§ 107.503 Licensee’s adoption of an approved valuation policy.

(a) Valuation guidelines. You must prepare, document and report the valuations of your Loans and Investments in accordance with the Valuation Guidelines for SBICs issued by SBA. These guidelines may be obtained from SBA’s Investment Division.

(b) SBA approval of valuation policy. You must have a written valuation policy approved by SBA for use in determining the value of your Loans and Investments. You must either:

1. Adopt without change the model valuation policy set forth in section III of the Valuation Guidelines for SBICs; or
2. Obtain SBA’s prior written approval of an alternative valuation policy.

(c) Responsibility for valuations. Your board of directors or general partner(s) will be solely responsible for adopting your valuation policy and for using it to prepare valuations of your Loans and Investments for submission to SBA. If SBA reasonably believes that your valuations, individually or in the aggregate, are materially misstated, it reserves the right to require you to engage, at your expense, an independent third party, acceptable to SBA, to substantiate the valuations.

(d) Frequency of valuations. (1) If you have outstanding Leverage or Earmarked Assets, you must value your Loans and Investments at the end of the second quarter of your fiscal year, and at the end of your fiscal year.

2. Otherwise, you must value your Loans and Investments only at your fiscal year end.

3. On a case-by-case basis, SBA may require you to perform valuations more frequently.

4. You must report material adverse changes in valuations at least quarterly, within thirty days following the close of the quarter.

(e) Review of valuations by independent public accountant. (1) For valuations performed as of the end of your fiscal year, your independent public accountant must review your valuation procedures and the implementation of such procedures, including adequacy of documentation.

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