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April 21, 2022

VIA ELECTRONIC SUBMISSION

Vanessa A. Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

**Re: Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews (SEC Release No. IA-5955; File No. S7-03-22 (February 9, 2022)).**

Dear Ms. Countryman:

LandSpire Group (“LandSpire”) appreciates the opportunity to submit this letter to the Securities and Exchange Commission (“SEC”) on the proposed rules (“Proposal”) regarding investment advisers to private funds. Founded in 2018, LandSpire is a Los Angeles-based real estate investment firm that revitalizes communities that were once defined by small businesses, livable-wage jobs, and a thriving middle class. LandSpire pursues projects in communities challenged by housing shortages, employment opportunities, and various socio-economic conditions. We believe that a thriving, self-sustaining community begins with retaining the existing human capital, then creating the necessary infrastructure to welcome in others. Our business model addresses the challenges of development without displacement, while generating strong returns along with measurable impact. LandSpire’s investment pipeline includes Core, Core Plus and Opportunistic assets, prioritizing multifamily, specifically workforce and affordable housing over the next 3-5 years.<sup>1</sup>

Currently, we serve as investors-in-residence with TPG, a private equity fund with over \$140B of AUM. We are on course to launch our Flagship Fund in Q1 of 2023. However, the SEC’s Proposal would create a major barrier to entry for our Fund and would significantly increase expenses and the need for more capital, which we will not have, to perform the administrative tasks required to comply with many aspects of the Proposal. Substantive prohibitions would promote racial bias within an industry that is looking to increase diversity by imposing cost-prohibitive requirements for newly formed funds led by Black and Brown managers. The SEC promulgated an economic analysis the Proposal would have; however, the Commission did not consider the impact the Proposal would have on new entrants, women, and minority firms. Minority and women-owned funds historically receive less than 1% of all

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<sup>1</sup> For further information about LandSpire and its Partners, please visit our website at <https://www.landspiregroup.com/>



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invested capital and will face even more significant barriers to entry and obstacles to growth if the Proposal is adopted.<sup>2</sup>

We write this letter to request the SEC reconsider its position, as the Proposal would unnecessarily curb entrepreneurialism among diverse emerging managers, specifically Black and Brown Founders. On the heels of George Floyd and social justice movements across the globe, there was a robust emergence of Black-led venture capitalist, hedge, and private equity funds. We appreciate the opportunity to provide comments on potential challenges that the implementation of the Proposal would have on private equity fund advisers, specifically Black, Brown and women-led advisers.

As detailed below, the extensive additional reporting requirements contemplated by the SEC will be enormously costly, potentially decreasing returns for our investors. As a diverse emerging manager that already faces challenges building its investor base and lacks the back-office infrastructure needed to efficiently comply with the proposed reporting requirements, we will risk being forced out of the market. Additionally, the Proposal would prohibit LandSpire from taking necessary risks by increasing liability that would not otherwise exist. The proposed prohibited-activities rules would also cause us to structure our fee and expense model in such a way that would raise our investor's costs. Because we would not be able to pass through certain incurred expenses, we would then need to charge large, fixed management fees with sufficient cushion built in for any unexpected developments.

One of the primary issues with the Proposal is the SEC's plan to effectively eliminate the standard of care typically applicable to investment advisers, which at present holds a private fund sponsor liable for willful and egregious behavior. The gross negligence standard is critical to private equity, which as an asset class is fundamentally designed to encourage risk-taking by sponsors so that the investors might generate greater returns than they may experience with other classes. Our Investors will require us to put our own capital up to align interests and balance the risk/reward profile. Additional standards of care beyond willful and egregious behaviors would quash our ability to take necessary, efficient, and mitigated risks, for the benefit of our Investors.

The Proposal would also have a drastic impact on our ability to choose a risk-adjusted return profile as part of a diversified portfolio. LandSpire is not simply investing other people's capital, but rather we will have our own capital at work. The Proposal looks to gray-up a settled area of law that is wholly unnecessary. Increasing liability for new managers will only cause irreparable harm to the already scarcity of Black and Brown fund managers in the private equity space.

Furthermore, the requirement to obtain fund audits, prohibition of after-tax clawbacks, and prohibition of certain fees and expenses is signaling to all diverse emerging managers that the private equity space is not an arena the SEC wants us to be able to fairly compete. The major,

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<sup>2</sup> See e.g. Securities and Exchange Commission Asset Management Advisory Committee - Subcommittee on Diversity and Inclusion - Recommendations for Consideration by the AMAC on July 7, 2021 *available at* <https://www.sec.gov/files/amac-recommendations-di-subcommittee-070721.pdf>



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established private equity firms, although not without drawbacks, will be able to abide by the Proposal, however, firms like LandSpire will not be able to compete for talent, afford the additional costs of unnecessary expenses, and create even more barriers for first time funds to be able to meaningfully fundraise.

As we previously stated, we write this letter to urge the SEC to truly considered the negative impact the Proposal will have on firms like LandSpire. We are a company that was created on the basis we wanted to be the change in an industry that lacks representation. Please do not impede our progress through unnecessary and frankly unlawful rulemaking. The policy rationale provided for many of the additional restraints on emerging funds is insignificant when compared to the detrimental impact the Proposal will have on diverse fund managers. We thank you for allowing our firm the opportunity to comment, as these are our preliminary thoughts as we continue to digest the proposed rules, we will remain available to the SEC to discuss the impact the Proposal will have on our firm and other firms similarly situated.

Sincerely,

LandSpire Group