

BRANCH NAME: \_\_\_\_\_



**AMERICAN FINANCIAL NETWORK INC.**

FINANCING THE AMERICAN DREAM

## Employment Agreement

Branch Manager

The parties to this Branch Manager Employment Agreement are American Financial Network, Inc., hereinafter referred to as "AFN" or "COMPANY", and \_\_\_\_\_, hereafter referred to as "EMPLOYEE" or "BRANCH MANAGER". EMPLOYEE desires to operate a branch office for AFN (at the location set forth in section 2.0 of this agreement), is registered according to the Nationwide Mortgage Licensing System & Registry (NMLS) [EMPLOYEE'S NMLS # \_\_\_\_\_] and shall operate under the applicable state, regulatory authority or agency. This agreement supersedes any and all other agreements, either oral or in writing, between the parties and contains all of the covenants and agreements between the parties in any manner whatsoever. The parties agree to the following:

### ARTICLE I - TERMS OF EMPLOYMENT

- (1.0) **Employment:** AFN hereby employs EMPLOYEE, and EMPLOYEE hereby accepts employment with AFN.
- (1.1) **At-Will:** The parties mutually agree that employment with AFN is on an at-will basis (see Section 6.19) and that this agreement does not contain or constitute a guarantee of employment for any specific period of time.
- (1.2) **Termination by EMPLOYEE:** The EMPLOYEE may terminate this Agreement upon fifteen (15) days notice with or without cause, other than that required by law pursuant to Section 6.19.4.
- (1.3) **Termination by AFN:** AFN may terminate this Agreement immediately with or without cause, other than that required by law pursuant to Section 6.19.4.
- (1.4) **Performance After Termination:** In any case, upon termination by either party, the parties mutually agree to work together for a maximum of 60 days, unless otherwise agreed upon in writing, to close and fund any applications and loans applied for during the performance of this Agreement.
- (1.5) **Right to Inspection:** Subject to state and federal law, EMPLOYEE agrees as a condition of Employment to grant AFN the right to inspect and verify including, but not limited to, EMPLOYEE'S personal and professional history, including Section 6.21 herein.
- (1.6) **Background Check:** Additionally, EMPLOYEE acknowledges that employment is subject to a successful background and reference check in the sole discretion of AFN.

### ARTICLE II - DUTIES OF EMPLOYEE

- (2.0) **Address:** EMPLOYEE is hereby employed as a Branch Manager for AFN at the following address:  
\_\_\_\_\_
- (2.1) **Duties:** The EMPLOYEE shall manage Loan Originators who actively solicit, originate, negotiate, secure, process, and administer the closing of residential mortgage loans and perform any other duties as directed by AFN (the "Duties") whether as a producing or non-producing Branch Manager. Furthermore, EMPLOYEE shall be responsible for recruiting, training, and supervising all Branch employees.



- (2.2) **Procedures:** The EMPLOYEE agrees to perform such Duties as requested by AFN in compliance with AFN's rules, regulations, policies and procedures (the "Procedures") and said Procedures shall be subject to change in AFN's sole discretion.
- (2.3) **Time:** EMPLOYEE agrees to devote substantially all of his/her business time, energy and attention in the performance of his/her Duties to AFN during the term of this Agreement.
- (2.4) **Exclusive Employment:** EMPLOYEE shall not directly or indirectly render any related services of commercial or professional nature to any other person or organization, whether for compensation or otherwise, without prior written consent of AFN. EMPLOYEE shall not originate, place, or negotiate any loans, whether directly or indirectly, with any other financial sources during the term of this Agreement and set forth in paragraph, 1.1.
- (2.5) **Budget:** The Parties agree that expenses incurred in the operation of the Branch are as set forth on the Operation Budget (the "Budget") attached hereto and that the EMPLOYEE agrees that any other expenses shall be subject to AFN'S prior written approval.
- (2.6) **Automobile:** In the event EMPLOYEE uses his/her automobile in connection with such employment; EMPLOYEE must obtain liability insurance on such automobile at EMPLOYEE'S expense. The liability insurance must be in sufficient amounts and have sufficient coverage to satisfy and comply with the laws of the state in which the Branch is located and in which the automobile is registered. EMPLOYEE is to add AFN as an additional insured on its insurance policy. EMPLOYEE shall indemnify and hold AFN harmless from any and all claims, which may arise from his or her operation of such automobile.
- (2.7) **No Authority to Bind:** Except as expressly provided herein, it is specifically understood and agreed that EMPLOYEE will have no express, apparent, or implied authority to act on behalf of or to bind AFN, with respect to any contract, instrument, form or agreement with the exception of mortgage related documents, including FNMA form 1003, HUD form 92900-A and VA form 26-1802a (HUD/VA Addendum to Uniform Residential Loan Application), according to the Loan Officer Agreement. Employer shall request to be held harmless from any and all claims, which may arise from his or her breach by unauthorized use of authority, under breach of contract claims.
- (2.8) **Approval of Commercial Message in Any Medium:** EMPLOYEE agrees that AFN must approve in writing prior to use of any forms, Documents, materials, scripts, advertising copy, advertising no matter the format including, but not limited to written, oral, video, world wide web, social media or electronic transmissions.
- (2.9) **License Maintenance:** EMPLOYEE shall maintain the appropriate licenses (i.e. other than those licenses required to be held by AFN) as required by law in the performance of this Agreement, including but not limited to a license with the appropriate state and/or federal agency and proper filing of the MU2 with a unique identifier under the Nationwide Mortgage Licensing System & Registry (NMLS). You MUST be licensed and registered with NMLS if you "expect compensation or gain, take a residential mortgage loan application, offer or negotiate terms of a residential mortgage loan application." You must also be



licensed in certain states to manage employees of those states. EMPLOYEE recognizes his or her responsibility to be properly licensed.

