



DIVISION OF  
CORPORATION FINANCE

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**Securities Exchange Act of 1934  
Rule 14e-5**

June 16, 2015

**Response of the Office of Mergers and Acquisitions  
Division of Corporation Finance**

Via Facsimile and U.S. Mail

Stacy L. Fuller, Esq.  
K&L Gates LLP  
1601 K Street, N.W.  
Washington, D.C. 20549

**Re: Cambria ETF Trust | Request for Exemption from Rule 14e-5**

Dear Ms. Fuller:

We are responding to your letter dated June 16, 2015, addressed to Michele M. Anderson and Nicholas P. Panos, which requests exemptive relief from Rule 14e-5 under the Exchange Act. To avoid having to recite or summarize the facts set forth in your letter, our response is attached to the enclosed photocopy of your correspondence. Unless otherwise noted, capitalized terms in our letter have the same meaning as in your letter.

On the basis of the representations made and the facts presented in your letter, as supplemented by telephone conversations with the staff of the United States Securities and Exchange Commission ("Commission"), the Commission hereby grants an exemption from Rule 14e-5. The exemption operates to permit any broker-dealer acting as a dealer-manager of a tender offer for a security in which either of the Funds invests to redeem Fund Shares in Creation Unit size aggregations for a Redemption Basket that may include a subject security or related security as defined under Rule 14e-5(c). The exemption also operates to permit such persons, described in your letter as covered persons within the meaning of Rule 14e-5(c)(3)(ii), to engage in secondary market transactions with respect to Shares of the Funds after the first public announcement of and during such tender offer given that such transactions could include, or be deemed to include, purchases of, or arrangements to purchase, subject securities or related securities. In addition, the exemption permits such covered persons to make purchases of, or arrangements to purchase, subject securities or related securities in the secondary market for the purpose of transferring such securities to purchase one or more Creation Units of Shares.

To the extent that the Trust or either of the Funds constitute a covered person within the meaning of Rule 14e-5(c)(3)(iv), each also may rely upon the exemption granted herein. In granting this exemptive relief, we note in particular that our grant of relief is conditioned upon the following:

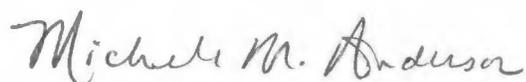
- no purchases of subject securities or related securities made by broker-dealers acting as dealer-managers of a tender offer would be effected for the purpose of facilitating a tender offer;
- any purchases of a portfolio security by a dealer-manager during a tender offer will be effected as adjustments to a basket of securities in the ordinary course of business as a result of a change in the composition of the Funds' portfolio; and
- except for the relief specifically granted herein, any broker-dealer acting as a dealer-manager of a tender offer will comply with Rule 14e-5.

The foregoing exemptive relief is based solely on the representations and the facts presented in your letter, as supplemented by telephone conversations with the Commission staff. The exemptive relief granted is strictly limited to the application of Rule 14e-5 to the transactions described in your letter. These transactions should be discontinued pending further consultations with the Commission staff if any of the facts or representations set forth in your letter change. In addition, this exemptive relief is subject to modification or revocation if at any time the Commission or the Division of Corporation Finance determines that such action is necessary or appropriate in furtherance of the purposes of the Exchange Act.

We also direct your attention to the anti-fraud and anti-manipulation provisions of the federal securities laws, including Exchange Act Sections 10(b) and 14(e), and Rules 10b-5 and 14e-3 thereunder. The transactions and covered persons within the scope of this exemptive relief must comply with these and any other applicable provisions of the federal securities laws. The Division of Corporation Finance expresses no view on any other questions that may be raised by the transactions described in your letter, including, but not limited to, the adequacy of disclosure concerning, and the applicability of any other federal or state laws to, such transactions.

