

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Company as at [year end] and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Emphasis added.]

156. In contrast to the statements made in its audit reports for FY 2002, FY 2003 and FY 2005, PwC (Rotterdam) did not conduct its audits in accordance with International Standards on Auditing (“ISA”).

157. Specifically, PwC (Rotterdam) failed to:

- (a) comply with ISA 220 and Code of Ethics 130 which require the auditor to exercise due care in the conduct of its audits;
- (b) exercise professional skepticism, as required by ISA 220 ¶¶15-16; and
- (c) comply with ISA 500, which requires the auditor to obtain sufficient appropriate audit evidence, and ISA 505, which provides guidance to the auditor in obtaining external confirmations.

158. PwC (Toronto)’s audit report for Fairfield Sentry’s financial statements as of December 31, 2006 (“FY 2006”) specifically stated:

In our opinion, the accompanying [financial statements], present fairly, in all material respects, the financial position of Fairfield Sentry Limited (the “Company”) as of December 31, 2006 and the results of its operations, the changes in its net assets attributable to holders of redeemable participating shares and its cash flow for the year then ended in conformity with International Financial Reporting Standards....We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America.

[Emphasis added; bold of “Fairfield Sentry Limited” in original.]

159. In contrast to the statements made in its audit reports for FY 2006, PwC

(Toronto) did not conduct its audits in accordance with auditing standards generally accepted in the United States of America, *i.e.*, Generally Accepted Auditing Standards (“GAAS”).

160. Specifically, PwC (Toronto) failed to:

(a) comply with General Standard 3 which requires that due professional care “is to be exercised in the performance of the audit and the preparation of the report.”

(b) exercise professional skepticism (as required when using due professional care), meaning that the auditor should have “an attitude that includes a questioning mind and critical assessment of audit evidence.”

(c) comply with Standard of Field Work 3 which requires the auditor to obtain sufficient competent evidential matter “through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.”

(d) obtain evidential matter (*e.g.*, confirmations) from sources other than Fairfield Sentry.

161. Had PwC conducted its audits in accordance with ISA (for FY 2002, FY 2003, and FY 2005) and GAAS (for FY 2006), it would have learned, at a minimum, that:

(a) substantially all of the assets were in the custody of BLM; and

(b) the description of Madoff’s split-strike strategy (*e.g.*, purchase of large cap stocks versus sale of out of the money calls) was inconsistent with the financial statements reflection of substantially all of the Fund’s assets in Treasury Bills at the year end.

162. PwC also failed to conduct its audits in a manner calculated to consider the risk of fraud in the financial statements resulting from:

(a) the Fairfield Defendants' failure to scrutinize and verify Madoff's and BLM's investments and returns;

(b) the Fairfield Defendants' failure to employ any or adequate mechanisms for evaluating the veracity of financial returns claimed by Madoff and BLM;

(c) Fairfield Sentry's improper recognition and reporting of returns, assets, losses and/or liabilities associated with the investment capital provided to Madoff and BLM for management; and

(d) that Fairfield Sentry's performance reports, updates and account statements regarding Fairfield Sentry's misrepresented the actual returns, assets under management and losses or liabilities and failed to disclose the lack of internal controls and evidence to support the financial results.

163. PwC's audits of Fairfield Sentry's financial statements and reports thereon during the were grossly negligent, in violation of GAAS and/or ISA and constituted an extreme departure from the standards of the accounting and auditing industry.

164. If PwC had planned and performed audits in conformity with ISA and GAAS, exercised professional skepticism and due care, obtained sufficient evidence, made an appropriate inquiries, and/or had not relied excessively on the Fairfield Defendants' representations, then PwC's audits would have uncovered the true value and existence of Fairfield Sentry's reported investment assets, and the serious deficiencies in Fairfield Sentry's internal controls and failure to adhere to its own and the Fairfield Defendants' policies designed to reduce the risk of loss of the investments of Plaintiffs and the Class.

COUNT I:

**Rescission under the Investment Advisers Act, 15 U.S.C. § 80b-1 *et seq.*
(Against FG Bermuda and FG Advisors)**

165. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-20, 24-31, 35-44 and 85-153 above as if fully set forth herein.

166. FG Bermuda and FG Advisors are “investment advisers” as defined in § 80b-2(a) (11) of the IAA.

167. FG Bermuda and FG Advisors solely engage in the business of providing investment advice, either directly or indirectly, through the use of the mails and/or other means of interstate commerce.

168. Fairfield Sentry entered into an Investment Management Agreement with FG Bermuda which set forth FG Bermuda’s duties and responsibilities to Fairfield Sentry, including the selection of its investments.

169. Alternatively, by executing individual subscriptions, fully incorporating the terms of the PPM, Plaintiffs and the Class and the Fairfield Defendants executed “investment adviser agreements” under the IAA.

170. As investment advisers, FG Bermuda and FG Advisors were responsible for serving Plaintiffs and the Class in accordance with the statutory standards found in 15 U.S.C. § 80b-6(2).

