



NON-BINDING ARBITRATION RULES FOR CONSUMER DISPUTES AND BUSINESS DISPUTES

Rules Effective April 15, 2009
Fees Effective January 1, 2010

Non-Binding Dispute Resolution Services
For Businesses & Consumers

INTRODUCTION

The American Arbitration Association®'s (AAA) Non-Binding Arbitration Rules provides parties with streamlined procedures for arbitrations that result in awards that are advisory and non-binding in nature. The award is rendered by an arbitrator after hearing and considering arguments and evidence from the parties. The non-binding arbitration process may be used to assess parties' respective positions when they are too far apart in their viewpoints for mediation. The advisory award resulting from the process may also aid parties at arriving at settlement of their case.

Streamlined Process

However, the non-binding nature of the Award that is rendered under these Rules is not the only way these Rules are designed to assist the parties in potentially settling their dispute. These Rules provide all of the benefits of the informal nature of arbitration. The focus is on ease of use, accessibility, speed and economy. The rules do not contemplate the parties expending time and financial resources as they would in litigation or even in arbitration. Motions, discovery, electronic discovery and other litigation-like procedures are not included in our Non-Binding Arbitration Rules, and engaging in these expensive and time-consuming procedural techniques is strongly discouraged.

Streamlined Costs

Fees to be paid to the AAA and to the arbitrator have been set at modest amounts in contemplation of a streamlined, one-day (or less) telephonic or in-person hearing and frequently a documents-only hearing. Where parties require additional administration and arbitrator involvement in 'discovery' issues, motions, postponements or additional hearings, the AAA and the arbitrator will assess additional fees. For cases proceeding promptly however, the costs are capped at modest amounts to encourage all participants to be efficient and effective.

Streamlined Schedule

An arbitration under these Rules will not exceed 120 days from the filing of the case, unless both parties agree that they want to extend the schedule and for how long they want to extend it. If the arbitration has not been concluded within 120 days from the filing date, any mandatory contractual requirement to arbitrate pursuant to these Rules will have been fulfilled and any party may pursue any other dispute resolution method available to them. For many cases, the Rules provide for arbitration to be by “desk arbitration” which means documents only, supplemented by telephonic hearings. For cases heard in person, the hearings must be concluded in one day.

Standard Arbitration Clause

The parties can provide for non-binding arbitration of future disputes by inserting the following clause into their contracts:

Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be submitted to non-binding arbitration administered by the American Arbitration Association® under its Non-Binding Arbitration Rules before the parties may initiate arbitration, litigation or some other type of dispute resolution process.

Submission of existing disputes to non-binding arbitration may be accomplished by use of the following:

We, the undersigned parties, hereby agree to submit to non-binding arbitration administered by the American Arbitration Association under its Non-Binding Arbitration Rules the following controversy: (describe briefly).

Fees and Costs

The AAA charges modest administrative fees and arbitrator compensation for cases administered pursuant to these Rules, as described in the fees section at the end of these Rules. Both the AAA fees and the arbitrator fees contemplate primarily proceedings on documents; however there are provisions for in-person hearings, at additional costs.

The AAA fees and arbitrator compensation do not cover any other charges that might be incurred in connection with a non-binding arbitration pursuant to these Rules.

NON-BINDING ARBITRATION RULES

1. Agreement of Parties

- (a) The parties shall be deemed to have made these rules a part of their arbitration agreement whenever they have provided for non-binding arbitration by the American Arbitration Association (hereinafter AAA) under its Non-Binding Arbitration Rules. These rules and any amendment of them shall apply in the form in effect at the time the administrative requirements are met for a demand for arbitration or submission agreement received by the AAA. Except as provided for in paragraph (c) of this section 1, the parties, by written agreement, may vary the procedures set forth in these Rules. After appointment of the arbitrator, such modifications may be made only with the consent of the arbitrator.
- (b) The parties shall further be deemed to have agreed that any arbitration award entered pursuant to the Non-Binding Arbitration Rules shall not be introduced or cited as evidence in any subsequent arbitration, litigation or any other administrative adjudicative body. Absent mutual agreement of the parties, any award rendered pursuant to these Rules shall not be entered as a judgment in any court.
- (c) Non-binding arbitrations arising out of consumer arbitration agreements must be guided by the principles contained in the AAA's Consumer Due Process Protocol. These Rules have been drafted to reflect the guidelines outlined in the Protocol but have been modified to create an expeditious and low-cost process.

