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9 THE PEOPLE OF THE STATE OF CALIFORNIA

10  
11 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
12 COUNTY OF LOS ANGELES  
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14

15 THE PEOPLE OF THE STATE OF  
16 CALIFORNIA,

17 Plaintiff,

18 v.

19 STANLEY CHAIS, an individual; and DOES  
20 1 through 100, inclusive,

21 Defendants.

Case No.

**COMPLAINT FOR RESTITUTION,  
CIVIL PENALTIES, PERMANENT  
INJUNCTION AND OTHER  
EQUITABLE RELIEF**

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## COMPLAINT

Plaintiff, the People of the State of California, by and through Edmund G. Brown Jr., Attorney General of the State of California, alleges the following, on information and belief:

1. This action is brought against Stanley Chais, an unregistered investment adviser, who over the past 40 years has recklessly and clandestinely delivered hundreds of millions of dollars of investors' money to his friend and associate Bernard Madoff (Madoff). Chais, who fashioned himself as an "investment wizard," collected over \$250 million in fees supposedly for exercising his skill and judgment in managing investments. In fact, all Chais did was turn over the entirety of his investors' capital to Madoff without their knowledge or authorization and despite numerous indicia that Madoff was running a fraudulent scheme.

2. From the early 1970s to December 2008, Chais served as one of the largest feeder funds to Madoff, funneling hundreds of millions of dollars into Madoff's Ponzi scheme. In addition to his personal, entity and family accounts, Chais was the general partner of three funds, the Brighton Company (Brighton), the Lambeth Company (Lambeth) and the Popham Company (Popham) (collectively, the "Chais Funds"), each of which was fed into by numerous limited partnerships all formed for the express purpose of investing with Chais. Brighton, Lambeth and Popham were all or substantially all given over to Madoff.

3. All told, Chais was responsible for the capital of hundreds of investors through the Chais Funds. Chais led these investors to believe that he was actively managing their investments and extracted astronomical fees -- 25 percent of annual profits -- for his services. While there is some variation, typically Chais's investors are not sophisticated and many are elderly. Many of these men and women describe their experience with Chais as "heartbreaking," a "nightmare," and state that it caused their lives to "change overnight." A number of Chais's investors have been forced to sell their homes and move in with their adult children. Many lost their life savings, their retirement funds, their children's college funds and the financial legacy they had intended to leave behind.

1           4.       Through his conduct, Chais violated California Corporations Code section 25401;  
2 California Corporations Code section 25235; California Business and Professions Code section  
3 17500; and California Business and Professions Code section 17200. By this action, Plaintiff  
4 seeks an order permanently enjoining Chais from the unlawful activity set forth herein, requiring  
5 Chais to disgorge all profits and compensation obtained by his violations of Corporations Code  
6 sections 25401 and/or 25235, granting restitution, imposing civil penalties, and granting all other  
7 relief available under California law.

8       **I.   DEFENDANTS AND VENUE**

9           5.       Defendant Stanley Chais, an individual, is an unregistered investment adviser  
10 formerly based in Beverley Hills, California. Chais currently resides at 785 Fifth Avenue #14C,  
11 New York, NY 10022 and at 9255 Doheny Road, West Hollywood, California 90069. At all  
12 relevant times, defendant Chais was the general partner of, and advisor to, each of the Chais  
13 Funds. At all relevant times, defendant Chais has transacted and may continue to transact  
14 business throughout the State of California, including Los Angeles County.

15          6.       Plaintiff is not aware of the true names and capacities of the defendants sued as  
16 Does 1 through 100, inclusive, and therefore sues these defendants by such fictitious names.  
17 Each of these fictitiously named defendants is responsible in some manner for the activities  
18 alleged in this Complaint. Plaintiff will amend this Complaint to show the true names of the  
19 fictitiously named defendants once they are discovered.

20          7.       The defendants identified in paragraphs 5 and 6 may collectively be referred to as  
21 “Defendants.”

22          8.       Whenever reference is made in this Complaint to any act of any defendant(s), such  
23 allegation shall mean that each defendant acted individually and jointly with the other defendants.

