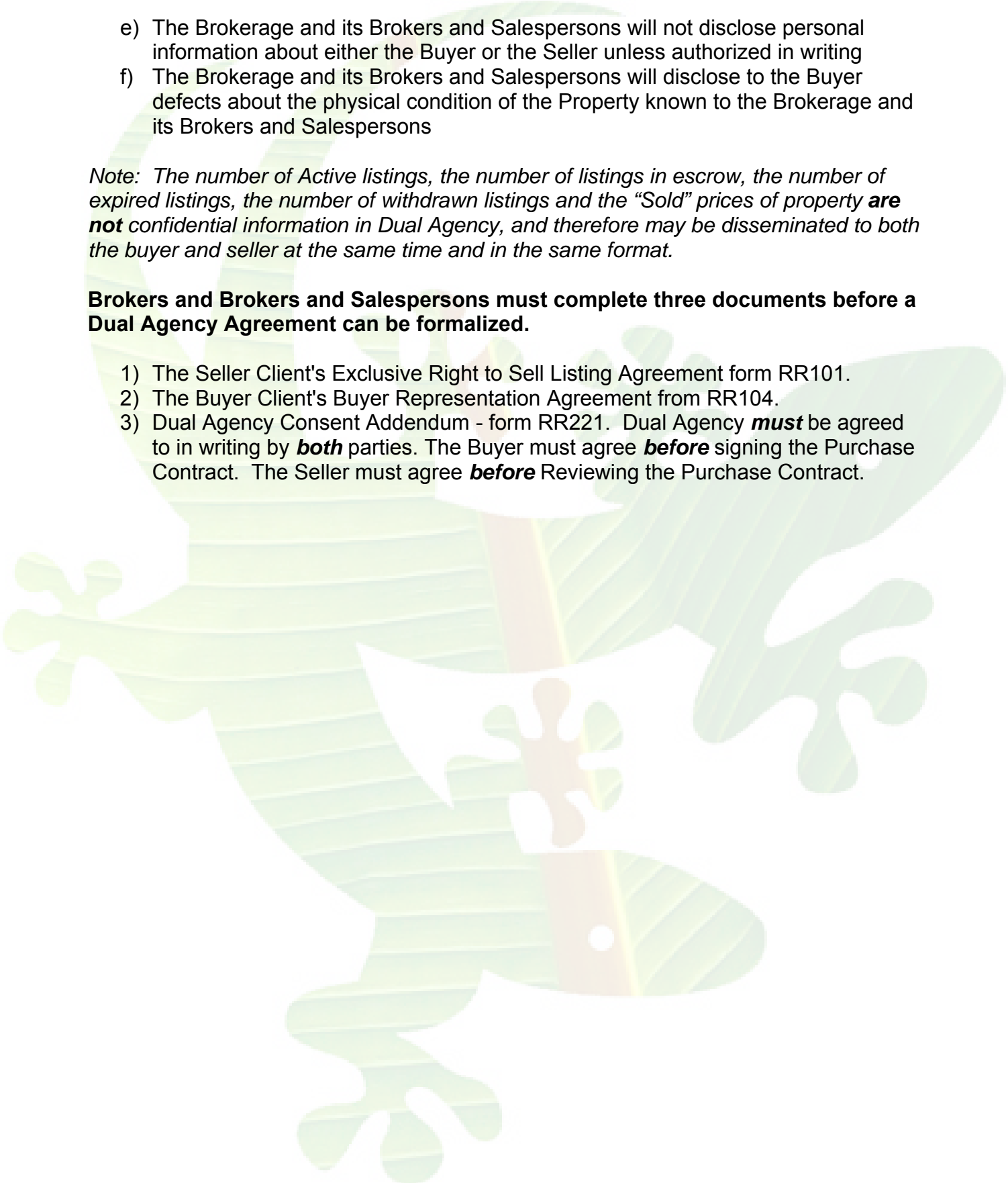
Dual Agency

Dual agency occurs when the Brokerage represents the buyer client and seller client in the same transaction.

Dual Agency has the following limitations:

- a) The Brokerage and its Brokers and Salespersons will deal with the Buyer and the Seller impartially.
- b) The Brokerage and its Brokers and Salespersons will have a duty of disclosure to both the Buyer and the Seller.
- c) The Brokerage and its Brokers and Salespersons will not disclose that the Buyer is willing to pay a price or agree to terms other than those contained in the Offer, or that the Seller is willing to accept a price or terms other than those contained in the Listing.
- d) The Brokerage and its Brokers and Salespersons will not disclose the motivation of the Buyer or the Seller to sell unless authorized in writing by the Buyer or the Seller.

