

» [Print](#)

UPDATE 1-Search widens for missing ex-hedge fund manager

Wed, Jun 11 2008

(Recasts, adds statement from U.S. Attorney's Office in Manhattan, comment from lawyer)

By Svea Herbst-Bayliss

BOSTON, June 11 (Reuters) - Authorities scoured New York's Hudson River on Wednesday for a missing hedge fund manager who skipped his prison date and appeared to have killed himself, while also expanding a manhunt in case he staged a hoax and is on the run.

Police said they suspected Samuel Israel III, who was scheduled to begin serving a 20-year prison term for fraud on Monday, may have plunged to his death after they found his abandoned car on the eastbound shoulder of the Bear Mountain Bridge in New York.

The words "suicide is painless" were traced in the dust on the car. The phrase was the title of the theme song from the U.S. television show "M*A*S*H."

But with no body found, other government agencies broadened their search for the 48-year-old millionaire who engineered the \$1.8 trillion hedge fund industry's most brazen and long-running fraud.

Israel and his partners pocketed millions as investors in his Bayou Group hedge fund lost more than \$400 million over eight years, court papers show.

"We haven't found him yet," Tim Miller, a New York State Police investigator said on Wednesday.

He said the Federal Bureau of Investigation and the U.S. Marshals Service are looking for a person, while police are looking for a body.

The bridge where Israel's car was found crosses one of the deepest parts of the Hudson River, about 50 miles (80 km) north of Manhattan, and police said it could take a few days for a body to surface and wash ashore. But in nearly 30 years of keeping records, police have found the bodies of all but one jumper fairly quickly, Miller said.

Israel, who once hinted at suicide in a letter to the judge who sentenced him, pleaded in April with U.S. District Judge Colleen McMahon for a lighter prison term because he suffered debilitating back pain and was addicted to pain killers.

Because Israel failed to report to prison, a warrant was issued for his arrest, said the U.S. Attorney's Office in Manhattan, which prosecuted the criminal case.

"We're looking for Israel and haven't foreclosed any possibilities," said Rebekah Carmichael, a spokeswoman for U.S. Attorney Michael Garcia.

SUSPICIONS

Suspicions have mounted that Israel may have staged his death. No one saw Israel, a heavy man suffering from back problems, scale the approximately four-foot-high (1.2-meter) railing and jump. Surveillance video cameras showed the car traveling on the bridge. But it was unclear what happened next, police said.

"The tapes were inconclusive," Miller said after reviewing them. The FBI now has the tapes.

Several investors who were duped by Israel's inflated resume and promises of strong returns also wondered whether Israel might be staging yet another scam.

"Until they've got a body, I'm not going to believe it," said Charles Gradante, principal of the Hennessee Group, which recommended Israel's Bayou Group to his own clients. He said he remembers Israel as someone who told "bold-faced" lies.

Israel, the son of a prominent New Orleans family, inflated his resume and professional experience, and often boasted about decades of experience at some of the world's best hedge funds, court papers show.

"Investors are concerned he (Israel) is trying to pull one over on the government like he pulled one over on them," said Ross Intelisano, a lawyer who represented many Bayou Group investors.

Israel was sentenced in April to 20 years in prison but he was freed on bail until June to give federal prison authorities time to prepare to care for his medical needs.

He was scheduled to serve his time at Federal Medical Center Devens, in Ayer, Massachusetts, about 40 miles (64 km) outside of Boston. The facility houses offenders who need long-term medical or mental health care.

If Israel is on the run, it would not be the first time a hedge fund manager had escaped authorities.

Kirk Wright, who recently hanged himself in his jail cell after having been convicted of cheating professional football players, was missing for months.

Michael Berger, another hedge fund manager who lost millions, was arrested last year in Europe after having evaded authorities for years. (Additional reporting by Martha Graybow in New York; Editing by Brian Moss and Jason Szep)

© Thomson Reuters 2010. All rights reserved.