



*United States Attorney
Southern District of New York*

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**BROTHER OF BAYOU PRINCIPAL PLEADS GUILTY IN WHITE PLAINS
FEDERAL COURT TO CONCEALING THE BAYOU FRAUD**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that MATTHEW MARINO pleaded guilty today in White Plains federal court to a one count Information that charges that from about January 2005 through about August 2005 MARINO knew about the fraud on investors in the now-collapsed Bayou hedge funds and took steps to conceal the fraud. According to the Information and documents filed in the criminal cases against the three principals of the Bayou Hedge Funds:

From about 1996 through about August 2005, the principals of the series of hedge funds known as the Bayou Hedge Funds misrepresented the value of the funds' assets and caused these misrepresentations to be disseminated to current and prospective investors. These false and misleading statements and representations induced new investors to invest in the funds and lulled existing investors into retaining their investments in the funds. The effect of the false statements was to induce investors to invest in excess of \$450 million in the Bayou funds.

In or about August 2005, the Bayou hedge funds collapsed and later, the three principals of the funds entered guilty pleas to charges relating to their dissemination of false and misleading statements to investors. On September 29, 2005, Samuel Israel III, the Chief Executive Officer, and Daniel E. Marino, the Chief Financial Officer and MATTHEW MARINO's brother, pleaded guilty to Informations charging them with conspiracy, investment adviser fraud, and mail fraud. Daniel E. Marino was also charged with wire fraud. The third principal, James G. Marquez, pleaded guilty on December 14, 2006, to an Information charging him with conspiracy. Earlier this year, Marino and Israel were sentenced to 20-year terms of imprisonment and Marquez to a term of 51 months' imprisonment.

Marquez, Israel, and Daniel Marino hatched the scheme after the funds sustained a second year of losses. At that time, the three agreed that Daniel Marino, a CPA, would form a sham certified public accounting firm named Richmond-Fairfield Associates, to sign off on the fake profits that were sent to future and current investors. Thereafter, beginning in 1999, they sent out, among other things, annual financial statements, in which Bayou falsely asserted that Richmond-Fairfield Associates was an independent auditor that had audited Bayou and certified its financial statements.

Today, MATTHEW MARINO admitted during his guilty plea allocution that he knew a fraud was being perpetrated on Bayou investors and that Richmond Fairfield Associates was being used to conceal the fraud. He further admitted that he helped conceal the fraud by, among other things, assisting at Richmond-Fairfield Associates, preventing lawyers involved in divorce proceedings against Israel from obtaining Bayou documents that might have revealed the fraud and making changes on a fraudulent document.

According to the Information, from in or about January 2005 through in or about August 2005, having knowledge of the actual commission of a felony cognizable by a court of the United States, specifically, the conspiracy to commit mail, wire and investment adviser fraud on the investors of the Bayou funds, MARINO concealed and did not as soon as possible report the crimes to federal authorities.

As a result of his guilty plea, which was entered before United States Magistrate Judge LISA MARGARET SMITH, MARINO faces a maximum term of 3 years in prison. He also faces a fine of up to \$ 250,000 or twice the gross gain or loss resulting from the crime, and an order of restitution in an amount no greater than \$300,000,000.

MARINO is scheduled to be sentenced by United States District Judge STEPHEN C. ROBINSON on December 4, 2008.

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

Assistant United States Attorney MARGERY B. FEINZIG is in charge of the prosecution.

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