



CERTIFIED PROFESSIONAL YACHT BROKER CODE OF ETHICS

It is incumbent upon all Certified Professional Yacht Brokers to always comply with this Code of Ethics. Violations may result in disciplinary action, arbitration and/or forfeiture of CPYB certification.

PART I: RELATIONS WITH THE PUBLIC

Article 1: It is the duty of the Broker to be well informed on current market conditions in order to be in a position to advise his clients as to the fair market value.

Article 2: It is the duty of the Broker to protect to the best of his ability, the public against fraud, misrepresentation and unethical practices in the yacht Brokerage field.

Article 3: The Broker should endeavor to ascertain all pertinent facts concerning all vessels for which he accepts listings, so that he may present a fair description of the vessel.

Article 4: The Broker should not be a part to the naming of a false consideration in any document.

Article 5: The Broker should keep in a special bank account, separated from his own funds, monies coming into his possession in trust for other persons, such as escrows, trust funds, clients' monies and other like items.

Article 6: The Broker in his advertising should be especially careful to present a true picture and should neither advertise without disclosing his name, nor permit his salesman to use individual names or telephone numbers, unless the salesman's connection with the Broker is obvious in the advertisement.

Article 7: The Broker, for the protection of all parties with whom he deals, should see that financial obligations and commitments regarding yacht transactions are in writing, expressing the exact agreement of the parties; and, that copies of such agreements, at the time they are executed, are placed in the hands of all parties involved.

PART II: RELATIONS WITH THE CLIENT

Article 1: In accepting employment as an agent, the Broker pledges himself to protect and promote the interests of the clients. The obligations of absolute fidelity to the clients' interest is primary, but does not relieve the Broker from the obligation of dealing fairly with all parties in the transaction.

Article 2: The Broker should not acquire an interest in or buy for himself, any member of his immediate family, his firm or any member thereof, or any entity in which he has a substantial ownership interest, vessels listed with him, or his firm, without making the true position known to the listing owner, and in selling vessels owned by him, or in which he has such interest, the facts should be revealed to the purchaser.

Article 3: The Broker should not submit or advertise vessels without authority and in any offering, the price quoted should not be other than that agreed upon with the owners as the offering price.

Article 4: In the event that more than one offer on a specific vessel is made before the Seller has accepted an offer, all additional offers presented to the Broker, whether by a prospective purchaser or another Broker, should be transmitted to the Seller for his consideration.

In the event that a Broker, Brokerage house or central agent has received more than one offer prior to acceptance of any offer, all offers should be presented to the Seller. The Broker shall act on the instructions of the Seller as to which offer shall be accepted and/or negotiated.

If an offer is made after owner has previously accepted an offer, the owner should be made aware of its existence.

This outline is a recommendation for a fair procedure for Brokers to follow when several offers are presented at approximately the same time. The procedure for handling any multiple offer situation should be discussed with the boat's owner. Ultimately, it is a Broker's obligations to act as the owner desires and by whatever guidelines he decides. Whatever solution is decided by the owner, all those making offers should be apprised of it.

PART III: RELATIONS WITH HIS FELLOW BROKER

Article 1: The Broker should not voluntarily disparage the business practice of a competitor, nor volunteer an opinion of a competitor's transaction. If his opinion is sought, it should be rendered with strict professional integrity and courtesy.

Article 2: The Broker and/or Brokerage firm who holds a Central Listing should be respected. A Brokerage firm in receipt of another Central Listing shall not solicit a direct listing from the owner during the term of the listing agreement. A Broker cooperating with a listing Broker should not invite the cooperation of a third Broker without the consent of the listing Broker.

The Broker should cooperate with other Brokers on vessels listed by him on a Central Listing basis whenever it is in the interest of the client, sharing commissions on a previously agreed basis. Negotiations concerning vessels listed on a Central Listing basis should be carried on with the listing Broker, not with the owner, except with the consent of the listing Broker. In the event a Broker obtains a Central Listing, he will endeavor to distribute the listing to all his corresponding Brokers as quickly and as reasonably as possible.

Central Listings and shared open listings are generally shared on a commission basis agreed to beforehand as a matter of policy, or agreed upon by the cooperating parties negotiated on a particular sale.