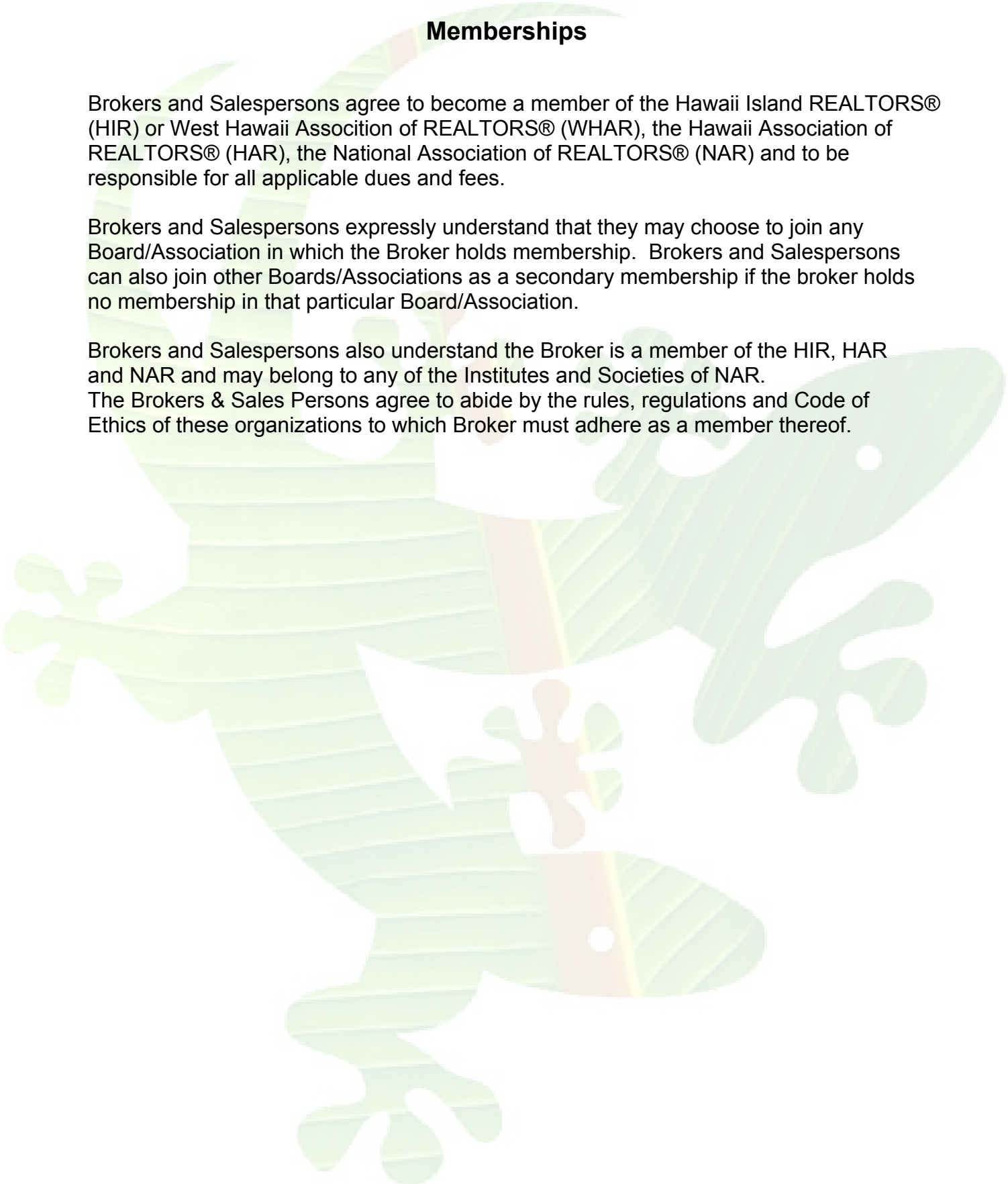
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- e) The Brokerage and its Brokers and Salespersons will not disclose personal information about either the Buyer or the Seller unless authorized in writing
 - f) The Brokerage and its Brokers and Salespersons will disclose to the Buyer defects about the physical condition of the Property known to the Brokerage and its Brokers and Salespersons

*Note: The number of Active listings, the number of listings in escrow, the number of expired listings, the number of withdrawn listings and the "Sold" prices of property **are not** confidential information in Dual Agency, and therefore may be disseminated to both the buyer and seller at the same time and in the same format.*

Brokers and Brokers and Salespersons must complete three documents before a Dual Agency Agreement can be formalized.

- 1) The Seller Client's Exclusive Right to Sell Listing Agreement form RR101.
- 2) The Buyer Client's Buyer Representation Agreement form RR104.
- 3) Dual Agency Consent Addendum - form RR221. Dual Agency **must** be agreed to in writing by **both** parties. The Buyer must agree **before** signing the Purchase Contract. The Seller must agree **before** Reviewing the Purchase Contract.



Memberships

Brokers and Salespersons agree to become a member of the Hawaii Island REALTORS® (HIR) or West Hawaii Association of REALTORS® (WHAR), the Hawaii Association of REALTORS® (HAR), the National Association of REALTORS® (NAR) and to be responsible for all applicable dues and fees.

Brokers and Salespersons expressly understand that they may choose to join any Board/Association in which the Broker holds membership. Brokers and Salespersons can also join other Boards/Associations as a secondary membership if the broker holds no membership in that particular Board/Association.

Brokers and Salespersons also understand the Broker is a member of the HIR, HAR and NAR and may belong to any of the Institutes and Societies of NAR. The Brokers & Sales Persons agree to abide by the rules, regulations and Code of Ethics of these organizations to which Broker must adhere as a member thereof.

Vehicles & Vehicle Insurance

Vehicles

In the course of real estate transactions, Brokers and Salespersons shall provide their own vehicles. All operating, maintenance, repair and other related automobile or transportation expenses will be paid for by the Agent. The vehicle will be in such condition as to promote the professionalism of the agent as well as Local Hawaii Real Estate. It shall be maintained in good operating condition.

Vehicles will not be provided by the Broker.

Vehicle Insurance

Brokers and Salespersons shall at all times carry liability insurance on any vehicle they place clients in with coverage for personal injury and coverage for property damage. Changes in coverage will not become effective until fifteen (15) days after the Broker has received and approved the coverage changes. The Broker will be named as an additional insured in the policy. At the signing of this agreement and at the time of each policy renewal or change of carrier, the Sales Person shall provide evidence to the Broker through the certificate of insurance policy of the carrier. Business pursuit liability coverage shall also be maintained. This may be as part of Sales Person's personal liability or homeowner's coverage.

In accordance with Hawaii law, the Sales Person must require that all passengers wear a seat belt and any infant under the age of four years shall be secured in a restraining seat during transportation.



Taxes

The Principle Broker, Associated Brokers and Sales Persons are responsible for paying their own Federal and Hawaii Income and General Excise Taxes.

Local Hawaii Real Estate shall issue a 1099 to all Brokers and Sales Persons by the end of January of each year.

