THE MERIDIAN GROUP

August 26, 2009

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street
Washington, DC 20549-0609

Re: File No. S7-18-09: Political Contributions by Certain Investment Advisors

Dear Ms. Murphy and Other Interested Parties:

I have been following closely the "pay to play" tactics utilized by a number of private equity firms and investment managers, whom I will call "access capitalists," to obtain capital commitments from state pension funds. I call these firms access capitalists for two reasons: one, they contribute capital to the campaigns of elected officials who have influence, or control, over capital commitments of their pension funds to investment managers; and, two, they make payments, often undisclosed, to third parties who provide access to and have influence over the pension funds, for the benefit of the investment managers. Simply put, these private equity firms and investment managers provide capital to third parties solely for access and influence, and again, oftentimes, this access is not disclosed to the senior officials and directors of the pension funds themselves. Moreover, the third party intermediaries receive substantial fees for doing nothing other than allowing for access and providing influence to the public pension funds.

I believe that these actions on both the part of the third party intermediaries and the private equity firms / investment managers are unethical, wrong, do not pass the "smell test," and are most likely corrupt; and, I applaud all those, including the SEC, who are attempting to prevent these types of practices from continuing.

As a Managing Director at The Meridian Group overseeing capital and acquisitions, I am not only following closely, but leading our efforts to transition from investing on a deal-by-deal basis with disparate capital partners, to sponsoring and forming a dedicated, discretionary real estate fund with institutional limited partners, such as pension funds and endowments. As the principals in our firm discussed how best to achieve our goal of raising capital commitments from pension funds, endowments, insurance companies, foundations and other capital sources, as a "first time fund" (that is, while we have been successful raising capital and investing on a one-off investment basis, we have not raised capital for a dedicated, commingled, discretionary fund), while we believed we could raise the money ourselves, we chose to align ourselves with a reputable, licensed placement agent who could provide invaluable services to us on a long-term basis.

First, let me briefly introduce Meridian to you: Meridian is real estate investment firm and operator based in Bethesda, MD, with 14 employees, who has been investing in and operating real estate assets since 1994. We have generated attractive returns for our investors over our 15 year investment period, which have included major life insurance companies (*e.g.*, Northwestern Mutual), financial institutions (*e.g.*, Bank of America, GE Capital, Goldman Sachs and Capmark) and opportunity funds (*e.g.*, The Blackstone Group and Rockwood Capital).

In order to best present ourselves, as a first time discretionary fund, to institutional investors such as public pension funds and endowments, we met with Park Hill Real Estate Group, a reputable placement agent based in New York City about our fundraise over one year ago. (At that point, we did not realize that we had to be selected by Park Hill, based on their review of, literally, over 100 different investor platforms; we thought we could just choose the placement agent we

3 Bethesda Metro Center Suite 610 Bethesda, MD 20814 Telephone: (301) 718-0800 Fax: (301) 718-9444
www.meridiangroupinc.com

thought would best work with us.) After meeting with Park Hill three times, we believed that Park Hill could best prepare us for our fundraising efforts, and Park Hill believed that our team, our business plan, our track record, and our investment philosophy would be successful, after fully "vetting" us through extensive due diligence, including on-site visits, an audit, reference checks and background checks.

At this point, last year, the work began: working side by side with Park Hill, we conducted an extensive audit of our track record with our accountants, the Reznick Group. Park Hill worked with our accounting firm to ensure that the audit of each and every investment ever made by Meridian would meet public pension fund and endowment requirements. This audit process took months to complete. While our records are complete and Reznick is a diligent group, Park Hill's experience with pension fund requirements was invaluable to ensure that our track record and financial return information was sufficiently transparent, complete and accurate. Then, working side by side with Park Hill and our attorneys, Mayer Brown, we determined the most flexible structure to utilize for the formation of our fund. Finally, Park Hill led our efforts in creating our "pitchbook" presentation to potential investors that efficiently and accurately described our firm, our history, and our business plan; and, in preparing our Private Placement Memorandum (the PPM), the legal offering document that is prepared for potential investors that outlines our business plan, the proposed terms for our fund, and detailed business and legal information, all in formats and with sufficient detail to meet the requirements of state pension funds and endowments. During this process of the audit, the footnotes to the track record, the pitchbook, and the PPM, Park Hill pushed our accountants, our attorneys, and me and my team at Meridian, to be complete and transparent in every way possible. They asked penetrating questions, questioned every aspect of our business plan, and ensured that we accurately and completely described every investment and investor relationship, all to better prepare us for the questions and requirements of potential investors.

