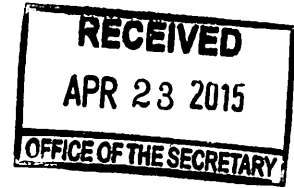


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



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In the Matter of:

LYNN TILTON;

PATRIARCH PARTNERS, LLC;

PATRIARCH PARTNERS VIII, LLC;

PATRIARCH PARTNERS XIV, LLC; AND

PATRIARCH PARTNERS XV, LLC;

Respondents.
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Administrative Proceeding
File No. 3-16462

**RESPONDENTS' MOTION FOR A
MORE DEFINITE STATEMENT**

Respondents Lynn Tilton ("Tilton") and Patriarch Partners, LLC, Patriarch Partners VIII, LLC, Patriarch Partners XIV, LLC and Patriarch Partners XV (collectively, "Patriarch"), by and through their undersigned counsel, respectfully move the Administrative Law Judge ("ALJ") for a more definite statement of fact as to certain of the allegations, pursuant to Rule 220(d) of the Securities and Exchange Commission's Rules of Practice:

1. On March 30, 2015, the Securities and Exchange Commission issued an Order Instituting Administrative and Cease-And-Desist Proceedings alleging fraud and breach of fiduciary duties and contractual standard of care in violation of sections 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940, and Rule 206(4)-8 promulgated thereunder ("OIP").

2. The OIP was filed after more than five years of investigation by the Division of Enforcement and the collection of approximately 2.4 million pages of documents. The allegations date back at least seven years and involve five Respondents, three investment funds, dozens of portfolio companies, and hundreds of loans.

3. In light of the complexity of and the voluminous discovery in this case, additional clarity as to the boundaries of certain of the factual allegations in the OIP is required to permit Respondents to prepare their defense adequately and to avoid needlessly burdensome and inefficient administrative proceedings.

4. This Motion is directed to two categories of factual information that the OIP does not specify, namely (1) the assets that allegedly should have been categorized as Category 1/Defaulted Investments and/or impaired, including when they should have been so categorized and/or impaired, and (2) the investors who were allegedly misled. These critical pieces of information are referenced only in vague and general terms in the following allegations of the paragraphs set forth below (with italics emphasis added to the portions relevant to this Motion):

Asset Categorization and Impairment:

- ¶ 2. The three CLO funds, collectively known as the “Zohar Funds,” raised more than \$2.5 billion from investors and used these investments to make loans to distressed companies. These loans to distressed companies are the primary assets of the Zohar Funds. However, *many of the distressed companies have performed poorly and have not made interest payments, or have made only partial payments, to the Funds over several years.*
- ¶ 4. *Despite the poor performance of many of the Funds’ assets, Tilton has intentionally and consistently directed that nearly all valuations of these assets be reported as unchanged from their valuations at the time the assets were originated.*

- ¶ 43. Had Tilton followed the methodology for categorization set out in the indenture, the number of Category 1 or Defaulted Investments reported in the monthly trustee reports would have looked very different. In fact, *many Portfolio Companies had large sums of unpaid interest, beginning by at least 2008*. Certain Portfolio Companies have failed to pay as much as 90% of the interest that they owe to the Zohar Funds, yet remain classified as a Category 4 or a Collateral Investment.
- ¶ 44. Had Respondents *appropriately classified the Zohar Funds' assets*, Zohar II and Zohar III would have failed the OC Ratio test by at least the summer of 2009. Tilton's approach allowed Respondents to collect or accrue almost \$200 million in Subordinated Fees and preference share distributions to which she was not entitled.
- ¶ 68. This disclosure is misleading because it tells investors that assets would be analyzed for impairment, including an assessment of anticipated collections. *Further, all loans that were modified to provide a concession to a Portfolio Company that was under financial duress should have been identified and measured as impaired in the Zohar Funds' financial statements*. Instead, as with categorization, Tilton decided when an asset was impaired using her own discretion and did not communicate this approach to investors.

Investors:

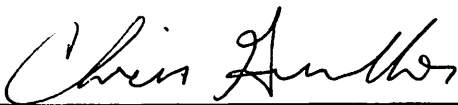
- ¶ 45. Moreover, *investors were not informed about the decline in value of the Funds' assets*, regardless of whether the changes caused the OC Ratio test to fail.
- ¶ 49. Respondents have not at any time disclosed Tilton's discretionary approach to categorization to the Funds or their investors. They have not disclosed that they fail to consider past due interest when conducting categorization analyses and performing the OC Ratio test. *Investors have not been told that the OC Ratio test would have failed at various points if Tilton had performed the categorization analyses in the method anticipated by the indentures*.
- ¶ 51. *Respondents' approach to categorization, and the resulting impact on the OC Ratio test, were important to investors* and rendered statements about asset categories and OC Ratio test results false or misleading. Respondents' discretionary approach to categorization, which was contrary to disclosures made, also represents a fraudulent and deceptive scheme, practice, and course of business.
- ¶ 57. Each of the Zohar Funds is required under the terms of the indenture to provide GAAP-compliant financial statements on a quarterly basis. These financial statements are prepared by Patriarch's accounting

department, approved by Tilton on behalf of the Patriarch Collateral Managers, and then provided to the trustee, which makes them available to investors. *Information in the financial statements about the value of the Funds' assets was important to investors.*

WHEREFORE, Respondents pursuant to Rule 220(d) request an order requiring the Division of Enforcement to provide a more definite statement as to paragraphs 2, 4, 43, 44, 45, 49, 51, 57, and 68 of the OIP.

Dated: April 22, 2015
New York, New York

Respectfully Submitted,

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