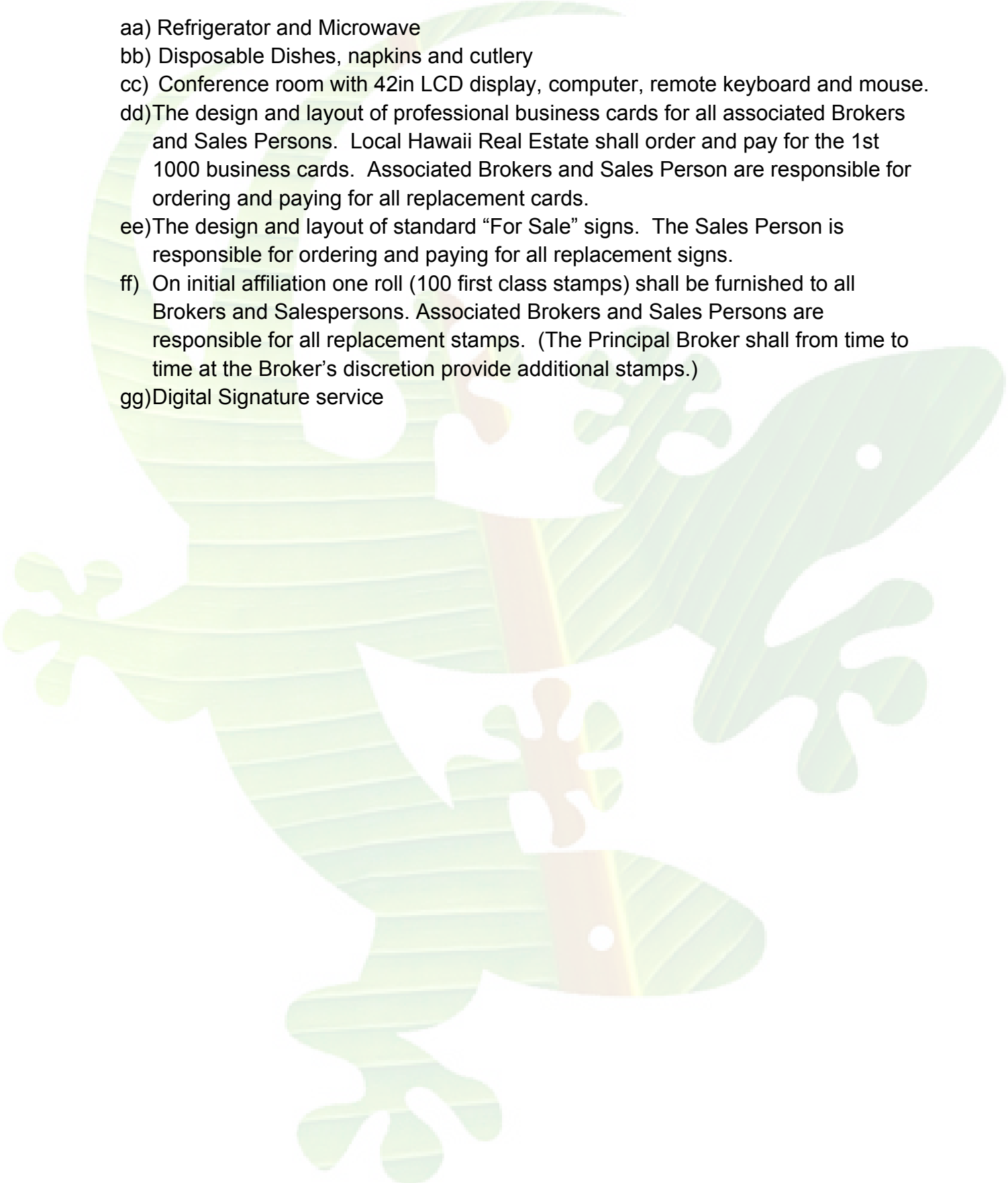
Professional / Business Expenses

Unless agreed to in advance and in writing by the Principal Broker, Brokers and Salespersons are responsible for their license fees, board dues, MLS fees, continuing education costs, sign reorders, business card reorders and mobile phone costs.

Local Hawaii Real Estate shall furnish and pay for the office area, office telephone, telephone lines, long distance Fax Line, office SKYPE long distance, High Speed DSL service, desk space, desk chair, and the following:

- a) Pens, Markers and Staplers
- b) Bright 24lb Printer Paper
- c) Security Self Seal Business envelopes
- d) One High Speed Color Printer
- e) One High Speed Multi function FAX/ Color Copier/Color Printer.
- f) One high speed document sender.
- g) On line file folder (RELAY).
- h) On line ZipForms sync with RELAY
- i) Hawaii County Advisory in ZipForms
- j) Computers, Monitors, Keyboards, Computer Camera, Mouse pointing devices and Power Strips
- k) Microsoft Office
- l) McAfee Antivirus
- m) Adobe Writer
- n) Photo Shop Elements
- o) One eFax on line Fax Service
- p) Prepaid Company Skype Account
- q) One Company Web Site
- r) 23 or more Local Hawaii Real Estate Web Sites which feature an Agent willing to farm the area covered by site.
- s) Local Hawaii Real Estate Membership in the Big Island MLS (HAWAII INFORMATION SERVICE)
- t) Local Hawaii Real Estate Membership in the Honolulu MLS (HI CENTARL)
- u) Local Hawaii Real Estate Email account (if requested)
- v) Local Hawaii Real Estate water marks, trademarks, and copyrights.
- w) Zillow syndication
- x) Local Hawaii Real Estate Logo
- y) All printer ink, toner, supplies and parts.
- z) One file cart per desk.

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- aa) Refrigerator and Microwave
 - bb) Disposable Dishes, napkins and cutlery
 - cc) Conference room with 42in LCD display, computer, remote keyboard and mouse.
 - dd) The design and layout of professional business cards for all associated Brokers and Sales Persons. Local Hawaii Real Estate shall order and pay for the 1st 1000 business cards. Associated Brokers and Sales Person are responsible for ordering and paying for all replacement cards.
 - ee) The design and layout of standard "For Sale" signs. The Sales Person is responsible for ordering and paying for all replacement signs.
 - ff) On initial affiliation one roll (100 first class stamps) shall be furnished to all Brokers and Salespersons. Associated Brokers and Sales Persons are responsible for all replacement stamps. (The Principal Broker shall from time to time at the Broker's discretion provide additional stamps.)
 - gg) Digital Signature service

Independent Contractor Agreement

Local Hawaii Real Estate and all Brokers and Salespersons shall complete an Independent Contractor Contract for Real Estate Brokers and Salespersons, Hawaii Association of REALTORS standard Form RR401.

The Independent Contractor Agreement shall have the following Special terms.

- a) Sales Persons and Brokers and Principle Broker of Local Hawaii Real Estate shall keep a signed copy of the RR401 on file.
- b) The Principal Broker has the right to terminate the Independent Contractor Agreement should the Sales Person have no sales in a continuous 12 month period.



Commissions

It is the policy of Local Hawaii Real Estate to use a combination of education and experience on all Independent Contractor Broker and Salesperson commissions. The following table shall be used by the Principal Broker as a guide in determining commissions.

