



# CODE OF ETHICS AND COMPLAINT PROCEDURES

## Enforcement Provisions

A Member may be censured, suspended or expelled from the Association for violating the Code of Ethics ("Code") of the Association, set forth in Appendix 1 herein. Accordingly, the disciplinary actions that the Association may take in the event of a violation of the Code include:

1. private censure;
2. public censure;
3. probationary membership with such conditions as may be determined by the Association;
4. suspension of membership for a term and on such conditions as may be determined by the Association;
5. expulsion from membership; and
6. non-renewal of the membership of the Member.

This Code is most effective when Members ensure that their own practices and actions conform to the standards set forth in the Code. In those instances where a party alleges that a Member has violated the Code, the initial complaint, whether in writing or verbal, is to be directed to the Association General Counsel. The General Counsel will initially attempt to address the matter by acting as a facilitator to open lines of communication between the parties in an effort to have the parties resolve the situation without commencing an inquiry under the formal complaint procedures. If the complaining party determines that these initial steps do not resolve the issue to the satisfaction of the complaining party, then the complaining party may avail itself of the formal complaint procedures set forth in Appendix 2 herein. The validity of the complaint will then be determined by the Association Ethics Committee (the "Committee"). The Committee will consist of five (5) members of the Association, who are appointed by the President of the Association. The President of the Association shall also designate one member of the Committee as Chairman of the Committee. If a matter or dispute between the parties to the Complaint is involved in arbitration or

litigation at the time of the filing of the Complaint, then a party is prohibited from availing itself of the initial complaint procedure to the General Counsel or the formal complaint procedure set forth on Appendix 2. If arbitration or litigation is commenced subsequent to the Complaint being filed, then the pending Complaint procedure will be suspended. In those situations where a Complaint cannot be filed due to pending arbitration or litigation, or a Complaint is suspended due to subsequent arbitration or litigation, the Complaint process may commence or be reinstated, as applicable, upon action by the Complainant when the arbitration or litigation is concluded, including any applicable appeals.

## **Appendix 1: Association Code of Ethics**

As broker members, funding source members, associate members and honorary members of the AACFB, we ascribe to the following Code and pledge ourselves to the word and principal of this Code:

1. We will demonstrate honesty, professionalism and integrity in all our relationships and business dealings with customers, fellow members, the public, equipment vendors, licensed professionals, other brokers, and our funding sources. We will at all times adhere to two golden rules: First, treat other business professionals as we would like them to deal with us and, second, always conduct our business dealings so as to reflect a positive image upon our profession and the AACFB.
2. We will be mindful of our obligations with respect to funds remitted by customers. Specifically, we acknowledge that in order for funds remitted by customers to be earned, we must provide goods, services or value to the customer in exchange for those funds.
3. We will communicate as soon as it becomes known to us all information germane to our funding sources where such facts may impact a funding source's credit evaluation of a proposed customer. We acknowledge that as brokers, we are responsible for sharing all information known to us regarding all aspects of a proposed transaction with our funding sources.
4. We will never knowingly make false statements to anyone. Under no circumstances will we perpetuate, encourage or disregard fraudulent or inherently dishonest activity by any person in connection with a business transaction.
5. When we are asked for legal, accounting, tax or any other similar professional advice, we will always qualify our advice to the individual with whom we are speaking to ask the same question of a duly licensed and qualified professional.
6. We shall cooperate with our funding sources on all issues reasonably required by a funding source for completion of a transaction, including but not limited to all issues of documentation as a funding source shall require.
7. We will deal with our funders in a manner which respects the value of their time and financial commitment. We will use our best efforts to submit proper and complete applications in accordance with the requirements of a funding source.
8. Funding source members agree that they will not circumvent the broker in any transaction in which a broker refers a transaction which would otherwise entitle the broker to a commission.

9. We will strive to enhance our professional education and keep ourselves informed of new developments in our industry.
10. The use of the terms "American Association of Commercial Finance Brokers", "AACFB" and the AACFB "Logo" shall be used only by members in good standing on their letterhead and business cards in accordance with rules promulgated by the AACFB Board of Directors from time to time. In the event that any member becomes aware of the use of the aforesaid by a non-member, then such member shall immediately bring the usage by the non-member to the attention of the Board of Directors for further action.

All members of the American Association of Commercial Finance Brokers agree to abide by and submit to the arbitration dispute resolution program administered by the AACFB and in effect as necessary.

## **Appendix 2: Association Code of Ethics Formal Complaint Procedures**

This Appendix 2 provides a procedure for administering formal complaints by a "Complainant" (as herein defined) that a Member has violated the Code.

Complaints will be reviewed by the Association Ethics Committee (the "Committee"), the composition of which is described above.

The following provisions set forth the procedures to be followed in proceedings involving alleged violations of the Code.

