



Recommendation of  
**UAEL-EAEL Merger**  
Task Force

**CONFIDENTIAL**

# Background

Following a series of discussions between the executive committees of the United Association of Equipment Lessors' (UAEL) and the Eastern Association of Equipment Lessors' (EAEL) boards in 2007, the groups resolved that the timing and potential synergies between the associations justify merger discussions. Both association boards passed resolutions to form a joint task force to explore the desirability and feasibility of a merger.

There have been past attempts to initiate merger discussions, the most recent occurring in 1996. Some past obstacles included the perception by many that the two associations lacked enough synergy and resistance from a few outspoken, influential members of both associations against combining. Consequently, merger discussions did not advance beyond preliminary phases.

Now, all parties believe the dynamics of the two associations, their respective positions in the leasing association market, and the present state of the equipment leasing community present unique prospects for a merger.

The boards appointed the following eight members to comprise the Merger Task Force:

From the UAEL: Brent Hall (Pinnacle Business Finance Inc.); Brian Bjella (Grandview Financial Inc.); Steve Crane (Bank of the West); and Steve Schachtel (Lakeland Bank).

From the EAEL: Bruce Winter (FSG Leasing, Inc.); Randy Haug (LeaseTeam, Inc.); George Parker (Leasing Technologies International, Inc.); and Frank Peretore (Peretore & Peretore, P.C.).

## **The Merger Task Force was charged with the following mission:**

To carefully weigh the advantages and disadvantages of a merger

To evaluate the situations of both associations to determine whether a merger would be desirable and feasible

To evaluate how a merger would impact both memberships and managements

If the task force determined that a merger would be beneficial and feasible, prepare a preliminary merger plan

Present a final recommendation and plan (if appropriate) to both boards

# Task Force Conclusion and Recommendation

**It is the conclusion and recommendation of the Merger Task Force that the two associations merge.**

This recommendation is based upon the following conclusions:

- The two associations are similarly positioned in the marketplace, essentially targeting the same member types, offering similar value propositions and similar programming.
- A merger will create a stronger value proposition for both memberships, consisting of enhanced programs, new programs, additional networking opportunities, better services and other benefits at dues levels that are cost effective. Members will benefit from greater geographic and industry segment diversity.
- A combined association will create economies of scale, affording programs and benefits that exceed what is possible as stand-alone associations.
- The leadership talent of the two associations would be combined. A professional management company could be engaged to help elevate the level of member services while retaining existing executive management personnel and/or other industry veterans to serve industry-specific needs and provide necessary industry contacts for membership development.
- A merged association will broaden the access of members to national and local networking events, additional funding sources and service providers, and create new promotional opportunities for all.
- Financial resources would be greater and the financial position would be stronger with a combined association.
- A merged association will be significantly larger than either and will help ameliorate the gradual long-term trend of net member attrition experienced by both associations.
- Addressing large time commitments, duplicate membership dues, event fees, sponsorships and travel, a merged association will offer many joint-members substantial savings. Many of these members are actively involved in both associations and, collectively, contribute a significant portion of each association's operating revenues.

# Analysis

## *Missions*

The stated mission of the UAEL is to provide a forum for the personal and professional growth and the mutual success of its members by uniting them through networking, education and involvement. The EAEL pursues a very similar mission and set of objectives to serve its members.

Both organizations emphasize their roles in promoting member interaction, the exchange of ideas, educating, advocating, professional development and disseminating useful information. In that regard, the two associations pursue similar strategies, making a union less of a deviation from the mission of each. The new association's proposed mission would be to provide a forum for members to pursue personal and professional growth, ethics, advocacy, networking, education and involvement. This mission would be accomplished by:

- Fostering the exchange of information and ideas within the equipment leasing and commercial finance industry by providing opportunities to discuss, debate, and publish subjects of interest to members;
- Holding local, regional and national meetings and conferences for the improvement and education of members;
- Developing and encouraging the practice of high standards of personal and professional conduct by members;
- Collecting and disseminating industry information; and
- Recognizing individuals and firms who make outstanding contributions to the equipment leasing and commercial finance industry.

