

SECURITIES AND EXCHANGE COMMISSION

Release No. IA-3987 / 803-00217

Crestview Advisors, L.L.C.; Notice of Application

December 19, 2014

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of application for an exemptive order under Section 206A of the Investment Advisers Act of 1940 (the “Advisers Act”) and Rule 206(4)-5(e).

Applicant: Crestview Advisors, L.L.C. (“Applicant”).

Relevant Advisers Act Sections: Exemption requested under section 206A of the Advisers Act and rule 206(4)-5(e) from rule 206(4)-5(a)(1) under the Advisers Act.

Summary of Application: Applicant requests that the Commission issue an order under section 206A of the Advisers Act and rule 206(4)-5(e) exempting it from rule 206(4)-5(a)(1) under the Advisers Act to permit Applicant to receive compensation for investment advisory services provided to a government entity within the two-year period following a contribution by a covered associate of Applicant to an official of the government entity.

Filing Dates: The application was filed on November 14, 2012, and amended and restated applications were filed on March 26, 2014, July 11, 2014 and November 13, 2014.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on January 13, 2015, and should be accompanied by proof of service on Applicant, in the form of an affidavit or, for lawyers, a certificate of service. Pursuant to rule 0-5 under the Advisers Act, hearing requests

should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090. Applicant, Crestview Advisors, L.L.C., 667 Madison Avenue, 10<sup>th</sup> Floor, New York, NY 10065.

For Further Information Contact: Aaron T. Gilbride, Senior Counsel, at (202) 551-6906, or Melissa R. Harke, Branch Chief, at (202) 551-6722 (Division of Investment Management, Chief Counsel's Office).

Supplementary Information: The following is a summary of the application. The complete application may be obtained via the Commission's website either at <http://www.sec.gov/rules/iareleases.shtml> or by searching for the file number, or for an applicant using the Company name box, at <http://www.sec.gov/search/search.htm>, or by calling (202) 551-8090.

Applicant's Representations:

1. Applicant is a limited liability company organized in Delaware and registered with the Commission as an investment adviser under the Advisers Act. Applicant serves as investment adviser to a private equity fund (the "Fund") that is a "covered investment pool," as defined in rule 206(4)-5 under the Advisers Act. One of the investors in the Fund is a public pension plan identified as a government entity with respect to the State of Texas (the "Investor"). The investment decisions for the Investor are overseen by a board of trustees composed of nine members, all of whom are appointed by the Governor of Texas.

2. On August 29, 2011, Jeffrey A. Marcus, a senior investment professional of the Applicant (the “Contributor”), made a \$2,500 campaign contribution (the “Contribution”) to the campaign of James Richard “Rick” Perry (the “Official”), the Governor of Texas. The Contribution was given in connection with a fundraiser held in Colorado for the Official’s Presidential campaign on or about August 25, 2011, which the Contributor attended (the “Fundraiser”). At the time of the Contribution, the Official was a candidate for the federal office of President of the United States.

3. Applicant represents that the amount of the Contribution, profile of the candidate, and characteristics of the campaign fall generally within the pattern of the Contributor’s other political donations.

4. Applicant represents that the Contributor has confirmed that he has not, at any time, had any contact with the Official regarding the Investor’s investment activities with the Applicant.

5. Applicant represents that since the date of the Contribution through the two-year period ended August 29, 2013, the Contributor’s role with the Investor was limited to making a presentation to the Investor’s representatives regarding the Applicant’s media and communication portfolio companies. Applicant represents that the Contributor had no contact with any representative of the Investor outside of such presentation and no contact with any member of the board of trustees which oversees the investment decisions of the Investor. Applicant represents that since August 29, 2013, the Contributor has had similarly limited interaction with the Investor. Applicant represents that the Contributor was not involved in any discussions with the Investor regarding the Investor’s decision to invest in the Fund.

6. Applicant represents that the Investor made its first investment in the Fund in December 2007, and made its most recent investment in a successor fund complex in November 2013 (with an additional commitment in June 2014).

7. Applicant represents that the Contributor did not solicit any other persons to make contributions to the Official's campaign and did not arrange any introductions to potential supporters.

8. Applicant represents that the Contribution was discovered by Crestview's Compliance Department through the Contributor's voluntary disclosure in response to an annual certification, and that the Contributor obtained a full refund of the Contribution within one week after the Contribution was discovered. Applicant established an escrow account for the benefit of the Investor and deposited an amount equal to the sum of carried interest and management fees payable for the two years from the date of the Contribution.

9. Applicant represents that it has taken steps designed to limit the Contributor's contact with representatives of the Investor following the Contribution for the duration of the two-year period beginning August 29, 2011. Applicant represents that the Contributor completed quarterly certifications beginning the quarter ended December 31, 2012 through the quarter ended September 30, 2013 and has kept a log of any interactions with the investor.

10. Applicant represents that while it is possible that the Contributor mentioned the Fundraiser in passing to a principal of the Applicant who also has a home in Colorado, neither the Contributor nor such principal recalls any such conversation. Applicant represents that such principal did not attend the Fundraiser and did not make any contribution to the Official. Applicant represents that at no time did any other of Applicant's officers, principals and

employees have any knowledge that the Contribution had been made prior to its discovery by Crestview's Compliance Department in January 2012.