- (2.10) **Cost of Licensing:** Additionally, EMPLOYEE shall be solely responsible for the cost of all license fee and license audit fees if so required.
- (2.11) **Fee Collection:** EMPLOYEE is responsible for collecting from loan applicants the fees for the payment of (i) appraisals, (ii) credit reports, and (ii) other charges by third parties in connection with the origination and servicing of mortgage loans originated by the Branch. AFN has a No Trust Fund policy for up front collection of fees and therefore all fees collected must be made out to a third party or paid for with branch operating funds.
- (2.12) **Money Received:** Any monies received by EMPLOYEE (i) for the benefit of AFN (ii) received in trust for AFN, (iii) to be held for others, shall be made payable to "American Financial Network, Inc." and delivered immediately to AFN. In no event is the EMPLOYEE authorized to open an account on behalf of AFN or deposit any monies received other than as instructed by AFN.
- (2.13) **Rules and Regulations Compliance:** EMPLOYEE shall comply, and ensure that all Branch personnel comply, with all ordinances, laws, rules and regulations of any city, county state and federal government having jurisdiction, investor guidelines and other requirements relating to mortgage origination, servicing and operation of the Branch, including without limitation all applicable requirements of the Department of Housing and Urban Development ("HUD"), Veteran's Administration, Ginnie Mae, Fannie Mae and Freddie Mac (collectively, "Laws"). EMPLOYEE represents to AFN that EMPLOYEE is fully familiar with such Laws and EMPLOYEE understands that AFN is relying on such representation of EMPLOYEE in agreeing to employ EMPLOYEE.
- (2.14) AFN has implemented an Anti-Money Laundering Policy (the "Policy") in accordance with the Bank Secrecy Act and other related policies and underlying laws and regulations. The Policy requirements include, but are not limited to, reasonable efforts be made to determine a customer's identity; the performance of adequate due diligence; the maintenance of high ethical standards to avoid suspect transactions; and if necessary the cooperation with law enforcement agencies, subject to customer confidentiality constraints. AFN requires that its own organization, its EMPLOYEE and its third party vendors comply with all requirements of the Policy, the Bank Secrecy Act, Anti-money Laundering regulations and Suspicious Activity Reporting requirements as they exist and apply specifically to Non-bank Residential Mortgage Lenders or Originators (RMLO), or from time to time may be amended. EMPLOYEE represents to AFN that EMPLOYEE is fully familiar with the Policy, AFN manual, AFN annual training, and the underlying laws and regulations, and understands that AFN is relying on such representation of EMPLOYEE in agreeing to employ EMPLOYEE.
- (2.15) **Insurance:** Branch Office shall obtain, and maintain in full force and effect, any insurance (including, but not limited to, office liability insurance) necessary for the Branch Office to be in compliance with all city, county, state and federal laws and regulations and must be paid by the corporate office.



- (2.16) **RESPA Charges:** EMPLOYEE shall not charge any borrower, nor allow to be charged, any fees in excess of that permitted by the Real Estate Settlement Procedures Act ("RESPA") or any other laws.
- (2.17) **Employee Loans:** If the EMPLOYEE or any other employee of the Branch, (i) enters into an agreement as a principal involving the purchase, refinance or sale of real property, and (ii) has or will have any interest in real property involving the obtaining or making of a loan on such real property, the employee shall make immediate written disclosure of the fact of such purchase, sale or loan to AFN Executives and prior to any Branch activity in connection with such transaction. All EMPLOYEE loans must be completed by the corporate office.
- (2.18) **Forward Commitments:** EMPLOYEE agrees not to enter into any forward loan commitments or other agreements with any individual, partnership, limited liability company, joint venture, association, trust or unincorporated organization, investor, company, vendor or supplier.
- (2.19) **Loan Commitments:** Loan commitments and rate lock-in agreements may only be issued by AFN's secondary marketing department.
- (2.20) **Facility Maintenance:** EMPLOYEE shall be responsible for the maintenance, cleanliness and general appearance of the branch office as a place of business and an office of AFN, meeting all federal, state, and local requirements.
- (2.21) **Authority to Employ:** EMPLOYEE shall have the authority to employ, on behalf of AFN, staff for the efficient operation of the branch office, in accordance with the operating budget, and shall also have the authority to terminate said personnel whenever he/she determines such termination is carried out in compliance with applicable and prevailing labor or employment laws and regulations, is properly and completely documented. EMPLOYEE shall have no other employment agreements with any AFN employee outside the knowledge and consent of AFN. Said employees will be paid in accordance with schedules determined by EMPLOYEE and approved by AFN executives. All employee hires and terminations must have verbal approval of the proper process from the HR Director or AFN executives.
- (2.22) **Business Procurement:** In addition to the recruitment, training and supervision of loan officers, EMPLOYEE agrees to solicit and procure loan applications as a licensed Loan Originator or through the branch licensed Loan Originators, provide services in connection with same to facilitate and expedite their processing, and to use their best efforts to promote business for branch office and AFN.
- (2.23) **Meetings:** AFN may conduct manager meetings on a periodic basis to discuss changes and developments in the business and branch office. EMPLOYEE will make every effort to attend all such meetings.
- (2.24) **Staff and Equipment Maintenance:** EMPLOYEE shall assist AFN to equip, staff, and organize the branch office. The AFN Branch Profit Center shall be responsible for all costs incurred in operating the branch office, as described in Article III.



