



## Panel #1 - Trends & Outlook for BDCs: View from a Regulator, Industry Advocate and Counsel

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**CHUCK JAFFE:** My name's Chuck Jaffe, I am the host of a one-hour daily podcast called *Money Life*, and I'm also the host of *The NAVigator* podcast for the Active Investment Company Alliance. This session is "Trends & Outlooks for BDCs: The View from a Regulator, an Industry Advocate, and Counsel". Now a small housekeeping note, as we get to the end I'm going to be hopeful that we can open the floor up for questions and answers, but if you have a question you're dying to make sure we get to it, et cetera, feel free to write it down and pass notes up to me or do whatever you can, I'll be happy to take it.

Now when I get asked to put together a panel discussion, I like to go in one of two different directions. Either we have people where we take a process and we have different players looking at how the issues are playing out and you kind of walk from one panelist to the next, everybody gets one shot at it, or we set up what amounts to the good, the bad, and the ugly, you have those three kind of groups and you put them together. So John Cole Scott knows this because I've done panels here before, and when he asked me to moderate this panel he said, "I set it up just the way you like it," and I said, "What it is?" And he sends me the title and it says, "You've got a regulator, you've got a lobbyist, and you've got a lawyer," and I said, "A regulator, a lobbyist, and a lawyer? That's either for most people the bad, the bad, and bad, or the ugly, the ugly, and the ugly." But we're going to try to make it good, good, and good, that's my plan here as we dig into the advocacy process.

Let me introduce my panel in order of the session's title, while encouraging you to learn more than just their titles by reading the details and the definitions that they left for you in all of the materials for the program. So joining me on the stage, the regulator is Kaitlin Bottock,

she is the Assistant Director at the SEC. The industry advocate, because some people think lobbyist is a bad word, so we will call industry advocate because that's what she is, is Tonnie Wybensinger, she's Head of Government Relations for the SBIA, the Small Business Investor Alliance. And then counsel is Kenneth Burdon, partner at Simpson Thacher & Bartlett.

I'm going to start our discussion with Tonnie, and I'm going to do that, which by the way automatically means they all are going, "Well, we're off script already." True, we are, but I decided to do it because her job is maybe the most proactive, if you are advocating, you are taking a very strong position as opposed to in some ways muting positions or weighing positions, and it's also the job that's least understood by the public. So Tonnie, we start tight on time, and I don't want to use much of it on background stuff, but can you explain the role you play as an industry advocate, and why is it important that BDCs themselves are getting involved in advocacy organizations? Why BDC investors want to know about ongoing advocacy efforts?

**TONNIE WYBENSINGER:** Sure. So it's important our president at SBIA always says, "If you're not at the table, you're on the menu," and so we just make sure that Congress, policy makers, regulators often understand the issues that you all have. So legislative issues, regulatory issues, you need someone in the room, and I'm in Washington, D.C., and I have direct access to them on a regular basis, which you all, you probably have more access to them than you think, but you need a spokesperson who knows them, who knows their staff, and are able to go in and explain AFFE as in issue, there's tax issues, and so it just gives the BDC industry an opportunity to have someone there day to day when you guys have your own day jobs.

**CHUCK JAFFE:** Is it also, as I think most of us would suspect, that basically there is not a member of Congress who is sitting in their office with all the things they have to weigh, who goes, "Oh, and we're putting together this tax proposal, let's make sure we cover the BDC industry"? That there's so much that goes into this, a thousand-page bill in some cases, like we're dealing with now, that no advocacy is literally out of sight, completely out of mind.

**TONNIE WYBENSINGER:** Right, like you said, they deal with issues, foreign policy issues, I always say horse slaughter act, they're dealing with issues all the time, and so if someone doesn't go into their office and say, "BDCs have a tax issue, a 199 Cap A issue," it wouldn't be in House version of the reconciliation bill, which it is. We actually have bipartisan support for a lot of our legislative initiatives for BDCs, but when I first started at SBIA, I went into

their offices and they're like, "What? We've never heard of business-development companies." And so we had to do a long education process, and it's a continuous education process, because as Congress turns over and committees change, we have to go back in and make sure that they know why it's important that these bills get passed, and it's important that they have some champion, because every piece of legislation needs a champion or it won't be thought of.

