

EXHIBIT B

original 03 Agreement.

COPY

WINDERMERE REAL ESTATE SERVICES COMPANY

AREA REPRESENTATION AGREEMENT

FOR THE STATE OF CALIFORNIA

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AREA REPRESENTATION AGREEMENT

THIS AGREEMENT is to be effective as of the 1st day of MAY, 2004, between WINDERMERE REAL ESTATE SERVICES COMPANY, ("WSC"), a Washington Corporation with its principal place of business at 5424 Sand Point Way N.E., Seattle, Washington, 98105, and Windermere Services Southern California, Inc. ("WSSC" or "Area Representative"), a California corporation with its principal place of business at Palm Sprints, California.

RECITALS

A. WSC owns the Trademark and currently licenses real estate brokerage firms to use the Trademark. WSC desires to expand its operations and licenses into the Region and to have Area Representative offer licenses to use the Trademark in the Region and to administer and provide support and auxiliary services to Windermere licensees in the Region.

THEREFORE, the parties covenant and agree as set forth in this Agreement.

1. Definitions

1.1 "Continuing License Fees" shall refer to the ongoing percentage-based fees paid by licensees on a monthly basis.

1.2 "Gross License Fees" shall mean 100% of the license fees paid by licensees in the Region.

1.3 "Initial License Fees" shall refer to the one-time, lump sum license fees paid by licensees upon the execution of a license agreement.

1.4 "Principals" shall mean the shareholders of Area Representative which at the date of execution of this Agreement are as follows:

Name	% Ownership
Bob Deville	% 50
Bob Bennion	% 50

1.5 "Region" shall mean the State of California.

1.6 "Trademark" shall mean the trade names "Windermere Real Estate", "Windermere" and variations of those names, and all trademarks, service marks, related symbols and logotypes, owned by WSC and used in connection with real estate brokerage services and activities and licensing activities, together with all related names, marks and symbols used in connection with these activities.

1.7 "Windermere System" shall mean the standards, methods, procedures, techniques, specifications and programs developed by WSC for the establishment, operation and promotion of independently owned real estate brokerage offices, as those standards, methods, procedures, techniques, specifications and programs may be added to, changed, modified, withdrawn or otherwise revised by WSC. These programs include without limitation the Windermere Foundation, Windermere Personal Marketing Programs, Premier Properties Program, Windermere Retirement Plan for Real Estate Salespersons and Windermere salesperson educational formats and outlines.

2. Grant of Area Representation Rights.

WSC hereby grants to Area Representative, and Area Representative hereby accepts the non-exclusive right to offer Windermere licenses to real estate brokerage businesses to use the Trademark and the Windermere System in the Region in accordance with the terms of the Windermere License Agreement. Area Representative agrees not to make or authorize any use, direct or indirect, of the Trademark for any other purpose or in any other manner. Licenses offered will in all cases be subject to the approval of WSC and will be granted and issued by WSC to the licensee.

Area Representative agrees that during the entire term of this Agreement, including the period of notice of expiration of the term, Licensee will in good faith actively and with Area Representative's best efforts engage in the business described herein using the Trademark, and will not, either directly or indirectly, (i) engage in any other competing activity or (ii) sell all or any part of Area Representative's business or operating assets to a person or entity engaged in a competing real estate brokerage and/or franchising business.

3. Administration of Windermere System.

WSC hereby delegates to and Area Representative hereby assumes the responsibility for the administration and supervision of the use and display of the Trademark by licensees in the Region, and of the use by them of the Windermere System in the Region and the provision of support and auxiliary services to Windermere licensees in the Region in accordance with this Agreement and the policies and guidelines enunciated from time to time by WSC. Area Representative's responsibilities will include marketing Windermere licenses in the Region; establishing and operating a training, education and professional development program for licensees under the License Agreement and for their respective salespersons; implementing the intra-system referral program; offering Windermere marketing programs and Premier Properties Programs; making available samples of Windermere forms and listing and marketing materials; administering, collecting and remitting contributions to the Windermere Foundation; monitoring licensees' compliance with the errors and omissions and general liability insurance requirements; and coordination of advertising and public relations.