- (2.25) **Branch Manager Conduct:** EMPLOYEE shall not engage in any conduct, which would reflect negatively on AFN or adversely affect AFN's business or reputation. Such prohibited conduct includes without limitation.
- a.) Dishonesty, including falsifying company (AFN) records, forms, loan application materials or other customer records;
  - b.) Unauthorized disclosure of confidential business information;
  - c.) Unsatisfactory work performance or conduct; and
  - d.) Originating, processing, brokering or receiving income on any mortgage loan outside of the knowledge of AFN.
- (2.26) **Terms and Conditions with Respect to Each Loan:** EMPLOYEE warrants and represents the truth and accuracy of each and every loan, both on the date hereof and on the dates of each transaction entered into pursuant to this agreement. The continuing validity of the following representations, warranties, terms and conditions shall constitute a condition precedent to AFN continuing obligations hereunder.
- a.) That the branch office is the sole originator of the loan.
  - b.) That all names, signatures, addresses, amounts and other statements of fact including descriptions of property appearing on the credit application and other related Documents relating to the loan are true and correct and the borrowers named thereon are of majority age, have legal capacity to enter into the loan and were solvent within the meaning of the applicable bankruptcy law at the time of entering into the loan.
  - c.) That there are no mechanics liens or similar liens or claims which have been filed for work, labor or material affecting the real property encumbered by the loan which are or may be liens prior or equal to the lien of the deed of trust or mortgage securing the loan.
  - d.) The real property encumbered by the loan is free of material damage and is in good repair.
  - e.) EMPLOYEE has no knowledge of any fact that he/she has failed to disclose which would materially and adversely affect the value or marketability of the loan or the borrower's ability to repay the loan.
  - f.) That the Branch fully complies with any or all requirements of any federal, state and local law including, without limitation, usury, truth in lending, real estate settlement procedures, consumer protection, equal credit opportunity or disclosure laws applicable to the loan.
  - g.) In procuring credit reports and appraisals, EMPLOYEE shall deal only with totally independent and highly reputable credit rating agencies and qualified, licensed, independent real estate appraisers.
- (2.27) **Loan Origination Software:** EMPLOYEE will ensure that all loans are entered and processed using Encompass. The pipeline must also be kept current and organized.
- (2.28) **First Right of Refusal:** EMPLOYEE will ensure that AFN has the first right of refusal to fund all loans in-house. It is only with AFN's prior written consent according to the Loan Originator Agreement that a loan be brokered out to another lender, which will only happen if AFN does not have the product or does not wish to fund that product. An additional fee will be charged when brokering a loan to another lender, as set forth in Addendum A, and such additional costs shall be considered in the commission due to a separate channel of origination for the Loan Originator.



**ARTICLE III – ACCOUNTS AND COMPENSATION**

- (3.0) **Bank Accounts:** AFN shall maintain the bank account in connection with the branch office. This account shall belong exclusively to AFN.
- (3.1) **Branch Accounting:** AFN's accounting department shall maintain separate records and issue monthly financial statements for the branch.
- (3.2) **Branch Manager Compensation:** AFN agrees to pay and EMPLOYEE agrees to accept compensation as set forth in Addendum A. EMPLOYEE agrees to pay branch employees according to regulated compensation rules.
- (3.3) **Branch Office Revenues:** On loans funded by AFN, the branch account will be credited as revenue is collected for the following:
- a.) Origination Fees (when applicable under the rules of compensation)
  - b.) Discount Points
  - c.) Rebate (when applicable as set forth on valid AFN lock confirmations and subject to the rules of compensation)
  - d.) Processing, if the salary costs of the processor are paid from the branch operating costs and AFN actually processes the loan.
  - e.) Any other fees charged to the borrower by the branch through closing
  - f.) Branch margin in AFN pricing engine, as described in section 3.5
  - g.) Any bonuses received, as set forth in Addendum A
- (3.4) **Branch Office Expenses:** The following items will be paid from AFN's operating account and charged to the branch P&L as expenses:
- a.) All expenses to operate branch (rent, utilities, leases, supplies, liability insurance, etc.)
  - b.) Payroll of all employees (including the employer side of all payroll taxes)
  - c.) Credit reports (if not previously billed directly to the company or third party)
  - d.) Appraisals (if not collected through closing or paid outside of closing)
  - e.) Any charges for VOD's, VOE's, 4506s, AU, AVMs or any other verification required by AFN
  - f.) Quality control fee, as set forth in Addendum A, on a minimum of 10% of the branch's closed loans
  - g.) Corporate fees on closed loans, as set forth in Addendum A
  - h.) Branch allocation of AFN technology expenses, as set forth in Addendum A
  - i.) Employer contribution for any branch employees' group health insurance policies
  - j.) Actual Corporate cost for any early payoffs (EPO), early payment defaults (EPD), buybacks or any other expenses incurred on loans closed by the branch.
  - k.) Any other expenses arising from the operation of the branch, including but not limited to insurance policies, worker's compensation insurance policies, loan level pricing adjustment leakage, and all expenses that can be allocated to an individual branch.
- (3.5) **Margin:** Branch will be given the ability to build a per loan margin for its loan officers' pricing in the AFN pricing engine. All rate quotes and locks must be processed through the pricing engine. The maximum margin allowed is set forth in Addendum A.



