

Exhibit A

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**EXHIBITS TO DECLARATION  
OF PETER E. KAZANOFF**

# **EXHIBIT A**

## **Consolidated Amended Complaint**

*Anwar, et al. v. Fairfield Greenwich Limited et al.*

**1:09 Civ. 00118 (S.D.N.Y.)**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

ANWAR, *et al.*,

Plaintiffs,

-against-

FAIRFIELD GREENWICH LIMITED, *et al.*,

Defendants.

This Document Relates To: All Actions

Master File No. 09-cv-118 (VM)

Dated: April 24, 2009

CONSOLIDATED AMENDED  
COMPLAINT

JURY TRIAL DEMANDED

U.S. DISTRICT COURT  
S.D.N.Y.

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Volume I of IV  
(Complaint and Exhibits 1 - 4)

INTER-AMERICAN TRUST; ELVIRA 1950 TRUST;  
BONAIRE LIMITED; PACIFIC WEST HEALTH  
MEDICAL CENTER INC. EMPLOYEES RETIREMENT  
TRUST; LOANA, LTD; WALL STREET SECURITIES,  
S.A.; BANCO GENERAL S.A.; HARVEST DAWN  
INTERNATIONAL INC.; EL PRADO TRADING;  
OMAWA INVESTMENT CORPORATION; CARMEL  
VENTURES LTD.; TRACONCORP; HAREL  
INSURANCE INVESTMENTS AND FINANCIAL  
SERVICES LTD.; BLYTHEL ASSOCIATED CORP.;  
MARREKESH RESOURCES; SECURITIES &  
INVESTMENT COMPANY (SICO) BAHRAIN;  
CENTRO INSPECTION AGENCY; KALANDAR  
INTERNATIONAL; LANDVILLE CAPITAL  
MANAGEMENT S.A.; 20/20 INVESTMENTS; CARLOS  
GAUCH; ALEXANDER RICHARDSON; PAOLO  
PAOLONI REMIA; ENRIQUE DESCAMPS; EMERSON  
SANCHEZ; ALEJANDRO LOPEZ DE HARO; PETER  
ANTHONY BAINES; JANINE LANNELONGUE;  
KERRY PIESCH; HECTOR CASTRO; AXA PRIVATE  
MANAGEMENT; ST. STEPHEN'S SCHOOL;  
DIVERSIFIED INCOME ASSOCIATES CLASS A  
UNITS; MARTIN AND SHIRLEY BACH FAMILY  
TRUST; ABR CAPITAL FIXED OPTION/INCOME  
STRATEGIC FUND LP; PASHA S. ANWAR; JULIA  
ANWAR; LARRY CENTRO; and NATALIA HATGIS,  
on behalf of themselves and all others similarly situated,

Plaintiffs,

-against-

BERNARD L. MADOFF; FAIRFIELD GREENWICH  
GROUP; FAIRFIELD GREENWICH LIMITED;  
FAIRFIELD GREENWICH (BERMUDA) LTD.;  
FAIRFIELD GREENWICH ADVISORS LLC;  
FAIRFIELD RISK SERVICES LTD; FAIRFIELD  
HEATHCLIFF CAPITAL LLC; FAIRFIELD  
GREENWICH (UK) LIMITED; LION FAIRFIELD  
CAPITAL MANAGEMENT LTD; WALTER M. NOEL,  
JR.; JEFFREY TUCKER; ANDRES PIEDRAHITA;  
AMIT VIJAYVERGIYA; YANKO DELLA SCHIAVA;  
PHILIP TOUB; LOURDES BARRENECHE;

[caption continues on next page]

CORNELIS BOELE; VIANNEY D'HENDECOURT;  
JACQUELINE HARARY; DAVID HORN; RICHARD  
LANDSBERGER; DANIEL LIPTON; MARK  
MCKEEFRY; MARIA TERESA PULIDO MENDOZA;  
SANTIAGO REYES; ANDREW SMITH; JULIA  
LUONGO; CHARLES MURPHY; HAROLD  
GREISMAN; CORINA NOEL PIEDRAHITA; ROBERT  
BLUM; JAN R. NAESS; PETER P. SCHMID; BRIAN  
FRANCOUER; IAN PILGRIM; CITCO BANK  
NEDERLAND, N.V. DUBLIN BRANCH; CITCO  
GLOBAL CUSTODY N.V.; CITCO FUND SERVICES  
(EUROPE) B.V.; CITCO FUND SERVICES  
(BERMUDA) LIMITED; CITCO (CANADA) INC.; and  
GLOBEOP FINANCIAL SERVICES, LLC;

Defendants.

