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Ex-Refco CEO Bennett Sentenced To 16 Years in Prison for Fraud

By CHAD BRAY

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NEW YORK -- Phillip R. Bennett, Refco Inc.'s former chief executive, was sentenced to 16 years in prison Thursday after he pleaded guilty to criminal charges in a scheme to hide the commodities broker's financial troubles.

At a hearing Thursday, U.S. District Judge Naomi Reice Buchwald in Manhattan said white-collar defendants like Mr. Bennett often "just don't think they'll get caught."

"You and others like you play a truly high-stakes poker game," the judge said.

The judge didn't impose a fine and said restitution will be discussed at a later date.

Mr. Bennett pleaded guilty to a 20-count indictment in February on the eve of trial, including charges of conspiracy, securities fraud, bank fraud and making false filings with the Securities and Exchange Commission.

A U.K. citizen, Mr. Bennett had faced as much as life in prison on the charges under federal sentencing guidelines. He will be deported upon completing his prison term.



Former Refco Chief Executive Phillip Bennett arrived for his sentencing hearing at Manhattan federal court in New York Thursday.

Reuters

Mr. Bennett is expected to report to prison on Sept 4. He has been out on \$50 million bail since shortly after his arrest in 2005 and is restricted to his New Jersey home, where he is subject to electronic monitoring.

Four former Refco executives, including Mr. Bennett, have either pleaded guilty to or been convicted of criminal charges in the matter. A long-time lawyer for Refco also is facing criminal charges.

Prosecutors had alleged that Mr. Bennett and others at Refco schemed to hide the commodity broker's true financial picture from its banks, auditors and investors from the mid-1990s to about October 2005. The company's troubles included hundreds of

millions of dollars in trading losses sustained by the commodities broker and by customers trading through its accounts.

The government claimed that Mr. Bennett and others transferred losses and certain expenses off Refco's books to Refco Group Holdings Inc., a company controlled by Mr. Bennett and others. Prosecutors also alleged the men caused Refco to make false filings with securities regulators.

Prosecutors have argued the actual losses to investors were more than \$1 billion.

The criminal investigation was handled by the U.S. Postal Inspection Service and the U.S. Attorney's Office in Manhattan.

Refco sought bankruptcy protection in 2005, shortly after the company announced it had discovered \$430 million in debt owed to a private entity controlled by Mr. Bennett, who was arrested on fraud charges.

Austrian bank Bawag PSK reached a deal in June 2006 to settle Justice Department and Securities and Exchange Commission charges that the bank helped Mr. Bennett and others conceal Refco's true financial picture.

The bank has agreed to pay at least \$675 million, including \$337.5 million to be paid to aggrieved investors through a restitution fund. Bawag also reached a nonprosecution agreement with the Justice Department.