Date: September 23, 2009
Subject: File No. S7-18-09: Political Contributions by Certain Investment Advisers
From: Brian Kavoogian
Affiliation: Founder and President -- Charles River Realty Investors LLC

I am the president and founder of Charles River Realty Investors LLC, a Boston-based real estate investment management company. Charles River currently manages $200 million in real estate equity assets in a closed-end fund format. Like all managers of closed-end funds, the structure of our business requires that we raise new capital every 3-4 years.

While I support the banning of political contributions by investment advisors, banning placement agents from dealing with public pension funds entirely seems to be an overly restrictive response to a problem resulting from the acts of a few bad people. Importantly, this ban would have an extremely adverse impact on the many smaller, growing investment managers that serve as growing employers and, because of their size and entrepreneurial culture, typically produce higher risk adjusted returns than their larger, institutional competitors. The adverse impact on smaller firms is a result of the following:

- Public pension funds comprise a very substantial percentage of the total capital raised and invested in private real estate funds;
- Without access to the experience, expertise, relationships and credibility possessed by high quality placement agents, most investment managers, including our firm, would end up raising less capital from these sources, making their businesses less viable.
- Hiring in-house talent would be uneconomic and inefficient, given the fact that most firms like ours only raise capital every 3-4 years. Nevertheless, most firms would be compelled to incur this expense given the enormous amount of time that is expended raising capital during the 12 month fundraising periods. Senior management simply does not have the time, given their investment duties, to play the role of fundraiser. Furthermore, the talent we would be able to attract, given our size and the fact that fundraising only takes place over a 12-18 month period every 3-4 years, would not have the depth of market knowledge and credibility that comes from being in the market on behalf of various investment managers constantly during that time period.

In summary, for larger firms, managing billions in assets, hiring high quality in-house talent will not have a material impact on their businesses. However, smaller firms (the vast majority of investment advisors manage less than $500 million in assets) would be faced with raising less capital (resulting in lower revenues) and higher expenses (the cost of in-house fund raising talent).

We would urge you to consider an alternative approach to dealing with the very serious issue of "pay to play" scandals.

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