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## GLOSSARY OF DEFINED TERMS

<u>Defined Term</u>	<u>Definition</u>
AICPA.....	American Institute of Certified Public Accountants
Barreneche.....	Defendant Lourdes Barreneche
BLM or BMIS .....	Bernard L. Madoff Investment Securities, Inc.
Blum .....	Defendant Robert Blum
Boele.....	Defendant Cornelis Boele
BVI.....	Territory of the British Virgin Islands
CFSB.....	Defendant Citco Fund Services (Bermuda) Limited
Citco Bank.....	Defendant Citco Bank Nederland, N.V., Dublin Branch
Citco Canada .....	Defendant Citco (Canada) Inc.
Citco Defendants.....	Defendants CFSB, Citco Bank, Citco Canada, Citco Fund Services, Citco Global,
Citco Fund Services .....	Defendant Citco Fund Services (Europe) B.V.
Citco Global .....	Defendant Citco Global Custody N.V.
Class .....	All shareholders in Fairfield Sentry, Fairfield Sigma, Greenwich Sentry, L.P., and Greenwich Sentry Partners, L.P., as of December 10, 2008

<b><u>Defined Term</u></b>	<b><u>Definition</u></b>
COM.....	Confidential Offering Memoranda/Memorandum
Corina Piedrahita.....	Defendant Corina Noel Piedrahita
Della Schiava.....	Defendant Yanko Della Schiava
d’Hendecourt.....	Defendant Vianney d’Hendecourt
FΣ PPM .....	Fairfield Sigma December 1, 2008 PPM
F&H.....	Friehling & Horowitz
Fairfield Defendants.....	FGG, FGL, FGBL, FGA, FRS, FHC, FGL UK, LFCM, Noel, Tucker, Piedrahita, Vijayvergiya, Lipton, McKeefry, Horn, Landsberger, Pulido Mendoza, Smith, Murphy, and Blum
Fairfield Fee Claim Defendants.....	Della Schiava, Toub, Barrenche, Boele, Brown, d’Hendencourt, Harary, Reyes, Luongo, Greisman and Corina Piedrahita
Fairfield Fraud Claim Defendants.....	FGG, FGL, FGBL, FGA, FRS, Noel, Tucker, Piedrahita, Vijayvergiya, Lipton and McKeefry
Fairfield Sentry.....	Fairfield Sentry Limited
Fairfield Sigma.....	Fairfield Sigma Limited
FGA.....	Defendant Fairfield Greenwich Advisors LLC
FGBL.....	Defendant Fairfield Greenwich (Bermuda) Ltd.

<b><u>Defined Term</u></b>	<b><u>Definition</u></b>
FGG.....	Defendant Fairfield Greenwich Group
FGG Partners.....	All FGG entities, including FGBL, FGL, and FGA, and its individual partners including Defendants Noel, Tucker, and Piedrahita, the individual Fairfield Defendants and Fairfield Fee-Sharing Defendants
FGL .....	Defendant Fairfield Greenwich Limited
FGL UK.....	Defendant Fairfield Greenwich (UK) Limited
FHC .....	Defendant Fairfield Heathcliff Capital LLC
Francoeur.....	Defendant Brian Francoeur (Director of FGBL)
FRS.....	Defendant Fairfield Risk Services Ltd.
FS PPM-10/1/04.....	Fairfield Sentry October 1, 2004 Private Placement Memorandum
FS PPM-7/1/03.....	Fairfield Sentry July 1, 2003 Private Placement Memorandum
FS PPM-8/14/06.....	Fairfield Sentry PPM, dated August 14, 2006
Funds .....	Fairfield Sentry Limited, Fairfield Sigma Limited, Greenwich Sentry, L.P., Greenwich Sentry Partners, L.P.
GlobeOp .....	Defendant GlobeOp Financial Services, LLC

<b><u>Defined Term</u></b>	<b><u>Definition</u></b>
Greenwich Sentry.....	Greenwich Sentry, L.P.
Greenwich Sentry Partners.....	Greenwich Sentry Partners, L.P.
Greisman .....	Defendant Harold Greisman
GS COM- 5/2006 .....	Greenwich Sentry May 2006 Confidential Offering Memorandum
GS COM- 8/2006 .....	Greenwich Sentry August 2006 Confidential Offering Memorandum
GS COM-1994 .....	Greenwich Sentry 1994 Confidential Offering Memorandum
GSP.....	Greenwich Sentry Partners, L.P.
GSP COM-8/2006.....	Greenwich Sentry Partners August 2006 Confidential Offering Memorandum
Harary .....	Defendant Jacqueline Harary
Horn.....	Defendant David Horn
Landsberger.....	Defendant Richard Landsberger
LFCM.....	Defendant Lion Fairfield Capital Management Ltd.
Lipton .....	Defendant Daniel E. Lipton
Luongo .....	Defendant Julia Luongo
Madoff.....	Defendant Bernard L. Madoff
McKeefry .....	Defendant Mark McKeefry

