



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
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**CONTACT: U.S. ATTORNEY'S OFFICE
HEATHER TASKER, LAUREN McDONOUGH,
YUSILL SCRIBNER
PUBLIC INFORMATION OFFICE
(212) 637-2600**

UNITED STATES INDICTS FORMER CFO OF REFCO

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that ROBERT C. TROSTEN, the former Chief Financial Officer of Refco, Inc., was indicted today for his participation in a scheme to defraud Refco's investors that resulted in losses of more than one billion dollars. TROSTEN is charged with assisting PHILLIP R. BENNETT, formerly Chief Executive Officer of Refco, in hiding from Refco's auditors and investors hundreds of millions of dollars of debt owed to Refco by a company controlled by BENNETT. Today's superseding Indictment also adds charges against BENNETT concerning fraud against holders of Refco's bonds.

According to the superseding Indictment, Refco was a large, Manhattan-based financial services company that offered securities, derivatives and commodities brokerage services to investors. In August 2004, Thomas H. Lee Partners, L.P., purchased a majority interest in Refco for approximately \$1.9 billion through a leveraged buyout transaction. In connection with that transaction, Refco sold approximately \$600 million of bonds to the public. A year later, in August 2005, Refco conducted an initial public offering 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 issued a press release announcing, in substance, that it had discovered that it was owed a debt of approximately \$430 million by an entity controlled by BENNETT. Following release of this information, 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.

According to the superseding Indictment, from as early as

the mid-1990s, when Refco was privately-held and controlled in part by BENNETT, Refco sustained hundreds of millions of dollars of losses through its own and its customers' trading. In order to hide the existence of those losses, BENNETT transferred them to appear as a debt owed to Refco by Refco Group Holdings, Inc. (RGHI), the holding company that controlled Refco and was in turn controlled by BENNETT.

According to the superseding Indictment, BENNETT directed a series of transactions every year from 1999 through 2005 to hide the RGHI receivable from, among others, Refco's auditors, by temporarily paying down the receivable from RGHI over Refco's fiscal year-end and replacing it with a receivable from one or more other entities not related to BENNETT. Thus, at every fiscal year-end and, later, at every fiscal quarter-end, BENNETT 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.

The superseding Indictment charges TROSTEN with assisting BENNETT in carrying out these year-end transactions, in order to hide the related party debt and its origins from Refco's auditors and investors. In particular, the superseding Indictment charges BENNETT and TROSTEN with defrauding the purchasers of \$600 million in notes issued by Refco in 2004 by hiding the existence and size of the RGHI receivable from them.

The superseding Indictment also charges BENNETT with defrauding the purchasers of \$583 million of Refco's common stock in the August 2005 initial public offering, and BENNETT and TROSTEN with conspiring to defraud Refco's auditors and investors from the mid-1990s until October 2005.

The superseding Indictment also alleges that BENNETT caused TROSTEN to receive a payment of approximately \$48 million in August 2004, at the time of the leveraged buyout transaction by Thomas H. Lee Partners.

The charges in the superseding Indictment are as follows:

COUNT	DEFENDANT	CHARGE	MAXIMUM PENALTY
1	BENNETT TROSTEN	Conspiracy	5 years in prison \$250,000 fine
2	BENNETT TROSTEN	Securities Fraud	20 years in prison \$5 million fine
3	BENNETT	Securities Fraud	20 years in prison \$5 million fine
4	BENNETT	False Filings	20 years in prison \$5 million fine
5, 6	BENNETT	False Filings	5 years in prison \$250,000 fine
7, 8	BENNETT TROSTEN	Wire Fraud	20 years in prison \$250,000 fine
9, 10, 11	BENNETT	Wire Fraud	20 years in prison \$250,000 fine

BENNETT, 57, resides in Gladstone, New Jersey. TROSTEN, 37, resides in Sarasota, Florida. BENNETT and TROSTEN are scheduled to be arraigned on the charges tomorrow at 4:00pm before United States District Judge NAOMI REICE BUCHWALD.

Mr. GARCIA, a member of the President's Corporate Fraud Task Force, praised the efforts of the United States Postal Inspection Service and the criminal investigators of the United States Attorney's Office, and thanked the Securities and Exchange Commission and the Commodity Futures Trading Commission for their assistance in the investigation of this case. Mr. GARCIA said the investigation is continuing.

The charges contained in the superseding Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

Assistant United States Attorneys DAVID ESSEKS, MARCIA ISAACSON, NEIL BAROFSKY and LISA KOROLOGOS are in charge of the prosecution.

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