

UNITED STATES OF AMERICA  
BEFORE THE  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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*In the matter of:*  
Lime Rock Management LP

274 Riverside Avenue, 3rd Floor  
Westport, CT 06880

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APPLICATION FOR AN ORDER PURSUANT TO SECTION 206A OF THE INVESTMENT ADVISERS ACT OF 1940, AS AMENDED, AND RULE 206(4)-5(e) THEREUNDER, EXEMPTING LIME ROCK MANAGEMENT LP FROM RULE 206(4)-5(a)(1) UNDER THE INVESTMENT ADVISERS ACT OF 1940

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APPLICATION FOR AN ORDER  
PURSUANT TO SECTION 206A OF  
THE INVESTMENT ADVISERS  
ACT OF 1940, AS AMENDED,  
AND RULE 206(4)-5(e)  
THEREUNDER, EXEMPTING  
LIME ROCK MANAGEMENT LP  
FROM RULE 206(4)-5(a)(1)  
UNDER THE INVESTMENT  
ADVISERS ACT OF 1940

**I. PRELIMINARY STATEMENT AND INTRODUCTION**

Lime Rock Management LP (the “**Applicant**”) hereby applies to the Securities and Exchange Commission (the “**Commission**”) for an order pursuant to Section 206A of the Investment Advisers Act of 1940, as amended (the “**Act**”), and Rule 206(4)-5(e), exempting the Applicant from the two-year prohibition on compensation imposed by Rule 206(4)-5(a)(1) under the Act to permit the Applicant to provide investment advisory services for compensation to a government entity within the two-year period following a contribution to an elected state official of such government entity by a covered associate as described in this Application, subject to the representations and conditions set forth herein (the “**Application**”).

Section 206A of the Act authorizes the Commission to “conditionally or unconditionally exempt any person or transaction . . . from any provision or provisions of [the 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 Act].”

Section 206(4) of the Act prohibits investment advisers from engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative and directs the Commission to adopt such rules and regulations that define, and prescribe means reasonably designed to prevent, such acts, practices or courses of business. Under this authority, the Commission adopted Rule 206(4)-5 (the “**Rule**”) which 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 term “**government entity**” is defined in Rule 206(4)-5(f)(5)(ii) as including a pool of assets sponsored or established by a State or political subdivision of a State, or any agency, authority or instrumentality thereof, including a defined benefit plan. The definition of an “**official**” of such government entity in Rule 206(4)-5(f)(6)(ii) includes the holder of an elective office with authority to appoint a person directly or indirectly able to influence the outcome of the government entity’s hiring of an investment adviser. The “**covered associates**” of an investment adviser are defined in Rule 206(4)-5(f)(2)(i) as including the investment adviser’s managing member, executive officer or other individuals with a similar status or function. Rule 206(4)-5(c) specifies that, when a government entity invests in a covered investment pool, the investment adviser to that covered investment pool will be treated as providing advisory services directly to the government entity. “**Covered investment pool**” is defined in Rule 206(4)-5(f)(3)(ii) as including any company that would be an investment company under Section 3(a) of the Investment Company Act of 1940, as amended (the “**1940 Act**”), but for the exclusion provided from that definition by Section 3(c)(7) of the 1940 Act.

Rule 206(4)-5(b) provides exceptions from the two-year prohibition under Rule 206(4)-5(a)(1) with respect to contributions that do not exceed a *de minimis* threshold, were made by a person more than six months before becoming a covered associate, or were discovered by the investment adviser and returned by the official of the government entity within a specified period and subject to certain other conditions. Should no exception be available, Rule 206(4)-5(e) permits an investment adviser to apply for, and the Commission to conditionally or unconditionally grant, an exemption from the Rule 206(4)-5(a)(1) prohibition on compensation.

In determining whether to grant an exemption, the Rule contemplates that the Commission will consider, among other things, (i) 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 Act; (ii) whether the investment adviser (A) before the contribution resulting in the prohibition was made, adopted and implemented policies and procedures reasonably designed to prevent violations of the Rule; (B) prior to or at the time the contribution which resulted in such prohibition was made, had no actual knowledge of the contribution; and (C) after learning of the contribution, (1) 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 (2) has taken such other remedial or preventive measures as may be appropriate under the circumstances; (iii) 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; (iv) the timing and amount of the contribution which resulted in the prohibition; (v) the nature of the election (e.g., federal, state or local); and (vi) the contributor's apparent intent or motive in making the contribution that resulted in the prohibition, as evidenced by the facts and circumstances surrounding such contribution.

Based on these considerations and the facts described in this Application, the Applicant respectfully submits that the relief requested herein is appropriate in the public interest and is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Accordingly, the Applicant requests an order exempting it to the extent described herein from the prohibition under Rule 206(4)-5(a)(1) to permit it to receive compensation for investment advisory services provided to the Client (as defined below) within the two-year period following the contribution identified herein to an official of the Client by a covered associate of the Applicant.