<b><u>Defined Term</u></b>	<b><u>Definition</u></b>
Murphy.....	Defendant Charles Murphy
Naess .....	Defendant Jan R. Naess (Director Fairfield Sentry, Fairfield Sigma)
NASD.....	National Association of Securities Dealers
NAV .....	Net Asset Value
NNI.....	Northern Navigation International Limited
Noel.....	Defendant Walter M. Noel, Jr.
Piedrahita.....	Defendant Andres Piedrahita
Pilgrim.....	Defendant Ian Pilgrim (former director FGBL)
PPM.....	Private Placement Memoranda/ Memorandum
Pulido Mendoza.....	Defendant Maria Teresa Pulido Mendoza
Pwc .....	Price Waterhouse Coopers
Reyes .....	Defendant Santiago Reyes
Schmid.....	Defendant Peter P. Schmid (Director Fairfield Sentry, Fairfield Sigma)
SIPC.....	Securities Investor Protection Corporation
Smith .....	Defendant Andrew Smith
SSC.....	Split-strike conversion/Split-strike conversion strategy

**Defined Term**

**Definition**

Toub..... Defendant Philip Toub

Tucker..... Defendant Jeffrey H. Tucker

Vijayvergiya..... Defendant Amit Vijayvergiya

## **INDEX OF EXHIBITS**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
1	August 14, 2006 - Fairfield Sentry Private Placement Memorandum
2	December 1, 2008 - Fairfield Sigma Private Placement Memorandum
3	August 2006 - Greenwich Sentry Confidential Offering Memorandum
4	August 2006 - Greenwich Sentry Partners Confidential Offering Memorandum
5	September 2008 - Brochure: "Fairfield Greenwich Group – the Firm and Its Capabilities"
6	July 1, 2003 - Fairfield Sentry Private Placement Memorandum
7	October 1, 2004 - Fairfield Sentry Private Placement Memorandum
8	May 2006 - Greenwich Sentry Confidential Offering Memorandum
9	1994 - Greenwich Sentry Confidential Offering Memorandum
10	October 2008 - Fairfield Sentry Limited, Update
11	April 2008 - Fairfield Greenwich Group, Due Diligence and Risk Monitoring
12	April 2006 - Fairfield Greenwich Group, Investment Process and Risk Management Overview



<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
13	May 2006 - Fairfield Greenwich Group: Fairfield Sentry Limited Presentation
14	December 2008 - Fairfield Sentry Limited Standardized Responses
15	October 2007 - Fairfield Sentry Limited Due Diligence Questionnaire
16	October 2008 - Fairfield Greenwich Group: Fairfield Sentry Limited Presentation
17	October 2, 2008 BLM Operational Due Diligence
18	Fairfield Sentry Directors' Report and Financial Statements for the year ended December 31, 2003
19	Fairfield Sentry Directors' Report and Financial Statements for the year ended December 31, 2005
20	Fairfield Sentry Directors' Report and Financial Statements for the years ended December 31, 2007 and 2006
21	Fairfield Sentry Directors' Report and Financial Statements for the period January 1, 2008 to June 30, 2008
22	Investment Management Agreement between Fairfield Sentry Limited and Fairfield Greenwich (Bermuda) Limited dated October 1, 2004
23	Fairfield Sigma Limited Financial Statements for the years ended December 31, 2007 and 2006
24	Greenwich Sentry, L.P., Financial Statements for the years ended December 31, 2007 and 2006

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
25	Administration Agreement between Fairfield Sentry Limited and Citco Fund Services (Europe) B.V. dated February 20, 2003
26	Custodian Agreement between Fairfield Sentry Limited, Citco Bank Nederland N.V. Dublin Branch, and Citco Global Custody N.V. dated July 3, 2006

Plaintiffs, through undersigned Co-Lead Interim Counsel, pursuant to the Case Management Order, hereby sue Defendants, upon personal knowledge as to matters relating to themselves and upon information obtained during the course of their attorneys' investigation and upon information and belief as to all other matters, and allege as follows:

### **NATURE OF THE ACTION**

1. This suit arises out of the largest and longest running "Ponzi scheme" in history – a fraud orchestrated by Bernard Madoff, and facilitated by the reckless, grossly negligent, and fraudulent conduct of others, that cost investors many billions of dollars. This class action seeks recovery on behalf of investors in the largest group of so-called "feeder funds" into Madoff's fraudulent operations, the funds marketed and operated by the Fairfield Greenwich Group ("FGG"), which channeled over \$7 billion to Madoff.

2. Plaintiffs and class members in this action are all shareholders and/or equity holders in the four FGG/Madoff feeder funds – Fairfield Sentry Limited, Fairfield Sigma Limited, Greenwich Sentry, L.P., and Greenwich Sentry Partners, L.P. (collectively, the "Funds" or "Fairfield Funds"). They bring this class action on behalf of all shareholders and/or equity holders in those funds as of December 11, 2008, the date when Madoff's fraud was revealed.

