

Operations Manual



LIVE



INVEST



SAVE

Version 14: June 2022

This Manual contains some of the key operational elements of the licensed business and should be read in conjunction with the Franchise Agreement. This Manual will be amended from time to time.

Clause 8 of the Franchise Agreement contains the terms upon which the Franchisee may utilise this Operations Manual.

A reference to “Company” or “LJ Hooker Home Loans” in this Operations Manual means LJ Hooker Home Loans Pty Limited.

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1. **LJ Hooker Home Loans Pty Ltd ACN 106 564 765 (referred to as LJ Hooker Home Loans or the Company)**

1.1 **Welcome to LJ Hooker Home Loans**

Welcome to LJ Hooker Home Loans. We wish you and your team the very best in working with us to build a successful business for you.

LJ Hooker has been known as one of Australia's strongest brands for over 90 years. This has been achieved with a dedication to the highest customer service standards across residential and commercial property, and home loans.

Our mission is to bring inspiration and innovation to customers who want to make their property dreams happen.

Our vision is to become Australia's most trusted and admired home loan provider.

Our belief is that for our customers getting the right home loan should be easy and simple. We should give our customer an experience that treats them with understanding, care and empathy. The loan should be the right one for our customer – to fit their circumstances and aspirations, and help them get closer to realising their property ownership and investment dreams.

1.2 **Who is LJ Hooker Home Loans?**

LJ Hooker Home Loans is a privately-owned franchising business, predominately offering our customers home buying, building, and refinancing services. Our own brand of home loan products is designed to offer our customers choice, and service at highly competitive levels. The Company has strong ties to the LJ Hooker real estate group, having been a full part of the LJ Hooker group until 2015. Today, we still share a strong connection with LJ Hooker to ensure their customers are provided with property lending solutions.

For our franchisees, we offer strong levels of business support, to help them build relationships with their real estate partners, and grow their business within their franchise territory. Our aim is to assist our franchisees as they service local communities and build a strong business asset. We also strive to ensure our franchisees meet all legislative requirements in relation to offering home loans products. Our own suite of home loan products are designed to provide our franchisees with a unique product offering, meeting the needs of property buyers and investors.

1.3 **LJ Hooker Home Loans Vision Statement**

LJ Hooker Home Loans makes dreams happen. We bring inspiration and innovation to people who want to be living and investing in their home ownership dreams. Our aim is to be Australia's most trusted and admired home loan provider.

2. General Operations

2.1 Operations Manual

This Operations Manual is the document referenced throughout the Franchise Agreement, the purpose of which is to provide the Franchisee with guidance in relation to operational matters associated with the running and management of an LJ Hooker Home Loans Franchise.

(a) About the Operations Manual

This Operations Manual includes general information, compliance requirements, business rules, policies and processes to assist the Franchisee in its operation of the business.

This Operations Manual does not necessarily include all information relevant to an LJ Hooker Home Loans operation. Its focus covers matters over which LJ Hooker Home Loans has designed rules and specific operating procedures, and is understandably not exhaustive in its reach.

Unless contrary to any laws, the Franchisee and its personnel must follow the rules and procedures set out in this Operations Manual.

This Operations Manual must not, in whole or part, be lent, copied, photocopied, reproduced or shared with persons other than the Franchisee's personnel without the express written permission of LJ Hooker Home Loans. To do so is a serious breach of the Franchisee's agreement with LJ Hooker Home Loans.

LJ Hooker Home Loans has taken all reasonable precautions to ensure the accuracy of information and material contained in this Operations Manual is current as at the date of publication. LJ Hooker Home Loans is not liable for loss or damage which may result from any inaccuracy or omission in this Operations Manual or from the use of the information in it.

This Operations Manual will be provided to the Franchisee at the same time of issuing the completed Franchise Agreement for signing. This Operations Manual must in all cases be stored by the Franchisee in a secure location to prevent access to it by any unauthorised persons.

(b) Questions about this Operations Manual and Providing Feedback

General questions about this Operations Manual and all feedback and requests for changes to this Operations Manual should be directed to the Head of Compliance of LJ Hooker Home Loans.

Timing of responses to questions, feedback and requests for changes will depend upon the complexity of the issue. The Head of Compliance will endeavor to provide prompt responses to all questions.

(c) Updating this Operations Manual

Processes for identifying and requesting a change to this Operations Manual should be carried out using the following steps:

- (i) Send details of the requested change (including the reason for the change) via email to the Head of Compliance of LJ Hooker Home Loans.
- (ii) The Head of Compliance will assess the merits of the request including the impact the requested change may have on the business. If satisfied the change is necessary, the Operations Team

will then obtain any legal and/or business approval to the change (if required).

- (iii) If the requested change is approved, this Operations Manual will be updated.

(d) **Compliance Breaches**

Breaches in the confidentiality, use or security of this Operations Manual must be reported immediately to the Head of Compliance of LJ Hooker Home Loans.

2.3 **Reference in Franchisee Agreement**

- (a) *Clause 8 – The Operations Manual*

3. Business Planning and Management

This section sets out the requirements for planning, financial reporting and management, and achieving performance standards.

3.1 Business Planning and Reporting

(a) Description

The financial year for LJ Hooker Home Loans is 1 July to 30 June. Each year the Franchisee is to prepare a Business Plan, which enables planning for staff, operational and technical resources, expenses and profit. The Franchisee must provide the Company with information about its ongoing performance and forecasted business performance.

The Franchisee is required to submit the following plans to the Company by the due dates indicated below in such format as specified by the Company from time to time:

Report	Due
Business Plan	Prior to the Commencement Date of the Franchisee Agreement and otherwise by the 31 st May each year thereafter or such later date as directed by the Company.
Quarterly Activity Plan	Within 14 days upon request by the Company

Each year, the Franchisee must prepare a Business Plan for the year ahead, which is provided to the Company. This Business Plan will provide detail of the financial and business strategies to support achievement of the Performance Standards including:

- (i) Sales forecast for approved products (lodgements and settlements);
- (ii) Marketing plan;
- (iii) Budget;
- (iv) Recruitment plan;
- (v) Training plan;
- (vi) Profit and Loss Statement;
- (vii) Business Activity Statement.

The Minimum Performance Standards will form the basis of the sales forecast for approved products.

Performance of the Business Plan will be monitored on a quarterly basis.

