

Case Study: Business Development Company (BDC) – FAS 157 Valuation

Description

- **Determination of “fair value” for a portfolio of debt and equity securities on a quarterly basis**
- **Client is a publicly-traded business development company, with many portfolio company investments, including numerous securities**



Situation

- As a BDC, fair value of the Client's net assets is critical to its stock price performance and ability to attract capital
- Client chose Lincoln to perform valuations of its extensive portfolio due to Lincoln's reputation and hands-on, “real world” knowledge in m&a and debt financing markets
- Within a short time period, Lincoln provided client with detailed analysis and comprehensive written valuation reports to be used for its public financial filings

Lincoln Approach

- Lincoln assembled an extensive valuation team based upon each team member's industry expertise to quickly understand each portfolio company and the Client's investments within the portfolio company.
- Utilized many different valuation approaches, including shadow bond rating techniques, to determine the fair value of senior and junior debt instruments and equity investments
- Created efficient quarterly reporting process with current data links to capture changes to underlying yield curves and equity market pricing

Results

- **The valuation of the Client's portfolio benefited from Lincoln's hands-on, “real world” knowledge of m&a and debt financing markets**
- **Lincoln performed its valuation services under a compact timeline for its public financial reporting requirements**