- (3.6) **Processing:** Branch may hire their own processor(s) or may send loans to Corporate for processing. If processed at corporate, the borrower will be charged the current processing fee. Processing fees may not be deducted from the commission of the branch loan officers. To account for processing costs, reduce the basis points of the loan officer prospectively. For example, if the loan officer would ordinarily be at 100 bps compensation, reduce such compensation to 75 bps on all loans to account for processing. You may not subtract it on a per loan basis.
- (3.7) **Payroll:** AFN agrees to pay payroll (salary, bonuses, commissions, etc) on the 15<sup>th</sup> day and the last day of each month. For the purpose of calculating Commissions to be paid in each pay period, AFN shall pay Commissions based on loans funded as follows: Loans funded from the 24<sup>th</sup> day of the month to the 8<sup>th</sup> day of the following month are paid on the 15<sup>th</sup> day of the following month; Loans funded from the 9<sup>th</sup> day of the month through to the 23<sup>rd</sup> day of the month are paid on the last day of that month. [Example: Loans funded between January 24<sup>th</sup> and February 8<sup>th</sup> are paid on February 15<sup>th</sup>, and loans funded between February 9<sup>th</sup> and February 23<sup>rd</sup> are paid on February 28<sup>th</sup>]
- (3.8) **Branch Reserves:** The branch is required to maintain a reserve equal to at least 2 months of normal branch operating expenses to be accrued through branch profits. To begin, this figure will be based on the Branch Operation Budget submitted by EMPLOYEE. After sufficient accounting data exists, this will be based on a rolling 3 month average of actual operating expenses. Branch bonus will not be disbursed to EMPLOYEE until this reserve requirement is met.
- (3.9) **Branch Profit & Loss:** The branch monthly Profit & Loss statement will generally be prepared by the 15<sup>th</sup> day of the following month. If the branch operates efficiently and the branch meets the reserve requirements, EMPLOYEE may withdraw a bonus up to the reserve limit if he/she chooses, and such bonus will be paid as part of payroll on the last day of the following month. A Producing Branch Manager's bonus must be fixed as a salary or basis point plan according to Addendum A. Producing Branch Managers will not be able to draw on profits of the branch. Non-producing Branch Managers will be able to draw profit up to the maximum to sustain two months reserves according to 3.8, payable the last day of the following month. [Example: Branch Manager will receive the P&L for December on January 15<sup>th</sup> and will be paid the salary or basis points (producing manager) or bonus draw (non-producing manager) according to Addendum A for the next quarter beginning on January 31<sup>st</sup>]
- (3.10) **W-2 Reporting:** EMPLOYEE and all employees of the Branch are to be paid W-2 wages.
- (3.11) **Post-Closing Expenses:** In the event AFN must buy back, repurchase or are unable to sell any loan due to fraud or the negligence of the EMPLOYEE, or any personnel under the supervision of the EMPLOYEE, on any loan, the EMPLOYEE agrees to repay any Commissions and/or losses incurred from the branch operating funds within 15 days of settlement.





- (3.12) **Advances:** As long as the branch reserve requirement is met, EMPLOYEE may authorize the payment of advances to employees of the branch from the branch account. There will be a \$50 fee (which may change at AFN's discretion) charged to the branch for each advance given, with a maximum of 3 advances per month. AFN reserves the right to refuse the issuance of any request for advanced wages.
- (3.13) **Commissions After Termination:** Upon termination of this agreement for any reason, EMPLOYEE shall be paid any remaining money invested in the branch office, as well as any remaining balance in the branch account, including outstanding branch reserves, within 60 days after termination of this agreement; provided however, that AFN may retain an adequate amount to provide for any unpaid expenses or other liabilities. EMPLOYEE shall return to AFN any funds distributed pursuant to this subparagraph, which are necessary to satisfy any expense or obligation for which provision is not otherwise made.
- (3.14) **Branch Compensation:** The Main Branch Account will be credited for all revenues received and this credit shall be based on a per file funder basis ("the commission"). EMPLOYEE shall be paid consistent compensation on a monthly basis ("compensation") according to the attached Addendum A. The EMPLOYEE is to select and input a basis point amount into the AFN pricing engine to determine his/her Branch Margins for all of his/her managed branch(es). Such production based compensation is subject to all applicable rules regarding market area and region uniformity. Such production based compensation is subject to change only every calendar quarter with the approval of an officer of AFN. EMPLOYEE is aware and agrees to comply with all applicable restrictions imposed by Regulation Z, the Dodd-Frank Act, Anti-Steering Provisions, and other applicable rules. EMPLOYEE is to communicate and negotiate all loan terms with consumer(s) through a licensed Loan Officer employed at his/her Branch, whether a producing or non-producing Branch Manager. EMPLOYEE in no way is to influence the terms of a particular loan or manipulate the closing time-frame of any/several loans in order to potentially receive lower/higher production compensation. If a non-producing Branch Manager, EMPLOYEE will not engage in any loan origination activities nor expect payment for such activities. EMPLOYEE is aware that any potential liability arising from a Branch Manager's willful intent to purposely vary the terms of a transaction(s) in order to affect his/her branch compensation will be held solely by such Branch Manager. EMPLOYEE agrees to indemnify AFN for such acts. EMPLOYEE waives his/her right to contest the enforceability of the former clause to each subsequent Addendum to this Agreement. All loans except "brokered loans", not covered by the new compensation rule(s) ("other types of loans") shall receive established Lender-Paid compensation set by AFN or any Broker cooperative, including all points and fee income. These other types of loans include, but are not limited to: (i) HELOC or open ended lines of credit; (ii) commercial loans; (iii) any other type of loan that is not subject to the new Consumer Financial Protection Bureau regulations. A "Brokered Loan" is a loan that is originated by an AFN Branch loan officer and that is underwritten and/or funded by a third party lender. EMPLOYEE is aware that AFN requires preapproval by its President, Chief Executive Officer, Vice President of Operations, or Product Manager for all brokered loans. Branch Profit