The timetable for submitting the annual Business Plan is as follows:

31 May or such later date as directed by the Company	Submit Business Plan to the Company
31 May – 7 June or 7 days after due date for submitting Business Plan to the Company	Finalise annual budget
1 June – 30 June or 30 days after due date for submitting Business Plan to the Company	Sign off Business Plan
1 July or 30 days after due date for submitting Business Plan to the Company	Implement Business Plan

(b) **Reference in Franchise Agreement**

- (i) *Clause 1.1 Definitions*
- (ii) *Clause 2.4 Business Plans*

3.2 **Performance Standards**

(a) Description

The achievement of performance standards by the Franchisee is central to the ongoing success of the Franchisee, LJ Hooker Home Loans and all Loan Writers, and therefore the requirement for meeting performance standards is essential. It is important for a Franchisee to understand that performance standards will vary throughout the term of the Franchise Agreement depending on market conditions to ensure business growth.

Performance standards for the Franchisee are necessary to:

- (i) achieve growth and profit as required by the LJ Hooker Home Loans Business Plan;
- (ii) allow LJ Hooker Home Loans to plan resources to provide acceptable levels of operational support;
- (iii) measure the performance (both qualitative and quantitative) of each Franchisees Business;
- (iv) provide benchmarks for Franchisees to manage their business.

Three areas of the Franchisee’s performance will be measured to meet these objectives.

- (i) Minimum Performance Standards;
- (ii) Allocated Location Performance Standards; and
- (iii) Legal and Operations Compliance Standards (as set out in clause 3.2 (e) (i) of this manual.

Other areas of the business may be reviewed with the expectation that the Franchisee will meet essential requirements.

The Minimum Performance Standards vary depending on whether or not the Franchise is located in a Regional or Metropolitan area. The Franchisee is informed of the Area type for which their Franchise is classified as, in Schedule “C” of the Franchisees Agreement

(b) **Minimum Performance Standards**

- (i) The Franchisee must achieve all of the Minimum Performance Standards:

Time in Operation	Minimum Performance Standards
First year of operation	The Franchisee will be monitored against the forecasted targets as agreed to with the Company and documented within the Business Plan.
Second year of operation	Minimum \$6,000,000 per quarter (\$2,000,000 per month average) in settled loan volumes for the entire Franchise.
Third year of operation	Minimum \$9,000,000 per quarter (\$3,000,000 per month average) in settled loan volumes for the entire Franchise.

(c) **ALLOCATED LOCATION PERFORMANCE STANDARDS**

The standards for establishing and monitoring the effectiveness of referral relationships with LJ Hooker Real Estate offices within the Franchisee’s Allocated Location are as follows and must be met by the Franchisee:

Allocated Location Performance Standards
<p>There is a general expectation as part of the LJ Hooker Home Loans business model for each Franchisee to establish referral relationships with the Principal(s) and staff of the LJ Hooker Real Estate offices in their allocated territory. These relationships play an important part in both enhancing the overarching brand which underpins the business, and for generating new opportunities. Through these relationships and the servicing of enquiry, each Franchisee must aim to not only procure new loan opportunities but also aim to settle loans as part of the overall sales objective of the business.</p>

- (i) Attending the premises of the LJ Hooker Real Estate offices in the Franchisee’s Allocated Location for meetings including sales meetings, property investment management meetings or any other regular or adhoc staff forums to provide information updates, feedback as to the status of past referrals provided and referral training; for property inspections, open house displays and auctions; to conduct client interviews; to display, monitor and promote LJ Hooker Home Loans Products and services.

- (ii) Meet on a regular basis with the principal of each LJ Hooker Real Estate office in the Allocated Location to promote LJ Hooker Home Loans Products; and the referral of potential borrowers. The meeting should include a review of prior referrals and planning of upcoming activities and promotions.
- (iii) Present a professional and friendly image (including wearing corporate or suitable professional attire at all times.
- (iv) Regularly conduct partnership reviews (minimum quarterly) in order to monitor the performance of both the LJ Hooker Real Estate office referrers and the Loan Writers assigned to the Franchisee's office.

(d) **LEGAL AND OPERATIONS COMPLIANCE STANDARDS**

- (i) Legal and Operations Compliance Standards – the Franchisee must meet 100% of these Performance Levels:

Compliance Area	Compliance Standards
Training	The Franchisee, all Loan Writers and Credit Representatives must complete minimum training requirements in order to comply with Credit Legislation, any other relevant legislation and Industry Body requirements as directed by the Company.
Customer Complaints	The Franchisee must immediately inform the Head of Compliance of LJ Hooker Home Loans if a complaint is received.
Operations Manual	No breach of this Operations Manual.
Compliance with all relevant laws & legislation relating to the financial services industry, products & employment.	Compliance with all laws and relevant legislation including but not limited to Privacy Act, Anti-Money Laundering and Counter-Terrorism Financing Act, Credit Legislation and conditions of the Company's Australian Credit Licence; Employment and WH&S laws as detailed at clause 17.7 of this manual.
Compliance with all company policies and procedures.	The Franchisee must ensure that they and their personnel comply with the Company's policies and procedures as communicated to them by the Company from time to time.
Qualifications/Accreditation	Qualifications, accreditations, licences, registrations and authorisations

Compliance Area	Compliance Standards
	necessary to carry out duties including industry association membership, membership of an ASIC Approved EDR Scheme, aggregator membership and lender accreditation must remain current at all times.
Insurances	Policy/ies must remain current and compliant with ASIC requirements at all times.
Business Name	The Business Name must only ever be displayed in accordance with the LJ Hooker Style Guides. Only trademarks, logos and images set out in the Disclosure Document may be used by the Franchisee and always only with the consent and discretion of LJ Hooker Home Loans.
NCCP	Accurately complete Annual Compliance Questionnaire.
Correspondence with regulator or Ombudsman	All correspondence (including Inquiries) received by the Franchisee from a regulator or an ombudsman must be immediately emailed to the Head of Compliance and the Company shall have absolute management and control of all such correspondence. The Franchisee must provide the Company with access to all relevant documents and correspondence in relation to any regulatory enquiry or ombudsman matter.

In addition to the above compliance standards, the Franchisee must ensure that they assist LJ Hooker Home Loans with the ongoing management of all compliance related issues which includes such things as reporting of any actual, potential or systemic compliance breaches that are identified and complying at all times with the treatment options proposed to be implemented by LJ Hooker Home Loans.