2. AAA and Delegation of Duties

When parties agree to arbitrate under these rules, or when they provide for arbitration by the AAA and an arbitration is initiated under these rules, they thereby authorize the AAA to administer the arbitration. The authority and duties of the AAA are prescribed in the agreement of the parties and in these rules, and may be carried out through such of the AAA's representatives as it may direct. The AAA may, in its discretion, assign the administration of an arbitration to any of its offices.

3. National Roster of Arbitrators

The AAA shall establish and maintain a National Roster of Commercial Arbitrators ("National Roster") and within it, a panel of arbitrators for non-binding arbitration. AAA will appoint arbitrators as provided in these Rules from its Commercial or Consumer Disputes Non-Binding Panel.

4. Initiation under an Arbitration Provision in a Contract

- (a) Arbitration under an arbitration provision in a contract shall be initiated in the following manner:
 - (i) The initiating party (the “claimant”) shall give to the other party (the “respondent”) written notice of its intention to arbitrate (the “demand”), which demand shall contain a statement setting forth the nature of the dispute, the names and addresses of all other parties, the amount involved, if any, the remedy sought, and the hearing locale requested or shall request a hearing on documents only.
 - (ii) The claimant shall file at any office of the AAA a copy of the demand and the relevant arbitration provisions of the contract, together with the appropriate filing fee as provided in these rules.
 - (iii) The AAA shall confirm notice of such filing to the parties.
- (b) A respondent may file an answering statement with the AAA within 15 days after confirmation of notice of filing of the demand is sent by the AAA. The respondent shall, at the time of any such filing, send a copy of the answering statement to the claimant. If a counterclaim is asserted, it shall contain a statement setting forth the nature of the counterclaim, the amount involved, if any, the remedy sought, and the appropriate filing fee for the counterclaim as described in the Administrative Fee Schedule, except in consumer-related disputes.
- (c) If no answering statement is filed within the stated time, respondent will be deemed to deny the claim. Failure to file an answering statement shall not operate to delay the arbitration.

5. Initiation under a Submission

Parties to any existing dispute may commence an arbitration under these rules by filing at any office of the AAA a copy of a written submission to arbitrate under these rules, signed by the parties. It shall contain a statement of the nature of the dispute, the names and addresses of all parties, any claims and counterclaims, the amount involved, if any, the remedy sought, and the hearing locale requested, together with the appropriate filing fee as provided in the schedule included with these rules. Unless the parties state otherwise in the submission, all claims and counterclaims will be deemed to be denied by the other party.

6. Jurisdiction

- (a) The arbitrator shall have the power to rule on his or her own jurisdiction, including any objections with respect to the existence, scope or validity of the arbitration agreement.
- (b) The arbitrator shall have the power to determine the existence or validity of a contract of which an arbitration clause forms a part. Such an arbitration clause shall be treated as an agreement independent of the other terms of the contract. A decision by the arbitrator that the contract is null and void shall not for that reason alone render invalid the arbitration clause.
- (c) A party must object to the jurisdiction of the arbitrator or to the arbitrability of a claim or counterclaim no later than the filing of the answering statement to the claim or counterclaim that gives rise to the objection. The arbitrator may rule on such objections as a preliminary matter or as part of the final award.

7. Administrative Conference

The AAA may conduct an administrative conference by telephone with the parties and/or their representatives. The conference may address such issues as arbitrator selection, potential mediation of the dispute, pre-hearing matters, a timetable for hearings, and any other administrative matters.

