

**Testimony of the Institute for Portfolio Alternatives  
to the Senate Financial Institutions and Technology Committee  
Concerning Senate Bill 199  
January 23, 2024**

Chairman Wilson, Vice Chair Hackett, Ranking Member Smith, and members of the Senate Financial Institutions and Technology Committee, thank you for the opportunity to testify on behalf of the Institute for Portfolio Alternatives concerning Senate Bill 199, a bill to enhance Ohio's investment landscape and provide clarity to Ohio law.

The Institute for Portfolio Alternatives (the IPA) represents the sponsors and distributors of state and federally regulated Net Asset Value Real Estate Investment Trusts (NAV REITs) and Business Development Companies (BDCs).

NAV REITs are investment funds that hold real estate assets. They are not listed on a stock exchange but they are publicly offered and registered with the United States Securities and Exchange Commission (the SEC). BDCs are investment funds that hold interests and loans to small businesses. They are also not listed on a stock exchange but are publicly offered and registered with the SEC.

NAV REITs and BDCs give Ohio investors an opportunity to diversify their investment portfolio. They can provide investors with income. And non-listed investment products such as these can help investors diversify their portfolio and reduce the risk of volatility that we sometimes see in the stock market.

Investors are guided to these products by the advice of their broker-dealer or investment adviser, who must act in their clients' best interests under federal law. These products are managed by the largest asset management companies in the world and are distributed through reputable and highly regulated firms under federal and state law.

When registering these products, the Ohio Securities Division imposes some of the most restrictive conditions of any securities administrator in the country. The Division is even more restrictive than the SEC in Washington.

All NAV REITs and BDC securities must be registered with the SEC before they can be publicly offered. Once the SEC declares a registration statement effective, then *under federal law* the product may be sold anywhere in the United States. But the Ohio Securities Division does not allow them to be sold in Ohio until they meet all of the Division's separate state-specific conditions in addition to federal requirements.

The Division's practice is not what the Legislature intended. The Division is supposed to register NAV REITS and BDCs by coordination, "at the moment" that their SEC registration is effective. The Division ignores this requirement and instead conducts a merit review in which it imposes additional conditions on their registration. These conditions make compliance more complicated, time-consuming and expensive.

SB 199 would remedy this problem. It would:

- Confirm that the Division must register NAV REITs by coordination with the SEC, and not use the wrong section to hold up registration and conduct merit review;
- Prohibit the Division from delaying NAV REIT registrations or imposing additional conditions post-SEC approval;
- Extend "notice" filings, a registration procedure available under Section 1707.92 for investment companies, to NAV BDCs, aligning with their compliance with the relevant federal statute; and
- Ensure Ohio's regulations are not more stringent than federal law and prevent unnecessary delays or conditions that hinder investment opportunities for Ohioans.

SB 199 does not compromise investor protection. The Division admits that it has not recently charged anyone with any violation involving NAV REITs and BDCs. Nevertheless, the Division should have the ability to bring charges should it find abuse in this space, and SB 199 would preserve the Division's authority to bring enforcement cases.

SB 199 would rationalize Ohio's regulatory framework and empower investors with sensible choices. Ohio's economic momentum is positive, and there should be no reason that this State should be known as one of the most restrictive places in America to do business for specific investment products. Your support for this bill will play a pivotal role in fostering a conducive investment environment in Ohio.

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