



**ByLaws  
and  
Standards of Professional Practice and  
Dispute Resolution Procedures**

November 4, 2008

# NEFA ByLaws

## Article I: Name and Location

### *Section 1.*

- A. The name of this organization shall be the National Equipment Finance Association (hereinafter called the "NEFA"), a non-profit corporation incorporated in the State of Georgia.

### *Section 2.*

- A. Offices of the NEFA shall be located in the State of Georgia and/or in such other localities as may be determined by the Board of Directors (the "Board").

## Article II: Objectives

### *Section 1. The Objectives of the NEFA:*

- A. To foster the exchange of information and ideas on transacting business within the equipment leasing and commercial finance industry by providing opportunity to discuss, debate, and publish subjects of interest to its members.
- B. To hold both regional and national meetings and conferences for mutual improvement and education of members.
- C. To develop and encourage the practice of high standards of personal and professional conduct by its members.
- D. To collect and disseminate industry information relevant to its members.
- E. To recognize individuals and firms who make outstanding contributions to the equipment leasing and commercial finance industry.

## Article III: Membership

### *Section 1. Approval*

In all cases, applicants for membership in the NEFA shall submit a written application, in the form prescribed by the Board, together with such additional information as may be requested by the Board. Each applicant must provide a letter of sponsorship from a current member of the NEFA and, when requested by the Board, to be determined in its sole and absolute discretion also provide supporting credit and other information (including bank and/or funding source references, where applicable) to determine the business reputation and character of the applicant. Such application and any additional information shall be considered by the Executive Committee at its next regular (or special) meeting following the submission of such application and information. Decisions to approve (or reject) applications for membership in the NEFA shall be made by the

Executive Committee at such meeting (or any subsequent meeting, if additional information or discussion is necessary) based upon the criteria set forth in these Bylaws.

## ***Section 2. Membership Classification***

### **A. Regular Membership**

Regular Membership in the NEFA shall be open to firms engaged in equipment financing, leasing or commercial finance who agree to accept and endorse the NEFA "Standards of Professional Practice" and "Dispute Resolution Procedures". Regular Members may vote and hold office. Regular Members will designate an official representative and one alternate, if so desired, to the NEFA. Any change in the status of this representative will be effective on the receipt of notice in writing from the member at the NEFA office. The official representative shall have full and sole authority to represent his/her member firm in any of the activities and affairs of the NEFA. The alternate representative shall have this authority in the absence of the official representative.

### **B. Services Membership**

Services Membership in the NEFA shall be open to firms or organizations that have an active interest in the equipment financing and leasing field and provide a service to equipment financing and leasing professionals. These members must also agree to accept and endorse the NEFA "Standards of Professional Practice" and "Dispute Resolution Procedures". Services Members may vote and hold office, and enjoy the same rights and responsibilities of Regular Members. Service Members will designate an official representative and one alternate, if so desired, to the NEFA. Any change in the status of this representative will be effective on the receipt of notice in writing from the member at the NEFA office. The official representative shall have full and sole authority to represent his/her member firm in any of the activities and affairs of the NEFA. The alternate representative shall have this authority in the absence of the official representative.

### **C. Honorary Membership**

Any person who, in the opinion of the Board, has performed distinguished service in, or related to the field of equipment financing and leasing, and who is not otherwise a NEFA Member, may be elected by the Board to Honorary or Honorary Life Membership. A NEFA Honorary Member shall pay no dues and shall be entitled to all membership privileges of the NEFA, except those of voting and holding office.

## ***Section 3. Corporate Membership/Subsidiaries***

Membership in the NEFA is held by the member entity, which includes a sole proprietorship or association (the "Member"). All branch offices of a Member using the same entity name are entitled to all membership benefits. All subsidiaries of a Member that use a different entity name must hold a separate membership for each entity.

# **Article IV: Membership Dues and Termination**

## ***Section 1. Determination and Payment***

Annual dues for membership in each membership classification of the NEFA shall be established by the Board. The Board may establish levels within each membership classifications for dues purposes based on factors such as sales volume, number of employees and other factors as deemed appropriate by the Board from time to time.

## ***Section 2. Payment and Delinquency***

Dues are billed on an annual calendar year basis and are due on or before January 15 of each year. Any Member who has not paid its dues within forty-five (45) days from the time dues become payable shall be

notified of such delinquency. If payment is not made within the next succeeding thirty (30) days, said membership shall automatically terminate without further notice to the Member.

### ***Section 3. Refunds***

No dues shall be refunded upon termination of membership in the NEFA for any reason.