(e) **Reference in Franchise Agreement**

- (i) *Clause 1.1 Definitions*
- (ii) *Clause 2.4 Business Plans*
- (iii) *Clause 2.5 Minimum Performance Standards*
- (i) *Clause 5 Allocated Location*
- (ii) *Clause 7.5 Counseling and Assistance*
- (iii) *Clause 16.3 Preconditions to Assignment*

3.3 **Action and Business Improvement Plan**

In the event that the Franchisee fails to meet the Minimum Performance Standards, Allocated Location Performance Standards or Legal and Operations Compliance Standards or any other performance standards referenced throughout the Franchise Agreement or Operations Manual then the Company will require the Franchisee to produce an Action and Business Improvement Plan outlining the initiatives to be implemented in order to achieve the performance standards in accordance with clauses 2.5 and 5 of the Franchise Agreement.

3.4 **Record Keeping**

(a) **General**

By law, records must be maintained for minimum periods of 7 years and for some transactions the law requires that records be retained for 7 years after the last service was provided to the customer. Each Franchisee must understand the compliance obligations that pertain to record keeping and ensure that they have the processes and procedures in place to ensure compliance with the law.

The Franchisee must comply with all legislative and reporting requirements in respect of its business including taxation, Credit Legislation, privacy laws, anti-money laundering and counter terrorism funding and corporation laws.

(b) **Customer Relationship Management (CRM)**

As well as the general record keeping requirements mentioned in clause 3.4, the Franchisee should keep accurate and up to date records of all Clients including:

- (i) Full name
- (ii) Address
- (iii) Email
- (iv) Telephone

(c) **Reference in Franchise Agreement**

- (i) *Clause 4.1 (a) Operations of the Business by Franchisee*
- (ii) *Clause 25.1 Privacy and Confidential Information*

4. Management and Operational Support

4.1 Description

Members of the LJ Hooker Home Loans Operations Team are located throughout VIC, NSW & QLD, with the registered office address being Suite 114C / 84 Hotham Street, Preston VIC 3072.

Members of the Operations Team have specialist skill sets that enable them to provide management and operational support to Franchisees and Loan Writers, as required. The Operations Team also work closely with our funding partners, and other service and system providers to ensure training requirements for the network are met.

Support to our franchisees can be provided in a number of different ways. One on one regular meetings with their State Manager, at least monthly, are crucial to helping us understand the development and training needs of our franchisees. Our quarterly franchise owner forums also provide training and guidance on more growth focused initiatives, with assistance on implementing upcoming initiatives. Various additional conferences and training events are conducted as needed, to ensure our franchisees are supported. Head of Compliance, also assists our franchisees with meet regulatory training requirements by way of providing regular electronic communications, face to face training, and delivered online training modules.

4.2 Franchisee undertakings

- (a) The Franchisee undertakes to provide:
- (iii) financial statements of the business and/or a solvency certificate upon request by the Company.
 - (iv) All financial information prepared in accordance with generally accepted accounting principles by a qualified accountant. (The Franchisee should seek expert advice about accrual accounting from an accountant).

4.3 Support, Meetings and Forums

(a) Business Support

The Company will provide regular business development support and assistance to the Franchisee as required through a review of the Franchisee's performance on a regular basis.

(b) Growth Forum

The Franchisee must attend all Franchise Owner Forums as convened by the Company. The objective of the Growth Forum is to bring together Franchisees to discuss matters such as:

- ◆ Sales results for the state and by individual Franchisees.
- ◆ Training on products, selling skills, processes, and policies as required.
- ◆ Analysis of local marketing successes in a particular Allocated Location.
- ◆ Analysis of any national marketing activity for the coming quarter.
- ◆ Facilitate sharing of best practice across the network and compliance.
- ◆ Team building as required.

Forums will generally be located in capital cities or major business centres. Franchisees will be notified as set out in clause 4.4.

(c) Franchisee Quarterly Business Reviews

The Franchisee and a representative of the Company will meet regularly, no less than once every quarter. At this meeting, the Franchisee has the opportunity to discuss the performance of its business. The Company will provide feedback across a broad range of business metrics including:

- ◆ Sales and financial performance analysis;
- ◆ General personnel issues that the Franchisee may be experiencing;
- ◆ Performance against the Performance Standards;
- ◆ The Franchisee's business plan.

Franchisee Quarterly Business Reviews can be conducted either *face to face*, by telephone and/or video conferencing.

(d) Franchisee and Loan Writer Monthly Performance Reviews

The Franchisee must conduct monthly performance reviews with each of their Loan Writers in order to monitor and manage their performance. The monthly performance review will include:

- ◆ A review of the Loan Writer's current performance to ascertain if they are operating to the standard agreed to between the Franchisee and Loan Writer.
- ◆ A review to ensure that the Loan Writer is meeting all of the Allocated Location Performance Standards.
- ◆ A review to ensure that the Loan Writer is meeting all of their Responsible Lending and Compliance requirements.

4.4 Process for Meetings and Growth Forums

- (a) The Company will inform the Franchisee of the date/s and location/s of when and where the meeting/franchise owner forum is scheduled one month prior to the date of meeting.
- (b) The Company will circulate the meeting agenda to the network no later than one week prior to the date of the meeting.
- (c) The Company will notify the Franchisee if any preparatory work is required.
- (d) Franchisees are to attend the meeting/franchise owner forum for its entire duration.

4.5 Reference in Franchise Agreement

- a. *Clause 2.5 Minimum Performance Standards*
- b. *Clause 4.7 Loan Writers of the Franchisee*
- c. *Clause 7.6 Meetings*

5. Training and Development

The Company appreciates the importance of personal development and training and actively develops the training content of franchise owner forums to support and develop the businesses of the Franchisees.

5.1 Training and Development Overview

(a) Description

LJ Hooker Home Loans recognises professional training offered by industry participants and professional bodies such as the MFAA and Aggregators. In addition, the Company provides access to Safetrac Compliance Management System and business practice development at growth forums and compliance training.

On a regular basis, the Franchisee should assess each of its personnel's performance. The Franchisee and the individual personnel will work together to develop a training plan to fill any gaps in the personnel's skills.

(b) Policy

New Franchisees must complete mandatory induction training within the first month of commencing with LJ Hooker Home Loans.