In addition, Area Representative's responsibilities will include the responsibility to receive, collect, account for all license fees, administrative fees, Advertising Fund contributions, and other amounts due under license agreements in the Region, and to remit to WSC its share of such fees. It will be Area Representative's responsibility to monitor and see that its licensees in the Region comply with and conform to the policies and guidelines enunciated by WSC, including those pertaining to the use of the Trademark, the use and display of the Trademark in accordance with standard or authorized formats, the quality of the image projected by licensees and the nature, type and quality of the services offered by licensees.

Area Representative agrees to give prompt, courteous and efficient service, and to be governed by the highest ethical standards of fair dealing and honesty when dealing with the public and all members of the Windermere System in order to preserve and enhance the identity, reputation, quality image and goodwill built by WSC and the value of the Trademark. Area Representative will comply with all

applicable and valid laws and regulations in the conduct of its business.

Area Representative agrees at its expense to have and maintain during the term of this Agreement adequate personnel and resources available to market and service the Trademarks and services and administer the Windermere System in the Region in accordance with the terms and provisions of this Agreement.

WSC will provide to Area Representative initial training for its personnel and will provide servicing support in connection with the marketing, promotion and administration of the Trademark and Windermere System. Specifically, WSC will make available to Area Representative its key people to the extent necessary to assist Area Representative in carrying out its obligations as set forth in this Agreement. WSC will bear the salary costs for its personnel in connection therewith; however, travel and out of pocket expenses for WSC personnel will be reimbursed by Area Representative.

4. Term and Termination.

4.1 General. The parties approach the Transaction with optimism for its success, but recognize that its success depends on a successful and mutually consensual relationship which in turn depends on many intangibles such as philosophies of the parties and interrelationships of the principals of each party. The term of this Agreement shall commence with the "Effective Date" of the Agreement and continue until it is terminated as follows:

(a) At any time by mutual written agreement of the parties.

(b) By either party upon one hundred eighty (180) days written notice to the other party.

(c) By either party upon ninety (90) days written notice to the other party; provided that such termination shall be limited to termination for cause based upon a material breach of the Agreement described in the notice and not cured within the ninety (90) day period. The parties pledge to deal with one another in good faith and each party agrees to give the other reasonable notice and

opportunity to cure any real or perceived default or misperformance or malperformance on either party's part.

(d) By either party without giving prior notice if the other party (i) is adjudicated bankrupt or insolvent, (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of its business, (iii) voluntarily abandons its Franchise or licensing business, or (iv) is (or its principals are) convicted of or pleads guilty or no contest to a charge of violating any franchise laws and regulations and/or any real estate licensing laws and regulations.

4.2 Termination Obligation. In the event either party elects to terminate the Agreement as provided in § 4.1 (b) above (the "Terminating Party"), it is agreed that the other party (the "Terminated Party") will be paid an amount equal to the fair market value of the Terminated Party's interest in the Agreement (the "Termination Obligation"), in accordance with the provisions of this Agreement. The fair market value of the Terminated Party's interest in the Agreement will be determined by mutual agreement of the parties or, if unable to reach agreement, by each party selecting an appraiser and the two appraisers selecting a third appraiser. The fair market value of the Terminated Party's interest will be determined by the appraisers without consideration of speculative factors including, specifically, future revenue. The appraisers shall look at the gross revenues received under the Transaction during the twelve months preceding the termination date from then existing licensees that remain with or affiliate with the Terminating Party. The median appraisal of the three appraisers shall determine price, and each party agrees to be bound by the determination.

There will be no Termination Obligation if the termination by the Terminating Party is made in good faith based upon the material breach of the obligations of the Terminated Party under this Agreement continuing after reasonable notice and opportunity to cure.