24          9.       Whenever reference is made in this Complaint to any act or transaction of any  
25 corporate, partnership or business defendant that reference shall mean that the corporation,  
26 partnership or other business did the acts alleged through its officers, partners, directors,  
27 employees, agents and/or representatives while they were acting within the actual or ostensible  
28 scope of their authority.

1           10.     At all relevant times, each defendant committed the acts, caused or directed others  
2 to commit the acts, or permitted others to commit the acts alleged in this Complaint. Knowing or  
3 realizing that other defendants were engaging in or planning to engage in unlawful conduct, each  
4 defendant nevertheless facilitated the commission of those unlawful acts. Each defendant  
5 intended to and did encourage, facilitate, or assist in the commission of the unlawful acts, and  
6 thereby aided and abetted the other defendants in the unlawful conduct.

7           11.     At all relevant times, Defendants have engaged in a conspiracy, common  
8 enterprise, and common course of conduct, the purpose of which is and was to engage in the  
9 violations of law alleged in the Complaint. This conspiracy, common enterprise and common  
10 course of conduct continues to the present.

11           12.     The violations of law alleged in this Complaint occurred in Los Angeles County  
12 and elsewhere throughout California and the United States.

## 13     **II.     BACKGROUND**

### 14           **A.     The Madoff Ponzi Scheme**

15           13.     Since 1960, Bernard Madoff owned and operated Bernard L. Madoff Investment  
16 Securities LLC (BMIS), a brokerage and investment advisory service. Madoff represented that  
17 BMIS managed over \$17 billion of client assets as of January 2008. In reality, BMIS had assets  
18 on hand worth a small fraction of that amount. On December 10, 2008, Madoff confessed to his  
19 sons that the investment advisory service was a giant Ponzi scheme, as he put it, “one big lie.”  
20 On March 12, 2009, Madoff pleaded guilty to 11 felony counts and admitted to defrauding  
21 thousands of investors of billions of dollars. In substance, Madoff admitted that from at least as  
22 early as the 1980s, BMIS had been paying returns to certain investors out of the principal  
23 received from other investors and that he had never actually invested his clients’ funds in  
24 securities. Federal prosecutors estimated client losses, which included fabricated gains, of almost  
25 \$65 billion. On June 29, 2009, Madoff was sentenced to 150 years in prison, the maximum  
26 allowed.

27           14.     In order to perpetrate his scheme, Madoff depended upon middlemen and feeder  
28 funds that attracted billions of investment dollars to him. In the process, these feeders took in

1 extremely large “management” fees, frequently for doing little more than turning over all of their  
2 investment capital to Madoff. Many investors in these feeder funds were horrified to learn for the  
3 first time in December 2008 that they were entirely invested with Madoff and that all of their  
4 investment had been lost.

5 15. The largest and best-known feeder in California is Stanley Chais. Chais is an  
6 unregistered investment advisor formerly based in Beverly Hills who has funneled money to  
7 Madoff over many decades. Chais is a long-time business associate and friend of Madoff and his  
8 phone number appeared as the first speed dial entry on a telephone list at Madoff’s office. Chais  
9 had two sets of accounts invested with Madoff. Chais controlled: (1) approximately 60 personal,  
10 entity and family trust accounts (the “Chais Family Accounts”); and (2) the Chais Funds – regular  
11 trading accounts, for which Chais recruited outside investors.

## 12 **B. The Chais Funds**

### 13 **1. Formation and Structure**

14 16. Chais created Lambeth in 1970, Brighton in 1973 and Popham in 1975. Each of  
15 the funds was created as a limited partnership with Chais serving as the general partner. Under  
16 the Chais Funds’ partnership agreements, Chais had “exclusive control over the business of the  
17 partnership[s].” Chais gave all or substantially all of the Chais Funds’ assets to Madoff.