## **II. STATEMENT OF FACTS**

### **A. The Applicant**

The Applicant is a limited partnership organized in Delaware and registered with the Commission as an investment adviser under the Act.<sup>1</sup> The Applicant provides discretionary investment advisory services to private funds in the energy industry with aggregate regulatory assets under management of approximately \$5.3 billion as of December 31, 2015. Among the private funds for which the Applicant acts as investment adviser are Lime Rock Partners III, L.P. ("Fund III"), Lime Rock Partners IV, L.P. ("Fund IV") and Lime Rock Partners V, L.P. ("Fund V") (each, a "**Fund**" and collectively, the "**Funds**"). Fund III is a pooled investment vehicle excluded from the definition of investment company by Section 3(c)(1) of the 1940 Act. Fund IV and Fund V are pooled investment vehicles excluded from the definition of investment company by Section 3(c)(7) of the 1940 Act. Each Fund is a "covered investment pool" as defined in Rule 206(4)-5(f)(3)(ii). Investors in the Funds include large institutional investors, such as endowments, foundations and pension funds, as well as fund-of-funds, family trusts and high-net-worth individuals.

### **B. The Contributor**

The individual who made the campaign contribution that triggered the two-year compensation ban (the "**Contribution**") is Townes G. Pressler, Jr., one of the managing directors of the Applicant (the "**Contributor**"). The Contributor has served as managing director for the Applicant since 2007. He also serves on the investment committee that is

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<sup>1</sup> SEC Registration 801-73847. Affiliates of Applicant act as the general partners of funds managed by Applicant, including Lime Rock Management LLP, Lime Rock Partners GP III, L.P., Lime Rock Partners GP IV, L.P., Lime Rock Partners GP V, L.P., Lime Rock Partners GP VI, L.P., Lime Rock Partners GP VII, L.P., Lime Rock Resources GP, L.P., Lime Rock Resources II-A GP, LLC, Lime Rock Resources II-C GP, LLC, Lime Rock Resources III-A GP, LLC, Lime Rock Resources III-C GP, LLC, Lime Rock Resources IV-A GP, LLC and Lime Rock Resources IV-C GP, LLC.

responsible for reviewing and approving investments made by the Funds and other clients. The Contributor was at all relevant times a covered associate of the Applicant.

C. The Government Entity

One of the investors in the Funds is a public pension plan identified as a government entity with respect to the State of Ohio (the “**Client**”). The Client has been an investor in Fund III since 2004, Fund IV since 2006 and Fund V since 2008. The Client’s most recent investment commitment in any of the Funds was its commitment to invest in Fund V in 2008.

D. The Official

The recipient of the Contribution was the presidential campaign of John Kasich (the “**Official**”), the Governor of Ohio. The investment decisions for the Client are overseen by a board of trustees composed of eleven members, one of whom is appointed by the Official. Due to this power of appointment, the Governor of Ohio is an “official” of the Client as defined in the Rule.

The Official was elected as Governor of Ohio in November 2010 and took office in January 2011. He was reelected for a second term as Governor of Ohio in November 2014. At the time of the Contribution, the Official was a candidate for the federal office of President of the United States.

E. The Contribution

The Contribution of \$1,000 was made to Kasich For America on October 6, 2015 (the “**Contribution Date**”). The Contribution was made at the request of a longtime friend of the Contributor, unrelated to the Applicant, who was hosting a reception for the Kasich campaign at his home on October 21, 2015 (the “**Reception**”). The Contributor attended the Reception and stayed for approximately 30 minutes. At the Reception, the Contributor was briefly introduced to the Official. They did not discuss the Client, the Client’s relationship to the Applicant or any other existing or prospective investment. There was no mention of the Official’s appointment powers, influence or responsibilities at the state level involving the investment of state assets or public pension funds.

The Contributor’s primary motivation was to support a friend who was hosting the event. The Contributor did not solicit any other persons to attend the Reception or to make contributions to the Official’s campaign. He also expected that the Contribution would further his political views, which are generally aligned with those of the Official. The Contributor frequently has supported candidates for national office with generally similar views. For example, in the year of the Contribution, the Contributor made two other contributions to campaigns of candidates for President of the United States in the same party. The Contributor has an interest in the outcome of the 2016 Presidential campaign, as he is eligible to vote in the primary election of his state of residence and would have been eligible to vote for the Official if he had become his party’s Presidential nominee.

The Contributor did not make the Contribution in order to influence a government entity's choice of investments. The Contributor's communications with respect to the Client have been limited to making substantive presentations at the Applicant's annual meetings, which representatives of the Client have attended from time to time but have not attended since November 2014. The Contributor has never spoken with either the Official or his appointee to the board of the Client about a prospective investment. Although the Applicant some months earlier, on February 3, 2015, had sent an offering memorandum relating to a new fund to the Client, at the time of the Contribution the Applicant was not soliciting the Client to make a further investment and the Client was not in the process of requesting investment proposals.

The error occurred because the Contributor failed to appreciate that contributions to federal candidates who held state office could trigger the prohibition on compensation under the Rule and required preapproval under the Applicant's policies. He mistakenly viewed his Contribution to the federal campaign of a state office holder as no different from other, permissible contributions to a candidate for federal office.

The Applicant learned of the Contribution when the Contributor brought it to the attention of compliance personnel during a training session held on November 11, 2015. The Applicant requested the Contributor to obtain a full refund of the Contribution. Within 24 hours, the Contributor received confirmation from the Official's campaign committee that it would return the full Contribution. The full Contribution was returned on December 1, 2015.

#### F. The Investments of the Client

Each of the Client's three investments in a Fund preceded the Contribution, the most recent by seven years. The Funds are commingled closed-end funds. The Client had some uncalled capital commitments at the time of the Contribution. The Client has never suggested that it would not meet those commitments.