**CHUCK JAFFE:** As we did our prep for this panel, we seem to agree that there are three, four big issues that the BDC space is looking at right now that could change the landscape in a variety of ways. They are the new model for the co-investment applications, tax parity for BDCs, 199 A, and my favorite because it's the only thing ever that rhymes with my last name J-A-F-F-E, is AFFE, right? By the way, that's acquired fund fees and expenses. And what I found interesting as we were prepping was that each of you kind of gravitated towards one, and then were happy to be on another, so we're going to try to run through them.

I won't confess to be the expert here because I've got experts on my panel, but I believe the one we're closest to seeing come to fruition is the co-investment transactions, because I saw something in early April on the SEC indicating intent to grant Franklin Square exemptive relief to allow co-investment transactions under a new simplified principles-based framework. I'm all out of jargon, Kaitlin, that's as much as I got for you, so can you help us out? Explain what that means and how co-investment's going to shake things up and where we are in the process.

**KAITLIN BOTTOCK:** Sure, thanks Chuck. First let me give my very exciting disclaimer, the views I express today are made in my official capacity as a staff member of the Commissions Division of Investment Management, but do not necessarily reflect the views of the Commission, the Commissioners, or other members of the staff. So co-invest, I assume a lot of you here are familiar with co-invest, the Commission and the staff has routinely provided exemptive relief over the last several decades to allow regulated funds which include primarily BDCs, as well as closed-end funds and interval funds, to co-invest among themselves with private funds that are managed by that regulated fund's advisor and with other affiliates.

As I think a lot of you know, co-investment programs bring a lot of benefits to BDCs, it brings greater deal flow, better investment opportunities, the ability to participate in a wider range

of opportunities, and then also potentially more favorable deal terms. Over the last several decades the staff has gotten more and more familiar and more and more experienced with co-investment programs, but there have been some really key trends I would say over the last 10 years, and I would categorize them as more, right? Maybe in the last 10 years what we've seen is more co-invests, I think initially we were issuing five co-investment orders a year, last year we issued over 30, right? So more. We're seeing more applicants, typically traditionally a co-investment application might have 20-25 applicants, lately we're seeing applications with hundreds, like upwards of 300 applicants that exist today, and of course you can have more in the future.

And then just more complexity, more complication, more types of entities want to participate in co-invests, and so it really drove the staff, I would say, in 2017 to really take a step back and start thinking about the applications that we're working on, the conditions that we require as part of this relief, and think about is this really best serving the funds that we're seeking to protect with the conditions? And at the same time, FS filed an application, I think it was 2017-2018, that kind of was thinking about it in the same way, and so if you look back to that time there's some amendments, which you can presume that the staff and FS were talking about what would be appropriate in the context of this streamlined approach. At that time the staff didn't have the authority to go forward with the application and issue a notice, an order, but we did in the spring this year, so FS got its order in April. Since then I think we've received, I think it's either at 70, or just over 70 applications for the same kind of relief. I'm sure some of those applications represent shops that are here today, and since then we've also issued, so far, 30 orders, and we're on our way to tackle those 70 applications probably more by the end of the year.

**CHUCK JAFFE:** Ken, more applications, more orders means more work for counsel. Your take on how that's playing out?

**KENNETH BURDON:** Yes, it does, and I guess I'll give a few thoughts on the new co-investment relief. I think it's great and achieves some goals, I just want to put a little thematic umbrella on this because I think it kind of touches on each thing that we're going to talk about here. So BDCs, well, I guess let me take a further step back, we have an administration that is focused on getting capital to American businesses, right? And BDCs are the perfect investment vehicle to do that, because as I think everyone here knows, you have to have 70%

of your assets in US businesses, and not just big US businesses, but really small US businesses. BDCs as a vehicle to move capital from the investing public to those US businesses, I think is an important theme here, and I think is an important way to frame a lot of what's going on and how to get what the industry would like to see for the BDC structure.

