

FACING JUDGEMENT

One of my favorite T.V. shows when I was growing up was The A-Team. Some of you will instantly know what I mean, and for the rest of you, well, I hear there will be an A-Team movie out next year. One of the highlights of any A-Team episode was when the character called “Face” would – using ingenious and often incredulous methods – con someone into giving him whatever it was that the team needed, no matter how ludicrous Face’s scam.

I can’t recall the entire 5 seasons perfectly, but for what it’s worth I’m reasonably certain that even in the fictional world of the A-Team, Face never pulled off a con on the scale of Samuel Israel III, formerly of the now collapsed hedge fund Bayou Management. For nine years, Mr. Israel conned the ultra-wealthy, presumably sophisticated and savvy investors in Bayou. Then, in 2005, the gig was up and Bayou collapsed in a whirling dervish of fraud (this was a few years ago, when hedge funds’ biggest problem was still Eliot Spitzer, not failure and subprime disasters). Not surprisingly, Israel was found guilty and sentenced to 20 years.

Now for the divergence from the A-Team: Face would likely have gone to prison, and then found a way to break out (the character was a former Army Special Forces Lieutenant). Israel, certainly no tough-guy, went with yet two more con jobs.

The first con job was played on U.S. District Judge Colleen McMahan, who allowed herself to be convinced by...wait for it ... an admitted con artist...that he would just drive himself to prison. Judge McMahan could have required that Israel be escorted there by officers, but Israel seemingly convinced Judge McMahan that he could be trusted to drive himself to prison in light of his bad back. (Since when are long periods driving known to be good for back pain?)

So having successfully duped Judge McMahan into permitting him to drive alone to start his 20-year prison term – I’m not certain what, exactly, was to be done with Israel’s car had he arrived, but the price of parking that long alone may have helped Israel make his next decision – Israel ran. Well, at least we think he made a run for it. He might also have committed suicide. We don’t know for sure. That was the second con, and it has yet to play out.

Last week, when Israel was scheduled to arrive on his own at prison to politely start a 20-year residency, authorities instead found his GMC Envoy on the Bear Mountain Bridge. Sitting there, idling, all by its lonesome, and in need of a carwash. Dirty enough, in fact, that one could easily make out the words “Suicide is painless” messily written, primarily with the aid of dust, on the hood.

I’ve already made enough references to The A-Team that I don’t want to delve into this too much, but there is a very decent chance that Israel was a fan of the TV show “M*A*S*H”. (If you don’t get the reference, Google the show’s theme song.) So did Israel commit suicide? Well, maybe, but the U.S. Marshals don’t think so. There was no body found, and no reports of a jumper. Instead, a full-fledged manhunt is on for Israel, and the feds have issued a wanted flier saying that Israel should be considered “armed and dangerous.” (No joke - this is still Israel I’m talking about, not Face from the A-Team).

Amazingly, in comparing Face and Israel, Israel may be the superior con man. These were hardly his first successful con jobs. This is a guy who started Bayou after some brief experience working for Leon Cooperman back in the mid-90s. According to Cooperman, Israel could barely tell the difference between a stock and a bond. Yet he conned the rich and supposedly savvy to invest their millions with him. He did this in part through the use of audits that showed he could beat the market consistently. The fact that the accounting firm behind those audits was run by one of Israel's Bayou partners never gave anyone pause. The statements he sent out to clients were also con jobs, showing that Bayou's investors were doing quite well and far outpacing the market. All the time, of course, in reality the Bayou accounts were diminishing rapidly.

Bayou as a con job worked in part because it wasn't entirely a scam. It looked legit – why bother with 15 employees and a lot of computer screens for a fraud? That's the thing – it wasn't all designed to be a fraud. Israel tried to make his clients money. He simply was a very poor trader and money manager.

After the whole tale started to unravel, Israel's former partner Daniel Marino (no relation to the former Miami Dolphins quarterback) effectively made any legal defense impossible by spelling out everything in a 6-page suicide note. He's still alive, and like the rest of us, he's wondering what happened to his former partner, Israel.

I think Israel conducted a fairly simple risk/reward analysis, and it went something like this: at my age and in my condition, a 20-year sentence is effectively a life sentence anyway. If I flee and the feds catch me, I'll go a way for an extra 10 years or so, which isn't all that different from 20 from my perspective. On the chance I can get away, I'm free the rest of my life.

Frankly, it's a reasonably obvious course of action under the circumstances. How he conned enough people to get to this point is not nearly as obvious, but he's got that con-man skill-set.

In the A-Team, Face and the others seem to have lived out their lives on the run. Only time will tell what fate will befall Samuel Israel, but at least for the moment, I'm picturing him sitting somewhere, smoking a cigar, and thing to himself, "I love it when a plan comes together."