



***United States Attorney  
Southern District of New York***

**FOR IMMEDIATE RELEASE  
OCTOBER 20, 2006**

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**UNITED STATES RECEIVES OVER \$100 MILLION IN FUNDS  
FORFEITED IN BAYOU HEDGE FUND FRAUD**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that \$106,541,628.64, representing proceeds of a fraud perpetrated on investors of a group of hedge funds known as the Bayou funds along with accrued interest, was transferred yesterday to the United States Marshals Service pursuant to civil and criminal forfeiture actions filed in federal court in White Plains and in Maricopa County Superior Court in Arizona.

On September 1, 2005, the United States Attorney's Office for the Southern District of New York filed an *in rem* civil forfeiture action against all of the assets of the Bayou funds, including approximately \$100,010,673.68 that was already subject to Arizona Superior Court seizure and forfeiture orders. The Complaint alleged, among other things, that the property was subject to civil forfeiture as the proceeds of, among other things, mail and wire fraud.

According to the Complaint in the federal civil forfeiture action, from 1998 through August 2005, when the funds collapsed, Bayou's financial statements and other documents overstated gains, understated losses and reported gains where there were losses. The Complaint further alleged that a phony accounting firm, Richmond-Fairfield Associates, was created and held out as an independent certified public accounting firm that purported to audit and certify Bayou's financial statements. In fact, Richmond-Fairfield Associates was a sham and conducted no audits, independent or otherwise.

On September 29, 2005, the United States filed criminal Informations charging two principals of Bayou - Samuel Israel III and Daniel E. Marino - with defrauding Bayou investors of more than \$450 million. Both defendants pleaded guilty the same

day and are awaiting sentencing. According to the Informations, from July 1996 through August 2005, Israel, Bayou's Chief Executive Officer and Chief Investment Officer, and Marino, the Chief Financial Officer and Chief Operating Officer, conspired to fraudulently induce investors to contribute in excess of \$450 million to the Bayou hedge funds.

According to the Complaint and the Informations, the \$100,010,673.68 that was the subject of the Arizona seizure order had been transferred by Bayou from its bank accounts in New York to various bank accounts in Europe, and ultimately to a bank account in New Jersey, where it was seized in May 2005 by the Arizona Attorney General. According to publicly filed documents, the Arizona Attorney General had conducted an investigation of the origin of the funds and concluded that there was probable cause that the funds were subject to forfeiture in connection with a fraudulent scheme. In fact, Israel and Marino had attempted to recoup Bayou's mounting losses by investing the money in private placement transactions in Europe and the United States. The private placement transactions turned out to be frauds, according to publicly filed documents.

Earlier this week, after the State of Arizona filed a Notice of Release of Seizure of the funds and an Application for Order of Transfer of Funds, a Maricopa County Superior Court Judge issued an order directing the transfer of the released funds to the custody of the United States Marshals. The State of Arizona's release of the funds came about as a result of the submission of facts by the Federal Bureau of Investigation sufficient to demonstrate that the seized money is the property of the victims of the Bayou fraud. That investigation involved the tracing of the transfers of the funds from Bayou's bank accounts in New York to bank accounts in Europe and ultimately to the New Jersey bank account where the money was seized and forfeited.

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

Mr. GARCIA praised the efforts of the Federal Bureau of Investigation in this investigation.

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

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