## *Positioning of Existing Associations*

The UAEL and EAEL are similarly positioned in the leasing association marketplace. Both target members who are primarily small to mid-size independent lessors or sophisticated lease brokers looking to enhance their businesses, to expand, to stay informed, and/or to take advantage of networking and educational opportunities. To facilitate this effort, both associations open membership to bank-affiliated and captive lessors, banks, other funding sources and service providers interested in affiliating with or serving these core members. In the case of the UAEL (with 317 members), members are recruited nationally while the EAEL (with 182 members) concentrates primarily on lessors and advanced brokers on the east coast. Both associations have proven value propositions that offer members excellent value for relative modest dues and programming charges.

While both associations are effectively positioned in the leasing association marketplace, each has its strengths and weaknesses. The UAEL covers its market nationally but has only modest representation on the east coast, considering the large potential membership from the eastern region. This development has history in the formation of the association, which started as an association of west coast lessors. The association has been able to branch out over the years to add members from the east, mid-west and south, but growth has stalled over the past decade as leasing companies continue to consolidate and membership turnover continues. The EAEL has had similar experience with its membership. A smaller association with its beginnings as a breakaway group of small to mid-size lessors from the AAEL (now ELFA), EAEL has grown to encompass companies located primarily east of the Mississippi. Its membership has leveled off with a downward long-term trend consistent with industry consolidation. While membership growth has been static for both organizations, both enjoy a core of long-standing members who seem to validate their value propositions.

The positioning of the two associations is in contrast with the other two major associations that overlap in

targeting similar members. The National Association of Equipment Lease Brokers (NAELB), with over 1,000 members, focuses primarily on equipment lease brokers, many who are smaller companies relatively new to the leasing market. The focus of this organization is to educate brokers to operate more efficiently, to identify funding sources, to manage their businesses more effectively, and to stay informed regarding industry developments and best practices. Additionally, the association has been able to add value by serving as a conduit to select lower-priced services, which it negotiates for its membership. The NAELB has grown rapidly in recent years and has one of the largest memberships serving the equipment leasing industry. The growth of the NAELB seems consistent with the trend over the past 15 years of new independent lease originators entering the industry while existing mid-size lessors and super-brokers continue to be acquired by banks and other financial institutions. With relatively modest dues and programming charges, this association seems to offer its broker members a strong value proposition.

The most visible national association and the one with the greatest financial resources is the Equipment Leasing and Finance Association (ELFA), with over 740 members. This association targets a cross section of leasing companies, with strong emphasis on mid-size to large leasing and equipment finance companies operating nationally, offering them legislative advocacy, educational programs, networking, research, and a fairly broad offering of additional services. While membership is open to all types of equipment finance companies (independents, bank affiliated, diversified financial firms, captives and others), funding sources and service providers, the cost of membership and programming puts cost-effective membership out of reach for many small to mid-size lessors and brokers. For members operating nationally and/or internationally, with operations in many states, with many employees, with complex accounting and tax issues, managing substantial portfolios, and/or with significant funding needs, this association offers committees, sub-committees, seminars, courses, teleconferences, white-papers, special conferences and similar offerings to create a strong value proposition for its larger, sophisticated membership.

Given the similar market positions of the UAEL and EAEL, both organizations stand to reap significant benefits from joining forces to better serve the small to mid-sized lessor and sophisticated broker niche.

## ***Positioning of New Association and Proposed Name***

The new association will position itself as a national association serving small to mid-size independent equipment finance companies, lessors and sophisticated brokers. Reflecting the national scope of the new association and the increasing involvement of its members in providing equipment financing under loan and other credit arrangements (in addition to traditional lease arrangements) the task force suggests naming the new association, National Equipment Finance Association (NEFA).