8. Fixing of Locale

For arbitrations that will not be held on documents or telephonically, the parties may mutually agree on the locale where the arbitration is to be held. If any party requests that the hearing be held in a specific locale and the other party files no objection thereto within 15 days after notice of the request has been sent to it by the AAA, the locale shall be the one requested. If a party objects to the locale requested by the other party, the AAA shall have the power to determine the locale, and its decision shall be final and binding.

9. Appointment from Non-Binding Panel of AAA National Roster

- (a) In cases with claims or counterclaims not exceeding \$75,000, the AAA will administratively appoint an arbitrator from its Non-Binding Panel of Arbitrators.
- (b) In cases with claims or counterclaims over \$75,000, the AAA shall simultaneously submit to each party an identical list of five proposed arbitrators drawn from its Non-Binding Panel from which one arbitrator shall be appointed.

- (c) Each party may strike two names from the list and return it to the AAA within seven days from the date of the AAA's mailing to the parties. If for any reason the appointment of an arbitrator cannot be made from the list, the AAA may make the appointment from other members of the panel without the submission of additional lists.
- (d) The parties will be given notice by the AAA of the appointment of the arbitrator, who shall be subject to disqualification for the reasons specified in Section 12. The parties shall notify the AAA within seven days of any objection to the arbitrator appointed. Any such objection shall be for cause and shall be confirmed in writing to the AAA with a copy to the other party or parties.

10. Number of Arbitrators

Disputes heard under these Rules will be heard and determined by one arbitrator. Where the parties have agreed that three arbitrators will serve, the parties will utilize the fee schedule of the Commercial Arbitration Rules and not the fee schedule for the Non-Binding Arbitration Rules. In either case, the fees for the consumer, in a consumer-related dispute, will remain the same.

11. Disclosure

- (a) Any person appointed or to be appointed as an arbitrator shall disclose to the AAA any circumstance likely to give rise to justifiable doubt as to the arbitrator's impartiality or independence, including any bias or any financial or personal interest in the result of the arbitration or any past or present relationship with the parties or their representatives. Such obligation shall remain in effect throughout the arbitration.
- (b) Upon receipt of such information from the arbitrator or another source, the AAA shall communicate the information to the parties and, if it deems it appropriate to do so, to the arbitrator and others.
- (c) In order to encourage disclosure by arbitrators, disclosure of information pursuant to this Section 11 is not to be construed as an indication that the arbitrator considers that the disclosed circumstance is likely to affect impartiality or independence.

12. Disqualification of Arbitrator

- (a) Any arbitrator shall be impartial and independent and shall perform his or her duties with diligence and in good faith, and shall be subject to disqualification for:
- (i) partiality or lack of independence,
 - (ii) inability or refusal to perform his or her duties with diligence and in good faith, and
 - (iii) any grounds for disqualification provided by applicable law.
- (b) Upon objection of a party to the continued service of an arbitrator, or on its own initiative, the AAA shall determine whether the arbitrator should be disqualified under the grounds set out above, and shall inform the parties of its decision, which decision shall be conclusive.

13. Communication with Arbitrator

No party and no one acting on behalf of any party shall communicate *ex parte* with an arbitrator or a candidate for arbitrator concerning the arbitration.

14. Vacancies

- (a) If for any reason an arbitrator is unable to perform the duties of the office, the AAA may, on proof satisfactory to it, declare the office vacant. Vacancies shall be filled by a direct appointment made by the AAA.
- (b) In the event of the appointment of a substitute arbitrator, the arbitrator shall determine in his or her sole discretion whether it is necessary to repeat all or part of any prior hearings.

15. Exchange of Information or Exhibits

- (a) Depositions, interrogatories, and requests to admit, as developed in American court procedures, are not appropriate procedures for obtaining information in non-binding arbitration.
- (b) At least five business days prior to the hearing, the parties shall exchange copies of all documents and exhibits they intend to submit at the hearing. The parties may not submit to the arbitrator any documents or exhibits which have not been provided to the other party within the timeline for doing so.

