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Bipartisan BDC Modernization Legislation Introduced in the Senate

Heller, Manchin Bipartisan Modernization Bill Will Increase Capital Access for U.S. Small and Mid-Sized Businesses

WASHINGTON, D.C. (January 18, 2018) – The Small Business Investor Alliance (SBIA), the leading association of lower middle market private equity funds and investors, today applauded the introduction of the **Small Business Credit Availability Act (S. 2324)** in the Senate. Congress created Business Development Companies (BDCs) to enhance access to capital for small and medium sized domestic business and give the public the opportunity to invest in high growth private businesses. This legislation modernizes rules for BDCs. Introduced by Senators Dean Heller (R-NV) and Joe Manchin (D-WV), S. 2324 creates a modern regulatory framework for BDCs consistent with other operating companies. S. 2324 allows the BDC industry to provide billions of dollars in additional growth capital to small and mid-sized American companies. Last year, the House companion bill passed the Committee on Financial Services with an overwhelming bipartisan vote of 58-2.

Current restrictions on BDCs are outdated, cumbersome, and provide no additional taxpayer protections. An updated regulatory framework guiding BDCs will increase market efficiency and the smooth flow of capital, promoting greater domestic economic growth.

Currently, BDCs have over $80 billion in outstanding investments in middle market businesses. Middle market firms are responsible for more than half of U.S. job growth since 2011, and BDCs provide growth capital that is generally unavailable to these growing companies.

“Congress should be doing all it can to support America’s small businesses, which account for almost half of the nation’s jobs, including roughly 428,000 in Nevada alone,” **said Senator Heller.** “The Small Business Credit Availability Act will help ensure that small businesses owners in Nevada and across the country have the opportunity to access more capital to grow their businesses so they can hire more workers, increase wages, and spur growth in their communities. BDC companies have already helped gaming, mining and entertainment businesses in Nevada and I want more businesses to receive capital financing to grow. I'm proud to partner with Senator Manchin on this legislation and look forward to working with my colleagues to see this bill signed into law."

"Small businesses are the heart of West Virginia," **Senator Manchin said.** "The Small Business Credit Availability Act will allow these small businesses to better compete with larger companies by increasing the investments they can make in their businesses. Empowering our small business owners to grow their businesses is good for our West Virginia economy and good for our West Virginia families and communities. I look forward to working with Senator Heller to ensure this bill becomes law."

"SBIA thanks Senators Heller and Manchin for their efforts and continued commitment to small business investment. Bipartisan support in both chambers affirms the importance of investment in American job creators," **said Alliance President Brett Palmer.** "BDCs provide more than just financing. Their experienced leadership teams serve as a support system for entrepreneurs and business owners looking to achieve greater growth and success."

Among the key provisions of the legislation are streamlining the BDC regulatory process: including simplifying the offering process, updating proxy rules, and expanding access to capital by changing the asset coverage ratio. BDCs are currently limited to a 1:1 debt-to-equity ratio as opposed to other financial vehicles that are often leveraged at a 9:1 ratio or higher. Even with a modest increase, BDC leverage remains very low while enabling BDCs to deploy significantly more capital to growing businesses. This change also allows BDCs to reduce the risk in their portfolios.

These and other priority reforms are part of the SBIA BDC Modernization Agenda. SBIA's BDC Council is committed to working with Congress and other stakeholders to advance consensus-driven improvements to current BDC regulations that will make it easier to deploy capital to domestic small businesses.

To learn more about BDCs and the SBIA BDC Council please visit:

BDCsWorkforAmerica.org

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About Business Development Companies

Created in 1980 with overwhelming bipartisan Congressional support, Business Development Companies (BDCs) are a job-creating engine that provides access to capital for American small- and medium-sized businesses. BDCs invest in and provide management expertise to these companies to help them grow. BDCs invest at least 70% of their total assets in "eligible portfolio companies," which are generally defined as public and private U.S. operating companies valued at under $250 million.

In addition to providing access to capital for small and middle market companies, BDCs also allow individual investors access to highly-regulated investment opportunities that were once available to only wealthy individuals and institutional investors.

The number of BDCs operating today has more than doubled since 2005. From this time, BDCs have invested billions of dollars into growing small and medium-sized businesses, demonstrating the significant demand for capital filled by BDCs and their contribution to the growth of the U.S. Economy.

About the Small Business Investor Alliance

The Small Business Investor Alliance (SBIA) is the premier organization of lower middle market private equity funds and investors. SBIA works on behalf of its members as a tireless advocate for policies that promote competitive markets and robust domestic investment for growing small businesses. SBIA has been playing a pivotal role in promoting the growth and vitality of the private equity industry for over 50 years. For more information, visit www.SBIA.org