## **Article V: Meetings of Members and Voting**

### ***Section 1. Annual Meeting***

The Annual Meeting shall be held during the last quarter of the calendar year, or at such other time as designated by a vote of the Board, at a location designated by a vote of the Board.

### ***Section 2. Regular and Special Meetings***

Regular and special meetings of the NEFA shall be held at times and places as approved by the President and a majority of the Board. The business to be transacted at any special meeting shall be stated in the notice thereof, and no other business may be considered at that time. Special meetings may be called by ten percent (10%) of the Members making written request to the President or Secretary. The Board must then set the date for the meeting not less than thirty five (35) nor more than ninety (90) days after receipt of the request.

### ***Section 3. Notice of Meetings***

A written notice of any meeting of the NEFA shall be mailed, delivered, faxed or delivered electronically to each Member's official representative not less than seven (7) days before the date of the meeting, stating the date, time, place and purpose of said meeting.

### ***Section 4. Voting and Quorum***

At all meetings of the NEFA where a vote of the Members is taken, each Regular and Services Member shall have one (1) vote. A quorum shall consist of the presence, in person or by proxy, of at least thirty five percent (35%) of the total number of Members as of the date the notice of the meeting is sent. Unless indicated otherwise in these Bylaws, all action at a meeting of the Members, at which a quorum is present, shall be by majority vote of the Members present, and represented by proxy. Any issue that is in need of a vote not occurring at a meeting of the Members may be conducted by mail, e-mail, or any other means of electronic communication, provided notice of the issue is given to the Members not less than seven (7) days before voting on the issue commences and at least thirty five (35%) of the total number of Members cast a vote on said issue.

### ***Section 5. Proxies***

Any Member may authorize another person or persons to act for it by proxy in all matters in which such Member is entitled to participate, whether by waiving notice of any meeting, voting or participating at a meeting or expressing consent or dissent without a meeting. Every proxy must be signed by a Member or its attorney-in-fact. No proxy shall be valid after the expiration of eleven months after the date thereof. Every proxy shall be revocable at the pleasure of the Member executing it, except as otherwise provided by statute.

### ***Section 6. Rules of Order***

Meetings and proceedings of the NEFA shall be regulated and controlled according to Robert's Rules of Order (revised) for parliamentary procedure, except as may be otherwise provided by these Bylaws.

# Article VI: Nomination and Election

## ***Section 1.***

The Regular and Services Members shall annually elect a Board to guide the organization. This election shall be held in the manner prescribed by these Bylaws at the Annual Meeting of Members.

## ***Section 2. Nomination, Election and Installation***

At least sixty (60) days prior to the Annual Meeting, the President shall appoint a Nominating Committee, consisting of at least three (3) Regular and Services Members, one of whom shall be a Past President of the NEFA, who shall be Chairperson. At least forty five (45) days prior to the Annual Meeting, notice shall be sent to all Members by mail, delivery, telephone, fax or electronic transmission of the identity of the Nominating Committee Members along with an invitation to submit names of candidates for the consideration of the Committee. The Nominating Committee shall prepare a slate of candidates for the authorized number of Directors and include the names of the candidates on a written ballot to be provided to the Members. Written ballots shall be cast by the Members, in person or by proxy, at the Annual Meeting. The candidates with the greatest number of votes for the available Director positions shall be elected to the Board, effective for the following calendar year. The results of the election shall be announced as soon as tabulated and verified by the Nominating Committee, but no later than ten (10) days following the Annual Meeting. The Nominating Committee will endeavor to submit names of candidates so that the proposed Directors shall be representative of the percentage of membership as defined in Article III, Section 2 of these Bylaws and also provide national geographical balance wherever possible.

# Article VII: Board of Directors

## ***Section 1. Authority and Responsibility***

The Board (as outlined in these Bylaws), shall supervise, control, and direct the affairs of the NEFA; shall determine its policies and may, in the execution of its power, delegate certain of its authority and responsibility.

## ***Section 2. Number of Directors and Terms of Office***

The Board shall be composed of fifteen (15) Directors, consisting of the four (4) members of the Executive Committee of the NEFA, as defined in Article VIII of these Bylaws, and eleven (11) additional Elected Directors elected for one year terms from the Regular and Services Members. Elected Directors may serve no more than three (3) consecutive terms in office. Only one person connected with any one NEFA member may serve on the Board at any point in time.