11. Applicant represents that at all relevant times it had compliance procedures that have been more restrictive than is required under rule 206(4)-5. Applicant represents that its compliance procedures prohibit contributions, with no exceptions for *de minimis* contributions, to: (i) politically connected individuals or entities with the intention of influencing such individuals or entities for business purposes; (ii) state, local or foreign government entities, officials, candidates, political parties or political action committees; and (iii) any national political candidates who hold a state or local office. Applicant represents that its compliance procedures also require pre-clearance of contributions to any national political candidate, party or action committee. Applicant represents that its compliance procedures apply to all of Applicant's officers, principals and employees and their covered family members. Applicant represents that all employees are required to certify their compliance on a periodic basis. Applicant represents that the Contributor failed to appreciate that contributions to federal candidates who held state or local office would trigger the prohibition on compensation under rule 206(4)-5 and were prohibited by the Applicant's policies.

#### Applicant's Legal Analysis

1. Rule 206(4)-5(a)(1) under the Advisers Act prohibits a registered investment adviser from providing investment advisory services for compensation to a government entity within two years after a contribution to an official of the government entity is made by the investment adviser or any covered associate of the investment adviser. The Investor is a "government entity," as defined in rule 206(4)-5(f)(5), the Contributor is a "covered associate" as defined in rule 206(4)-5(f)(2), and the Official is an "official" as defined in rule 206(4)-

5(f)(6). Rule 206(4)-5(c) provides that when a government entity invests in a covered investment pool, the investment adviser to that covered investment pool is treated as providing advisory services directly to the government entity. The Fund is a “covered investment pool,” as defined in rule 206(4)-5(f)(3)(ii).

2. Section 206A of the Advisers Act grants the Commission the authority to “conditionally or unconditionally exempt any person or transaction . . . from any provision or provisions of [the Advisers Act] or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of [the Advisers Act].”

3. Rule 206(4)-5(e) provides that the Commission may exempt an investment adviser from the prohibition under rule 206(4)-5(a)(1) upon consideration of the factors listed below, among others:

(1) Whether the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act;

(2) Whether the investment adviser: (i) before the contribution resulting in the prohibition was made, adopted and implemented policies and procedures reasonably designed to prevent violations of the rule; and (ii) prior to or at the time the contribution which resulted in such prohibition was made, had no actual knowledge of the contribution; and (iii) after learning of the contribution: (A) has taken all available steps to cause the contributor involved in making the contribution which resulted in such prohibition to obtain a return of the contribution; and (B)

has taken such other remedial or preventive measures as may be appropriate under the circumstances;

(3) Whether, at the time of the contribution, the contributor was a covered associate or otherwise an employee of the investment adviser, or was seeking such employment;

(4) The timing and amount of the contribution which resulted in the prohibition;

(5) The nature of the election (e.g., federal, state or local); and

(6) The contributor's apparent intent or motive in making the contribution which resulted in the prohibition, as evidenced by the facts and circumstances surrounding such contribution.

4. Applicant requests an order pursuant to section 206A and rule 206(4)-5(e), exempting it from the two-year prohibition on compensation imposed by rule 206(4)-5(a)(1) with respect to investment advisory services provided to the Investor within the two-year period following the Contribution.

5. Applicant submits that the exemption is necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act. Applicant further submits that the other factors set forth in rule 206(4)-5(e) similarly weigh in favor of granting an exemption to the Applicant to avoid consequences disproportionate to the violation.

6. Applicant states that the relationship with the Investor pre-dates the Contribution and that the Investor did not make an additional commitment to the Fund subsequent to the Contribution (although the Applicant notes that the Investor made an investment in a successor fund managed by the Applicant 22 months following the return of the Contribution). Applicant states that the Contribution was made three and a half years after the Investor's investment in the Fund and at a time when the Investor was not contemplating any investment-related decisions

with respect to the Applicant. Applicant notes that it established and maintains its relationships with the Applicant on an arms'-length basis free from any improper influence as a result of the Contribution.

7. Applicant states that at all relevant times it had policies which were fully compliant with, and more rigorous than, rule 206(4)-5's requirements at the time of the Contribution. Applicant further states that at no time did Applicant or any employees of Applicant, other than the Contributor, have any knowledge that the Contribution had been made prior to its discovery by Crestview's Compliance Department in January 2012. After learning of the Contribution, Applicant and the Contributor took all available steps to obtain a return of the Contribution, which was returned within one week of discovery, and an escrow account was set up for the Investor and a sum equal to the carried interest and all fees charged to the Investor's capital account in the Fund since the date of the Contribution were deposited by Applicant in the escrow account for immediate return to the Investor should an exemptive order not be granted.

8. Applicant states that the Contributor's apparent intent in making the Contribution was not to influence the selection or retention of the Applicant. Applicant states that the Contributor has a long-standing history of supporting the Official. The amount of the Contribution, profile of the candidate, and characteristics of the campaign fall generally within the pattern of the Contributor's other political donations. Applicant further states, as discussed above, that the Contributor has confirmed that he has not, at any time, had any contact with the Official regarding the Investor's investment activities with the Applicant, and apart from requesting in January 2012 that his Contribution be returned, the Contributor's contact with the Official concerning campaign contributions was limited to the fundraising event at which the Contribution was made. Applicant further states that since the date of the Contribution, the



Contributor's role with the Investor was limited to making a presentation to the Investor's representatives regarding the Applicant's media and communication portfolio companies.

For the Commission, by the Division of Investment Management, under delegated authority.

Kevin M. O'Neill  
Deputy Secretary