3. The Defendants in this action – who solicited Plaintiffs’ investments, oversaw and controlled these investments that were then funneled into Madoff’s hands, reported account values to investors, and purportedly investigated and monitored Madoff – are all responsible for Plaintiffs’ massive losses. Defendants directly owed duties to Plaintiffs, including fiduciary duties, to conduct due diligence and provide accurate and complete information to Plaintiffs about their investments in the Funds, both before and after the initial investment; to exercise care with Plaintiffs’ investments, and to monitor Madoff and others who Defendants chose to carry out the Funds’ investment strategy and safeguard their investors’ assets. The loss of Plaintiffs’ assets in the Madoff Ponzi scheme is a direct and proximate result of Defendants’ false representations and failure to fulfill their duties to Plaintiffs.

4. Moreover, certain of the Defendants wrongfully collected hundreds of millions of dollars in unearned fees based on the fictitious assets supposedly managed by, and profits supposedly generated by, Madoff for FGG’s investors. These fees were wrongly paid out of the Funds, as a result of false representations and breaches of fiduciary duties owed by Defendants. The fees must be returned to Plaintiffs, and a constructive trust imposed on those funds and against those who hold them.

## JURISDICTION AND VENUE

5. This Court has jurisdiction over this dispute pursuant to the Class Action Fairness Act of 2005, codified at 28 U.S.C. § 1332(d)(2)(B). The amount in controversy exceeds \$5,000,000. Plaintiffs' class consists of more than 100 individuals; at least one Plaintiff is a citizen of a foreign state and one Defendant is a citizen of New York.

6. Venue is proper in this District pursuant to 28 U.S.C. § 1391(a)(3), as one or more of the Defendants resides in this District and the principal place of business of one or more Defendants is in this District.

## PARTIES

7. Due to the activities alleged herein, the Plaintiffs identified below have lost all, or substantially all, of their investments in the Funds as of December 11, 2008, and also have paid substantial investment, placement, management, and performance fees that were wrongfully imposed based on fraudulent investment returns.

### A. Plaintiffs

#### 1. Fairfield Sentry Limited Investors

8. Plaintiff **Inter-American Trust** is a Cayman Islands settlor-directed trust that invested assets in Fairfield Sentry Limited beginning October 8, 2002.

9. Plaintiff **Elvira 1950 Trust** is a Cayman Islands settlor-directed trust that invested assets in Fairfield Sentry Limited beginning March 6, 2002.

10. Plaintiff **Bonaire Limited** is a Cayman Islands private investment holdings company that invested assets in Fairfield Sentry Limited beginning May 5, 2006.

11. Plaintiff **Pacific West Health Medical Center Inc. Employees Retirement Trust** is located in Los Angeles, California, and invested its assets in Fairfield Sentry Limited in approximately January 2008.

12. Plaintiff **Loana Ltd.** is a Cayman Islands settlor-directed trust that invested assets in Fairfield Sentry Limited beginning January 12, 2000.

13. Plaintiff **Wall Street Securities, S.A.**, is a Panamanian corporation that invested assets in Fairfield Sentry Limited beginning April 1, 2000.

14. Plaintiff **Banco General S.A.** is a Panamanian institution that invested assets in Fairfield Sentry beginning September 26, 2002.

15. Plaintiff **Harvest Dawn International Inc.** is a Panamanian corporation that invested assets in Fairfield Sentry Limited in approximately 2007.

16. Plaintiff **El Prado Trading** is a British Virgin Islands company that invested assets in Fairfield Sentry Limited beginning August 28, 2006.

17. Plaintiff **Omawa Investment Corporation** is a Panamanian company that invested assets in Fairfield Sentry Limited beginning May 25, 2005.

18. Plaintiff **Carmel Ventures Ltd.** is a British Virgin Islands corporation that invested assets in Fairfield Sentry Limited on September 14, 2005.

19. Plaintiff **Traconcorp** is a Panamanian corporation that invested assets in Fairfield Sentry Limited in approximately 2000.

20. Plaintiff **Harel Insurance Investments and Financial Services Ltd.** is an Israeli company that invested assets in Fairfield Sentry Limited in approximately September 2003.

21. Plaintiff **Blythel Associated Corp.** is a Panamanian corporation that invested in Fairfield Sentry Limited beginning October 1, 2004.

22. Plaintiff **Marrekesh Resources** is a Panamanian company that invested assets in Fairfield Sentry Limited beginning November 1, 2006.

23. Plaintiff **Securities & Investment Company (SICO) Bahrain** is a Bahraini institution that invested assets in Fairfield Sentry Limited in approximately June 2002.

24. Plaintiff **Centro Inspection Agency** is a New Jersey Defined Benefit Plan that invested assets in Fairfield Sentry Limited beginning September 12, 2006.