18 17. Lambeth is a California limited partnership formed in 1970 for the stated purpose  
19 of “carrying on an arbitrage business.” Chais has served as Lambeth’s general partner since its  
20 inception; in his individual capacity until 2004, and thereafter through the Chais 1991 Family  
21 Trust, a trust under Chais’s control. At the time of its formation, Lambeth had two limited  
22 partners, both of whom were natural persons. Additional limited partners, several of which were  
23 limited partnerships that were formed for the purpose of investing in Lambeth, were gradually  
24 added and/or replaced over the years. As of 2008, there were approximately twelve limited  
25 partners in Lambeth, most of which were general partnerships or informal “nominee groups,”  
26 encompassing over 260 investors. All, or substantially all, of Lambeth’s assets were given to  
27 Madoff. As of November 2008, Madoff represented that Lambeth’s BMIS account balance was  
28 approximately \$400 million. This purported balance was vitiated by the collapse of BMIS.

1           18.     Brighton is a California limited partnership formed in 1973 for the stated purpose  
2 of “conducting the business of arbitrage and related transactions.” Chais has served as Brighton’s  
3 general partner since its inception; in his individual capacity until 2004, and thereafter through the  
4 Chais 1991 Family Trust, a trust under Chais’s control. At the time of its formation, Brighton had  
5 five limited partners, all of whom were natural persons. Additional limited partners, several of  
6 which were limited partnerships that were formed for the purpose of investing in Brighton, were  
7 gradually added and/or replaced over the years. As of 2008, there were approximately nine  
8 limited partners in Brighton, most of which were general partnerships or informal “nominee  
9 groups,” encompassing over 90 investors. All, or substantially all, of Brighton’s assets were  
10 given to Madoff. As of November 2008, Madoff represented that Brighton’s BMIS account  
11 balance was approximately \$380 million. This purported balance was vitiated by the collapse of  
12 BMIS.

13           19.     Popham is a California limited partnership formed in 1975 for the stated purpose  
14 of “conducting the business of arbitrage and related transactions.” Chais has served as Popham’s  
15 general partner since its inception; in his individual capacity until 2004, and thereafter through the  
16 Chais 1991 Family Trust, a trust under Chais’s control. At the time of its formation, Popham had  
17 six limited partners, consisting of natural persons, some of whom were trustees. Additional  
18 limited partners, several of which were limited partnerships that were formed for the purpose of  
19 investing in Popham, were gradually added and/or replaced over the years. As of 2008, there  
20 were approximately ten limited partners in Popham, most of which were general partnerships or  
21 informal “nominee groups,” encompassing over 110 investors. All, or substantially all, of  
22 Popham’s assets were given to Madoff. As of November 2008, Madoff represented that  
23 Popham’s account balance was approximately \$130 million. This purported balance was vitiated  
24 by the collapse of BMIS.

## 25           **2.     Chais’s Fees**

26           20.     Each of the Chais Funds’ partnership agreements provides that Chais, as the  
27 general partner, has “exclusive control over the business of the partnership . . . [and] shall render  
28 his personal services to the partnership, and shall devote thereto such time as he may deem

1 necessary.” Each of the Chais Funds’ partnership agreements contains a provision for Chais, as  
2 general partner, to receive a fee for his “services” such that “[s]hould the net profit accruing to a  
3 Limited Partner be more than ten percent of the Limited Partner’s investment computed on an  
4 annualized basis, then the General Partner shall receive a sum equal to twenty-five percent of the  
5 Limited Partner’s profit but in no event shall the amount accruing to the Limited Partner be less  
6 than ten percent of the Limited Partner’s invested capital, computed on an annualized basis.”

7 21. Chais, with the assistance of his accountant, distributed periodic reports to the  
8 Chais Funds investors, representing each investor’s purported balance and returns based upon the  
9 BMIS reports that Madoff provided Chais. According to the account statements Madoff provided  
10 Chais and the account statements Chais in turn provided to the Chais Funds investors, the Chais  
11 Funds consistently yielded purported annual returns between 20-25 percent, and supposedly did  
12 not have any returns less than 10 percent since at least 1995.

13 22. Under the terms of partnership agreements, Chais charged the Chais Funds  
14 approximately \$269,608,000 in fees from 1995-2008.