1. The Franchisee must attend franchise owner forums facilitated by the Company. The Franchisee is requested to assess each training program's effectiveness and provide feedback to the Company.
2. The Franchisee should coordinate and manage local induction for those personnel who operate from its operations.
3. The Franchisee must utilise any Compliance Management System made available to them by the Company and must ensure that their Loan Writers and Credit Representatives do the same.

(c) Training Matrix

Training	Target Audience	Course Duration
Induction Training	Franchisees	2 days
Franchise Owner Forums (x 3 Annually)	Franchisees (and upon request Loan Writers)	4 CPD hours
Safetrac System & Online Training	Franchisees and Loan Writers	Up to 5 CPD hours per annum
LJHHL Conference	Franchisees (and upon request Loan Writers)	2 days

5.2 Training Requirements

(a) Description

LJ Hooker Home Loans has developed a number of training programs that must be completed by the Franchisee. The personnel of each Franchisee are also required to complete some of these training programs.

These training programs are designed to educate the Franchisee and its personnel on how to enhance their skills in writing and preparation of loan applications.

(b) Policy

(i) Compliance Requirement

1. The Franchisee and its Loan Writers must successfully complete Compliance Induction as directed by the Company as well as MFAA Initial Compliance Pack training (available online). MFAA Initial Compliance Pack includes:
 - * Privacy Act;
 - * Compliance Essentials;
 - * MFAA Standards and Operating Guidelines;
 - * Anti-Money Laundering and Counter Terrorism Finance Act Accreditation.

The Franchisee and its personnel who complete the MFAA Initial Compliance Pack assessment are issued with a certificate of successful course completion. A copy of this certificate must be sent to the Company.

2. The Franchisee is required to complete the following training:
 - * Any NCCP related training courses as advised by the Company;
 - * Conferences and Forums as advised by the Company;
 - * Regular workshops conducted by the Company.
3. All Loan Writers are required to complete the following training:
 - * Any NCCP related training courses as advised by the Company;
 - * CPD Days as advised by the Company;
 - * Regular workshops conducted by the Company.
4. The Franchisee and all Loan Writers must successfully complete all product training as advised by the Company in relation to LJ Hooker Home Loan Products or a new process, procedure or product introduced that is for the benefit of the Business.
5. From time to time the Franchisee and/or its personnel may be required to attend other essential training and development courses.

(c) MFAA Initial Compliance Pack

The steps to complete the training online are as follows:

- ◆ Visit MFAA website www.mfaa.com.au
- ◆ Select MFAA Education;
- ◆ Select Online Courses;
- ◆ Register as a new student;
- ◆ Select Course Catalogue;
- ◆ Select MFAA Initial Compliance Pack;
- ◆ Register by clicking “Add to shopping cart”.

5.3 Developing a Training Program for Personnel

(a) Description

To complement the training programs provided by LJ Hooker Home Loans, the Franchisee should consider whether any personnel requires specific local training, and if so, prepare a development program. A good development program will increase the success rate of the business and maintain higher client satisfaction and quality standards.

(b) Policy

(i) Compliance Requirement

1. MFAA Initial Compliance Pack training, completed online.

(ii) Business Rules

1. The Franchisee may consult with the Company on its personnel training needs. This is so that the Company can understand and collate information to determine if there are similar training needs across the network.

5.4 Reference in Franchise Agreement

- (a) *Clause 4.8 Franchisee, Loan Writer and Employee training*
- (b) *Clause 7.3 Training*
- (c) *Clause 4.7 Loan Writer Agreement*

6. Privacy

6.1 Description

The Privacy Act 1988 (Cth) regulates amongst other things the collection, recording, disclosure and use of personal information and finally the destruction of personal information. The Franchisee must have processes in place to ensure:

- (a) Compliance with the Australian Privacy Principals;
- (b) Management of the collection and storage of information;
- (c) Facilitate responding to requests from anyone who requests disclosure of their personal information;
- (d) Destruction of personal information the Business no longer needs (for the purposes for which it was obtained); and the de-identification of such material;
- (e) Management of client requests to opt out of receipt of LJ Hooker Home Loans marketing information.

6.2 Requests for Opting Out of Marketing Material

If the Franchisee and/or its personnel receive a request from a client asking to be taken off a mailing list, the request must be recorded and complied with within 7 days.

6.3 Privacy Policy

The Franchisee must adopt the LJ Hooker Home Loans Privacy Policy with appropriate amendments as the Privacy Policy for its Business and its personnel must at all times comply with that privacy policy.

6.4 Reference in Franchise Agreement

- (a) *Clause 1.1 Definitions*
- (b) *Clause 25 Privacy and Confidential Information*

7. Technology

7.1 IT Requirements

The Franchisee must meet information technology requirements including:

- (a) exclusive access and use of communication and IT equipment including desktop computers, laptops, servers, printers, facsimile machines, switches, landline telephone connections and equipment and mobile telephone services as notified in writing to the Franchisee by LJ Hooker Home Loans from time to time; and
- (b) the ability and provision of back up storage (on site and off site) of all data stored on the Franchisee's computers and other electronic equipment on a daily basis.

7.2 Email and Internet

It is important that a common platform be established and utilised throughout the LJ Hooker Home Loans network in order to maintain consistency in the use of email (or electronic mail).

The Franchisee will source its own Internet Service Provider (the vehicle by which the Loan Writer gains access to emails).

Consistency in the LJ Hooker Home Loans email addresses will result in a greater memory recall and effect.

The individual email addresses available to the Franchisee / Loan Writer take the form of:

firstnameinitialfullsurname@ljhookerhomeloans.com.au

e.g. jsmith@ljhookerhomeloans.com.au

7.3 Reference in Franchise Agreement

- (a) *Clauses 11 Technology*

8. Products and Services

8.1 Available Products

LJ Hooker Home Loan Products backed by Advantagedge Financial Services Pty Ltd, Firstmac Limited, Pepper Home Loans Pty Ltd, Southern Cross Credit Union Limited, Brighten Home Loans Pty Ltd and Auswide Bank Ltd.

Products backed by ANZ and Westpac (excluding St George Bank, Bank SA and Bank of Melbourne).

8.2 Connective

(a) Description

The Company has entered into an aggregator agreement with the Connective Broker Services Pty Ltd. The aggregator will provide an integrated technology platform for lending, commission distribution, reporting and the administrative support for the provision of those loans and other related products.