25. Plaintiff **Kalandar International** is British Virgin Islands company that invested assets in Fairfield Sentry Limited beginning August 26, 2008.

26. Plaintiff **Landville Capital Management S.A.** is a Panamanian corporation that invested assets in Fairfield Sentry Limited beginning October 27, 2006.

27. Plaintiff **20/20 Investments** is a Panamanian company which invested assets in Fairfield Sentry Limited beginning November 27, 2002.

28. Plaintiff **Carlos Gauch** is an individual residing in Mexico who invested assets in Fairfield Sentry Limited beginning June 27, 2005.

29. Plaintiff **Alexander Richardson** is an individual residing in Bahrain who invested assets in Fairfield Sentry Limited in approximately September 2000.

30. Plaintiff **Paolo Paoloni Remia** is an individual residing in Mexico who invested assets in Fairfield Sentry Limited in approximately June 2005.

31. Plaintiff **Enrique Descamps** is an individual residing in Guatemala who invested assets in Fairfield Sentry Limited beginning October 23, 2006.

32. Plaintiff **Emerson Sanchez** is an individual residing in Brazil who invested assets in Fairfield Sentry Limited beginning March 1, 2007.

33. Plaintiff **Alejandro López de Haro** is an individual residing in Spain who invested assets in Fairfield Sentry Limited beginning August 18, 2005.

34. Plaintiff **Peter Anthony Baines** is an individual residing in Brazil who invested assets in Fairfield Sentry Limited beginning April 4, 2008.



35. Plaintiff **Janine Lannelongue** is an individual residing in Mexico who invested assets in Fairfield Sentry Limited beginning August 1, 1997.

36. Plaintiff **Kerry Piesch** is an individual and citizen of Australia who invested assets in Fairfield Sentry Limited in approximately March 1999.

37. Plaintiff **Hector Castro** is an individual residing in Argentina who invested assets in Fairfield Sentry Limited in approximately July 2001.

2. Fairfield Sigma Limited Investors

38. Plaintiff **AXA Private Management** is a Belgian institution that invested assets in Fairfield Sigma beginning July 1, 2005.

39. Plaintiff **St. Stephen's School** is a co-educational, non-denominational boarding and day school located in Rome, Italy, that invested assets in Fairfield Sigma beginning in approximately December 2005.

3. Greenwich Sentry, L.P. Investors

40. Plaintiff **Diversified Investments Associates Class A Units** is a New York company that invested assets in Greenwich Sentry, L.P. beginning March 15, 2000.

41. Plaintiff **Martin and Shirley Bach Family Trust** is an Arizona family trust that invested assets in Greenwich Sentry, L.P., beginning February 15, 2002.

42. Plaintiff **ABR Capital Fixed Option/Income Strategic Fund LP** is a fund incorporated under the laws of Delaware that invested assets in Greenwich Sentry, L.P., beginning February 1, 2008.

43. Plaintiff **Pasha S. Anwar** is an individual residing in Illinois who has an equity interest in Greenwich Sentry, L.P., which was purchased in approximately May 2007. Plaintiff Pasha S. Anwar previously owned an equity interest in Fairfield Sentry Limited.

44. Plaintiff **Julia Anwar** is an individual residing in Illinois who has an equity interest in Greenwich Sentry, L.P., which was purchased in approximately May 2007.

45. Plaintiff **Larry Centro** is an individual residing in New Jersey who invested assets in Greenwich Sentry, L.P., beginning August 1, 2006.

4. Greenwich Sentry Partners, L.P. Investor

46. Plaintiff **Natalia Hatgis** is an individual residing in New York who invested assets in Greenwich Sentry Partners, L.P., beginning December 1, 2006.

**B. Defendants**

47. Defendant **Bernard Madoff** ("Madoff") directed and orchestrated the fraudulent activities of Bernard Madoff Investment Securities, Inc. ("BMIS").

Madoff is a resident of New York City. He is now incarcerated in the

Metropolitan Correctional Center following his guilty plea to multiple counts of fraud and other crimes.

48. Defendants **Jan R. Naess and Peter P. Schmid** (“Naess” and “Schmid”) are directors of Fairfield Sentry and Fairfield Sigma. As members of Fairfield Sentry’s Board of Directors, Naess and Schmid have overall management responsibility for that Fund, including establishing investment, dividend and distribution policy. They also have the authority to select and replace Fairfield Sentry’s investment managers, administrator, registrar and transfer agent, custodian, sub-custodians and officers of Fairfield Sentry and other persons or entities with management or administrative responsibilities to Fairfield Sentry. The Fairfield Sigma board had similar responsibilities for that Fund.