171. FG Bermuda and FG Advisors breached their duties to the Class by engaging in a course of conduct, among other acts:

(a) publishing and releasing materials to the Class that contained material misrepresentations about the manner in which Plaintiffs’ and the Class’s assets were being

invested and of the appreciation of the Class's assets;

(b) failing to act with reasonable care in ascertaining that the information set forth in the written materials provided to the Class was accurate and did not contain material misstatements;

(c) failing to perform adequate due diligence, or to follow their own internal due diligence protocols, before selecting BLM as the Fund's execution agent for its split-strike conversion method, and before allowing BLM to serve as sub-custodian for the Fund;

(d) investing Plaintiffs' and the Class's assets with BLM without performing adequate due diligence or monitoring;

(e) failing to monitor Madoff and BLM on an ongoing basis to any reasonable degree, or to comply with their own internal protocols for monitoring the assets entrusted to Madoff and BLM;

(f) failing to take adequate steps to confirm BLM's purported account statements, transactions and holdings of the Fund's assets; and

(g) profiting at the expense of Plaintiffs and the Class.

172. Plaintiffs and the Class have been damaged as a result of FG Bermuda's and FG Advisor's breach of their duties under the IAA.

173. As a result, Plaintiffs and the Class are entitled to rescission of their investment adviser agreements and/or the Investment Management Agreement entered into on behalf of investors in Fairfield Sentry with FG Bermuda and FG Advisors and to recover all fees and commissions paid in connection to Plaintiffs' and the Class's investments in Fairfield Sentry.

COUNT II
Breach of Fiduciary Duty
(Against Fairfield Defendants and Individual Defendants)

174. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-62 and 85-153 above as if fully set forth herein.

175. Plaintiffs and the Class entrusted their assets to the Fairfield Defendants by investing in the Fund, and reposed confidence in the Fairfield Defendants with respect to the management of those assets.

176. The Fairfield Defendants' superior position as to the management and control of those assets and about Madoff and BLM resulted in Plaintiffs and the Class reposing trust and confidence in the Fairfield Defendants.

177. The Fairfield Defendants held themselves out as providing superior client investment services and as having policies and procedures in place to ensure that Fund managers, custodians, sub-custodians and execution agents would follow Fund policies, to confirm that sufficient operational controls were in place to safeguard Plaintiffs' and the Class's assets, and to establish that transactions would be properly conducted.

178. Plaintiffs and the Class reasonably and foreseeably relied on such representations, and trusted in the Fairfield Defendants' purported expertise and skill.

179. The Fairfield Defendants therefore owed a fiduciary duty to Plaintiffs and the Class with respect to their management and protection of Plaintiffs' and the Class's assets invested in the Fund.

180. The Fairfield Defendants were obligated to:

- (a) deal fairly and honestly with the Plaintiffs and the Class;

- (b) act with loyalty and good faith towards Plaintiffs and the Class;
- (c) manage and operate the investments of Plaintiffs and the Class exclusively for the best interest of the Plaintiffs and the Class;
- (d) make recommendations and execute transactions in accordance with the goals, investment objectives, and permissible degree of risk; and
- (e) oversee the investment of Plaintiffs' and the Class's assets to confirm they were maintained in a prudent and professional manner.

181. The Fairfield Defendants breached their fiduciary duties to Plaintiffs and the Class by failing to:

- (a) act with reasonable care in ascertaining that the information set forth in the written materials provided to Plaintiffs and the Class was accurate;
- (b) perform adequate due diligence, including following their own internal due diligence protocols, before allowing BLM to serve as sub-custodian for the Fund;
- (c) invest Plaintiffs' and the Class's assets with adequate diligence or monitoring;
- (d) monitor Madoff and BLM on an ongoing basis to any reasonable degree, or to comply with their own internal protocols for monitoring the Fund's assets entrusted to Madoff and BLM; and
- (e) take adequate steps to confirm BLM's purported account statements, transactions and holdings of the Fund's assets.

182. As a result of the Fairfield Defendants' breaches of their fiduciary duties, the Plaintiffs and the Class have lost all, or substantially all, of their respective investments in the

Fund, and have been forced to pay excessive investment, performance and management fees in exchange for investment services that were promised but never provided.

183. The damages suffered by the Class were a direct and foreseeable result, proximately caused by the Fairfield Defendants' breach of fiduciary duty.

184. By reason of the foregoing, the Fairfield Defendants are jointly and severally liable to Plaintiffs and the Class.

185. As a result of Fairfield Defendants' breaches of fiduciary duty, the Class has suffered damages in an amount to be determined at trial.

COUNT III
Gross Negligence
(Against Fairfield Defendants and Individual Defendants)

186. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-62 and 85-153 above as if fully set forth herein.

187. The Fairfield Defendants had a special relationship with Plaintiffs and the Class that gave rise to a duty to exercise due care in the management of Plaintiffs' and the Class's assets invested in the Fund, and in the selection and monitoring of the Fund's managers and sub-custodians.

188. The Fairfield Defendants grossly failed to exercise due care, and acted in reckless disregard of their duties, and thereby injured Plaintiffs and the Class.

189. The Fairfield Defendants failed to exercise the degree of prudence, caution, and good business practice that would be expected of any reasonable investment professional.

190. The Fairfield Defendants failed to:

- (a) perform adequate due diligence before allowing BLM to serve as sub-

custodian for the Fund;

(b) monitor Madoff and BLM on an ongoing basis to any reasonable degree;

(c) take adequate steps to confirm BLM's purported account statements, transactions and holdings of the Fund's assets.

191. If the Fairfield Defendants had not been grossly negligent with respect to Plaintiffs' and the Class's assets invested in the Fund, they would have discovered that Madoff was a fraud and not entrusted Plaintiffs' and the Class's assets invested in the Fund to BLM.