Sincerely,

For the Commission,  
By the Division of Corporation Finance,  
pursuant to delegated authority,



Michele M. Anderson  
Chief, Office of Mergers and Acquisitions

**June 16, 2015**

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**By Email**

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Nicholas P. Panos  
Senior Special Counsel  
Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: Request of Cambria ETF Trust for Exemptive Relief from Rule 14e-5 under the Securities and Exchange Act of 1934

Dear Ms. Anderson and Mr. Panos:

We are writing as counsel to the Cambria ETF Trust (the "Trust"), which was organized as a Delaware statutory trust on September 9, 2011, and is registered with the Securities and Exchange Commission (the "Commission") as an open-end management investment company. The Trust requests exemptive relief under the Securities Exchange Act of 1934 (the "Exchange Act") on behalf of itself, the market participants discussed below, the Cambria Shareholder Yield ETF and the Cambria Value and Momentum ETF (the "Funds"), each a series of the Trust that operates as an exchange-traded fund (an "ETF").

Shares of the Funds ("Shares") are listed on NYSE Arca, Inc. ("Arca"). With respect to each Fund, the Trust issues and redeems Shares in aggregations of 50,000 Shares (referred to as "Creation Units"). As described below, consistent with other ETFs, transactions in Creation Units for each Fund occur between the Trust and a limited group of persons, referred to as "Authorized Participants," who create and redeem Shares in Creation Units pursuant to contractual arrangements pertaining to the Trust and the Fund.<sup>1</sup> Additionally, as indicated below, Authorized Participants may engage in secondary market transactions in Shares.

Authorized Participants are typically broker-dealers and, as discussed below, may act as dealer-managers of tender offers. The Trust, on behalf of itself, each Fund and Authorized Participants that act as dealer-managers of tender offers, as applicable, requests that the Commission grant exemptive relief from Rule 14e-5 under the Exchange Act in connection with transactions that involve "subject securities" and "related securities" (as defined in Rule 14e-5(c)(6) and (7)) that are included in a "Creation Basket" or a "Redemption Basket," as described and discussed below. Without such

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<sup>1</sup> Each Fund honors redemption requests by Authorized Participants on an ongoing basis.

relief, in situations where an Authorized Participant is also a dealer-manager of a tender offer, and therefore a "covered person," as defined in Rule 14e-5(c)(3)(ii), subject to the Rule, the Rule's restrictions could impede the ability of the Funds to operate as intended and as disclosed in publicly filed documents, which could be detrimental to investors.<sup>2</sup>

The Commission staff ("Staff") has previously issued exemptive relief substantially similar to that requested herein to both index-based ETFs<sup>3</sup> and actively managed ETFs<sup>4</sup> that are listed and traded on a national securities exchange and satisfy certain conditions. Similar to the ETFs in the Other Rule 14e-5 Relief, each Fund's portfolio will be fully transparent and permit arbitrage activity. The relief requested by the Trust is substantially similar to the relief granted in the Other Rule 14e-5 Relief; therefore, the Trust does not believe that the relief requested raises any significant new regulatory issues.<sup>5</sup>

This letter is divided into four parts. Part I describes the Funds; Part II describes transactions in the Shares; Part III contains the legal analysis under Rule 14e-5; and Part IV sets forth the request for exemptive relief.

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<sup>2</sup> Consistent with the applicable precedent (see notes 3 and 4), the Trust is the party that is requesting relief from the Commission. Although there is no guarantee of future results, the Trust believes that the "in kind" purchase and redemption features of ETFs help facilitate the close correspondence between an ETF's net asset value ("NAV") and market price to the benefit of the ETF and its shareholders. The Trust and its series, the Fund, therefore have a strong interest in, and are beneficiaries of, the requested relief as it helps ensure that market participants are able to effect creations and redemptions, thereby permitting the Fund to operate as intended. The Trust further believes that the arbitrage activity described below is facilitated when more market participants are able to participate in the purchase and redemption of Creation Units. Additionally, the Trust is seeking relief on behalf of itself and the Fund in the event that the Trust and/or the Fund is deemed to be a "covered person" under Rule 14e-5(c)(3)(iv), as discussed in Part III below.

<sup>3</sup> See Letter from James A. Brigagliano to Stuart M. Strauss, Esq. regarding Class Relief for Exchange Traded Index Funds, dated October 24, 2006. Relief was granted for the Commission by the Division of Market Regulation (now the Division of Trading and Markets) pursuant to delegated authority.