## ***Section 3. Quorum and Voting***

At any meeting of the Board no less than nine (9) Directors shall constitute a quorum for the transaction of business of the NEFA; and any such business thus transacted shall be valid providing it is affirmatively passed upon by a majority of those present, unless a greater percentage of affirmative votes is specifically required by law or elsewhere in these Bylaws. Votes may be cast at Board meetings by voice, by a show of hands, or by written ballot. A vote may also be cast by telephone, electronic mail, facsimile, or other electronic communication, provided the Director(s) voting in such manner are participating in the meeting by video conference or telephone conference facilities which allows all those participating in the meeting to hear each other at the same time.

## ***Section 4. Meetings of the Board***

A regular meeting of the Board shall be held not less than three (3) times during each calendar year at such time and place as the President or the Board may prescribe. Notice of all such meetings shall be given to the Directors not less than (10) days before the meeting is held, by notice mailed, delivered, telephoned, faxed or delivered electronically. Special meetings of the Board may be called by the President or at the request of any three (3) Directors, by notice mailed, delivered, telephoned, faxed or delivered electronically to each Director not less than seventy two (72) hours before the meeting is held. Meetings can be held in person at the location described in the notice, and can also be held wholly or in part utilizing video conference or telephone conference facilities. Attendance at a Board meeting via either video conference or telephone conference shall be treated the same as attendance in person for purposes of attendance, establishment of a quorum, voting and all other business to be taken up at each Board meeting, provided all those participating in person or by video/telephone conference facilities are able to hear each other at the same time. The President of the NEFA shall preside at all Board meetings.

### ***Section 5. Removal***

Any Director may be removed with cause by a vote of the majority of the Board then in office. The term "cause" shall be deemed to include the failure of a Director to attend two (2) consecutive Board meetings.

### ***Section 6. Vacancies***

In the case of any vacancy in the Board, a successor to fill the unexpired portion of the term may be elected by a majority of the members of the Board at any regular or special meeting thereof.

## **Article VIII: Executive Committee, Officers**

### ***Section 1. Number, Election and Qualifications***

The Executive Committee shall be comprised of four (4) NEFA elected officers: President, Vice President, Treasurer and Secretary. These officers shall be elected annually by a majority vote of the Board at the Annual Meeting of the NEFA and take office for the following calendar year. Any Regular or Services Member as outlined in these Bylaws shall be eligible to be an officer. No officer may serve more than two (2) consecutive terms in each respective office. The immediate past President shall serve as an ex-officio member of the Executive Committee, with no voting privileges.

### ***Section 2. President***

The President shall be the Chief Executive Officer of the NEFA and shall preside at all meetings of the Members and of the Board, with the right to vote at any such meetings. The President shall also serve as a member ex officio without vote on all committees. The President shall have general supervision of the affairs of the NEFA. The President shall perform such other duties as shall from time to time be assigned by the Board.

### ***Section 3. Vice President***

The Vice President shall have such powers and duties as may be assigned by the Board. In the absence or disability of the President, the Vice President shall perform all of the duties of the President.

### ***Section 4. Treasurer***

The Treasurer shall serve as Chief Financial Officer of the NEFA. The Treasurer shall be responsible for overseeing the collection of all membership dues; establish proper accounting procedures for the handling of all funds of the NEFA, and shall report on the financial conditions of the NEFA at all meetings of the Board.

At the end of each fiscal year, the Treasurer shall ensure that an annual report on the financial standing of the NEFA is prepared which shall reflect an audit or review by a certified public accountant, and ensure the filing of all necessary state and federal tax and information returns. The Treasurer will send a copy of the most recent "Annual Financial Report" to any Member who sends a written request for the report.

### ***Section 5. Secretary***

The Secretary shall act as Secretary of all meetings of the Members and the Board and shall be responsible for overseeing the keeping of minutes of all meetings of the Board and the membership. The Secretary shall attend to or cause the giving and service of all notices of the NEFA and shall perform all the duties customarily incident to the office of Secretary, subject to the control of the Board, and shall perform such other duties as shall from time to time be assigned by the Board, including monitoring the membership records and keeping the By-Laws.

### ***Section 6. Removal***

Any officer of the NEFA may be removed by a vote of the majority of the Board then in office with or without cause.

### ***Section 7. Vacancies***

If the office of President is vacated for any reason, the Vice President shall assume the office for the balance of the unexpired term. If the office of Vice President, Treasurer or Secretary is vacated for any reason, a successor to fill the balance of the unexpired term may be elected by a majority of the members of the Board at any regular or special meeting thereof.

## **Article IX: Standing and Special Committees**

### ***Section 1. Standing Committees***

There shall be three (3) Standing Committees of the NEFA: the Nominating Committee, the Standards Committee and the Executive Committee.