Membership in NEFA would be open to leasing/equipment financing companies, lease brokers, and other companies in good standing that provide funding and services to this target group. Initial membership would potentially total over 400 members created from the memberships of UAEL and EAEL. Assuming that the new association retains substantially all of the members of the predecessor associations, members would come from across the US with as many as 38% from western states, 36% from eastern states and 22% from the mid-west and southern states. As is presently the case with the EAEL and UAEL, lessors and brokers will represent the largest component of membership, estimated at 60% (compared to 40% represented by funding sources and service providers).

Unlike the NAELB, which concentrates on serving the unique needs of equipment lease brokers, and the ELFA, which focuses more broadly on affiliated and independent lessors, those with domestic and international operations, and a handful of the largest equipment financing companies, the merged association will add considerable value to its members by focusing exclusively on the needs of and issues confronting small to mid-size independent lessors/equipment finance companies and brokers. Some of the ongoing issues facing this group include identifying new funding sources and trends, managing growth, hiring and retaining key personnel, identifying and avoiding fraud, branding and differentiating in competitive markets, exploiting niches, improving collections, navigating workouts, succession planning, and

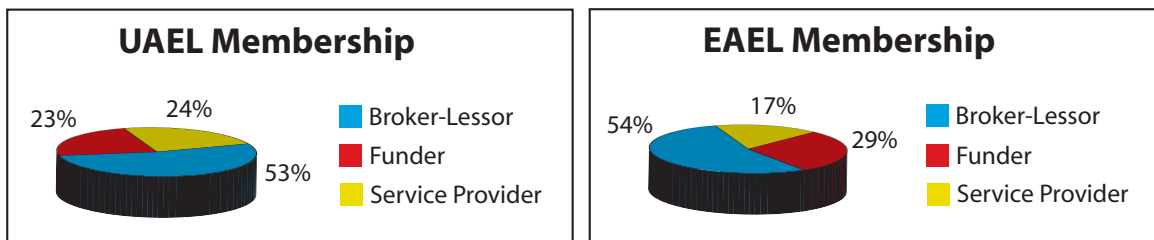
preparing for other exit strategies.

The association will also be able to raise members' awareness of key industry developments, including proposed legal, accounting, tax and regulatory changes. Where beneficial to all parties, NEFA will be in a position to collaborate with the other major leasing associations on important issues confronting the industry. For example, the association may choose to collaborate to defend against adverse tax legislation in various states, changes in accounting rules that adversely impact members, and/or on new licensing requirements/regulations that make business more difficult for members.

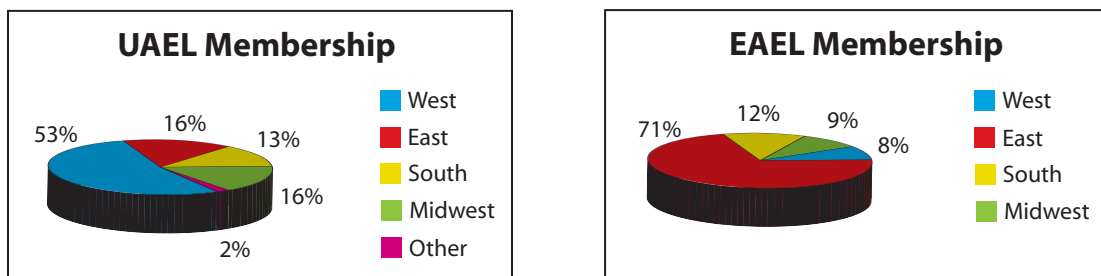
NEFA would offer members a stronger value proposition than its predecessors by providing enhanced programs and services at cost-effective dues and fee levels. With greater financial resources, experienced executive managers and a skilled management company, the association would be able to offer higher quality educational programs, stronger national conferences with enhanced content, more networking events around the country, a more robust website, and other quality offerings. Growth-oriented smaller members would have access to more funding sources, service providers, and via networking events and workshops, more established members able to share best industry practices. The sixty companies that presently belong to the UAEL and EAEL (representing 19% and 33% of their memberships, respectively), those now paying duplicate dues and conference registrations fees, and providing sponsorships for both associations, will reap significant efficiencies by concentrating resources and time on one association. All members will benefit from a more diverse membership comprised of companies from across the U.S. with diverse equipment financing specialties, industry experiences and know-how.

