

PREPARING FOR A NEW ERA

ACCESSIBILITY

INFORMATION

SERVICES

VALUE



COMMUNICATION

COMPLIANCE

EDUCATION



CORPORATE PROFILE

MANDATE

The Real Estate Council of Ontario (RECO) has a twofold mandate:

To administer the regulatory requirements of the real estate industry as set down by the Government of Ontario, and

To protect consumers and members through a fair, safe and informed marketplace.

Under the Act, membership in RECO is a condition of registration. All registrants are therefore required to abide by the terms and conditions of membership in RECO.

RECO has adopted its own by-laws that provide an interim solution to Real Estate Act reform and facilitate more effective governance of the profession.

VISION

RECO's vision is:

Public trust in the real estate marketplace.

A 12-member Board of Directors governs RECO. The Board includes nine elected representatives from the profession and three ministerial appointees to represent consumers, business and government.

MISSION

RECO's mission is:

To provide a regulatory environment that earns the full confidence of consumers, registrants and government.

A not-for-profit organization, RECO derives operating revenue from registration fees. Any excess revenue is invested in improvements to programs and services.

RECO administers the *Real Estate and Business Brokers Act* on behalf of the Ontario Ministry of Consumer and Business Services.

As of March 31, 2005, RECO had 56 employees.

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HIGHLIGHTS

YEAR ENDED MARCH 31, 2005

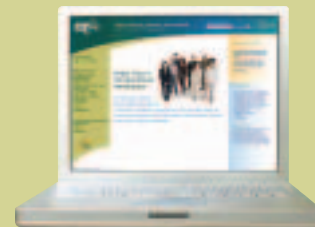


IN 2004-2005, RECO:



MADE recommendations to the Ministry of Consumer and Business Services to fine-tune the draft Code of Ethics and other regulations under the *Real Estate and Business Brokers Act, 2002*.

INCREASED inspections of brokerage offices by nearly 30 per cent to monitor compliance and educate brokers on their obligations.



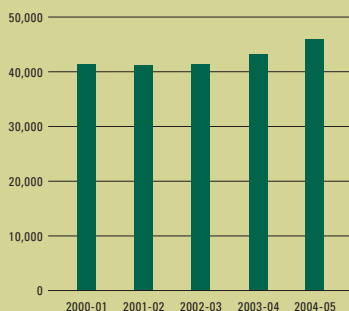
CREATED new links with consumers by establishing a Consumer Advisory Group and launching a more user-friendly website.



RELEASED a consultation paper on restructuring the Mandatory Continuing Education Program and invited feedback from education providers and registrants.



Total Registrants



RECORDED a 6 per cent increase in the number of individuals and businesses registered to trade in real estate in Ontario.

STRENGTHENED enforcement efforts by launching 77 investigations – the most ever – and nearly doubling the number of prosecutions commenced in the courts to 26.

INTRODUCED e-services for registrants through the personalized, password-protected MyWeb portal.

LAUNCHED a review of RECO's compulsory Insurance Program with four years of claims experience in hand.

RESOLVED 978 complaints from consumers and registrants about professional conduct – with only 2 per cent requiring a disciplinary hearing.

BEGAN assessing the implications of a landmark report on agency in the real estate industry in Canada.

MESSAGE FROM THE CHAIR

FOSTERING CONFIDENCE AND UPHOLDING INTEGRITY

I AM HONOURED TO PRESENT THE ANNUAL REPORT OF THE REAL ESTATE COUNCIL OF ONTARIO (RECO) FOR THE FISCAL YEAR ENDING MARCH 31, 2005.

This is RECO's eighth annual report. It has been my privilege to sit on RECO's Board for five of its eight years, including the past year as Chair.

Our role is to administer the regulatory requirements of the real estate industry. Our balanced approach has enabled us to earn public confidence and build public trust in the industry – the bedrock of its success.

As real estate professionals know from their own enterprises, we cannot afford to stand pat. Hence, RECO worked hard to bring about continuous improvement in the regulatory environment in 2004–2005.

Most important, RECO made recommendations to the Ministry of Consumer and Business Services to fine-tune the draft Code of Ethics and other regulations under the *Real Estate and Business Brokers Act, 2002*. We expect proclamation within the next fiscal year. I find it encouraging that the Ministry has been open to RECO's views throughout the process of developing new legislation and regulations that are more in tune with how business is done in the 21st century.

During the year, RECO also moved the yardsticks on other key ongoing initiatives to improve the regulatory environment.

In January 2005, the Education Committee released a consultation paper for registrants and education providers on *Restructuring the RECO MCE Program*, with comments invited by the end of May. Proposals in the

paper include capitalizing on information technology to expand the current course calendar to include all courses offered, and RECO's online database to help registrants track all credits. The goal behind the various recommendations is to make our Mandatory Continuing Education Program even better.

The Insurance Committee also proceeded with a review of the Insurance Program, weighing such factors as long-term stability, affordability and coverage. The committee is developing options for ensuring that the program remains sound and effective, despite turbulence in global insurance markets.

At the national level, RECO participates in the Canadian Regulators Group (CRG), which includes representatives from real estate regulatory bodies across the country. In September 2004, CRG's Agency Task Force released what has been called the most comprehensive study ever undertaken on agency and the real estate industry in Canada. RECO has formed a working group to assess the implications for real estate regulation in Ontario.

Finally, RECO launched a strategic planning process to chart a course for the next three to five years. All Board members and management staff are participating in the effort to develop a long-term plan that will build on RECO's achievements and set priorities for the future.

RECO's success over the past eight years has been founded on partnership with the real estate industry.



TERRY LANDON, CHAIR, BOARD OF DIRECTORS

My colleagues and I very much appreciate the many opportunities extended to us to meet with stakeholders – whether at Ontario Real Estate Association events, local real estate board meetings or other venues. Two-way communication has been vital and will become even more so as we embark on the transition to the new regulatory environment.

I am confident that the forward-looking initiatives now underway will strengthen RECO further and contribute to a fair, safe and informed real estate marketplace in Ontario.

ALL BOARD MEMBERS
AND MANAGEMENT STAFF
ARE PARTICIPATING IN THE
EFFORT TO DEVELOP A LONG-
TERM PLAN THAT WILL BUILD
ON RECO'S ACHIEVEMENTS
AND SET PRIORITIES FOR THE
FUTURE.

Sincerely,

Terry Landon
Chair, Board of Directors

MESSAGE FROM THE PRESIDENT

MAXIMIZING VALUE FOR CONSUMERS AND REGISTRANTS

THE 2004–2005 FISCAL YEAR HAS BEEN A PRODUCTIVE ONE FOR THE REAL ESTATE COUNCIL OF ONTARIO (RECO). WE MOVED FORWARD EFFICIENTLY WITH BUSINESS AS USUAL WHILE SIMULTANEOUSLY GEARING UP FOR IMPLEMENTATION OF THE NEW REAL ESTATE ACT AND REGULATIONS.

Aligning our processes and structures with the new regulatory framework that will be created by the *Real Estate and Business Brokers Act, 2002* ranked as our top operational priority during the year. We proceeded as far as possible with transition planning, pending release of the final version of the regulations. Our objective is to maintain high-quality services to consumers and registrants throughout the transition period and beyond.

RECO's core business remains the registration of people and businesses to trade in real estate. At year end, registered real estate brokers, sales people and brokerages numbered nearly 46,000. This total reflects a 6 per cent gain in 2004–2005, following a 5 per cent increase the previous year.

While this growth signals a healthy industry that continues to attract new entrants, it does pose workload challenges for RECO. In addition to the processing of registration applications, a growing registrant base inevitably creates demands on other RECO programs and services. To date, RECO has met these challenges with about the same staff complement, but additional resources will be needed in the future.

