

Personal Real Estate Corporation (PREC) Checklist

Criteria - Corporate Attributes

- Must be incorporated under the *Ontario Business Corporations Act*
- The corporation has one single controlling shareholder (a broker or salesperson who owns ALL the equity shares, which are the voting shares)
- The controlling shareholder is the president and sole director and officer of the corporation
- The controlling shareholder is registered as a broker or salesperson
- Any non-equity shares (non-voting) must be owned directly or indirectly by the family members (spouse, children, parents, trust for minor child) of the controlling shareholder or by the controlling shareholder
- There is no written agreement or other arrangement that restricts or transfers the powers of the sole director and officer to manage or supervise the management of the business and affairs of the corporation



PREC Conditions

- The PREC does not carry on the business of trading in real estate other than providing the services of its controlling shareholder to the brokerage that employs that individual
- The controlling shareholder is employed by a brokerage to trade in real estate
- The PREC, its controlling shareholder and others are prohibited from representing to the public that the PREC trades in real estate
- The PREC does not carry on business as a brokerage
- The PREC only receives remuneration for trading in real estate from the brokerage employing the controlling individual and the controlling individual only receives remuneration for trading in real estate from the PREC or their employing brokerage
- The PREC does not, on behalf of the brokerage, directly or indirectly hold any money or other property of a person in connection with trading in real estate

Agreement – Brokerage, PREC and Controlling Shareholder

There must be a written agreement between the PREC, the controlling shareholder and the brokerage governing the relationship between the brokerage and the corporation and its controlling shareholder.

Under the agreement, the PREC agrees:

- Not to hinder or obstruct the brokerage or its broker of record in their performance of duties under the legislation
- Not to hinder or obstruct the controlling shareholder in the performance of the controlling shareholder's duties under the legislation
- To provide whatever assistance may be reasonably necessary to enable the brokerage and its broker of record to comply with their duties under the legislation and to enable the brokerage and its broker of record to ensure that the controlling shareholder is complying with the controlling shareholder's duties under the legislation
- To provide whatever assistance may be reasonably necessary to enable the brokerage to determine whether the conditions are met



Brokerage Obligations

- Before any remuneration is paid to the PREC, the brokerage must satisfy itself that the PREC is exempt from registration under the *Real Estate and Business Brokers Act, 2002* and that the conditions for exemption have been met by the PREC
- The registrant must enter into an agreement with the PREC and the brokerage regarding the use of the PREC and payment of remuneration to the PREC

Registrant (Controlling Shareholder) Obligations

- The registrant must be employed by the brokerage
- In establishing the PREC, the registrant must ensure that the criteria and conditions identified are met
- The registrant must enter into an agreement with the PREC and the brokerage regarding the use of the PREC and payment of remuneration to the PREC
- The registrant must notify the registrar (RECO) of the legal name of the PREC and the address for service of the PREC before the PREC receives any remuneration from a brokerage



- The PREC cannot pay the registrant an amount for remuneration that is greater than the amount of the remuneration received from the brokerage
- The registrant must notify the registrar (RECO) in writing of any change in circumstances that would affect the PREC's eligibility for the exemption from registration or any change to the information provided to the registrar (RECO) about the PREC, within five days after the change takes place
- The registrant must ensure that the PREC does not engage in any activity that would otherwise require registration