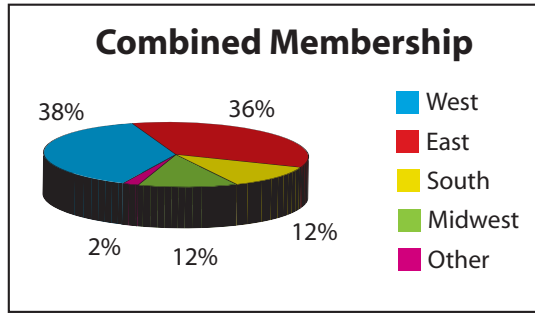
## Membership Profiles

As mentioned, both UAEL and EAEL serve memberships with similar profiles. While the geographic mix of the two associations differs significantly, the other profile characteristics are starkly similar. As the following graphs indicate, the UAEL and EAEL have a similar mix of broker/lessor members (at 53% and 54%, respectively), service providers (24% and 17%, respectively) and funding sources (23% and 29%, respectively):



While the UAEL's membership is heavily weighted toward west coast members (53% of membership), the association has done a good job of recruiting members from the east coast, south and mid-west. The EAEL, as its name implies, gets the substantial majority of its members from the east coast and southeast (71% of membership). The following table breaks out present membership by geography and shows the geographic breakout of a combined association assuming that the existing members of both associations remained in place (and that joint members are counted only once).





As the graph indicates, NEFA stands to benefit by having members who are geographically well balanced. West coast and east coast representation would be strong (at 38% and 36%, respectively) as would be that of mid-west and southern members. The membership would also benefit from a larger concentration of broker/lessors members, the primary membership group targeted by both associations.

## Programs and Services

Both organizations approach their missions via an array of service offerings that emphasize networking, educating, informing, sharing ideas, entertainment, and promotional opportunities. These offerings include the following activities and services:

<u>Activity</u>	<u>UAEL</u>	<u>EAEL</u>
Annual Conferences	2	2
Regional Events	yes	yes
Local Chapter Meetings	yes	yes
Website	yes	yes
News Magazine	yes	yes
Informative Emails	yes	yes
Entertainment Events	yes	yes
Advertising Opportunities	yes	yes
Sponsorships	yes	yes
Exhibit Opportunities	yes	yes
Workshops	yes	yes
Tel./Web Seminars	Ltd	Ltd
Ongoing Courses	Ltd	no

Given the similarity of programs and service offered by the two associations, an opportunity exists to streamline offerings, elevate the caliber of programs and services, and leverage the efficiencies/greater resources of a combined association.

Each association conducts two annual conferences and several regional/local networking events. The annual conferences for both associations are held in the spring and fall. These events offer members an opportunity to network, to attend educational seminars/workshops, to hear informative speakers, to exhibit their services and/or products and to participate in entertainment activities. These events are also significant revenue generators for both associations. Under a combined association, the four major conferences would be merged into two national conferences and at least one super-regional event. The end result would be a national leadership conference in the spring, an annual expo and training conference in the fall, and a super-regional networking/educational conference on the East Coast in the late fall (replacing the EAEL EXPO). The spring conference would usually be held at a venue in the middle of the country (Dallas/Chicago/New Orleans/Denver), while the fall conference would alternate each year between east coast and west coast venues.

NEFA would continue to offer a program set and services tailored to its membership. As before, content

delivery would center on key events and services. The two national conferences would provide venues for panel discussions, workshops/educational programs, speeches, exhibits and networking activities. Members would be able to exchange ideas and information, promote/exhibit their services/products and network. Attendance would be open to all members at preferred rates and to non-members at premium rates.