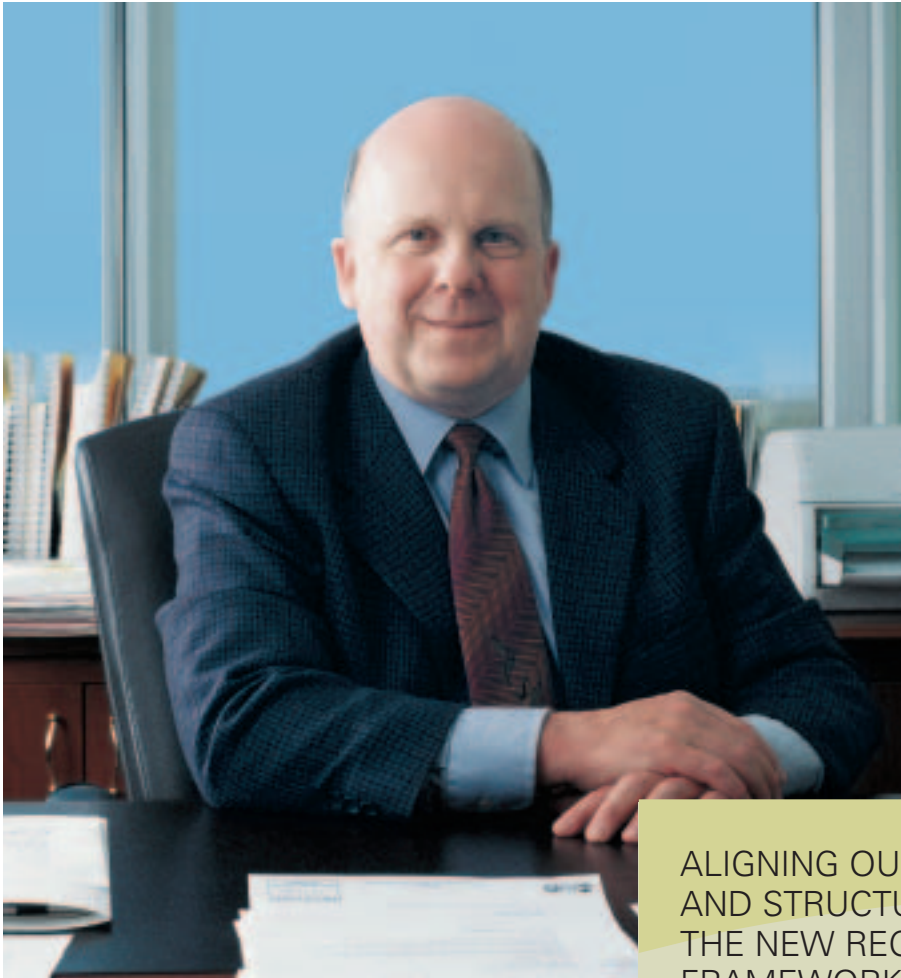
While registrations have increased, the annual volume of complaints by consumers and registrants has stabilized. This trend in my view reflects a stronger sense of professionalism across the industry. I believe Continuing Education has had a positive impact by fostering registrants' understanding of their responsibilities to clients and customers.

RECO's Insurance Program continues to deliver required coverage at an affordable cost, protecting consumers and registrants engaged in real estate transactions.

During 2004–2005, we delivered on our plan for new and improved electronic services. Our new public website has a more inviting look and feel and it is simpler to navigate. Our exclusive portal for RECO registrants – MyWeb – provides personalized access to registration information and RECO resources. With the launch of these e-services for consumers and registrants, RECO has continued to meet its electronic service delivery goals.

Another milestone during the year was the establishment of a new Consumer Advisory Group. This group acts as a sounding board on current and planned RECO activities and offers constructive input on the real estate industry from the consumer's perspective.

RECO's progress is based on the solid working relationship that exists between the Board of Directors and RECO's staff. Major initiatives, such as the ongoing reviews of the continuing education and insurance programs, are driven by the Board and its committees but benefit greatly from staff support. Without a doubt, RECO's single most valuable asset is the people who work here. I want to take this opportunity to thank each and every one of them for their dedicated efforts over the past year.



TOM WRIGHT, *PRESIDENT/CHIEF EXECUTIVE OFFICER*

RECO creates significant value for real estate consumers and professionals. Our programs provide a safety net for consumers involved in what are often the largest financial transactions of their lives. And our role as regulator builds and sustains public trust in the marketplace, the foundation for the industry's success. We at RECO are committed to working with both consumers and registrants to maximize this value in the years to come.

ALIGNING OUR PROCESSES
AND STRUCTURES WITH
THE NEW REGULATORY
FRAMEWORK THAT WILL
BE CREATED BY THE *REAL
ESTATE AND BUSINESS
BROKERS ACT, 2002* RANKED
AS OUR TOP OPERATIONAL
PRIORITY DURING THE YEAR.

Sincerely,

Tom Wright
President/Chief Executive Officer

REPORT ON OBJECTIVES

STRATEGIC PRIORITY

BUSINESS OBJECTIVES

PERFORMANCE MEASURES

GOVERNANCE & ACCOUNTABILITY

Provide strategic leadership

- Implemented an improved strategic planning process in 2004–2005
- Continued to participate in Canadian Regulators Group and Association of Real Estate License and Law Officials; worked with other organizations and associations that have common goals and objectives
- Continued a review of Insurance Program including long-term objectives and options

Meet obligations as set out in the Governance Model adopted in 2002-2003

- Development of a performance evaluation process for the Board of Directors and individual Directors is ongoing
- Reviewed, revising as required, all committee and task force terms of reference and developed annual work plans
- Invested in ongoing governance training for new and returning Directors

Provide opportunities for consumers and registrants to provide input and feedback

- Consumer Advisory Group established and operational in 2004–2005; two meetings have been held
- Regionally elected directors participated in trade shows, conferences and speaking engagements throughout the province

Meet the requirements of the Administrative Agreement and provide the Ministry of Consumer and Business Services with input and feedback as required

- Completed the development of a Termination Plan as required under the Administrative Agreement
- Worked with representatives of Archives Ontario to determine whether any of RECO's records are of archival interest; a draft Memorandum of Understanding has been received from Archives Ontario
- RECO is working with other Administrative Authorities to develop a common Code of Conduct for Compliance Personnel
- A consultant has been retained to develop and implement a Client Satisfaction Survey; the survey is expected to be conducted in fiscal 2005–2006
- Continued to submit quarterly reports to the Ministry and attend regularly scheduled liaison meetings

NEW LEGISLATION

Improve consumer protection through flexible and relevant legislation

- Continued to assist the Ministry during development of the regulations, providing input and feedback as required

Ensure organizational structure supports administration of the new Act and regulations

- Reviewed existing organizational structure and identified necessary changes in reporting relationships; prepared to implement changes when the new Act is proclaimed

STRATEGIC PRIORITY	BUSINESS OBJECTIVES	PERFORMANCE MEASURES
NEW LEGISLATION (CONT.)	Ensure staff have working knowledge of the new Act and regulations Take a proactive approach to consumer protection through enhanced registration-related education	• Prepared a plan to provide training for all management and support staff in advance of proclamation of the <i>Real Estate and Business Brokers Act, 2002</i> • Initiated a review of all departmental policies and procedures to identify required changes related to the <i>Real Estate and Business Brokers Act, 2002</i> • Conducted a review of pre-registration education courses and identified areas for improvement in 2004–2005
ENHANCE CONSUMER/REGISTRANT COMMUNICATIONS	Increase/improve the vehicles used to communicate with registrants; provide timely and relevant information	• Redesigned website launched in late 2004–2005; new features/sections added; new extranet provides registrants with password protected access to personal information • Launched a new hard copy registrant newsletter in spring 2004 (3 issues to date); continued to place articles in REM and other real estate trade publications • Developed an electronic news delivery system to be implemented in 2005–2006 • Initiated a review of all publications in preparation for proclamation of the new Act; identified new publications to be developed
EDUCATION	Review continuing education requirements and courses utilizing information obtained through the complaints process, Insurance Program and Inspections Program Ensure that brokerages maintain proper records	• Education Committee identified proposed changes to the Mandatory Continuing Education Program based on the review undertaken in 2003–2004 • Conducted public consultation on proposed changes to the MCE Program; consultation will be completed in 2005–2006 • Technology to support tracking and reporting continuing education credits is in place • Increased the number of inspections conducted by 30 per cent compared to the previous fiscal year; conducted courtesy inspections for new brokerages
IMPROVE OPERATIONAL EFFICIENCY	Complete implementation of RECO's e-service delivery plan Increase investment in professional development for staff	• Implemented a new intranet in spring 2004 • Launched the redesigned website and extranet in early 2005 • Implemented online credit card payment for insurance renewals in summer 2004 • Provided opportunities for professional development in-house and through courses/seminars relevant to the individual's role

PERFORMANCE REVIEW

EARNING PUBLIC
CONFIDENCESHAPING THE REGULATORY
ENVIRONMENT**New Era About to Begin**

The *Real Estate and Business Brokers Act, 2002* awaited proclamation throughout 2004–2005. Shortly after year end, the Ontario government announced that the new legislation is expected to take effect sometime this fiscal year.

Proclamation will mark the achievement of real estate legislative reform sought by RECO since 1997, and for years by provincial and local real estate groups.

RECO worked closely with the Ministry of Consumer and Business Services to develop both the Act and the regulations. In the final phase, in spring 2004, a RECO working group thoroughly analyzed the draft Code of Ethics and other regulations released by the Ministry for consultation. RECO made recommendations to the Ministry to fine-tune these crucial documents.

The new Code of Ethics is designed to ensure high ethical standards and promote professional conduct throughout the real estate sector. It will replace the existing Code of Ethics under RECO's by-laws, making the industry's regulatory framework stronger and more transparent.

The new Code deals more extensively with the relationship between registrants and their clients and customers. Its overall impact will be to clarify and raise public awareness of the different roles that registrants can and do play in real estate transactions. This approach will lead to a better informed marketplace.