The Contributor's role with respect to the Client was limited to making substantive presentations at the Applicant's annual meetings, which representatives of the Client have attended from time to time. Representatives of the Client have not attended such meetings since November 2014. The Contributor has had no contact with any representative of the Client outside of such meetings and has had no contact with any member of the Client's board of trustees, which oversees the investment decisions for the Client. The Contributor does not recall ever engaging in solicitations of the Client to invest in the Funds and did not plan to solicit the Client for any other investments at the time of the Contribution.

#### G. The Applicant's Discovery of the Error and Response

Neither the Applicant nor any of its employees, other than the Contributor, had any knowledge of the Contribution at the time it was made. The Contribution was discovered by the Applicant's compliance department during a training session on November 11, 2015 that, among other things, addressed some compliance topics. The Contributor voluntarily disclosed the Contribution to compliance personnel after a discussion concerning contributions to state office holders running for federal office. Within 24 hours, the Contributor received

confirmation from the Official's campaign committee that it would return the full Contribution. The Contributor received that full refund on December 1, 2015. The Applicant conducted two subsequent trainings that the Contributor attended concerning its policies and procedures with respect to "pay to play."

The Applicant has established an escrow account for the benefit of the Client and is depositing all management fees paid to the Applicant after the Contribution Date with respect to the Client's investments in the Funds. The amounts placed in escrow will be returned to the Client if the exemptive relief requested in this Application is not granted. Since the date of the Contribution, Applicant has not earned or received carried interest on any of the three investments made by the Client.

The Applicant has notified the Client of the Contribution and resulting two-year prohibition on compensation absent exemptive relief from the Commission. It has advised the Client of the creation of the escrow for its benefit if this Application is not approved.

#### H. The Pay-to-Play Policies and Procedures of the Applicant

As of March 14, 2011, the date by which investment advisers were required to comply with the Rule, the Applicant had "pay-to-play" policies and procedures in place. The policies and procedures were adopted and implemented well before the Contribution was made.

At all relevant times, the Applicant's policies and procedures have been more restrictive than required by the Rule. The policies and procedures required covered associates wishing to contribute to state and local office incumbents and candidates (including state and local officials running for federal office), state and local government entities, political parties and political action committees to pre-clear all such contributions, not solely provide post-contribution reporting. Such pre-clearance procedures have provided the Applicant with an opportunity to double-check the understanding of its covered associates before a contribution is made. In addition, the Applicant's policies and procedures have required employees who are not covered associates and being considered for promotion or transfer to a covered associate position to attend a formal meeting with the Applicant's chief compliance officer regarding past political contributions.

The Applicant has conducted training sessions at least annually that included training on, among other things, its pre-clearance requirements for specified campaign contributions. It was during the course of one of these sessions that the Contributor realized that the procedures may have required pre-clearance of his intended Contribution. He immediately reported the Contribution to the Applicant's compliance department.

To reduce the risk of other covered associates making a similar mistake with respect to federal campaigns, the Applicant has expanded its policies and procedures. A covered associate is now required to obtain pre-clearance of *all* campaign contributions, including contributions to federal campaigns. The revised policy has been circulated to all covered associates and each has acknowledged that he or she has read and understands the revised policy.

I. Impact on the Applicant if the Request for an Exemption is not Granted.

The Applicant has established an escrow account for the benefit of the Client and has deposited an amount equal to all management fees paid to the Applicant since the Contribution Date with respect to the Client's investments in the Funds. Based on the current investment portfolios of the Funds, the management fees attributable to the Client's investments in the Funds are projected to aggregate up to \$1.3 million for the two-year period from the Contribution Date. The amount of the management fees that the Applicant would be required to forgo if exemptive relief is not granted is over 1,000 times greater than the dollar amount of the Contribution. If carried interest is earned during the two-year period, the amount forgone would be even more disproportionate.

**III. STANDARD FOR GRANTING AN EXEMPTION**

In determining whether to grant an exemption, Rule 206(4)-5(e) requires that the Commission will consider, among other things, (i) 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 Act; (ii) whether the investment adviser, (A) before the contribution resulting in the prohibition was made, adopted and implemented policies and procedures reasonably designed to prevent violations of the Rule; (B) prior to or at the time the contribution which resulted in such prohibition was made, had no actual knowledge of the contribution; and (C) after learning of the contribution, (1) 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 (2) has taken such other remedial or preventive measures as may be appropriate under the circumstances; (iii) 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; (iv) the timing and amount of the contribution which resulted in the prohibition; (v) the nature of the election (e.g., federal, state or local); and (vi) 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. Each of these factors weighs in favor of granting the relief requested in this Application.

The Commission made clear that it "intend[s] to apply these factors with sufficient flexibility to avoid consequences disproportionate to the violation, while effecting the policies underlying the [R]ule."<sup>2</sup>

**IV. STATEMENT IN SUPPORT OF EXEMPTIVE RELIEF**

The Applicant submits that an exemption from the two-year prohibition on compensation 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 Act. The Client determined to invest in the Funds and established and maintains its relationships with

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<sup>2</sup> *Political Contributions by Certain Investment Advisers*, 75 Fed. Reg. 41018, 41049 (July 14, 2010) ("Adopting Release").



the Applicant on an arms'-length basis free from any improper influence as a result of the Contribution. The Applicant's relationship with the Client pre-dates the Contribution by a period of over eleven years. The Client has not invested in the Funds since 2008. The potential influence of the Official is limited to appointing a single member to a board that consists of eleven members. At the time of the Contribution, that board seat position was vacant and remains so as of July 25, 2016.