### 15 **III. DEFENDANTS’ BUSINESS ACTS AND PRACTICES**

#### 16 **A. Misrepresentations and Omissions**

17 23. For four decades, Chais presented himself as an investment wizard who was  
18 successfully running several “arbitrage partnerships” and was deserving of exorbitant fees. In  
19 general, Chais discouraged specific questions about his trading strategy. A number of the  
20 investors referred to the Chais Funds as a “black box” because of Chais’s secrecy with respect to  
21 his investment techniques. When pressed for details, Chais would often say that he did not  
22 discuss his investment strategy and that if investors were uneasy, they were free to withdraw from  
23 the Chais Funds (and forego the consistently excellent returns).

24 24. To the extent that information was given, it was that Chais was the one who was  
25 directing the investments. Chais purported to execute a complex investment strategy and created  
26 the impression that he was personally employing arbitrage and trading in derivatives. Chais’s  
27 associates appeared to have talking points for (potential) investors that included references to  
28 Chais’s superior skill and experience, his greater understanding of the market, his connections to

1 sophisticated brokers and entities (plural) in New York and his use of advanced technology.  
2 People were also led to believe that their investments in the Chais Funds were diversified using a  
3 combination of futures, currencies and stocks.

4 25. Chais made a number of explicit misrepresentations to Chais Funds investors. One  
5 investor, a California resident and one of the original partners of Leghorn Partners (a limited  
6 partner of Brighton), had a number of conversations with Chais beginning in the 1970s and  
7 throughout the years about Chais's arbitrage investments. Chais represented to this investor that  
8 he hedged his investments and "played both sides against the middle" to mitigate losses. In none  
9 of the subsequent discussions that Chais had with this investor about his track record and the  
10 Chais Funds' performance did Chais ever state that he was not actually managing the Chais Funds.

11 26. In or around the spring of 2001, another investor, a California resident who was  
12 the president of Southridge Corp., an S corporation that served as the general partner of CMG,  
13 Ltd. (a Brighton limited partner), approached Chais about his arbitrage strategy. During this  
14 conversation, Chais told the investor that over the past two to three years, he had moved away  
15 from buying convertible bonds and then shorting stock and was increasingly using other arbitrage  
16 strategies. Chais told this investor that he was currently utilizing derivatives. Chais said that he  
17 had been doing derivative transactions for 15-20 years and that they had accounted for 25-33  
18 percent of the Chais Funds' trades. Chais said that beginning in roughly 1999, derivative  
19 transactions accounted for all of his trades. Chais gave this investor an explanatory example that  
20 he might purchase a stock, sell a "call" in connection with the same stock, and buy a "put" in  
21 connection with the same stock. Chais assured this investor that he alleviated risk by always  
22 being hedged and by not being heavily leveraged. Chais also pointed out that while he had lost  
23 money on a "handful" of trades involving derivatives, the Chais Funds year-end profit  
24 percentages were consistent with those based upon his earlier arbitrage strategy. After his  
25 discussion with Chais, the investor wrote a letter to all of the CMG, Ltd. investors explaining  
26 Chais's purported new strategy.

27 27. In or around June 2008, Chais sent a letter to his investors alerting them that he  
28 was seriously ill. Chais wrote that in the event that he was no longer able to serve as general

1 partner of the Chais Funds, he was naming his son as his successor. Chais listed his son's  
2 qualifications to take over the management of the Chais Funds, including his legal training and  
3 experience managing a venture fund. In this letter, and in subsequent phone calls discussing  
4 Chais's possible succession, Chais represented that he was actually managing investors' assets  
5 and that he was training his son to assume his role. In this letter, Chais stated that he had been "in  
6 close touch with the relevant *brokers* in New York" regarding his plan of succession (emphasis  
7 added to indicate use of plural).

8 28. At no time did Chais tell his investors that the person managing all or substantially  
9 all of the Chais Funds was actually Bernard Madoff.

10 29. Based upon these and other misrepresentations and omissions, most investors  
11 believed that Chais was a financial genius who managed the Chais Funds and formulated their  
12 investment strategy. So convinced of and impressed by Chais's prowess and performance, one  
13 investor stated that her family joked that "every night we should all say a little prayer for Stanley  
14 Chais." When Chais announced his illness, his investors were very concerned about what would  
15 happen if Chais were not there to actively manage their money. In sum, Chais's investors  
16 believed that he was central and integral to the success of the Chais Funds; they were unaware  
17 that Chais did nothing more than hand over all of the Chais Funds' assets to Madoff.