National Study on Agency

RECO participates in the Canadian Regulators Group (CRG), which brings together real estate regulatory bodies across the country. In late 2002, the CRG created a task force to explore one of the most pressing issues in today's active real estate markets – agency. The task force included not only regulators but also industry representatives, and RECO's Registrar was a member. It released its report in September 2004.

The way agency is interpreted and applied directly affects the relationship between consumers and real

COMPLIANCE

NEW
REAL ESTATE ACT

The *Real Estate and Business Brokers Act, 2002* is a vital component of the modernization of key consumer protection statutes in Ontario. Before the Act can be brought into force, the government must develop the necessary regulations to accompany it. Further announcements will be made by the Ministry of Consumer and Business Services as this work progresses.

estate brokers and salespersons. After a comprehensive study, the task force developed a uniform approach based on best practices for regulators across Canada to consider. It is up to each jurisdiction to decide whether to adopt the recommendations. RECO has set up a working group to report to the Board of Directors on the implications of this report for Ontario.

RECO also takes part in a global group of real estate regulators, the Association of Real Estate License Law Officials (ARELLO). ARELLO provides a forum for sharing information and best practices to help improve regulatory services in the real estate industry.

Advertising Task Force Report

Advertising is one of the more contentious issues in the current marketplace. Faced with frequent concerns about inappropriate advertising practices, the Registrar concluded that real estate advertising standards require updating. At the Registrar's request, the Ontario Real Estate Association formed an industry task force on advertising, which submitted its report in spring 2004. The Registrar is

RECO UNDERTOOK A STRATEGIC PLANNING PROCESS DURING THE YEAR, WITH THE FULL BOARD AND ALL MANAGEMENT STAFF PARTICIPATING.

reviewing the group's recommendations with a view to issuing guidelines to complement the new Real Estate Act and regulations.

Strategic Planning Under Way

RECO launched a strategic planning process during the year, with the full Board and all management staff participating. The goal: to assess the current state of RECO's development as a regulator and then set priorities for the next three to five years. Early sessions concluded that RECO has made substantial progress and created a solid base for ongoing success in serving both registrants and consumers.

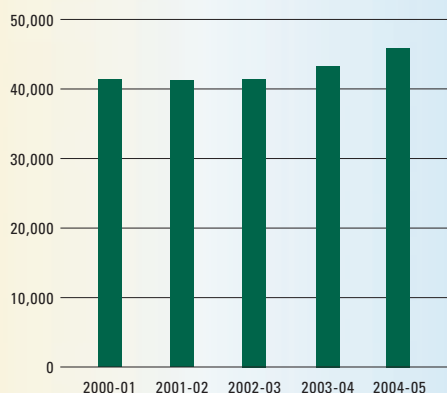
REGISTRATION SAFEGUARDS PUBLIC INTEREST

The registration of real estate salespeople, brokers and brokerages is the core of RECO's business. It is the Registrar who determines eligibility to trade in real estate in Ontario, based on requirements in legislation and regulations.

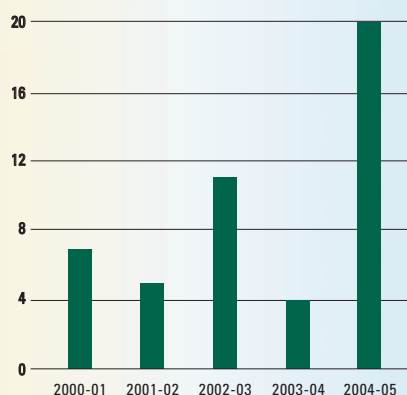
Registration Volume High

As of March 31, 2005, 45,882 individuals and businesses were registered with RECO – an increase of 6 per cent from 43,308 a year earlier and 11 per cent from 41,430 two years ago.

Total Registrants



Refusals and Revocations



New registrations increased in 2004–2005 to 4,284. Reinstatements were also up, while renewals, lapsed registrations, transfers and terminations were down.

Safeguarding Consumers

The Registrar has the authority to refuse, revoke or refuse to renew registration. While infrequently used, this power is a critical tool for protecting consumers and the public interest. The Registrar can deny registration where the applicant cannot reasonably be expected to conduct business in a financially responsible way, or where past conduct gives reasonable grounds for belief that the applicant will not carry on business with integrity and honesty. In 2004–2005, 20 registrations were refused or revoked, compared with four a year earlier.

Seven of the Registrar's proposals to revoke registration involved allegations of mortgage fraud, an increasing target of RECO investigations. One method of perpetrating mortgage fraud is to misrepresent the purchase price of a property. Mortgage fraud can lead, not only to loss of registration, but also to criminal charges by the police. By taking decisive action against this illicit practice, RECO is helping to protect the integrity of the industry.

An applicant has the right to appeal the Registrar's proposal to deny or revoke registration to the License Appeal Tribunal (LAT). In 2004–2005, six LAT hearings were held, compared with two in 2003–2004.

The Registrar took administrative regulatory action – such as issuing a reprimand or imposing conditions on a registration – in 371 cases, up more than 80 per cent from 203 a year earlier. These sanctions may be invoked where an inspection uncovers deficiencies or an applicant has concealed pertinent information. These measures are further tools the Registrar uses to protect consumers by enforcing the Act and regulations.

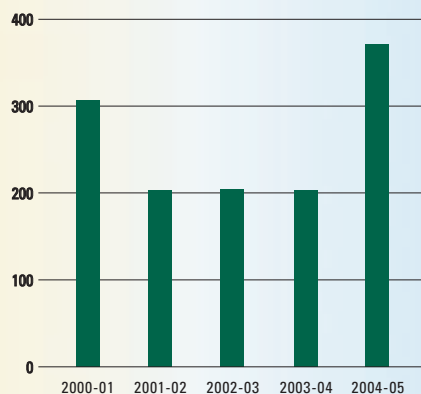
MONITORING COMPLIANCE AND INVESTIGATING ALLEGATIONS

RECO's inspections and investigations function protects consumers and promotes a level playing field for the industry. The findings of investigations can lead to enforcement action by the Registrar or through the courts.

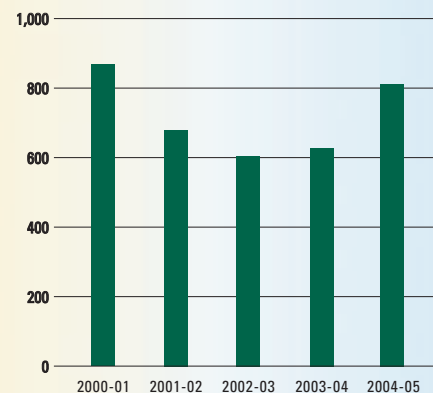
More Inspections

RECO's inspectors visit brokerages regularly to ensure compliance with the *Real Estate and Business Brokers Act*

Administrative Regulatory Actions



Inspections



and regulations. They examine records ranging from trust account documentation to trade contracts and offer advice. In all, RECO conducted 812 inspections in 2004–2005, up nearly 30 per cent from 628 the previous year.

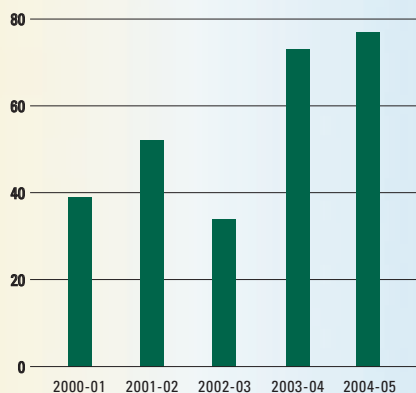
Most inspections are conducted on a random basis while others are risk-based, with an emphasis on returning to offices with prior deficiencies. A complaint can also trigger an inspection. As well, RECO offers courtesy inspections of new brokerages – an educational resource that helps brokers set up proper record-keeping systems in line with legal requirements.

Investigations and Prosecutions Up

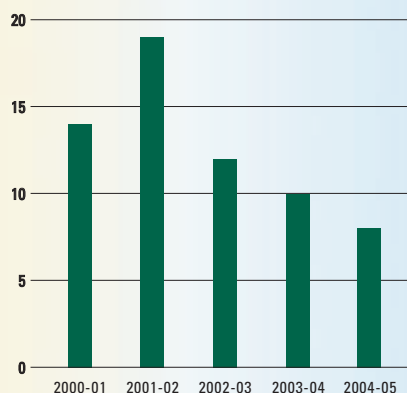
When inspections raise serious issues, or when complaints allege breaches of the Act or regulations, RECO investigates. In 2004–2005, RECO launched a record 77 investigations, exceeding the previous year's total of 73. Seventy-eight investigations were concluded, up from 58 a year earlier.