<sup>4</sup> See Letter from Michele M. Anderson, Chief, Office of Mergers and Acquisitions, to Benjamin J. Haskin, Esq. (December 19, 2014); Letter from Michele M. Anderson, Chief, Office of Mergers and Acquisitions, to Suzanne M. Russell, Esq. (December 18, 2014) ("First Trust Letter"); Letter from Michele M. Anderson, Chief, Office of Mergers and Acquisitions, to Suzanne M. Russell, Esq. (August 15, 2014); Letter from Michele M. Anderson, Chief, Office of Mergers and Acquisitions, to Jane A. Kanter, Esq. (July 31, 2014); Letter from Michele M. Anderson, Chief, Office of Mergers and Acquisitions, to Benjamin J. Haskin, Esq. (February 19, 2014); Letter from Michele M. Anderson, Chief, Office of Mergers and Acquisitions, to W. John McGuire, Esq. (July 11, 2013); Letter from Michele M. Anderson, Chief, Office of Mergers and Acquisitions, to Benjamin J. Haskin, Esq. (April 16, 2013); Letter from Josephine J. Tao to Stacy L. Fuller, Esq. (April 30, 2009, revised May 6, 2009); and Letter from James A. Brigagliano to Stuart M. Strauss, Esq. (April 4, 2008) (collectively, the "Other Rule 14e-5 Relief").

<sup>5</sup> The Trust acknowledges, however, that, except in the First Trust Letter, the Staff has previously issued a combination of no-action and exemptive relief, whereas the Trust is requesting that the relief granted in this case consist entirely of exemptive relief.

## I. THE FUNDS

The Cambria Shareholder Yield ETF ("SYLD") was established on March 30, 2012 and the Trust launched SYLD on May 6, 2013. SYLD's investment objective is to seek income and capital appreciation with an emphasis on income from investments in the U.S. equity market. SYLD seeks to achieve its investment objective by investing, under normal market conditions, primarily in equity securities that provide a high "shareholder yield." Cambria Investment Management, LP (the "Adviser") views equity securities as providing a high shareholder yield if they exhibit strong cash flows, as reflected by their payment of dividends to shareholders and their return of capital to shareholders in other forms, such as through net stock buybacks and net debt paydown. The Adviser utilizes a quantitative model to identify securities for the Fund's portfolio. SYLD invests primarily in equity securities, including the common stock, of U.S. companies, though it may obtain a limited amount of foreign and emerging markets exposure through investments in American Depositary Receipts ("ADRs").

The Cambria Value and Momentum ETF ("VAMO") was established on September 25, 2013 and expects to launch in August 2015. VAMO's investment objective is to seek income and capital appreciation from investments in the U.S. equity market. VAMO seeks to achieve its investment objective by investing, under normal market conditions, primarily in domestic equity securities that are undervalued according to various valuation metrics, including cyclically adjusted valuation metrics. These valuation metrics are derived by dividing the current market value of a reference index or asset by an inflation-adjusted normalized factor (typically earnings, book value, dividends, cash flows or sales) over the past seven to 10 years. Valuation is typically measured on a longer time horizon (five to ten years) than momentum (typically less than one year). In attempting to avoid overvalued and downtrending markets, VAMO may use domestic stock futures or take short positions in securities or ETFs to attempt to hedge up to 100% of notional value of the long equity positions in its portfolio. In addition, during certain periods, the Fund may invest in U.S. dollar and non-U.S. dollar denominated money market instruments or other high quality debt securities, or ETFs that invest in such instruments.

A broker-dealer registered under the Exchange Act acts as the distributor and principal underwriter (the "Distributor") of the Creation Units of Shares of the Funds. The Trust has appointed entities to provide administrative, custodial, transfer agency, fund accounting and dividend disbursing functions for the Funds. The entity providing custodial services is hereafter the "Custodian" and the entity serving as transfer agent for the Funds is hereafter the "Transfer Agent."

