



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

CohnReznick Hit With Investor Suit Over Platinum Audits

By **Stewart Bishop**

Law360 (January 9, 2020, 8:44 PM EST) -- Dozens of investors who collectively sank \$63 million into a Platinum Partners vehicle have sued CohnReznick LLP over its auditing work for the defunct hedge fund, accusing the professional services firm of enabling the fraud that led to Platinum's downfall.

The investors in Platinum Partners Credit Opportunities Fund contend CohnReznick was "white washing" Platinum's many problems by issuing audit reports that painted an overly positive picture of a growing fund with consistent returns, when in reality, CohnReznick knew the fund's assets were overvalued and its balance sheet was based on fraud, according to a complaint filed Tuesday in New York state court.

"CohnReznick, moreover, was aware of substantial structural problems at the Platinum Funds, but did and said nothing," the complaint says.

The investors say PPCO and its sister fund, Platinum Partners Value Arbitrage Fund, appeared prosperous from the outside, but in truth were "rotting below the surface from Platinum's greed and mismanagement."

PPCO and PPVA collapsed in 2016. The credit opportunities fund is currently **in receivership** while the value arbitrage fund is in **liquidation proceedings**.

According to the complaint, CohnReznick knew by early 2015 that PPVA's then-auditor, BDO USA LLP, had discovered problems with the way Platinum was valuing both funds' assets, and that BDO's disagreements with Platinum later led to the accounting firm's termination.

Even though it knew of these issues, CohnReznick took over PPVA's audit and tax work, added no new auditing procedures for PPCO and subsequently issued clean audit opinions for both funds, the complaint says.

"CohnReznick knew that Platinum's internal controls were so deficient that they did not protect against material misstatements concerning assets constituting nearly all of PPCO's holdings, but did nothing to account for this grievous problem," the complaint says.

The complaint says CohnReznick also knew that Platinum was going through a liquidity crisis in late 2015 and early 2016, yet the auditor accepted large cash transfers from Platinum entities it knew were illiquid, including certain transfers that appear to be investor funds that were simply rerouted and paid to CohnReznick.

According to the complaint, CohnReznick, which audited PPCO for several years until the fund's collapse, took in over \$2.7 million from Platinum in 2015 and 2016 alone.

The investors are alleging fraud, aiding and abetting fraud, and aiding and abetting breach of fiduciary duty. They are seeking in excess of \$63 million in damages.

Representatives for CohnReznick and an attorney for the investors did not immediately respond to requests for comment on Thursday.

Three onetime Platinum executives, co-founder Mark Nordlicht, former Co-Chief Investment Officer David Levy and ex-Chief Financial Officer Joseph SanFilippo, stood trial in the summer on charges of defrauding investors in PPVA.

Prosecutors alleged the executives lied about the liquidity crisis at PPVA that left it unable to meet a flood of redemption requests. Investors were also deceived about Platinum's practice of making preferential payments to certain investors and high interest interfund loans that were being used to keep PPVA afloat, according to the government.

However, all three men were acquitted of the alleged PPVA scheme. Nordlicht and Levy **were convicted** on other charges of defrauding bondholders in a Platinum portfolio company, but a judge acquitted Levy of those charges and granted Nordlicht a new trial. The case is currently **on appeal**.

The investors are represented by Glen Lenihan of Oved & Oved LLP. Plaintiffs awaiting admission to the case are represented by William C. Nystrom, Michael Paris, Patrick L. Marinaro and Nina S. Hirsch of Nystrom Beckman & Paris LLP.

Counsel information for CohnReznick was not immediately available on Thursday.

The case is Bruce Bullen et al. v. CohnReznick LLP, case number 650144/2020, in the Supreme Court of the State of New York, County of New York.

--Editing by Jill Coffey.

All Content © 2003-2020, Portfolio Media, Inc.