UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 53775A/May 9, 2006

INVESTMENT ADVISERS ACT OF 1940
Release No. 2515A/May 9, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12291

In the Matter of **SAMUEL ISRAEL III** **and DANIEL E. MARINO** **Respondents.**	**CORRECTED ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act") against Samuel Israel III ("Israel") and Daniel E. Marino ("Marino") (collectively, the "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, and the findings contained in Sections III.3 and III.5 below, which are admitted, Respondents consent to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds that:

1. Israel, age 46, is a resident of New York. From January 1996 through August 2005, he was the Managing Member of Bayou Management, LLC ("Bayou Management"), the investment adviser[1] to a family of hedge funds that included the Bayou Fund, LLC, and four successor funds: Bayou Accredited Fund, LLC, Bayou Affiliates Fund, LLC, Bayou No Leverage Fund, LLC, and Bayou Superfund, LLC (collectively, the "Funds"). From January 1996 through August 2005, Israel acted as a principal, agent, control person of, and investment adviser to, the Funds. During that same time, Israel was also an owner and registered principal of Bayou Securities, LLC ("Bayou Securities"), a broker-dealer registered with the Commission pursuant to Section 15(b) of the Exchange Act.

2. Marino, age 45, is a resident of Connecticut. From January 1996 through August 2005, Marino was the chief financial officer of Bayou Management, LLC, and also acted as a principal, agent, and control person of the Funds. During that same time, Marino also was associated with and acted as a control person of Bayou Securities.

3. On April 19, 2006, judgments were entered by consent against Respondents, permanently restraining and enjoining them from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, in the civil action entitled Securities and Exchange Commission v. Samuel Israel III, et al., Civil Action Number 05-CIV-8376, in the United States District Court for the Southern District of New York.

4. The Commission's complaint in that action alleges that from 1996 through 2005, during which time investors deposited over $450 million into the Funds, Respondents knowingly misappropriated, dissipated, and lost tens of millions of dollars of their investors' capital. The complaint further alleges that:

- In response to substantial trading losses incurred by the Bayou Fund shortly after its inception, Respondents embarked on a scheme to defraud their investors by fabricating financial statements, account statements, and performance summaries to show false profitability;

- Respondents continued to misrepresent the performance of the Bayou Fund and its four successor Funds through 2005, and further concealed the scheme by creating a fictitious accounting firm in 1998 to issue "independent" audit

[1] Bayou Management is not registered with the Commission as an investment adviser. Section 203(b)(3) of the Advisers Act exempts from the registration provisions of the Advisers Act investment advisers that have fewer than fifteen clients and do not hold themselves out to the public as advisers (and do not manage a registered investment company).

reports that validated the Funds' purported profitability, when in fact the Funds had been highly unprofitable throughout the relevant period;

- Respondents misappropriated and dissipated millions of dollars from the Funds, and, in 2004, ceased nearly all of Funds' trading activity in order to divert investor capital into purported high-yield investment programs that were, in fact, nothing more than fraudulent "prime bank instrument" schemes; and

- Despite their attempts to participate in these high-yield investment programs, Respondents continued to misrepresent to their clients that the Funds were trading securities actively and profitably.

5. On September 29, 2005, Israel and Marino each pleaded guilty to one count of criminal conspiracy, one count of investment adviser fraud, and one count of mail fraud in violation of 18 U.S.C. §§ 371 and 1341, and 15 U.S.C. §§ 80b-6 and 80b-17, before a Magistrate Judge of the United States District Court for the Southern District of New York in United States v. Samuel Israel III, Criminal Information No. 7:05-CR-01039, and United States v. Daniel E. Marino, Criminal Information No. 7:05-CR-01036. Marino also pleaded guilty to one count of wire fraud in violation of 18 U.S.C. § 1343.

6. The counts of the criminal informations to which Israel and Marino pleaded guilty allege that Israel and Marino: (i) engaged in a conspiracy to defraud their clients and prospective clients; (ii) engaged in a scheme to defraud while acting as investment advisers; and (iii) engaged in a scheme to defraud by means of materially false and misleading statements using the United States mails, and caused commercial interstate carriers to send and deliver matters and things such as false and materially misleading quarterly reports, monthly reports, and annual financial statements. The criminal information to which Marino pleaded guilty also alleges that Marino engaged in a scheme to defraud by means of interstate wire communications, such as false and materially misleading weekly newsletters.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that Respondents Israel and Marino be, and hereby are, barred from association with any broker, dealer, or investment adviser pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act;

Any reapplication for association by Respondents Israel and Marino will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondents, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization

arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Nancy M. Morris
Secretary