Regional conferences would emphasize networking, select educational offerings and promotional opportunities. Any overlapping regional events could be combined and streamlined for greater efficiency and effectiveness. Local gatherings and meetings would give members in specific geographic locations an opportunity to network and discuss local issues of concern. In addition to conferences and meetings, it is envisioned that educational and information content would be provided via teleconferences, webinars, emails, the news magazine, and the association's website.

Both the UAEL and the EAEL produce regular news publications (Newsline and The Independent, respectively). These publications are distributed to members at least once per quarter and contain a combination of industry news, articles written by members, editorials, announcements, and event calendars. Production and distribution costs are born by the associations and off-set by member advertising fees. In recent years, the UAEL has outsourced the production and distribution of Newsline with great success, resulting in a net revenue contribution. An opportunity exists for NEFA to combine Newsline and The Independent into one content-rich news publication that would offer members an excellent advertising vehicle. NEFA would continue to seek a net revenue contribution from the publication via outsourcing or internal production.

## ***Financial Profiles***

### **Dues Structures**

The present dues categories for both associations appear below:

<b><u>Present UAEL Dues</u></b>	<b><u>Amount</u></b>	<b><u>Present EAEL Dues</u></b>	<b><u>Amount</u></b>
Broker/Lessor		Broker/Lessor	
Up to \$10MM	\$ 595.00	Employees Up to 3	\$ 395.00
\$10MM - \$20MM	\$ 995.00	Employees from 4 - 50	\$ 800.00
Over \$20MM	\$1,295.00	Employees Over>50	\$1,100.00
Funding Sources	\$1,995.00	Funding Source	\$1,100.00
Service Providers		Service Providers	\$1,100.00
Employees Up to 6	\$ 795.00		
Employees Over 6	\$1,495.00		

While the two associations have some differences in the amounts charged to various members based on type of member and size/volume, relatively speaking, the dues amounts are not that far apart. An opportunity exists to retain dues levels for the majority of both memberships close to existing levels, while larger members, funding sources, and service providers, who stand to benefit most by having access to a larger, more diverse membership and/or the reduced cost of belonging to the two associations, would realize increased dues. The recommended dues structure for a combined association would be as follows:



<b><u>Proposed NEFA Dues</u></b>	<b><u>Amount</u></b>
Brokers/Lessors < \$10MM	\$ 445.00
Brokers/Lessors from \$10MM - \$20MM	\$ 895.00
Broker/Lessor > \$20MM	\$ 995.00
Funding Source < \$50MM Originations	\$ 1,495.00
Funding Source > \$50MM Originations	\$ 2,995.00
Service Provider < 6 people	\$ 995.00
Service Provider > 6 people	\$ 2,995.00

## ***Financial Summaries***

Both associations benefit from financial positions that are relatively strong and from positive recent operating performances. A summary of recent operations and financial positions of both organizations appears below.

<b>Summary Financial Statements 2007</b>	<b>UAEL</b>	<b>EAEL</b>
<b>Income Statement (in \$000)</b>		
<b>Revenues</b>		
Dues	\$ 297.60	\$ 121.50
Conferences/Meetings	\$ 555.50	\$ 156.30
Communications/Education	\$ 29.90	\$ -
Sponsorship Program	\$ -	\$ 54.20
Other	\$ 4.10	\$ 5.00
Total	\$ 887.10	\$ 337.00
<b>Expenses</b>		
Activities	\$ 462.50	\$ 171.20
G&A	\$ 354.90	\$ 163.80
Total	\$ 817.40	\$ 335.00
<b>Net Revenues</b>	\$ 69.70	\$ 2.00
<b>Balance Sheet (in \$000)</b>		
<b>Assets</b>		
Cash	\$ 408.20	\$ 153.40
Other Assets	\$ 51.40	\$ 20.00
Total	\$ 459.60	\$ 173.40
<b>Liabilities &amp; Equity</b>		
Liabilities	\$ 102.40	\$ 38.60
Equity	\$ 357.10	\$ 134.80
Total	\$ 459.50	\$ 173.40

While the UAEL benefits from a larger operating budget and greater financial resources as it serves its larger membership, the EAEL has also performed well and maintains a solid financial position. Both associations have operated at a surplus in recent years, have been able to offer quality programs, events and services to their memberships and have been able to accumulate sufficient cash balances against future uncertainties. A combination of the two associations will create an association with a solid financial position and excellent liquidity.