So one prong of that of course is the co-investment order, right? And what the co-investment order does is it allows managers with many different pools of capital to use those many different pools of capital to provide more of that capital to US businesses in a way that benefits those US businesses, so when you can pool the capital and co-invest, you can get better deals. Now how does a co-investment order do that? The first thing is that it allows more affiliates to participate in these co-investments, so one, more pools of capital, two, it kind of removed what, in my view, was artificial barriers to the regulated funds, the BDCs co-investing with those other pools of capital. Prior to co-investment order, if any affiliate had an interest, no matter how small an issuer, it couldn't then subsequently go then do a follow-on investment with its affiliates in that issuer. So that flat prohibition is gone now, you still need to go to the board, make sure that we've got appropriate oversight and approval over those types of potentially conflicted transactions, but what it does is it opens up a whole other set of investment opportunities to the BDCs that weren't there to begin with. That's good for BDC investors and it's good for the businesses they invest in.

**KAITLIN BOTTOCK:** Can I just add that that's a great example of one place where I think the Staff learned a lot from working with applications over the years, and then also seeing where the trends were going, like I was talking about more, more complexity. As folks are launching more and more funds, we heard from plenty of people, "This is a real barrier and it's not doing any good. You're not doing anything extra for the regulated fund," the BDC in that case. "So what can you do? Can we talk about this?" This came out of many conversations over many years with the staff, but I think it was a great example too of times when the staff hears what's coming out of the industry, partners with the industry, and we can move things forward together.

**CHUCK JAFFE:** Tonnie, you were reaching, so before I move us to the next one, have you got something to add?

**TONNIE WYBENSINGER:** I just wanted to add, if you're ever talking to regulators or policy makers, this is a back-of-the-envelope calculation, but the 70% that's required, we calculated it and it's more like 95% investments in just US companies, so just for the future.

**KENNETH BURDON:** Yeah, which is great, right? Because you have a statutory limit, and most of us don't want to manage exactly to the statutory limit. Even though that limit's 70%, you've got strong incentives to just invest in US businesses, which is what we're looking to do.

**TONNIE WYBENSINGER:** It's great for this administration. Great talking point for this administration.

**CHUCK JAFFE:** So now we're going to move to the next issue, which is tax parity for BDCs. Back in 2017 the government gave a tax benefit to REITs that it did not extend to BDCs, so now there's a tax parity issue about leveling the playing field, which I know as somebody who talks to retail investors, could make BDCs more attractive to retail investors. So Tonnie, let's talk about the effort to try to get tax parity and where things stand.

**TONNIE WYBENSINGER:** Sure. So like you said, in 2017, the 2017 tax cuts, there was a House version, and this is where it's important that the BDC industry gets involved in organizations like SBIA, so I asked their members, "Take a look at the House version of this bill, is there anything that worries you about BDCs?" And they're like, "No, nothing changes, so we're all good." Well, last minute in the Senate, there's a president that does care about REITs and real estate, so REITs were added to a 20% passthrough deduction for a qualified business income REIT investors, S-Corp bank investors, and publicly traded partnerships, and we were like, "Whoa, where are BDCs?"

And so we went to Congress, but it was already a delicately negotiated package and it had to have a score and they were like, "Sorry, there's no time." So when we went to the offices they were like, "Oops, yeah, you guys should have been included," and it was just an oversight, I have never heard a policy objection to it. And so we have spent the last, I don't know, eight years educating members of Congress, getting champions to make sure they understand that BDCs are helping grow US companies, and so we've been able to get bipartisan support, and actually we didn't need it this Congress because they don't need any democrats to vote for this tax package, so they went to bat for us and the 20% passthrough deduction is in the House version of the reconciliation bill. It does have a pretty big cost associated, I say "cost" because I don't know that they calculate the cost properly, because I think it'll create a lot of

jobs and be helpful for shareholders. So we are working with the Senate, we should know actually by Friday whether we're able to keep it in the Senate version of the bill. Once that happens, I think we're good to go, and once it gets signed into law, your shareholders will get that. Oh, actually they increased it to 23% deduction, so hopefully on Friday I'll be able to send out good news.

**CHUCK JAFFE:** Yeah, and is it 23%, when you do the math it becomes effective at 28% or something? I was reading some math in there.

