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U.S. Securities and Exchange Commission  
Press Release: SEC Charges Platinum  
Funds and Founder With Defrauding  
Investors (December 19, 2016)

Submitted by:  
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## Press Release

### SEC Charges Platinum Funds and Founder With Defrauding Investors

#### **FOR IMMEDIATE RELEASE**

**2016-267**

*Washington D.C., Dec. 19, 2016* — The Securities and Exchange Commission today charged the founder of Platinum Partners and two of its flagship hedge fund advisory firms with conducting a fraudulent scheme to inflate asset values and illicitly move investor money to cover losses and liquidity problems.

SEC examiners uncovered suspicious activity during an examination of the firms and referred it to SEC enforcement staff for further investigation. The SEC's complaint filed today in federal court in Brooklyn alleges that Mark Nordlicht and the Platinum funds overstated the value of an oil company that was among their largest assets, and they concealed a growing liquidity crisis by transferring money between the funds, making preferential redemptions to favored investors, and using misrepresentations to attract new investors to the struggling funds during what internal documents described as "Hail Mary time."

The SEC's complaint further alleges that Nordlicht schemed with two colleagues and an executive at the Platinum funds' other major oil investment to divert almost \$100 million from that company to help boost the Platinum funds. That company's noteholders had priority over preferred shares and Platinum's management and its affiliates were prohibited from participating in any vote among noteholders to change this priority. So Nordlicht and others allegedly rigged the vote by secretly transferring a large block of notes to affiliates, which then cast votes in support of Platinum's position. The solicitation document falsely stated that Platinum held only a small minority of the notes.

The SEC's complaint charges several other individuals in addition to Nordlicht for their roles in the alleged schemes. In a parallel action, the U.S. Attorney's Office for the Eastern District of New York today announced criminal charges.

"As alleged in our complaint, investors were repeatedly presented a false picture of the performance of the Platinum funds and their overall liquidity situation. As investors sought redemptions, the defendants engaged in numerous improper measures in an attempt to meet redemption requests, including taking out high-interest rate loans, commingling monies among funds, and raising money from new investors through fraudulent misrepresentations," said Andrew J. Ceresney, Director of the SEC's Division of Enforcement.

Andrew M. Calamari, Director of the SEC's New York Regional Office, added, "Nordlicht and others allegedly disregarded their fiduciary duties in systematic fashion and made it appear to investors that the funds were much more valuable and liquid than they actually were."

Others charged in the SEC's complaint in addition to Nordlicht, Platinum Management (NY) LLC, and Platinum Credit Management LP:

- David Levy, owner and co-chief investment officer along with Nordlicht.
- Daniel Small, former managing director and portfolio manager of certain Platinum funds.
- Uri Landesman, former managing general partner of certain Platinum funds.

- Joseph Mann, who worked in Platinum Management's investor relations department.
- Joseph SanFilippo, CFO of a Platinum hedge fund.
- Jeffrey Shulse, CFO of Black Elk Energy, the oil company used in the illicit \$100 million scheme.

The SEC is seeking a court-appointed receiver over funds managed by Platinum Credit Management and other Platinum-related entities. Funds managed by Platinum Management are currently in a liquidation proceeding in the Cayman Islands.

The SEC's continuing investigation is being conducted by Jess Velona, Danielle Sallah, Kenneth Byrne, Janna Berke, Kerri Palen, Thomas Feretic, and Adam Grace in the New York office. The litigation will be led by Kevin McGrath, Alistaire Bambach, and Neal Jacobson. The case is being supervised by Sanjay Wadhwa. The examination that led to the investigation was conducted by George DeAngelis, Michael Paolo, Syed Husain, Jaclyn Karakaya, and Rachel Lavery. The SEC appreciates the assistance of the U.S. Attorney's Office for the Eastern District of New York, the Federal Bureau of Investigation, and the U.S. Postal Inspection Service.

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## Related Materials

- [SEC complaint](#)

## NOTES

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