## II. TRANSACTIONS IN SHARES

Each Fund issues and redeems<sup>6</sup> Shares only in Creation Units comprised of 50,000 Shares. Shares are listed on a U.S. national securities exchange as defined in Section 2(a)(26) of the 1940 Act (an

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<sup>6</sup> Redeemability of Creation Units is attributable to the fact that the Trust is an open-end management investment company. The term "open-end company" is defined in Section S(a)(l) of the Investment Company Act of 1940, as amended (the "1940 Act") as a management company that is offering for sale or has outstanding any redeemable security of which it is the issuer. Section 2(a)(32) of the 1940 Act defines a "redeemable security" as any security, other than short-term paper, under the terms of which the holder, upon its presentation to the issuer, is entitled to receive approximately his proportionate share of the issuer's current net assets, or the cash equivalent. Creation Units are redeemable at NAV. Shares, however, are not individually redeemable. The Trust, like other ETFs, previously obtained exemptive relief from the Commission permitting it, among other things, to register as an open-end management

"Exchange") and trade in the secondary market in the same manner as other equity securities. The trading market on an Exchange affords investors the opportunity to assume and liquidate positions in Shares at their discretion, permitting them to take advantage of prices at any time during the trading day. This combination of intra-day liquidity with the Creation Unit purchase and redemption features is generally expected to create potential arbitrage opportunities.<sup>7</sup> In turn, as arbitrageurs (including Authorized Participants) purchase and redeem Creation Units in response to such opportunities, it is anticipated that they will enhance the liquidity of the secondary market, which may help mitigate pricing inefficiencies and reduce the likelihood that Shares will trade at a material premium or discount in relation to their NAV.

In contrast to typical "mutual funds," the Funds do not sell Shares directly to, or redeem Shares directly from, individual investors. Rather, like other ETFs, it sells and redeems its Shares in Creation Units. Transactions in Creation Units typically take place between the Trust and Authorized Participants. Authorized Participants include broker-dealers who have entered into contractual arrangements agreed to by the Distributor and the Transfer Agent setting forth the terms under which Authorized Participants can purchase and redeem Shares in Creation Unit sized aggregations ( "AP Agreements"). Creation Units may be issued and redeemed in exchange for an in-kind portfolio of instruments and/or cash in lieu of such instruments. The Custodian, through the National Securities Clearing Corporation, makes available prior to the opening of business on the applicable Exchange on each business day, the list of securities that Authorized Participants must deliver to purchase a Creation Unit ("Creation Basket") and the list of securities that they will receive if they redeem a Creation Unit ("Redemption Basket").

In accordance with the applicable AP Agreements, Authorized Participants create and redeem Creation Units under various scenarios. For example, in connection with creation transactions, an Authorized Participant might purchase the relevant securities in the Creation Basket, transfer the securities to the Trust in exchange for the Creation Unit, and convey the Creation Unit to the investor. Conversely, in connection with redemption transactions, an Authorized Participant might receive a Creation Unit from an investor, convey the Creation Unit and receive the securities in the Redemption Basket from the Trust.

### III. LEGAL ANALYSIS UNDER RULE 14e-5

Rule 14e-5 was originally promulgated as Rule 10b-13 under the Exchange Act to safeguard the interests of persons who sell their securities in response to a tender offer.<sup>8</sup> Rule 14e-5 prohibits a

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investment company notwithstanding that Shares are redeemable only in Creation Unit sizes. The relief addresses the possible question that arises as to whether the definitional requirements of a "redeemable security" or an "open-end company" under the 1940 Act have been met. See Investment Company Act Release No. 28468 (October 27, 2008).

<sup>7</sup> Arbitrageurs are expected to stand ready to take advantage of any slight premium or discount in the market price of Shares on the applicable Exchange versus the cost of depositing securities and creating a Creation Unit to be broken down into individual Shares.

