



*United States Attorney  
Southern District of New York*

**FOR IMMEDIATE RELEASE  
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**CONTACT: U.S. ATTORNEY'S OFFICE  
YUSILL SCRIBNER,  
REBEKAH CARMICHAEL  
PUBLIC INFORMATION OFFICE  
(212) 637-2600**

**FORMER OWNER OF REFCO FOUND GUILTY  
OF \$2.4 BILLION FRAUD**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that TONE N. GRANT, one of the former owners of Refco, Inc., was convicted in Manhattan federal court on charges relating to a massive, \$2.4 billion scheme to defraud investors. GRANT was convicted of all five counts with which he was charged. According to the proof at trial:

Refco was a large, Manhattan-based financial services company that offered securities, derivatives and commodities brokerage services to investors. In August 2004, Thomas H. Lee Partners, L.P., purchased a majority interest in Refco for approximately \$1.9 billion through a leveraged buyout transaction. In connection with that transaction, Refco sold approximately \$600 million of bonds to the public and borrowed approximately \$800 million from a syndicate of banks. A year later, in August 2005, Refco conducted an initial public offering (IPO) of its stock, raising approximately \$583 million from the public. Refco's stock was then listed on the New York Stock Exchange.

From as early as the mid-1990s, Refco, which was then privately held and owned in part by GRANT and PHILLIP R. BENNETT, sustained hundreds of millions of dollars of losses through its own and its customers' trading. In order to hide the existence of those losses, GRANT and BENNETT transferred many of them to appear as a debt owed to Refco by Refco Group Holdings, Inc. (RGHI), the holding company that controlled Refco and was in turn controlled in part by Bennett and GRANT.

Refco engaged in a series of transactions every year from 1999 through 2005 to hide the related-party debt owed by RGHI from, among others, Refco's auditors, by temporarily paying

down the debt from RGHI over Refco's fiscal year-end.

GRANT participated with BENNETT in the scheme to defraud participants in the 2004 leveraged buyout of Refco led by private equity fund Thomas H. Lee Partners, by misleading the Lee fund and the purchasers of the \$600 million in notes and \$800 million in bank debt about the true financial health of Refco. GRANT received \$16 million in proceeds from the leveraged buyout transaction, as well as the right to share in half of BENNETT's profits from any future sale of his Refco stock holdings up to \$275 million.

On October 10, 2005, Refco issued a press release announcing, in substance, that it had discovered that it was owed a related party debt of approximately \$430 million by RGHI. Following release of this information, the market price of Refco stock plummeted, and Refco's stock was subsequently delisted by the New York Stock Exchange. Refco, Inc. and many of its subsidiaries filed petitions in bankruptcy on October 17, 2005.

GRANT was found guilty of conspiring to commit securities fraud, wire fraud, bank fraud, and money laundering. GRANT was also convicted of substantive charges of securities fraud, wire fraud, bank fraud, and money laundering.

GRANT faces the following maximum penalties:

Count	Charge	Penalty
1	Conspiracy To Commit Securities Fraud, Wire Fraud, Bank Fraud, And Money Laundering	5 yrs in prison, \$250,000 fine or twice the gross gain or loss from the offense, 3 yrs supervised release
2	Securities Fraud	20 yrs in prison, \$5 million fine or twice the gross gain or loss from the offense, 3 yrs supervised release
3	Wire Fraud	20 yrs in prison, \$250,000 fine or twice the gross gain or loss from the offense, 3 yrs supervised release

4	Bank Fraud	30 yrs in prison, \$1,000,000 fine or twice the gross gain or loss from the offense, 5 yrs supervised release
5	Money Laundering	10 yrs in prison, \$250,000 fine or twice the gross gain or loss from the offense, 3 yrs supervised release,

GRANT, 64, resides in Chicago, Illinois.

Mr. GARCIA, a member of the President's Corporate Fraud Task Force, praised the efforts of the United States Postal Inspection Service and the Criminal Investigators of the United States Attorney's Office, and thanked the Securities and Exchange Commission and the Commodity Futures Trading Commission for their assistance in the investigation of this case. He said the investigation is continuing.

GRANT is scheduled to be sentenced on August 7, 2008 before United States District Judge NAOMI REICE BUCHWALD.

Assistant United States Attorneys NEIL BAROFSKY, CHRISTOPHER GARCIA, and RUA KELLY are in charge of the prosecution.

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