The "[R]ule's intended purpose" is to combat quid pro quo arrangements involving investment advisers making contributions in order to influence a government official's decision regarding advisory business with the adviser.<sup>3</sup> Given the nature of the Rule violation, and the lack of any evidence that the Applicant or the Contributor intended to, or actually did, interfere with the Client's merit-based process for the selection or retention of advisory services, the "[R]ule's intended purpose" of combating quid pro quo arrangements would in no way be served by imposition of the Rule's prohibition on providing investment advisory services for compensation. Causing the Applicant to serve without compensation for a two-year period could result in a financial loss that is over 1,000 times greater than the dollar amount of the Contribution. The policy underlying the Rule is served by ensuring that no improper influence is exercised over investment decisions by government entities as a result of campaign contributions and not by withholding compensation as a result of unintentional violations.

The other factors suggested for the Commission's consideration in Rule 206(4)-5(e) similarly weigh in favor of granting an exemption to avoid consequences disproportionate to the violation.

*Policies and Procedures before the Contribution.* At all relevant times, the Applicant had policies and procedures that were fully compliant with, and in some respects, more rigorous than, the Rule's requirements. The Applicant also conducted regular compliance training sessions addressing its policies and procedures.

*Knowledge of the Contribution.* Knowledge of the Contribution at the time of its making could arguably be imputed to the Applicant, as the Contributor was a managing director of the Applicant. However, at no time prior to November 11, 2015, did any employee of the Applicant other than the Contributor have actual knowledge that the Contribution had been made. The Contributor believed he was acting in compliance with the Applicant's policies and procedures and simply misunderstood their application to state officials running for federal office.

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<sup>3</sup> See Adopting Release at 41023-24 n. 68 (explaining that the Rule "is a focused effort to combat *quid pro quo* payments by investment advisers seeking governmental business"); *id.* at 41023 (stating that the "Commission believes that [the Pay-to-Play Rule] is a necessary and appropriate measure to prevent *fraudulent* acts and practices in the market for the provision of investment advisory services to government entities by prohibiting investment advisers from engaging in pay to play practices") (emphasis added); Speech by Commission Chairman Mary L. Schapiro: *Statement at Open Meeting to Adopt Amendments Regarding Political Contributions by Certain Investment Advisers ("Pay to Play")* (June 30, 2010) ("play to play is the practice of tasking campaign contributions and related payments to elected officials *in order to influence the* awarding of lucrative contracts for the management of public pension plan assets and similar government investment accounts . . . The prophylactic rules we consider today are designed to eliminate this legal and ethical gray area") (emphasis added).

*Applicant's Response After the Contribution.* After learning of the Contribution, the Applicant and the Contributor took all available steps to obtain a return of the Contribution and implement additional measures to reduce the risk of a future error. Within 24 hours of discovering the Contribution, the Contributor received confirmation from the Official's campaign committee that it would return the full Contribution. The full amount was subsequently returned.

Subsequently, the Applicant notified the Client of the Contribution and resulting two-year prohibition on compensation absent exemptive relief from the Commission. The Applicant sought advice from its outside counsel regarding the Contribution and an escrow account has been established for the benefit of the Client and an amount equal to all management fees received with respect to the Client's investment since the Contribution Date have been placed in escrow. Future management fees received with respect to the Client's investment for the two-year period following the Contribution Date will continue to be deposited by the Applicant in the escrow account for return to the Client should an exemptive order not be granted.

The Applicant revised its pre-clearance requirements and extended it to apply to all contributions, including contributions to federal campaigns of non-state and local office holders.

*Status of the Contributor.* The Contributor was a covered associate of the Applicant at the time of the Contribution. The Contributor does not recall ever soliciting the Client to invest and did not plan to solicit the Client to invest at the time of the Contribution. The Contributor's only interactions with the Client may have been at the Applicant's annual meetings, at which the Contributor generally makes investment presentations. However, representatives of the Client have not attended these meetings since November 2014.

After learning of the Contribution, the Applicant restricted the Contributor's contact with representatives of the Client for the duration of the two-year period. Specifically, the Contributor was informed that he could not solicit new investment commitments from the Client. He was further informed that his communications with the Client with respect to the Funds should be limited to responding to inquiries from the Client's representatives and consultants with respect to the status of the Funds' portfolio investments and speaking at general meetings which may be attended by a representative of the Client. Furthermore, the Contributor has been directed to maintain a log of such interactions in accordance with the retention requirements set forth in Rule 204-2(e) of the Act.

*Timing and Amount of the Contribution.* The initiation of Applicant's relationship with the Client pre-dates the Contribution by over eleven years and the Client has not subscribed to a Fund since 2008. The Contributor has never been involved in any solicitations of the Client to invest in a Fund or a new fund.

In addition, the circumstances do not suggest an attempt to influence the Client's investments choices by means of the Contribution. The Contributor made the Contribution at the request of a long-term friend who was hosting the Reception for the Kasich campaign at his home and requested a \$1,000 donation. The Contributor did not solicit others to attend the

Reception or to contribute. 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. The Contribution was not made with an intent to influence the Official or the Client. The Client was clearly not influenced by the Official because the Client made no investment.

*Nature of the Election and Other Facts and Circumstances.* The Contributor had a legitimate interest in the outcome of the Official's campaign for President of the United States. He was eligible to vote in the primary election of his state of residence and would have been eligible to vote for the Official if the Official had become his party's Presidential nominee.

The Contributor's violation of the Applicant's policies and procedures and the Rule resulted from his mistaken belief that contributions to federal campaigns were permissible and exempt from the Applicant's pre-clearance requirements. The Contributor failed to understand that the policy prohibited contributions to federal candidates currently holding state offices. The Contributor never spoke with the Official or anyone else about the authority of the Official with respect to investment decisions and his only interaction with the Official consisted of a brief introduction at the Reception.

