



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
JANUARY 29, 2008**

**CONTACT: U.S. ATTORNEY'S OFFICE
HERBERT HADAD, YUSILL SCRIBNER,
REBEKAH CARMICHAEL
PUBLIC INFORMATION OFFICE
(914) 993-1900, (212) 637-2600**

**BAYOU FUNDS EX-CFO SENTENCED TO 20 YEARS IN FEDERAL PRISON
FOR DEFRAUDING INVESTORS OF MORE THAN \$450 MILLION**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that DANIEL E. MARINO was sentenced today to 20 years in prison for defrauding investors in the now-collapsed Bayou hedge funds of more than \$450 million. The sentence was imposed by United States District Court Judge COLLEEN MCMAHON in Manhattan federal court. MARINO pleaded guilty on September 29, 2005, to conspiracy, investment adviser fraud, mail fraud and wire fraud.

In imposing the sentence, Judge MCMAHON said that she was sending a message to the securities and other industries that people entrusted with other people's money have an obligation to be truthful and forthright, at whatever cost to themselves. She described MARINO as "the linchpin of the fraud."

According to publicly filed documents, between 1996, when the first Bayou fund was opened, and August 2005, when a series of Bayou funds collapsed, the funds sustained consistent losses. Investors, however, were regularly told that the funds were reaping substantial gains. MARINO, who was the Chief Financial Officer and Chief Operating Officer of Bayou, admitted during his guilty plea that he and SAMUEL ISRAEL, III, the Chief Executive Officer of Bayou, along with JAMES G. MARQUEZ, who ran the first Bayou fund with ISRAEL, hatched a scheme in 1998, after the fund sustained a second year of losses.

At that time, the three agreed that MARINO, a Certified Public Accountant ("CPA"), would form a sham CPA firm called Richmond-Fairfield Associates to sign off on the fraudulent financial statements that were disseminated to future and current investors. Thereafter, according to the Information to which MARINO pleaded guilty, beginning in 1999, they sent out, among other things, financial statements, in which Bayou falsely

reported profits and falsely asserted that Richmond-Fairfield Associates was an independent auditor that had audited Bayou and certified its financial statements.

According to publicly filed documents, the Bayou funds collapsed in August 2005, after ISRAEL and MARINO attempted to recoup mounting losses by investing contributions to the funds in private placement transactions in the United States and abroad. The private placement transactions turned out to be frauds, according to publicly filed documents.

ISRAEL pleaded guilty on September 29, 2005, to conspiracy, investment adviser fraud and mail fraud. He is awaiting sentencing. MARQUEZ pleaded guilty on December 14, 2006, to conspiring to defraud Bayou investors between July 1996 and October 10, 2001. He was sentenced on January 22, 2007, to a term of 51 months' imprisonment, to be followed by two years of supervised release. The Court also ordered that MARQUEZ forfeit certain property and securities and pay \$6,259,650 in restitution to his victims.

The three guilty pleas followed the filing of a civil forfeiture action against the remaining Bayou assets on September 1, 2005, by the United States Attorney's Office for the Southern District of New York. According to the Civil Complaint, approximately \$100,010,673.68 in Bayou funds were the subject of an Arizona state court seizure order. Those were the funds that had been transferred by Bayou in connection with purportedly legitimate private placement transactions that turned out to be a fraud. In connection with these transactions, Bayou transferred investor funds through various banks -- the funds moved from New York to London to Hamburg and then back to London -- and ultimately to an account in Flemington, New Jersey, where it was seized and forfeited pursuant to an order of the Arizona Superior Court.

In October 2006, as a result of the submission of facts by the Federal Bureau of Investigation sufficient to demonstrate that the seized money was the property of the victims of the Bayou fraud, the Arizona Superior Court issued an order directing that the funds be transferred to the custody of the United States Marshals, and \$106,541,628.64, representing proceeds of the fraud, along with accrued interest, was transferred to the United States Marshals.

According to the federal civil Complaint, the United States Attorney's office will, upon entry of a final order of forfeiture, request that the forfeited property be distributed *pro rata* to victims of the fraud offenses.

MARINO was remanded to begin serving his sentence in a federal prison. Judge MCMAHON also sentenced MARINO to three years of supervised release to follow his incarceration. The Court also ordered that MARINO forfeit certain cash, property and interests in partnerships and pay \$300 million in restitution to his victims. A final Order of Restitution will be issued within the next 90 days.

Mr. GARCIA praised the efforts of the Federal Bureau of Investigation.

Assistant United States Attorneys MARGERY B. FEINZIG, PERRY A. CARBONE, SHARON LEVIN, and BARBARA WARD are in charge of the criminal prosecution.

08-23

###