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H.R. 5929 – Next Steps for Credit Availability Act

WHAT IS H.R. 5929?	On June 8, 2012, the “Next Steps for Credit Availability Act” (H.R. 5929) was introduced in the House of Representatives. The bill would allow Business Development Companies (BDCs) to increase their capital pool which would provide more money to invest in start-up companies and small to mid-sized businesses.
WHAT WOULD CHANGE?	If enacted, the bill would: <ul style="list-style-type: none">• Amend the Investment Company Act of 1940 (“1940 Act”) to allow BDCs to own investment adviser subsidiaries.• Increase the 1940 Act leverage limits applicable to BDCs by:<ul style="list-style-type: none">○ Reducing the asset coverage requirements for indebtedness from 200% to 150%.○ Allowing preferred stock to be classified as equity rather than debt which would increase borrowing limits.• Simplify registration and reporting by allowing firms to reference information already disclosed in existing filings and the ability to add different types of securities to an effective shelf registration statement.
WHAT’S NEXT?	H.R. 5929 currently sits in the House Committee on Financial Services awaiting a favorable report.