16. Date, Time, and Place of Hearing

- (a) Where claims and/or counterclaims do not exceed \$75,000, the parties agree to waive oral hearings and proceed on documents only, with a possible brief telephonic hearing if the arbitrator deems necessary. If the parties jointly agree or their contract requires an in-person arbitration on cases involving \$75,000 or less, an additional AAA administrative fee will be required and additional arbitrator compensation may be billed.
- (b) Where there is an in-person hearing scheduled, the arbitrator shall set the date, time, and place for the hearing, to be held within 60 days after appointment of the arbitrator. The parties shall respond to requests for hearing dates in a timely manner, be cooperative in scheduling the earliest practicable date and adhere to the established hearing schedule.

17. Attendance at Hearings

The arbitrator and the AAA shall maintain the privacy of the hearings unless the law provides to the contrary. It shall be discretionary with the arbitrator to determine the propriety of the attendance of any other person other than a party and its representatives.

18. Representation

Any party may be represented by counsel or other authorized representative. Parties are not required to be represented by counsel. A party intending to be so represented shall notify the other party and the AAA of the name and address of the representative at least three days prior to the date set for the hearing at which that person is first to appear. When such a representative initiates an arbitration or responds for a party, notice is deemed to have been given.

19. Oaths

Before proceeding with the first hearing, each arbitrator may take an oath of office and, if required by law, shall do so. The arbitrator may require witnesses to testify under oath administered by any duly qualified person and, if it is required by law or requested by any party, shall do so.

20. Stenographic Record

Absent express written agreement among the parties, there will be no stenographic record.

21. Interpreters

Any party wishing an interpreter shall make all arrangements directly with the interpreter and shall assume the costs of the service.

22. Postponements and Rescheduling Costs

For an in-person hearing, the arbitrator and the parties will have set aside valuable time to prepare for and to attend the hearing. It is very important for the parties to adhere to any in-person hearing schedule established to preserve the streamlined nature of the proceeding. However, the arbitrator may postpone a hearing upon agreement of the parties, upon request of a party for good cause shown or upon the arbitrator's own initiative. Except where the postponement is caused solely by the arbitrator, rescheduling a second postponed hearing will require advancing an additional AAA administrative fee, and may also cause a cancellation fee charged by the arbitrator to be incurred. These rescheduling costs will be apportioned by the arbitrator in his or her Award.

23. Arbitration in the Absence of a Party or Representative

- (a) Unless the law provides to the contrary, the arbitration may proceed in the absence of any party or representative who, after due notice, fails to be present or fails to obtain a postponement. An award shall not be made solely on the default of a party. The arbitrator shall require the party who is present to submit such evidence as the arbitrator may require for the making of an award.
- (b) Where a party, after notice, is not participating in the non-binding arbitration, the participating party may request in writing that the AAA or the arbitrator close the case with a written notice to both parties, so that it may pursue any other dispute resolution method available to it.

24. Conduct of Proceedings

- (a) In cases with claims or counterclaims not exceeding \$75,000, the parties agree to waive oral hearings and proceed on documents only, with a possible brief telephonic hearing, if the arbitrator deems necessary. The AAA or the arbitrator will provide the parties with the procedures for submitting the case on documents.
- (b) Any in-person hearings conducted under these Non-Binding Rules shall not exceed one day. Each party shall have equal opportunity to submit its proofs and complete its case. The arbitrator shall determine the order of the hearing, and may require further submission of documents within two days after the hearing.

- (c) The arbitrator shall conduct the proceedings expeditiously and may direct the order of proof, bifurcate proceedings, and direct the parties to focus their presentations on issues the decision of which could dispose of all or part of the case. When witnesses are included, the arbitrator will provide that such witness submit to direct and cross-examination.
- (d) The parties may agree to waive oral hearings in any case.