Commission Table

Rate	Description
20%	Mentor 1st 5 transactions for New Salesperson
55%	New Salesperson (no closings) Needs Mentor
60%	Salespersons with 6 to 12 closings
65%	Salespersons with 12 to 18 closings
70%	Salespersons with over 18 closings
75%	Salespersons with ABR®
80%	Salespersons with ABR® & GRI
82%	Salespersons with ABR® & GRI & CRS
85%	Brokers with ABR® & GRI



Bonuses

Should Local Hawaii Real Estate close more than \$4,000,000 in sales volume between January 1 and December 10th of the same year and have no outstanding law suits or debt, each Salesperson associated with Local Hawaii Real Estate shall be eligible for a bonus of 1% of the total commission paid to them by December 10 of each year. The Principal Broker shall be eligible for a bonus of 1% of the total commission paid to the Brokers and Salespersons.

Example: As of December 10th, 2009, Local Hawaii Real Estate closed \$4,000,000 in sales volume. Total commissions paid to Salespersons were \$83,400. Sales Person A's commission was \$42,000, B's was \$21,000, C's was \$12,000 and D's was \$8,400. Sales Person A would receive a bonus of \$420.00, Sales Person B would receive a bonus of \$210.00, Sales Person C would receive a bonus of \$120.00 and Sales Person D would receive a bonus of \$84.00. The Principal Broker would receive a bonus of \$834.00

Local Hawaii Real Estate shall pay any bonuses on or before December 20th of the same year the commissions were earned in.

Miscellaneous Expenses

Any expenses relating to customer/client entertainment and agent's personal promotion will be paid for by the Sales Person unless approved for in writing and in advance by the Principal Broker.



Termination

All Listings and Buyer contracts belong to the Brokerage. Local Hawaii Real Estate recognizes the special relationship that Sales Brokers and Salespersons cultivate with Clients and Customers. Active listings, Buyer Agreements and Open Escrows initiated by an Agent shall, by written request from the Client and approval of the Principal Broker and the Receiving Brokerage, be allowed to be transferred to the new Brokerage with the expressed written permission of all of the principals involved.

Local Hawaii Real Estate shall send any earned commissions that close after Termination to the Salesperson's new Broker.

The new Brokerage shall agree in advance and in writing to pay Local Hawaii Real Estate a transfer fee of 30% for all listings and sales that close within their contracted times and protection periods.

Termination Procedure Check List

- The Agent shall provide a complete and written accounting to the Broker, prior to the termination of affiliation, of the names of all prospective purchasers, sellers, lessees and lessors which the Agent encountered during affiliation with the Broker.
- The Agent shall complete a Referral Fee Agreement form RR404 for the Principal Broker's Signature.
- The Agent is responsible for completing all MLS forms, transfer of license forms and paying any and all costs and fees associated with the transfer.
- The Agent shall verify and leave behind any and all pertinent property files, computerized files, keys, for sale signs, business cards, lock boxes and records of any kind used in connection with the listing and sale or leasing of property.
- The Agent shall also complete and sign a confidentiality statement.

Advertisements

General Requirements:

All ads shall have the following brokerage name in them: Local Hawaii Real Estate. The font size of the brokerage name shall be the same font size of the text in the ad.

Names and designations:

- a) Brokers and Salespersons shall use their full licensed name in all advertisements.
- b) Brokers and Salespersons shall use REALTOR® Sales Person, REALTOR® Broker.
- c) Brokers and Salespersons may also include any of the NATIONAL ASSOCIATION OF REALTORS recognized designations (ABR®, GRI, CRS, CCIM...)

All news paper ads must include a local contact number AND the agent web site address OR the brokerage web site address. Any off island or out of state newspaper ads must include a local number AND an agent toll free number OR the office toll free number.

All ads must comply with federal and state guidelines and not discriminate against any protected class.

All ads must comply with Truth in Lending Laws
<http://www.fdic.gov/regulations/laws/rules/6500-1400.html>

Brokers and Salespersons are responsible for the cost of any Ad unless the Principle Broker has agreed to pay for the Ad in advance and in writing.

For Sale Signs:

All listings will, unless the Seller has requested other wise in the listing agreement, have a Local Hawaii Real Estate For Sale Sign posted.

Local Hawaii Real Estate shall pay for the initial design, silk screen set up and first 20 signs for each Agent.

All reorder FOR SALE signs

- a) may be single sided or double sided
- b) shall be manufactured using the approved and paid for silk screen at Ina Signs.
- c) shall be paid for by the Agent

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Any new banner and or sign design shall be approved of in writing by the Principal Broker and shall at a minimum have the following information.

- a) Brokerage name: Local Hawaii Real Estate
- b) Agent Direct Number or web site (the web site shall display on the first page the Brokerage Name, Office Address and Phone number).
- c) Licensed Name, REALTOR® Sales Person or REALTOR® Broker
- d) May also include any of the NATIONAL ASSOCIATION OF REALTORS recognized designations (ABR®, GRI, CRS, CCIM...)
- e) Shall be paid for by the Agent.

Web sites

- a) All Real Estate web sites shall have the following brokerage name on them:
Local Hawaii Real Estate.
- b) All web sites shall have the following address on them:
1655 S. Aiea Ave. #101
Hilo, Hawaii 96720
- c) All web sites shall include a local contact phone number AND a toll free phone number.
- d) All web sites shall display the company logo and motto.
- e) Must be approved of in writing by the Principal Broker.

Business Cards

Local Hawaii Real Estate shall pay for the initial design and first 1000 business cards for Each Agent.

All reorder business cards shall be reordered thru Bill Frampton or vendor approved of in writing by the Principal Broker and shall be paid for by the Agent.

Any new business card design shall be approved of in writing by the Principal Broker.

All Business Cards shall at a minimum display the following information.

Primary Side:

- a) Company Logo in silhouette with the agent's choice of a Hawaiian plant, flower, tree or vista as filler.
- b) the Agent's name and title (REALTOR® Sales Person, REALTOR® Broker, REALTOR® Broker or REALTOR® Principal Broker.
- c) the Company Logo shall face the Agent's name and title.