Given the difficulty of proving a quid pro quo arrangement, the Applicant understands that adoption of a regulatory regime with a default of strict liability, as set forth in the Rule. However, the Applicant appreciates that exemptive relief is available at the Commission's discretion in instances where imposition of the two-year prohibition on compensation would not achieve the Rule's purposes or would result in consequences disproportionate to the mistake that was made. The Applicant respectfully submits that this is such an instance. Neither the Applicant nor the Contributor was in the process of actively soliciting additional investments from the Client at the time of the Contribution or sought to interfere with a merit-based selection process for advisory services. Nor did the Applicant or the Contributor seek any other benefits as a result of the Contribution, such as higher fees or greater ancillary benefits than would be achieved in arms' length transactions. There was no violation of the Applicant's fiduciary duty to deal fairly or disclose material conflicts given the absence of any intent or action by the Applicant or the Contributor to influence the selection process or obtain other benefits. The Applicant has no reason to believe that the Contribution undermined the integrity of the market for advisory services or resulted in a violation of the public trust in the process for awarding contracts. The Rule's intended purpose—combating quid pro quo arrangements—would in no way be served by imposition of the Rule's prohibition on providing investment advisory services for compensation in this case. The imposition of the prohibition would result in consequences vastly disproportionate to the mistake that was made.

## **V. PRECEDENT**

The Applicant notes that the Commission granted an exemption similar to that requested from Rule 206(4)-5(a)(1) pursuant to Section 206A of Act and Rule 206(4)-5(e) in Davidson Kempner Capital Management LLC, Investment Advisers Act Release Nos. 1A-3693 (October 17, 2013) (notice) and IA-3715 (November 13, 2013) (order) (the "Davidson Kempner Application"). The Commission also granted an exemption to Ares Real Estate Management Holdings, LLC, Investment Advisers Act Release Nos. IA-3957 (October 22, 2014) (notice) and IA-3969

(November 18, 2014) (order) (the “Ares Application”); Crestview Advisers, LLC, Investment Advisers Act Release Nos. IA-3987 (December 19, 2014) (notice) and IA-3997 (January 14, 2015) (order); T. Rowe Price, Investment Advisers Act Release Nos. IA-4046 (March 12, 2015) (notice) and IA-4058 (April 8, 2015) (order); Crescent Capital Group, LP, Investment Advisers Release Nos. IA-4140 (July 14, 2015) (notice) and IA-4172 (August 14, 2015) (order) (the “Crescent Application”); Starwood Capital Group Management, LLC, Investment Advisers Act Release Nos. IA-4182 (August 26, 2015) (notice) and IA-4203 (September 22, 2015) (order) (the “Starwood Application”); Fidelity Management & Research Company and FMR Co., Inc., Investment Advisers Release Nos. IA-4220 (October 8, 2015) (notice) and IA-4254 (November 3, 2015) (order) (the “FMR Application”); Brookfield Asset Management Private Institutional Capital Adviser US, LLC et al., Investment Advisers Act Release Nos. IA-4337 (February 22, 2016) (notice) and IA-4355 (March 21, 2016) (order) (the “Brookfield Application”); and Angelo, Gordon & Co., L.P., Investment Advisers Act Release Nos. IA-4418 (June 10, 2016) (notice) and IA-4444 (July 6, 2016) (order) (the “Angelo Gordon Application” and collectively, the “Granted Applications”). The facts and representations made in this Application are, in many respects, similar to the Granted Applications; in particular the Davidson Kempner Application and the Ares Application. However, the Applicant believes that there are also key differences between this Application and the Davidson Kempner and Ares Applications that further weigh in favor of granting the exemption requested herein.

*Interactions with the Recipient.* In the Davidson Kempner Application, the contributor’s contact with the Ohio State Treasurer (the “Davidson Kempner Official”) concerning campaign contributions included a lunch meeting, a brief exchange of e-mails later that same afternoon, and possibly a subsequent phone call confirming the contributor’s intent to contribute. In contrast, the Contributor in this Application had only a single brief social conversation with the Official when he was introduced to him at the Reception. During the conversation between the Official and the Contributor, campaign contributions were not discussed.

*Knowledge of the Contribution.* In the Davidson Kempner Application, the contributor informed the applicant’s executive managing member of his interest in the Davidson Kempner Official and intention to meet with the Davidson Kempner Official. In contrast, none of the Applicant’s officers or employees, other than the Contributor, had any knowledge that the Contribution had been made until the Contributor brought it to the attention of compliance department following a compliance training session.

*Status of the Contributor.* In the Davidson Kempner and Ares Applications, the contributors made substantive presentations regarding investment strategy to representatives of the relevant clients after making the contributions. In contrast, the Contributor’s only communication with representatives of the Client was well before the Contribution in the context of the Applicant’s annual meetings, at which the Contributor made substantive presentations to a larger group and representatives of the Client may have been in attendance. The last of these meetings attended by a representative of the Client was almost a year prior to the Contribution.

*Client Investments After the Contribution.* In the Davidson Kempner Application, a government entity with respect to the State of Ohio invested in the applicant’s fund subsequent to the contribution that triggered the two-year compensation ban. In contrast, the Client in this

Application has not made any investments managed by the Applicant since 2008. The most recent investment in any of the Funds was made more than seven years before the Contribution and two years before the Official was first elected as Governor.