Should the central or loaning Broker show the boat or perform work above and beyond the customary providing of the listing and negotiating with the owner, the commission arrangements should be reconsidered by the parties involved.

The selling Broker is the Broker who obtains a Purchase and Sale Agreement signed by both buyer and seller along with accompanying deposit.

Article 3: Binding Arbitration Procedure

When a dispute arises between two Certified Brokers, the Brokers may choose to submit their case to Binding Arbitration as follows:

- (a) Each Broker shall select one member at large from the body of Certified Brokers; these two members shall together agree on one other member. These shall comprise the Binding Arbitration Committee for the dispute.
- (b) Each Broker shall submit a written statement of the case to the members of the CPYB Binding Arbitration Committee.
- (c) Each Broker shall then appear in person for a hearing before the CPYB Binding Arbitration Committee.
- (d) The CPYB Binding Arbitration Committee shall render its decision which shall be binding on both parties. A written report of their decisions shall be sent to the chairman of the CPYB Advisory Council, and to both parties.

PART IV: RELATIONS WITH YACHT YARDS

Article 1: Maintenance of good relations between yacht yards and Brokers is mandatory. Accordingly, the following procedures are recommended:

1. When a listing is received by a Broker, the owner should be asked by the Broker to inform the yard that the Broker has permission to show the yacht.
2. Inform the owner that any agreement he may have with the yard regarding commission is his responsibility and will not affect the Brokerage commission.
3. When showing the yacht, the Broker should check in at the yard office, show the boat without assistance unless it is essential, in which case the assistance should be paid for. The yacht should be left as it was found.
4. If the Broker is unable to show the yacht, it may be possible to arrangement with the yard to have them show it. The yard should be advised of the Broker's willingness to pay for the service and payment should be made promptly for such service, whether the yacht is sold or not.
5. The Broker should keep the yard informed with respect to a sale being negotiated.
6. If estimates or other services are required, the Broker or the client, as appropriate, should be prepared to pay for them and do so promptly.

In summary, the Broker should do his job, not ask the yard to do it. Necessary services should be paid promptly.

PART V: RECOMMENDED BROKER PRACTICES

Article 1: Selling Broker's Responsibilities

- (a) Present the boat to your prospects as offered by the listing Broker and in the best possible light. Never quote other than the listed price, unless otherwise instructed by seller.
- (b) Be prepared to show the boat to your client and make the appointment through the listing Broker, following his or her instructions.
- (c) Always leave the boat as you found it. Do not run equipment when aboard boat.
- (d) If you are unable to accompany your client for showing, make arrangements with listing Broker. Be sure the commission splits under the agreed showing circumstances are understood. This should include the possibility of your client being shown boats other than the one arranged for him to see.
- (e) Should you obtain an offer, be sure to have all the buyer's conditions and to submit complete details of offer to the listing Broker including status of deposit.

- (f) If negotiations become a deal, get agreements executed promptly and delivered to listing Broker or seller, as directed. Be sure deposit is banked.
- (g) In coordination with listing Broker, arrange for survey, and trial run if required.
- (h) Assist purchaser in evaluating survey and reviewing contracted obligations.
- (i) If survey is accepted, deliver to listing Broker a written acceptance and provide them with necessary information for preparation of closing documents.
- (j) Obtain certified funds from purchaser for delivery to seller or selling Broker in a timely fashion.
- (k) Contact seller only with specific authorization from listing Broker.