- A. The Nominating Committee is fully described in Article VI, Section 2 of these Bylaws.
- B. The Standards Committee is fully described in the NEFA Standards of Professional Practice and Dispute Resolution Procedures as described in Article XIV of these Bylaws.
- C. The Executive Committee shall consist of the President, Vice President, Treasurer and Secretary of the NEFA, as described in Article VIII of these Bylaws. The President of the NEFA shall serve as Chairman of the Executive Committee.

### ***Section 2. Additional Standing Committees***

The Board may establish such additional Standing Committees as necessary and provided by policy of the NEFA. Each Committee will be lead by a Chairperson and Co-Chairperson. The Chairperson of each such additional Standing Committee shall be a member of the Board and shall be appointed by the President of the NEFA and approved by the Board.

### ***Section 3. Special Committees***

The President, with the approval of the Board, may appoint Special Committees and their Chairpersons as necessary to carry out the objectives of the NEFA.

# Article X: Executive Staff

## ***Section 1. Executive Director***

The Board may retain a company or an individual to be designated as the NEFA's Executive Director to assist and coordinate the activities of the membership, Officers and Directors. The Executive Director shall be directly accountable to the Board. The Board shall have complete responsibility for the hiring, compensation and removal of the Executive Director.

## ***Section 2. Additional Staff***

The Executive Director, subject to approval from the Board, may from time to time retain such additional fulltime and part-time employees, as well as independent contractors, to carry out the objectives of the NEFA and the duties of the Executive Director. The Executive Director and these individuals shall be known as the Executive Staff.

# Article XI: Assets/Expenses

## ***Section 1. Assets***

No Member of the NEFA shall have any right, title or interest in the whole or any part of the property or assets of the NEFA; and in the event of dissolution, liquidation, abandonment, or winding-up of the affairs of the corporation, the assets remaining after paying all debts and obligations (or adequately providing for the latter) shall be distributed to one or more non-profit organizations designated by a majority of the Board which organization or organizations shall have established its or their tax exempt status under Section 501 (C) of the Internal Revenue Code of 1986, as amended. In no event shall any assets inure to the benefit of, or be distributed to any Member, Director, Officer or employee of the NEFA.

## ***Section 2. Bank Accounts***

The NEFA shall maintain checking accounts and such other bank accounts as shall be deemed appropriate by the Board. The signature authority for such accounts shall be fixed by the Board from time to time.

## ***Section 3. Director/Officer Expense Reimbursement***

The Board may authorize the reimbursement of expenses incurred by Directors/Officers and/or Past Presidents to attend NEFA Board Meetings. Any such reimbursements may be subject to a standard methodology for such payments, including reimbursement caps as prescribed by the Board from time to time.

# Article XII: Fiscal Year

## ***Section 1.***

The fiscal year of the NEFA shall begin on the first day of January in each year and end on the thirty-first day of the following December.

# Article XIII: Non-Liability and

# Indemnification of Directors and Officers

## ***Section 1. Non-Liability***

The NEFA, its Directors, Officers and Executive Staff shall not be liable to any of its Members for any statement, errors or omissions in any reports sent out by the NEFA, or said Directors, Officers or Staff; and each and every Member or those that may hereafter become Members, shall be deemed to have expressly released the NEFA, its Directors, Officers and Staff from any and all liability for such statements, errors and omissions, and further, from any and all liability by reason of any agreements, contracts, obligations, acts, steps, or plans entered into or undertaken by the NEFA on behalf of its Members.

## ***Section 2. Indemnification***

To the full extent permitted by law, each present and future Director, Officer, member of the Executive Staff, member of any Committee, or any other individual acting or serving in any official capacity on behalf of the NEFA whether or not then in office, shall be indemnified and held harmless by the NEFA against expenses actually and necessarily incurred by, or imposed upon him/her (including, but without being limited to judgments, costs and counsel fees) in connection with the defense of the action, suit or proceeding in which he/she is made a party by reason of being or having been a Director, Officer, member of the Executive Staff, committee member, or held other position of the NEFA or otherwise served the NEFA in any official capacity except in relation to matters as to which shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty for the NEFA. Such indemnification shall not be deemed exclusive of other rights to which such Director, Officer, member of the Executive Staff, committee member, or other person may be entitled, under any other Bylaws, agreement, a vote of the Members, or as a matter of law, or otherwise.

# Article XIV: Standards of Professional Practice and Dispute Resolution Procedures

## ***Section 1.***

The NEFA Standards of Professional Practice and Dispute Resolution Procedures attached hereto are part of these Bylaws.