192. As a direct and proximate result of the Fairfield's Defendants' gross negligence with respect to Plaintiffs' and the Class's assets invested in the Fund, Plaintiffs and the members of the Class have lost all, or substantially all, their investment in the Fund.

193. By reason of the foregoing, the Fairfield Defendants are jointly and severally liable to the Plaintiffs and the Class in an amount to be determined at trial.

COUNT IV
Unjust Enrichment
(Against Fairfield Defendants and Individual Defendants)

194. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-62 and 85-153 above as if fully set forth herein.

195. Plaintiffs and the Class base their unjust enrichment claim on the retention of monies to which the Fairfield Defendants were not entitled.

196. The Fairfield Defendants were enriched at the expense of Plaintiffs and the Class by taking Plaintiffs' and the Class's monies in the form of commissions, benefits and other fees (including placement, management, and performance fees) for the management of Plaintiffs' and the Class's investment, and the purported, but in fact non-existent, capital appreciation of such

assets.

197. Individual Defendants were enriched at the expense of Plaintiffs and the Class when they received bonuses, profit interests, that derived from the fees and other revenue earned from FGG's marketing and management of Fairfield Sentry.

198. Plaintiffs and the Class involuntarily conferred a benefit upon Fairfield Defendants without Plaintiffs and the Class receiving adequate benefit or compensation in return.

199. Equity and good conscience require the Fairfield Defendants to refund all monies paid to them for any services rendered on Plaintiffs' and the Class's behalf.

COUNT V
Imposition of Constructive Trust
(Against Fairfield Defendants)

200. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-46 and 85-153 above as if fully set forth herein.

201. Fairfield Defendants had a fiduciary relationship with Plaintiffs and the Class.

202. The Fairfield Defendants made express and/or implied promises to Plaintiffs and the Class to manage Plaintiffs' and the Class's investment capital in the Fund in accordance with that fiduciary relationship.

203. Fairfield Defendants were compensated by Plaintiffs and the Class with management and performance fees that were calculated based on the "net profits" and the value of the Fund.

204. Fairfield Defendants were unjustly enriched by the retention of commissions, benefits and management and performance fees that were predicated on fictitious profits.

205. Plaintiffs and the Class are entitled to have a constructive trust imposed on the amount of all monies and other property in the possession of the Fairfield Defendants which relate to their compensation in the form of management and performance fees, the amount of which is yet to be determined.

COUNT VI
Breach of Contract
(Against Fairfield Defendants)

206. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-46 and 85-153 above as if fully set forth herein.

207. Plaintiffs and the Class had a contractual relationship with the Fairfield Defendants, as evidenced by the Subscription Agreement, executed in connection with their investment in the Fund.

208. By virtue of the contractual relationship between the parties, the Fairfield Defendants promised Plaintiffs and the Class that Plaintiffs' and the Class's monies would be invested in legitimate enterprises with a potential for capital appreciation.

209. This obligation was a material term of the agreement.

210. This obligation was a fundamental assumption of the agreement embraced by both Plaintiffs and the Class on the one hand, and the Fairfield Defendants on the other, and Plaintiffs and the Class and the Fairfield Defendants shared the belief that all investments of Plaintiffs' and the Class's monies would be legal and legitimate.

211. Plaintiffs fully performed their contractual obligations.

212. By reason of the foregoing, the Fairfield Defendants are jointly and severally liable to the Plaintiffs and the Class in an amount to be determined at trial.

COUNT VII
Negligent Misrepresentation
(Against Fairfield Defendants and Individual Defendants)

213. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-62 and 85-153 above as if fully set forth herein.

214. The Fairfield Defendants made written representations regarding the management and performance of the Fund, specifically that they would:

(a) provide skill, expertise and appropriate care in rendering investment services to their clients, the Plaintiffs and the Class;

(b) use their skill, expertise and experience in selecting proficient and qualified managers for the Fund; and

(c) conduct extensive due diligence on fund managers before selecting them, engage in ongoing monitoring of such managers after selection, and regularly verify Fund transactions.

215. The Fairfield Defendants also made written representations that Fairfield Sentry's performance had been positive.

216. The Fairfield Defendants also specifically represented that clients were better served by investing through the Fund, because the Fairfield Defendants had greater transparency to Madoff and BLM than other companies.

217. The Fairfield Defendants further represented that Fairfield Sentry was using a split-strike conversion method, executed by Madoff and BLM, to obtain capital appreciation of assets, and that assets invested in Fairfield Sentry directly and which the Fairfield Defendants represented was a qualified custodian.

218. The Fairfield Defendants had a special relationship with Plaintiffs and the Class that gave rise to a duty to provide Plaintiffs and the Class with correct information.

219. The Fairfield Defendants knew or should have known that Plaintiffs and the Class desired the information that the Fairfield Defendants were providing was for a serious purpose – namely, for deciding whether to invest their assets in the Fund and keep their assets invested in Fund.

220. The Fairfield Defendants provided their representations to Plaintiffs and the Class, either directly or through their website, and the materials represented that the Fairfield Defendants would serve the interests of Plaintiffs and the Class, as investors in the Fund.

221. Plaintiffs and the Class intended to and did rely on the representations by the Fairfield Defendants in making their investment decision, and did reasonably and foreseeably rely on such representations when investing their assets in the Fund.

