



# **INTERNATIONAL BUSINESS BROKERS ASSOCIATION**

## **BUSINESS BROKERAGE STANDARDS**

Board Approved 6/98  
Revised 5/05  
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# INTERNATIONAL BUSINESS BROKERS ASSOCIATION

## BUSINESS BROKERAGE STANDARDS

### PREAMBLE

- 1.1 To enhance and maintain the quality of business brokerage for the benefit of the business brokerage profession and users of business brokerage services, the International Business Brokers Association, hereafter known as the IBBA, has adopted a set of Standards for the business brokerage profession. These Standards are designed to provide guidance to business brokers when conducting business brokerage services through Uniform Practices and Procedures.
- 1.2 The IBBA has established authoritative principles and a code of professional ethics. These Standards include guidelines, either explicitly or by reference, which are applicable to the business brokerage industry.
- 1.3 These Standards incorporate, where appropriate, all relevant business brokerage standards adopted by the IBBA.
- 1.4 These Standards provide minimum recommended guidelines to be followed by business brokers in the course of providing business brokerage services.
- 1.5 Deviations from these Standards are not intended to be the basis of any civil liability; and should not create any presumption or evidence that a legal duty has been breached; or create any special relationship between the business broker and any other person.

Board Approved 10/96

Revised 4/05

# **BBS-I STANDARD OF CONDUCT IN DEALING WITH OTHER BUSINESS BROKERS**

## **I. PREAMBLE**

1. In the interest of promoting cooperation among Business Brokers, this standard shall serve as a guideline to be followed in the course of serving as an Intermediary in the transfer of business ownership interests.
2. The purpose of this standard is to:
  - A. define and describe the general guidelines for Business Brokers when dealing with other Business Brokers involving the transfer of business ownership interests;
  - B. encourage greater understanding and cooperation among Business Brokers,
  - C. encourage sharing experience and knowledge among Business Brokers for the benefit of the business brokerage profession, clients, customers and the public good.
3. This standard is an integral and inseparable part of the General Preamble to the Business Brokerage Standards of the International Business Brokers Association.

## **II. GENERAL GUIDELINES FOR COOPERATING RELATIONSHIPS**

Business Brokers should:

1. utilize their abilities, talents and shared commitments to professional standards for the benefit of the business brokerage profession, clients, customers and the public good,
2. obtain agreements of terms and conditions for compensation in writing,
3. treat all proprietary information about clients and customers confidentially and not disclose such information to others without prior written consent.,
4. not solicit a client who has an Exclusive Agreement with another Business Broker,
5. have the right to refuse to cooperate with other Business Brokers.

## **III. CO-BROKERING RELATIONSHIPS**

Business Brokers should:

1. obtain terms and conditions of Co-Brokering Agreements in writing,
2. not advertise or market another Business Broker's listing without prior written consent,
3. obtain prior consent from the cooperating Business Broker before presenting any Offer,
4. disclose and/or provide material information including documentation, of which they are aware, to facilitate the transaction,
5. keep each other informed about the status of the transaction on a timely basis.

## **IV. REFERRAL RELATIONSHIPS**

Business Brokers should:

1. obtain terms and conditions of Referral Agreements in writing.
2. upon request, agree to provide the Referring Business Broker the status of a specific transaction and notification of closing.

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# **BBS-II STANDARD OF CONDUCT IN DEALING WITH CLIENTS**

## **I. PREAMBLE**

1. In the interest of promoting a greater understanding and awareness of the duties and responsibilities of Business Brokers to their clients, this standard shall serve as guidelines to be followed when serving as an **Intermediary** in the transfer of business ownership interests.
2. For purposes of this Standard, a client is defined as an entity with whom a Business Broker has a fiduciary relationship.
3. The purpose of this standard is to:
  - A. define and describe the general guidelines for Business Brokers when dealing with their clients involving the transfer of business ownership interests;
  - B. define the minimum responsibilities of Business Brokers to their clients.
4. This standard is an integral and inseparable part of the General Preamble to the Business Brokerage Standards of the International Business Brokerage Association.

## **II. GENERAL GUIDELINES FOR DEALING WITH CLIENTS**

When dealing with clients, a Business Broker should:

1. pledge to protect and promote the best interests of the client,
2. perform all services with integrity, honesty, care, good faith and fair dealing,
3. seek to obtain reliable information,
4. maintain confidentiality of client's proprietary information,
5. obtain terms and conditions of agreements in writing,
6. be willing to take the necessary steps to complete an assignment competently or decline the engagement.

## **III. DUTIES AND RESPONSIBILITIES**

When dealing with clients, Business Brokers should:

1. offer the client objective advice, opinions and recommendations,
2. advise the client to make full disclosure, where appropriate, to prospective buyers of all information which may materially impact the transaction,
3. conduct all negotiations on behalf of the client in good faith,
4. keep the client informed of the status of all negotiations,
5. work with client's other professional advisors to structure a transaction in the client's best interest,
6. maintain a record of contacts with clients and customers,
7. keep informed of trends in the transfers of business ownership interests such as: marketing techniques, national and local economic conditions, technological developments, financing methods and market values.