Following up on investigations, RECO commenced 26 prosecutions in the Ontario Court of Justice – nearly double the total of 14 the year before. In 2004–2005,

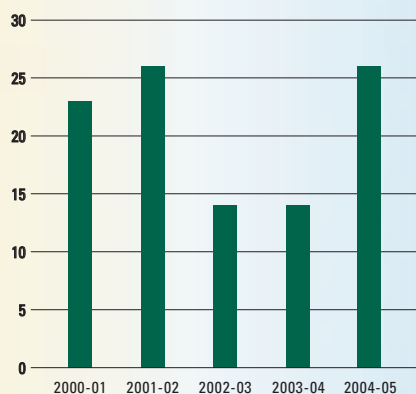
Investigations



Convictions



Prosecutions



the courts handed down eight convictions and imposed fines totaling \$95,300. Annual fine totals vary with the number and severity of offences.

The convictions in 2004–2005 were for such violations as illegal disbursement of trust account funds, trading as a broker without registration and employing an unregistered person as a real estate salesperson.

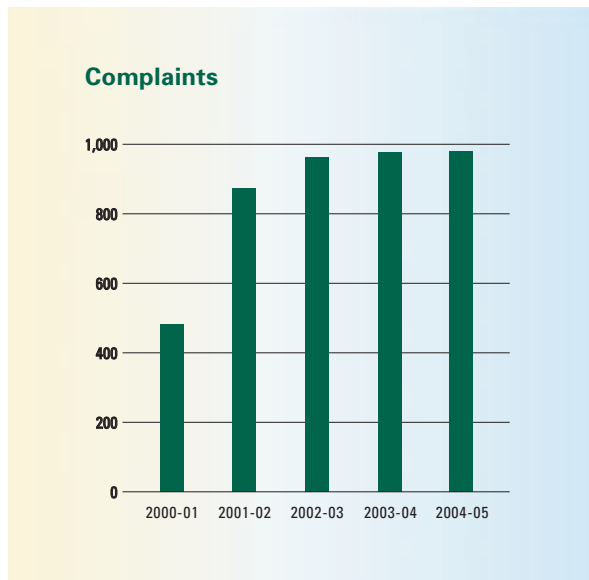
UPHOLDING HIGH ETHICAL STANDARDS

The member-adopted RECO Code of Ethics defines the conduct expected of registrants and sets out the principles upon which real estate business must be done in Ontario. The Code establishes minimum standards of conduct in such areas as confidentiality, financial disclosure, advertising and client and customer relationships.

As part of its commitment to foster a regulatory environment that earns public confidence, RECO has a responsibility to ensure compliance with the Code. This is the purpose of the Complaints, Compliance and Discipline (CCD) process, which responds to complaints from consumers and registrants.

In 2004–2005, RECO received a total of 978 written complaints, virtually unchanged from 975 in 2003–2004.

LAUNCHED IN 2000, THE CONTINUING EDUCATION (MCE) PROGRAM HAS MADE THE REAL ESTATE INDUSTRY A LEARNING PROFESSION.



The number of complaints has stabilized, despite an increase in the number of registrants.

Streamlining the Process

All parties benefit from the prompt resolution of complaints. RECO continues to streamline the process as much as possible without compromising consumer protection or fairness to registrants.

A procedural innovation introduced two years ago – the pre-hearing – has been widely accepted. Registrants requested this option in 96 per cent of cases proceeding to a disciplinary hearing in 2004–2005.

The pre-hearing gives the registrant the opportunity to discuss and clarify issues informally with the RECO prosecutor in the presence of a member of RECO's Discipline Committee. The pre-hearing may result in an agreed statement of facts and penalty. A discipline panel – made up of three members of RECO's Discipline Committee – reviews and in most cases approves the agreement, resulting in an expedited disciplinary hearing.

In some cases, RECO cautions registrants through a personal interview – a disciplinary measure between a written caution and a disciplinary hearing. With this option, RECO explains to

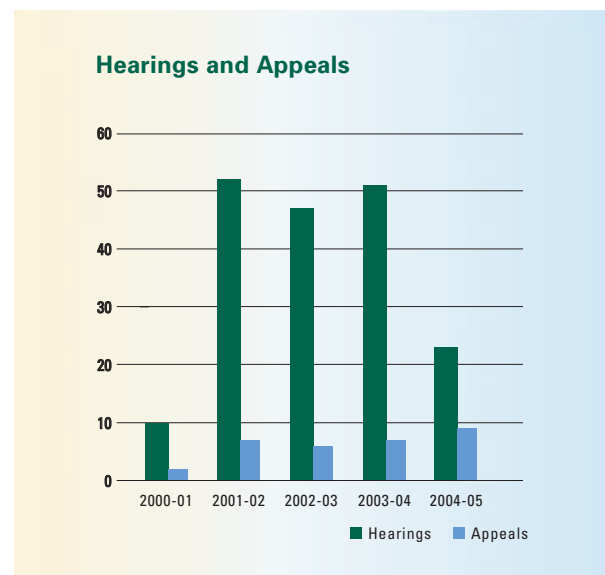
registrants in person how their conduct breached the Code of Ethics. Thirty-two of these interviews were held during the year, compared with 42 the year before.

RECO continues to make frequent use of an expedited process for simple advertising complaints. Under this process, the case is closed if the registrant agrees to comply with the rules in future advertisements.

Most Complaints Resolved Without Hearing

In all, a disciplinary hearing was necessary in only 2 per cent of complaints resolved in 2004–2005. A total of 955 complaints were resolved, and only 23 of these closed complaints proceeded to the hearing stage. These levels compare with 1,145 complaints closed and 43 cases requiring a hearing in 2003–2004. The number of hearings varies from year to year depending on the nature of complaints.

Of the complaints resolved, 27 per cent resulted in a written caution or a requirement for the registrant to complete education courses, 3 per cent led to personal interviews, 1 per cent were referred to the Registrar for further action, 44 per cent were dismissed after review by RECO's CCD manager, and 21 per cent were closed because the complainant withdrew the complaint or did not return a permission form.



A registrant has the right to appeal the decision of a discipline panel or the penalty – or both – to RECO's Appeals Committee. However, an appeal must be based on jurisdictional or procedural grounds. RECO also has the right to appeal. In 2004–2005, the Appeals Committee reviewed nine cases, compared with seven the year before.

BUILDING A LEARNING PROFESSION

Launched in 2000, the Continuing Education (MCE) Program has made the real estate industry a learning profession. Salespersons and brokers complete 24 credit hours of continuing education in every two-year registration cycle. The goal is to update the skills and know-how of real estate professionals, so they can do their jobs better, work more efficiently and provide excellent customer service.

Proactive Protection

The MCE program delivers proactive consumer protection. It prevents problems from arising by creating more knowledgeable brokers and salespeople, who in turn create more knowledgeable consumers.

Under the program, the RECO Real Estate Update Course delivered by the Ontario Real Estate Association is mandatory and accounts for six credit hours. Registrants can select either the residential or commercial version. Registrants themselves choose the remaining courses from hundreds of offerings by approved public and private sector education providers. In 2004–2005, RECO's Education Committee approved 10 new providers and 36 new courses.

Proposals for Change

In 2004 the Education Committee continued a review of the program as it entered its fifth year of operation. The goal is to make a good program even better by ensuring access to a wide variety of high-quality learning opportunities at a reasonable cost. The committee released a consultation paper for education providers and registrants, *Restructuring the RECO MCE Program*, in January 2005. The consultation period ends May 31, 2005.

EDUCATION



QUALITY EDUCATION

Registrants take time out of their busy schedules to attend MCE courses, and they deserve a quality experience. We want to ensure that all education providers are delivering current, relevant and comprehensive information, and that registrants come away from every course with material that they can reference later on.

Among the paper's suggestions for change:

- Introduce a single course approval process to review all courses offered by all providers, replacing the current two-tiered approach that treats pre-approved and other providers differently;
- Streamline the course approval process so that new courses can be delivered to registrants as quickly as possible;
- Expand the central course calendar so that all registrants can easily find out what courses are available, when and where;
- Implement an online database tracking MCE credits so registrants can determine exactly how many credits they have – and how many they still need – at any time during the cycle.

In addition to seeking written feedback, representatives of the Education Committee also met with education providers including real estate boards to discuss the suggested changes. All the input received will be considered by the Education Committee and the Board before final decisions are made.

AFFORDABLE INSURANCE COVERAGE

RECO's Insurance Program has been in place since September 2000. Participation is compulsory for all registrants.

The program protects registrants in the course of business as well as consumers involved in real estate transactions. It includes three types of coverage: consumer deposit, commission protection and errors and omissions.

New Broker and Insurer

In April 2004, following a Request for Proposals, RECO selected a new broker – Aon Reed Stenhouse Inc. – and a new insurer – Lloyds of London – to provide the insurance policy beginning September 1, 2004. The original one-year term has been extended for a second year.

RECO arranged for the new broker to prepare loss prevention bulletins as an educational tool. The first bulletin, issued in December 2004, focused on wells – often a problem area for both registrants and consumers.

The loss prevention bulletins can be found on a new website the broker has created for the RECO Insurance Program – www.aon-reco.ca. The site also includes useful information on the program, such as a summary of coverage, policy wording and claim reporting forms.