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Secondary Side:

- a) Agent Face Photo
- b) Agent Name, Title and all designations
- c) Agent License number (on all new reorders)
- d) Direct Line, Office, Fax & Toll Free number
- e) Email address
- f) Company Web Site or Approved web site
- g) Brokerage Name, address
- h) Honesty • Integrity • Commitment
- i) Logo in back ground

Correspondence and Email Signatures shall at a minimum contain

- a) The Agent's Full Licensed Name
- b) The Agent's Title (REALTOR® Sales Person, REALTOR® Broker or REALTOR® Principal Broker)
- c) The Agent's direct line
- d) Hawaii License number
- e) Local Hawaii Real Estate
- f) Honesty • Integrity • Commitment

Local Hawaii Real Estate Logo

All use and customization of the Local Hawaii Real Estate logos shall be reviewed and approved of by the Principal Broker.

Key Management

Each Agent shall be issued one office key and one building key.

Should an Agent lose any they shall be responsible for any and all replacement time and costs.

Keys to listed property shall be placed in an electronic lock box on the property.

Keys to rental properties shall be well marked and the key rack located at the back of the office and shall be immediately accessible to the Principle Broker.



Housekeeping

All Brokers and Salespersons are to keep their work surfaces, computers, computer monitors, keyboards and pointing devices clean of clutter, debris and food.

All Brokers and Salespersons are to clean up after them selves and any guests or customers or clients.

The last Agent to leave the office shall turn off their computer and monitor and all electrical devices in their work area, turn off the conference room computer and monitor, the digital sender, the Apple computer in the Conference Room, the local area network, the street side printer, unplug the document shredder and turn off all lights.

Sales meetings and Training

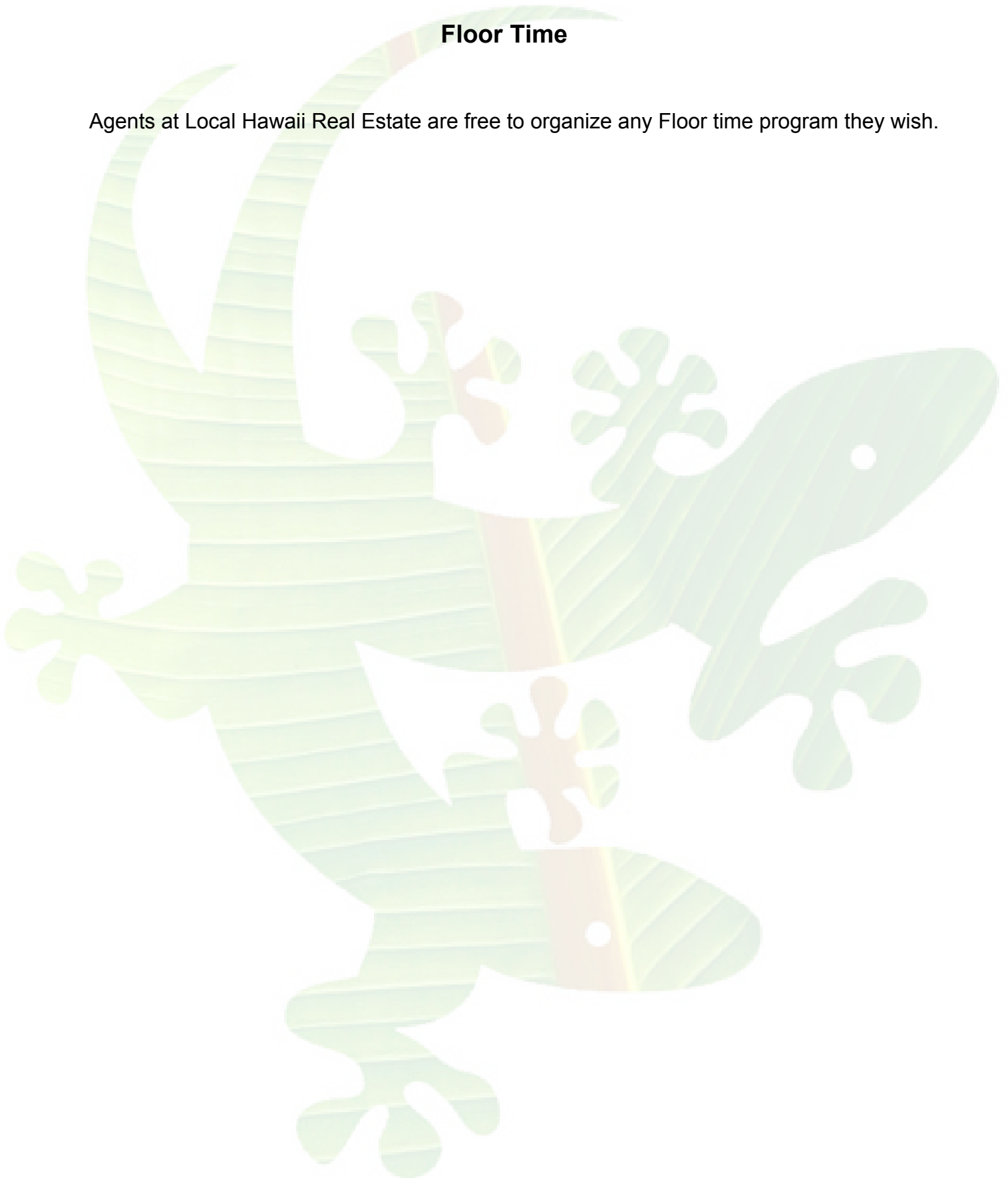
Local Hawaii Real Estate will have an Annual sales meeting to be scheduled between December 10th and December 20th of each year.

It is the Responsibility of the Agent to view all training videos in the Conference Room, Schedule and attend ZipForm & Relay Training on the Internet and to View all DocuSign Videos. Should the Agent have any questions after they have viewed the training material they are to make an appointment with the Principal Broker to complete their training.

The Principal Broker shall schedule and hold as necessary, mandatory Training classes. The Principle Broker shall give at least a 7 day notice of any mandatory training class. The Principle Broker will provide normal training material via email to each Agent for their review. Should any Agent not understand the material provided they are to contact the Principle Broker within 2 days of receipt and request a training session on the material. The Broker shall schedule the session within 7 days of the request.

Floor Time

Agents at Local Hawaii Real Estate are free to organize any Floor time program they wish.