222. In violation of their duties, the Fairfield Defendants negligently misrepresented:

(a) the investment services that would be provided by the Fairfield Defendants;

(b) the extent and quality of the due diligence, ongoing risk monitoring, and transaction verification that would be performed by the Fairfield Defendants on Madoff and BLM;

(c) the Fairfield Defendants' transparency to Madoff and BLM;

(d) the split-strike conversion method ostensibly used by Madoff and BLM to appreciate Fund assets;

(e) the Fund's appreciation; and

(f) BLM's qualifications to serve as a sub-custodian to the Fund.

223. These representations were false because the Fairfield Defendants were not performing the due diligence, ongoing risk monitoring, and transaction verification on Madoff and BLM that they represented. Further, they did not have transparency to Madoff and BLM.

224. Madoff and BLM were not using a split-strike conversion method or appreciating Fund assets, and BLM was not a qualified sub-custodian, as represented; rather, Madoff was conducting the Ponzi Scheme.

225. The Fairfield Defendants made these representations negligently without due care to determine the truth of these statements.

226. On the basis of such misrepresentations, Plaintiffs and the Class invested substantial assets in the Fund, and kept the investments in the Fund due to the Fairfield Defendants' continued misrepresentations.

227. As a result of such misrepresentations, Plaintiffs and the Class have lost all, or substantially all, of such assets.

228. By reason of the foregoing, the Fairfield Defendants are jointly and severally liable to Plaintiffs and the Class in an amount to be determined at trial.

COUNT VIII

Third Party Beneficiary Claim for Breach of Contract (Against FG Advisors, FG Bermuda, and FG Limited)

229. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-20, 24-42, 44-45, and 85-153 above as if fully set forth herein.

230. This Count is asserted upon behalf of Plaintiffs and the Class as third-party beneficiaries to the contractual relationships existing between and among all Fairfield

Defendants.

231. Fairfield Sentry entered into investment management contracts with FG Advisors, FG Bermuda, and FG Limited.

232. Pursuant to these agreements, FG Advisors, FG Bermuda, and FG Limited each assumed the responsibility to fulfill certain contractual obligations for the intended immediate benefit of Plaintiffs and the Class.

233. FG Advisors, FG Bermuda, and FG Limited breached these obligations by committing the above-alleged misconduct.

234. These contractual breaches resulted in significant losses to the Fund and the Fund's investors, as described throughout this complaint.

235. By failing to properly fulfill their due diligence and monitoring duties, FG Advisors, FG Bermuda, and FG Limited breached their contract with Fairfield Sentry, thereby injuring Plaintiffs and the Class as third-party beneficiaries to the agreements in an amount to be determined at trial.

COUNT IX
Breach of Fiduciary Duty
(Against Citco Bank and Citco Custody)

236. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19, 63-68, and 85-153 above as if fully set forth herein.

237. Plaintiffs and the Class entrusted their assets to Citco Bank and Citco Custody as Fairfield Sentry's custodians, and reposed confidence in them with respect to its handling of those assets, including the selection and supervision of any Fund sub-custodians.

238. Citco Bank's and Citco Custody's superior positions as to the handling of those

assets and the selection and supervision of any fund sub-custodians, as well as its superior access to confidential information about BLM as sub-custodian, required Plaintiffs and the Class to repose such trust and confidence in Citco Bank and Citco Custody.

239. Citco Bank and Citco Custody held themselves out as providing skilled and diligent custodial services, and as having policies and procedures in place to ensure that Fairfield Sentry's assets were only entrusted to qualified sub-custodians.

240. Plaintiffs and the Class reasonably and foreseeably relied on such representations, and trusted in Citco Bank's and Citco Custody's purported expertise and skill. Citco Bank and Citco Custody therefore owed a fiduciary duty to Plaintiffs and the Class with respect to the provision of custodial services and the handling of Plaintiffs' and the Class's assets invested in Fairfield Sentry.

241. Citco Bank and Citco Custody were obligated to deal fairly and honestly with Plaintiffs and the Class; to act with loyalty and good faith towards Plaintiffs and the Class; to avoid placing itself in situations involving a conflict of interest with Plaintiff; to handle Plaintiffs' and the Class's investment assets exclusively for the best interest of Plaintiffs and the Class; to select only Fund sub-custodians who were qualified; and to supervise such sub-custodians selected by it in a prudent and professional manner.

242. Citco Custody breached its fiduciary duties to Plaintiffs and the Class by failing to:

- (a) exercise due care and diligence in the selection and supervision of BLM as a Fund sub-custodian;
- (b) make appropriate enquiries to confirm BLM's obligations were being competently discharged; and

(c) take proper steps to confirm information received from Madoff and/or BLM.

243. Citco Bank and Citco Custody further breached their fiduciary duties by:

(a) misrepresenting that BLM was a qualified sub-custodian and misrepresenting the care they had taken with respect to BLM's selection and supervision;

(b) permitting Fairfield Sentry's execution agent to serve as sub-custodian;

(c) carelessly entrusting Plaintiffs' and the Class's assets to BLM; and

(d) profiting at Plaintiffs' and the Class's expense.

244. As a result of Citco Bank's and Citco Custody's breaches of its fiduciary duties, Plaintiffs and the Class have lost all, or substantially all, of their respective investments in the Fund.

245. By reason of the foregoing, Citco Bank and Citco Custody are jointly and severally liable to Plaintiffs and the Class in an amount to be determined at trial.