# Article XV: Amendments

## ***Section 1.***

These Bylaws may be amended or altered by a two-thirds vote of those Members present at any regular or special meeting, provided a quorum is present and provided that notice of the proposed changes shall have been transmitted via mail, fax or electronic transmission, by the Secretary, to each Member's official representative not less than thirty (30) days prior to the date of such meeting.

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# NEFA STANDARDS OF PROFESSIONAL PRACTICE AND DISPUTE RESOLUTION PROCEDURES

## ***PREAMBLE***

As a member of the National Equipment Finance Association (“NEFA”), we acknowledge that there are certain fundamental standards of practice which should serve as guiding principles for all engaged in commercial finance and equipment leasing. As a member of the NEFA, we further accept the NEFA Standards of Professional Practice and the NEFA Dispute Resolution Procedures. In the event of a dispute regarding an alleged violation of these Standards, we agree to submit that dispute to the NEFA Standards Committee for resolution in accordance with their procedures. Neither an alleged violation of the NEFA Standards of Professional Practice nor any determination that an actual violation has occurred shall delay, impair or otherwise affect the rights, remedies or obligations of the parties to a commercial finance or an equipment leasing transaction.

## **NEFA Standards of Professional Practice**

1. We will at all times conduct our activities with integrity, dignity and professionalism and will encourage such conduct by others in the equipment financing and leasing industry.
2. We will act with competence and strive to continually maintain and improve our professional judgment through participation in the NEFA activities.
3. We will maintain respect for keen competition and for all competitors and will seek no advantage by dishonest or unethical means.
4. We will adhere to the principles of confidentiality and accuracy of inquiries and replies in all exchanges of financial and credit information.
5. We will treat in a fiduciary capacity all funds received in that capacity.
6. We will at all times adhere to the specific terms of our funding commitments, commission agreements, and/or purchase orders.
7. We will not make payments directly to employees of a vendor or other business source without that company's knowledge.
8. We will never knowingly make false or misleading statements or withhold information vital to a business decision (including simultaneously seeking funding for the same client from more than one funding source without revealing that action), even if such information becomes known to us after the funding of a transaction, and we will correctly represent our relationships with all parties to the transaction.

## **NEFA DISPUTE RESOLUTION PROCEDURES**

## **Section 1. Duties of Membership**

The following are among the duties of membership in the NEFA for all members (regardless of category) and their representatives:

- (a) To abide by the NEFA Standards of Professional Practice ("Standards"); and
- (b) To submit to hearings and/or other proceedings through the NEFA concerning alleged violations of the Standards in any commercial finance or equipment lease transaction, as described in these NEFA Dispute Resolution Procedures ("Procedures") and as the same may be amended from time to time.

## **Section 2. Standards Committee**

- (a) There shall be a committee, known as the Standards Committee ("Committee"), which shall have seven (7) members (each of whom shall be a representative of a NEFA member). The seven (7) Committee members shall consist of the following: Chairperson; Vice Chairperson, NEFA Board Liaison; Immediate Past President of NEFA; and three (3) other individuals, one (1) of whom shall be an attorney and no more than two of whom may be members of the NEFA Board of Directors ("Board"). The President shall appoint all Committee members, subject to confirmation by the Board. If a Committee member must disqualify himself or herself from a particular case, the President shall appoint a qualified replacement from the appropriate category to satisfy these requirements for that particular case.
- (b) Only one person connected with any one NEFA member may serve on the Committee.
- (c) A quorum shall consist of five (5) Committee members. The majority vote at any meeting at which a quorum is present shall constitute the determination or decision of the Committee. The Committee may conduct meetings in person, by teleconferences, or by correspondence.

## **Section 3. Privilege to File Complaints and to Complain Verbally**

- (a) Any member or representative of a member may file a Complaint under the Procedures. A Complaint should only address any alleged violation(s) of the Standards by a member firm.
- (b) Also, any person or firm, including but not limited to, a member or representative of a member may make a verbal communication to the NEFA headquarters complaining that a NEFA member may have violated the Standards. NEFA headquarters shall promptly make and maintain a record of such communications, containing the date, time and content of such communication, and the person and firm from whom such communications were received. Upon receipt by the NEFA headquarters of three such communications concerning the same NEFA member, the Committee may initiate its own review and may refer the matter to the Board with a recommendation as to whether formal proceedings against such NEFA member should be initiated under the Procedures. If the Committee recommends that a Complaint may be filed under the Procedures, then the Board, in its discretion, is authorized to file a Complaint under the Procedures against such member on behalf of the membership of the NEFA.
- (c) Also, for repeat verbal communications by any persons or firms to the NEFA headquarters complaining that a NEFA member may have violated the Standards, NEFA shall send a letter to the principal contact person of that member on record with the NEFA, stating that such member may have violated one or more of the Standards, a sample of which is set forth below.