<sup>8</sup> Exchange Act Rel. No. 8712 (October 8, 1969) (the "1969 Adopting Release"). In this regard, the 1969 Adopting Release noted that "[w]hen securities are purchased for a consideration greater than that of the tender offer price, this operates to the disadvantage of the security holders who have already deposited their securities and who are unable to withdraw them in order to obtain the advantage of possible resulting higher market prices."

"covered person" from directly or indirectly purchasing or arranging to purchase any equity securities that are the subject of a tender offer ("subject securities") or any securities immediately convertible into, exchangeable for, or exercisable for subject securities ("related securities") except as part of such tender offer. The term "covered person" includes, among others, a dealer-manager of a tender offer. The fact that most Authorized Participants are broker-dealers implicates Rule 14e-5 because the term "covered person" includes a dealer-manager of a tender offer. The term "covered person" also includes any person acting, directly or indirectly, in concert with other covered persons in connection with any purchase or arrangement to purchase any subject securities or any related securities. Therefore, the Trust also is seeking relief in the event it or a Fund may be deemed to be a "covered person" by virtue of the AP Agreements pertaining to the Trust and the Fund.

In order to address situations in which an Authorized Participant acts as a dealer-manager of a tender offer, and a subject security or a related security is part of a group of securities that is received by a Fund when it issues a Creation Unit or part of a group of securities that a Fund distributes when it redeems a Creation Unit (*i.e.*, part of a Creation Basket or a Redemption Basket), the Trust respectfully requests that the Commission grant an exemption from Rule 14e-5 as it applies to such Authorized Participants. The exemption would permit any such Authorized Participant to execute transactions that include, or are deemed to include, purchases of, or arrangements to purchase, subject securities or related securities, but that are not effected for the purposes of facilitating a tender offer and that are conducted in the ordinary course of business (in each case, from the time of the public announcement of the tender offer until the tender offer expires). In this regard, an Authorized Participant's ordinary course of business includes: (1) redeeming Shares of a Fund in Creation Unit size aggregations for a Redemption Basket that may include a subject security or a related security; and (2) engaging in secondary market transactions in Shares. With respect to redemptions, the Trust notes that the acquisition of individual securities held by a Fund by means of redemptions of Shares would be impractical and extremely inefficient in view of the relatively small number of shares of any one security included in a Redemption Basket and the requirement that a minimum number of Shares (*i.e.*, a Creation Unit) be redeemed. Redemptions of and secondary market transactions in Shares under the circumstances described would not appear to result in the abuses at which Rule 14e-5 is directed.

In addition to the above request for relief, the Trust also is requesting exemptive relief in connection with purchases of Creation Units of Shares by an Authorized Participant acting as a dealer-manager of a tender offer. In this regard, in connection with purchasing Creation Units pursuant to the terms of its AP Agreement, an Authorized Participant may seek to purchase in the secondary market securities comprising a Creation Basket that includes, with respect to a tender offer for which it acts as a dealer-manager, subject securities or related securities. The Trust acknowledges that Rule 14e-5(b)(5) provides an exception to its prohibition for purchases or arrangements to purchase a basket of securities containing a subject security or a related security if: (i) the purchase or arrangement is made in the ordinary course of business and not to facilitate the tender offer; (ii) the basket contains 20 or more securities; and (iii) covered securities and related securities do not comprise more than 5% of the value of the basket (the "Basket Exception").

As indicated by the Commission in the release replacing former Rule 10b-13 with Rule 14e-5,<sup>9</sup> transactions in baskets in accordance with the Basket Exception provide little opportunity for a

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<sup>9</sup> See Exchange Act Release No. 42,055 (October 22, 1999) (the "1999 Release").