As is the case for the UAEL and EAEL, NEFA would generate the bulk of its revenues and operating surplus from membership dues, sponsorships, and registration fees from the major conferences. It is anticipated that regional and local events will be revenue-neutral. Additionally, as the UAEL has demonstrated, the association's news magazine can be operated at a surplus. General overhead, website operations and

educational offerings would be covered in whole or in part by revenue surpluses from the dues, conferences, sponsorships and other revenues.

While it is anticipated that NEFA would eventually achieve significant efficiencies and realize operating profits exceeding that of the UAEL and EAEL combined, much of this benefit will not be achievable until merger integration is complete. One-time charges and merger-related expenses would delay these financial benefits at least until 2010.

## **Governance**

Both EAEL and UAEL have active director boards, heavily involved in strategic direction as well as organizing efforts to execute association plans. Both associations rely on committee structures consisting of the board and other members. Committees assist in recruiting and retaining members, planning and executing conferences/ major events, and in handling other functions of the associations. Both boards are comprised primarily of senior executive volunteers from member companies representing a cross section of the membership.

The UAEL's board consists of 15 members. The board president, past president, vice-president, and treasurer comprise the board's executive committee. The executive committee typically assists the president in setting the strategic direction of the association, overseeing association management, tackling high-priority association issues requiring immediate attention, and executing strategic plans. The balance of the board is made up of executives from member leasing companies, funding sources and service providers. Each of the association's standing committees is chaired by a member of the board, joined by volunteers from the membership. Other committees are formed as needed and are usually chaired by a board member. UAEL board terms are for a period of two years and are staggered. The president serves for a period of one year.

The EAEL has a 19 member board. The executive committee of the board consists of eight board members, including the president, an executive vice president (usually the de facto president pro-temp), four vice presidents, the association's treasurer, and the association's secretary. Like the UAEL, the board's executive committee assists the president primarily in setting strategic direction, overseeing association management, and executing plans. The balance of EAEL's board consists of members representing a cross section of the association, with senior executives from member leasing companies, service providers and funding sources. EAEL also has standing committees that are usually chaired by board members. Board terms are for a period of two years and the president serves two years.

While both associations enjoy active boards consisting of members who have demonstrated leadership within the association over the years, an opportunity exists to pool and draw upon the best talent of each.

The recommended structure for NEFA would feature a fifteen-member board of directors consisting of demonstrated leaders and representing a cross section of the members. The board would have eleven elected directors who would serve one year terms, limited to three consecutive terms, with the goal of ensuring that director positions expire on a rotating basis. The executive committee of the board would consist of the president, vice-president, treasurer, secretary and immediate-past president. With the exception of the immediate-past president (a non-voting position), the four voting executive members would comprise the remainder of the fifteen member board. The executive committee would set strategic direction, oversee association management, and execute association plans. Each would serve one-year terms, but could be re-elected to serve one additional consecutive term. The task force has identified capable leaders willing and able to serve on NEFA's initial board of directors. The list is appended.

The nominating committee would nominate candidates for the board and association officers and would consist of the immediate past president (as committee chairperson) and at least two other members.

In addition to the board, the association would have several standing committees to help execute the plans and objectives of the association. These include the nominating, standards, and executive committees. Other committees, such as Regional, Education, Communications and Legal, would be created by the board from time to time and chaired by board members selected by the president.

## ***Staffing, Operations and Logistics***

The UAEL and EAEL function and are managed under similar structures. Both associations have executive directors who manage day-to-day operations, oversee back-office tasks, help plan and execute member programs, coordinate conferences and association events, and implement communications with members. Both associations rely heavily on their boards to collaborate with management to plan and deliver key programs for members.