Documents & Document Management

It is the policy of Local Hawaii Real Estate to use only REALTOR® standard forms and to make every effort to generate and use high quality legible documents.

Brokers and Salespersons shall promote the use of electronic documents and digital signatures to their clients and customers.

In the event the client or customer is not computer literate or does not have an internet connection, Brokers and Salespersons shall send all original documents with a copy via USPS Priority Mail. Once the signed originals been returned, the Agent shall insure all documents are complete and in readable condition prior to placing the documents in electronic form using the digital sender.

Brokers and Salespersons shall:

- a) File and manage all customer and client emails, document and notes in RELAY.
- b) Not store customer and client information on their respective computers.
- c) Digitize and then shred all hard copy customer and client information.

Special Clauses

Should a Broker or Salesperson need to draft a special clause for a contract or addendum, they shall refer and rely on the approved Special Clauses at <http://www.localhawaiiirealestate.com/docs/> for guidance.

Any special clauses used shall consist of three main parts:

- a) Who (Buyer and Seller agree...)
- b) What (the seller or buyer shall specifically accomplish....)
- c) When (on or before date and time).

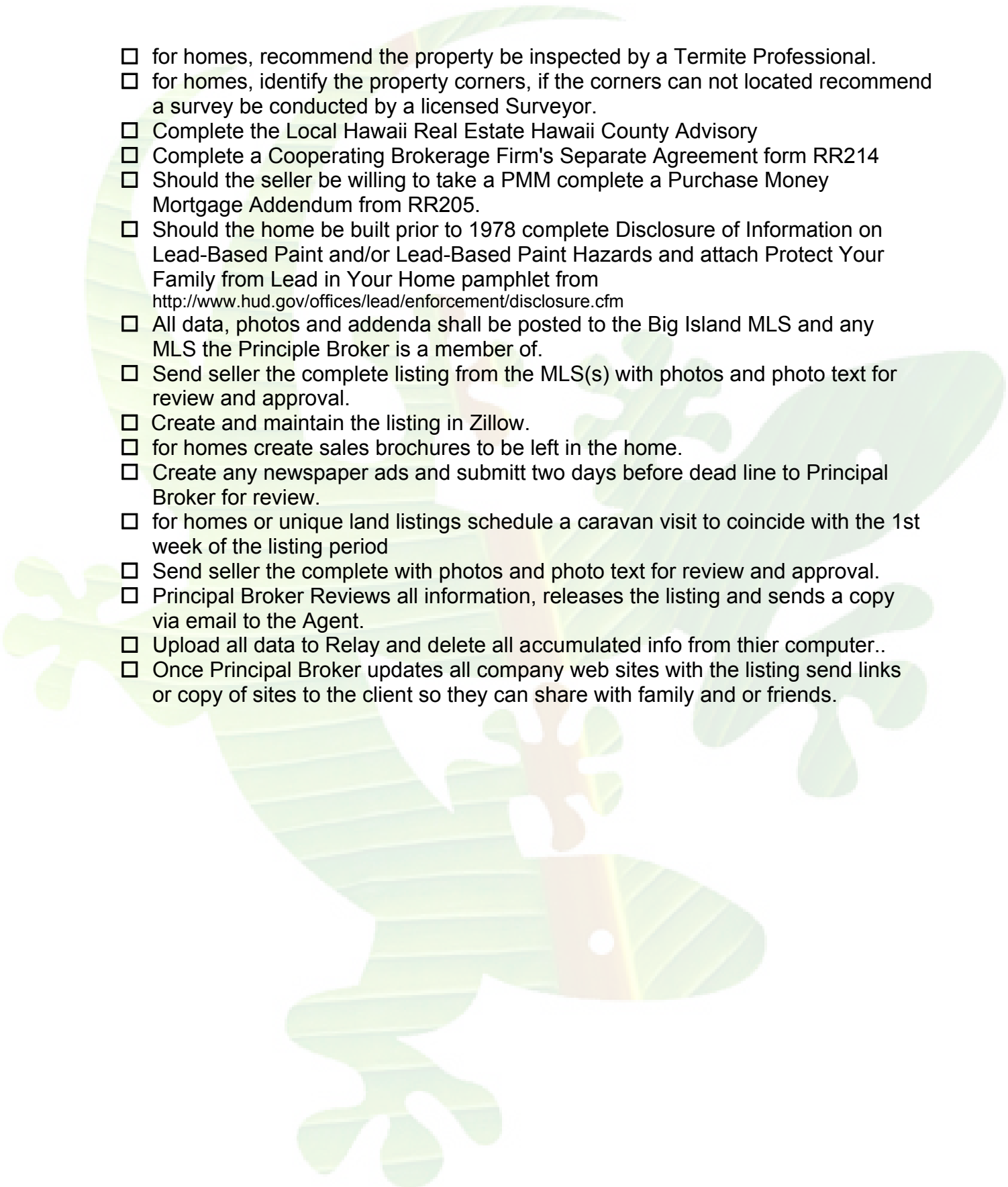
Listings

All Listings shall be EXCLUSIVE RIGHTS TO SELL. Should a potential client wish to enter into an Exclusive Agency listing with Local Hawaii Real Estate contact the Principal Broker immediately.

All Listings shall be made using the following check list.

- Complete the Exclusive Right-To-Sell Listing Agreement form RR-101 with standard listing addendum from <http://www.localhawaii realestate.com/docs/>
- Complete the Seller's Real Property Disclosure Statement form RR-109
- Edit and create a Plat Map from <http://www.hawaii-county.com/maps/tmk/zone.htm>
- Review the Tax Records at <http://www.hawaiipropertytax.com/> to verify taxes, seller name and address, and property address.
- Complete a Flood Zone determination form from <http://www.localhawaii realestate.com/docs/>
- Complete a Waste water disposal determination (cess pool, septic or sewer access) from <http://www.localhawaii realestate.com/docs/>
- Complete a Road Maintenance determination (if governed by a Road Maintenance organization obtain a copy of the By Laws and current Road Maintenance Fee) from <http://www.localhawaii realestate.com/docs/>
- Order and Review a Title Report and identify all legal owners and any easements.
- Verify that Title Insurance can be issued and see if a reissue rate applies.
- Complete a Site Visit with Principal Broker to locate the approximate middle and approximate corners of the property according to the data in the TAX Maps.
- Install Sign on Property
- Principal Broker will create a 360 Tour of the property
- Agent shall take and edit a minimum of 5 clear photos for land listings and or a minimum of 10 clear photos for house or condo listings.
- For condo properties, order and review all documents in the Resale Package and complete a Property Information Form RR105C
- For Subdivisions, determine if a Home Owner organization exists and if it does find out who the Manager is, their contact address and phone number and order a resale package.
- Complete a Helco Determination form to see if SSPP applies and if so what the costs are from <http://www.localhawaii realestate.com/docs/>
- Visit County Planning and verify if the property is in an SMA and or Tsunami Zone and or Conversation zone and or Ocean Front property (add all info to MLS and if Oceanfront Property, complete Form RR220).
- Complete a Plain Language Addendum RR-206 for land priced under \$50,000
- for homes recommend the property be inspected by a professional Home Inspector