**TONNIE WYBENSINGER:** I don't know, good question.

**CHUCK JAFFE:** I'm not the math guy. Ken, you want to follow up on that?

**KENNETH BURDON:** Well, I don't have a lot to say about the tax, unfortunately I'm not a tax lawyer, but I do think that the idea of having rational policies to apply to similar types of entities is something that we should be focused on. So you gave an example on tax, right? Another example is, I'm going to move away a little bit from the listed BDCs and talk a little bit about the unlisted BDCs.

**TONNIE WYBENSINGER:** It'll apply to them as well, just FYI.

**KENNETH BURDON:** Yeah, the tax, right? But another regulatory thing that's happened is the unlisted privately offered BDCs can now issue multiple classes of shares because there was an exemptive application process. So step back, BDCs, like closed-end funds, aren't allowed to issue multiple classes of shares unless they have exemptive relief from the SEC, there's a pretty common form of that, but it never covered privately offered BDCs. Well, the staff has started, or the Commission has started granting that now, I'll let Kaitlin talk a little bit about that if she'd like, but it's pretty straightforward. So now privately offered BDCs can issue multiple classes of shares, right? So what does that do? Again, it helps the distribution of the product and helps to again move capital from the investing public to US small businesses. Now the other thing that does too is, so a quirk of BDCs is that they themselves don't get the exemption from state regulation, blue sky laws, which is like a four-letter word to us, but in order for a BDC to have the state law regulation exemption, it either has to be privately offered or it needs to be listed. So you've got this whole group of BDCs, which are the publicly offered unlisted BDCs, that have to go to the state regulators and get their offering cleared with 50 states, because that's the only way you're going to get distributed. Let me tell you, that is an incredible process and it gives opportunities for individual states to impose their

views on the national market for BDCs. Which coming back to let's treat things that are the same, the same, there's no difference between an unlisted BDC and a mutual fund from that perspective. Mutual funds are not listed either, but they get an exemption from state regulation because they're registered investment companies and BDCs aren't.

One other thing, trends looking forward, things to think about, how do we fix something like that? That's another thing to think about how to fix, how do we get the BDCs, which are a national market and subject to extensive regulation of the Investment Company Act, out from under the thumb of the state regulators and the blue sky laws? Which impose a lot of costs, creates a lot of first mover advantage, because to get to market, to get through the state regulation process is a very long time.

**TONNIE WYBENSINGER:** There is a legislative initiative that was just introduced I think this week or last week to fix this issue, so it's Rep. Downing if you want to take a look, I can send it to you. We're trying to move that as well, but it's too late to get it in any sort of reconciliation package, but I think there'll be some sort of cap formation package moving forward.

**CHUCK JAFFE:** I want to correct one thing that Ken said, he started his remarks saying, "Unfortunately I'm not a tax lawyer," there's nothing unfortunate about that. And I would ask Kaitlin to weigh in on that last one, but that disclaimer that she read, what it said in plain English was, "I'm not talking active legislation that's not a regulatory case."

**KAITLIN BOTTOCK:** Yeah. Yeah, I tend to stay away from active legislation as a staff member of an executive agency.

**TONNIE WYBENSINGER:** But you are helpful in just a little behind the scenes, do you want to talk about it?

**KAITLIN BOTTOCK:** Yeah, my group, my office in IM, I'd like to think of as we are experts, we like to think of ourselves as subject matter experts, and so you'll see us, you'll interact with us directly when you're asking for an exemption. Sometimes we're kind of behind the scenes, maybe we're not first desk but we're in the background, if you have a disclosure view issue, if you have an exams issue, we might still be there, but actually legislation is one of those areas where we do sometimes get involved. We are called upon to provide technical assistance on bills by the Hill, but again we're in the background, it's not something that you're going to see, but from time to time we are asked.



**CHUCK JAFFE:** So let's move this to AFFE, because that is an area where I believe you can talk about what's going on. At least a little bit, yes?