and Loss is to be credited the Lender-Paid compensation minus fifty (50) basis points on each loan that is brokered out in accordance and in compliance with the this Agreement and, in accordance and in compliance with AFN's Policies and Procedures of which the EMPLOYEE is fully aware. Branch will be credited seventy percent (70%) of income from each Reverse Mortgage. AFN Corporate shall retain thirty percent (30%) of said income. Producing Branch Manager shall receive a "salary" or compensation pursuant to the Addendum "A" Branch Compensation attached and incorporated hereto. Any increase or decrease to compensation of the Addendum will be established by AFN every three (3) calendar months. AFN may change this amount January First (1<sup>st</sup>), April First (1<sup>st</sup>), July First (1<sup>st</sup>), and/or October First (1<sup>st</sup>) of each and every subsequent year. EMPLOYEE understands that such compensation cannot vary in accordance with the terms of the transactions. EMPLOYEE is aware that any potential liability arising from an Employee/Loan Officer's willful intent to purposely vary the terms of a transaction in order to affect compensation will be held solely by such EMPLOYEE. EMPLOYEE agrees to indemnify AFN for such acts. EMPLOYEE waives his/her right to contest the enforceability of the former clause to the Addendum.

**(3.15) Bonus Compensation:** At all times, any bonus or, all bonuses, within one calendar year, is not to exceed 10% of the EMPLOYEE'S income ("income"). The bonus income ceiling is to be determined by the EMPLOYEE'S W-2 earnings from the previous calendar quarter. Any and/or all bonuses are subject to any deductions for which EMPLOYEE and AFN agree upon in this Agreement and in the Addendum. EMPLOYEE is aware and agrees to comply with all applicable restrictions imposed by Regulation Z, the Dodd-Frank Act, and Anti-Steering Provisions. All liability incurred due to unlawful manipulation(s) of EMPLOYEE in order to influence the amount of his/her "bonus" will be held solely by such EMPLOYEE. So long as AFN does not participate and/or is unaware of such manipulation, EMPLOYEE agrees to indemnify AFN for such acts. Bonuses are to be paid to EMPLOYEE on a monthly basis subject to the restrictions illustrated and incorporated by the Addendum to this Agreement. For all non-producing Branch Managers, EMPLOYEE will not be entitled to receive any bonus or bonuses if the financial statements for the Branch do not illustrate a positive cash flow or a minimum of two (2) months reserves for the Branch.

**(3.16) Deductions to Branch Compensation:** All Branch operating expenses (including Loan Officer Compensation) will be deducted from the revenue selected above by EMPLOYEE pursuant to this AGREEMENT. AFN will charge the Branch Two Hundred and Fifty Dollars and No Cents (\$250.00) per loan as an "Administrative Fee" to each Branch office. An "Administrative Fee" is utilized in lieu of actual allocation of the corporate expenses. If by fault of the EMPLOYEE or a Loan Officer of the Branch, the funding of a consumer's loan is inhibited or, the costs to fund the loan increase by no fault of the consumer, then upon AFN's determination, a Branch can be charged the amount needed to cure the defect and/or absolve the consumer of the fee/cost. Approval is required from AFN Compliance Officer, or an Executive Officer of AFN. All reductions require estimated monthly lead costs to prove it is a self-generated lead. All reductions must be a bona fide extension; or investor changed costs to the loans.



- (3.17) **Non-Permissive Variations to Branch Pay:** Any compensation not authorized by AFN, paid by a third party to a Branch/Branch Manager/AFN, is to be considered borrower paid and thus, subject to restrictions unless: (i) The compensation is “bona fide and reasonable”, AND (ii) the compensation is passed through to a non-affiliated third party for services, OR (iii) all applicable federal and state laws permit doing so and EMPLOYEE has informed AFN and received permission. EMPLOYEE is to comply with Regulation Z, The Dodd-Frank Act, and any other applicable rules regarding compensation and, he/she is prohibited from giving or receiving any compensation to/from unaffiliated parties to the transaction, including but not limited to: (i) Third Party Referrals for past, present, or future transactions, or (ii) any other payment of which AFN is not aware and to which AFN has not expressly consented.
- (3.18) **Termination of Branch Manager:** Upon valid termination of this Agreement, EMPLOYEE shall be paid any remaining “Bonus(es)” of the Branch officer, as well as any remaining balance in the Main Branch Account, including outstanding Branch Reserves, within seventy-five (75) days after termination of this Agreement; provided, however, that AFN may retain an adequate amount to provide for any unpaid expenses or other liabilities, whether contingent or fixed, liquidated or unliquidated, matured or unmatured, and, any other expenses or obligations for which a provision is not otherwise made.
- (3.19) **Modification of Compensation Terms:** Any valid modification to the terms included in this Agreement and any incorporated Addendum(s) cannot be done unilaterally by either AFN or EMPLOYEE without the express consent of the other. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon a determination that any term or provision is invalid, illegal or unenforceable, AFN will modify this Agreement, by subsequent Addendum, to effect the original intent of this Agreement as closely as possible in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible. EMPLOYEE shall indemnify, hold harmless, and defend AFN and its officers, directors, employees, agents, affiliates, successors and permitted assigns against all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorney’s fees, that are incurred by AFN against EMPLOYEE.