4.3 Payment. The Termination Obligation shall be paid in monthly installments solely from Continuing License Fees described below, until paid in full. Monthly installments in an amount equal to twenty-five percent (25%) of the Continuing License Fees, if any, received by the terminating Party from licensees in the

Region existing at the termination date and remaining with or affiliating with the Terminating Party. The monthly payments will be made on the twenty-fifth day of the month following the receipt of the revenues, commencing with the twenty-fifth day of the month following the first full calendar month after the determination of the Termination Obligation. The parties acknowledge that the Termination Obligation is not a purchase transaction but, rather, constitutes a payment of the agreed "run-off" entitlement of the Terminated Party and for tax purposes will be expensed by the Terminating Party and recognized as income by the Terminated Party. The parties acknowledge that this provision has been specifically negotiated, and both parties agree that it constitutes a reasonable and fair liquidated amount as of the date of execution of this agreement.

4.4 No Other Obligation. Except as specifically provided herein neither party will owe any obligation to the other following termination of the Agreement, except for final accounting and settlement of any previously accrued license fees, and excluding any accrued claim for damages and associated attorneys' fees and costs, or otherwise arising by law. In the event of a termination Area Representative will have no interest in the name or Trademark and will discontinue all use of the names and Trademarks, but otherwise will not be bound by any non-competition covenant.

5. Anticipated Effective Date.

The parties desire the Effective Date of the transaction contemplated by this Agreement to be January 1, 2004 and the parties will use their best efforts to comply with all legal and regulatory requirements so as to permit commencement of the Agreement on that date. In the event the parties are unable to meet that effective date it will be as soon thereafter as is possible and mutually agreed by the parties.

6. Retention of Proprietary Interest in Name and Trademark.

Exclusive ownership of the proprietary rights in and to the Windermere Real Estate tradename and Trademarks shall be retained by WSC and the use thereof by Area Representative is by the license granted by WSC under this

Agreement and shall be in accordance with the terms of this Agreement. WSC will have the sole right to file, in its own name, all state and federal trademark and service mark registrations for the Trademark. In the event of a termination of this Agreement for any reason Area Representative will change its name to a name not containing any reference to Windermere or Windermere Real Estate and will discontinue all use or reference to the tradename and Trademark.

7. Franchise Registration or Compliance.

The parties will promptly and diligently commence and pursue the preparation and filing of all Franchise registration statements, disclosure statements, or applications required under the laws of the state of California and/or the United States of America. WSC will be responsible for any registration filing fee and for all legal expenses incurred in the revision and registration of all required disclosure documents, except that Area Representative will pay the cost of its own legal services in connection with review and cooperative efforts in the registration and the preparation of this and other related agreements or documents. The parties will jointly maintain the registration or disclosure documents and all necessary amendments, updates and/or applications for renewal, each bearing their respective costs of preparation of necessary and required audited financial statements. Required audited financial statements shall be provided to WSC not later than March 1 of each year, beginning March 1, 2005.

8. Terms of Licensees' Agreements.

Licenses will be offered to licensees in the Region, other areas or jurisdictions initially for an initial fee of \$15,000.00 (which amount will be subject to prospective change by WSC) and a continuing license or royalty fee of either five percent (5%) of the gross sales commissions ("Gross Commission Income") earned and received by the licensee, or a fixed dollar amount per agent per month. In addition licensees in the Region will be required to pay additional fees as set forth in WSC's Uniform Franchise Offering Circular (UFOC) as currently on file with the State of California, and as revised from time to time.

9. **Area Representation Fee.**

Initial Fees. Due to the special circumstances of this offering, Area Representative will not be required to pay any initial fee for its Area Representation rights.

10. **Payment, Collection and Allocation of License Fees.**

The license fees (initial and continuing) as well as all additional fees will be paid by the licensees in the Region to Area Representative which will have responsibility for collecting the fees and any applicable late charges and interest and accounting for them to and for the mutual benefit and account of Area Representative and WSC. Area Representative will provide monthly reports to WSC in a form and format acceptable to WSC. WSC will have the right at reasonable times to inspect, review and copy the books and records of Area Representative. Area Representative will pay WSC 50% of the initial and continuing license fees received by it in cash from a licensee under a License Agreement, as follows. By the 22nd day of each calendar month, Area Representative will pay WSC its 50% share of fees received in cash from licensees that month. Payment will be accompanied by a report showing the source and amount of fees received by Area Representative from each licensee, and by the report provided by the licensee showing its calculation of the percentage fees remitted.