**KAITLIN BOTTOCK:** Well, I think Tonnie wanted to take-- oh.

**TONNIE WYBENSINGER:** You're the regulator, go ahead, then I can talk about what's happening.

**KAITLIN BOTTOCK:** Sure. So when the Commission proposed the Fund of Funds rule, I think a lot of you know, there was a comment in there about AFFE, about acquired fund fees and expenses, because in 2006-2007, the Commission had required funds to disclose as a line item in their fee table, in their registration statements, the fees that they're paying on underlying investments in other funds including BDCs, so they asked about AFFE. Unfortunately for the BDC community, again without taking a position, the Commission chose not to take action on that when it adopted the rule in 2020, but it remains, as I understand, a big issue for the industry and we do hear about it from time to time.

**TONNIE WYBENSINGER:** Yeah, so I'll jump in. Once again REITs are carved out of having to comply with AFFE, and my theory as an industry advocate is that when that role was passed, I think there was eight to 10 BDCs at the time. I always say REITs have a city block in DC just to lobby Congress, and so I think at the time the industry maybe wasn't sophisticated enough in dealing with D.C. to go in and explain why they should not have to comply, because our message to Capitol Hill is you're putting out inaccurate disclosures since all of the operating costs and management fees are already wrapped up into the NAV.

And so it's been, I think we've done a good job, it's a pretty weedy issue when you're talking to young staff to get them to understand, but we have legislation that has now passed the House Committee this year, and it was supported unanimously, which last Congress it was more of an issue, they wanted to continue to add additional DEI reporting to it and the republicans were like, "No," and democrats were like, "Well, we're not going to support it." Well, this year, I think because of the Trump executive order, they supported it and it should be on the House floor to be voted on, and I expect it to get a unanimous vote, and so that should pass out of the House in a couple of weeks. We have a bipartisan Senate version, and we are hoping that since it's non-controversial in the house, we can hopefully move it to the Senate pretty quickly, and then Kaitlin has to implement it.

**KAITLIN BOTTOCK:** I'm probably not the best person to speak about this, so I'm going to pass this water balloon to the two of you, but this is really an issue because the indices dropped BDCs, right?

**TONNIE WYBENSINGER:** That's an important part, why this is a big deal, it's inaccurate disclosure, so Vanguard has to inaccurately disclose to their shareholders BDC investment. If you look at the prospectus, there's a line in the bottom that says, "This is not actually borne by the shareholders," the fees, but they still have to put them in the prospectus. And so in 2012 the industry had grown from 2006 to 2012, and we're like, "This is going to be a huge problem," and I'm not bashing the SEC, they were like, "Well, it's not a problem now," and then in 2012 the BDCs were dropped from the indices because institutional investment went way down because the acquiring funds were like, "Well, we don't want to give inaccurate disclosure to our shareholders." So hopefully once we get that fixed, we'll be able to get the BDCs back on the indexes. However, they won't take a position until it's done, and so they could decide at the end of the day, we've spent all this time getting this AFFE fixed, but they can decide at the end of the day whether they put BDCs back on the indices. So it's a two-step process, a legislative process, and then after that we'll have to push the indices, lobby the indices to put them back on.

**CHUCK JAFFE:** And I will simply point out as a journalist, that every now and again I wind up seeing somebody who probably shouldn't be writing about things as esoteric in the investment world as BDCs, but comes out with a piece that's talking about just how bad the expenses are, "Do you understand what you're doing?" And it's like, yeah, no, you're the guy who's giving the advice, here's a piece that is basically misleading because you're reading that chart and not reading the fine print that says, "This is not what the effect is," you haven't recognized that it's basically a fund of funds and it's a layer of fees that shouldn't properly counted.

**TONNIE WYBENSINGER:** We did not commission the study, I think Capitol Hill was suspicious of it at first, but Temple University, if anyone emails me, I'm happy to send it to them, did a study, some nerds who were getting the PhD, and they found out that AFFE really does hurt main street investment because of the liquidity, there's less liquidity because institutional investment has dropped.

**CHUCK JAFFE:** By the way, on behalf of the nerds, like lobbyists want to be called advocates.

**TONNIE WYBENSINGER:** I'm a nerd too.

**CHUCK JAFFE:** Smart people or something, there's gotta be another word, we haven't figured it out yet.

**TONNIE WYBENSINGER:** Nerds are cool.

**CHUCK JAFFE:** Let's move this, we've touched on it a little bit, but I don't think we wrapped up where we should be on 199 A, so let's try to make sure we include that.