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# **BBS-III STANDARD OF CONDUCT IN DEALING WITH CUSTOMERS**

## **I. PREAMBLE**

1. In the interest of promoting a greater understanding and awareness of the duties and responsibilities of Business Brokers to customers, this standard shall serve as guidelines to be followed when serving as an intermediary in the transfer of business ownership interests.
2. For purposes of this Standard, a customer is defined as an entity to a transaction who receives services and benefits, but has no fiduciary relationship with the Business Broker.
3. The purpose of this standard is to:
  - A. define and describe the general guidelines for Business Brokers when dealing with customers involving the transfer of business ownership interests,
  - B. define the minimum responsibilities of Business Brokers to customers.
4. This standard is an integral and inseparable part of the General Preamble to the Business Brokerage Standards of the International Business Brokerage Association.

## **II. GENERAL GUIDELINES FOR DEALING WITH CUSTOMERS**

In dealing with customers, Business Brokers should:

1. disclose whom they represent,
2. Avoid exaggeration, misrepresentation or concealment of pertinent facts relating to a business or transaction,
3. fully disclose all material facts of which they have knowledge which could affect the transfer of an ownership interest or the price being offered,
4. advise customers to seek their own professional guidance from attorneys, accountants and other specialists.

## **III. DUTIES AND RESPONSIBILITIES**

When dealing with customers, Business Brokers should:

1. maintain a record of all contacts,
2. obtain terms and conditions of agreements in writing,
3. process all earnest money received according to the terms of agreements,
4. keep customers informed about the status of their transactions on a timely basis,
5. return all earnest money according to the terms of the agreements, if an offer is not accepted.

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# **BBS-IV STANDARD FOR BUSINESS BROKERAGE ADVERTISING & PROMOTION**

## **I. PREAMBLE**

1. In the interest of promoting a greater sensitivity, understanding and awareness of duties and among responsibilities of Business Brokers to the brokerage profession, clients, and customers and to the public good. This standard shall serve as a guideline to be followed in the course of serving as an intermediary in the advertising and promotion of:  
a) their firms (b) for the Business Brokerage industry (c) the purchase, sale and exchange of business ownership interests; and (d) other business services.
2. The purpose of this standard is to define the minimum responsibilities of Business Brokers for establishing standards in advertising and promotion.

## **II. GENERAL GUIDELINES FOR BUSINESS BROKERS IN ADVERTISING AND PROMOTING**

When advertising and promoting, a Business Broker should:

1. Insure that any earning and other claims are based on verifiable facts;
2. Insure that no subjective superlatives which tend to mislead are used;
3. Insure that any testimonials or endorsements are truthful;
4. Conform to the laws and legal regulations of governing bodies and agencies;
5. Identify clearly the Business Brokering company or agency relation.

## **III. MINIMUM RESPONSIBILITIES OF BROKERS**

When advertising and promoting, a Business Broker should:

1. Assume responsibility for truthful and non-deceptive advertising;
2. Be prepared to substantiate any claims or offers to inquirers prior to publicizing;
3. Avoid untrue, misleading, deceptive, fraudulent, false or disparaging statements about competitors;
4. Avoid misleading statements, about material facts the Business Brokerage industry; professional certifications, and client relationships.

## **IV. ELECTRONIC MEDIA GUIDELILNES**

When creating and revising a website for a business brokerage company, management for the company should:

1. Take full responsibility for the web site content regardless as to whether the web site content is developed in house or by an outsourcing venue.
2. Insure that the web site content does not contain information that is untrue, misleading, deceptive or fraudulent.
3. Insure that the web site content does not include terms, names, logos, or remarks that are the property rights of other business brokerage firms.
4. Avoid the use of web site content, including meta tags and repetitive use of proprietary terms and names of other business brokerage companies, that may cause the diversion of web site searchers from their intended web site results.

# **BBS-V DOCUMENT RETENTION STANDARD**

## **I. PREAMBLE**

1. In the interest of promoting a greater understanding and awareness of the duties and responsibilities of Business Brokers, this standard shall serve as guidelines in establishing and record retention policy.
2. The purpose of this standard is to define the category of the documents which should be retained.
3. This standard is an integral part of the General Preamble to the Business Brokerage Standards of the International Business Brokerage Association.

## **II. GENERAL GUIDELINES FOR RECORD RETENTION**

The recommendations herein are subject to regulations promulgated by federal, state and local governments or other regulatory agencies.

1. A business brokerage firm should establish a written policy covering document to be retained and their retention periods.
2. All personnel of a business brokerage firm should be given a copy of the document retention policy.
3. Documents to be retained should include but not be limited to the following:

### **A. Documents relating to closed transactions:**

#### **DOCUMENTS**

Listing Agreements and Amendments

Correspondence

Recasted Financial Statements

Marketing Packages, Business Profiles and related items prepared by the business brokerage firm

Advertising Copy

Buyer Profiles or Registration Forms

Buyer Nondisclosure Agreements

Appraisals of the business, machinery & equipment and/or real estate

Earnest Money Agreements, Letters of Intent and Offers To Purchase

Any Closing Documents prepared by and/or signed by the business brokerage firm

Telephone and Appointment logs

Any document prepared or signed by the broker or persons under the broker's direction.