COUNT X
Negligence
(Against Citco Bank and Citco Custody)

246. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19, 63-68, and 85-153 above as if fully set forth herein.

247. Citco Bank and Citco Custody, as Fund custodians with discretionary control over the selection and retention of fund sub-custodians, and Citco Custody as the Fund administrator, had a special relationship with Plaintiffs and the Class that gave rise to a duty to exercise due care.

248. Plaintiffs and the Class reasonably and foreseeably relied on Citco Bank and Citco

Custody to exercise such care by entrusting their assets (*i.e.*, their investments in Fairfield Sentry) through them as custodians and on Citco Custody as Fund administrator with the responsibility for calculating net asset value of Fairfield Sentry and preparing Fairfield Sentry's reports and accounts.

249. Citco Bank and Citco Custody failed to exercise due care, and thereby injured Plaintiffs and the Class.

250. Citco Bank and Citco Custody failed to:

(a) exercise skill, care and diligence in the selection and retention of BLM as sub-custodian;

(b) maintain appropriate supervision over BLM as sub-custodian;

(c) failed to make reasonable enquiries to confirm that BLM's obligations were being competently discharged;

(d) take proper steps to confirm information received from Madoff and/or BLM, and thus;

(e) ensure that the reports, accounts, and net asset value contained accurate information.

251. It was in part BLM's dual role as execution agent and Fairfield Sentry sub-custodian that enabled Madoff and/or BLM to perpetrate the Ponzi Scheme. If Citco Bank and Citco Custody had not been negligent with respect to the selection and retention of Fairfield Sentry's sub-custodian, Plaintiffs' and the Class's assets in Fairfield Sentry would not have been lost to and/or invested with the sub-custodian.

252. Because of Citco Bank and Citco Custody's negligence with respect to Plaintiffs'

and the Class's assets invested in the Fund, Plaintiffs and the Class have lost all, or substantially all, their investment in the Fund.

253. By reason of the foregoing, Plaintiffs and the Class have been damaged in an amount to be determined at trial.

COUNT XI

**Third Party Beneficiary Claim for Breach of Contract
(Against Citco Custody and Citco Bank)**

254. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19, 63-68 and 85-153 above as if fully set forth herein.

255. This Count is asserted upon behalf of Plaintiffs and the Class as third-party beneficiaries to the contractual relationships existing between and among Fairfield Sentry, Citco Custody and Citco Bank.

256. Fairfield Sentry entered into custodial contracts with Citco Custody and Citco Bank.

257. Pursuant to these agreements, Citco Custody and Citco Bank each assumed the responsibility to fulfill certain contractual obligations for the intended immediate benefit of Plaintiffs and the Class.

258. Citco Custody and Citco Bank breached these obligations by committing the above-alleged misconduct.

259. These contractual breaches resulted in significant losses to the Fund and the Fund's investors, as described throughout this complaint.

260. By failing to properly fulfill their custodial duties, Citco Custody and Citco Bank breached their contracts with Fairfield Sentry, thereby injuring Plaintiffs and the Class as third-

party beneficiaries to the agreements in an amount to be determined at trial.

COUNT XII
Unjust Enrichment
(Against Citco Defendants)

261. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19, 63-74, and 85-153 above as if fully set forth herein.

262. Plaintiffs and the Class had a contractual or quasi-contractual relationship with Citco Services by virtue of Citco Services' status as administrator, registrar, and transfer agent of Fairfield Sentry.

263. Citco Services was enriched at the expense of Plaintiffs and the Class by taking Plaintiffs' and the Class's monies in the form of fees calculated based on false net asset value calculations.

264. Plaintiffs and the Class conferred a benefit upon Citco Services in the form of such monthly fees without Plaintiffs and the Class receiving adequate benefit or compensation in return.

265. Equity and good conscience require Citco Services to refund all monies paid to it for any services rendered on Plaintiffs and the Class's behalf.

266. Plaintiffs and the Class had a contractual or quasi-contractual relationship with Citco Custody and Citco Bank by virtue of their roles as custodians for Fairfield Sentry.

267. Citco Custody and Citco Bank were enriched at the expense of Plaintiffs and the Class by taking Plaintiffs' and the Class's monies in the form of payments received for the performance of their custodial obligations.

268. Plaintiffs and the Class conferred a benefit upon Citco Custody and Citco Bank in

the form of such payments without Plaintiffs and the Class receiving adequate benefit or compensation in return.

269. Equity and good conscience require Citco Custody and Citco Bank to refund all monies paid to them for any services rendered on Plaintiffs and the Class's behalf.

COUNT XIII
Imposition of Constructive Trust
(Against Citco Defendants)

270. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19, 63-74, and 85-153 above as if fully set forth herein.

271. Citco Services promised to serve as administrator of Fairfield Sentry, creating a confidential and/or fiduciary relationship, which included providing accounting services, preparing reports and accounts, and accurately calculating the net asset value of Fairfield Sentry, as set forth, for example, in the 2003 PPM.

272. In reliance on these promises, Plaintiffs and the Class entrusted Citco Services with their investment assets.

273. Citco Services was compensated by Plaintiffs and the Class with a monthly fee based on the net asset value of Fairfield Sentry as of the last business day of each month.

274. Citco Services was unjustly enriched by the retention of those fees, which were calculated and paid based on inaccurate and false net asset value statements.