**TONNIE WYBENSINGER:** That's the tax parity issue.

**CHUCK JAFFE:** But did we get through everything? Obviously we understand that this is part of One Big Beautiful Bill and it's going to wind up going there, but we do have the bipartisan support, everything is there, this hopefully carries?

**TONNIE WYBENSINGER:** Hopefully carries. The score of it, the CBO, the Congressional Budget Office has to decide what the impact is to the bill. I was very pleased that we were able to get it in, because we got it back, and it was the 20% passthrough deduction, and it scored at \$9 billion, and as you know, the package, a lot of conservatives, well, I guess both sides of the aisle are worried about the cost of it. When it went up to 23%, now it scores at \$11 billion, so we're just making sure that we have the House sponsors talking to the Senate and letting them know this is important to them to keep it in, and we have some champions in the Senate that are hopefully, if there's any issues, will make the case for America first type case, so that this is US businesses, smaller business, so this will be impactful, the more shareholders, the more investments in small businesses.

**CHUCK JAFFE:** So we're going to open this up to questions on the floor, but before we do that, I'll ask my last one so you can prep yours. I have more, it won't be my last if you don't have any, but we talked about the pressing legislative issues, if we were to reconvene this panel one year from now and say, "Okay, it went so well, hopefully, that everybody wants to hear us talk again." What's the issue that you are looking at that didn't come up today, that you think would be on the burner for next year? So this is the one that's on the horizon, I need you to take your longest view or what it is, to give me an idea. And by the way, they are not prepared for this question at all, but that's kind of what we want, so we'll start here.

**TONNIE WYBENSINGER:** I think there's an opportunity, especially those BDCs that invest in more venture-related companies, right now they will invest in a smaller tech company, it will grow, they'll get it to the \$250 million cap, and then they would like to do a follow-on

investment and they're not able to do it because it hits that cap. So I think we would, in the future, if all of this goes well, use that as a priority, at least maybe discussing it with the regulators, or if we have to do any sort of legislative fix, we would focus on that.

**CHUCK JAFFE:** Okay. Ken?

**KENNETH BURDON:** I do like that. I do. Well, and I will have my own but BDCs are predominantly private credit vehicles, I think they were predominantly envisioned as venture capital vehicles, so using the structure to do that would be quite interesting again.

**TONNIE WYBENSINGER:** I don't think it's been adjusted for inflation, so obviously that makes a big difference. There's a lot of issues that we're working at SBIA to get things adjusted for inflation.

**KENNETH BURDON:** So I'm going to have to go back to the non-listeds again, but it's figuring out a reasonable way to use what we call 506(c), so that's private offerings with general solicitation. Again, this kind of half goes to the issue that we were talking about, needing to have a private offering to not have state blue sky regulation. Well, part of the issue too is being able to solicit your investors, even if they have to have an accredited investor standard, and what 506(c) does is it allows you to do general solicitations and private offerings. But the process in terms of verifying accredited status just isn't really workable from a scaled point of view, some people do it, but it's not widespread. There has been some helpful movement on that, but in terms of retail, we're still talking in an AI standard, BDCs, people aren't dropping \$250,000 tickets, so moving forward, that could be a good thing to see where we're at in a year.

**KAITLIN BOTTOCK:** I'm going to say the new chairman's agenda, we'll probably be talking a lot about that. We still have a relatively new chairman, Chairman Paul Atkins, who arrived with us close to the end of April. We're still waiting, I think both as a staff and an industry to see where his Commission is going to head, and I'd like to think that in a year not only will we know but we'll be some steps into it, and so we'll probably be talking a lot about that.

**CHUCK JAFFE:** I like it. So we can plan on that, we've planned on Q&A. If you've got questions, now's your time. Please let me know. And please, when you give your questions, say who you are so everybody knows.

**AUDIENCE QUESTION:** [inaudible 0:33:56], the question for Tonnies, is how can we as managers support you and your work?

**CHUCK JAFFE:** And before you answer, I'm just going to repeat it so we get it on tape. The question was, "How can BDC managers support industry advocates in their work?"