(b) Application Processing Requirements

The Franchisee must ensure that they and each of their Loan Writers note the required aggregator identification numbers when submitting all loan applications and complete all required particulars in every instance.

All loan applications must be lodged electronically (via Apply Online) through the respective software platforms unless advised otherwise by the Company.

All supporting documentation must be scanned and uploaded into the software platform against the correct client that the application is being lodged on behalf of.

Failure to complete a loan application satisfactorily will result in commissions being withheld until such time as the application has been completed satisfactorily.

The Franchisee must ensure that they and each of their Loan Writers carry out the identification verification procedures as required by law, in relation to loan applications and at all times comply with responsible lending and best interest obligations.

The Franchisee must ensure that they and each of their Loan Writers ensure that proper accounts and records are kept in relation to each loan application.

8.3 Reference in Franchise Agreement

(a) *Clause 4.2 Processing of Applications*

9. Advertising and Marketing Policy

It is essential that Franchisees comply at all times with the LJ Hooker Home Loans Advertising and Marketing Policy to ensure uniformity of all promotional / marketing material and protection of intellectual property.

Promotional and marketing material must be developed in accordance with the LJ Hooker Home Loans Style Guide.

The Franchisee must seek approval from the LJ Hooker Home Loans Head of Product and Marketing prior to granting a supplier the right to print, publish or use in anyway the Business Name or Intellectual Property of LJ Hooker Home Loans.

Upon developing any promotional or marketing material all Franchisees must submit a copy to the LJ Hooker Home Loans Head of Product and Marketing for review and consent to use.

The LJ Hooker Home Loans Head of Product and Marketing has the authority to approve, decline or request that amendments be made to any promotional or marketing material created by the Franchisee and it is only after the Franchisee has received approval are they permitted to proceed with advertising, promoting or displaying any promotional or marketing material.

LJ Hooker reserves the right to amend any promotional and marketing material, or instruct the Franchisee not to proceed in developing the promotional and marketing material if it is deemed not to be in the best interest of the Company or contravenes any regulations or legislation.

9.1 Reference in Franchise Agreement

- (a) *Clause 4.3 Promotion of Business*
- (b) *Clause 7.10 Advertising*

10. Recruitment Policy

Recruitment processes are essential to ensure that new Loan Writers looking to commence with LJ Hooker Home Loans have the necessary knowledge and skills to engage in credit activities competently.

Below is the outlined Recruitment Process which must be conducted before the appointment of all new Loan Writers.

10.1 Recruitment Process and Set Up

(a) Initial Interview

An initial interview must first be conducted by the Franchisee in order to gauge an understanding of the Loan Writers potential, skill level, knowledge and experience.

(b) Initial checks and documentation

Initial checks and supporting documentation are necessary in order to determine that the prospective Loan Writer meets minimum requirements before commencing with LJ Hooker Home Loans.

Checks:

- 100 points of identification are provided (Certified);
- Criminal History Check (No later than 6 months old);
- Credit Check (No later than 3 months old);
- Checking ASIC register for banned and disqualified persons;
- Contacting all references listed by the applicant;
- Review of application and resume.

Documentation:

- Credit Representative Application Form;
- Diploma in Financial Services;
- External Dispute Resolution Membership Certificate;
- No Claims Declaration form and copy of PI Certificate of Currency;
- Direct Debit Request form (Applicable to Credit Reps only);
- MFAA or FBAA membership;
- AML & CTF Course Completion Certificate;
- Work visa (Including if appropriate a Section 457).

NOTE: It is also recommend that in instances where an applicant has previous mortgage broking experience within a local area that the Franchisee contacts the lender or aggregator BDM's to gauge their feedback in relation to the applicant's character and ability.

(c) Submitting of initial checks and documentation for review

It is the responsibility of the Franchisee to collate the required documentation and submit it to the LJ Hooker Home Loans Head of Compliance where it will be verified for final approval. All documentation will be scanned and stored in a folder dedicated to the individual Loan Writer.

(d) LJ Hooker and Aggregator Documentation

Once final approval has been granted by the LJ Hooker Home Loans Head of Compliance it is the responsibility of the Franchisee to submit the following LJ Hooker Home Loans documentation to Head Office for processing:

- A copy of the Loan Writer Agreement (signed copy of the original);
- LJ Hooker Property Finance Consultant Application Form.

In addition to the required LJ Hooker Home Loans documentation the following Aggregator documentation will need be provided to LJ Hooker Home Loans which will then be forwarded to the Aggregator, along with a number of supporting documents already supplied throughout earlier stages of the recruitment process.

- New Loan Consultant Notification Form
- Any outstanding supporting documents

All LJ Hooker Home Loans and aggregator documentation must be submitted at the same time to ensure that there is no delay in the set up process.

(e) Loan Writer Agreement

Upon receipt of the LJ Hooker Home Loans Documentation, a hard copy of the Loan Writer Agreement is to be saved in the individual Mortgage Brokers dedicated folder.

(f) Internal Staff Set Up

Upon receipt of the LJ Hooker Home Loans Application form, the LJ Hooker Home Loans Executive Assistant to CEO will enter the new Mortgage Brokers details into the LJ Hooker Career Tracker System.

The LJ Hooker Home Loans email address application forms are to be submitted to Technology for set up of the new Loan Writers email address. Once completed, the Franchisee will be informed and it is the responsibility of the Franchisee to assist the new Loan Writer with the setup of their email address.

The LJ Hooker Home Loans Executive Assistant to CEO will place an order with Printforce for the Loan Writers first set of Business Cards. Printforce will post the cards directly to the Loan Writer once created.

(g) Aggregator Documentation Set Up

The aggregator documentation will be thoroughly checked by the LJ Hooker Home Loans Head of Compliance before being signed off and submitted to the aggregator for set up of the Loan Writers identification number and split codes. LJ Hooker Home Loans Head of Compliance will advise the Franchisee once set up is completed and issue user names and passwords allowing the Loan Writer access to the aggregator system.

(h) Appointment as a Credit Representative

The LJ Hooker Home Loans Head of Compliance will commence appointing the new Loan Writer as a Credit Representative. All steps outlined under the chapter *Credit Representative Authorisation Process* contained in this document will be followed.

10.2 Reference in Franchise Agreement

- (a) *Clause 4.6 Employees of the Franchisee*
- (b) *Clause 4.7 Loan Writers of the Franchisee*

11. Credit Representatives

There are a number of requirements that Australian Credit Licensees must meet when authorising a person to act as a Credit Representative under their licence.