Finally, Park Hill utilized its team of distribution personnel to match our business plan and investment philosophy with investment groups, such as pension funds and endowments, that would be interested in meeting with us. While we believe in ourselves and our investment plans, Park Hill made sure to put us together with like-minded investment groups. At this point, we have had over 40 investor meetings, Park Hill has attended every one of them, and we have strong interest from most, if not all, of the investors we have met with. Two weeks ago, one prospective investor desired that we complete an investor questionnaire, over 150 pages long, and to meet their timeframe, we had five business days. I was on vacation. While on vacation, working daily (hourly) with Park Hill, utilizing Park Hill's expertise and experience, we completed this questionnaire and are hopeful to be selected by the prospective investor. Park Hill employees were sending me drafts at, literally, all hours of the day and night, to complete this questionnaire process.

I am confident as we continue with our fundraising process, complete more questionnaires, and negotiate the issues that each investor will bring up in a manner that is mutually acceptable to all the investors, Park Hill will continue to expend the same effort and expertise that they have thus far. They have to, because to date, Park Hill has completed all this work for no compensation. They receive compensation from us only after we successfully close our fund -- that is, after we complete the process and receive binding subscriptions from the prospective investors.

As I stated at the beginning of this letter, I have been following closely the "pay to play" tactics and practices of a number of large private equity firms, including political contributions in exchange for capital commitments, and under the table fees to politically connected brokers who have access to and influence over public pension funds and other similar groups. And, I strongly support the SEC's efforts to prevent these actions from continuing, and enacting regulations to do so. But, after comparing the services provided by Searle & Co. (Hank Morris) and Park Hill Real Estate Group, ***it is equally compelling to not simply ban all placement agents from doing business with public pension funds.*** With that said, I also strongly believe an outright ban on placement agents is misguided, and I strongly support allowing regulated placement agents, such as Park Hill, who provide legitimate, fully disclosed services to its clients, to do business with public pension funds.

Ironically, if there is a complete or outright ban on placement agents from doing business with pension funds, I believe the investment sponsors who would be in the best position to do business with the public pension funds are the same "access capitalists" who initiated the "pay to play" tactics. Reaching settlement agreements with Attorney Generals and agreeing not to hire placement agents for pension business works well for the large, well known private equity firms with their own set of fundraisers. But, smaller groups such as The Meridian Group, who have a history of fiduciary responsibility and delivering strong returns to its investors, without the resources, experience, and expertise of legitimate placement agents who perform services such as preparing the marketing materials and shepherding the firms through the fundraising process, would not have the ability to or be in the position of doing business with the public pension funds. With that said again, barring placement agents completely would prevent the public pension funds from having the investment choices that they deserve to see, and dramatically slant the process in favor of the large private equity and similar firms who put us in this position in the first place, and have not served the public well in the last number of years. I believe that limiting the selection of investment managers is not a responsible thing to do from a fiduciary standpoint.

In conclusion, I support the efforts to eliminate political contributions from investment managers and placement agents and fees to politically connected brokers who are gatekeepers to the pension funds and provide no services to investment managers. But, I strongly oppose the ban of placement agents who are regulated, registered and qualified broker-dealers, who provide legitimate service to both the investment managers and the public pension fund community by providing the public pension funds with access to more qualified investment managers, not just the largest firms who can afford dedicated in-house marketing staffs. Clearly, what is needed is a well-thought out regulation that eliminates the abuses, but still allows the legitimate placement agents to provide valuable functions to both investment managers and the public pension fund community.

I appreciate the time you spent reading and understanding my points in this letter. If you have any questions or thoughts whatsoever, I would welcome discussing them with you. This is very important to me and to my firm.

Sincerely,

Gary E. Block