



Portfolio Media, Inc. | 111 West 19th Street, 5th floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Ex-Visium Hedge Fund Manager To Get 'Co-Conspirator' List

By **William Gorta**

Law360, New York (August 31, 2016, 8:25 PM EDT) -- A New York federal prosecutor failed to convince a judge Wednesday that the government needn't turn over to a former portfolio manager for health care-focused hedge fund company Visium Asset Management LP a list of people the manager allegedly conspired with to defraud investors.

Assistant U.S. Attorney Joshua Naftalis balked at handing over a bill of particulars to Stefan Lumiere, who along with Visium portfolio manager Christopher Plaford, 38, allegedly schemed to mismark securities in a fixed-income fund, which inflated its net asset value and overstated the liquidity of the fund.

Lumiere's attorney, Eric Creizman of Creizman LLC, had asked for, among other things, a list of the securities prosecutors say he was finagling and a list of alleged co-conspirators. Naftalis said Lumiere didn't need the information because he already had it. Lumiere had made a proffer to the government and at one time was considering becoming a whistleblower.

Judge Rakoff said he was heartened to hear the government was not holding out because Lumiere ought to know the details because he was there, but was unimpressed with the rest of the pitch.

"I find your argument less than compelling," Judge Rakoff told Naftalis. "If you say he already has the information, why not give it to him again and again and again? The point is to avoid surprises."

Naftalis soldiered on after Judge Rakoff ordered him to hand over the names in a bill of particulars, asking whether he could submit it under seal to avoid revealing the names of others in the case.

Judge Rakoff granted the request, but warned that there will be "no concealment at the trial itself" and he expected inquiries from the press about the filing under seal.

Naftalis also balked at listing the securities in a bill of particulars.

"It's just that it's binding," he said.

Judge Rakoff allowed Naftalis to submit the list in letter form and reminded him that prosecutors could move to amend a bill of particulars for good cause.

According to the indictment, Lumiere, Plaford and others obtained false and fraudulent price quotes from friendly employees of broker-dealers in order to override prices calculated by the fund's administrator, and inflate the fund's net asset value each month.

Using these sham quotes, prosecutors say Lumiere and Plaford caused a number of the fund's securities to be misclassified in order to mislead investors about the securities' liquidity. The pair would also buy additional quantities of certain securities in which the funds had an established position at falsely inflated prices — higher than the prevailing market price — in a practice known as "painting the tape," according to the government.

In both methods, prosecutors say it was their intent to jack up the price of certain fund securities in

order to inflate the fund's end of the month valuation.

Plaford has pled guilty to multiple fraud and conspiracy charges.

Lumiere and Plaford are also facing a parallel civil action from the U.S. Securities and Exchange Commission.

The government is represented by Assistant U.S. Attorneys Ian McGinley, Damian Williams and Joshua A. Naftalis.

Lumiere is represented by Eric Creizman of Creizman LLC.

The case is U.S. v. Lumiere, case number 16-cr-00483, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Stewart Bishop. Editing by Emily Kokoll.

All Content © 2003-2017, Portfolio Media, Inc.