With the assistance of Operations Manager, Kim King, and Marketing Manager, Bill Grohe, the UAEL is managed by Executive Director, Joe Woodley, who brings over thirty years of leasing executive experience to the association. Woodley and his team manage the association from their executive offices in La Quinta, CA. The management team focuses on member relations, implementing conferences and events, record keeping, member services, contracting with vendors, billing and collecting, and other routine functions. Some association functions such as legal, financial auditing, and publishing the association's news magazine, are outsourced to expert groups. An issue facing the UAEL within the next several years is planning for effective transition to new executive management in anticipation of Joe Woodley's eventual retirement.

Executive Director, Alison Pryor, manages EAEL's day-to-day operations from its office in Manhattan, NY. Alison's responsibilities are similar to her UAEL counterpart --- overseeing back-office tasks, helping to plan and execute member programs, coordinating conferences and association events, and implementing communications with members. Key functions requiring outside expertise such as financial record keeping and audit are outsourced to specialty firms. Alison has been in her position for over 15 years and has built tremendous rapport with long-standing members over that period. EAEL faces a management transition issue similar to the UAEL in that Alison will look to reduce her work commitment to the association over the next several years and/or retire.

Presently, both associations enjoy executive directors who have extensive experience, work well with their respective boards, are committed to serving their associations, and who are well liked by members. In looking forward to a merged association, the opportunity exists to combine the efforts of both executive directors and to supplement their efforts with the skill-set of a professional management company.

The role of a management company would be to help the association tackle strategic issues, execute its major programs, and handle day-to-day back-office functions such as billing, collecting, bookkeeping, preparing management reports, contracting with /overseeing vendors, registering new members, maintaining member data, mailings and emails, and other routine functions. Additionally, the management company would support the executive staff with personnel and support at conferences, manage the association's website, oversee/produce the news magazine and communicate with members and the board.

The task force has had discussions with several potential management companies and has commenced negotiations with one candidate capable of handling all of NEFA's requirements. This Atlanta-based company, Meeting Expectations, Inc. ("ME"), has the capabilities, size and expertise to manage NEFA. ME comes with excellent referrals and has managed similar size associations for over 15 years. Under a proposed management arrangement, NEFA will be assigned a dedicated Association Director and key staff members in certain functional areas. NEFA would benefit from the company's sophisticated data management software, financial record-keeping/reporting expertise, extensive back-office capabilities, website management experience, and expertise in several functional areas presently lacking at the existing associations. The contract would have a three year term with the flexibility to terminate at NEFA's discretion upon 120 days notice. Contract pricing and other terms would be subject to negotiation, should NEFA decide to move forward with this management company.

## ***Implementation and Timeline***

Several steps will be required to implement a merger. Before a merger can be executed, both association boards will have to pass a resolution to merge, followed by the approval of both memberships. The resolution would provide for dissolution of the two existing associations and creation of a new merged association consisting of the existing memberships. It would also provide for approval of by-laws for the new association, the initial board of directors, the name of the new association and the effective date.

One of the first actions of the NEFA board would be to engage the management company and to put into motion the various tasks required to wind down prior association matters and to consolidate operations. As discussed earlier, a sub-committee of the task force has been working to identify the new management company and to pre-negotiate an advantageous management contract.

A timeline showing the major steps required to effectuate a merger is detailed below:

- Late October – If both boards recommend a merger, both associations will vote on the merger. UAEL members may vote either in person or electronically during the period of September 25, 2008 through October 24, 2008. EAEL by-laws require a physical meeting of the members (which can be achieved by proxy) which would be held on October 24, 2008 in New York City. The by-laws and state statutes for both associations require that members vote on any merger and that the vote be carried by a specified majority of members.
- Early November - Assuming that both memberships approve a merger, the newly elected board would engage the management company by ratifying the management contract for signature. Members of the predecessor associations would be notified of the merger and of their transfer of membership to the new association.
- Early November – The new management company, executive staff, and board would launch the new association’s operations and wind down the predecessor associations by transferring information and records, consolidating financial records, consolidating bank accounts and attending to other operational matters.