11. **Administration Fee.**

All licensees in the Region will pay a monthly "Administration Fee" as set forth in the UFOC, and the license agreements executed by each licensee. The Administration Fee shall be one of the additional fees collected by Area Representative and forwarded in full to WSC. WSC may in its discretion use the Administration Fees collected in the Region for any purpose in WSC's sole discretion.

12. **Windermere Foundation.**

All licensees in the Region and their respective licensed sales agents will participate in the Windermere Foundation program on the same basis as other WSC licensees and their respective sales agents. Area Representative

will implement the Windermere Foundation program with the licensees under this Agreement and their respective sales agents, in accordance with the written guidelines established by WSC or the Windermere Foundation from time to time and applicable and applied consistently to all WSC licensees and their respective licensed sales agents. Under the current program, each sales agent licensed with a WSC licensee contributes \$7.50 for each real estate sales transaction (listing or selling side) in which the sales agent is involved, to the Windermere Foundation. Sales transactions for which a contribution to the foundation needs to be made do not include a licensee's outgoing referral transactions. The amount of the contribution is subject to change from time to time.

WSC shall cause the Windermere Foundation to expend the contributions received by it from the Region, less a portion of the Foundation's administration expenses, on programs presented or conducted by the Windermere Foundation in the Region, in affiliation with Area Representative. The time and amount expended and the programs and location and method of presentation shall be determined by the Windermere Foundation in cooperation with WSC and Area Representative. All such activities, programs and expenditures must be consistent with the Foundation's Bylaws and Articles of Incorporation, must not disqualify the Windermere Foundation for tax exempt treatment for income tax purposes, and may not violate any other applicable state or federal laws.

13. Technology Fees

Licensees in the Region shall pay Technology Fees in an amount determined by WSC, and as disclosed in the UFOC and the license agreements executed by each licensee. Area Representative shall be responsible for collecting all Technology Fees in the region, as one of the additional fees collected by Area Representative and forwarded in full to WSC. The Technology Fee is intended to support the operation and development of WSC's technology systems, including without limitation the public web site operated at www.windermere.com, as well as the Windermere Online Resource Center Intranet system (WORC site). Area Representative acknowledges that features available in and for the Region may be limited due to the currently small number of Windermere licensees in the Region. It is anticipated that technology services available for the Region will expand with the number of licensees. However,

such expansion will be time and cost-intensive, and may require the imposition of additional or increased Technology Fees to fund such development. Area Representative agrees to cooperate with WSC in establishing and implementing a technology strategy for the Region, and in financing the development of technology tools for the Region through increased contributions from Area Representative and/or its licensees in such amounts as determined by WSC and Area Representative.

14. No Exclusive Territory.

The license granted herein is a non-exclusive license to market and service the Trademark and the Windermere System to franchisees and prospective franchisees in the Region. WSC intends to have more than one representative for the Region, and does not intend to assign any representative any particular area or territory. At the time that this Agreement is executed Area Representative has been assigned responsibility for (and the right to collect fees from) the specific franchisees identified in Exhibit A. Additional offices may be added, and offices may be transferred to other representatives, at any time by WSC in WSC's sole judgment. Area Representative agrees to cooperate with WSC in this regard.

Area Representative shall establish and maintain an office in a location to be mutually determined by Area Representative and WSC. Area Representative must receive WSC's permission before opening additional branch offices or relocating any office, but is not restricted from seeking new franchisees from any specific geographical area. Likewise, other representatives in the Region will be free to solicit new franchisees in areas serviced by Area Representative. WSC will determine in its discretion which representative will service each franchisee in the Region, and explicitly reserves the right to reassign franchisees to a different representative at any time in WSC's sole business judgment.

