



**Senator George Lang**  
**Sponsor Testimony - Senate Bill 199**  
**Senate Financial Institutions and Technology Committee**  
**December 12<sup>th</sup>, 2023**

Chairman Wilson, Vice Chair Hackett, Ranking Member Smith, and members of the Senate Financial Institutions and Technology Committee, thank you for allowing me the opportunity to come before you and provide sponsor testimony on Senate Bill 199, which will enhance Ohio's investment landscape and provide clarity to existing state laws.

Presently, Ohio investors utilize NAV REITs and BDCs to diversify their investment portfolios. They make these investment decisions guided by the advice of their broker-dealer or investment adviser, both of whom are required to act in their clients' best interests under federal law. These investments not only aid in diversification but also play a key role in providing essential capital to growing businesses.

This legislation focuses on empowering Ohio investors by facilitating access to non-listed "net asset value" real estate investment trusts (NAV REITs) and business development companies (NAV BDCs), which help promote capital formation and diversification opportunities outside the stock market.

NAV REITs and BDCs are regulated by both the U.S. Securities and Exchange Commission (SEC) and the Ohio Department of Commerce Division of Securities. Unfortunately, Ohio has earned a reputation as one of the most challenging states for NAV REIT and BDC investors.

The Division is supposed to register NAV REITs and BDCs “by coordination”, meaning that the offering should be registered and available to Ohioans “at the moment” of the SEC registration. The Division, however, applies a different section of code which allows them to hold up a registration until an issuer meets any condition it seeks to impose—even though the SEC has declared the registration effective.

Under federal law, once a NAV REIT or BDC is federally registered, any American may buy it. But no Ohioan may buy it until the Division says so. This leads to increased issuance costs and fewer investment opportunities for Ohioans.

SB 199 seeks to remedy this problem by:

- Confirming the registration process for NAV REITs is governed by ORC 1707.091, and not by ORC 1707.09 which has been improperly used.
- Prohibiting the Division from delaying NAV REIT registrations or imposing additional conditions post-SEC approval.
- Extending "notice" filings, a registration procedure available under Section 1707.92 for investment companies,

to NAV BDCs, aligning with their compliance with the federal Investment Company Act of 1940.

- Ensuring Ohio's regulations are not more stringent than federal law and preventing unnecessary delays or conditions that hinder investment opportunities for Ohioans.

It's important to emphasize that SB 199 does not compromise investor protections or impede the Division of Securities' enforcement capabilities against fraudulent activities. Instead, it aims to rationalize Ohio's regulatory framework and empower investors with sensible choices.

Your support for this bill will play a pivotal role in fostering a conducive investment environment in Ohio without compromising investor safeguards. I kindly request your assistance in advancing this important legislation for the benefit of Ohio's investors and economic growth.

Chairman Wilson and committee members, thank you for your time and consideration, and I would be happy to answer any questions you have.