**TONNIE WYBENSINGER:** Yeah. Well, Ben's a superstar SBIA member, so always emailing asking he can help. I think that people who don't live in D.C. think their members of Congress aren't as accessible as they are, and so Ben for example, reached out to Senator Gallego of Arizona and talked to his staff, or maybe the senator directly, and that senator is now one of the original co-sponsors of the Senate AFFE legislation. It makes a big difference when your members of Congress hear from you or hear directly from the industry instead of just, they probably get a little tired of hearing from me, so I think just if an issue is important to you, reaching out to your member, letting them know that, it's huge. I think one of the most important things from you all is anecdotes, and so how is this impacting small businesses? Who are you invested in in their district? Because if it's just theoretical, they're not necessarily as interested. If you talk about a specific business, or if you're located in their state or district, they want it to be some sort of connection to home instead of just helping so-called Wall Street. And Ben's been awesome, thank you, Ben.

**CHUCK JAFFE:** Other questions? Okay, well, I'll use some more of our time then since we have it. In my role, I spend a lot of time dealing with consumers, and with BDCs dealing so much in private credit and the expansion in private credit, I have individual investors who are savvy enough to be investing in BDCs, but the one thing they worry about is will we have at some point the blow-up that seems to happen inevitably in any new or emerging asset class that gains popularity? So they're worried about private credit, how it gets valued, we have a problem at some point and something winds up blowing up. I'm not going ask whether you think that's likely. I will point out that virtually everyone in the industry says it is unlikely, that doesn't stop the public from worrying. But I will ask this question, how would a black eye for the BDC industry, if we have some sort of a blow up in private credit, et cetera, how would that impact you guys and your efforts and what we're trying to get done?

**KENNETH BURDON:** I'll go first. I think there's the black eye that you talked about, there's also the black eye of if there's a regulatory blow up too, some of the structures that underpin what BDCs do, if somebody gets it wrong and they're subject to an enforcement action, that's going to tamp down on things as well. I think in the end, you have to explain what the issue is to folks, and explain why it arose, and understand and come back out to say, "This is how we've

solved it, and we're going to be able to move forward, whether it's a better business practice or whether it's through a different set of regulation, to reset confidence." But I also think that outside of a big market black eye, the demand for private credit is just insatiable, right? In terms of just retailization of private markets, I think what I commonly hear is we've got people maybe 1% allocated to alternatives and people want to see up to 10% allocated to alternatives. There's a big gap to fill and I think that the industry, if there's a black eye, would continue to innovate and assuage those concerns, because overall as you move forward and look forward, I think you can recover from something like that, we've seen that happen in the past.

**KAITLIN BOTTOCK:** I'll take this in a little bit of a different direction and just say obviously you see the regulators after, I'll just use the term black eye because that's what we're using, you see us react. But I think you're also seeing us spend more and more time investing and learning ahead of time and trying to be best positioned for whenever and wherever the next black eye comes. Sometimes it just comes and we can't do that, right? I mean, I would point to the Russian invasion of Ukraine and the effect on Russian-focused ETFs as something that I didn't personally see coming, but we're trying to spend more and more time getting ahead of those things. Obviously we had our third Emerging Trends Conference last week, and we're trying to publicly do so and engage in those conversations for the benefit of the public and investors too.

**TONNIE WYBENSINGER:** It would not be good for legislative initiatives. Right now we're able to talk about how getting the leverage legislation passed, make the industry a bit safer, because if they go over the one to one, they have some breathing room, we think that during Covid that was helpful in making sure all the BDCs got through it. If there is some sort of black eye, it would be hard to go to Congress and say, "These are good for retail investors, aka retirees," if that's a problem.

**CHUCK JAFFE:** Folks, we've come to the end of our time. I think John Cole Scott was proven right, it wasn't good, bad, and ugly, it was good, good, and good. I'd like to thank Kaitlin Bottock, Kenneth Burdon, and Tonnie Wybensing, and I'd like to thank you for being a great audience. Thank you so much, enjoy the rest of your day.

**TONNIE WYBENSINGER:** Thank you, Chuck, for moderating.

**KAITLIN BOTTOCK:** Thank you.

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