1. A proceeding alleging that an Association Member violated the Code may be initiated by a Member of Association (other than any Association Member who has a representative on the Committee), by the Executive Committee of the Association or by a non-member of Association which has suffered injury as a participant in an equipment lease or finance transaction with a Member ("Complainant"). The proceeding shall be initiated by filing a written complaint (the "Complaint") with General Counsel at Association Headquarters. The Complaint must identify the section(s) and standard(s) of the Code alleged to be violated, set forth in detail the facts claimed to support the charges of Code violation, and include documents in the possession of the Complainant which are pertinent to the Complaint. In addition, the Complainant may submit affidavits from the Complainant and others in support of the Complaint.
2. Any complaint against an Association Member who is or has a representative on the Committee shall be sent directly to the Board, which will then follow the procedural guidelines below in determining whether an ethics violation has transpired and the appropriate action, if any.
3. Copies of the Complaint and supporting documents, if any, shall be sent by General Counsel to the members of the Committee. If the Committee deems the Complaint to be insufficient, it may request the Complainant to provide more information, documents or affidavits in support of the Complaint. General Counsel will ensure that the Complainant has a copy of the Code including these Formal Complaint Procedures.
4. At any time during the formal complaint process, the Committee may consult with specific resources within the Association such as legal, asset management, accounting, etc., which the Committee deems necessary based on the nature of the Complaint. The Committee will maintain a formal written record of all findings and proceedings of the Committee involving the Complaint.

6. If the Committee determines by majority vote that the Complaint and supporting documents, on their face, do not satisfy the requirements of Paragraph 1 or do not state facts constituting a violation of the Code, the Complainant shall be so notified by the Chairman of the Committee, and no further action shall be taken.
7. If the Committee determines by majority vote that the Complaint and supporting documents meet the requirements of Paragraph 1 and allege facts which, if true, could constitute a Code violation, the Chairman of the Committee shall request that General Counsel send a copy of the Complaint and supporting documents to the party complained against (the "Respondent"). General Counsel shall also provide the Respondent with a copy of the Code.
8. The Respondent shall be afforded an opportunity to answer the Complaint (the "Answer"). The Respondent's Answer shall respond to the specific allegations contained in the Complaint. The Answer shall also notify the Committee whether or not the Respondent requests a hearing on the allegations in the Complaint and provide the Committee with documents or affidavits from Respondent or others supporting the Answer. The Answer, supporting documents and affidavits shall be sent to General Counsel within 30 days of Respondent's receipt of the Complaint.
9. General Counsel shall promptly forward the Answer and supporting documents to the Committee and to the Complainant, and shall notify Complainant of the right to request, within 30 days of receipt of the Respondent's Answer, a hearing on the Complaint before the Committee.
10. Irrespective of whether either or both of the parties request a hearing on the Complaint, the Committee shall have the authority by majority vote to dismiss the Complaint if it determines, based upon the submissions made, that it is clear there is no violation of the Code. Should the Committee dismiss the Complaint, the parties shall be notified and no further action on the Complaint shall be taken.
11. In the event the Complaint is not dismissed, and a party has requested a hearing or the Committee determines a hearing is necessary, then the Committee shall notify Complainant and Respondent of the date, time and location of the hearing and their right to be represented by counsel at the hearing. During the hearing, the parties shall be afforded a reasonable opportunity to present evidence, cross-examine witnesses and be heard on matters alleged in the Complaint and Answer. The Committee may also permit others to testify at the hearing.

12. The Committee shall vote on whether or not the Respondent has violated the Code based upon the record, and, if so, what disciplinary action, if any, should be taken against the Respondent as a consequence of such violation. A majority vote of the Committee members is required to censure, suspend, not renew the membership of, or expel a Respondent.
  
13. The Committee's decision must be in writing and shall be sent to the Respondent and Complainant. The Committee shall notify the Respondent of the right to appeal an adverse decision within 30 days of receipt of the decision. The Respondent's appeal, if any, shall be sent to General Counsel and shall set forth the reasons why the Committee's decision should be set aside. General Counsel shall promptly forward the Respondent's appeal, if any, to the Complainant. If the Respondent does not timely appeal the Committee's decision, the decision shall be final and binding upon Respondent.
  
14. If the Respondent elects to appeal the Committee's decision, then the matter shall be transmitted for a hearing on the existing record before the Association Board of Directors (the "Board"). The Board shall notify the parties of the date, time and location of the hearing, and the schedule for filing written submissions with the Board. The Respondent and the Complainant may be represented by counsel and shall be permitted to provide written submissions and present oral argument to the Board. No additional documents may be filed, or any testimony taken, unless ordered or requested by the Board. The Board shall vote on whether the Committee's decision should be affirmed, modified or reversed. A decision by the Board which censures, suspends, or expels the Respondent, or which decides not to renew Respondent's membership, must be by two-thirds vote of the members present and voting. No member of the Committee, and no Director that is a representative of an Association member that initiated the Complaint or is the Respondent, may be present during, or participate in, the voting.