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**CHIEF EXECUTIVE OFFICER OF BAYOU FUNDS SENTENCED TO 20
YEARS IN FEDERAL PRISON FOR MASSIVE INVESTOR FRAUD**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that SAMUEL ISRAEL, III, the Chief Executive Officer of the now-collapsed Bayou hedge funds, was sentenced today to 20 years in prison for inducing investments of more than \$450 million in the Bayou funds. The sentence was imposed by United States District Judge COLLEEN MCMAHON in Manhattan federal court. ISRAEL pleaded guilty on September 29, 2005, to conspiracy, investment adviser fraud and mail fraud charges.

Calling ISRAEL "the mastermind" of the Bayou fraud, Judge MCMAHON said that the sentence was intended to send a message that "people who commit crimes while wearing a tie do not get a break," but will be "punished severely." "White collar crimes are every bit as heinous, if not more so, than every other type of crime," the judge said.

According to publicly filed documents and statements made in court, 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. ISRAEL admitted during his guilty plea, that he and DANIEL E. MARINO, the Chief Financial Officer and Chief Operating 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. The three agreed that MARINO, a CPA, would form a sham certified public accounting firm named Richmond-Fairfield Associates, to sign off on fake financial statements that were disseminated to current and future 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. These statements falsely showed that the Bayou funds were profitable, when in fact they sustained substantial losses.

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. As a result of the funds' collapse, investors lost approximately \$300 million.

MARINO pleaded guilty on September 29, 2005, to conspiracy, investment adviser fraud, mail fraud and wire fraud charges. He was sentenced on January 29, 2008, to a term of 20 years' imprisonment, to be followed by 3 years of supervised release. The Court also ordered that MARINO forfeit certain property, cash, interests in partnerships, and his interest in more than \$100 million of Bayou investor money that had been forfeited to the United States. MARINO was also ordered to pay restitution to be determined within 90 days of his sentencing. In sentencing ISRAEL, Judge MCMAHON found him to be "at least as culpable as MARINO, if not more so."

MARQUEZ pled guilty on December 14, 2006, to a charge of conspiring to defraud Bayou investors between July 1996 and October 10, 2001. He was sentenced on January 22, 2008, to a term of 51 months' imprisonment, to be followed by 2 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.

In addition to the prison term, Judge MCMAHON sentenced ISRAEL to 3 years of supervised release to follow his incarceration; ordered that ISRAEL forfeit certain cash, property and interests in partnerships; and directed that he pay \$300 million in restitution to his victims. ISRAEL must surrender by to a federal prison by June 9, 2008, to begin serving his sentence

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

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

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