49. According to the Fairfield Sentry Private Placement Memorandum (“FS PPM”) of August 14, 2006, Naess is a Vice President of Northern Navigation International Limited (“NNI”), a Liberian corporation, which is in the business of investing in and managing shipping assets. Although undisclosed in the PPM, Naess and NNI have a significant business relationship with FGG. According to information available on its website, the NFC Shipping Funds is a joint venture of DVB Bank AG, a leading transportation bank and NNI (<http://www.nfcshipping.com>). The website also states that “Jan Naess is currently a Director of Northern Navigation International Ltd., which comprises various

equity funds managed by the Fairfield Greenwich Group” (<http://www.Nfcshipping.com/board.html>). According to that same PPM, Peter R. Schmid has been an independent investment adviser since April 1986. Even after the Madoff fraud was revealed, Naess and Schmid have failed to take action to recover lost assets, including the fees paid to the other defendants herein.

50. Defendant **Brian Francoeur** is a director of Defendant Fairfield Greenwich (Bermuda) Limited (“FGBL”). Mr. Francoeur joined Citco Fund Services (Bermuda) Limited (“CFSB”) in 2001 and served as of August 2006 as its Managing Director. (Ex. 1, FS PPM- 8/14/2006, at 8.) Francoeur served as a director of FGBL as part of his duties and responsibilities as an employee and officer of CSFB.

51. Defendant **Ian Pilgrim** was a director of FGBL from 2003 to 2005. Pilgrim was an employee of CFSB, which he joined in 2001.

1. Fairfield Defendants

52. Defendant **Fairfield Greenwich Group** (“FGG”) is a de facto partnership or partnership by estoppel. FGG’s partners include the other Fairfield entities and individual persons, as set forth below. The FGG partners intended to act as partners, held themselves out to Plaintiffs and other investors as partners, and conducted business under the name Fairfield Greenwich Group without regard to corporate structure and formalities. (See *infra* ¶¶ 103-106.)

53. Defendant **Fairfield Greenwich Limited** (“FGL”), a company incorporated under the laws of the Cayman Islands, is a member of the National Futures Association, and is registered with the Commodity Futures Trading Commission as a commodity pool operator. FGL is the Placement Agent for Fairfield Sentry and Fairfield Sigma, and oversees the marketing of Fairfield Sentry’s shares. Prior to 2003, FGL also served as the Investment Manager of Fairfield Sentry. FGL was also the General Partner of Greenwich Sentry, L.P., from July 2003 to February 2006.

54. Defendant **Fairfield Greenwich (Bermuda) Ltd.** (“FGBL”) is an SEC-registered, exempted corporation organized under the laws of Bermuda on June 13, 2003. FGBL is a wholly-owned subsidiary of FGL and was marketed as a member of FGG. FGBL is registered with the SEC as an investment advisor under the Investment Advisers Act of 1940, as amended, effective April 20, 2006.

55. FGBL is the Investment Manager for Fairfield Sentry and the Investment Manager and Investment Advisor for Fairfield Sigma. As Investment Manager for Fairfield Sentry and Fairfield Sigma, FGBL exercised broad discretion in the management of the Funds’ investment activities, the selection and monitoring of the Funds’ investments, and maintaining the relationship between the Funds and their respective custodians, sub-custodians, administrators, registrars and transfer agents. FGBL was responsible for reviewing and approving the

parameters and operating guidelines of the purported split-strike conversion strategy, conducting investment oversight, evaluating market risk and monitoring investment compliance to the guidelines. In addition, the finance group of FGBL was responsible for reviewing and verifying the monthly NAV calculated by Defendant Citco Fund Services.

56. FGBL is also the General Partner of Greenwich Sentry, L.P., and has held that role since March 1, 2006, and the General Partner of Greenwich Sentry Partners, L.P., since the Fund's organization on April 11, 2006. FGBL also serves on FGG's Risk Management team.

57. Defendant **Fairfield Greenwich Advisors LLC** ("FGA") is a Delaware limited liability company, incorporated on December 12, 2001. FGA was held out as a member of FGG. FGA assists FGBL with its fund manager selection and due diligence process, and provides Fairfield Sentry, Fairfield Sigma, Greenwich Sentry, L.P., and Greenwich Sentry Partners, L.P., with administrative services and back-office support. FGA also provides Fairfield Sigma with investment advisory services.

58. Defendant **Fairfield Risk Services Ltd.** ("FRS") is incorporated under the laws of Bermuda. It is a wholly owned subsidiary of FGL and shares office space with FGBL in Hamilton, Bermuda. FRS was held out and marketed as a member of FGG. Along with FGBL, FRS serves on FGG's Risk Management

team. FRS is responsible for analyzing and monitoring FGG's hedge fund managers, monitoring market risk, analyzing asset allocation decisions, creating and disseminating fund-specific risk reports, and maintaining a risk infrastructure to support these activities.