275. Citco Custody and Citco Bank promised to serve as custodian of Fairfield Sentry, creating a confidential and/or fiduciary relationship.

276. Plaintiffs and the Class are entitled to have a constructive trust imposed on the amount of all monies and other property in the possession of the Citco Defendants which relate

to their compensation in the form of the above-referenced fees and/or payments, the amount of which is yet to be determined.

COUNT XIV
Negligence
(Against PwC (Rotterdam) and PwC (Toronto))

277. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19 and 81-164 above as if fully set forth herein.

278. PwC, as Fairfield Sentry's auditors, had a special relationship with Plaintiffs and the Class that gave rise to a duty to exercise due care.

279. PwC addressed its audit reports for FY 2003, FY 2005 and FY 2006 "to the directors and shareholders of Fairfield Sentry Limited."

280. Plaintiffs and the Class reasonably and foreseeably relied on PwC to exercise such care as ordinarily exercised by auditors generally and as required pursuant to GAAS and ISA in conducting the audits of the Fund.

281. PwC failed to exercise due care, and thereby injured Plaintiffs and the Class.

282. In particular, PwC (Toronto) violated GAAS by failing to:

- (a) use due professional care in the performance of its work (AU §230);
- (b) gain an understanding of the entity, *i.e.*, Fairfield Sentry (AU §311.07);
- (c) maintain an appropriate degree of skepticism during the audits (AU §230.07);
- (d) obtain sufficient competent evidential matter to support the conclusions of the audit reports (AU §326), including the use of confirmations (AU §330); and
- (e) perform procedures and exercise an appropriate degree of skepticism when

gathering information necessary to identify risks of material misstatement due to fraud (AU §316).

283. In particular, PwC (Rotterdam) violated ISA by failing to:

(a) use due care in the performance of the audits (Code of Ethics 130; ISA 220, ¶122);

(b) gain an understanding of the entity (ISA 315), *i.e.*, Fairfield Sentry, or knowledge of its business (ISA 310);

(c) maintain an appropriate degree of skepticism during its audits (ISA 200, ¶¶15-16);

(d) perform procedures to obtain information that is used to identify risks of material misstatements due to fraud (ISA 240); and

(e) obtain sufficient appropriate audit evidence (ISA 500), including obtaining external confirmations (ISA 505).

284. If PwC had not been negligent with respect to its audits of Fairfield Sentry financial statements, the assets in the Fund of Plaintiffs and the Class would not have been lost to and/or invested with the sub-custodian.

285. If PwC had not been negligent with respect to its audits of Fairfield Sentry's financial statements, Plaintiffs and the Class would not have purchased interests in the Fund.

286. If PwC had not been negligent with respect to its audits of the Fairfield Sentry's financial statements, Plaintiffs and the Class, if they had already purchased interests in the Fund, would have redeemed their interests.

287. Because PwC's negligence with respect to Plaintiffs' and the Class's assets invested

in the Fund, Plaintiffs and the Class have lost all, or substantially all, their investment in the Fund.

288. By reason of the foregoing, Plaintiffs and the Class have been damaged in an amount to be determined at trial.

COUNT XV
Negligence
(Against PwC (Bermuda))

289. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19, 80, and 85-153 above as if fully set forth herein.

290. PwC (Bermuda), having been engaged to perform procedures “directed towards obtaining an understanding of certain procedures and organization aspects of BLM for the purpose of gaining comfort thereon for the audits by several PwC offices of a number of funds having moneys managed by BLM ... [including] Fairfield Sentry Ltd. audited by PwC Rotterdam,” had a special relationship with Plaintiffs and the Class that gave rise to a duty to exercise due care.

291. Plaintiffs and the Class reasonably and foreseeably relied on PwC (Bermuda) to exercise such care as ordinarily exercised by auditors to gain an understanding of the entity with which the audit client does business.

292. PwC failed to exercise due care, and thereby injured Plaintiffs and the Class. In particular, PwC (Bermuda) failed to perform any procedures – independent of speaking to BLM – in an effort to gain an understanding of the entity, *i.e.*, BLM, (*e.g.*, AU §311.07, ISA 315) or knowledge of BLM’s business (*e.g.*, ISA 310) to be provided to PwC auditors of the Fund.

293. If PwC (Bermuda) had not been negligent, the assets in the Fund of Plaintiffs and

the Class would not have been lost to and/or invested with the sub-custodian.

294. If PwC (Bermuda) had not been negligent, Plaintiffs and the Class would not have purchased interests in the Fund.

295. If PwC (Bermuda) had not been negligent, Plaintiffs and the Class, if they had already purchased interests in the Fund, would have redeemed their interests.

296. Because PwC (Bermuda)'s negligence with respect to Plaintiffs' and the Class's assets invested in the Fund, Plaintiffs and the Class have lost all, or substantially all, their investment in the Fund.

297. By reason of the foregoing, Plaintiffs and the Class have been damaged in an amount to be determined at trial.

COUNT XVI
Negligence
(Against PwCIL and PwC (US))

298. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19, 78-164, and 277-297 above as if fully set forth herein.

299. PwC (Rotterdam) and PwC (Toronto), in the conduct of their audits of Fairfield Sentry's financial statements, and PwC (Bermuda), in the conduct of procedures "directed towards obtaining an understanding of certain procedures and organization aspects of BLM for the purpose of gaining comfort thereon for the audits by several PwC offices of a number of funds having moneys managed by BLM ... [including] Fairfield Sentry Ltd. audited by PwC Rotterdam," were performing the duties expected and provided for by PwC to its audit clients.

