



*United States Attorney  
Southern District of New York*

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**FORMER SENIOR REFCO EXECUTIVE PLEADS GUILTY TO  
SECURITIES FRAUD AND OTHER CRIMINAL CHARGES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and RON WALKER, Inspector-in-charge of the New York Office of the Postal Inspection Service, announced today that SANTO C. MAGGIO -- former Executive Vice President of Refco, the large New York-based financial services company, and the former President and Chief Executive Officer of Refco Securities LLC, a Refco subsidiary -- pleaded guilty today to a four count felony Information. MAGGIO, 56, of Naples, Florida, pleaded guilty, before United States Magistrate Judge RONALD L. ELLIS in Manhattan federal court, to agreeing with PHILLIP R. BENNETT, the former Chief Executive Officer of Refco, ROBERT C. TROSTEN, the former Chief Financial Officer of Refco, and TONE N. GRANT, one of Refco's former owners and former President, to commit securities fraud, wire fraud, bank fraud, and money laundering, and to make material misstatements to auditors and false filings with the SEC; he also pleaded guilty to substantive charges of securities fraud and wire fraud. According to the Information filed in this case and statements made during MAGGIO's guilty plea proceeding:

Refco offered securities, derivatives and commodities brokerage services to investors. In August 2004, Thomas H. Lee Partners, L.P., purchased a majority interest in Refco in a \$1.9 billion leveraged buyout transaction. In connection with that transaction, Refco sold approximately \$600 million in bonds to the public, borrowed approximately \$800 million from a syndicate of banks, and received approximately \$500 million in cash from Thomas H. Lee Partners. 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.

On October 10, 2005, Refco issued a press release announcing that it had discovered that it was owed a debt of approximately \$430 million by an entity controlled by BENNETT. 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.

From as early as the mid-1990s, Refco, which was then privately held and controlled in part by BENNETT and GRANT, sustained hundreds of millions of dollars of losses through its own and its customers' trading. In order to hide the existence of those losses, BENNETT and GRANT 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, at times, controlled by BENNETT and GRANT.

MAGGIO, BENNETT and others directed a series of transactions, every year from 1999 through 2005, to hide the RGHI receivable from Refco's auditors and others by temporarily paying down the receivable from RGHI over Refco's fiscal year-end and replacing it with a receivable from one or more other entities not related to BENNETT. At every fiscal year-end (and starting in 2004, every fiscal quarter-end), MAGGIO, BENNETT and others directed transactions that turned the debt owed to Refco from RGHI into a debt owed to Refco by a Refco customer. Shortly after each fiscal year- or quarter-end, these transactions were unwound, returning the debt to RGHI.

In addition, the Information alleges that MAGGIO and BENNETT fraudulently distorted Refco's books and records by engaging in revenue padding and expense shifting transactions. Among such transactions described in the Information are:

- At least approximately \$38 million in artificial income consisting of inflated interest charged on the debt owed by BENNETT's holding company to Refco;
- At least approximately \$13 million in profits from fake U.S. Treasury trades between Refco and BENNETT's holding company; and
- At least approximately \$28 million in profits from fake foreign exchange trades between Refco and BENNETT's holding company.

MAGGIO pleaded guilty to one count of conspiracy, one count of securities fraud (related to Refco's offering of \$600

million in registered notes in connection with the leveraged buyout transaction), one count of securities fraud (in connection with Refco's August 2005 IPO), and one count of wire fraud (in connection with MAGGIO and BENNETT's misleading Thomas H. Lee Partners).

The charges in the Information and potential maximum penalties are as follows:

Count	Charge	Penalty
1	Conspiracy To Commit Securities Fraud, Wire Fraud, Bank Fraud, To Make Material Misstatements To Auditors, To Make False Filings With The SEC, to commit Bank Fraud and Money Laundering	5 yrs prison, fine of the greater of \$250,000 or twice the gross gain or loss from the offense, 3 yrs supervised release
2-3	Securities Fraud	20 yrs prison, fine of the greater of \$5 million or twice the gross gain or loss from the offense, 3 yrs supervised release
4	Wire Fraud	20 yrs prison, fine of the greater of \$250,000 or twice the gross gain or loss from the offense, 3 yrs supervised release

BENNETT, GRANT, and TROSTEN are currently scheduled to go to trial on March 17, 2008 before the Honorable NAOMI REICE BUCHWALD. JOSEPH P. COLLINS, Refco's former principal outside counsel, was indicted yesterday on related charges; his case was assigned to the Honorable LEONARD B. SAND. The charges contained in these indictments are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

MAGGIO's case was assigned to United States District Judge SIDNEY H. STEIN. His sentencing is scheduled for May 9, 2008, at 2:00 p.m.

The case was investigated by the Criminal Investigators of the Securities and Commodities Fraud unit of the U.S.

Attorney's Office, along with the USPIS. Mr. GARCIA, a member of the President's Corporate Fraud Task Force, praised the efforts of those investigators and thanked the Securities and Exchange Commission and the Commodity Futures Trading Commission for their assistance in the case.

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

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