Program Under Review

RECO's Insurance Committee began an intensive review of the program in 2004–2005, in light of four years of practical experience. The committee is weighing such factors as stability, affordability and coverage in planning for the long-term. In essence, the committee is revisiting the original program options, but with much more loss information than in the initial planning stage.

Claims Statistics

As of February 28, 2005, the Insurance Program has accumulated claims results for four-and-a-half years – 54 months – and meaningful trends can be seen.

Consumer Deposit Insurance

The consumer deposit coverage protects consumers from loss of deposits due to broker fraud, insolvency or

misappropriation of funds. The number of claims reported remains low. The total cost of consumer claims over the first four-and-a-half years of the program is \$195,203.

Commission Protection Insurance

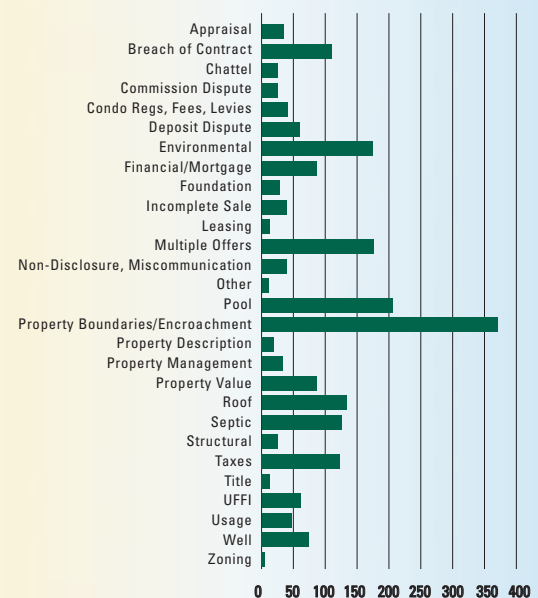
Similarly, the commission protection coverage insures registrants against loss of commissions as a result of broker fraud, insolvency or misappropriation of funds. The total cost of commission claims from inception of the program to February 28, 2005 is \$564,298.

Errors and Omissions Insurance

The errors and omissions coverage provides registrants with professional liability insurance for acts of negligence. From September 1, 2000 to February 28, 2005, a total of 2,195 errors and omissions claims have been reported. Of these, 1,222 have been completed and the files closed. Nine hundred and seventy-three claims remained open and were being investigated or defended as of February 28, 2005.

Errors and Omissions Claims: By Cause of Loss

[Urban and Rural – September 1, 2000 - February 28, 2005]



RECO'S NEW AND IMPROVED WEBSITE – LAUNCHED IN FEBRUARY 2005 – OFFERS READY ACCESS TO PRACTICAL, UP-TO-DATE INFORMATION

The total cost of claims – both completed and in process – over the first four-and-a-half years is estimated at \$9,393,710 (including legal fees, adjusting fees and claims payments). As of February 28, 2005, the average cost of a completed claim was \$2,823, while the average cost of a claim in process was \$6,108. These figures reflect increases over the previous year (as of February 28, 2004), when the average cost was \$2,374 for completed claims and \$6,052 for claims in process.

Claims in process tend to be more complex and higher value claims, which require more investigation, often involve defending the registrant in a court action and generally take longer to resolve. As a result, the average cost is higher for a claim in process than for a completed claim.

NEW CONSUMER LINKS

Advisory Group Convenes

RECO's Consumer Advisory Group held its first meeting in November 2004. Reporting directly to the President and CEO, the six-member group will provide an invaluable consumer perspective on RECO's current and planned activities. The group will meet at regular intervals to help RECO keep its programs and services in line with evolving consumer needs. The Consumers Council of Canada helped RECO develop the terms of reference and recruit the group's members.

User-friendly Website Launched

RECO's new and improved website – launched in February 2005 – offers consumers ready access to practical, up-to-date information. It is one way RECO fulfils its mandate to create a fair, safe and informed marketplace.

With a clean approach to the organization of information and simple navigation, the new site features a consumer section on the home page. This area contains links to the registrant search function, where consumers can confirm the registration status of salespersons and brokers they are dealing with. It also has connections to information on filing a complaint and other consumer resources.

INFORMATION

MEETING THE INFORMATION AND EDUCATION NEEDS OF THE NEW ACT



Preparations for the proclamation of the *Real Estate and Business Brokers Act, 2002* include revisions to all of RECO's existing publications, the introduction of a handbook for registrants, new Registrar's bulletins and the development of a pocket guide to the new Code of Ethics. With this work already underway, we expect to have these publications available when the new Act is proclaimed.

IMPROVING REGISTRANT SERVICES

MyWeb Personalizes Access

RECO delivers e-services to registrants through MyWeb, the exclusive registrant portal launched in February 2005. Through MyWeb, registrants can obtain secure, password-protected access to their personal profile. This includes registration status and category, the current period of registration and insurance coverage, residence and employer contact information, and fees owing. The personal profile also tracks Continuing Education credits carried forward from the previous cycle. As well, registrants receive messages about transactions in progress, such as confirmation that an application for renewal of registration has been received. RECO plans to add further e-services, such as address updates, in the future.

Online Insurance Payments a First

The process of renewing coverage under RECO's Insurance Program became easier with the introduction of

IN ADDITION TO LAUNCHING THE NEW WEBSITE AND THE MYWEB PORTAL, RECO HAS MODERNIZED TECHNOLOGY BEHIND THE SCENES.

online payments. Registrants had the option of renewing their insurance online using a credit card, and 25 per cent did so. This was the first time RECO has offered online payment. Given the strong response, RECO is considering introducing online payment of registration fees.

For the RECOrd Newsletter Catches On

RECO published three editions of its new hard-copy newsletter, *For the RECOrd*. Mailed to all registrants, the newsletter uses a lively, journalistic style to keep readers up-to-date on how to comply with legislation and regulations. It also provides in-depth background on current industry issues. The positive feedback from readers suggests that even in the digital age, there is still a role for the traditional newsletter.

BUSINESS TECHNOLOGY UPDATED

In addition to launching the new website and the MyWeb portal, RECO has modernized technology behind the scenes. With the mid-2004 launch of a new internal system – RECOnet – RECO staff now manage operations and process registrant transactions in a web-based environment. Among the advantages, the online registrant-search database is now updated as soon as an application is approved.

RECO also put sophisticated anti-virus protection in place to protect the integrity of information received and to safeguard internal systems. An independent third party conducted a business vulnerability assessment and verified that RECO's IT systems are secure from all known threats.

FRENCH LANGUAGE SERVICES

Where appropriate, RECO offers services in the French language. Communications received in French are answered in that language, and French-speaking staff are available during regular business hours.

FINANCIAL REVIEW

This financial review is based on the audited financial statements for the year ended March 31, 2005 and the comparative figures for the year ended March 31, 2004.

Overview

The Real Estate Council of Ontario comprises two distinct categories: General Operations and the Insurance Program. General operating receipts are derived primarily from registration fees required under the *Real Estate and Business Brokers Act*. Registration fees are amortized to income over the two-year period of each registration. Other fees include transfer fees, administrative fees related to the education nominee agreement with the Ontario Real Estate Association, cost recoveries and administrative penalties assessed by the discipline committee and miscellaneous revenues. These fees are recognized in the current year. All receipts related to the Insurance Program are required to be held in trust and segregated from general operating funds into three trust funds. Insurance payments include premiums, stabilization fees, administration fees (to cover broker fees, actuarial fees and program costs) and applicable taxes. Insurance receipts are amortized to income over the period of the insurance policy.

GENERAL OPERATIONS

Revenues

Recognized registration revenues increased from \$6,233,390 in fiscal 2004 to \$6,492,560 in fiscal 2005 due to an increase of approximately 2,500 new registrations between December 2003 and March 2005. Other operating revenues decreased to \$1,165,217 in fiscal 2005 from \$1,204,317 in fiscal 2004. Education revenues increased by \$93,554 due to an increase in the number of people registering for Phases 1, 2 and 3; CCD revenues decreased by \$126,620 due to lower recoveries and administrative penalties assessed by the disciplinary panels; and transfers decreased by \$5,100. Other miscellaneous revenues decreased by \$934. Interest earned increased to \$120,960 in fiscal 2005 compared to \$82,711 in fiscal 2004.

Expenses

Expenses include general operating departments and facilities; Board, committees and task force per diems and meeting costs; and other corporate expenses such as communications, external legal and consulting costs, election costs, the government fee under the new Administrative Agreement, and amortization. Total expenses increased in fiscal 2005 by \$813,672 to \$6,342,067 from \$5,528,395 in the previous year. Operating departments were higher by \$243,931; Board committees and task forces were higher by \$37,717; and other corporate expenses were higher by \$532,024.

Net Income and Accumulated Fund Balance

Net income for the year was \$1,436,670 compared to \$1,676,318 in fiscal 2004. This income less the increase in the fund balances invested in property, plant and equipment resulted in reversing the accumulated deficit of \$614,641 at the end of fiscal 2004 to a positive fund balance of \$774,821 in fiscal 2005.

