

Matthew Goldstein

Bayou and the Bush Cousin

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A first cousin of President Bush is emerging as a peripheral player in the increasingly bizarre **Bayou Management** hedge fund scandal.

Sources say John P. Ellis, a former journalist turned investment banker, represented several companies in investment presentations to IM Partners, a side venture set up by Samuel Israel and Daniel Marino. Israel and Marino were the management team that ran Bayou and who federal prosecutors allege defrauded investors out of \$300 million.

People familiar with the Bayou saga say Ellis, a personal friend of Israel for the past several years, helped arranged at least five investment deals for IM Partners while working as a managing director for GH Venture Partners, a New York City-based investment bank. In all, IM Partners, a Connecticut-based investment partnership, invested at least \$25 million in deals handled by GH Venture.

There's no indication that Ellis or GH Ventures were direct or indirect investors in either Bayou or IM Partners. And, other than their common principals, there's no direct evidence that any relationship existed between IM Partners and Bayou, although both operated out of the same Stamford, Conn., office.

A former columnist for the *Boston Globe*, Ellis may be best known for his work as an electoral consultant for Fox News during the 2000 presidential election. It was Ellis' analysis of the Florida vote total that led Fox to declare Bush the victor before any of the other networks.

Ellis is the son of Nancy Bush. He is the nephew of former President Bush and a cousin of President George W. Bush.

Ellis, who no longer works for GH Venture, declined to comment. Ralph Isham, president of GH Venture, who also is said by sources to have had a hand in the deals, could not be reached for comment.

But Isham's lawyer, Michael Considine, a partner with Day Berry & Howard, says his client voluntarily contacted the authorities after learning about the investigation.

"Upon learning that IM Partners was under investigation, Mr. Isham promptly brought to the government's attention his knowledge of investments made by IM partners," says Considine.

Israel could not be reached for comment. Marino declined to comment.

One of the deals arranged by Ellis and GH Ventures was a \$10 million investment by IM Partners in **Kycos**, a defunct off-shore company that specialized in performing corporate background checks and due diligence for online gambling sites. *TheStreet.com* [reported last week](#) that Kycos, formerly located in the Isle of Man, closed its doors in July after IM Partners withdrew its financial backing.

Other deals Ellis and GH Ventures had a hand in landing for IM Partners were more successful.

One included an \$8.5 million investment in Denver-based small airplane manufacturer **Adam Aircraft**. In the Adam Aircraft deal, GS Capital, a **Goldman Sachs**(GS) private equity investment fund, also was a substantial investor. Another IM Partners venture was a \$4.5 million investment in **Vectrix**, a Newport, R.I., manufacturer of electronic scooters. Calls to both companies were not returned.

IM Partners also invested \$2 million in **Debit Direct**, another Isle of Man company with close ties to Kycos. Last year IM Partners and Marino, who is listed as the general partner of IM Partners, sued Debit Direct in federal court seeking the return of its money. The lawsuit is still pending.

It's believed that IM Partners stands for Israel Marino Partners.

The series of investments made by IM Partners are beginning to draw scrutiny from Bayou investors and federal prosecutors eager to know whether IM Partners had access to any of Bayou's money.

Ross Intelisano, an attorney who represents nine Bayou investors with about \$10 million invested in the hedge fund, says he wants to know whether IM Partners' investments "were made with the fruits of Bayou's fraudulent activities." If that's the case, investors and authorities may have a claim on them.

Earlier this month, prosecutors in New York filed a civil forfeiture suit against Bayou, seeking claim to \$100 million of the hedge fund's money that was seized earlier this year by Arizona regulators from a **Wachovia**([WB](#)) bank account. Arizona officials seized the money after detecting a series of suspicious bank transfers by Bayou and other parties, including Majestic Capital Management, a little-known firm run out of the Flemington, N.J., home of Karl Johnson.

Johnson claims Bayou gave him \$100 million earlier this year and told him to find a suitable investment opportunity for it. Johnson contends he runs Majestic with an eye to investing in humanitarian concerns. A year ago, Majestic was linked to an ill-fated plan to fund three clinics in Papua New Guinea

Arizona regulators stepped in after hearing a hard-to-believe tale from Johnson and others that a gold mine in the state was being used as collateral for the \$100 million in the bank account.

The \$100 million is all that's believed to remain from the fund that had about 100 investors at its peak and purported to only trade stocks.

For the past seven years, prosecutors say, Bayou systematically overstated gains and losses, and relied on a phony accounting firm to prepare false audits for investors. About 100 wealthy investors and smaller hedge funds invested in Bayou. At one point, the fund claimed to have more than \$400 million of assets, but many believe the true figure was closer to \$300 million.
