the securities of an Enterprise through
or from an underwriter if:
(1) You purchase such securities
within 90 days of the date the public of-
fering is first made;
(2) Your purchase price is no more
than the original public offering price;
and
(3) The amount paid by you for the
securities (less ordinary and reasonable
underwriting charges and commissions)
has been, or will be, paid to the issuer,
and the underwriter certifies in writing
that this requirement has been met.

(b) Recordkeeping requirements. You
must keep records available for the
Secretary’s inspection which show the
relevant details of the transaction, in-
cluding but not limited to, date, price,
commissions, and the underwriter’s
certifications required under para-
graphs (a)(3) and (c) of this section.

(c) Underwriter’s requirements. The un-
derwriter must certify whether it is
your Associate. You may pay reason-
able and customary commissions and
expenses to an Associate underwriter
for the portion of an offering that you
purchase.

(d) Securities purchased from another
RBIC. You may purchase from, or ex-
change with, another RBIC. Portfolio
securities (or any interest therein). Such purchase or exchange may only
be made on a non-recourse basis. You
may not have more than one-third of
your total assets (valued at cost) in-
vested in such securities. If you have
previously sold Portfolio securities (or
any interest therein) on a recourse
basis, you must include the amount for
which you may be contingently liable
in your overline computation.

(e) Purchases of securities from other
non-issuers. You may purchase securi-
ties of an Enterprise from a non-issuer
not previously described in this
§ 4290.825 if such acquisition is a reason-
ably necessary part of the overall
sound Financing of the Enterprise.

§ 4290.830 Minimum term of Financ-
ing.

(a) General rule. The minimum term
of each of your Financings is one year.

(b) Restrictions on mandatory redemp-
tion of Equity Securities. If you have ac-
quired Equity Securities, options, or
warrants on terms that include re-
demption by the Portfolio Concern,
you must not require redemption by
the Portfolio Concern within the first
year of your acquisition except as per-
mitted in § 4290.850.

(c) Special rules for Loans and Debt Se-
curities—(1) Term. The minimum term
for Loans and Debt Securities starts
with the first disbursement of the Fi-
nancing.

(2) Prepayment. You must permit vol-
untary prepayment of Loans and Debt
Securities by the Portfolio Concern.
You must obtain the Secretary’s prior
written approval of any restrictions on
the ability of the Portfolio Concern to
prepay other than the imposition of a
reasonable prepayment penalty under
paragraph (c)(3) of this section.

(3) Prepayment penalties. You may
charge a reasonable prepayment pen-
alty which must be agreed upon at the
time of the Financing. If the Secretary
determines that a prepayment is un-
reasonable, you must refund the entire
penalty to the Portfolio Concern. A
prepayment penalty equal to five per-
cent of the outstanding balance during
the first year of any Financing, declin-
ing by one percentage point per year
through the fifth year, is considered
the maximum reasonable amount.

§ 4290.835 Exceptions to minimum
term of Financing.

You may make a Financing with a
term of less than one year but only if
such Financing is in contemplation of
another Financing, with a term of one
year or more, to the same Enterprise.

§ 4290.840 Maximum term of Financ-
ing.

The maximum term of any Debt Se-
curity must be no longer than 20 years.

§ 4290.845 Maximum rate of amortiza-
tion on Loans and Debt Securities.

The principal of any Loan, or the
loan portion of any Debt Security, with
a term of one year or less, cannot be
amortized faster than straight line. If
the term is greater than one year, the
principal cannot be amortized faster
than straight line for the first year.