



THE VELD GROUP

LOS ANGELES • TOKYO
SAN DIEGO • LAS VEGAS

Broker Cooperation Policy



Confidentiality, courtesy, respect and professionalism are of the utmost importance to The Veld Group (“TVG”), its agents and brokers, and most importantly, its clients – TVG’s Business Sellers. With this in mind, The Veld Group has adopted a policy of cooperation with other established, bona-fide professional business brokers on TVG’s eligible sole and exclusive business opportunity listings provided that the Selling Agent or Broker:

1. Is a licensed, established California business broker in good standing with the California Department of Real Estate that is either a sole proprietor, or with a bona fide business brokerage firm.
 - a. This does not include mortgage brokers, residential real estate brokers, commercial real estate brokers, or agents / brokers with such firms that also engage in business brokerage. Firms will be deemed to be “business brokerages” shall at least 50% of their publicly advertised listings be for the sales of business opportunities or going concerns. Said firms shall have a minimum of 5 business opportunities on the market at the time of the broker cooperation request.
 - b. Agents and Brokers with commercial brokerage firms, and on occasion, with residential real estate firms are often eligible for referral fees of up to 20.0% of the total commission received by TVG (similar fees are also provided for Seller referrals that result in a sale).
2. Is an active Business Broker, with at least 5 active business opportunity listings publicly advertised (albeit in a generic fashion) on the market, and with proof that they have competed at least 6 business sales within the prior 12 months. Proof shall include copies of escrow checks addressed to the Selling Agent or the Selling Agent’s Broker or evidence of closing settlement statements (naming the broker in the commission field).
 - a. Bona Fide Business Brokers may be eligible to receive fees of up to 40.0% of the total commission received by TVG (unlike much of our competition, TVG only represents Business Sellers; TVG anticipates that Cooperating Brokers will appreciate the dramatic cost structure differential that exists between obtaining, packaging and promoting a Business Opportunity listing versus the cost associated with procuring a Buyer. If TVG acts as the Selling Broker, it will agree to the same split).
 - b. Inactive Business Brokers and Commercial Real Estate Brokers, may be eligible for referral fees of up to 20.0% of the total commission received by TVG. Residential Brokers may receive referral fees of up to 15.0%.

3. Has provided TVG an executed Non-Disclosure Agreement / Confidentiality Agreement from their client that TVG deems sufficient (shall one not be deemed sufficient, TVG's may be used).

a. In general, TVG will not enter into a cooperative or referral agreement in those instances where TVG has already been in contact with the Buyer, the Buyer's counsel, or other brokers who represent the same buyer.

4. Has provided TVG a completed Buyer Financial Profile, or alternately, proof that TVG deems satisfactory that their client is financially qualified to potentially acquire the business opportunity the Selling Broker seeks to provide them data on. TVG does not seek personal financial statements, account statements, or any other qualifying material that includes account numbers to fulfill this requirement.

a. An unaudited personal or corporate balance sheet shall suffice, or a simple indication in exact monetary form from the Prospective Buyer that they possess the requisite financial means for that specific opportunity (i.e. an indication by them that they have \$250,000 in liquid funds (cash, savings, securities, etc.) if they seek data on a \$250,000 purchase. Shall the business be advertised as being a candidate for conventional financing or a Seller carry-back, then the Buyer need merely indicate they possess the requisite down payment (which will be considered to be 30.0% in cases where conventional or SBA financing is sought).

b. The fact that the Selling Broker's client may own(ed), or claim to have owned a similar venture does not necessarily qualify that Buyer for the opportunity they are inquiring on (as experienced brokers know, a business may be far less profitable than it initially appears, or that the public owner may differ from the actual owner). Such a buyer may provide company financials to fulfill this requirement.

5. Has a representation agreement in place with their client at the time the request for Broker Cooperation is made and provide TVG a copy of said agreement upon TVG's request for the same. Selling Broker shall notify TVG, in writing in advance of entering into a Broker Cooperation Agreement ("BCA") with TVG, of any fees or commissions it has already received by its client, or of any fees or commissions it anticipates receipt of (in addition to Listing Broker commission splits) upon completion of a sale.

6. Solely solicits and enters into Exclusive Right to Sell Representation Agreements with durations no less than 6 months, and with generally accepted commission rates and fee minimums common to the business brokerage profession.

7. Adheres to the Code of Ethics Established by the California Association of Business Brokers ("CABB"). For reference purposes, CABB's Code of Ethics is included below.