300. The PwC Code of Conduct acknowledges:

The PricewaterhouseCoopers network includes any entity which is authorised to carry on business under a name which includes all or part of the

PricewaterhouseCoopers name, is a direct or indirect affiliate or subsidiary of a PricewaterhouseCoopers entity or is otherwise within (or associated or connected with an entity within) or is a correspondent firm of the worldwide network of PricewaterhouseCoopers firms, where “entities” or an “entity” includes partnerships, firms, corporations or other entities wherever located.

301. PwC (Bermuda), PwC (Rotterdam) and PwC (Toronto) are member firms of PwCIL and use its trade name PwC.

302. PwC presents itself to the public as a unified entity.

(a) on its website, www.pwc.com, it discusses “Upholding the PricewaterhouseCoopers name”, and states:

- Our clients and colleagues trust PricewaterhouseCoopers based on our professional competence and integrit[y]—qualities that underpin our reputation. We uphold that reputation.

* * *

- When speaking in a forum in which audiences would reasonably expect that we are speaking as a representative of PricewaterhouseCoopers, we generally state only PricewaterhouseCoopers’ view and not our own.

(b) The PwC website, www.pwc.com, in referring to its locations, states: “No matter where you’re located, chances are there’s a PwC office near you” and lists nations worldwide where PwC maintains its offices.

(c) The PwC website, www.pwc.com, provides access to PwC’s Code of Conduct which states in part: “we also have a **Code of conduct** for all PwC people and firms.” (Bold in original.)

(d) PwC has established a Global Assurance Leader which heads the Audit and Assurance Services that PwC provides to its clients. The Global Assurance Leader, Donald McGovern, is located in New York.

303. PwCIL does not provide services to clients. Instead, “[i]ts primary activities are

to: identify broad market opportunities and develop associated strategies; strengthen PwC's internal product, skill, and knowledge networks; promote the PwC brand; and develop and work for the consistent application of common risk and quality standards by member firms, including compliance with independence processes.”

304. PwC is governed by a Global Board, Network Leadership Team, Strategy Council, and Network Executive Team.

305. The Global Board's role is “to ensure accountability, protect the PricewaterhouseCoopers International Limited network, and ensure effective governance.”

306. PwC's Network Leadership Team “sets the strategy and standards that the PwC network will follow,” and is comprised of 5 members, including the Global CEO Sam DiPiazza and Dennis Nally, the Chairman and Senior Partner of PricewaterhouseCoopers US, both of whom who maintain offices in New York.

307. PwC's Strategy Council is comprised of “the senior partners of some of the largest PwC firms, [and] agrees on strategic direction and ensures alignment in the execution of strategy.” Dennis Nally, the Chairman and Senior Partner of PwC (US) is the Chairman of PwC's Strategy Council.

308. By virtue of PwCIL's and PwC (US)'s control, directly or indirectly through the Global Board, Network Leadership Team and/or Strategy Council, and/or the imposition of the Code of Conduct, over its member firms, including PwC (Bermuda), PwC (Rotterdam) and PwC (Toronto), PwCIL and PwC (US) are liable for the negligence of PwC (Bermuda), PwC (Rotterdam) and PwC (Toronto).

COUNT XVII
Negligent Misrepresentation
(Against PwC (Rotterdam) and PwC(Toronto))

309. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19 and 81-164 above as if fully set forth herein.

310. PwC made written representations regarding Fairfield Sentry's financial statements, specifically:

(a) the statements in PwC (Rotterdam)'s audit reports for the Fairfield Sentry's financial statements for FY 2002, FY 2003, and FY 2005:

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. *We believe that our audit provides a reasonable basis for our opinion.*

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Company as at [year end] and the results of its operations and its cash flows for the year then ended *in accordance with International Financial Reporting Standards.*

[Emphasis added.]

(b) the statements in PwC (Toronto)'s audit report for the Fairfield Sentry's financial statements for FY 2006:

In our opinion, the accompanying [financial statements], present fairly, in all material respects, the financial position of Fairfield Sentry Limited (the "Company") as of December 31, 2006 and the results of its operations, the changes in its net assets attributable to holders of redeemable participating shares and its cash flow for the year then ended *in conformity with International*

Financial Reporting Standards...We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America.

[Emphasis added; bold of "Fairfield Sentry Limited" in original.]

311. PwC had a special relationship with Plaintiffs and the Class that gave rise to a duty to provide Plaintiffs and the Class with correct information.

312. PwC addressed its audit reports for FY 2003, FY 2005, and FY 2006 "to the directors and shareholders of Fairfield Sentry Limited."

313. PwC knew or should have known that Plaintiffs and the Class desired the information that it was providing was for a serious purpose – namely, for deciding whether to invest their assets in the Fund and keep their assets invested in Fund.

314. PwC provided their representations to Plaintiffs and the Class, either directly or through transmission to them by Citco Services, and the audit reports reflected the understanding that PwC's audit report on Fairfield Sentry's financial statements would be transmitted to the Class, as PwC addressed its reports to "the directors and shareholders of Fairfield Sentry Limited."

315. Plaintiffs and the Class intended to and did rely on the representations by PwC in making their investment decisions, and did reasonably and foreseeably rely on such representations when investing their assets in the Fund.

