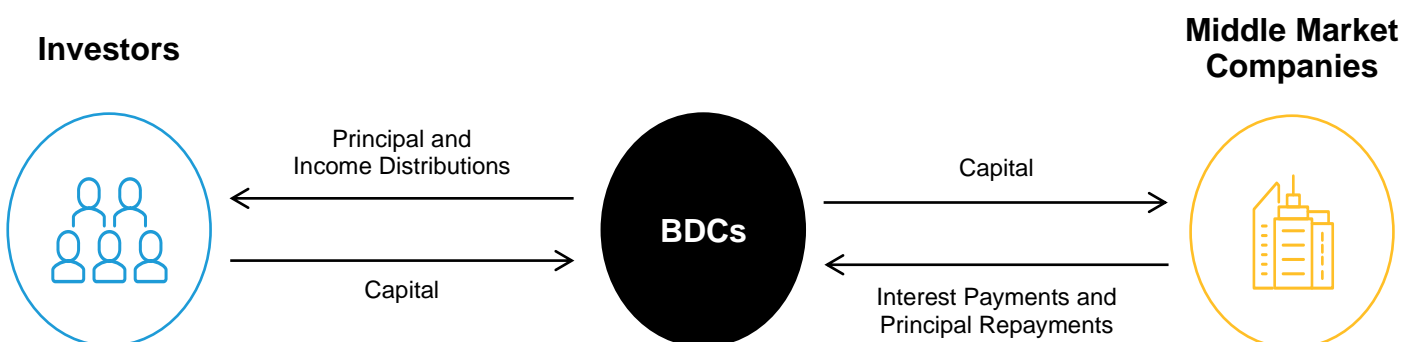


Business Development Companies (BDCs)

BDCs provide investors access to investments in small and medium sized US companies via a regulated investment company.

Overview of BDCs

- BDCs are an investment company structure created as part of the Small Business Investment Incentive Act of 1980 - an amendment to the Investment Company Act of 1940 - to facilitate investment in small and medium-sized US companies
- BDCs are required to have at least 70% “qualifying” assets: investments in private or smaller public companies
- BDCs can invest across the capital structure in these companies although most provide senior secured loans
- More than 150 BDCs currently exist with three general types: traded, non-traded, privately placed*



Regulatory Oversight

- BDCs elect to be regulated under the Investment Company Act of 1940, which sets forth the regulatory framework that governs investment companies
- Accordingly, BDCs are subject to registration with and oversight by the Securities & Exchange Commission (SEC)
- BDCs publicly report financial performance, asset holdings, etc. in filings with the SEC (e.g., Forms 10-K, 10-Q, 8-K)

Tax Benefits and Considerations

- BDCs can elect to be treated as a Regulated Investment Company (RIC) for US federal income tax purposes
- RICs are generally not subject to entity level taxes on distributed income
- RICs block effectively connected income (ECI) for non-US investors and unrelated business taxable income (UBTI) for US tax-exempt investors
- RICs are subject to various requirements including income, distribution and asset diversification tests as well as a board with an additional requirement on the minimum percentage of independent members
- 1099 reporting for direct US investors and 1042-S for direct non-US investors†

*As of 4Q 2024 per the Small Business Investor Alliance | Business Development Companies

†Investors accessing a BDC via a feeder may receive different annual tax reporting

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