To facilitate such cooperation, The Veld Group will enter into its standard Broker Cooperation Agreement (“BCA”) with Selling Brokers, or alternately, will enter into CABB Broker Cooperation Agreement with CABB Members (or International Business Broker Association’s Broker Cooperation Agreement with its members). The majority of TVG’s policies with respect to Broker Cooperation have been adopted in accordance with those of CABB. In all circumstances where TVG enters into such an agreement, the Selling Broker or its Agent shall:

1. Hold the confidentiality of each Business Opportunity in the highest regard, exercise courtesy and consideration for the Business and its Seller, and make its best efforts to insure its clients do the same.
2. Conduct all communications related to the Business exclusively through TVG. This shall include, but not be limited to any and all Business showings, obtaining of financial or other data pertaining to the Business, and the submission or presentation of any Letters of Intent (“LOI”), or offers to purchase the Business.
3. Not solicit or enter into any listing or representation agreement of any kind with the business or any of its owners with the prior written consent of the Listing Broker within twenty four months of the execution of the last BCA entered into on any listing.
3. Not advertise the business opportunity, either publicly or privately, to prospective clients not covered in the BCA, or to any additional party (e.g. other broker, agency, etc.).
4. Agree that in the event of a commission dispute, all legal fees and dispute related expenses related to the collection of brokerage fees shall be shared in the same proportion as the Broker’s Fee is to be split.
5. Acknowledge that TVG has a right to earn a commission under its contracts with its Sellers, and agree that neither the Selling Broker nor its clients will interfere with or attempt to circumvent TVG’s contract with its client. Selling Broker further acknowledges that both it and its clients may be subject to legal recourse directly from Seller for damages incurred, or from TVG for payment of brokerage fees, shall any such interference occur. Selling Broker understands that a breach of confidentiality by it or its client could result in similar legal action from the Seller or Listing Broker.
6. Hold TVG harmless from any disputes arising between Selling Broker and its client, and defend TVG in any such disputes. Agree that any disputes that arise between TVG and Selling Broker shall be settled by Binding Arbitration administered by AAA in Los Angeles, California. Arbitration fees shall be equally split between the parties, with the prevailing party being entitled to recover its costs in addition to any damages awarded.

CABB Code of Ethics
(as posted on CABB's Website)

This Code of Ethics, enacted by the Board of Directors of the California Association of Business Brokers ("CABB"), shall be a part of the By-Laws of the Association as referenced by Article XIII of said By-Laws. The code is for use by all members of the Association as a means of establishing a uniform standard of conduct for business brokers. Additions may be made to the Code from time to time by the Board of Directors so long as the new provisions are not inconsistent with the existing Code.

Prelude

We will adhere to the ethical principal of business and believe that the investment risk and effort required to build a profitable ongoing business or enterprise deserves a fair evaluation and a straightforward, professional and honest presentation to both seller and buyer.

Articles

1. Members shall keep themselves informed as to the trends affecting business sales.
2. Members shall make every reasonable attempt to protect all parties to a transaction from fraud, misrepresentation and/or unethical practices.
3. Members shall not represent themselves as experts in legal or accounting matters and shall recommend to clients that they use professionals in these areas.
4. Members shall not use coercion or deception to promote the sale of any business opportunity.
5. Members shall make every attempt to properly evaluate a business to be listed using generally accepted methods of evaluation. They shall make every attempt to properly list a business at the evaluated price.
6. Members shall not undertake any business evaluation or appraisal that is beyond their level of expertise.
7. Members shall make full disclosure to the buyer if they also represent the seller in the transaction.
8. Members, in accepting employment as agents, pledge to protect and promote the interests of their clients.
9. Members shall not attempt to directly solicit agents for employment in their firms if the agents are still presently employed by another member firm.
10. Members shall promote the use of trained professional business brokers whenever possible, thus developing the skills necessary to rise to a higher level of professionalism.

- 11.** Members shall strive to further their education in the profession of business brokerage, thus developing the skills necessary to rise to a higher level of professionalism.
- 12.** Members shall abide by all the Real Estate Laws of the State of California and by the Rules and Regulations of the Department of Real Estate of the State of California.
- 13.** Members shall promote the sole and exclusive listing of any property they attempt to sell.
- 14.** Members shall share the responsibilities in a sale when cooperating with other Association Members. Members are encouraged, but not required, to cooperate with other Members.
- 15.** Members shall never directly contact another member's client without first having communicated and received permission to do so from said member. No member shall show another members listed business without first obtaining permission to do so from the listing member.
- 16.** Members shall, in the best interests of the Association, be active in community affairs.
- 17.** Members shall conduct their business as to avoid controversies with their fellow brokers and cooperate with the Association in all matters, including investigation, censure, discipline, or dismissal of members who, by their conduct, prejudice their professional status or the reputation of the Association. If a member is charged with unethical practices, he or she should, in a timely manner, place all pertinent facts before the Association Board of Directors or designated grievance committee for investigation and decision.
- 18.** Members shall not discriminate in any way against any client or customer in the course of their business activity, based on that persons race, sex, national origin or creed.
- 19.** Members shall not use bait and switch techniques to lure buyers by advertising businesses they do not have for sale.