The LJ Hooker Home Loans Head of Compliance is the person responsible for ensuring that the following steps are completed when authorising a Credit Representative to engage in credit activities on behalf of LJ Hooker Home Loans.

11.1 Credit Representative Authorisation Processes

- (a) Checks required to be performed before authorising a Credit Representative (whether an individual or a company)

Checks must firstly be conducted to ensure that the person has not been banned or disqualified from engaging in credit activities (under Federal, State or Territory laws); and has not been convicted, within the last 10 years, of serious fraud.

NOTE: If it is discovered that the prospective Credit Representative has been banned or disqualified from engaging in credit activities, or has been convicted within the last 10 years of serious fraud, or fails to satisfy any requirement imposed by ASIC, or the Credit Legislation as those requirements relate to the appointment of Credit Representatives they will not be authorised as a Credit Representative and therefore cannot commence with LJ Hooker Home Loans.

- (b) Mandatory membership of an approved EDR Scheme

It is a requirement that all Credit Representatives be a member of an approved External Dispute Resolution Scheme.

All prospective Credit Representatives must supply a copy of their EDR membership certificate to the Head of Compliance who will be responsible for:

- verifying the currency of the membership;
- recording the membership number and EDR provider's details in the Credit Representative Monitoring Register;
- retaining a copy on file;
- providing a copy to the aggregator.

- (c) Authorisation of a Credit Representative

Written authorisation will be provided to all Credit Representatives outlining the specific activities that the Credit Representative is authorised to perform on behalf of LJ Hooker Home Loans. It is the responsibility of the LJ Hooker Home Loans Head of Compliance to issue written authorisation to all Credit Representatives, which must include the following information:

- Name & Business Address of the Credit Representative;
- Details of the authorisation including the date on which it was made and what the Credit Representative is authorised to perform on behalf of LJ Hooker Home Loans;
- Details of the Credit Representatives External Dispute Resolution Scheme membership;
- Details of any other License Holder whom the Credit Representative is a representative for.

Authorisation of a Credit Representative is to be provided using the appropriate 'Appointment of a Credit Representative' form which have been developed to cover both company and natural person authorisations.

(d) Notifying ASIC of a Credit Representative authorisation

Once the Credit Representative Authorisation has been signed off by the Credit Representative, with a copy returned to LJ Hooker Home Loans, the Head of Compliance will complete and lodge a Form *CL30 Appoint a credit representative* to ASIC within 15 business days of the appointment.

ASIC will issue each Credit Representative with a unique Credit Representative Number which will be recorded in the Credit Representative Monitoring Register.

(e) Notifying ASIC of changes or when a Credit Representatives authorisation has been revoked.

The LJ Hooker Home Loans Head of Compliance is responsible for notifying ASIC within 10 business days of any change in details relating to a Credit Representative or when authorisation has been revoked. This will be completed by lodging a Form *CL31 Cease a credit representative* or Form *CL32 Vary the details of a credit representative*. The Franchisee is responsible for informing the LJ Hooker Home Loans Head of Compliance of any changes relating to a Credit Representative.

(f) A Credit Representative that is a body corporate may sub-authorise natural persons as Credit Representatives.

A body corporate that is a credit representative of a license holder may, subject to the following conditions set out in this section, give a natural person written notice authorising that natural person to engage in specified credit activities on behalf of the license holder.

(g) Conditions that apply to a body corporate that is a sub authorised credit representative appointing a natural person to act as a credit representative.

In all cases, before a body corporate can appoint a natural person as a Credit Representative, they must first provide to LJ Hooker Home Loans with the required documentation as outlined in sections (a) & (b) of this section 11.1 and must first receive written notification from LJ Hooker Home Loans instructing the body corporate to proceed with the authorisation.

Authorisation must be issued in writing to the natural person and be in a format approved by LJ Hooker Home Loans. It is the responsibility of the body corporate to inform LJ Hooker Home Loans once a sub-authorised person ceases to be a credit representative or any changes are required.

The body corporate will appoint the natural person as a Credit Representative on the ASIC website and the LJ Hooker Home Loans Head of Compliance will record all details of the sub-authorised representative in the Credit Representative Monitoring Register.

(h) Credit Representative of two or more Licensees.

A Credit Representative of LJ Hooker Home Loans can only act as Credit Representative of LJ Hooker Home Loans Australian Credit Licence and for no other Australian Credit Licence holder.

(i) Document retention and registry

Copies of all Authorisation Letters and ASIC required forms will be retained by LJ Hooker Home Loans (where possible in both hard and soft copies).

A Credit Representative Monitoring Register has been developed to assist with recording all information and tasks performed in relation to the appointment of a Credit Representative.

11.2 Credit Representative Fee

LJ Hooker Home Loans has implemented a Credit Representative licensing model. This means that LJ Hooker Home Loans has obtained an Australian Credit Licence and is responsible for complying with and meeting all requirements and obligations of holding an Australian Credit Licence in accordance with the Credit Legislation.

A Credit Representative Fee is a monthly fee due and payable by all Credit Representatives to LJ Hooker Home Loans. The Credit Representative fee contributes towards some of the costs of holding and maintaining an Australian Credit Licence.

The monthly Credit Representative Fee also contributes to the cost of Company's group professional Indemnity insurance policy of which all Credit Representatives are covered.

As of the 1st January 2018 the monthly Credit Representative Fee due and payable by all Credit Representatives to LJ Hooker Home Loans is \$163 per month plus GST. This fee may be increased on an annual basis in accordance with Clause 6.5 of the Franchise Agreement. The payment will be deducted from each Credit Representatives bank account via direct debit during the first week of every month.