Net Current Assets

Net current assets, excluding deferred revenue, were \$7,224,307 at March 31, 2005 compared to \$5,782,805 at March 31, 2004.

INSURANCE PROGRAM

Revenues

Premium revenues were relatively unchanged at \$4,557,740; Stabilization revenues increased by \$355,245 as a result of an increase in the September 1, 2004 billing from \$16.80 to \$30.00; and administration revenues increased by \$199,670 as a result of an increase in the September 1, 2004 billing to \$24.77 from \$18.20. Interest was \$17,104 higher in fiscal 2005 as more funds were available for investment.

Expenses

Premium expense was \$122,195 higher than the \$4,218,961 in fiscal 2004 due to an increase in subscribers to the program. No expenses are charged to the stabilization fund. Expenses of the administration fund increased from \$715,050 in fiscal 2004 to \$1,056,701 in fiscal 2005. This was primarily due to the costs of printing and mailing the

new insurance policies, an increase in credit card discounts as greater numbers elected the online payment option made available for the first time, and an increase in legal and consulting fees related to a review of program options.

Net Income and Accumulated Fund Balance

Net income for the premium fund for fiscal 2005 was \$241,445 compared to \$360,034 in fiscal 2004; \$1,098,414 for the stabilization fund compared to \$731,814 in fiscal 2004; and a loss of \$119,168 for the administration fund compared to net income of \$20,655 the previous year. At March 31, 2005, the accumulated fund balances were: \$1,095,644 in the premium fund; \$3,650,281 in the stabilization fund; \$119,461 in the administration fund.

Net Current Assets

Net current assets, excluding Premiums and deferred revenues are \$5,950,505 at March 31, 2005 compared to \$4,336,907 at March 31, 2004.

REAL ESTATE COUNCIL OF ONTARIO

FINANCIAL STATEMENTS March 31, 2005

AUDITORS' REPORT

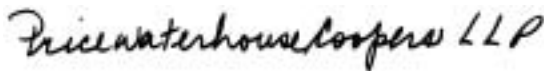
April 28, 2005

To the Registrants of Real Estate Council of Ontario

We have audited the balance sheet of **Real Estate Council of Ontario** as at March 31, 2005 and the statements of operations and cumulative operations and insurance trust fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

North York, Ontario

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

REAL ESTATE COUNCIL OF ONTARIO

BALANCE SHEET

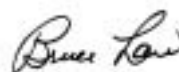
As at March 31, 2005

	OPERATIONS FUND		INSURANCE TRUST FUNDS		TOTAL	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
ASSETS						
Current assets						
Cash	300,969	193,605	62,121	166,781	363,090	360,386
Short-term investments	7,017,304	5,614,516	5,864,988	4,050,000	12,882,292	9,664,516
Accounts receivable	275,745	252,785	44,504	50,727	320,249	303,512
Prepaid insurance premiums	–	–	1,788,675	1,836,982	1,788,675	1,836,982
Deposits and prepaid expenses	115,511	189,777	105,417	93,333	220,928	283,110
Goods and services tax recoverable	–	–	19,223	35,237	19,223	35,237
	7,709,529	6,250,683	7,884,928	6,233,060	15,594,457	12,483,743
Property, plant and equipment (note 2)	510,100	462,892	–	–	510,100	462,892
	8,219,629	6,713,575	7,884,928	6,233,060	16,104,557	12,946,635
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	265,222	247,878	142,794	55,312	408,016	303,190
Government fee payable (note 4)	220,000	220,000	–	–	220,000	220,000
Provincial sales tax payable	–	–	2,954	3,859	2,954	3,859
Deferred registration revenue (note 3(a))	4,859,717	4,799,024	–	–	4,859,717	4,799,024
Deferred insurance premiums (note 3(b))	–	–	1,888,327	1,936,150	1,888,327	1,936,150
Deferred insurance stabilization (note 3(b))	–	–	539,388	282,547	539,388	282,547
Deferred insurance administration (note 3(b))	–	–	446,079	310,497	446,079	310,497
	5,344,939	5,266,902	3,019,542	2,588,365	8,364,481	7,855,267
Deferred registration revenue (note 3(a))	1,589,769	1,598,422	–	–	1,589,769	1,598,422
	6,934,708	6,865,324	3,019,542	2,588,365	9,954,250	9,453,689
ACCUMULATED FUND BALANCES						
Investment in property, plant and equipment (note 2)	510,100	462,892	–	–	510,100	462,892
Restricted						
Insurance Premium Fund (schedule II)	–	–	1,095,644	854,199	1,095,644	854,199
Premium Stabilization Fund (schedule II)	–	–	3,650,281	2,551,867	3,650,281	2,551,867
Insurance Administration Fund (schedule II)	–	–	119,461	238,629	119,461	238,629
Unrestricted	774,821	(614,641)	–	–	774,821	(614,641)
	1,284,921	(151,749)	4,865,386	3,644,695	6,150,307	3,492,946
	8,219,629	6,713,575	7,884,928	6,233,060	16,104,557	12,946,635

Approved by the Board of Directors



Director



Director

REAL ESTATE COUNCIL OF ONTARIO

STATEMENT OF OPERATIONS AND CUMULATIVE OPERATIONS AND INSURANCE TRUST FUND BALANCES

For the year ended March 31, 2005

	OPERATIONS FUND		INSURANCE TRUST FUNDS		TOTAL	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues and Insurance Trust Funds receipts						
Registration fees (note 3)	6,492,560	6,233,390	–	–	6,492,560	6,233,390
Insurance premium fees (note 3)	–	–	4,557,740	4,557,725	4,557,740	4,557,725
Premium stabilization fees (note 3)	–	–	1,023,832	668,587	1,023,832	668,587
Insurance administration fees (note 3)	–	–	923,973	724,303	923,973	724,303
Other income	1,165,217	1,204,317	–	–	1,165,217	1,204,317
Less: Government fees	–	(315,705)	–	–	–	(315,705)
	7,657,777	7,122,002	6,505,545	5,950,615	14,163,322	13,072,617
Expenses and expenditures						
Council expenditures (schedules I and II)	6,342,067	5,528,395	5,397,857	4,934,011	11,739,924	10,462,406
Operating income before interest income	1,315,710	1,593,607	1,107,688	1,016,604	2,423,398	2,610,211
Interest income	120,960	82,711	113,003	95,899	233,963	178,610
Net income for the year	1,436,670	1,676,318	1,220,691	1,112,503	2,657,361	2,788,821
Opening accumulated fund balances	(614,641)	(2,433,193)	3,644,695	2,532,192	3,030,054	98,999
Fund balances invested in property, plant and equipment (note 2)	(47,208)	142,234	–	–	(47,208)	142,234
Ending accumulated fund balances	774,821	(614,641)	4,865,386	3,644,695	5,640,207	3,030,054

REAL ESTATE COUNCIL OF ONTARIO

STATEMENT OF CASH FLOWS

For the year ended March 31, 2005

	OPERATIONS FUND		INSURANCE TRUST FUNDS		TOTAL	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
CASH PROVIDED BY (USED IN)						
Operating activities						
Net income for the year	1,436,670	1,676,318	1,220,691	1,112,503	2,657,361	2,788,821
Items not affecting cash						
Loss on obsolete software	41,583	–	–	–	41,583	–
Amortization	243,777	237,957	–	–	243,777	237,957
	1,722,030	1,914,275	1,220,691	1,112,503	2,942,721	3,026,778
Non-cash working capital items related to operations						
Short-term investments	(1,402,788)	(2,465,014)	(1,814,988)	(890,429)	(3,217,776)	(3,355,443)
Accounts receivable	(22,960)	(12,112)	6,223	37,069	(16,737)	24,957
Prepaid insurance premiums	–	–	48,307	(271,323)	48,307	(271,323)
Deposits and prepaid expenses	74,266	(105,247)	(12,084)	–	62,182	(105,247)
Deferred insurance expense	–	–	–	81,529	–	81,529
Goods and services tax recoverable	–	–	16,014	(4,337)	16,014	(4,337)
Deferred government fee	–	315,705	–	–	–	315,705
Accounts payable and accrued liabilities	17,344	(45,313)	87,482	11,645	104,826	(33,668)
Government fee payable	–	18,333	–	–	–	18,333
Provincial sales tax payable	–	–	(905)	(104,597)	(905)	(104,597)
Insurance premiums payable	–	–	–	(346,401)	–	(346,401)
Deferred registration revenue	52,040	471,685	–	–	52,040	471,685
Deferred insurance premiums	–	–	(47,823)	334,231	(47,823)	334,231
Deferred insurance stabilization	–	–	256,841	26,947	256,841	26,947
Deferred insurance administration	–	–	135,582	33,619	135,582	33,619
	(1,282,098)	(1,821,963)	(1,325,351)	(1,092,047)	(2,607,449)	(2,914,010)
	439,932	92,312	(104,660)	20,456	335,272	112,768
Investing activities						
Purchase of property, plant and equipment	(332,568)	(95,723)	–	–	(332,568)	(95,723)
Increase (decrease) in cash during the year	107,364	(3,411)	(104,660)	20,456	2,704	17,045
Cash – Beginning of year	193,605	197,016	166,781	146,325	360,386	343,341
Cash – End of year	300,969	193,605	62,121	166,781	363,090	360,386

REAL ESTATE COUNCIL OF ONTARIO

NOTES TO FINANCIAL STATEMENTS March 31, 2005

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

The Real Estate Council of Ontario (RECO) is a not-for-profit organization, incorporated by letters patent under the *Canada Corporations Act* on February 18, 1997. The organization is exempt from tax under the *Income Tax Act* (Canada).

