

STATEMENT BY ROBERT L. JOHNSON
OPPOSING CARRIED INTEREST TAX AS PROPOSED IN
FINANCIAL REFORM LEGISLATION

Carried Interest Tax Policy Will Hurt Minority Businesses, Entrepreneurs, and Jobs

BETHESDA, MD//MAY 24, 2010// Robert L. Johnson, founder and chairman of The RLJ Companies today expressed his concerns about proposed legislation that, if enacted, will more than double the taxes and pose a direct threat to the economic viability of minority private equity firms.

"In my opinion, this legislation would cause a rapid decline in minority private equity firms and possibly eliminate minority participation in this important financial sector of the American economy.

Minority firms have difficult challenges in attracting fund investors and an even more difficult time attracting top managerial talent. If this legislation is approved, it will become even more daunting for minority firms. Historically, minority firms generate less investment capital than major firms, require more time to raise funds compared to larger firms, and, as a consequence, if taxes are raised on minority companies the same as it exists for large firms, talented minority men and women would likely choose to stay at their existing firms.

Furthermore, if minority firms can't hire the best and the brightest, corporate and union pension funds that are already skeptical of the effectiveness of minority private equity funds would likely decrease their investment in these funds due to the lack of "experienced and talented fund managers. For the most part, minority firms invest their funds in minority businesses and other businesses located in urban communities.

If minority funds are reduced or eliminated it will also impact investments in urban cities and job creation and economic development in markets where it is most needed. To enact the proposed legislation would be devastating to a minority private equity firms across the country, undermining current efforts to rebuild and grow our economy putting the financial climate further at risk."

###