25. Evidence

- (a) The parties may offer such evidence as is relevant and material to the dispute and shall produce such evidence as the arbitrator may deem necessary to an understanding and determination of the dispute. The parties must exchange any documentary evidence to be used at hearing at least five business days prior to any in-person hearing. Conformity to legal rules of evidence shall not be necessary. All evidence shall be taken in the presence of the arbitrator and all of the parties, except where any of the parties is absent, in default or has waived the right to be present. "Presence" should not be construed to mandate that the parties and arbitrators must be physically present in the same location.
- (b) The arbitrator shall determine the admissibility, relevance, and materiality of the evidence offered and may exclude evidence deemed by the arbitrator to be cumulative or irrelevant.
- (c) The arbitrator shall take into account applicable principles of legal privilege, such as those involving the confidentiality of communications between a lawyer and client.

26. Closing of Hearing

The arbitrator shall specifically inquire of all parties whether they have any further proofs to offer or witnesses to be heard. Upon receiving negative replies or if satisfied that the record is complete, the arbitrator shall declare the hearing closed. The time limit within which the arbitrator is required to make the award shall commence, in the absence of other agreements by the parties, upon the closing of the hearing.

27. Waiver of Rules

Any party who proceeds with the arbitration after knowledge that any provision or requirement of these rules has not been complied with and who fails to state an objection in writing shall be deemed to have waived the right to object.

28. Extensions of Time

The parties may modify any period of time by mutual agreement. The AAA or the arbitrator may for good cause extend any period of time established by these rules, except the time for making the award. The AAA shall notify the parties of any extension.

29. Serving of Notice

- (a) Any papers, notices, or process necessary or proper for the initiation or continuation of an arbitration under these rules, may be served on a party by mail addressed to the party, or its representative at the last known address or by personal service, in or outside the state where the arbitration is to be held, provided that reasonable opportunity to be heard with regard to the dispute is or has been granted to the party.
- (b) The AAA, the arbitrator and the parties may also use overnight delivery or electronic facsimile transmission (fax) or electronic mail (e-mail) to give the notices required by these rules. The parties shall also accept notice by telephone.
- (c) Unless otherwise instructed by the AAA or by the arbitrator, any documents submitted by any party to the AAA or to the arbitrator shall simultaneously be provided to the other party or parties to the arbitration.

30. Time of Award

The award shall be made promptly by the arbitrator and, unless otherwise agreed by the parties or specified by law, no later than 14 days from the date of closing the hearing, or, if oral hearings have been waived, from the date of the AAA's transmittal of the final statements and proofs to the arbitrator.

31. Form of Award

The award shall be in writing, shall be signed by the arbitrator, and shall provide very brief reasons for the award unless the parties agree otherwise.

32. Delivery of Award to Parties

Parties shall accept as notice and delivery of the award the placing of the award or a true copy thereof in the mail addressed to the parties or their representatives at the last known addresses, personal or electronic service of the award, or the filing of the award in any other manner that is permitted by law.

33. Obtaining Certified Copies

The AAA shall, upon the written request of a party, furnish to the party, at the party's expense, certified copies of any papers in the AAA's possession that may be required.

34. Applications to Court and Exclusion of Liability

- (a) No judicial proceeding by a party relating to the subject matter of the arbitration shall be deemed a waiver of the party's right to arbitrate.
- (b) Neither the AAA nor any arbitrator in a proceeding under these rules is a necessary or proper party in judicial proceedings relating to the arbitration.
- (c) Parties to an arbitration under these rules shall be deemed to have consented that neither the AAA nor any arbitrator shall be liable to any party in any action for damages or injunctive relief for any act or omission in connection with any arbitration under these rules.

35. Administrative Fees

As a not-for-profit organization, the AAA shall prescribe administrative fees to compensate it for the cost of providing administrative services. The fees in effect when the fee or charge is incurred shall be applicable. Fees shall be advanced by the party or parties making a claim or counterclaim, subject to final apportionment by the arbitrator in the award. The AAA may, in the event of extreme hardship on the part of any party, defer or reduce the administrative fees.

