

Visium Trader-Turned Whistle-Blower Tied to Hedge Fund's Demise

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A former trader at Visium Asset Management LP told an ex-colleague that one of his first stops after leaving the firm was the SEC. What he didn't say was that he had turned on his former co-workers and was secretly recording their conversations for the FBI.

The trader, Jason Thorell, has spent almost three years helping the government with its investigation of Visium, an \$8 billion investment firm now winding down after the U.S. brought charges against three executives, according to three people familiar with the matter. A judge has granted him immunity for his testimony, and he may even get a payout as a whistle-blower, according to an FBI affidavit.

Thorell didn't return messages left on his cell phone or with his family. His identity is masked in court papers including the FBI affidavit, all of which refer to him only as "CW-1." But the three people familiar with the case said the trader is Thorell. His identity has not been previously revealed.

In many ways, Thorell, now 38, fits the mold of a whistle-blower -- many of whom are disgruntled former workers eager for reward and perhaps vindication because of the alleged misdeeds of an ex-employer. He is part of a wave of informants who have come forward to participate in the Securities and Exchange Commission's beefed-up whistle-blower program, which has awarded \$85 million to 32 individuals.

Thorell's approach to the government triggered an investigation into how Visium valued holdings in its credit portfolio, a probe that expanded into charges that executives were trading on inside tips about pending regulatory decisions about certain drugs. He is one of at least four people cooperating with a continuing U.S. investigation.

Price Quotes

Thorell, who was a junior trader before he left Visium, was an active participant in an alleged scheme to inflate the value of securities carried on the firm's trading book, according to court filings. A broker who supplied Visium with price quotes for the securities, David "Scott" Vandersnow, is also aiding the government after providing evidence, according to the people, who asked not to be identified speaking about confidential details of the investigation. Vandersnow is identified in court papers only as "Broker-1."

Vandersnow said he was "not involved in it" when contacted on his phone, and then didn't return other messages.

A portfolio manager, Christopher Plaford, who ran credit investments, is cooperating after pleading guilty to mis-marking bonds using sham quotes from brokers, and trading on inside tips, according to prosecutors and court records. Prosecutors have charged an assistant portfolio manager, Stefan Lumiere, whose sister was married to firm founder Jacob Gottlieb, with mis-pricing assets. He has denied wrongdoing.

[For more on the unraveling of Visium, click here.](#)

U.S. prosecutors on June 15 charged Sanjay Valvani, a star money manager who ran part of Visium's flagship health-care fund, with trading on secret tips from a former Food and Drug Administration official, going back as early as 2005. Valvani was found dead in his Brooklyn home days later in what authorities said was a **suicide**. The FDA official, Gordon Johnston, pleaded guilty to leaking information to Visium in exchange for payments of several hundred thousand dollars. He is cooperating with the government.

Thorell, a graduate of Providence College in Rhode Island, left the firm in 2013, according to two ex-colleagues who asked not to be identified. The Visium credit fund at which he worked managed \$470 million at its peak. The fund was liquidated in September 2013 after a string of investor redemptions that summer.

The fund invested in several debt securities that were distressed and highly illiquid, in the expectation that their cheap prices would yield big returns if the companies turned around. But when the market moved against their positions, they found other ways to value the holdings rather than accepting the market price, prosecutors said.

Provide Quotes

Visium managers used friendly brokers to provide quotes on securities that were better than the market price -- often for instruments they knew little about, according to the government. The fund's managers would call the brokers using personal cell phones -- to avoid brokerages' recorded lines -- and tell them the price they wanted for the security, prosecutors said. The brokers would then send them the official quote back over their computer terminals.

For two years, Thorell and others solicited fraudulent quotes from brokers and sent them to the fund's administrator to override valuations on illiquid distressed holdings, according to court papers. When Lumiere sought more brokers to provide sham quotes, Thorell volunteered one particular candidate because the broker worked at a "bottom of the barrel" firm, according to the affidavit.

After leaving Visium, Thorell visited a former colleague at his Manhattan apartment and said he was approaching the SEC about participating in its whistle-blower program, according to one of the people familiar with the case. SEC spokeswoman Judy Burns declined to comment on the case or whether

Thorell was part of the program. By January 2014, Thorell was secretly recording conversations for the government with at least one former colleague, according to court records.

Spokesmen for the Federal Bureau of Investigation and U.S. Attorney Preet Bharara in New York, who filed the criminal case, declined to comment, as did Jonathan Gasthalter, a Visium spokesman. The SEC has sued Valvani, Plaford and Lumiere.

'Financial Benefit'

Thorell could receive "a financial benefit" for blowing the whistle on the alleged scheme, according to the FBI's June 14 affidavit. Under an SEC program, participants can collect as much as 30 percent of the U.S. recovery if it comes from their information.

Vandersnow was one of two brokers who most actively participated in the plot, according to court papers. He spent several years with UBS Securities LLC in New York, and joined C&Co/PrinceRidge LLC in June 2009, according to his Financial Industry Regulatory Authority brokerage record. Prosecutors said the scheme began in 2011. PrinceRidge was absorbed by J.V.B. Financial Group LLC in October 2013. A J.V.B. spokesman declined to comment.



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Vandersnow was allegedly involved in mis-marking the bonds of China Medical Technologies Inc., a diagnostics manufacturer, according to court papers. China Med declared bankruptcy in 2012 amid the disappearance of its chief executive and allegations that the company's assets were looted. Its bonds had recently traded at 16 cents on the dollar. But the fund allegedly obtained quotes from Vandersnow and others that enabled it to carry them on its books at 38 cents on the dollar, allowing the fund to overstate their value by more than \$9 million, according to court records.

Vandersnow is now president of a real estate lending firm and owns an indoor sports facility in Paramus, New Jersey, according to his LinkedIn profile.

Another broker who allegedly participated in the scheme, identified in court papers as "Broker-2," was Jonathan Brook, director of institutional credit sales at Janney Montgomery Scott LLC, according to people familiar with the case. Brook, 44, died of a heart attack while driving to his home in Rye, New York, last year.

His wife said she was unaware of her husband's role in the case and declined to comment further. A spokeswoman for the brokerage firm declined to comment.

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