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DEVON
SELF-STORAGE

August 21, 2009

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OFFICE OF THE SECRETARY

To: SEC Commissioners

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

To Whom It May Concern:

Devon Self Storage Holdings (US) LLC ("Devon") is a small real estate investment company that specializes exclusively in the self storage sector of the real estate marketplace. Devon currently employs approximately 100 people in thirteen states. We operate 38 self storage facilities. Over the past five years we have had as many as 70 self storage sites and as few as 20 facilities under our management. The fluctuations are due to the normal course of selling, buying and building in order to achieve the investment objectives of our equity partners. Over the past 16 years Devon has averaged a 17.6% annual internal rate of return and a 2.1x multiple on invested equity on behalf of our equity investor partners.

Devon's primary source of investment equity capital has historically been a small number of large institutional investors that we have literally spent over 30 years cultivating. Normally for a small firm to have access to any institutional capital is both very unusual and difficult to achieve, particularly in the real estate asset category that is dominated by a number of massive investment organizations.

In 2007 Devon decided that it would be in the best interest of the company, its owners and employees to come to market with a traditional investment Fund that would be marketed exclusively to institutional and very high net worth individuals.

The reality of the marketplace today is that a firm of the limited size and scope of Devon simply does not have a chance of raising an institutional pool of capital. Our objective was and continues to be to raise $250,000,000, which has never been accomplished in the self storage sector of the real estate market. While this is certainly a great deal of capital, it is relatively a small amount when compared to the amount of capital raised by the large, established real estate investment firms against which Devon has to compete for what today is a very limited amount of available investment capital from those very same institutional investors.

Devon made the decision to retain a placement agent to assist us with taking our Fund to market. Devon and other firms of our size simply do not have the existing relationships or the in-house marketing staff that would allow us to complete with the typically huge capital management organizations that have their own internal marketing staffs. Banning the use of placement agents because of several "bad apples" that used illegal methods, political influence and cash payments to gain access to large

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institutional investors makes no sense. Those bad apples should be prosecuted to the fullest extent of the law for their actions. However, the proposed regulations would only serve to effectively bar smaller, typically emerging management firms that rely on legitimate placement agents, from participating in the investment management business in favor of the behemoth firms that already dominate most of the investment industry. In many cases it would be a death sentence for emerging investment management firms, women-owned and minority-owned firms that are attempting to get a foothold in the investment management profession especially with a "first fund".

Devon selected Park Hill Real Estate as our placement agent after interviewing a number of placement agent firms. We choose them for a number of factors including, but not limited to;

- their track record of taking emerging investment management firms to the institutional market;
- their history of taking "niche" market firms to the market;
- the quality and reputation of their senior personnel;
- recommendations from clients, attorneys and accounting firms; and,
- the personal chemistry between the key executives at Park Hill and Devon.

Park Hill assisted us in the entire process from compiling our historical track records in the format required by the institutional investment community; working with PriceWaterhouseCoopers in reviewing our historical track record for accuracy; drafting our due diligence material; working with our law firm, Orrick Herrington & Sutcliffe, in drafting our PPM; assisting us in organizing the marketing and point-of-sale materials; and, most importantly, arranging meetings with potential investors and joining us at those meetings to introduce Devon and our proposed Fund. Without their guidance through the process we simply would not have been able to bring our Fund to market.

Unfortunately for Devon we brought our Fund out in September 2008 just as the financial markets were in their greatest turmoil. To date we have not yet raised any capital, but we have had many very positive meetings, opened a number of new relationships, and firmly believe that when the markets do return to a more normal investment environment that we will be successful in raising our Fund.

Devon strongly supports the SEC's efforts to crack down on political corruption and the desire to ban political contributions to those who control the decision making of public pension funds by those who are seeking to do business with them. However, Devon strongly opposes the parts of the proposed regulation that would outright ban placement agents from doing business with public pension funds. This position is an over reaction and analogous to "throwing the baby out with the bathwater". It implies that all placement agents are corrupt or alternatively that the existing entities charged with regulating the placement agent industry are not capable of carrying out their duties of actually regulating the legitimate placement agent firms.

In Devon's opinion, banning placement agents will actually have a negative effect on the very public pension funds the SEC is trying to protect, by limiting the public pension funds' access and choice of investment advisors to only those firms large enough to have their own in-house marketing teams. The largest firms are not always the best performing or the most nimble in times of rapidly changing economic circumstances, thus the pension funds' fiduciary duties to their investors could be compromised by not having access to the full universe of investment managers. Legitimate placement agents provide strategic advice and serve as the marketing department of the small and medium sized firms in the market in order to allow them to compete with the large and established firms, thus helping to level the playing field for all participants.

From Devon's perspective as a small investment manager, the public pension world is a complex place in terms of understanding the pension funds' investment processes, their investment goals and objectives, and whether or not our investment strategy even fits a particular fund. We have little information as to who the appropriate contact person is at each fund. While it may seem like this information should be readily available, and even if we could piece it together, the process of approaching the universe of public pension funds is time consuming, prohibitively expensive and significantly detracts from our primary objective of managing investments. Without a placement agent to step in and fill this role for Devon, we would likely not be able to ever penetrate the institutional market to any significant degree.

In conclusion, Devon supports the SEC's efforts to reduce political corruption through eliminating political contributions from investment managers and placement agents, but we strongly oppose the banning of placement agents dealing with public pension funds for the following reasons:

- A ban would be detrimental to public pension funds and their beneficiaries by effectively reducing access to only the largest firms who can afford dedicated in-house marketing staffs;

- The ban would effectively eliminate the small and medium sized investment firms from the market as they would not be able to compete with the marketing resources of the larger firms;

- Legitimate placement agents should be subject to regulatory oversight, not banned from a portion of the investment market; and,

- Legitimate placement agents perform a significant service to both the investment manager and public pension fund community.

I would support full transparency of the role of placement agents through whatever disclosure the SEC believes is appropriate and a ban on political contributions. These measures, along with the requirement that all placement agents be registered broker-dealers, should allow for appropriate oversight about the roles of placement agents while preserving the benefits that they provide to both investment managers and public pension funds.

Sincerely,

Kenneth E. Nitzberg
Chairman & CEO
Devon Self Storage Holdings (US) LLC