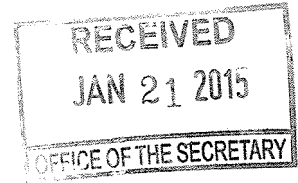


**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**



**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16293**

**In the Matter of**

**LAURIE BEBO, and**  
**JOHN BUONO, CPA,**

**Respondents.**

**THE DIVISION OF ENFORCEMENT'S**  
**RESPONSE TO THE COURT'S ORDER**  
**REGARDING SUBPOENAS TO PRODUCE**

The Division of Enforcement (“Division”) responds as follows to the Court’s January 15, 2015 Order Regarding Subpoenas to Produce:

1. The Division does not object to the subpoenas that Respondent Bebo requests be issued to ALC, Ventas, Milbank Tweed, and Quarles & Brady (the “Subpoenas”).<sup>1</sup> Nevertheless, it appears that the Subpoenas are excessive in scope, and that much of the material sought by the Subpoenas is irrelevant to these proceedings, privileged (by the attorney-client privilege and/or work product doctrine), or both.

2. In regards to whether the materials sought by the Subpoenas have already been produced to Bebo, the Division initially notes that, pursuant to Rule 230(a), it previously produced to Bebo all documents that it received from ALC, Ventas, Milbank Tweed, and Quarles & Brady in the course of its investigation.

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<sup>1</sup> Quarles & Brady was ALC’s primary outside counsel during the period at issue in the OIP. ALC retained Milbank Tweed – to, among other things, conduct an internal investigation – after its board of directors received a whistleblower complaint alleging misconduct consistent with the allegations in these proceedings.

3. While it would be impracticable to review every document in its files to determine if the Subpoenas seek documents already produced to Bebo, the Division has undertaken to compare the requests in the Subpoenas with its general understanding of the documents in its files obtained from ALC, Ventas, Milbank Tweed,<sup>2</sup> and Quarles & Brady. Based on this review, the Division believes that its files contain, and that it produced to Bebo, at least some documents responsive to the following requests: (a) ALC Subpoena paragraphs 15, 16, 17, 20, and 26; (b) Ventas Subpoena paragraphs 5 and 15; (c) Milbank Tweed Subpoena paragraphs 11, 14, and 15; and (d) Quarles & Brady Subpoena paragraphs 5, 6, 7, and 9.

4. Regarding the Court's inquiries about privilege waivers, attached hereto as Exhibit 1 is a February 4, 2014 letter from ALC's counsel in which ALC generally waives the attorney-client privilege relating to the subject matter of these proceedings. The Division notes that while ALC generally waived the attorney-client privilege, the Division did not receive privilege waivers from the individual members of ALC's board of directors, in particular regarding the directors' communications with Milbank Tweed relating to the internal investigation. For these and other reasons, the Division did not subpoena materials from Milbank Tweed.<sup>3</sup>

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<sup>2</sup> The Division has not issued any subpoenas to Milbank Tweed, in part due to privilege issues described below. The only documents that the Division received from Milbank Tweed were materials it received at presentations made by Milbank Tweed attorneys to the Division staff. The Division has produced all such documents to Bebo.

<sup>3</sup> While not necessarily applicable to the Subpoenas, the Division submits that Ms. Bebo has waived the attorney-client privilege – to the extent she (as opposed to ALC) had the ability to assert the privilege – consistent with her advice-of-counsel affirmative defense and her disclosure of attorney-client communications in the course of her testimony.

Respectfully submitted:

Dated: January 20, 2015



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Benjamin J. Hanauer  
Division of Enforcement  
U.S. Securities and Exchange Commission  
175 West Jackson Blvd, Suite 900  
Chicago, IL 60604  
Phone: 312-353-864  
Email: [hanauerb@sec.gov](mailto:hanauerb@sec.gov)

# EXHIBIT 1



ROPE & GRAY LLP  
191 NORTH WACKER DRIVE  
32nd FLOOR  
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February 4, 2014

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**FOIA CONFIDENTIAL TREATMENT REQUESTED**

**VIA E-MAIL AND HAND DELIVERY**

Scott B. Tandy, Senior Attorney  
U.S. Securities and Exchange Commission  
Chicago Regional Office  
175 West Jackson Boulevard, Suite 900  
Chicago, IL 60604

Re: **In the Matter of Assisted Living Concepts, Inc. (C-7948)**

Dear Mr. Tandy:

As you know, we represent Assisted Living Concepts, LLC. Pursuant to Section 4.3 of the SEC Enforcement Manual, consistent with ALC's desire to cooperate fully with your investigation referenced above and pursuant to the request made by the Staff of the Enforcement Division of the U.S. Securities and Exchange Commission, ALC agrees to waive its attorney-client privilege with respect to certain limited communications, as follows:

- 1) ALC agrees to waive its attorney-client privilege with respect to communications:
  - a. occurring between December 1, 2008 and May 8, 2013;
  - b. between ALC directors or officers ("Executives"), on the one hand, and ALC's legal counsel, on the other hand;
  - c. involving advice that ALC Executives sought from any of those lawyers; and

- 2 -

units  
including

be

January  
associated  
in

making  
Ventas Lease covenants.

- 2) ALC further agrees to waive its attorney-client privilege with respect to certain limited communications:
  - a. occurring between January 1, 2012 and March 14, 2013;
  - b. between ALC Executives, on the one hand, and ALC's legal counsel, on the other hand;
  - c. involving advice that ALC Executives sought from any of those lawyers; and
  - d. that relate to disclosures or contemplated disclosures regarding: (i) an internal investigation; (ii) whether ALC had any material weaknesses or significant deficiencies in its internal controls; or (iii) whether ALC needed to restate its financials.
  
- 3) ALC further agrees to waive its attorney-client privilege with respect to certain limited communications:
  - a. between ALC Executives, on the one hand, and ALC's legal counsel, on the other hand;

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<sup>1</sup> The CaraVita facilities include CaraVita Village, Greenwood Gardens, Highland Terrace, Peachtree Estates, Tara Plantation, The Inn at Seneca, The Sanctuary, and Winterville Retirement.

February 4, 2014

- b. involving advice that ALC Executives sought from any of those lawyers; and
- c. that relate to ALC's response to a letter from the SEC's Division of Corporation Finance to ALC, dated July 21, 2011.

We appreciate the opportunity to assist the Staff in its investigation and look forward to continuing to work with you in a collaborative fashion.

\* \* \* \* \*

Please be advised that this letter and the enclosed materials contain confidential, commercial, financial, or personal information, the disclosure of which would cause significant harm, economic or otherwise, to ALC and its affiliates and employees. Pursuant to Rule 83 of the Commission's Rule on Information and Requests, 17 C.F.R. § 200.83, we hereby request on behalf of ALC that this letter and the enclosed materials, and the contents of this letter and the enclosed materials, be accorded confidential treatment and not be disclosed in response to any request under the Freedom of Information Act, 5 U.S.C. § 552. In order to ensure confidentiality of the enclosed materials, they have been clearly marked "Confidential Treatment Requested by Assisted Living Concepts, LLC." If this letter, the enclosed documents, or any of the contents of this letter or enclosed documents is the subject of a Freedom of Information Act request, please inform me and I will provide further substantiation of this request for confidential treatment. Finally, we request that these documents, as well as any copies made thereof, be returned to us, as counsel for ALC, upon conclusion of the Commission's examination.

Best regards,



Asheesh Goel

cc: FOIA Office  
100 F Street NE, Mail Stop 2736  
Washington, DC 20549