18 30. Many of Chais's investors had never heard of Madoff before his downfall on  
19 December 11, 2008. Chais instructed his accountant that neither Madoff nor Chais wanted  
20 Madoff's name or involvement disclosed to Chais Funds investors. Most of Chais's investors  
21 were unaware that Chais had invested with Madoff until after Madoff's arrest when Chais was  
22 forced by events to inform them that the man actually handling all of their funds was Madoff and  
23 that all their money had been lost. One investor in Marloma Securities, (a limited partner in  
24 Popham), only learned that he was invested with Madoff, and that his investment was gone, after  
25 reading of Chais's involvement with Madoff in the *Wall Street Journal* on December 17, 2008.

26 **B. False Financial Returns**

27 31. Chais was able to substantiate his investment savant image by appearing to  
28 provide unfailingly large returns to his investors. In or around the mid-1990s, Chais told Madoff

1 that he could not tolerate losses and that he did not want there to be any losses in any of the Chais  
2 Funds' trades. Madoff apparently accommodated Chais's request and seems to have produced  
3 made-to-order returns for him.

4 32. Between 1999 and 2008, despite supposedly executing thousands of trades on  
5 behalf of the Chais Funds, Madoff did not report a loss on a single equities trade. The Chais  
6 Funds received improbably high and consistent returns of between 20 and 25 percent, with only  
7 three months of negative returns between 1996 and 2007. The Chais Family Accounts reported  
8 even higher returns, sometimes in excess of 100 to 300 percent per year, with a combined average  
9 annual return of almost 40 percent. By contrast, during the same period, annual returns for the  
10 S&P 500 fluctuated by over 55 percentage points, with an average annual return of 10.72 percent  
11 and 52 months of negative returns.

12 33. Madoff also appears to have generated losses for the Chais Family Accounts on  
13 demand (ostensibly to offset gains in other investments for tax purposes). Some of these "losses"  
14 apparently were manufactured after the dates when the subject transactions purportedly took  
15 place.

16 34. Based on Madoff's ability to produce customized returns, Chais knew or should  
17 have known that Madoff could not have been legitimate, that the Chais Funds account statements  
18 received from Madoff were false, and that the account statements that Chais provided to the Chais  
19 Funds investors based upon the Madoff reports were also false. Chais, however, continued to  
20 distribute account statements based upon the Madoff reports to the Chais Funds investors up to  
21 the time of the collapse of Madoff's scheme.

22 35. As set forth above, in exchange for Chais's purported skill and expertise and based  
23 upon his supposedly high returns, Chais charged the Chais Funds approximately \$269,608,000 in  
24 fees between 1995 and 2008.

1 **FIRST CAUSE OF ACTION**

2 **Securities Fraud**

(California Corporations Code Section 25401)

3 36. Plaintiff refers to and realleges paragraphs 1 through 35, inclusive above, and  
4 incorporates them by reference as though fully set forth in this cause of action.

5 37. Corporations Code section 25401 makes it unlawful for any person to offer or sell  
6 a security in this state by means of any written or oral communication which includes an untrue  
7 statement of material fact or an omission of a material fact.

8 38. The limited partnership interests in the Chais Funds are “securities” as defined in  
9 Corporations Code section 25019.

10 39. In offering and selling the securities referred to in this Complaint, Chais, or  
11 individuals acting on his behalf or at his direction, made untrue statements and/or  
12 misrepresentations of material facts to some or all prospective or existing investors. The  
13 misrepresentations included, without necessarily being limited to:

14 (a) Statements that Chais was the one directing the investments and was  
15 personally employing a complex investment strategy;

16 (b) References to Chais’s superior skill and experience, his greater  
17 understanding of the market, his connections to sophisticated brokers and entities in New York  
18 and his use of advanced technology;

19 (c) Statements detailing Chais’s investment strategy and purported changes to  
20 it, as set forth in Paragraphs 25 and 26 of this Complaint;

21 (d) Statements regarding Chais’s investment track record;

22 (e) Statements indicating that the Chais Funds’ investments were diversified;

23 (f) Chais’s June 2008 letter to investors and subsequent conversations with his  
24 investors regarding his illness and possible succession in which Chais represented that he was  
25 training his son to take over his role of managing the Chais Funds investments as set forth in  
26 Paragraph 27 above; and

27 (g) False account statements distributed to investors.  
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1           40.     These statements both individually and taken collectively were designed to and did  
2 convey that Chais was actively and personally managing the Chais Funds, and was deserving of  
3 great compensation for so doing, when in fact he did nothing more than turn over all or  
4 substantially all of the Chais Funds to Madoff.