15. Relationship of Parties.

Area Representative will be an independent contractor responsible for exercising full control over the internal management and day-to-day operations of its business and the administration of the Windermere System in the Region. The Agreement does not and will not create a relationship

of principal and agent, joint venture or partnership. Each party will be fully responsible for its own actions and each will agree to indemnify one another for any and all liability incurred by one by virtue of or arising out of the acts of the other. Each party will agree to obtain and keep in force comprehensive general liability insurance, automobile liability insurance and any other insurance required by law, with policy limits in amounts approved by WSC.

16. No Restriction - WSC.

Nothing contained in this Agreement shall be construed to limit the freedom and flexibility of WSC to sell itself or its assets, merge or discontinue business or to liquidate or dissolve.

17. Non-Transferability / Personal Responsibility of Principals / Modifications to Organizational Documents

a. The composition, principals and management of Area Representative has been an essential factor in the determination of WSC to enter into this Agreement. Accordingly the Agreement and Area Representative's rights under the Agreement are non-transferable without the express written consent of WSC, which may be withheld in WSC's sole discretion. Any change of the ownership of Area Representative to ownership outside the group of Principals identified in §1.4 shall be considered a transfer or assignment for this purpose, and a breach of this Agreement.

b. The Principals of Area Representative identified above in §1.4 shall be at all times actively and personally involved in the operation of Area Representative's business, and shall be personally responsible for discharging all duties of the Area Representative set forth herein. In the event any individual Principal identified herein dies, becomes permanently disabled, or ceases to be actively involved in the operation of Area Representative's business, WSC may terminate this Agreement with cause.

c. A copy of Area Representative's organizational document(s) are attached hereto as Exhibit B. Said documents were reviewed and approved by WSC as a pre-condition of the granting of this Agreement, and may not be modified without WSC's prior permission. A violation of

this provision shall be grounds for WSC to terminate this Agreement with cause.

18. Entire Agreement.

This Agreement constitutes the entire understanding of the parties and shall be subject to modification or change only in writing and signed by all of the parties.

19. Waiver. The waiver of any breach or default under this Agreement will not constitute a waiver of any other right hereunder or any subsequent breach or default.

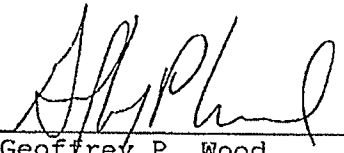
20. Arbitration. Except for equitable or injunctive relief involving intellectual property rights, the parties hereto shall submit any other dispute or controversy arising out of or related to this Agreement to binding arbitration before the American Arbitration Association pursuant to the rules of the American Arbitration Association. The decision by the arbitrators shall be binding and conclusive upon the parties, and they shall comply with such decision in good faith, and each party hereby submits itself to the jurisdiction of the courts of the place where the arbitration is held, but only for the entry of judgment with respect to the decision of the arbitrators hereunder. The institution of any arbitration proceeding hereunder shall not relieve either party of its obligations hereunder.

21. Attorney's Fees and Costs.

Should any party institute legal proceedings to enforce the terms and conditions of this Agreement or its rights hereunder, the substantially prevailing party shall be entitled to recover all of its reasonable expenses, including attorney fees, court costs and other expenses reasonably and necessarily incurred in connection with such proceedings and any appeal.