On May 5, 1997, RECO assumed responsibility from the Ministry of Consumer and Business Services (MCBS) to administer the *Real Estate and Business Brokers Act*. RECO's mandate is to protect consumers and to administer the regulatory requirements of Ontario's real estate profession.

The Insurance Program is a compulsory program to provide compulsory consumer deposit insurance, compulsory errors and omissions insurance and compulsory commission protection insurance. The program was created through By-law No. 12, approved by the members of the Council on March 3, 2000. It became effective September 1, 2000. Payments required under the program are designated to three funds: the Insurance Premium Fund, the Premium Stabilization Fund, and the Insurance Administration Fund.

The initial payments required by the plan were to provide coverage for the period from September 1, 2000 to September 1, 2002. Thereafter each member is required to provide payment to extend insurance coverage each year.

The Premium Stabilization Fund is a restricted fund that may be used to offset future increases in the premiums charged by the insurer. This fund may also be used to reduce the present level of premiums. A special insurance premium stabilization committee, comprised of members, must approve any use of the funds.

The Insurance Administration Fund is a fund used to pay insurance brokerage fees, actuarial fees and other administrative costs associated with the operation of the plan.

Revenue recognition

RECO follows the deferral method of accounting for revenue. RECO derives its revenue primarily from fees charged to register as a real estate salesperson, a broker and brokerage business and administration of insurance. Registration proceeds are for a two-year period. Revenue is recognized evenly over this two-year period to match the related expenditures. Amounts related to future years are recorded as deferred revenue. Insurance proceeds are for the one-year period of the insurance policy, which runs from September 1 of the current year to September 1 of the following year. Amounts related to the following year are recorded as deferred revenue.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits where the maturity is ninety days or less.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization. Amortization is provided at the following annual rates on a straight-line basis:

Computer equipment and software	30%
Office furniture and equipment	20%
Leasehold improvements	10%

Use of estimates

The preparation of the organization's financial statements and the accompanying notes in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts in the financial statements and the disclosure in the accompanying notes. Actual results could differ from those estimates used in preparing the financial statements.

Financial instruments

The carrying value of the organization's financial instruments, consisting of cash, short-term investments, accounts receivable, deposits and prepaid expenses, accounts payable and accrued liabilities, approximates their fair values because of their short-term nature and maturities.

2 PROPERTY, PLANT AND EQUIPMENT

	2005			2004
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer equipment and software	1,193,218	945,761	247,457	199,725
Office furniture and equipment	717,655	606,898	110,757	96,979
Leasehold improvements	300,068	148,182	151,886	166,188
	2,210,941	1,700,841	510,100	462,892

Fund balances invested in property, plant and equipment are as follows:

	\$
Invested in property, plant and equipment – Beginning of year	462,892
Additions during the year	332,568
Loss on obsolete software	(41,583)
Amortization charge for the year	(243,777)
Invested in property, plant and equipment – End of year	510,100

3 DEFERRED REVENUE

a) Operations Fund

Deferred revenue represents registration fees received, which relate to subsequent periods. The movements in the deferred revenue balance during the year were:

	\$
Opening balance	6,397,446
Registration fees received in fiscal 2005	6,544,600
Less: Amounts recognized as revenue in the year	(6,492,560)
Ending balance	6,449,486
Amounts to be recognized as revenue in fiscal 2006	4,859,717
Amounts to be recognized as revenue in fiscal 2007	1,589,769
	6,449,486

b) Insurance Trust Funds

	Insurance Premium Fund \$	Premium Stabilization Fund \$	Insurance Administration Fund \$	Total \$
Opening balance	1,936,150	282,547	310,497	2,529,194
Insurance payments received in fiscal 2005	4,509,917	1,280,673	1,059,555	6,850,145
Less: Amounts recognized as revenue in the year	(4,557,740)	(1,023,832)	(923,973)	(6,505,545)
Ending balance	1,888,327	539,388	446,079	2,873,794
Amounts to be recognized as revenue in fiscal 2006	1,888,327	539,388	446,079	2,873,794

4 MINISTRY OF CONSUMER AND BUSINESS SERVICES (MCBS)

An administrative agreement has been entered into with MCBS based on a cost recovery model. Under this agreement, the maximum fee payable will not exceed \$220,000 per year. Amounts payable under the agreement are recognized in the year incurred. MCBS provided certain administrative services during fiscal 2005 by providing staff on a seconded basis.

5 COMMITMENTS

The organization has minimum commitments under leases for premises and equipment.

The future estimated lease payments are:

	\$
2006	349,517
2007	345,476
2008	261,234
2009	4,255
	<u>960,482</u>

6 FUNDS HELD IN TRUST

The council holds in trust consumer deposits transferred by brokers as dormant trust funds. At March 31, 2005, these deposits, together with accumulated interest, amounted to \$227,548 (2004 – \$188,131). These amounts have not been included in the financial statements.

7 CONTINGENT LIABILITIES

The organization is involved in various claims and litigation both as plaintiff and respondent. In the opinion of management, the resolution of claims against the organization will not result in a material effect on the financial position of the organization. Any settlements or awards will be reflected in the statement of operations, as the matters are resolved.

REAL ESTATE COUNCIL OF ONTARIO

Schedule I

SCHEDULE OF COUNCIL EXPENDITURES

For the year ended March 31, 2005

	2005	2004
	\$	\$
OPERATING EXPENSES		
Facilities costs	780,784	822,704
Registration department	738,754	716,817
Administrative support services	574,514	595,857
Inspections and investigations	565,762	495,695
Information technology	271,571	205,282
Complaints department	459,821	409,648
Legal department	443,498	396,131
President and Chief Executive Officer	309,382	279,345
Communications department	184,414	170,643
Office of the Registrar	134,706	126,620
MCBS service charges (note 4)	89,993	90,526
	4,553,199	4,309,268
BOARD OF DIRECTORS AND TASK FORCES		
Board of Directors per diems	70,982	40,797
Board of Directors travel and meeting costs	42,156	39,658
Real Estate Act Task Force	8,416	11,378
Education Committee	31,784	30,139
Governance Committee	7,051	5,967
By-law Committee	6,099	–
Audit Committee	849	1,681
	167,337	129,620
OTHER CORPORATE		
Amortization	243,777	237,957
Communications	358,035	137,877
Government fee (note 4)	211,712	146,146
Disciplinary activities	85,531	152,987
Legal and consulting	364,463	172,024
Directors' and officers' liability insurance	155,626	123,700
Annual general meeting	62,451	52,194
Loss on obsolete software	41,583	–
Strategic planning	30,946	–
Elections	29,902	36,070
Consumer advisory group	4,335	–
Audit fees	33,170	30,552
	1,621,531	1,089,507
	6,342,067	5,528,395

REAL ESTATE COUNCIL OF ONTARIO

Schedule II

SCHEDULE OF FUND BALANCES

For the year ended March 31, 2005

	2005				2004
	Insurance Premium Fund \$	Premium Stabilization Fund \$	Insurance Administration Fund \$	Total \$	Total \$
INSURANCE FUNDS					
Insurance funds recognized	4,557,740	1,023,832	923,973	6,505,545	5,950,615
Interest earned	24,861	74,582	13,560	113,003	95,899
	4,582,601	1,098,414	937,533	6,618,548	6,046,514
EXPENDITURES					
Brokerage fees	–	–	240,917	240,917	224,000
Actuarial fees	–	–	158,407	158,407	150,000
Provincial sales tax	–	–	–	–	(12,805)
Legal and audit	–	–	121,920	121,920	23,130
Insurance staffing	–	–	74,632	74,632	52,629
Insurance committee	–	–	13,164	13,164	11,487
Bank charges and other miscellaneous	–	–	682	682	3,180
Stabilization committee	–	–	2,800	2,800	575
Printing costs	–	–	75,072	75,072	21,477
Credit card discounts	–	–	100,393	100,393	48,422
Processing and mailing costs	–	–	241,081	241,081	160,816
System support	–	–	27,633	27,633	32,139
Insurance	4,341,156	–	–	4,341,156	4,218,961
	4,341,156	–	1,056,701	5,397,857	4,934,011
NET INCOME (LOSS) FOR THE YEAR	241,445	1,098,414	(119,168)	1,220,691	1,112,503
OPENING ACCUMULATED FUND BALANCES	854,199	2,551,867	238,629	3,644,695	2,532,192
ENDING ACCUMULATED FUND BALANCES	1,095,644	3,650,281	119,461	4,865,386	3,644,695

MANAGEMENT

TOM WRIGHT, LL.B.