covered person to facilitate an offer<sup>10</sup> or for a security holder to exact a premium from the offeror. Given that the purchases and redemptions of Creation Units of ETFs in general typically involve baskets of securities, Authorized Participants acting as dealer-managers of tender offers for relevant securities may, in certain cases, be able to rely on the Basket Exception in purchasing Creation Units of Shares. From time to time, however, a change in the composition of the portfolio securities of a Fund may result in a change in the basket that has been established for purposes of purchasing its Creation Units. As a consequence, the basket could contain less than 20 securities and/or covered securities and related securities could comprise more than 5% of the value of the basket. For example, a liquidation of the issuer of one of the securities or a merger involving the acquisition of the issuer of one of the securities could cause the number of securities in the basket to fall below 20 and/or could cause covered securities and related securities to comprise more than 5% of the value of the basket. Additionally, as a result of fluctuations in the market value of the securities held in the basket, covered securities and related securities could, at times, comprise more than 5% of the value of the basket. This composition would result in the unavailability of the Basket Exception for an Authorized Participant acting as a dealer-manager of a tender offer for the applicable securities and, in particular, may preclude an Authorized Participant from being able to rely on the Basket Exception.

In order to address situations (including but not limited to the foregoing examples) where the basket contains less than 20 securities and/or covered securities and related securities comprise more than 5% of the value of the basket, the Trust respectfully requests that the Commission provide an exemption under Rule 14e-5 if an Authorized Participant acting as a dealer-manager of a tender offer purchases or arranges to purchase subject securities or related securities in the secondary market for the purpose of transferring such securities to purchase one or more Creation Units of Shares, if such purchases are not effected for the purpose of facilitating such tender offer and are made in the ordinary course of business. Relief would be necessary in order to permit such Authorized Participants to effect purchases of subject and related securities under such circumstances given that the Basket Exception would not be available. The requested exemptive relief would operate as an extension of the Basket Exception and accommodate a potential factual circumstance associated with the operation of ETFs, and it would be consistent with the rationale underlying the adoption of the Basket Exception. The Trust notes, in particular, that purchases would not be effected for the purpose of facilitating a tender offer.<sup>11</sup>

The Trust understands that, except as permitted by the relief from Rule 14e-5 requested herein, any Authorized Participant acting as a dealer-manager is required to comply with the requirements of Rule 14e-5.

#### IV. REQUEST FOR EXEMPTIVE RELIEF

Based on the foregoing, the Trust, on behalf of itself, the Funds and Authorized Participants that act as dealer-managers of tender offers, respectfully requests that the Commission grant the exemptive relief from Rule 14e-5 under the Exchange Act requested herein in connection with purchases of, and arrangements to purchase, subject securities and related securities outside of a tender offer. As more

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<sup>10</sup> As discussed in the 1999 Release, "facilitation of an offer" includes purchases intended to bid up the market price of the covered or related security, and includes buying a basket to strip out the covered security in an effort to get the offeror the number of shares it is seeking. In this regard, the Trust believes that it would be inefficient to facilitate a tender offer in a particular security by means of purchasing all of the securities in a Creation Basket.

<sup>11</sup> See *supra* note 10.

fully discussed above, the Trust is requesting that the Commission grant exemptions from Rule 14e-5 to permit any Authorized Participant acting as a dealer-manager of a tender offer, under the circumstances described herein to:

- (1) execute transactions that include, or are deemed to include, purchases of, or arrangements to purchase, subject securities or related securities in connection with
  - (a) redeeming Shares of each Fund in Creation Unit size aggregations and
  - (b) engaging in secondary market transactions in Shares; and
- (2) purchase or arrange to purchase subject securities and related securities in the secondary market for the purpose of transferring such securities to purchase Creation Units.

As a related matter, the Trust is requesting that, in light of the relevance of the activities contemplated by the AP Agreements described above to the Trust and the Funds, the Trust and each Fund be permitted to rely on any exemptive relief that is granted. The Trust believes that granting the requested exemptions is consistent with precedent and will not result in the abuses that Rule 14e-5 was designed to address, and that it will facilitate the ability of Authorized Participants to engage in transactions in Creation Units, thereby permitting the Funds to operate as intended to the benefit of its shareholders.

Thank you for your consideration of this request. Should you have any questions or require additional information, please call the undersigned at (202) 778-9475.

Respectfully yours,

/s/Stacy L. Fuller

**Stacy L. Fuller**

cc: Eric Richardson, Cambria Investment Management, LP  
Timothy A. Bekkers, K&L Gates, LLP