WINDERMERE REAL ESTATE
SERVICES COMPANY

AREA REPRESENTATIVE

By 
Geoffrey P. Wood
Chief Executive Officer

By 
Bob Deville, President

Date: 5/1/04

Date: 5-1-04

EXHIBIT A
LIST OF LICENSEES TO BE SERVICED BY AREA REPRESENTATIVE
AND SPECIAL FEE ARRANGEMENTS

<u>Carlsbad/San Diego</u>	Email: <u>carlsbad@windermere.com</u> Phone: (760) 434-4340	Carlsbad/San Diego 355 Carlsbad Village Drive Carlsbad, CA. 92008
<u>Desert Hot Springs</u>	Email: <u>coachellavalley@windermere.com</u> Phone: 760-329-3130	Desert Hot Springs 66337 Pierson Blvd. Desert Hot Springs, CA. 92240
<u>Escondido</u>	Email: <u>escondido@windermere.com</u> Phone: 760-291-1000	Escondido 100 South Escondido Blvd. Escondido, CA. 92025
<u>La Quinta</u>	Email: <u>coachellavalley@windermere.com</u> Phone: 760-564-9685	La Quinta 47-250 Washington Street Ste B La Quinta, CA. 92253
<u>Palm Springs</u>	Email: <u>coachellavalley@windermere.com</u> Phone: 760-327-3990	Palm Springs 850 N Palm Canyon Dr. Palm Springs, CA. 92262
<u>Rancho Mirage</u>	Email: <u>coachellavalley@windermere.com</u> Phone: 760-770-6801	Rancho Mirage 36101 Bob Hope Drive, Suite F-2 Rancho Mirage, CA. 92270
<u>Solana Beach</u>	Email: <u>solana@windermere.com</u> Phone: 858-794-5900	Solana Beach 514 Via de la Valle #102 Solana Beach, CA. 92075

1. San Diego Branches

Effective January 1, 2004, the San Diego offices will be part of Area Representative's Southern California (SCA) region. Windermere Services Northern California, Inc., the Area Representative for Northern California (NCA) will receive one half of license fees generated by the Carlsbad, Escondido and Solana Beach offices until it has received \$35,000 or January 1, 2006 whichever comes first.
 (Example: \$1,000 income -- \$500 to WSC; \$250 to Area Representative and \$250 to NCA).

2. Coachella Valley Offices Licensing Fees

Area Representative will retain fifty percent (50%) of all licensing fees generated by the Coachella Valley offices beginning January 1, 2004 with the exception of the Palm Springs office which will begin on July 1, 2004.

3. Other Initiation Fees and Licensing Fees

Area Representative and WSC will share all initiation and licensing fees equally for all future Windermere offices in the SCA region.

It is understood that collection of fees will be the responsibility of Area Representative, but Area Representative will not be responsible for payment of uncollectable fees.

4. Administrative Fee

Administrative Fees are currently assessed on a \$25.00 per agent per month basis. The Administrative Fees generated in the State of California will be applied to the region from which the fees were collected with the following exception:

4.1 For the period between 1/1/04 to 12/31/05:

- a. All NCA fees will be applied to the Stanford Cup expenses
- b. Fees generated from 89 SCA agents will be applied to Stanford Cup expenses.
- c. As of 1/1/04 the fees being applied from SCA agents to the Stanford Cup expenses will be reduced by any increase in the NCA agent base of 197. (Example: If agent base in NCA is 197 on 1/1/04 and 200 on 2/1/04, then only fees from 86 agents in SCA will be applied to the NCA Stanford expenses in February.)
- d. SCA participation in Stanford Cup expenses will never exceed 89 agents even if the NCA agent base drops below 197; therefore, the maximum SCA participation in each year would be \$26,700.

4.2 For the period 1/1/06 forward:

100% of SCA fees will be retained for SCA regardless of the NCA agent base.

4.3 Administrative Fee increases:

Administrative Fees are currently set at \$25.00. In the event SCA increases Administrative fees for any reason, 100% of any increased amount shall be retained for SCA. (Example: SCA increases fee to \$45.00: \$20 difference is retained by SCA and \$25.00 is applied to any fees being allocated to NCA.)

4.4 1/1/04: Initial SCA Administrative Fee Pool:
Starting 1/1/04, Administrative Fees from the first 89 SCA agents each month will be divided as set forth herein. Administrative Fees for any additional agents in the SCA area will be credited to the SCA Administrative Fund.

4.5 Accounting
Administrative fees accounting records will be maintained by Windermere Services (WSC). Agent numbers used will be as reported monthly to WSC on the Month End Statistical and Fee Calculation Form.

All fees are paid one month in arrears. For example, fees accrued in January 2004 were paid in February 2004. Accordingly all references in this Agreement to fees for any specified month or period shall be interpreted to mean fees accrued during such time, but paid a month later.

EXHIBIT B
AREA REPRESENTATIVE'S
APPROVED ORGANIZATIONAL DOCUMENTS