11.3 Reference in Franchise Agreement

- (a) *Clause 1.1 Definitions*
- (b) *Clause 4.6 Employees of the Franchisee*
- (c) *Clause 4.7 Loan Writers of the Franchisee*
- (d) *Clause 6.5 Credit Representative Fee*

12 Aggregator Software Licence**CONNECTIVE IT PLATFORM LICENCE CONDITIONS**

1. the Company grants to the Franchisee / Loan Writer a non-exclusive right to use the Connective IT Platform, strictly in accordance with the provisions of the Agreement and these terms, and access the related Internet services in accordance with the terms on the home page of that service ("Licence").
2. the Company will provide the Connective IT Platform to the Franchisee / Loan Writer together with:
 - (a) a help desk during the hours 9:00am to 8:00pm (Eastern Standard Time) Monday to Friday;
 - (b) group training sessions for instruction in the use of the Connective IT Platform;
 - (c) all updates and amendments to the Connective IT Platform that the Company receives from Connective; and
 - (e) a back up database of information on all of the Franchisee / Loan Writers' current customers that have been entered into the Connective IT Platform.
3. The Franchisee / Loan Writer may configure the Connective IT Platform to its own requirements to the extent permitted in the set up procedure for the Connective IT Platform, or as expressly provided for in the documentation accompanying the Connective IT Platform and in the Connective IT Platform itself.
4. The Franchisee / Loan Writer agrees not to:
 - (i) copy, reproduce, translate, adapt, vary or modify the Connective IT Platform without the express consent of the Company, except as expressly authorised by this Licence;
 - (ii) provide or otherwise make available the Connective IT Platform in any form to any person other than without the written consent of the Company; and
 - (iii) use the Connective IT Platform for or in connection with any service bureau operations.
5. The Franchisee / Loan Writer agrees to:
 - (i) supervise and control the use of the Connective IT Platform in accordance with the terms of this Licence;
 - (ii) ensure its employees and agents who are authorised to use the Connective IT Platform are made aware of the terms of this Licence.
6. The Franchisee / Loan Writer must under no circumstances alter or amend the source or object code of the Connective IT Platform without the prior written consent of the Company.

7. The Franchisee / Loan Writer must only use the Connective IT Platform on hardware with the minimum specifications set out in the documentation, failure to do so will constitute a breach of this licence and the Agreement.
8. The Franchisee / Loan Writer acknowledges that the Connective IT Platform cannot be guaranteed error free and further acknowledges that the existence of any such errors shall not constitute a breach of this licence or the Agreement.
9. the Company will not be liable for any indirect or consequential damage arising out of breach of this Licence or arising out of the supply of a defective program, specifically including:
 - (i) any disruption to the business of the Franchisee / Loan Writer;
 - (ii) any loss or corruption of data of the Franchisee / Loan Writer;
 - (iii) any service or maintenance costs of the Franchisee / Loan Writer.
10. The Franchisee / Loan Writer acknowledges that the Connective IT Platform and documentation is the subject of copyright. The Franchisee / Loan Writer shall not during or at any time after the expiration of this licence and the termination of the Franchise Agreement, permit any act which infringes the copyright and, without limiting the generality of the foregoing, the Franchisee / Loan Writer specifically acknowledges it may not copy the Connective IT Platform except as otherwise expressly authorised by the Agreement or this Licence.

12.1 Reference in Franchise Agreement

- (a) *Clause 12 Aggregator Software Licence*

13. Internal Dispute Resolution Process

The Franchisee must immediately notify LJ Hooker Home Loans as soon as they become aware of any dispute (whether credit or privacy related or other) that arises relating to the conduct of a Loan Writer, or any complaint received in relation to any aspect of the Business.

LJ Hooker Home Loans will deal with the complaint in accordance with the LJ Hooker Home Loans Internal Dispute Resolution Process.

The LJ Hooker Home Loans Complaints Contact Person is the LJ Hooker Home Loans Head of Compliance and he may request the Franchisee to provide written correspondence in relation to the complaint and the Franchisee must comply with any request made by the LJ Hooker Home Loans Head of Compliance that will assist in achieving a successful resolution.

The LJ Hooker Home Loans Head of Compliance will liaise with the complainant directly until such time as the dispute has been resolved, or, all avenues for resolution have been exhausted.

13.1 Reference in Franchise Agreement

(a) *Clause 15 Litigation and Complaints*

14. LJ Hooker Home Loan Products

White Label Wholesale Funding Products

The Company has introduced products sourced from wholesale funding providers and/or mortgage managers.

As the Company introduces these products it is a requirement that all Franchisees and Loan Writers attend all formal accreditation and training sessions conducted by the Company to facilitate the distribution of the product.

In the event that the Company introduces a new product(s), the Company will provide, in writing, to all Franchisees and Loan Writers the commission structure payable for the sale of the new product(s).

The commission structure for new product(s) introduced may be external to the commission structures outlined in both the Franchise and Loan Writer Agreements.

The current products available are the LJ Hooker Home Loans Connect (funded by Advantedge), LJ Hooker Home Loans Access (funded by Pepper), LJ Hooker Home Loans Link (funded by Firstmac), LJ Hooker Home Loans 5 Star (funded by Southern Cross Credit Union) and LJ Hooker Home Loans Bright (funded by Brighten) which are subject to change by the Company from time to time. In all cases reasonable notice will be provided.

The LJ Hooker Home Loans branded range may be extended from time to time for the benefit of the Business.

14.1 Reference in Franchise Agreement

- (a) *Clause 1.1 Definitions*
- (b) *Clause 4.1 Operation of Business*
- (c) *Clause 4.3 Promotion of Business*

15. Referral requirements

It is a requirement that all Franchisees and Loan Writers must provide to each of their referrers a copy of the Referrer Terms Agreement and record the date on which the agreement was provided to the referrer in their Referrer Register.

15.1 Referrers obligations

All referrals provided to the Franchisee by the referrer will be deemed to be in accordance with the referrer's obligations as set out in the Referrer Terms Agreement.

15.2 Franchisees referral obligations

As soon as a Franchisee or Loan Writer makes contact with a customer referred to them by a referrer, they must obtain consent from the customer to continue the conversation and disclose to the customer the relationship that they have with the referrer and that commission may be paid to the referrer for providing the referral.

It is the responsibility of the Franchisee to inform the LJ Hooker Home Loans Head of Compliance if they identify a referrer who is not complying with their obligations as outlined in the Referrer Terms Agreement.

15.3 Reference in Franchise Agreement

(a) *Clause 4.2 Processing of Applications*

16. Data Ownership Principals

16.1 Refer Clause 19.3 of the Franchise Agreement

16.2 Reference in Franchise Agreement

(a) *Clause 19.3 Database*

17. Premises

All Franchisees of LJ Hooker Home Loans must endeavor to establish an LJ Hooker Home Loans commercial premise, which will form the principal place of business for the Franchisee.