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- for homes, recommend the property be inspected by a Termite Professional.
 - for homes, identify the property corners, if the corners can not located recommend a survey be conducted by a licensed Surveyor.
 - Complete the Local Hawaii Real Estate Hawaii County Advisory
 - Complete a Cooperating Brokerage Firm's Separate Agreement form RR214
 - Should the seller be willing to take a PMM complete a Purchase Money Mortgage Addendum from RR205.
 - Should the home be built prior to 1978 complete Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards and attach Protect Your Family from Lead in Your Home pamphlet from <http://www.hud.gov/offices/lead/enforcement/disclosure.cfm>
 - All data, photos and addenda shall be posted to the Big Island MLS and any MLS the Principle Broker is a member of.
 - Send seller the complete listing from the MLS(s) with photos and photo text for review and approval.
 - Create and maintain the listing in Zillow.
 - for homes create sales brochures to be left in the home.
 - Create any newspaper ads and submit two days before dead line to Principal Broker for review.
 - for homes or unique land listings schedule a caravan visit to coincide with the 1st week of the listing period
 - Send seller the complete with photos and photo text for review and approval.
 - Principal Broker Reviews all information, releases the listing and sends a copy via email to the Agent.
 - Upload all data to Relay and delete all accumulated info from thier computer..
 - Once Principal Broker updates all company web sites with the listing send links or copy of sites to the client so they can share with family and or friends.

Offers

All Offers shall be made using the following check list.

- If Buyer is a client, or previous client complete Buyer Representation Agreement form RR104
- Review the Tax Records at <http://www.hawaiipropertytax.com/> to verify taxes, seller name and address, and property address.
- Create a Plat Map that identifies the location of the property in relation to the closest named street corners.
- For Home Owner organizations and Condos complete a Request for Documents form RR105b
- Complete the Purchase Contract form RR201
- For land priced under \$50,000 and first time home buyers complete a Plain Language Addendum RR-206
- Complete the Local Hawaii Real Estate Hawaii County Advisory
- Print and annotate a Complete MLS Read Out.
- Complete any counter offers using form RR204.
- Provide all Buyer Clients with Title and Tenancy handout from <http://www.localhawaii realestate.com/docs/>

Presenting Offers

The Brokers and Salespersons at Local Hawaii Real Estate shall present all offers in a timely manner and in Person. In cases where the Seller is located locally, any Agent representing a Buyer Client shall endeavor to obtain the necessary written permission in writing from the Buyer to present the offer directly to the seller and if necessary to negotiate the offer. When it is not possible for the buyer Agent to present the offer in person, the Agent shall establish direct contact with the Seller's Agent and deliver the contract via fax, or other electronic means and receive an acknowledgement from the receiving Agent that they have received the contract.

All offers and counter offers shall be reviewed by the Principal Broker prior to being sent to the client or customer.

Brokers and Salespersons shall notify the Principal Broker of any offers or counter offers via telephone call.

Loan Approval Letters

It is our standard of practice to submit all contracts contingent on loans with a conditional loan approval letter. The letter shall at a minimum

- a) State the full legal name of the buyer
- b) Have a date of less than 15 days old
- c) State the licensed name, title, address, email address, office phone and direct line of the loan officer.
- d) Have a statement that says the buyer has completed an application to the lender.
- e) Have a statement that says the buyer has received a good faith estimate from the lender.
- f) A list of the special conditions that must happen to fully underwrite the loan.
- g) Be acknowledged by the loan officer's signature

Policy for Better Seller Representation

As REALTORS®, our fiduciary relationship with our clients requires a high level of good faith, loyalty and confidentiality. We have a duty to protect our clients' best interests. Here are some tips to improve the representation of your seller clients. If you have any questions about your duty to your clients always refer to the Realtor Code of Ethics.

Get to Know the Property

It is crucial to take notes while you inspect the property that you will represent. Make sure the sellers understand what will convey with the property under the sales contract. Clarify items that they do not wish to convey. Ask about porch swings, fountains, play structures, mirrors, speakers, pot racks, etc. Understand the property lines, and find out about adjoining properties. Check the ownership of nearby land that the sellers believe is a greenbelt. A thorough inspection and understanding of the property is fundamental to good representation.

Prepare Complete Disclosures

In Hawaii the sellers are required to fill out a disclosure form, answering questions and disclosing facts about the property. After the sellers have completed the form, take the time to review it and ask questions. The sellers may not have understood a question, or were reluctant to say something negative, or may have forgotten an item that needs work. For example, a seller forgot that, years ago, he had replaced some damaged wood floor with plywood under an area rug. Ask the seller to think carefully about repair items that will not be easily noticed.

Sometimes the sellers have copies of inspection reports or previous sellers' disclosures. These documents are a part of their knowledge of the property, and should be a part of their disclosure. If the property has been rented, the seller may have a log of repairs that have been done.

Disclose Significant Repairs

Sometimes sellers ask if previous repairs need to be disclosed. Of course, it is not necessary to write down every repair that was done during the sellers' ownership. However, it is prudent to disclose repairs related to water, fire, structural integrity, or termites. In addition to these types of repairs, all major construction should be noted. By disclosing these items, the sellers give the buyers an opportunity to investigate them further during the inspection period if they wish.