### **Sample Letter:**

This letter is to serve notice that the NEFA has received multiple communications complaining that your firm may have violated one or more of the NEFA Standards of Professional Practice ("the Standards"). The NEFA believes you should be aware of these communications and as a NEFA member be mindful of your agreement to the Standards that NEFA upholds. At this point there has been no written Complaint. No action is required on your part. If a written Complaint is received, you will be asked to respond in writing within a specific time. The communications received have been regarding (specify applicable Standard(s)).

## **Section 4. Initiating a Complaint**

- (a) A filing fee of \$250 must accompany the Complaint, unless the Complaint is made by the Board, in which case there is no fee.
- (b) The Complaint must be signed by the Complainant, and must do all of the following: (i) concisely state the facts supporting the alleged violation(s) of the Standards; (ii) attach the basic documents in Complainant's possession (which may include declarations) supporting the alleged violation(s); (iii) specify whether or not the Complainant agrees to have the matter resolved by a single decision maker pursuant to Section 10 below; and (iv) contain a statement in substantially the following form:  
**Sample Statement:**  
 The undersigned hereby requests that a hearing on the within Complaint be held through the National Equipment Finance Association. The undersigned hereby agrees to abide by the decision and findings of the Standards Committee, the NEFA Board of Directors, and, if applicable, any single decision maker. We further agree to abide by the NEFA Dispute Resolution Procedures, including without limitation the Section 12 waiver of further action against the NEFA and others.
- (c) The Complaint must be filed by sending same, certified mail with return receipt requested, to the Committee Chairperson at the NEFA headquarters, or by personal delivery at said location.
- (d) The Chairperson shall promptly send a copy of the Complaint to the Committee members to determine whether the Complaint may involve a Standards violation. Based on that determination, the Committee may (i) dismiss the Complaint, (ii) request further information from the Complainant, (iii) proceed with plans for a hearing, (iv) conduct a proceeding based solely on written submissions, or (v) take any other action not inconsistent with these Procedures.
- (e) A person shall automatically be disqualified to serve on the Committee for any case in which he/she (i) is a party, or (ii) is related by blood or marriage (to the fourth degree in either case) to, or is an employer, employee, partner or other business associate of a party, or (iii) has any monetary interest. Promptly after receiving a copy of any Complaint pursuant to Section 4(d) above, and before considering anything other than qualification on any case, each member of the Committee shall sign a statement that he/she is not disqualified for any of the foregoing reasons, and that he/she knows of no other reason that might prevent him/her from rendering an impartial decision.
- (f) The Complainant may withdraw the Complaint, subject to forfeiture of the filing fee, if any.

## **Section 5. Notification**

When the Complaint is sent to the Committee members, the NEFA shall inform the principal contact person on record with the NEFA that a Complaint was filed against that member. All members shall abide by these Procedures, including without limitation, the Preamble, and shall be bound thereby with respect to any dispute arising during the term of such membership.

## **Section 6. Pre-Hearing and Other Proceedings**

- (a) After the Committee receives the Complaint, and before the Committee determines whether the Complaint may involve a Standards violation, the Chairperson may assign the case to a Committee member (a "Facilitator") to analyze whether the Complaint contains enough written information for the Committee to make such a determination. To assist the Facilitator's analysis, the Complainant must give the Facilitator all such additional documents and written information as the Facilitator requests. When the Facilitator believes he/she has enough written information to make a determination whether the Complaint may involve a Standards violation, the Facilitator shall advise the Chairperson, and also send all such additional documents and written information (received from the Complainant) to the Chairperson. The Chairperson shall promptly send copies of all such additional documents and written information to the Committee members.
- (b) If the Committee determines the Complaint does not involve a Standards violation, the Chairperson shall send appropriate notification to the Complainant and each party named in the Complaint (each a "Respondent"), and no further action shall be taken.
- (c) If the Committee determines the Complaint may involve a Standards violation, the Chairperson shall send a copy of the Complaint and supporting materials to each Respondent, by certified mail with return receipt requested, with notification that the Respondent should file an Answer with the Committee, within ten (10) working days after mailing such notice, and that if no Answer is made, the charges may be deemed admitted. If no Answer is received within twenty-two (22) calendar

days, a second notice shall be mailed to each Respondent, stating that if no Answer is received within ten (10) calendar days, Respondent may be held to be in violation of the Standards and the Procedures, and subject to action by the Committee pursuant to Section 9(b) below. If the Complaint specifies that the Complainant agrees to have the matter resolved by a single decision maker, each notice referenced in the preceding two sentences shall also state that each Respondent shall also specify on its Answer whether such Respondent agrees to have the matter resolved by a single decision maker. If any Respondent does not expressly so agree, then the entire Committee shall resolve the matter.