Article 2: Listing Broker's Responsibilities to Fellow Brokers

- (a) Obtain a signed listing agreement signed by all owners listed on ownership document.
- (b) Make up a detailed, accurate listing and have owner review and approve.
- (c) Transmit the listing to corresponding Brokers immediately. Any delay in circulating listing details is in violation of YBAA's Code of Ethics. Gross commission and proposed split should be mutually acknowledged in writing between listing Broker and prospective selling Broker.
- (d) The listing Broker should regularly stay in touch with his sellers so that any changes in the boat's status are relayed to co-Brokers in a timely manner. Seller should be made aware that it is critical a boat be made easy to show. If a boat is difficult to show or there is a possibility it may have moved, let the other Broker know as soon as possible. Be sure showing instructions are accurate with combinations, key locations, who should be checked with at the boatyard, etc.
- (e) Make appointments for co-Brokers to showboat.
- (f) All offers received by listing Broker should be transmitted to owner in a timely fashion and with timely response to the co-Broker. Remember that as a listing Broker, you are obligated to present all information at hand to a seller promptly and without prejudice.
- (g) If negotiations become an agreement, provide the necessary information to have proper agreement and see that it is executed in a timely fashion.
- (h) Make certain that boat and inventory are complete and delivered for survey.
- (i) Provide properly executed papers to affect a closing.
- (j) Assist seller in evaluating survey and reviewing contracted obligations.

Article 3: Recommendations for Handling Simultaneous Negotiations

In the event of multiple offers all being refused by an owner, the listing Broker shall follow the instructions of the owner regarding the manner of continuing negotiations with multiple prospective buyers. These instructions should not only address the method of determining which offer will be accepted, but whether the owner wishes the existence of other current negotiations to be revealed to other Brokers and prospects.

If the owner seeks the listing Broker's advice for handling simultaneous negotiations, we recommend that the existence of other negotiations be revealed. It mitigates the likelihood that other prospects and Brokers will feel abused if they find out later that the listing Broker was not forthcoming with the information that other negotiation was in progress. Furthermore, it is usually in the owner's best interest that each prospect know that others also wish to buy the yacht in question.

The following procedures are endorsed as fair and reasonable, although not necessarily the only fair and reasonable procedures which could be followed.

- (a) The owner can instruct the listing Broker to present a counteroffer to each prospective buyer via the Broker who obtained the original offers in the order that the original offers were presented with the understanding that he will accept the offer of the first prospect to meet this price (and acceptable terms). The counter should be transmitted to all parties as quickly as possible; and should a Broker and/or prospect not be immediately reachable, the process of transmitting the counter to the other Brokers and/or prospects should continue without delay.
- (b) This procedure has the advantage of motivating all prospects to be the first to meet the counter without fear that they might pay more than the lowest price at which the yacht can be purchased.
- (c) The owner may instruct the listing Broker to request by a specified deadline one final, best offer from all prospects who have made offers. If the owner wishes to do so he may also convey the minimum price that he is willing to accept. The owner will at the specified time select whichever offer he considers most acceptable, if any, and will respond either by simply accepting that offer or by requesting more information upon which to base his decision. If more than one offer are "most acceptable" and equally acceptable, the acceptance will be given to the party whose deposit was first placed in escrow by the Broker who received the offer.

Advantages of this procedure:

1. It re-assures the prospective buyers that they are not in a "bidding war" against unseen competitors. They can submit sealed, final bids, and experience shows that this procedure lessens the likelihood that all or most of the prospects will simply withdraw from negotiations when they discover they are bidding against someone else.
2. It gives the seller some chance that the final selling price will be higher than his counter.

Article 4: Appropriate Response When a Customer Elects to Switch Brokers After Attempting a Purchase

Proper respect for one's fellow Broker requires that a Broker recommend to a prospective buyer that he finalize negotiations with the Broker with whom negotiations were initiated; however, it is not necessary to insist that the prospect do so.

A listing Broker is not responsible for ensuring that a prospect negotiates on a yacht only through the Broker who first obtained an offer from that customer on the yacht in question.

A listing Broker should not permit such a prospect to switch negotiations to any member of the listing Broker's firm unless he is prepared to pay the Broker who first initiated the negotiations the full commission that he would have received if the sale had been completed in a normal manner by that Broker.

Should a prospect attempt to continue negotiation with a member of the listing firm, and should he insist that he is unwilling to work with a Broker to whom he submitted a previous offer, the appropriate response is to advise the prospect that he may choose any firm other than the listing firm to continue negotiations. If he wishes, the Broker may provide a list of CPYB members from which to choose another Broker.

For the purposes of this recommendation, "negotiations" are defined as when an offer is made, and an "offer" is defined as the transmittal of purchase agreement (signed by the prospective buyer) and a deposit (whether cashed by the receiving Broker) to a Broker who in turn forwards the offer to the listing Broker (even if only forwarded orally).