The Applicant believes that the same policies and considerations that led the Commission to grant relief in the Davidson Kempner and Ares Applications are present here. As in those instances, the imposition of the Rule would result in consequences vastly disproportionate to the mistake that was made. Moreover, the differences between this Application and the Davidson Kempner and Ares Applications weigh even further in favor of granting the relief requested.

## **VI. REQUEST FOR ORDER**

The Applicant seeks an order pursuant to Section 206A of the Act, and Rule 206(4)-5(e) thereunder, exempting it, to the extent described herein, from the two-year prohibition on compensation required by Rule 206(4)-5(a)(1) under the Act, to permit the Applicant to receive compensation for investment advisory services provided to the Client within the two-year period following the Contribution identified herein to an official of the Client by a covered associate of the Applicant.

Conditions. The Applicant agrees that any order of the Commission granting the requested relief will be subject to the following conditions:

1. The Contributor will be prohibited from discussing any business of the Applicant with any “government entity” client for which the Official is an “official,” each as defined in Rule 206(4)-5(f), until October 6, 2017.
2. Notwithstanding Condition 1, the Contributor is permitted to respond to inquiries from the Client regarding the Funds and speak at general meetings which may be attended by a representative of the Client. The Applicant will maintain a log of such interactions, which will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.
3. The Contributor will receive a written notification of these conditions and will provide a quarterly certification of compliance until October 6, 2017. Copies of the certifications will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.
4. The Applicant will conduct testing reasonably designed to prevent violations of the conditions of this Order and maintain records regarding such testing, which will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

**VII. CONCLUSION**

For the foregoing reasons, the Applicant submits that the proposed exemptive relief, conducted subject to the representations and conditions set forth above, would be fair and reasonable, would not involve overreaching, and would be consistent with the general purposes of the Act.

**VIII. PROCEDURAL MATTERS**

Pursuant to Rule 0-4 of the rules and regulations under the Act, a form of proposed notice for the order of exemption requested by this Application is set forth as **Exhibit C** to this Application. In addition, a form of proposed order of exemption requested by this Application is set forth as **Exhibit D** to this Application.

On the basis of the foregoing, the Applicant submits that all the requirements contained in Rule 0-4 under the Act relating to the signing and filing of this Application have been complied with and that the Applicant, which has signed and filed this Application, is fully authorized to do so.

The Applicant requests that the Commission issue an order without a hearing pursuant to Rule 0-5 under the Act.

[Signature Page Follows]

IN WITNESS WHEREOF, the Applicant has caused this Application to be duly executed as of the date set forth below:

**LIME ROCK MANAGEMENT LP**

by: LIME ROCK MANAGEMENT GP LLC,  
its General Partner

By: Kris Agarwal

Name: Kris Agarwal  
Title: General Counsel  
Date: July 25, 2016

## **Exhibit Index**

Exhibit A: Authorization	Page A-1
Exhibit B: Verification	Page B-1
Exhibit C: Proposed Notice for the Order of Exemption	Page C-1
Exhibit D: Proposed Order of Exemption	Page D-1



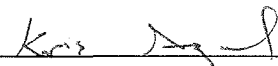
**Exhibit A**  
**Authorization**


The undersigned hereby certifies that he is the General Counsel of Lime Rock Management LP (the “**Applicant**”); that, with respect to the attached application for exemption from a certain provision of the Investment Advisers Act of 1940, as amended (the “**Application**”), all actions necessary to authorize the execution and filing of the Application under the Applicant’s Third Amended and Restated Limited Liability Company Agreement have been taken, and the person signing and filing the Application on behalf of the Applicant is fully authorized to do so by resolutions duly adopted by the Applicant’s Managers on July 25, 2016 (and attached to this Authorization). Such resolutions continue to be in force and have not been revoked through the date hereof.

Dated: July 25, 2016

**LIME ROCK MANAGEMENT LP**

by: LIME ROCK MANAGEMENT GP LLC,  
its General Partner

By:   
Name: Kris Agarwal  
Title: General Counsel

Attest:   
Susan Oswald  
Chief Financial Officer of Lime Rock  
Management GP LLC, the General Partner  
of Lime Rock Management LP

**LIME ROCK MANAGEMENT GP LLC**

(the "Company")

UNANIMOUS WRITTEN RESOLUTION OF ALL OF THE MANAGERS OF THE  
COMPANY DATED July 25, 2016

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WHEREAS, the undersigned are the Managers of the Company, a Delaware limited liability company (the "Company") operated in accordance with the Third Amended and Restated Limited Liability Company Agreement of the Company, dated January 01, 2011;

WHEREAS, the Company serves as the general partner of Lime Rock Management LP (the "Manager"); and

WHEREAS, the undersigned Managers of the Company have determined that Kris Agarwal, General Counsel of the Manager and the Company, shall be authorized to act on behalf of such entities in the matter below;

NOW THEREFORE, IT IS HEREBY:

RESOLVED, that it is in the best commercial interests of the Company and Manager that Kris Agarwal is authorized and directed to do, or cause to be done, all such acts and things and to execute and deliver or cause to be executed or delivered such documents, instruments or certificates, in the name and on behalf of the Company and/or Manager, as he may deem necessary or appropriate related to the application for an order pursuant to Section 206A of the Investment Advisers Act of 1940, as amended and Rule 206(4)-5(e) thereunder, exempting Lime Rock Management LP from Rule 206(4)-5(a)(1) of the Investment Advisers Act of 1940. The execution thereof by him or the taking of such action shall be conclusive evidence of the exercise of discretionary authority conferred herein.

