United States Attorney
Southern District of New York

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WILLIAM M. SEXTON FORFEITS OVER $2 MILLION TO SETTLE CLAIMS THAT HE RECEIVED REFCO FRAUD PROCEEDS

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today that WILLIAM M. SEXTON agreed to forfeit a total of $2,050,000 to resolve civil forfeiture claims alleging that he received funds traceable to proceeds of securities fraud, wire fraud, bank fraud, and money laundering at the defunct financial services company Refco.

As alleged in the Complaint filed in Manhattan federal court today:

PHILLIP R. BENNETT, TONE N. GRANT, SANTO C. MAGGIO, ROBERT C. TROSTEN, and others were involved in hiding Refco customer trading losses, concealing the firm's proprietary trading activities, fraudulently shifting expenses off the books of Refco, and artificially padding Refco's revenues in order to fraudulently achieve the 2004 leveraged buyout ("LBO") of Refco and the 2005 initial public offering ("IPO") of Refco's stock.

Since the mid-1990s, Refco sustained hundreds of millions of dollars of losses through, among other things, its customers' trading. In order to hide the losses, BENNETT and others transferred many of the losses to appear as a debt owed to Refco by Refco Group Holdings, Inc. ("RGHI") -- the holding company that controlled Refco and was controlled by BENNETT, GRANT, and, at certain times, THOMAS DITTMER.

From 1999 through 2005, BENNETT and others repeatedly hid the RGHI receivable from, among others, Refco's auditors, by temporarily paying down the receivable from RGHI over Refco's fiscal year-end (and, after February 2004, Refco's quarter-ends) and replacing it with a receivable from one or more other entities not related to RGHI. Thus, at every fiscal year-end and, later, at every fiscal quarter-end, BENNETT and others 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-end or quarter-end, these transactions were unwound, returning the debt to RGHI.

SEXTON, 45, of Golden's Bridge, New York, served as Executive Vice President and Chief Operating Officer of a Refco subsidiary from July 2001 until August 2004. SEXTON served as Executive Vice President and Chief Operating Officer of Refco beginning in August 2004.

In early August 2004, Thomas H. Lee Partners, L.P., purchased a majority interest in Refco for approximately $1.9 billion through an LBO. 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. Proceeds of Refco's fraudulent LBO were distributed to BENNETT, GRANT, MAGGIO, and TROSTEN, as well as to SEXTON and certain other former Refco insiders.

In August 2005, Refco conducted an 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 announced that it had discovered that it was owed approximately $430 million by an entity controlled by BENNETT. Following this announcement, 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.

In October 2005, SEXTON became CEO of Refco. He resigned on November 11, 2005.

The $2,050,000 that SEXTON agreed to forfeit was traceable to the LBO proceeds that he received in August 2004. SEXTON has not admitted to any liability in settling the lawsuit, and agreed to forfeit the $2,050,000 on the understanding that the U.S. Attorney's Office for the Southern District of New York will request that the forfeited funds be made available to innocent victims of the Refco fraud to compensate their losses.

This case was investigated by the Criminal Investigators of the Securities and Commodities Fraud Task Force of the United States Attorney's Office, along with the United States Postal Inspection Service. Mr. BHARARA praised the work of those investigators and thanked the Securities and Exchange

Commission and the Commodity Futures Trading Commission for their assistance in the case.

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This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

This forfeiture action is being handled by the Office’s Asset Forfeiture Unit. Assistant United States Attorneys JEFFREY ALBERTS and CHRISTOPHER GARCIA are in charge of the case.

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