- (d) The Answer must be signed by the Respondent, and must do both of the following: (i) concisely state the facts showing that no violation of the Standards has occurred; and (ii) attach the basic documents in Respondent's possession (which may include declarations) supporting the position that no such violation has occurred. The Answer must be sent by certified mail with return receipt requested to the Committee Chairperson, or be personally delivered. The Chairperson shall promptly send a copy of any Answer to the Committee members.
- (e) The Chairperson shall promptly send a copy of the Answer and all supporting materials to the Complainant by certified mail with return receipt requested, and notify Complainant that Complainant may file a written Reply within twenty (20) working days after mailing such notice. The Reply shall be filed in the same manner as the Complaint, and the Chairperson shall send copies to Committee members and Respondent.
- (f) After the Committee receives the Complaint, Answer and any Reply, the Chairperson may assign the case to a Committee member to facilitate further analysis (a "Facilitator"). This Facilitator may be the same person assigned pursuant to Section 6(a) above, if one was assigned. The Complainant and each Respondent must give the Facilitator such information and documents as the Facilitator requests. Based on the Facilitator's analysis of the Complaint, Answer, Reply, and input from the parties, the Facilitator shall prepare and present a confidential written or oral report to the Committee as a whole, with a recommendation for the further action to be taken. The Committee shall promptly vote on what action to take in response to the Facilitator's recommendation.
- (g) The Committee may expedite matters by resolving disputes solely upon the Complaint, Answer, Reply, other documents from the parties, and any Facilitator's recommendation.
- (h) If a dispute is not otherwise resolved pursuant to the foregoing provisions of these Procedures, the Committee may decide to hold a hearing or other proceeding, shall set a date therefore and mail reasonable notice to all parties to the dispute. Said notices shall be sent by certified mail with return receipt requested, and shall include the names of the Committee members or the appropriate replacements and a complete copy of the Procedures.
- (i) If the Complaint involves parties and issues in litigation (or administrative proceedings), or which subsequently are in such litigation or proceedings, the Committee may stay its proceedings pending a final determination of the issues by a court or administrative agency.
- (j) The Committee may prescribe any other procedure not inconsistent with these Procedures.

## ***7. Committee Representation at Hearings and Other Proceedings***

- (a) The Committee will be represented at the hearing or other proceedings by a minimum of five (5) of its members.
- (b) Every Committee member shall endeavor to avoid discussing the case with anyone other than Committee members. If he/she does engage in such discussion before the hearing or other proceeding, he/she must disclose the fact to the parties and to the other members of the Committee immediately. After the hearing or other proceeding and before decision, no Committee member shall discuss the merits of the case with any person, other than in formal Committee session; to do so shall be a violation of a membership duty.
- (c) Any party may file a request with the Committee to disqualify any member(s) from serving at a hearing or other proceeding, stating the grounds for disqualification. Any such request shall be filed at least ten (10) working days before the hearing or proceeding. If a majority of a Committee quorum finds any automatic ground of disqualification to be present or finds any other fact which in

the majority's judgment may prevent the member from rendering an impartial decision, or appear to do so, that member shall be disqualified.

### ***Section 8. Conduct of Hearing***

- (a) Counsel may be present to advise a party but may not participate at the hearing. Counsel may be called as a witness if appropriate.
- (b) Hearings will be conducted informally. Each party must try to convince the Committee of the correctness of its position and no hearing will be closed until each party has had a full opportunity to do so.
- (c) Each party will present its case as follows: (i) an opening statement to describe the controversy; (ii) presentation of testimony and other evidence and arguments in support of the party's position; and (iii) a closing statement to summarize evidence and arguments, and to refute points made by the opposing party.
- (d) Every party has the right to present witnesses, pertinent evidence, and submit questions for the Committee to examine witnesses. There will be no cross-examination; the Committee shall conduct all questioning of witnesses. Evidence shall be oral testimony, declarations, authenticated documents, or other papers verified to the Committee's satisfaction.
- (e) If summoned by the Committee, it shall be a membership duty of every member to appear at the hearing and to testify truthfully.
- (f) Witnesses giving oral testimony shall be sworn by the Committee Chairperson. Any testimony given by a representative of a member firm which is proven to be knowingly false will be considered a violation under the Standards.
- (g) When the Committee, through the Chairperson, has determined that all parties have had a fair opportunity to present all their evidence, the Chairperson will declare the hearing closed.