Dated as of the date first above written.

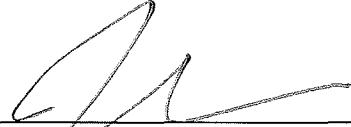
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Jonathan C. Farber, Manager

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John T. Reynolds, Manager

Dated as of the date first above written.



---

Jonathan C. Farber, Manager

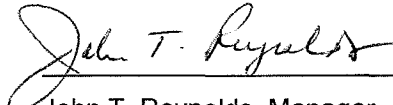
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John T. Reynolds, Manager

Dated as of the date first above written.

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Jonathan C. Farber, Manager



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John T. Reynolds, Manager



## Exhibit C

### Proposed Notice for the Order of Exemption

**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:** Lime Rock Management LP (the “Applicant”).

**Relevant 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:** The 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 the 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 the Applicant to an official of the government entity.

**Filing Date:** The application was filed on August 1, 2016.

**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 the 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 [ ], 201\_\_ and should be accompanied by proof of service on the 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, 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, Lime Rock Management LP, 274 Riverside Avenue, 3rd Floor, Westport, CT 06880.

**For Further Information Contact:** [ ] at (202) 551-\_\_\_\_\_  
(Investment Adviser Regulation Office, Division of Investment Management).

**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.

## **The Applicant's Representations:**

1. The Applicant is a limited liability company organized in Delaware and registered with the Commission as an investment adviser under the Advisers Act. The Applicant serves as investment adviser to several energy-focused private investment funds (the "**Funds**") in which one of the investors is an Ohio public pension plan (the "**Client**"). The investment decisions for the Client are overseen by a board of trustees composed of eleven members, one of whom is appointed by the Governor of Ohio.

2. On October 6, 2015, Townes G. Pressler, Jr., a managing director of the Applicant and a member of the investment committee responsible for reviewing and approving investments made by the Funds (the "**Contributor**"), made a contribution of \$1,000 (the "**Contribution**") to the campaign of John Kasich, the Governor of Ohio (the "**Official**"). At the time of the Contribution, the Official was a candidate for the federal office of President of the United States. The Contribution was made at the request of a longtime friend of the Contributor, unrelated to the Applicant, who was hosting a reception for the Kasich campaign at his home on October 21, 2015 (the "**Reception**"). Applicant represents that the Contributor's primary motivation was to support a friend who was hosting the event. The Applicant also 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.

3. The Applicant represents that the Contributor was briefly introduced to the Official at the Reception but they did not discuss the Client, the Client's relationship to the Applicant or any other existing or prospective investment. The Applicant also represents that there was no mention of the Official's appointment powers, influence or responsibilities at the state level involving the investment of state assets or public pension funds.

4. The Applicant represents that the Client's relationship with the Applicant predates the Contribution by over eleven years and that no investment by the Client occurred after the Contribution. The Applicant represents that the Client has not subscribed to a Fund since 2008 and that, at the time of the Contribution, the Applicant was not soliciting the Client to make a further investment and the Client was not in the process of requesting investment proposals.

5. The Applicant represents that the Contributor's role with the Client was limited to making substantive presentations at the Applicant's annual meetings, which representatives of the Client have attended from time to time, and that the Client's representatives have not attended such meetings since November 2014. The Applicant represents that the Contributor has had no contact with any representative of the Client outside of those presentations, and no contact with any member of the Client's board of trustees. No member of the Client's board of trustees at the time of the Contribution was appointed by the Official, and as of July 25, 2016, no member of the Client's board of trustees has been appointed by the Official subsequent to the Contribution.

6. The Applicant represents that neither the Applicant nor any of its employees, other than the Contributor, had any knowledge of the Contribution prior to the Contributor bringing it to the attention of compliance personnel during a training session held on November 11, 2015. The Applicant represents that the error occurred because the Contributor failed to appreciate that contributions to federal candidates who held state

office could trigger the prohibition on compensation under the Rule and required preapproval under the Applicant's policies. He mistakenly viewed his Contribution to the federal campaign of a state office holder as no different from other, permissible contributions to a candidate for federal office. The Applicant represents that within 24 hours of discovering the Contribution, the Contributor received confirmation from the Official's campaign committee that it would return the full Contribution, which was subsequently returned. The Applicant subsequently sought advice from its outside counsel regarding the effect of the Contribution under the Rule. The Applicant established an escrow account and is depositing all management fees paid with respect to the Client's investment for the two-year period beginning on October 6, 2015. The Applicant represents that it notified the Client of the Contribution and resulting two-year prohibition on compensation absent exemptive relief from the Commission.

7. The Applicant represents that its pay-to-play policies and procedures were initially adopted and implemented in March 2011 and required covered associates of the Applicant to pre-clear contributions to state and local office incumbents (including state and local officials running for federal office) and candidates. Applicant represents that the Contributor's violation of the policies and procedures resulted from his mistaken belief that all contributions to federal campaigns were permissible and exempt from the Applicant's pre-clearance policies. After learning of the Contributor's misunderstanding, the Applicant represents that it revised its pay-to-play policies and procedures to require covered employees of the Applicant to pre-clear all campaign contributions, including contributions to federal campaigns, to avoid similar misunderstandings by covered associates. The Applicant represents that the revised policy has been circulated to all covered associates and each has acknowledged that he or she has read and understands the revised policy.