59. Defendant **Fairfield Heathcliff Capital LLC** ("FHC") is incorporated under the laws of Delaware, is registered as a foreign corporation in New York, is registered with the SEC as a broker-dealer, and is a member of the Financial Industry Regulatory Authority. It is a wholly-owned subsidiary of FGL and an affiliate of FGBL. FHC served as the U.S. placement agent for the FGG funds. FHC also provided investment advisory services for Fairfield Sigma's securities offerings in the United States. FHC is a broker-dealer and member of the National Association of Securities Dealers ("NASD") and the Securities Investor Protection Corporation ("SIPC"). FHC maintains offices at 55 East 52nd Street, New York, New York and transacted business relating to Fairfield Sigma in New York.

60. Defendant **Fairfield Greenwich (UK) Limited** ("FGL UK"), a wholly-owned subsidiary of FGL, is a private limited company incorporated under the United Kingdom Companies Act of 1985. FGL UK is authorized and regulated by the Financial Services Authority. FGL UK provides investment advisory services for Fairfield Sigma's securities offerings in Europe. FGL UK maintains

its principal place of business in London, England, United Kingdom, and is listed on the Luxembourg Stock Exchange.

61. Defendant **Lion Fairfield Capital Management Ltd.** (“LFCM”) is, upon information and belief, incorporated under the laws of the Republic of Singapore. LFCM is the hedge fund management and client-servicing platform in Asia for FGG. LFCM was created by a joint venture between FGG and Lion Capital Management Limited (formerly Straits Lion Asset Management Limited) in 2004. FGG owns 35% of LFCM, and Lion Capital Management Limited owns the remaining 65%. LFCM holds a capital markets services license issued by the Monetary Authority of Singapore under the provisions of the Securities and Futures Act. Lion Capital Management is one of the largest asset management companies in Southeast Asia, and maintains offices in Singapore. Upon information and belief, LFCM sold shares of Fairfield Sentry. LFCM was formerly known as Fairfield Straits Lion Asset Management Limited.

62. Defendant **Walter M. Noel, Jr.** (“Noel”) is an American citizen and maintains residences in Connecticut and New York. Noel is a Founding Partner of FGG, which he established in 1983. Since founding FGG, Noel has been a director or general partner of a variety of its funds, including Fairfield Sentry and Fairfield Sigma, and continues to oversee all of FGG’s activities. As a founding partner and senior officer of FGG, Noel was compensated with placement, management and



performance fees derived from the Funds' investments with Madoff. Mr. Noel received a Bachelor of Arts from Vanderbilt University in 1952, a Master of Arts in Economics from Harvard in 1953, and an LL.B. from Harvard Law School in 1959.

63. Defendant **Jeffrey H. Tucker** ("Tucker") is an American citizen and is a resident of New York. Tucker is a Founding Partner of FGG. In 1989, Tucker introduced the Madoff relationship to FGG. FGG's relationship with Madoff later became the basis for Fairfield Sentry. At all relevant times, Tucker oversaw the business and operational activities of several FGG management companies and funds. As of July 2006, Tucker was one of four individuals who could authorize movement of cash into and out of the investment accounts the Funds maintained at BMIS. As a founding partner and senior officer of FGG, Tucker was compensated with placement, management and performance fees derived from the Funds' investments with Madoff. Mr. Tucker received a B.A. from Syracuse University in 1966 and a J.D. from Brooklyn Law School in 1969.

64. Defendant **Andres Piedrahita** ("Piedrahita") is one of defendant Noel's sons-in-law. He is a Colombian citizen and a resident of London, England, Madrid, Spain, and New York, New York. Piedrahita is a Founding Partner of FGG, and is Director and President of FGBL, the Investment Manager of Fairfield Sentry and Fairfield Sigma, and the General Partner of Greenwich Sentry and

Greenwich Sentry Partners. As of July 2006, he was one of four individuals who could authorize movement of cash into and out of the investment accounts that the Funds maintained at BMIS. Piedrahita has overall management responsibility over FGG and is directly involved in its decision-making. As a founding partner and senior officer of FGG, Piedrahita was compensated with placement, management and performance fees derived from the Funds' investments with Madoff. Mr. Piedrahita holds a Bachelor's degree from Boston University.

65. Defendant **Amit Vijayvergiya** ("Vijayvergiya") is a partner in FGG and serves as the firm's Chief Risk Officer and President of FGBL. He has been employed by FGBL since 2003, and focuses on manager selection and risk management for Greenwich Sentry. Vijayvergiya had direct responsibility for monitoring and assessing the past and ongoing performance of the Funds' assets entrusted to Madoff. As of July 2006, Vijayvergiya was one of four individuals who could authorize movement of cash into and out of the investment accounts that the Funds maintained at BMIS. Vijayvergiya resides in New York City, and also works in FGG's Bermuda office. Mr. Vijayvergiya holds an M.B.A. from Schulich School of Business at York University, a B.S. in Statistics from the University of Manitoba, and a B.A. in Economics from the University of Western Ontario; he is a Chartered Financial Analyst and has a Financial Risk Manager certification. As a partner and senior officer of FGG, Vijayvergiya was

compensated with placement, management, and performance fees derived from the Funds' investments with Madoff.