### ***Appendixes***

1. Risk Factors
2. ByLaws & Dispute Resolution
3. Proposed 2009 Calendar of Major Conferences
4. Proposed First NEFA Board



# Appendix 1

## **Major Merger Risks**

# Major Merger Risks

## ***New management organization***

NEFA will engage a management company to handle key functions for the association. Neither the EAEL nor UAEL have experience utilizing a third party management company. Additionally, the management company will be sharing management responsibilities with existing personnel from both predecessor associations. This risk will be partly mitigated by having a flexible management contract that allows termination by the association without cause with 120 days notice.

## ***Retention of members from predecessor associations***

NEFA will only be successful if it can convert and retain UAEL and EAEL members. In that regard, the new association will have to sell members on its value proposition. Although NEFA will have to deliver on its value proposition to convert and retain members, it will have the advantage of being the only major association exclusively catering to the small to mid-size lessor and sophisticated broker segment.

## ***Retention of Executive Directors***

Joe Woodley and Alison Pryor are key managers, will be important resources in any transition, and are well-liked by their respective memberships. Both will be assets to the new association. While their continued involvement is desirable, the risk of one or more resigning is partly mitigated by engaging a highly professional management company that has handled many association transitions and by having a board consisting of very experienced members who are connected to the memberships.

## ***Timely and effective transfer of data and systems integration***

Successful transition to a new association will depend on integrating systems and transferring data on a timely basis. This risk is amplified given the timing of the merger, proposed only months before the 2009 renewal period. To mitigate this risk, the two associations will engage Meeting Expectations on a limited consulting basis to transfer and integrate sufficient data to handle member conversions/renewals.

## ***Unexpected expenses***

Although the task force has estimated the costs associated with the merger and included the same in NEFA's financial plan, there are no guarantees that additional costs will not be incurred. This risk is mitigated by the strong financial positions of both associations and the ability to absorb reasonable expense over-runs.



# Appendix 2

## **ByLaws & Dispute Resolution**

# 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 \_\_\_\_\_.

### *Section 2.*

- A. Offices of the NEFA shall be located in the State of \_\_\_\_\_ 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 make all required appointments of standing and special 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.
- B. 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 full-time 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.

## ***Section 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.



# Appendix 3

## **2009 Conference Calendar**

# Proposed 2009 NEFA Conference Calendar

*The major conferences proposed for NEFA during  
2009 are as follows:*

**SPRING CONFERENCE:**

April 23rd – 26th, 2009 – National Education Conference in Orlando

The focus of this multi-day conference would be on education, leadership development and networking. This would be our annual business conference and education forum.

**FALL CONFERENCE:**

September 24th – 27th, 2009 – National Funding Expo in Monterey, CA

This would be our largest event, with a multiple day format. In the future, the site location would be readily accessible to a major airport and potentially rotate between several cities --- including, Phoenix, Las Vegas, New Orleans, Orlando, and Dallas. The goal is to make it easier and more cost effective to fly into these major hubs from anywhere in the country.

**SUPER REGIONAL – EAST:**

November 10th, 2009 – Super Regional in NJ

This event would be similar to the well-attended one-day event EAEL holds today.

*In addition to the three major conferences there would be  
regional and local events throughout the year, as follows.*

**REGIONAL/CHAPTER EVENTS:**

In 2009, there would at least 40 regional events (to be determined) with 20 designated regions. Regional and local chapter activity is critical for NEFA's future success and would be a focal point for the new association. Existing local chapters would be retained and encouraged to continue chapter meetings and networking events. The major regional and chapter locations appear below:

**REGIONS/CHAPTERS**

Boston	Charlotte
Buffalo	Baltimore/Maryland/DC
NY City	Connecticut
New Jersey	Philadelphia
Atlanta	Southern California
Northern California	Indiana
Denver	Chicago
Portland	St. Louis & MO
Seattle	Ohio
Florida	Texas





# Appendix 4

## **Proposed First NEFA Board**

# Proposed 2009 Board for NEFA

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