8. The Applicant represents that it has taken steps designed to limit the Contributor's contact with representatives of the Client. The Applicant represents that the Contributor was informed that he could not solicit new investment commitments from the Client and that his communications with the Client with respect to the Funds should be limited to responding to inquiries from the Client's representatives and consultants with respect to the status of the Funds' investment portfolios and speaking at general meetings which may be attended by a representative of the Client. The Applicant represents that the Contributor has been directed to maintain a log of such interactions in accordance with the retention requirements set forth in rule 204-2(e).

### **The 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 Client 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 Funds are "covered investment pools," 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 has authority to 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; (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. The Applicant requests an order pursuant to section 206A and rule 206(4)-5(e) thereunder, 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 Client within the two-year period following the Contribution.

5. The 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 Act. The 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. The Applicant states that the Client determined to invest in the Funds and established and maintains its relationships with the Applicant on an arms’-length basis free

from any improper influence as a result of the Contribution. In support of this conclusion, the Applicant notes that the relationship with the Client pre-dates the Contribution by over eleven years, and that the Client has not invested in a fund managed by the Applicant subsequent to the Contribution. The Applicant further notes that the Client has not subscribed to a Fund since 2008 and that, at the time of the Contribution the Applicant was not soliciting the Client to make a further investment and the Client was not in the process of requesting investment proposals. The Applicant also notes that the Official's potential influence on the Client is limited to appointing a single member to a board that consists of eleven members and at the time of the Contribution, that board seat position was vacant and remains so as of July 25, 2016. The Applicant also notes that the Contributor's only interactions with representatives of the Client may have been at the Applicant's annual meetings, at which the Contributor generally makes investment presentations. The Applicant further notes that representatives of the Client have not attended these meetings since November 2014. The Applicant also argues that the interests of the Client are best served by allowing the Applicant and its Client to continue their relationship uninterrupted.

7. The 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. The Applicant further states that at no time did the Applicant or any employees of the Applicant, other than the Contributor, have any knowledge that the Contribution had been made prior to its discovery by the Applicant's compliance department in November 2015. Within 24 hours of discovering the Contribution, the Contributor received confirmation from the Official's campaign committee that it would return the full Contribution, which was subsequently returned. The Applicant subsequently set up an escrow account for all fees charged to the Client's capital accounts in the Funds for the two-year period beginning October 6, 2015.

8. The Applicant states that the Contributor's intent in making the Contribution was not to influence the selection or retention of the Applicant. The Applicant represents that the Contributor's decision to make the Contribution was principally motivated by the Contributor's personal relationship with a longtime friend who hosted a reception for the Official's presidential campaign at his home. The Applicant further states that the Contributor frequently has supported candidates for national office with generally similar views as 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. The Applicant also states that the Contributor has an interest in the outcome of the 2016 Presidential campaign, as he is eligible to vote in the primary election of his state of residence and would have been eligible to vote for the Official if he had become his party's Presidential nominee. The Applicant notes that the Contributor failed to appreciate that contributions to federal candidates who held state or local office could trigger the prohibition on compensation under Rule 206(4)-5 or that such contributions were subject to the Applicant's pre-clearance procedures. The Applicant further states, as discussed above, that the Contributor has confirmed that he was only briefly introduced to the Official at a reception and did not discuss the Client, the Client's relationship to the Applicant, or any other existing or prospective investments. The Applicant notes that the Contributor's role with the Client has been limited to making substantive presentations at annual meetings that the Client's representatives may have attended. The Applicant states that the Contributor had no contact with any representative of the Client (or its board) outside of making those presentations at such meetings, and that the Client's representatives have not attended such meetings since November 2014.

### **The Applicant's Conditions:**

The Applicant agrees that any order of the Commission granting the requested relief will be subject to the following conditions:

1. The Contributor will be prohibited from discussing any business of the Applicant with any "government entity" client for which the Official is an "official," each as defined in Rule 206(4)-5(f), until October 6, 2017.
2. Notwithstanding Condition 1, the Contributor is permitted to respond to inquiries from the Client regarding the Funds and speak at general meetings which may be attended by a representative of the Client. The Applicant will maintain a log of such interactions, which will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.
3. The Contributor will receive a written notification of these conditions and will provide a quarterly certification of compliance until October 6, 2017. Copies of the certifications will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.
4. The Applicant will conduct testing reasonably designed to prevent violations of the conditions of this Order and maintain records regarding such testing, which will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

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

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**Exhibit D**  
**Proposed Order of Exemption**

Lime Rock Management LP (the “**Applicant**”) filed an application on August 1, 2016 pursuant to Section 206A of the Investment Advisers Act of 1940 (the “**Act**”) and Rule 206(4)-5(e) thereunder. The application requested an order granting an exemption from the provisions of Section 206(4) of the Act, and Rule 206(4)-5(a)(1) thereunder, to permit the 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 the Applicant to an official of the government entity.

A notice of filing of the application was issued on [ ], 2016 (Investment Advisers Act Release No. [ ]). The notice gave interested persons an opportunity to request a hearing and stated that an order disposing of the application would be issued unless a hearing should be ordered. No request for a hearing has been filed, and the Commission has not ordered a hearing.

The matter has been considered and it is found, on the basis of the information set forth in the application, that granting the requested exemption is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Accordingly,

IT IS ORDERED, pursuant to section 206A of the Act and rule 206(4)-5(e) thereunder, that the exemption from rule 206(4)-5(a)(1) under the Act requested by the Application (File No. [ ]) is granted, effective immediately.

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

[ ]