

An Unfortunate Suicide or the  
Last Trick of a Crafty Swindler?

# The Fund Manager and the Bear Mountain Bridge

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When the Palisades Parkway Interstate Police first fielded the phone call that someone had committed suicide by jumping off the Bear Mountain Bridge into the waters of the Hudson River below, they assumed it was just another of the over 1,000 suicides that take place in New York State each year. But when an investigation revealed just who that individual was, it turned into a national sensation.

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It was a typical summer's day in upstate New York. The Hudson River that snakes through this territory hosted a brisk traffic of commercial freight barges that were joined by many summer vacationers in their private speedboats and sailboats, enjoying the warmth and expanse of the beautiful scenery that decorates the Hudson River Valley.

High above the water, on the deck of the Bear Mountain Bridge that connects Orange and Rockland Counties to the west with Putnam and Westchester Counties to the east, an entirely different type of activity was under way.

The police had received a call that morning informing them that someone had abandoned a car on the bridge. When the police arrived and searched the SUV, they found a strange message written by a finger into the dust on the vehicle's body: "Suicide is Painless!"

It didn't take long to surmise that the missing driver of the reddish-brown GMC Envoy had probably committed suicide by jumping from the bridge. The police suicide unit was brought in to investigate the incident and locate the body of the missing person.

While policemen set out in boats to search the river for the victim, another officer typed the license plate of the SUV into a computer and searched the state's motor vehicle database. The result came as a surprise: the suicide victim was none other than Samuel Israel III.

"Suicide?" the detectives couldn't help but wonder. "What an unfortunate end for a man who was a rising star on Wall Street." It was true that Samuel Israel had been fantastically successful, but in recent months his hedge fund had gone bankrupt and hundreds of millions of dollars that had been invested with him had disappeared without a trace.

The suicide was widely reported and made headlines throughout the nation.

It was a telling statement, a grand finale to a life that was driven by success, ambition and pride, and ended in scandal and disgrace.

Meanwhile, the search for the body continued below the bridge. Divers joined the boats that were dragging the river bottom... but they could not find the body of Samuel Israel. He had disappeared without a trace.

### Samuel Israel III

Samuel was born in Louisiana in 1959 to the wealthy and influential Israel family. He never knew want. From his youth he had been pampered with money, power and privileges. When he turned 15, his family moved to New York where young Samuel befriended a new type of circle. These were famous Wall Street bankers such as Sandy Weill, Larry Tisch and former Chairman of the US Federal Reserve Alan Greenspan, who became regular guests of the Israel family home.

Israel's grandfather had opened a coffee trading business in New Orleans called Leon Israel Brothers, which dominated the international scene in coffee for a long time. In 1971, the company merged with a commodity trading company and was called ACLI International. The family sold the business in 1981 for \$42 million.

They spared no expense in Samuel's education, sending him to the best schools and universities. When he entered the business world of Wall Street, he made a firm decision not to rely on the family name to open doors for him, but to develop a reputation for himself. Even an offer by the family to use their connections to find him a prestigious position was turned down. Samuel Israel III would be proud to say that he was a self-made man.

He spent 10 years as a trader. He circulated among the banks and companies and learned the tricks of the "trade," such as how to execute purchases and sales, as well as many practices not taught in business school, such as how to obtain insider information.

Illegal and unfair practices such as this were so widespread on Wall Street that few people eschewed them, or even considered them wrong. These were the 1980s and 1990s, the years of the Reagan boom, when Wall Street was experiencing a bull market and there was minimal government oversight to restrain the exuberance and ensure that fair practices were kept. The popular motto on Wall Street was "Greed is good."



John Seigsmund was one of Sam Israel's investors.

### New Fund on the Block

In time Israel took an interest (pun intended) in hedge funds, those funds that specialize in higher-risk investments in the hope of achieving above-average profits. Hedge funds are open only to the wealthiest investors, the kind who can afford to risk losing a few million in exchange for a chance to earn much more.

The managers who oversee these funds are well-known Wall Street investors who have many years of investing experience behind them and can be trusted by their affluent clients to invest their money well. These managers receive a large cut of the profits as a fee for their services. In the 1990s, a typical hedge fund manager earned over \$100 million a year.

Israel was attracted to the extravagant lifestyle of these fund managers, their access to fantastic sums and their power to control large companies and even affect entire industries through the placement of the funds at their disposal. The fortune, power and fame blinded him, and he became drunk in the pursuit of wealth.

After contemplating the matter for a long time, Israel launched his own hedge fund, the Bayou Hedge Fund Group, in 1996. He did not yet have enough to maintain an expensive office in downtown Manhattan, so he opened his office in the basement of his home. He dreamed of drawing in huge sums from investors and turning Bayou into a large empire on Wall Street.

He brought in two friends to help him establish his fund, Wall Street investor

James Marquez and accountant Dan Marino. Nevertheless, since he considered this his pet project, he saw to it that his name exclusively was associated with the fund.

Israel was a friendly, down-to-earth type who was ready to share the fruits of his wealth freely among his friends, making him very popular and drawing investors to him like a magnet. People shared their business problems with him and appreciated his attentive ear and sympathy for their situations. This, combined with his investing experience and family connections, made him and Bayou a natural draw for the more affluent clients who were looking for a good investment to multiply their capital.

One man who invested his funds in Bayou recalls: "I knew I was gambling by giving my money to an individual. I sat in my office and wrote the check, and as I wrote the check I thought, 'This is either the smartest or stupidest thing I have ever done.' I thought it would surely be a long time before I would know the truth."

### Hard Beginnings

Israel's ambition was to become a legitimate investment manager at the head of a legitimate company, but even greater than that was his desire to become an influential figure on Wall Street.

It is not clear what exactly was wrong with Israel's investment strategy, but his hedge fund had trouble right from the beginning. During the fiscal year 1996-7,