

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ADMINISTRATIVE PROCEEDINGS RULINGS  
Release No. 4153/September 14, 2016

ADMINISTRATIVE PROCEEDING  
File No. 3-16462

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In the Matter of

LYNN TILTON;	:	
PATRIARCH PARTNERS, LLC;	:	
PATRIARCH PARTNERS VIII, LLC;	:	ORDER
PATRIARCH PARTNERS XIV, LLC; and	:	
PATRIARCH PARTNERS XV, LLC	:	

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The Securities and Exchange Commission instituted this proceeding with an Order Instituting Proceedings (OIP) on March 30, 2015. The OIP alleges that Respondents violated the antifraud provisions of the Investment Advisers Act of 1940 in their operation of three collateral loan obligation funds (known as the Zohar Funds) by reporting misleading values for the assets held by the funds and failing to disclose a conflict of interest arising from Lynn Tilton's undisclosed approach to categorization of assets. The proceeding was stayed by order of the U.S. Court of Appeals for the Second Circuit between September 17, 2015, and June 2016. *See Tilton v. SEC*, No. 15-2103, 2016 U.S. App. LEXIS 9970, at \*37 (2d Cir. June 1, 2016); *Tilton v. SEC*, No. 15-2103, ECF Nos. 76, 125. The hearing is currently scheduled to commence on October 24, 2016.

Under consideration are the August 4, 2016, motion of Värde Partners, Inc., to quash the subpoena served on it by Respondents; Respondents' August 11, 2016, opposition; and Värde's August 19, 2016, reply. The subpoena in question, issued before the 2015 stay, called for the production of a variety of documents related to valuation, ownership, and monitoring of Zohar Notes by Värde. The documents sought include communications of custodians Jeremy Hedberg and Matt Mach relating to the Zohar Funds, Zohar Notes, or Respondents.

Värde argues that compliance with the subpoena would be unreasonable, oppressive, and unduly burdensome in that: it asks for confidential and proprietary information from a business competitor that Respondents could use in their own business and in their legal disputes with Värde; the information sought is irrelevant to this proceeding, which concerns *Respondents'* actions, not Värde's; the subpoena is overbroad, causing Värde to incur considerable expense; and, notwithstanding the foregoing, Värde has already produced 16,000 pages of documents concerning, *inter alia*, (a) the timing, size, and counterparty for its purchases of Zohar III notes, (b) communications with the Commission concerning Zohar III notes, (c) information received

from the Zohar III trustee, (d) pre-acquisition due diligence memoranda that do not reveal confidential pricing, valuation, recovery value, or proprietary model information, and (e) marks received from third-party pricing services. In opposition, Respondents state that Värde employees appear on the Division's witness list, yet the investigative record produced by the Division is devoid of documents from Värde or statements made by Värde-affiliated witnesses, leaving them without the tools to conduct a meaningful cross-examination of Värde witnesses; and that a protective order will prevent misuse of Värde's confidential and proprietary information. In reply, Värde states that the opposition does not address the 16,000 pages of documents that Värde provided almost a year ago, giving rise to the inference that counsel has not reviewed the material.

The subpoena will not be quashed but remains subject to modification, pursuant to 17 C.F.R. § 201.232(e). The Division's "May Call" witness list includes Jeremy Hedberg and Matt Mach, stating: "Mr. Hedberg and/or Mr. Mach may be called to testify regarding Varde Partners' investment in the Zohar Fund(s), communications regarding the investment, relationship with Patriarch, their understanding of the investment, any interaction with Tilton or other Patriarch employees, and the monitoring or assessment of Varde Partners' investment." Aug. 22, 2016, Amended Witness List at 4; Aug. 7, 2015, Witness List at 3. Therefore, at least some of the information sought is directly relevant to the Division's proposed evidence and necessary for cross-examination. That being said, Respondents have not addressed whether the 16,000 pages already produced meet these needs.

Värde and Respondents are encouraged to confer to narrow the scope of the documents sought so as to reduce burden, to avoid impinging on privileges, and to eliminate duplication of information sought. Värde should provide a log of general categories of documents that it proposes to withhold to facilitate further action on its motion in the event that it and Respondents cannot reach agreement. Värde and Respondents may propose the text of a protective order.

IT IS SO ORDERED.

/S/ Carol Fox Foelak  
Carol Fox Foelak  
Administrative Law Judge