#### ARTICLE IV – DOCUMENTS AND PERSONNEL

- (4.0) **Confidential Materials:** EMPLOYEE, during the term of employment under this Agreement, will or may have access to various information that is considered to be proprietary and confidential information of AFN such as, but not all inclusive:



a.) forms, procedures, files, records, Documents, correspondence, notes, business card files, memoranda, pricing and secondary marketing, marketing information, TV commercials, radio commercials, direct mail, telemarketing scripts, trade secrets, vendor reports, customer (including current, former and prospective customer) lists, printouts, manuals, computer equipment and software, pagers, telephone cards, keys, security cards, and other entry devices for access to AFN'S facilities or those AFN affiliates facilities, and other Documents ( and all copies thereof) and similar items relating to the business of AFN and which are owned by AFN and which are regularly used in the operation of the business of AFN (collectively, "Confidential Materials").

b.) EMPLOYEE shall not disclose, any Confidential Materials nor use such material in any way during the term of this Agreement, except as required in the normal course of EMPLOYEE'S employment, and at no time thereafter. All Confidential Materials shall remain the exclusive property of AFN and shall not be copied or reproduced, in whole or in part, or removed from the premises of AFN under any circumstances whatsoever without prior written consent of AFN except as required in the normal course of EMPLOYEE'S employment hereunder.

c.) At all times hereafter, EMPLOYEE will not, except with AFN's express prior written consent, directly or indirectly, provide, communicate, disclose or divulge to any individual, sole proprietorship, joint venture, partnership, corporation, association or any other governmental or non governmental entity or authority (collectively "Person"), or use for his/her own benefit or the benefit of any Person, any Confidential Materials, no matter when or how acquired, except for information which (1) is in the public domain or (2) the disclosure of which is required by law.

d.) EMPLOYEE acknowledges the proprietary nature of the Confidential Materials and understands that the Confidential Materials must be maintained in the strictest confidence in order for AFN to protect its business and its competitive position in the marketplace.

**(4.1) EMPLOYEE Discoveries:** EMPLOYEE shall communicate to AFN and preserve as proprietary information of each discovery, idea, design, customer list, invention and improvement relating in any manner to AFN's business, whether or not patentable and whether or not reduced to practice, which is conceived, developed or made by EMPLOYEE, whether alone or jointly with others, at any time during the term hereof (such discoveries, ideas, designs, client lists, inventions and improvements are collectively referred to as "EMPLOYEE Discoveries").

**(4.2) Property of EMPLOYEE Discoveries:** All of EMPLOYEE'S Discoveries shall be AFN's exclusive property, and all EMPLOYEE'S right, title and interest herein are hereby irrevocably assigned to AFN. EMPLOYEE shall not, except with AFN's prior written consent, or except in the proper course of his/her employment with AFN, use any of EMPLOYEE'S Discoveries for his/her own benefit or the benefit of any Person (as defined in Section 4.1), or disclose any of EMPLOYEE'S Discoveries to any outside Person through publication or in any other manner.



- (4.3) **Delivery After Termination:** Upon termination of employment with AFN for any reason, or when AFN may so request, EMPLOYEE will immediately deliver to AFN any or all property of AFN in EMPLOYEE'S possession, including but not limited to, Confidential Materials and EMPLOYEE Discoveries, which EMPLOYEE may then possess or have under his/her control.
- (4.4) **Non-Solicitation of employees:** During the period that EMPLOYEE is employed by AFN and, in the event of termination, for one year, to run consecutively, beginning on the last day of the EMPLOYEE'S employment with AFN, the EMPLOYEE agrees and covenants not to disrupt or interfere with the business of AFN by directly or indirectly soliciting, recruiting, attempting to recruit, or raiding the employees of AFN or otherwise inducing the termination of employment of any employee of AFN. The EMPLOYEE also agrees and covenants not to use AFN's trade secret information [and/or confidential information] to directly or indirectly solicit the employees of AFN.
- (4.5) **Non-Solicitation of Customers:** The EMPLOYEE understands and acknowledges that because of the EMPLOYEE'S experience and relationship of trust with AFN, the EMPLOYEE has had access to and learned about much or all of AFN's trade secrets [and/or confidential or proprietary information], including Customer Information. Customer Information includes, but is not limited to, names, phone numbers, addresses, e-mail addresses, order history, order preferences, chain of command, pricing information and other information identifying facts and circumstances specific to the customer and relevant to services. The EMPLOYEE agrees and covenants that EMPLOYEE will not use the EMPLOYER'S trade secrets [and/or confidential or proprietary information] to directly or indirectly solicit the customers of AFN, or to interrupt, disturb or interfere with the relationships of AFN with its customers.
- (4.6) **Use of AFN Name:** EMPLOYEE agrees that he/she will refrain from using the name "AFN" in any business ventures or advertising without the prior written permission of AFN.
- (4.7) **Records-Ownership:** EMPLOYEE expressly agrees and acknowledges that all loan applications and supporting Documentation, and any and all mortgage loan business records procured and originated by EMPLOYEE and employees while employed by AFN is and shall be the exclusive property of AFN, for the exclusive benefit of AFN, its branch office employees and/or it designate(s). Any records relating to loan applications and the use and control thereof shall be and remain the exclusive property of AFN and its designates.