### ***Section 9. Decision***

- (a) The Committee shall make its decision in writing, signed by the Chairperson, within ten (10) working days after the hearing is declared closed.
- (b) The Committee's decision shall state whether a Standards violation has occurred, and the disciplinary or other action, if any, to be taken. Such action may be one or more of the following: (i) dismissal of the Complaint; (ii) private censure consisting of attaching the decision to the Respondent's NEFA membership records; (iii) public censure consisting of NEFA's publication of the decision; (iv) probationary membership with the conditions set by the Committee; (v) suspension of membership for a term determined by the Committee; and/or (vi) expulsion from membership.
- (c) The Committee shall send a copy of the decision to the Complainant and each Respondent within five (5) working days after the decision is filed.

### ***Section 10. Option to Have Complaint Resolved by a Single Decision Maker***

- (a) The Complainant and Respondent(s) have the option to agree to have an authorized Complaint be resolved by a single decision maker, with this option operating as stated in subsections 10(b)-(g) below.
- (b) The NEFA will have a panel of available decision makers, a list of whom should exist in writing, and which panel will consist of all members of the then existing Committee and any other volunteer representative of a NEFA member (or past representative of such a member), who is approved by the existing Committee.
- (c) At the time of filing the Complaint, the Complainant shall specify (on the Complaint) whether or not the Complainant agrees to have the matter resolved by a single decision maker.
- (d) If the Complaint specifies that the Complainant agrees to a single decision maker, then, at the time of filing its Answer to the Complaint, each Respondent shall specify (on the Answer) whether such Respondent agrees to have the matter resolved by a single decision maker.
- (e) If the Complainant and all Respondents expressly so agree to have the matter resolved by a single decision maker, then the Chairperson of the Committee shall send each party a list of nine (9)

potential decision makers from the panel referenced above. Each party has the right to strike three people from the list, and shall rank the remaining people on the list in order of preference, and shall deliver their respective altered lists to the Chairperson within ten (10) business days after such mailing.

- (f) The Chairperson will select the decision maker from the altered lists based first on a weighted average of the parties' preferences, and thereafter on the availability of the person selected. The Chairperson shall advise all parties of the selected decision maker.
- (g) Thereafter, the selected decision maker shall (i) resolve the matter pursuant to Sections 6(f)-(i) and 7 through 9 of the Procedures, with the single decision maker being substituted for the entire Committee, (ii) keep the Chairperson promptly advised of all developments, and (iii) be free to ask the Chairperson any questions about the matter and Procedures.

The foregoing provisions of this Section 10 notwithstanding, Sections 1 through 6(a)-(e) and 11 through 13 shall remain applicable to the matter and shall remain in full force and effect.

### ***Section 11. Appeals***

- (a) Any party to a case not satisfied with the Committee's decision, may file a written appeal to the Board by filing same within sixty (60) days after the Committee's decision is filed. A filing fee of \$100 must accompany the appeal.
- (b) If an appeal is filed, the hearing on it will occur at the next scheduled Board meeting, which is not less than fifteen (15) working days after the appeal is filed.
- (c) The Board shall send notice to all parties to the case, by certified mail with return receipt requested, within ten (10) working days after an appeal is filed, of the time and place of the appeal hearing by the Board. At the same time, the Board shall send to each Board member an entire copy of the file with respect to the case.
- (d) Counsel may be present to advise any party but may not participate at the Appeal Hearing. Counsel may be called as a witness if appropriate.
- (e) At the hearing before the Board, the Committee Chairperson shall present a summary of the case. Each party shall be heard to correct the summary, if he/she wishes to do so. Each party may present to the Board his/her reasons why the Committee's decision should be followed or not, but no new evidence shall be presented.
- (f) The Board shall render its decision within ten (10) working days of said hearing and shall send a copy to each party. The appeal decision may adopt, reject or modify the Committee decision. The Board's decision shall be final.

### ***Section 12. Waiver***

Each member firm and its employees and representatives, by virtue of membership, waive any right of redress against the NEFA, the Board, the Committee, its members, and each single decision maker, for any action taken in implementation of the Standards or Procedures.

### ***Section 13. Effect on Rights and Obligations***

Neither an alleged violation of these Standards nor any determination that an actual violation has occurred shall delay, impair or otherwise affect the rights, remedies or obligations of the parties to a commercial finance or an equipment leasing transaction.