5           41.     In offering and selling the securities referred to in this Complaint, Chais, or  
6 individuals acting on his behalf or at his direction, also omitted to state material facts necessary in  
7 order to make the statements made, in light of the circumstances under which they were made,  
8 not misleading to some or all of the prospective or existing investors. The omissions included,  
9 without necessarily being limited to:

10               (a)     The failure to disclose that Chais was not personally managing or dictating  
11 the investment strategy of the Chais Funds;

12               (b)     The failure to disclose that the Chais Funds were not diversified; and

13               (c)     The failure to disclose that all or substantially all of the Chais Funds were  
14 invested with, and at the discretion of, Madoff.

15           42.     The misrepresentations and omissions were made in connection with the offer and  
16 sale of securities within the meaning of Corporations Code section 25017.

17           43.     The misstatements and omissions took place within the State of California within  
18 the meaning of Corporations Code section 25008.

19                               **SECOND CAUSE OF ACTION**

20                   **Transaction, Practice or Course of Business to Defraud by Investment Adviser**  
21                               (California Corporations Code Section 25235)

22           44.     Plaintiff refers to and realleges paragraphs 1 through 43, inclusive above, and  
23 incorporates them by reference as though fully set forth in this cause of action.

24           45.     At all relevant times, Chais operated as an investment adviser to the Chais Funds  
25 and their investors within the meaning of Corporations Code section 25009.

26           46.     Chais has violated Corporations Code section 25235 by engaging in acts, practices  
27 or a course of business as an investment adviser that are fraudulent, deceptive or manipulative by  
28 making material misrepresentations and omitting material facts necessary in order to make the

1 statements made, in light of the circumstances under which they were made, not misleading,  
2 including, but not limited to, those set forth by this Complaint.

3 47. In addition to the conduct alleged in paragraph 46 of this Complaint, Chais, or  
4 individuals acting on his behalf or at his direction, have violated Corporations Code section  
5 25235 by distributing account statements to his investors that Chais knew or should have known  
6 were false.

### 7 **THIRD CAUSE OF ACTION**

#### 8 **Untrue or Misleading Statements**

(California Business and Professions Code Section 17500)

9 48. Plaintiff refers to and realleges paragraphs 1 through 47, inclusive above, and  
10 incorporates them by reference as though fully set forth in this cause of action.

11 49. Chais has violated Business and Professions Code section 17500 by making or  
12 disseminating untrue or misleading statements, or by causing untrue or misleading statements to  
13 be made or disseminated, in or from California, with the intent to induce members of the public to  
14 maintain their investment in the Chais Funds and continue to pay Chais's annual fee.

15 50. These untrue, misleading or deceptive statements include, but are not necessarily  
16 limited to:

17 (a) Statements regarding Chais's qualifications as an investment adviser, such  
18 as his superior skill and experience, his greater understanding of the market, his connections to  
19 brokers and entities in New York and his use of advanced technology;

20 (b) Statements that Chais hedged the "arbitrage investments" and "played both  
21 sides against the middle" to mitigate losses as set forth in Paragraph 25 above;

22 (c) Statements regarding Chais's track record with his Chais Funds  
23 investments;

24 (d) Statements that Chais had shifted his investments strategy from selling  
25 short to utilizing derivatives as set forth in Paragraph 26 above;

26 (e) Statements that Chais was training his son to assume Chais's role of  
27 managing the Chais Funds as set forth in Paragraph 27 above;

1 (f) Statements suggesting that the Chais Funds were diversified; and

2 (g) The absolute failure to disclose that the Chais Funds were all or  
3 substantially all invested with and at the discretion of Madoff.