316. In violation of their duties, PwC negligently misrepresented:

- (a) its audits were conducting in conformity with either ISA or GAAS;
- (b) the financial statements of Fairfield Sentry were fairly presented and in accordance with IFRS for FY 2006; and

(c) the financial statements of Fairfield Sentry give a true and fair view of the financial position of Fairfield Sentry in accordance with IFRS, for FY 2002, FY 2003, and FY 2005.

317. These representations were false because PwC, as the Fund's auditor, did not conduct its audits in conformity with GAAS or ISA.

318. PwC made these representations negligently without due care to determine the truth of these statements.

319. On the basis of such representations, Plaintiffs and the Class invested substantial assets in the Fund, and kept the investments in the Fund due to PwC's continued misrepresentations in each of its audit reports.

320. As a result of such misrepresentations, Plaintiffs and the Class have lost all, or substantially all, of such assets.

321. By reason of the foregoing, PwC is liable to Plaintiffs and the Class.

COUNT XVIII
Negligent Misrepresentation
(Against PwCIL and PwC (US))

322. Plaintiffs repeat and reallege the allegations contained in paragraphs 1-19, 81-164, and 309-321 above as if fully set forth herein.

323. PwC (Rotterdam) and PwC (Toronto), in conducting their audits of Fairfield Sentry's financial statements, were performing the duties expected and provided for by PwC to its audit clients.

324. The PwC Code of Conduct acknowledges:

The PricewaterhouseCoopers network includes any entity which is authorised to carry on business under a name which includes all or part of the

PricewaterhouseCoopers name, is a direct or indirect affiliate or subsidiary of a PricewaterhouseCoopers entity or is otherwise within (or associated or connected with an entity within) or is a correspondent firm of the worldwide network of PricewaterhouseCoopers firms, where “entities” or an “entity” includes partnerships, firms, corporations or other entities wherever located.

325. PwC (Rotterdam) and PwC (Toronto) are member firms of PwCIL and use its trade name PwC.

326. PwC presents itself to the public as a unified entity.

(a) on its website, www.pwc.com, it discusses “Upholding the PricewaterhouseCoopers name, and states:

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* * *

- When speaking in a forum in which audiences would reasonably expect that we are speaking as a representative of PricewaterhouseCoopers, we generally state only PricewaterhouseCoopers’ view and not our own.

(b) The PwC website, www.pwc.com, in referring to its locations, states: “No matter where you’re located, chances are there’s a PwC office near you” and lists nations worldwide where PwC maintains its offices.

(c) The PwC website, www.pwc.com, provides access to PwC’s Code of Conduct which states in part: “we also have a **Code of conduct** for all PwC people and firms.” (Bold in original.)

(d) PwC has established a Global Assurance Leader which heads the Audit and Assurance Services that PwC provides to its clients. The Global Assurance Leader, Donald McGovern, is located in New York.

327. PwCIL does not provide services to clients. Instead, “[i]ts primary activities are

to: identify broad market opportunities and develop associated strategies; strengthen PwC's internal product, skill, and knowledge networks; promote the PwC brand; and develop and work for the consistent application of common risk and quality standards by member firms, including compliance with independence processes."

328. PwC is governed by a Global Board, Network Leadership Team, Strategy Council, and Network Executive Team.

329. The Global Board's role is "to ensure accountability, protect the PricewaterhouseCoopers International Limited network, and ensure effective governance."

330. PwC's Network Leadership Team "sets the strategy and standards that the PwC network will follow," and is comprised of 5 members, including the Global CEO Sam DiPiazza and Dennis Nally, the Chairman and Senior Partner of PricewaterhouseCoopers US, both of whom who maintain offices in New York.

331. PwC's Strategy Council is comprised of "the senior partners of some of the largest PwC firms, [and] agrees on strategic direction and ensures alignment in the execution of strategy." Dennis Nally, the Chairman and Senior Partner of PwC (US) is the Chairman of PwC's Strategy Council.

332. By virtue of PwCIL's and PwC (US)'s control, directly or indirectly through the Global Board, Network Leadership Team and/or Strategy Council, and/or the imposition of the Code of Conduct, over its member firms, including PwC (Rotterdam) and PwC (Toronto), PwCIL and PwC (US) are liable for the negligent misrepresentations in the audit reports that PwC (Rotterdam) and PwC (Toronto) issued using the PwC name.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a jury trial.

WHEREFORE, Plaintiffs request the following:

- (a) Certification of this class action as proper and maintainable pursuant to FED. R. CIV. P. 23(b)(3) and declaration of the proposed named Plaintiffs as proper Class representatives;
- (b) Such preliminary and permanent injunctive relief, including imposition of a constructive trust, as is appropriate to preserve the assets paid by Plaintiffs and the Class;
- (c) Compensatory, consequential, and general damages in an amount to be determined at trial;
- (d) Disgorgement and restitution of all earnings, profits, compensation and benefits received by Defendants as a result of their unlawful acts and practices;
- (e) Rescission of all contractual relationships between Plaintiffs and Defendants and a return of all principal payments made by Plaintiffs to Defendants;
- (f) Costs and disbursements of the action;
- (g) Pre- and post-judgment interest;
- (h) Reasonable attorneys' fees; and

(i) Such other and further relief as this Court may deem just and proper.

Dated: April 23, 2009

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