

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 102666 / March 13, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-21355

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In the Matter of	:	
	:	
Chatham Asset Management, LLC	:	NOTICE OF PROPOSED PLAN OF
and Anthony Melchiorre,	:	DISTRIBUTION AND OPPORTUNITY
	:	FOR COMMENT
	:	
Respondents.	:	
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Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission’s (the “Commission”) Rules on Fair Fund and Disgorgement Plans (the “Commission’s Rules”), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan of distribution (the “Proposed Plan”) for the distribution of monies paid in the above-captioned matter.

On April 3, 2023, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”)¹ against Chatham Asset Management, LLC and Anthony Melchiorre (“Melchiorre”) (collectively, the “Respondents”). In the Order, the Commission found that Chatham and Melchiorre violated the antifraud provision of Section 206(2) of the Investment Advisers Act of 1940 (the “Advisers Act”) and willfully aided and abetted violations of, and caused certain of their clients to violate, Sections 17(a)(1) and 17(a)(2) of the Investment Company Act of 1940 (the “Company Act”). Specifically, the Commission found that Chatham and Melchiorre traded on behalf of their fund clients in three high-yield debt securities issued by American Media Inc. (“AMI”), a wholly owned subsidiary of AMI Parent Holdings, LLC (“AMI Parent”). The Commission found that, at times, from 2016 through 2018, Chatham and Melchiorre engaged in transactions in these AMI debt securities (the “AMI Bonds”) that resulted in one Chatham fund selling AMI Bonds and a different Chatham fund purchasing the same AMI Bonds, through various broker-dealers (the “Rebalancing Trades”). According to the Order, over time, the prices at which Chatham and Melchiorre traded the securities in the Rebalancing Trades increased at a significantly higher rate than the prices of similar securities. The Commission also found that

¹ Advisers Act Rel. No. 6270 (Apr. 3, 2023).

Chatham's and Melchiorre's trading in the AMI Bonds accounted for the vast majority of the trading in those Bonds and therefore, over time, had a material effect on their pricing.

The Commission further found that Chatham and Melchiorre calculated the net asset values ("NAVs") of their client funds' holdings using pricing data that was based, in part, on the trading prices of the securities. According to the Order, as a result, the NAVs of Chatham's Clients were higher than they would have been if Chatham's Rebalancing Trades were removed from the market for the AMI Bonds, which, in turn, resulted in higher fees being charged to the clients than would have been charged if Chatham's Rebalancing Trades were removed from the market for the AMI Bonds.

Finally, the Commission found that many of the Rebalancing Trades involved open-ended mutual funds regulated as registered investment companies ("RICs"). The Commission found that, in those cases, Chatham and Melchiorre aided and abetted and caused RICs to enter into prohibited affiliate transactions in violation of Sections 17(a)(1) and (2) of the Investment Company Act.

The Commission ordered the Respondents to pay \$11,000,000.00 in disgorgement plus \$3,375,072.00 in prejudgment interest, and civil penalties of \$5,000,000.00, for a total of \$19,375,072.00, to the Commission pursuant to a payment plan ending 360 days following entry of the Order. The Commission also created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalties collected, along with the disgorgement and prejudgment interest collected, can be distributed to harmed investors (the "Fair Fund").

The Fair Fund includes the \$19,375,072.00 collected pursuant to the Order. The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission. The Fair Fund has been deposited in a Commission-designated account at the U.S. Department of the Treasury, and any interest accrued will be added to the Fair Fund.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Proposed Plan from the Commission's public website at <https://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Proposed Plan by submitting a written request to Allison J.P. Moon, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876. All persons who desire to comment on the Proposed Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission's Internet comment form (<https://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to rule-comments@sec.gov.

Comments submitted by email or via the Commission's website should include "Administrative Proceeding File No. 3-21355" in the subject line. Comments received will be publicly available. Persons should submit only information they wish to make publicly available.

THE PROPOSED PLAN

The Net Available Fair Fund² is comprised of the \$19,375,072.00 in disgorgement plus prejudgment interest, and civil money penalties collected pursuant to the Order, plus any interest and income earned thereon, less taxes, fees, and expenses. The Proposed Plan provides for the distribution of the Net Available Fair Fund to investors in five funds—Chatham Asset High Yield Master Fund, Ltd.; Chatham Asset Private Debt and Strategic Capital Fund, LP; Chatham Fund, LP; the Chatham Everest Fund, L.P.; and Chatham Eureka Fund, LP—who paid excess performance (aka incentive) fees and management fees to Chatham Asset Management, LLC from January 2016 through December 2018, inclusive and incurred losses due to the Respondents' violations as described in the Order.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.³

Vanessa A. Countryman
Secretary

² All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Proposed Plan.

³ 17 C.F.R. § 200.30-4(a)(21)(iii).