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## Goldman Sachs Asks Court to Throw Out \$20.5 Million Bayou Creditors' Award

*By Bob Van Voris - Oct 15, 2011*

[Goldman Sachs Group Inc. \(GS\)](#) filed an appeal seeking to dismiss a \$20.5 million arbitration award to creditors of the failed hedge fund firm Bayou Group LLC.

Goldman Sachs asked the [U.S. Court of Appeals](#) in [Manhattan](#) to overrule a decision by the Financial Industry Regulatory Authority, the independent regulatory group for the securities industry. A federal district judge declined in November 2010 to reverse the Finra award.

The creditors sued Goldman Sachs Execution and Clearing LP in 2008 for its role as the prime broker and clearing broker for Bayou's hedge funds. They said the Goldman Sachs unit aided a \$400 million fraud at Stamford, Connecticut-based Bayou, which filed for bankruptcy in May 2006. Bayou co-founder Samuel [Israel](#) pleaded guilty to directing the scheme and is serving a 22-year prison term.

In the November ruling, U.S. District Judge Jed Rakoff in Manhattan said Goldman Sachs failed to show that the arbitration panel had "manifestly disregarded the law" in granting the award.

Goldman Sachs, based in [New York](#), argued in its appeal brief that the Finra panel was wrong in determining that deposits into Bayou's accounts and internal bookkeeping entries qualified as fraudulent transfers.

John Rich, a lawyer for the Bayou creditors, didn't immediately return a voice-mail message seeking comment yesterday on the Goldman Sachs filing.

### Fellow Inmate

Israel is incarcerated at the same federal prison complex in Butner, North Carolina, as [Bernard Madoff](#), who is serving a 150-year sentence for orchestrating the biggest [Ponzi scheme](#) in history.

In addition to a 20-year term for the fraud, Israel's term was extended by two years after he attempted to make it appear that he had committed suicide by jumping off a bridge on the day he was to report to prison.

The case is Goldman Sachs Execution & Clearing LP v. Official Unsecured Creditors' Committee of Bayou Group LLC, 10- cv-05622, U.S. District Court, Southern District of New York (Manhattan).

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