Put the Sellers' Interests Ahead of Your Own

The disclosure process may require that we make recommendations that sellers do not want to hear. For example, the sellers mentioned that a beautiful tree is diseased, and will die in a few years. Our obligation, as their agent, is to recommend the safest position for the sellers, and that position is to disclose the defect. Ask the sellers to think about what they would want to know if they were the buyer.

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Thorough and complete disclosures are a risk reduction measure for sellers. If the sellers knowingly concealed a defect, or appeared to have concealed a defect, they might be vulnerable to a serious claim by the buyer after the closing. If you think that the sellers might have a duty to disclose something to a buyer, advocate for disclosure. This is a part of your obligation to represent the best interests of the seller, both for the short term and long term.

Recommend Inspections

Inspections are a protection measure for both the seller and buyer. Although inspections are normally obtained and paid for by the buyer, the inspection protects the seller as well as the buyer. The inspection will reveal items that the seller was not aware of, or did not think to disclose. ("Yes, water runs into the garage, but we never considered it a problem.") Sellers should consider getting a pre-marketing inspection. This will help them to get prepared for marketing, avoid surprises later, and build buyer confidence in the property.

Avoid Acting as an Inspector

During visits to the house, avoid attempting to assess problems for the seller. ("Those cracks are not from settling." "All homes in this area have some slope in the floors.") All questions of this nature should be referred to an inspector, engineer, or construction specialist. You are not the interpreter of maladies. Home inspection is a difficult job to do perfectly, even for trained professionals.

Include Service Contracts

Recommend that the seller and buyer have a service contract included in the contract. These policies provide a one year repair service for the buyer. They can often reduce the potential that a future repair issue will cause them frustration and anger toward the seller.

Do Not Allow Misinformation to Stand

Be alert to potential problems that could result from a misunderstanding of disclosure requirements or of the property itself. For example, the sellers may mention something that they do not consider to be a problem, and have no intention of disclosing. ("We fixed all the sheetrock cracks." "It flooded once a long time ago.") If you let this pass, your silence may be taken as approval of the non-disclosure. In the event of a problem later, they might feel that you advised them not to disclose the item. A common response by sellers to a lawsuit by the buyers is, "My agent told me not to disclose this."

Similarly, speak up if you feel that the buyer is making an erroneous assumption about your client's property. ("We love the greenbelt behind the house.") The best representation for seller is proactive.

Open Communication

An open line of communication during transactions is a good defense against misunderstandings. No matter who complains, a quick response is more likely to (Continued on next page)

resolve the problem before it escalates. People need to feel that their concerns are being heard. Many problems can be avoided and anger kept to a minimum by simply being in communication. Emotion often drives the escalation of a problem.

The communication and file storage power of email is a great tool to help you fulfill your duties to your clients. It is a good idea to save the complete file of messages relating to a transaction. If a decision has been made verbally, it is easy to send a quick note by email to place it into the email file. When new information about the property is delivered to the buyer, an email follow up will document the file. While it is important to provide accurate information, it is also important to document.

Set Standards

Keep the highest of standards, and do not allow other people to run your Real Estate Practice. This includes clients, other Brokers and Salespersons, lenders or any other party. Walk away from deals, rather than get entangled in unethical or imprudent activity. Not all clients are a good fit. Select good clients; walk away from bad ones. Good business practices include a proactive attitude toward property disclosure, and a system of communication and documentation. They will help you to fulfill your obligation to put the best interests of your seller clients first, as well as to treat other parties fairly and honestly.

Real Estate Valuations

Appraisers

It is the policy of Local Hawaii Real Estate to always recommend the services of a licensed Appraiser to arrive at Real Estate valuations.

Broker Price Opinions (BPOs)

The Principal Broker, Brokers and Salespersons at Local Hawaii Real Estate shall not provide Broker Price Opinions (BPOs) or Comparative Market Analysis (CMAs).

Market Absorption Analysis

The Principal Broker, Brokers and Salespersons at Local Hawaii Real Estate shall use Market Absorption Analysis to estimate of the Market Value of all properties.

For a fee¹, we offer an Unbiased Market Absorption Analysis² (UMAA) of the Data found in our MLS and qualified by a site visit. The UMAA data furnished shall be:

- a) Quantity of sold properties in the last year.
- b) Quantity of expired and/or withdrawn properties in the last year.
- c) Quantity of similar properties for sale and average days on market
- d) Current Yearly Supply available
- e) Monthly average and median sold prices for the last 12 months
- f) Monthly average and median DTS (Days to Sold) for the last 12 months
- g) 5 clear photos³ of the property (left corner to middle, right corner to middle, middle, view of the street from the middle to the left and view of the street from the middle to the right)
- h) Market Absorption Rate per month.
- i) A market based price point recommendation based on the client or customer's time frame.
- j) A list that shows the most cost effective alternatives to the subject property.

¹ Should the subject property be located less than 20 miles (round trip) from our office, our fee is \$249. Should the property be located more than 20 miles (round trip) from our office our fee is \$249 + \$1 for every mile traveled over 20 miles.

² The UMAA shall be written, signed and dated by the Broker or Salesperson originating it and initialed and dated by the Principal Broker before it is released to a client or customer.

³ All photos shall have the originating Broker or Salesperson's name, the date and Local Hawaii Real Estate in yellow letters. This data shall be arranged in such a manner that should the photo be copied the data shall be copied also.

Office Information

Equipment and Software

All computers, monitors, printers, network equipment, Supra equipment and computer software used in the office are the property of Local Hawaii Real Estate. They are to be used by Brokers and Salespersons to conduct normal Real Estate transactions and communications. No other activity shall be conducted on them without prior written approval from the Principal Broker.

Dress

All Brokers and Salespersons shall be neatly dressed and freshly washed prior to meeting with customers or clients or the other Brokers and Salespersons in the office.

Hours

General office hours are 9 am to 6 pm M - F

Conference Room Use

Conference Room usage shall be scheduled by notice posted on the conference room entrance.

Office Address

The mailing address for Local Hawaii Real Estate is:

1000 S. Hilo
Hilo, HI 96720



Death

In the event of the demise of a Broker or Sales Person associated with Local Hawaii Real Estate, Local Hawaii Real Estate shall pay any pending commissions earned to the decedent's known spouse or partner. In the event there is no known spouse or partner, payment shall be made to the decedent's next of kin.