President/CEO

The President/CEO is responsible for the effective and efficient management of the organization in accordance with the policies and the budget established by the Board of Directors. This encompasses delegation of full authority over RECO's operating activities and resources, responsibility for achievement of RECO's strategic goals and accountability for RECO's results.

ALLAN T. JOHNSTON

Registrar

The Registrar is responsible for providing leadership, integrity and fair-mindedness to the administration of the *Real Estate and Business Brokers Act*, and for ensuring the highest possible level of consumer protection and knowledge in the operation of the real estate brokerage industry in Ontario.

BRIAN SCHLOTZHAUER

Manager of Registration and Assistant Registrar

The Manager of Registration and Assistant Registrar is responsible for providing daily management of the Registration and Education departments, developing and implementing operational objectives to ensure maximum administrative and service results and ensuring that the requirements of the *Real Estate and Business Brokers Act* and RECO's policies are interpreted and applied in a consistent fashion.

JOHN BURNET

Manager of Complaints, Compliance and Discipline

The Manager of Complaints, Compliance and Discipline (CCD) is responsible for administering and managing, by various means, RECO's Complaints, Compliance and Discipline process and providing interpretation of the RECO Code of Ethics.

BRIAN PRENDERGAST

Manager of Inspections and Investigations

The Manager of Inspections and Investigations is responsible for managing the activities of the Inspections and Investigations department by directing province-wide inspections and investigations services on behalf of RECO.

GLORIA FOUGERE, C.A.

Manager of Finance, Accounting and Administration

The Manager of Finance, Accounting and Administration is responsible for establishing and overseeing all functions related to finance, accounting, and administrative services.

SANDRA GIBNEY

Manager of Communications and Corporate Initiatives

The Manager of Communications and Corporate Initiatives is responsible for managing the public relations/corporate communications activities of the Council; managing and/or developing corporate strategies, plans and policies that support the Council's vision/mission; and assisting the President/CEO in the development of strategic plans, business plans and other corporate reports.

JAMES LEUTRI, CCNP

Manager of Information Technology

The Manager of Information Technology is responsible for building and managing the IT organizational structure. The Manager of Information Technology understands RECO's strategy and business objectives and works with management to determine how technology can be used to support and advance these objectives.

ELIZABETH SILCOX, B.A. (HON.), LL.B.

Manager of Legal Services

The Manager of Legal Services is responsible for managing and providing the legal services required to support the activities of all departments of RECO, including the Board of Directors, its committees, task forces, working groups and the office of the President/CEO as required.

SHELLEY WESTLAKE-BROWN

Executive Assistant

The Executive Assistant is responsible for providing executive-level administrative management to the office of the President/CEO, including a wide range of complex and confidential administrative, operational and governance tasks. The Executive Assistant works closely with the Board of Directors, committees, task forces and management group.



ELECTED REPRESENTATIVES

Terry Landon
Chair

Broker/Part Owner
Re/Max Cornwall Realty Inc.
Cornwall

Bruce S. Law, SIOR, CCIM
Vice-Chair

Associate Vice-President
J.J. Barnicke Limited,
Realtor,
Burlington

Thomas W. Bosley, FRI, CRB

President
Bosley Real Estate Ltd.
Toronto

Rick Kolari

Broker
NBR R.A. Kolari Realty Inc.
Sudbury

Cynthia Lai

Broker/President
Visar Realty Inc.
Toronto

Joe O. Pinheiro

Broker/Owner
Pinheiro Realty & Ins. Ltd.
London

David Rossi, FRI, CMR, CRB

Broker
Re/Max Professionals Inc.
Toronto

Brian C. Sukkau,

FRI, CMR, CRB
Associate Broker
Royal LePage Niagara Real
Estate Centre Inc.
St. Catharines

Deanna Kathleen Weaver,

MVA, Residential
Associate Broker
Re/Max Eastern Realty Inc.
Peterborough

MINISTERIAL APPOINTEES

Bob Dunlop

President
Carson, Dunlop & Associates
Toronto

Mary Shenstone

*Director, Sector Liaison
Branch*
Ministry of Consumer and
Business Services
Toronto

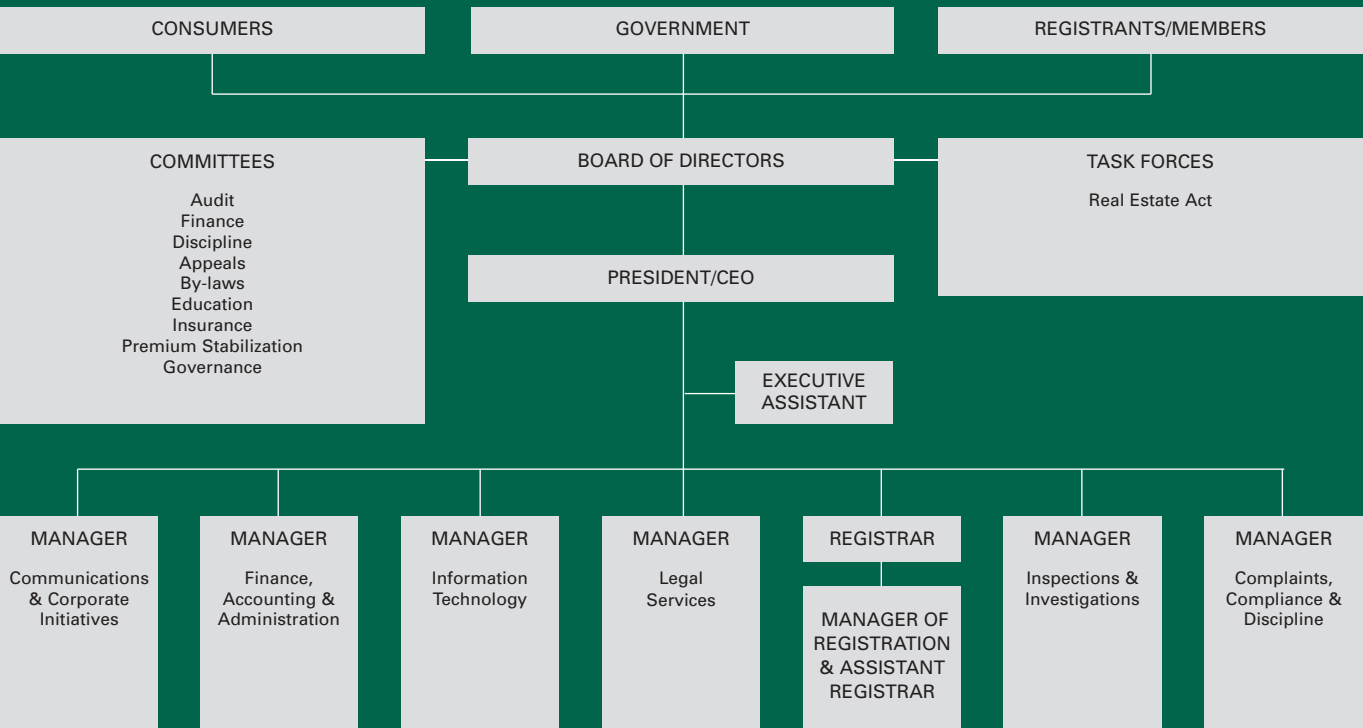
Lawrence Bremner

Associate
Gowling Lafleur
Henderson LLP
Hamilton

CHAIR'S BIOGRAPHY

Terry Landon was elected as Chair of RECO's Board of Directors on June 17, 2004. He previously served as Vice-Chair of the Board and is the Chair of the RECO Education Committee. Mr. Landon is a co-owner of Re/Max Cornwall Realty and also served as a past President and Chairman of the Board for the Cornwall and Area Chamber of Commerce.

ORGANIZATIONAL CHART



ORGANIZATIONAL STRUCTURE

RECO provides the following programs and services:

- Complaints, Compliance and Discipline
- Insurance
- Mandatory Continuing Education
- Inspections and Investigations
- Registration

These services are delivered through the structure outlined in the Organizational Chart.

Operating revenues are derived from registration fees. RECO operates on a not-for-profit basis. Any excess revenue is invested in improvements in compliance, public information, accessibility, education and technology.



Real Estate Council of Ontario

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Toll-free: 1-800-245-6910
Fax: 416-207-4820
E-mail: information@reco.on.ca
Website: www.reco.on.ca

Complaints, Compliance and Discipline:

Telephone: 416-207-4847
Toll-free: 1-888-296-8755
Fax: 416-207-8851
E-mail: ccd@reco.on.ca