



*United States Attorney  
Southern District of New York*

**FOR IMMEDIATE RELEASE  
JANUARY 16, 2007**

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**U.S. INDICTS FORMER OWNER OF REFCO AND  
EXPANDS CHARGES IN REFCO FRAUD**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today the return of a superseding Indictment against one of the former owners of Refco, TONE N. GRANT, and the expansion the charges against PHILLIP R. BENNETT, the former chief executive officer of Refco, and ROBERT C. TROSTEN, its former chief financial officer, who have previously been charged. In particular, the superseding Indictment charges BENNETT, TROSTEN and GRANT for the first time with bank fraud and money laundering in connection with the fraud at Refco.

According to the superseding Indictment, 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.

On October 10, 2005, Refco issued a press release announcing, in substance, 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.

According to the superseding Indictment, 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 the 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, in turn, controlled by BENNETT and GRANT.

According to the superseding Indictment, BENNETT and, at certain times, GRANT and TROSTEN, directed a series of transactions every year from 1999 through 2005 to hide the RGHI receivable from, among others, Refco's auditors, 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. Thus, at every fiscal year-end and, later, at every fiscal quarter-end, BENNETT 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.

The superseding Indictment charges that GRANT participated with BENNETT and TROSTEN in the scheme to defraud participants in the 2004 leveraged buyout of Refco by 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. The superseding Indictment alleges that 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.

The superseding Indictment contains eight new counts: a bank fraud charge against BENNETT, TROSTEN, and GRANT in connection with the 2004 leveraged buyout transaction (Count 15); money laundering charges against BENNETT, TROSTEN, and GRANT in connection with their laundering of the proceeds of the leveraged buyout transaction (Counts 16 - 20); and additional wire fraud charges against BENNETT and GRANT (Counts 11 and 12).

The charges in the superseding Indictment are as follows:

Count	Charge	Defendant	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	BENNETT, TROSTEN & GRANT	5 yrs prison, \$250,000 fine, 3 yrs supervised release

2	Securities Fraud	BENNETT, TROSTEN & GRANT	20 yrs prison, \$5 million fine, 3 yrs supervised release
3	Securities Fraud	BENNETT	20 yrs prison, \$5 million fine, 3 yrs supervised release
4	False Filing with the SEC - Exchange Act	BENNETT	20 yrs prison, \$5 million fine, 3 yrs supervised release
5, 6	False Filing with the SEC -- Securities Act	BENNETT	20 yrs prison, \$5 million fine, 3 yrs supervised release
7,8	Wire Fraud	BENNETT& TROSTEN	20 yrs prison, \$250,000 fine, 3 yrs supervised release
9, 10,	Wire Fraud	BENNETT	20 yrs prison, \$250,000 fine, 3 yrs supervised release
11	Wire Fraud	BENNETT & GRANT	20 yrs prison, \$250,000 fine, 3 yrs supervised release
12, 13	Wire Fraud	BENNETT	20 yrs prison, \$250,000 fine, 3 yrs supervised release
14	Material Misstatements to Auditors	BENNETT	20 yrs prison, \$5 million fine, 3 yrs supervised release
15	Bank Fraud	BENNETT, TROSTEN & GRANT	30 yrs prison, \$1 million fine, 3 yrs supervised release

16	Money Laundering	BENNETT	10 yrs prison, \$250,000 fine, 3 yrs supervised release
17 & 18	Money Laundering	BENNETT & TROSTEN	10 yrs prison, \$250,000 fine, 3 yrs supervised release
19	Money Laundering	BENNETT & GRANT	10 yrs prison, \$250,000 fine, 3 yrs supervised release
20	Money Laundering	BENNETT	10 yrs prison, \$250,000 fine, 3 yrs supervised release

BENNETT, 58, resides in Gladstone, New Jersey.  
TROSTEN, 37, resides in Sarasota, Florida.  
GRANT, 62, 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.

The charges contained in the superseding Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

Assistant United States Attorneys DAVID ESSEKS, NEIL BAROFKY, and LISA KOROLOGOS are in charge of the prosecution.

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