4 51. These statements are untrue and misleading because investors were led to believe  
5 that Chais was actively managing their investments in the Chais Funds and therefore deserving of  
6 the exorbitant fees he charged for doing so. In fact, Chais was not actually managing or investing  
7 the Chais Funds and was nothing more than a conduit to Madoff.

#### 8 **FOURTH CAUSE OF ACTION**

##### 9 **Unfair Competition**

10 (California Business and Professions Code Section 17200)

11 52. Plaintiff refers to and realleges paragraphs 1 through 51, inclusive above, and  
12 incorporates them by reference as though fully set forth in this cause of action.

13 53. At all relevant times, Chais, or individuals acting on his behalf or at his direction,  
14 have engaged in and continue to engage in, aided and abetted and continue to aid and abet, and  
15 conspired to and continue to conspire to engage in acts or practices that constitute unfair  
16 competition as defined in Business and Professions Code section 17200. Such acts or practices  
17 include, but are not limited to, the following:

18 (a) Violating Business and Professions Code section 17500, as more  
19 particularly alleged in Paragraphs 48 through 51 above;

20 (b) Telling investors that Chais was actively managing and setting the  
21 investment strategy for the Chais Funds when in fact the Chais Funds were all or substantially all  
22 invested with and at the discretion of Madoff;

23 (c) Charging exorbitant fees equal to 25 percent of annual profits supposedly  
24 in consideration for the exercise Chais's skill and judgment in managing investments while doing  
25 nothing more than turning over all or substantially all of the Chais Funds to Madoff;

26 (d) Failing to disclose that the Chais Funds were all or substantially all given  
27 to and at the discretion of Madoff; and  
28

1 (e) Distributing account statements to investors that Defendant knew or should  
2 have been known were false.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, Plaintiff prays for judgment as follows:

5 1. For an order, under the authority of Corporations Code section 25530 and Business  
6 and Professions Code sections 17535 and 17203, permanently restraining and enjoining  
7 Defendant, his successors, agents, representatives, employees, assigns and all persons who act in  
8 concert with Defendant be from directly or indirectly or in any other manner engaging in:

9 (a) The conduct alleged in this Complaint to violate Corporations Code  
10 section 25401;

11 (b) The conduct alleged in this Complaint to violate Corporations Code section  
12 25235;

13 (c) The conduct alleged in this Complaint to violate the law, or any other act or  
14 practice that violates Business and Professions Code section 17200 et seq.;

15 (d) The conduct as above alleged in this Complaint to violate the law, or any  
16 other act or practice that violates Business and Professions Code section 17500 et seq.;

17 2. For an order, under the authority of Business and Professions Code sections 17535  
18 and 17203, that Defendant be required to make full restitution of any money or other property that  
19 may have been acquired by Defendant in violation of Business and Professions Code sections  
20 17200 and 17500;

21 3. For an order, under the authority of Corporations Code section 25530, that  
22 Defendant be required to make full restitution of any money or other property that may have been  
23 acquired by Defendant in violation of Corporations Code sections 25401 and/or 25235;

24 4. For an order, under the authority of Corporations Code section 25530, requiring  
25 Defendant to disgorge all profits and compensation obtained by Defendant as a result of violating  
26 Corporations Code sections 25401 and/or 25235;

1           5.       For an order, under the authority of Corporations Code section 25535, that  
2 Defendant be assessed a civil penalty in the maximum sum of \$25,000 for each violation of  
3 Corporations Code sections 25401 and/or 25235 as proven at trial, but not less than \$23,000,000;

4           6.       For an order, under the authority of Business and Professions Code section 17536,  
5 that Defendant be assessed a civil penalty of \$2,500 for each violation of Business and  
6 Professions Code section 17500 as proven at trial; but not less than \$1,150,000;

7           7.       For an order, under the authority of Business and Professions Code section 17206,  
8 that Defendant be assessed a civil penalty of \$2,500 for each violation of Business and  
9 Professions Code section 17200 as proven at trial; but not less than \$1,150,000;

10          8.       That Plaintiff recovers its costs of suit, including costs of investigation; and

11          9.       For such other and further relief that the Court deems just, proper, and equitable.

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13 Dated: September 17, 2009

Respectfully Submitted,

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