The Franchisee must endeavor to ensure that the premises are fully operational and trading within 24 months from the commencement date of the Franchise Agreement unless otherwise approved by the Company.

17.1 Premises Selection

The Franchisee is responsible for sourcing a suitable location from which to operate the Business from. Once located, the Franchisee must firstly obtain written consent from the Company to operate the Business from this location prior to proceeding any further.

If the Franchisee wishes to establish a commercial premise in an area where there is already an existing LJ Hooker real estate office located, the Franchisee must first arrange a meeting with the principle of the LJ Hooker real estate office to advise them of their intention to establish a commercial premise, provide details of the location and any other relevant information.

Should the LJ Hooker real estate principle object to the establishment of the LJ Hooker Home Loans commercial premise, the Franchisee must inform their respective LJ Hooker Home Loans State Manager immediately.

A lease agreement must not be signed by the Franchisee prior to gaining consent from the Company that the premises location has been approved.

The Franchisee should search for locations that are in prominent positions where the greatest amount of brand exposure can be obtained. Consideration should also be given to the ease in which customers can access the premises i.e. sufficient parking, accessibility for elderly or disabled people.

The Company will have sole discretion as to whether or not the premises are approved. If Approval is granted, the Franchisee must obtain all required council approvals for the site, enter into a lease agreement and comply with any other request from the Company.

Once approval has been granted, the Franchisee is responsible for all set up, branding, running and relocating costs, or any other cost that may be incurred throughout the initial set up stages, or the ongoing management of the premises unless otherwise agreed to in writing with the Company.

17.2 Lease

A lease agreement is required to be entered into between the Franchisee and the landlord of the approved premises, for no less than the term of the Franchise Agreement unless otherwise approved in writing by the Company.

It will be sufficient enough if the lease is made up of an initial term, plus an option period that combined covers the term of the Franchise Agreement.

Where possible it is recommended that the initial term and option period of a lease be drafted to coincide with the term of the Franchise Agreement.

It is recommended that the Franchisee does not sign off on the lease until such time as all necessary council approvals have been obtained and all signage, scope and costs have been obtained.

The Franchisee acknowledges that they alone are solely responsible for complying with all obligations under the lease and that the Company recommends the Franchisee seek independent legal advice prior to signing the lease agreement.

17.3 Design and Fit Out of your Premises

The design and fit out of the premises will commence as soon as the lease agreement has been executed.

The Company will appoint a project adviser for the purpose of branding the premises with LJ Hooker Home Loans Intellectual Property.

The design and fit out of the premises must be in accordance with all Style Guides of the Company.

The Franchisee must also ensure that the premises meet the IT and Telecommunication requirements as instructed by the Company.

17.4 Maintenance

The premises must at all times be maintained according to the Style Guides and any enhancements or additions to the premises must firstly be approved in writing by the Company.

Any amendments or enhancements made to the current Style Guides by the Company during the term of the Franchise Agreement must be carried out by the Franchisee at the Franchisees expense unless otherwise agreed to in writing with the Company.

The Company reserves the right to instruct the Franchisee to rectify the appearance of the premises in the event that it does not present professionally. This may include such things as cleaning, tidying up, updating or repairing signage, office fixtures and fittings, lighting, merchandise and marketing collateral.

17.5 Information Technology, Telecommunications and Wiring

The Franchisee must ensure that the premises are adequately equipped to accommodate any LJ Hooker Home Loans technology requirements, or the technology requirements of a third party provider whom the Company has entered into an agreement with (such as an Aggregator).

In some instances, this will mean that the Franchisee will need to engage the services of a licensed / qualified electrician/technician/IT specialist to install such things as wiring, cabling, power points, phone lines etc.

LJ Hooker Home Loans will be able to advise the Franchise of what the Information Technology, Telecommunication and Wiring requirements are.

17.6 Insurance

If you engage in credit activities as a Credit Representative under the LJ Hooker Home Loans Australian Credit Licence, you are covered for Professional Indemnity Insurance under the policy taken out by the Company. This however is the only Insurance the Company organises on your behalf.

The Franchisee is required to have in place a range of insurances as set out in clause 6 of the Franchise Agreement.

17.7 Employment Laws

The Franchisee is required to comply with all laws relating to employment of employees and the engagement of independent contractors. Loan Writers are often engaged as independent contractors and it is imperative that franchisees understand the difference between the attributes of an employee and those of an independent contractor so that arrangements peculiar to independent contractors are observed and independent contractors are in fact not employees. Franchisees should seek independent legal advice.

Franchisee must ensure that they are fully aware of what their obligations and responsibilities are in relation to employment laws including but not limited to the following:

- **Employment** terms, conditions, pay and award coverage, leave entitlements, termination including processes and procedures. Comprehensive advice and generic precedents are provided on the Fair Work Ombudsman website at: <https://www.fairwork.gov.au/>

Additional support and advice is also available for Small Business Employers (employing fewer than 15 employees) at: <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/best-practice-guides/small-business-and-the-fair-work-act>

- **Independent contractor arrangements – advice is available at:** <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/contractors-and-employees-whats-the-difference>
To determine if a person's status is employee or independent contract refer the tool at the ATO website: <https://www.ato.gov.au/Calculators-and-tools/Employee-or-contractor/>
- **Anti-Discrimination and Equal Employment Opportunity** – advice can be obtained at the following link: <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/workplace-discrimination>
- **Work, Health & Safety** guidance is available at: <http://www.safeworkaustralia.gov.au/sites/swa/about/publications/pages/model-whs-regulations>
- **Workers Compensation support is available at:** <https://www.fairwork.gov.au/leave/workers-compensation>; and
- **Superannuation** guidance is available at:

<https://www.fairwork.gov.au/pay/tax-and-superannuation>

17.8 Closing or relocating the premises

In the event of a closure of the premises, or relocation of the premises prior to the end of the term of the Franchise Agreement, approval to enter into a new premise must firstly be received from the Company in writing.

The Company will reserve the right to approve or decline any request and any relocation must be within the Allocated Location.

Should the Company approve the request it may also deliver to the Franchisee a conditions precedent for which the approval is subject to the satisfactory completion of. If this is the case the Franchisee must at all times comply with these conditions or else the approval may be revoked at any time by the Company.

The Franchisee must comply with all requests made by the Company concerning the closure.

17.9 Reference in Franchise Agreement

(a) *Clause 4.4 Premises*