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Refco Lawyer Gets 7-Year Sentence

By CHAD BRAY

NEW YORK—Joseph P. Collins, a longtime lawyer for Refco Inc., was sentenced to seven years in prison after he was convicted last July in a scheme to help owners and executives at the defunct commodities broker steal more than \$2 billion by concealing its financial troubles.

At a lengthy hearing Thursday, U.S. District Judge Robert P. Paterson in Manhattan sentenced Mr. Collins, a onetime Mayer Brown LLP partner, to the seven-year term to be followed by three years of supervised release. The judge declined to order forfeiture in the case. "I think this is a case of excessive loyalty to his client," the judge said.

William J. Schwartz, a lawyer for Mr. Collins, said they intend to appeal the conviction. Mr. Schwartz also has asked the judge to consider a motion for a new trial in the case.

Mr. Schwartz said the government's evidence in the case was "ambitious and not overwhelming" and pointed to his client's innocence. "Mr. Collins did not seek to and did not gain one cent" from the alleged fraud, Mr. Schwartz said.

After an eight-week trial, a jury convicted Mr. Collins of conspiracy, two counts of securities fraud and two counts of wire fraud last July. A mistrial was declared on nine other counts.

Prosecutors from the U.S. attorney's office in Manhattan had alleged that Collins was a key player in helping former Refco Chief Executive Phillip R. Bennett and others hide the commodity broker's financial picture, including hundreds of millions of dollars of undisclosed debt. Mr. Bennett pleaded guilty to securities fraud and other charges in 2008.

The government had alleged that Mr. Collins helped Mr. Bennett and others engage in transactions that transferred losses and certain expenses off Refco's books to Refco Group Holdings Inc., a company controlled by Mr. Bennett and others. As a result, the company's banks, auditors and investors didn't have a true financial picture of the company, including private-equity firm Thomas H. Lee Partners, prosecutors said. THL Partners engaged in a leveraged buyout of Refco in 2004.

The government said that Mr. Collins made \$40 million for his law firm as Refco's outside lawyer and that gave him incentive to lie, starting in 1997. "Mr. Collins played a principal and significant and central role in a massive fraud," Assistant U.S. Attorney Christopher Garcia said Thursday.

At the trial, Mr. Schwartz argued that Mr. Collins was doing honest legal work and was kept in the dark by Mr. Bennett and others at the company.

Mayer Brown has said it cooperated fully with prosecutors and a review found "the firm acted in a professional, competent and ethical manner in its work on behalf of Refco."

Refco sought bankruptcy protection in 2005, shortly after the company announced it had discovered \$430 million in debt owed to a private entity controlled by Mr. Bennett. Mr. Bennett was sentenced to 16 years in prison in 2008 after pleading guilty to a 20-count indictment.

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