

Small Business Administration

§ 107.420

other exit mechanisms; and the contribution of prior investments to the growth of portfolio company revenues and number of employees.

(c) Applicant's proposed investment strategy, including clarity of objectives; strength of management's rationale for pursuing the selected strategy; compliance with this part 107 and applicable provisions of part 121 of this chapter; fit with management's skills and experience; and the availability of sufficient resources to carry out the proposed strategy.

(d) Applicant's proposed organizational structure and fund economics, including compliance with this part 107; soundness of financial projections and underlying assumptions; a compensation plan that provides managers with appropriate economic incentives; a reasonable basis for allocations of profits and fees to Persons not involved in management; and governance procedures that provide appropriate checks and balances.

[77 FR 25052, Apr. 27, 2012]

§ 107.310 When and how to apply for licensing as an Early Stage SBIC.

From time to time, SBA will publish a Notice in the FEDERAL REGISTER, inviting the submission of applications for licensing as an Early Stage SBIC. SBA will not consider an application from an Early Stage SBIC applicant that is under Common Control with another Early Stage SBIC applicant or an existing Early Stage SBIC (unless it has no outstanding Leverage or Leverage commitments and will not seek additional Leverage in the future). Applicants must comply with both the regulations in this part 107 and any requirements specified in the Notice, including submission deadlines. The Notice will specify procedures for a particular application period.

[77 FR 25052, Apr. 27, 2012]

§ 107.320 Evaluation of Early Stage SBICs.

SBA will evaluate an Early Stage SBIC license applicant based on the same factors applicable to other license applicants, as set forth in § 107.305, with particular emphasis on managers' skills and experience in

evaluating and investing in early stage companies. In addition, SBA reserves the right to maintain diversification among Early Stage SBICs with respect to:

- (a) The year in which they commence operations, and
- (b) Their geographic location.

[77 FR 25052, Apr. 27, 2012]

Subpart D—Changes in Ownership, Control, or Structure of Licensee; Transfer of License

CHANGES IN CONTROL OR OWNERSHIP OF LICENSEE

§ 107.400 Changes in ownership of 10 percent or more of Licensee but no change of Control.

(a) *Prior approval requirements.* You must obtain SBA's prior written approval for any proposed transfer or issuance of ownership interests that results in the ownership (beneficial or of record) by any Person, or group of Persons acting in concert, of at least 10 percent of any class of your stock or partnership capital.

(b) *Fee.* A processing fee of \$200 must accompany each such request for approval of a change of ownership.

§ 107.410 Changes in Control of Licensee (through change in ownership or otherwise).

(a) *Prior approval requirements.* You must obtain SBA's prior written approval for any proposed transaction or event that results in Control by any Person(s) not previously approved by SBA.

(b) *Fee.* A processing fee equal to the combined Licensing Fee (Initial Licensing Fee plus the Final Licensing Fee then in effect) defined in § 107.300 must accompany any application for approval of one or more transactions or events that will result in a transfer of Control.

[61 FR 3189, Jan. 31, 1996, as amended at 82 FR 52185, Nov. 13, 2017]

§ 107.420 Prohibition on exercise of ownership or Control rights in Licensee before SBA approval.

Without prior written SBA approval, no change of ownership or Control may