#### ARTICLE V- REMEDIES

- (5.0) **Breach of Agreement:** AFN and EMPLOYEE recognize and acknowledge that in the event of any breach or threatened breach of any provision within this Agreement, irreparable harm will be suffered by AFN, and that any remedy available by law will be inadequate. AFN and EMPLOYEE do, therefore, agree that in such an event, AFN shall be entitled to seek injunctive relief in any court of competent jurisdiction against EMPLOYEE and against any other person or entity involved or connected with such breach, without



necessity of posting any bond, cash or security against or for EMPLOYEE, or any other person or entity involved in or connected with such breach, which rights shall be in addition to such rights as AFN may have for damages, and in addition to such other remedies as the law or equity may provide.

**ARTICLE VI – GENERAL PROVISIONS**

- (6.0) **Agreement Supersession:** This agreement supersedes any and all other agreements, either oral or in writing between the parties hereto, with respect to the employment of EMPLOYEE by AFN and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. AFN may not modify this Agreement unless in writing signed by the parties hereto.
- (6.1) **Required Documentation:** EMPLOYEE agrees to execute, acknowledge and deliver or cause to be executed, acknowledged and delivered all such further Documents that AFN reasonably deems necessary or appropriate to carry out the terms and provisions of this Agreement and any Exhibits deemed necessary by AFN.
- (6.2) **Waivers:** No waiver by AFN of any condition, or the breach of any term, covenant, representation or warranty contained herein, whether by conduct or otherwise, by EMPLOYEE in any one or more instances shall be deemed or construed as a further or continuing waiver of any such condition, representation or warranty set forth in the Agreement.
- (6.3) **Unenforceable Provisions:** The invalidity or unenforceability of any term or provision contained in this Agreement shall not void or impair the remaining provisions hereof, which shall remain in full force and effect as if such invalid or unenforceable provision has never been contained herein.
- (6.4) **Assignment:** AFN may assign its rights and duties hereunder provided that the assignee is the successor by operation of law or otherwise, to the business of AFN. EMPLOYEE may not, without prior written consent of AFN, assign his/her rights and duties hereunder.
- (6.5) **Counterparts:** For the convenience of the parties hereto, any number of counterparts may be executed, and each counterpart shall be deemed an original instrument.
- (6.6) **Government:** This agreement shall be governed by and enforced in accordance with the laws of any and all other states in which AFN is licensed and engaging or doing business. Any litigation arising from this Agreement shall be brought in the courts of California (San Bernardino County).
- (6.7) **Termination:** This Agreement and all its provisions shall survive termination of this Agreement and/or termination of EMPLOYEE'S employment with AFN.
- (6.8) **Delivery:** Except to the extent otherwise expressly permitted hereunder, all notices, requests, demands, directions and other communications (collectively, "Notices") under this Agreement shall be sent by first-class mail, or by nationally recognized overnight courier, or by telex or telecopy, or by machine-readable electronic transmission, or by personal delivery.



- (6.9) **Knowledge:** EMPLOYEE represents and acknowledges that he/she is sophisticated and knowledgeable in matters of real estate and finance.
- (6.10) **Non-Continuance of Waiver:** A waiver by AFN of any provision of this agreement shall not be construed as a continuing waiver of the same or any other provision of this agreement.
- (6.11) **Laws of California:** This agreement shall be governed by and interpreted in accordance with the laws of the State of California, excluding any choice of laws provisions.
- (6.12) **License Transfer:** Upon approval by AFN, EMPLOYEE will cause any licenses to be transferred to AFN corporate address and register such address as the registered address.
- (6.13) **Taxes:** All taxes required to be paid are a Branch Office expense.
- (6.14) **No Trust Funds:** Branch Office shall not accept any up-front application fee. Any expense paid by borrower up front will be paid directly to the company performing the duty, paid as deposit to escrow, or paid by loan officer. No checks to AFN, Branch Office, or any fictitious business associated with Branch Office are allowed to be collected at any time.
- (6.15) **Fictitious Business Names:** AFN shall approve any fictitious business name to be used at the Branch Office, and shall own all rights related to any such fictitious business name. Upon termination of this agreement by either party, EMPLOYEE agrees not to use the AFN name and/or logo, any fictitious business name associated with Branch Office unless released to EMPLOYEE by AFN senior management, nor any name substantially similar to the AFN name or any such fictitious business name.
- (6.16) **Attorney Fees:** In any action brought to enforce any provision of this agreement, each party shall cover their own attorney's fees and costs.
- (6.17) **Binding Arbitration:** The parties shall submit all disputes relating to this Agreement (whether contract tort or both) to a non-binding arbitration, in accordance with California Code of Civil Procedures section 1280 through 1294.2 as set forth in this agreement. Either party may enforce the award of the arbitrator under section 1285 of the Code. The parties understand that they are waiving their rights to a jury trial.
- a.) The party demanding arbitration shall submit a written claim to the other party, setting out the basis of the claim and proposing the name of an arbitrator. The responsible party shall have ten business days in which to respond to this demand in a written answer. If this response is not timely made, or if the responding party agrees with the person proposed as the arbitrator, then the person named by the demanding party shall serve as the arbitrator. If the responding party submits a written answer rejecting the proposed arbitrator then unless the parties agree on an arbitrator, either party may apply to the superior court for the appointment of an arbitrator. The superior court shall propose five names. Each party may, within five days after receipt of the proposed names, strike one name from the list. Thereafter, the court shall appoint as arbitrator a person whose name has not been struck from the list. The arbitrator shall have the power to enter a default award if a party fails to participate in the arbitration.
- b.) The arbitration shall take place in San Bernardino County, California, at a time and place selected by the arbitrator.