B. Documents relating to expired or terminated transactions,

DOCUMENTS

Listing Agreements

Correspondence

Recasted Financial Statements

Marketing Packages

Business Profiles and related items prepared by the business brokerage firm

Advertising Copy

Buyer Profiles or Registration Forms

Buyer Nondisclosure Agreements

Appraisals of the business, machinery & equipment and/or real estate

Earnest Money Agreements, Letters of Intent and Offers to Purchase

Telephone and Appointment logs

C. Business brokerage company documents.

Property Leases

Property Deeds

Financial Statements

Tax Returns

Business Ownership Records

Payroll Records

Fixed Asset Records and Appraisals

Bank Statements

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## GLOSSARY

**Acquisition** – When a company, entity or individual purchases a majority interest in another company.

**Asking Price** - The total amount for which a business or an ownership interest is offered for sale.

**Asset Sale** - This term has two definitions. The proper definition depends on its usage:

- A. The means by which a business owner transfers ownership of tangible and intangible assets to another owner without transferring the ownership structure.
- B. The sale of a business enterprise at a price based solely upon the value of the tangible assets.

**Blue-Sky** - That portion of a requested price that cannot be supported through the application of established valuation methodology and which generates no economic benefit.

**Business Broker** - A Business Broker is an intermediary dedicated to serving clients and customers who desire to sell or acquire businesses. A business broker is committed to providing professional services in a knowledgeable, ethical and timely fashion. Typically, a Business Broker provides information and business advice to sellers and buyers, maintains communications between the parties and coordinates the negotiations and closing processes to complete desired transactions.

**Business Intermediary** – An agent who is a mergers and acquisitions specialist for a buyer/investor or seller who is expected to facilitate the transaction.

**Client** - An entity with whom a Business Broker has a fiduciary relationship.

**Co-Brokerage** - An agreement between two or more Business Brokers for sharing services, responsibility and compensation on behalf of a client.

**Co-Business Broker** - A Business Broker who shares services, responsibility, and compensation on behalf of a client.

**Cooperating Business Brokers** - Business Brokers who share their knowledge, expertise, and skills for the benefit of the business brokerage profession, clients, customers and the public good.

**Customer** - An entity to a transaction who receive services and benefits, but has no fiduciary relationship with the Business Broker.

**Discretionary Earnings** - The earnings of a business enterprise prior to the following items:

- | Income taxes
- | Nonoperating income and expenses
- | Nonrecurring income and expenses
- | Depreciation and amortization
- | Interest expense or income
- | Owner's total compensation for those services which could be provided by a sole owner/manager.

**Finders Fee** - An amount paid to another party for locating and referring a client or customer.

**Merger** – The combining of two companies in which the stockholders of one company exchanges all of their stock for shares of another company. The company that receives the shares and issues their stock is the surviving company.

**Mergers and Acquisitions(M&A)** – A term that is commonly used for the mergers, acquisitions and the selling of companies. M&A is a commonly used abbreviation for this term.

**Nonoperating\Noncontributing Asset** - An asset unnecessary to the operation of a business enterprise and the generation of its revenues.

**Owner** - A generic term used in business brokerage to represent the proprietor, general partner or controlling shareholder (singular or plural as appropriate) of a business enterprise.

**Owner's Salary** - The salary or wages paid to the owner, including related payroll burden.

**Owner's Total Compensation** - Total of an owner's salary and perquisites, after the compensation of all other owners has been adjusted to market value.

**Perquisites** - Expenses incurred at the discretion of the owner which are unnecessary to the continued operation of the business.

**Referring Business Broker** - A Business Broker who provides introductory information which leads to a client relationship.

**Stock Sale** - The purchase of a company's shares of stock and in which the purchaser assumes all of the assets and all of the debt, both tangible and intangible.

**Transaction Value** - The total of all consideration passed at any time between the Buyer and Seller for an ownership interest in a business enterprise and may include, but not limited to, all remuneration for tangible and intangible assets such as furniture, equipment, supplies, inventory, working capital, noncompetition agreements, employment and/or consultation agreements, licenses, customer lists, franchise fees, assumed liabilities, stock options, stock or stock redemptions, real estate, leases, royalties, earn-outs and future considerations.

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***FOR INFORMATION PURPOSES ONLY. The definitions provided herein represent in general the Association members' collective expression of what is perceived as an accurate description of the terms defined. Individual states and governing boards may define or interpret these definitions in some other manner by statute, regulation or in industry practice. Readers are advised to consult their attorney and/or state/local licensing authorities regarding specific definitions and requirements in their state(s). IBBA, its officers, directors, members and agents specifically disclaim responsibility for any person's use or interpretation of these definitions.***