

National Association of Development Companies

Code of Ethics & Trade Practice Rules

As amended October 20, 1997

Herein presented are the Code of Ethics, Trade Practice Rules and Procedures for their Enforcement adopted by the National Association of Development Companies (NADCO). In recognition of the responsibility conferred by the U.S. Small Business Administration (SBA) to each Certified Development Company (CDC), the members of NADCO individually and collectively, agree to this statement for the mutual benefit of the SBA, all CDCs and their clients.

PART A – CODE OF ETHICS

1. The business of each CDC shall be conducted at all times in full compliance with the Small Business Investment Act of 1958, any amendments thereto, and the Regulations issued thereunder by the Small Business Administration, and in accordance with high standards of commercial honor and just and equitable principles of conduct.
2. The constant goal of each CDC shall be to improve the welfare of the local community and the small business concerns, which it serves.
3. Each CDC shall promote and maintain ethical standards of conduct and deal fairly and honestly with all small business concerns seeking its assistance, with all companies to or with whom it makes loans or investments, with all other CDCs, with the Small Business Administration and other Government agencies having jurisdiction.
4. Each CDC and its officers, employees, designees, and representatives shall abide by the Code, the Trade Practice Rules, the Procedures for their Enforcement, and all rulings and orders issued pursuant to them; and all such officers, employees, designees, and representatives are as individuals hereby so bound.
5. In the administration of the Code and the Trade Practice Rules, it shall be the purpose and object of this Association not to discriminate against any member or CDC, not to engage in any practices which may be considered as being in restraint of trade.
6. Unethical conduct shall be deemed to include any evasive device intended to cloak noncompliance with the Act, Regulations, Code, Trade Practice Rules, or Procedures for their Enforcement.

PART B – TRADE PRACTICE RULES

1. It shall be the duty and obligation of each CDC to strive at all times to uphold the integrity, honor and reputation of the industry.
2. No CDC shall malign, defame, or unfairly criticize any other CDC in any dealings with proposed client companies or otherwise.
3. If one CDC asks another CDC whether it has negotiated or is negotiating with a proposed client company, the second CDC shall disclose whether it has or is and whether the matter is still open. Any further disclosures on the part of the second CDC shall be within its own discretion, and the decision of the first CDC to proceed with its own negotiation shall likewise be at its own discretion, it being intended to foster free competition.
4. No CDC may be used or permit itself to be used to promote the welfare of or assist its officers, directors, stockholders, employees, designees, or representatives except insofar as they may benefit from the success of the CDC. This rule shall not be deemed, however, to proscribe any investment or relationship which has been approved in writing by the Small Business Administration, nor the establishment of normal banking, business, or professional relationships; nor shall this rule be deemed to proscribe or prohibit the payment of professional fees, directors' fees, or other compensation for services, provided that a full disclosure thereof is made in advance in writing to the officers and directors of the CDC and to the officers and directors of all participating CDCs and other associates in the investment.

PART C – PROCEDURES FOR ADDITIONS OR AMENDMENTS

Proposed additions or amendments to the Code of Ethics, the Trade Practice Rules, and the Procedures for Their Enforcement shall first be submitted to the Administration Committee for review. Following completion of its review the Committee shall report its conclusions and recommendations on such proposals to the Executive Committee of NADCO. Additions or amendments may be adopted by the Executive Committee or by the Board of Directors of NADCO.