

ADMINISTRATIVE PROCEEDING
File No. 3-17764

Private Equity Fund Adviser Settles with SEC for Failing to Disclose Potential Conflicts of Interest

January 10, 2017 – The Securities and Exchange Commission today announced that a New York, N.Y.-based private equity fund adviser has agreed to settle charges that the adviser breached its fiduciary duty to its fund clients and made materially misleading statements to the funds’ investors by failing to disclose potential conflicts of interest.

According to the SEC’s order, Centre Partners Management, LLC (“CPM”) provides investment advisory services to four funds and their related parallel entities. Three of CPM’s principals (the “CPM Principals”) have personal investments in a third-party information technology service provider (the “Service Provider”), two of CPM’s principals occupy two of the three seats on the Service Provider’s board of directors, and the wife of one of the principals is a relative of the Service Provider’s co-founder and Chief Executive Officer. CPM engaged the Service Provider to perform due diligence services for portfolio company investments on behalf of, and paid for by, its fund clients, and several of the fund clients’ portfolio companies separately retained the Service Provider for assorted information technology services.

Also according to the SEC’s order, from 2001 to 2014 these potential conflicts were not disclosed, as required by the funds’ governing documents, to the advisory committees responsible for reviewing such conflicts. In addition, while CPM provided extensive disclosure of its use of the Service Provider in the investment due diligence process and presented its business relationship with this Service Provider as a competitive advantage to investors, absent from these disclosures was any mention of the relationships between the CPM Principals and the Service Provider until CPM disclosed some of the potential conflicts after an SEC examination. Although neither CPM nor the CPM Principals financially profited from their relationships with the Service Provider, CPM breached its fiduciary duty to its fund clients and made materially misleading statements to the funds’ investors by failing to disclose these potential conflicts of interest.

The SEC’s order finds that CPM violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder. Without admitting or denying the SEC’s findings, CPM agreed to a censure, a cease-and-desist order, and to pay a \$50,000 penalty.

The SEC’s investigation was conducted by Kimberly Yuhas, Peter Altenbach and Steven Rawlings with the assistance of Matthew Lambert, and was supervised by Sanjay Wadhwa, all of the SEC’s New York Regional Office. The SEC examination that led to the investigation was conducted by Dawn Blankenship, Joy Best and Majid Mahmood in the New York Regional Office.

See also: [Order](#)