36. Expenses

The expenses of witnesses for either side shall be paid by the party producing such witnesses.

37. Arbitrator's Compensation

Arbitrators will be compensated at rates included in the fee schedule below or suggested by the AAA's regional expedited panel rates. Compensation is per case and not per hour or per day. Cases are to be heard in one day if heard in person.

38. Deposits

The AAA may require the parties to deposit in advance of any hearings such sums of money as it deems necessary to cover the expense of the arbitration, including the arbitrator's fee, if any, and shall render an accounting to the parties and return any unexpended balance at the conclusion of the case.

39. Interpretation and Application of Rules

The arbitrator shall interpret and apply these rules insofar as they relate to the arbitrator’s powers and duties. Non-binding arbitrations will generally be heard by a single arbitrator. However, when there is more than one arbitrator and a difference arises among them concerning the meaning or application of these rules, it shall be decided by a majority vote. If that is not possible, either an arbitrator or a party may refer the question to the AAA for final decision. All other rules shall be interpreted and applied by the AAA.

40. Suspension or Closure for Nonpayment

If arbitrator compensation or administrative charges have not been paid in full, the AAA may so inform the parties in order that one of them may advance the required payment, if proceeding to a hearing or an Award is desired. If such payments are not made, the AAA or the arbitrator may order the suspension or termination of the proceedings.

In a mandatory non-binding arbitration, where the consumer participates and the company does not participate or fails to pay the administrative fees, the AAA will provide written notice to the parties and terminate the proceeding. The consumer may thereafter proceed with other options, including litigation.

ADMINISTRATIVE FEES

Business Disputes—Not Involving a Consumer Dispute

Amount of Claim	AAA Fee	Arbitrator Fee
<\$75,000	\$650 Documents-only Hearing	\$750 Documents-only Hearing
	\$1,025 In-person Hearing (one day)	\$750-\$1,500* In-person Hearing (one day)
>\$75,000	\$1,025 Documents-only Hearing or In-person Hearing	\$750-\$1,500* In-person Hearing (one day)

*AAA arbitrators throughout the United States have varying expedited compensation rates; The case manager will provide this information during the appointment process.

The AAA Fee is due at the time a demand for or a submission to AAA Non-Binding Arbitration is filed. Unless the parties agree otherwise, arbitrator compensation and deposits shall be deposited equally among the parties. These fees cover a streamlined arbitration heard by documents only or in a one-day hearing.

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Multiple postponements and rescheduling of in-person hearings, will require additional AAA fees and arbitrator fees, to be apportioned by the arbitrator.

Business-Consumer Disputes

The consumer may file the case with the AAA with a fee of \$125 as his/her share of the costs described below and the AAA will notify the company of the requirement to pay the balance of the fee.

Notice to Business Regarding Failure to Participate or Advance Costs: If the balance of the AAA fees is not paid within 15 days, the consumer's payment will be returned, the file will be closed and the consumer will be free to pursue other appropriate means of dispute resolution.

The business may file the case with the AAA by paying the appropriate administrative fee described below,

Amount of Claim	Fees Owed by Consumer	Fees Owed by Business AAA Fees	Fees Owed by Business Arbitrator Fees
<\$75,000	Half of arbitrator's fee, up to \$125	\$650 Documents-only Hearing	\$125 (claims <\$10,000) Documents- only Hearing
		\$1,025 In-person Hearing	\$625 (claims \$10,000-\$75,000) Documents-only Hearing
			\$625-\$1,375* In-person Hearing, (one day)
>\$75,000	\$125 of arbitrator's fee	\$1,025	\$625-\$1,375* Documents-only Hearing or In-person Hearing (one day)

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HEARING ROOM RENTAL

The fees described above do not cover the rental of hearing rooms, which are available on a rental basis. Check with the AAA for availability and rates.