

## THE WALL STREET JOURNAL - ONLINE

### Goldman Continues To Fight \$20.6M Bayou Award In U.S. Appeals Court

March 12, 2012, 3:49 p.m. ET

By Liz Moyer

Of DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--Goldman Sachs Group Inc. (GS) filed new court papers on Monday seeking to overturn a \$20.6 million arbitration award handed down nearly two years ago in favor of the creditors of the failed hedge fund Bayou Group LLC.

The bank wants the U.S. Court of Appeals for the Second Circuit to toss out the arbitration award, which was confirmed by a federal judge in late 2010. It argues the panelists ignored certain legal principles in deciding the case.

Lawyers have said the award, if upheld, could raise the standards of care required of banks that clear trades for hedge funds and other entities.

The Bayou creditors accused Goldman Sachs Execution & Clearing LP of ignoring signs of fraud at the hedge fund run by Samuel Israel III before it imploded in 2005. Goldman is disputing the allegation that the movement of money among Bayou's accounts it oversaw was a fraudulent conveyance.

Federal Judge Jed Rakoff confirmed the award in November 2010, and Goldman appealed last year in the Second Circuit. The Securities Industry and Financial Markets Association, a leading finance industry lobby, has filed briefs in support of Goldman.

The bank said in court papers Monday that the award is "unreasoned and patently indefensible." A Goldman spokesman declined to comment.

Goldman and the Bayou creditors are also fighting over the interest rate that will be applied to the arbitration award. It is currently at the federal level, which is less than 1%. The Bayou creditors are trying to get that changed to New York State's 9% interest rate. Goldman calls the request for "windfall" interest "nothing more than an outrageous attempt to add insult to injury."

Ross B. Intelisano, counsel for the Bayou creditors at Rich, Intelisano & Katz, said in a statement Monday that his clients are "frustrated" by the delay in getting paid. "We will fight onward until the funds are returned."

The battle over the award comes as regulators are eager to pin blame after the financial crisis exposed rampant cases of Ponzi schemes and other frauds.

Goldman has been burned in other cases. Last month a federal judge in Florida approved its \$9.8 million settlement with the receiver in a Florida "Mini Madoff" Ponzi scheme that lost \$168 million for investors.

Goldman wasn't accused of wrongdoing in that case but got caught up in it because it cleared trades for Shoreline Trading Group LLC, which was the broker for the fund, run by convicted money manager Arthur Nadel. For the last two years, Goldman has cut ties with brokers that steer hedge fund trades its way, from over two dozen to just a handful.

-By Liz Moyer, Dow Jones Newswires; 212-416-2512; liz.moyer@dowjones.com