**(6.18) At-Will Employment:** EMPLOYEE acknowledges and agrees that his employment with the Company will be on an "at will" basis and that the Company may terminate EMPLOYEE'S employment with the Company at any time, without any advance notice, for any reason, including no reason at all, notwithstanding anything to the contrary contained in or arising from any statements, policies, or practices of the Company relating to employment, discipline, or termination of its employees. There are no express or implied agreements contrary to the foregoing and no one other than the Executives have any authority to enter into an employment agreement for a specified period of time or to make any agreement that is contrary to the foregoing. Any such agreement by the Executives must be in writing and fully executed by both EMPLOYEE and one of the Executives.

**(6.18.1) By Death:** EMPLOYEE'S employment with the Company shall terminate automatically upon EMPLOYEE'S death.

**(6.18.2) By Disability:** The Company may immediately terminate EMPLOYEE'S employment with the Company during any period in which EMPLOYEE is considered by the Company to be disabled. EMPLOYEE shall be considered "disabled" if, in the sole opinion of the Company, as determined in good faith, EMPLOYEE is prevented, after reasonable accommodation by the Company, from properly performing his duties due to a mental or physical illness for a period of 90 days in the aggregate in any 12-month period.

**(6.18.3) For Cause:** Notwithstanding any other provision contained in this Agreement, the Company may terminate this Agreement immediately, at any time, for cause. For purposes of this Agreement, "cause" shall be deemed to include:

- a.) Any willful breach or habitual neglect by EMPLOYEE of the duties that he is required to perform under the terms of this Agreement;
- b.) Commission by EMPLOYEE of any material act of dishonesty, fraud, misrepresentation, or other act of moral turpitude;
- c.) EMPLOYEE'S gross carelessness or misconduct;
- d.) Failure of EMPLOYEE to obey the lawful direction of the Executives in such a way that has a direct, substantial, and adverse effect on the Company's reputation;
- e.) Any attempt by EMPLOYEE to secure any improper personal profit or other benefit in connection with the business of the Company;
- f.) EMPLOYEE'S violation of any fiduciary duty or duty of loyalty owed to the Company;
- g.) EMPLOYEE'S violation of any material term of any other agreement between the Company and EMPLOYEE; and
- h.) EMPLOYEE'S conviction of, guilty or no contest plea to, or confession of guilt to, a felony.

**(6.18.4) For Other than Cause or Death or Disability:** The Company may terminate EMPLOYEE'S employment at any time immediately as noted in this section. The EMPLOYEE may terminate EMPLOYEE'S employment upon (fifteen) 15 days' written notice to the Company; provided, however, that the Company shall have the option, at its sole discretion, to make EMPLOYEE'S termination effective at any time prior to the end of





such notice period as long as the Company provides EMPLOYEE with all compensation to which EMPLOYEE is entitled up through the last day of the notice period in conjunction with section 1.4.

- (6.19) **Construction of the Agreement:** For purpose of this Agreement, except as otherwise provided or unless the context otherwise requires:
- a.) The use of the singular form includes the plural, and the use of the plural form includes the singular;
  - b.) The use of any gender shall be deemed to include the other gender;
  - c.) The captions used herein are inserted for convenience only and are in no way intended to describe, interpret, define or limit the scope or content of this Agreement or of any provision hereof;
  - d.) The words "herein," "hereof," "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular provision, as otherwise stated;
  - e.) Any reference to any federal, state or local statute or law shall be deemed also to refer to all rules and regulations promulgated hereunder; and
  - f.) Any reference to any duty or obligation of EMPLOYEE to the Company shall include, where the context requires, any subsidiaries or affiliates of the Company.
- (6.20) **References:** In addition, I hereby authorize any present or former employees, public agency, financial institution or any other person or agency having knowledge of me to submit information or opinions about myself, including data received from other sources, in order that my employment qualifications may be evaluated.
- (6.21) **Notices:** All notices or demands shall be in writing and delivered either a) by personal delivery, or b) by certified U.S. mail, postage prepaid, or c) by facsimile. All notices or demands shall be deemed conclusively received upon the earlier of a) actual receipt by the party to whom such delivery is intended or b) forty-eight (48) hours after such notice or demand is either mailed subject to certified mail requiring a signature or sent by facsimile to the party to whom it is intended.



I HAVE READ, FULLY UNDERSTAND, ACCEPT AND AGREE TO BE BOUND BY THIS AGREEMENT AND ALL EXHIBITS ATTACHED HERETO. I HAVE RECEIVED A COMPLETED COPY OF THIS AGREEMENT. I HAVE CONSULTED WITH COUNSEL OF MY CHOOSING BEFORE EXECUTING THIS AGREEMENT.

**Employee/Branch Manager:**

\_\_\_\_\_  
(PRINT NAME) (DATE)

\_\_\_\_\_  
(SIGN NAME)

Regional Manager

\_\_\_\_\_  
(PRINT NAME) (DATE)

\_\_\_\_\_  
(SIGN NAME)

**Executive from American Financial Network, Inc.:**

\_\_\_\_\_  
(PRINT NAME/TITLE) (DATE)

\_\_\_\_\_  
(SIGN NAME)

**[Branch Manager Agreement Signature Page]**