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Thomas J. Baltimore, Jr.
President

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OFFICE OF THE SECRETARY

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-18-09, Political Contributions by Certain Investment Advisers

Dear Ms. Murphy:

This comment letter is being submitted to the Securities and Exchange Commission ("SEC" or the "Commission") on behalf RLJ Development, LLC and its affiliates with respect to proposed rule 206(4)-5 ("Proposed Rule") under the Investment Advisors Act of 1940.

RLJ Development, LLC ("RLJD" or "company") is a minority-owned limited liability company that was founded in 2000 with the business strategy of investing in select or focused service hotels in urban areas in the United States and Canada. Since 2000, the company and its affiliates have amassed a portfolio of more than 124 hotels operated primarily under the Marriott or Hilton brand and located throughout the country. The company currently is one of Marriott's largest franchisees and has grown from three partners at its inception to fifty employees currently located in its headquarters in Bethesda, Maryland.

In 2004, RLJ Capital Partners, LLC, an affiliate of RLJD and the general partner of RLJ Urban Lodging Fund, LP, raised approximately $315 million from institutional investors, including public and private pension funds, with the assistance of a third-party placement agent. This was followed by the organization of RLJ Lodging Fund II, LP, which raised approximately $750 million in institutional funds in 2006 and RLJ Real Estate Fund III, LP, with nearly $1.2 billion in institutional funds in 2008. Each of these private equity funds included significant investments from several of the largest public pension funds in the country and was raised with the assistance of the same placement agent.

The Proposed Rule is intended to prohibit an investment manager from providing investment advisory services to a government entity, including a public pension fund, for two years after the manager or certain executives or employees contribute to certain elected officials or candidates for any public office if the person in that office can influence the investment decisions made by a the public entity. We strongly endorse the Commission's efforts to eliminate corruption in the administration of public pension and other investment funds and agree that action should be taken to prevent investment managers from engaging in pay-to-play practices. However, the Proposed Rule extends far beyond this objective, as it also prohibits an investment manager from providing payments to third parties for soliciting investment advisory business from any government entity (the "Placement Agent Ban"). We believe that such regulation is unnecessary and will have a negative and disproportionate impact on smaller fund managers, especially those that are minority or women-owned.

If implemented, the Placement Agent Ban would effectively preclude small companies like RLJD from successfully seeking investments from public pension funds. RLJD's experience with institutional fundraising is typical. In 2004, when it first explored raising institutional funds, the company had an investment track record with its legacy assets, but no experience with raising institutional capital or inroads into institutional investor networks. The barriers to entry in the private equity industry are well-known; firms without the in-house capacity to prepare and market their offering are greatly disadvantaged when compared with large, established firms that have successfully obtained capital from institutional investors. However, this disadvantage can be mitigated with the assistance of a placement agent and, like many small fund managers in similar circumstances, the company retained the assistance of such an agent. The company's agent was a registered broker/dealer with the Commission and specialized in working with real estate and real estate-related private equity managers.

Over the next twelve months, the placement agent assisted RLJD in honing its investment strategy, helped in preparing marketing materials, provided input to the Private Placement Memorandum and assisted in collecting and organizing data. As part of its due diligence process, the placement agent conducted quantitative and qualitative analysis of the track record and proposed investment strategy of the company and undertook extensive reference and background checks. There were comprehensive on-site visits and interviews with RLJD principals and other company personnel. Of course, the agent also identified possible investors with similar investment objectives and interests, and assisted the company in preparing for presentations with these investors; however, as indicated above, their assistance greatly exceeded merely identifying and introducing the company to potential limited partners.

As a result of these efforts, RLJ Urban Lodging Fund eventually raised over $315 million in the company's first efforts in the institutional markets. Overall, the company and its affiliates have raised more than $2 billion from the institutional markets over the past five years. The assistance of our placement agent has been invaluable, both with respect to the education provided on the fund-raising process and their skill at identifying appropriate pension fund investors. RLJD would not have been successful without its ability to outsource its marketing and investor outreach activities to a knowledgeable and ethical private placement agent with specialized industry expertise.

We have three primary concerns regarding the Placement Agent Ban. First, if enacted, the Ban will severely limit and potentially eliminate the ability of firms such as RLJD to seek investment from public pension funds through this investment channel. Most large funds have created their own marketing and investor relations departments. Smaller managers like RLJD and start-up funds lack the resources to create an in-house investor relations team and cannot hope to secure public investment capital without the services of a professional placement agent. Even today, with significant experience and success in raising capital, RLJD cannot justify allocating the funds required to establish an internal placement group. If placement agents are banned from assisting with institutional investors, companies such as RLJD will have no place to turn for assistance with their efforts to raise capital.

Second, we also believe that the Placement Agent Ban ultimately will reduce the number of start-up and smaller private equity funds in the market. Public pension funds manage a substantial portion of the investment capital allocated to the alternative investment asset class. Without access to this capital, many start-ups will be unable to raise an initial fund and many smaller funds will find it impossible to grow in a business that demands continuous growth and innovation. And for groups that have traditionally found it extremely difficult to access institutional capital, such as minority and women-owned managers, implementation of this Placement Agent Ban would impede further growth of these managers. Placement agents have served a critical role in providing minority and women-owned fund managers access to capital sources from which they have traditionally been precluded; enacting the Ban will effectively destroy what has been a slowly growing but increasingly effective channel to these funding sources.

Finally, the Placement Agent Ban may cause legitimate placement agents to go out of business if they can no longer represent their clients before governmental entities, including public pension funds or other governmental agencies. Placement agents have provided a valuable way for pension funds, particularly those focused on alternative investments, to assess and screen individual fund managers for the viability of both the firm and its investment thesis. Pension funds have frequently relied upon placement agents to educate emerging managers and to provide a preliminary assessment of the manager's ability to successfully execute on their business plans. Reducing the number of placement agents will limit the ability of emerging firms to obtain these services and to ultimately be successful in their efforts to raise capital.

For these reasons, we urge the Commission to reconsider the Placement Agent Ban and to pursue more limited rule-making designed to limit pay-to-play abuses without prohibiting placement agents from continuing in their critical role in the institutional markets, particularly with respect to small and emerging firms.

Sincerely,

Thomas J. Baltimore, Jr.
President