66. Defendant **Yanko Della Schiava** ("Della Schiava") is one of defendant Noel's sons-in-law. According to published reports, Della Schiava helped raise funds for Fairfield in southern Europe from bases in Milan and Lugano. As a partner and senior officer of FGG, Della Schiava was compensated with placement, management, and performance fees derived from the Funds' investments with Madoff.

67. Defendant **Philip Toub** ("Toub") is one of defendant Noel's sons-in-law. Toub was identified in FGG's marketing brochures as a partner in the Client Group at FGG. Toub is also a member of FGG's Executive Committee. Toub marketed FGG's funds in Brazil and the Middle East. As a partner and senior officer of FGG, Toub was compensated with placement, management, and performance fees derived from the Funds' investments with Madoff. Toub is based in New York. Toub holds a B.A. from Middlebury College.

68. Defendant **Lourdes Barreneche** ("Barreneche") is a partner in the Client Group at FGG. Barreneche was described in FGG's marketing materials as an international sales specialist with more than 15 years of experience in the investment management business. Barreneche coordinated FGG's sales efforts and played a leading role in developing FGG's practices for marketing and business

development of FGG funds to offshore clients in Latin America, Europe and the Far East. Barreneche also played an important role in supporting FGG's relationships with non-profit organizations. Barreneche holds FINRA Series 7 and 63 licenses, and is based in FGG's New York office. As a partner and senior officer of FGG, Barreneche was compensated with placement, management, and performance fees derived from the Funds' investments with Madoff. Ms. Barreneche received a Master's degree in Politics and Economics from New York University.

69. Defendant **Cornelis Boele** ("Boele") is a partner in the Client Group within FGG. Boele oversaw the marketing efforts of the offshore funds of FGG in the Benelux region and markets throughout Europe. FGG's marketing materials describe Boele as having over 15 years of marketing experience in the investment management business. Boele holds a B.A. from Clark University, as well as FINRA Series 7 and 63 licenses, and is based in FGG's New York office. As a partner and senior officer of FGG, Boele was compensated with placement, management, and performance fees derived from the Funds' investments with Madoff.

70. Defendant **Vianney d'Hendecourt** ("d'Hendecourt") is a partner in FGG. FGG's marketing materials describe d'Hendecourt as a partner who "markets FGG's offshore funds throughout Europe," including France, Belgium,

and Luxembourg. D'Hendecourt has over 19 years experience in capital markets and holds a Bachelor of Business Administration degree from European University in Antwerp (Belgium). D'Hendecourt is based in FGG's London office. As a partner and senior officer of FGG, D'Hendecourt was compensated with placement, management and performance fees derived from the Funds' investments with Madoff.

71. Defendant **Jacqueline Harary** ("Harary") is a partner in the Client Group at FGG. Based in FGG's New York office, Harary marketed FGG funds worldwide, with a focus on Latin America. Her role combined sales responsibilities with manager selection/product development projects. Ms. Harary holds a B.A. from Oglethorpe University, and FINRA Series 7 and 63 licenses. Harary was compensated as a partner in FGG and was paid portions of the placement, management and performance fees derived from the Funds' investments with Madoff.

72. Defendant **David Horn** ("Horn") was a partner in FGG, based in the New York office. FGG's marketing materials described Horn as a Partner and Chief Global Strategist who served on the firm's Board of Directors. Horn holds a B.A. from Stanford University and a J.D. with honors from Kent College of Law, Chicago, and has extensive financial experience and sophistication in attracting potential investors for FGG's investment funds. He was founder CEO of Grey

Home Partners, a \$4.4 billion hedge fund that was acquired by Morgan Stanley in 1999. Therefore, Horn was a managing director who headed global private client marketing at Morgan Stanley. As a partner and senior officer of FGG, Horn was compensated with placement, management and performance fees from the Funds' investments with Madoff. Horn holds FINRA Series 7, 63, and 65 licenses and is based in FGG's New York office.

73. Defendant **Richard Landsberger** ("Landsberger") is a partner in FGG's Client Group and a member of its Executive Committee. Having joined FGG in 2001, Landsberger was responsible for business development in Europe and Asia and directly marketed products to a global institutional client base. With over 20 years of experience in capital markets, Landsberger was Managing Director of Fixed Income Sales at PaineWebber and Citicorp Securities. As a partner and senior officer of FGG, Landsberger was compensated with placement, management, and performance fees derived from the Funds' investments with Madoff. Landsberger is based in FGG's London office. Landsberger received a B.A. from Boston University and M.B.A. from Cornell University.

74. Defendant **Daniel E. Lipton** ("Lipton") is FGG's Chief Financial Officer and a partner in the Operations Group. As of July 2006, Lipton was one of four individuals who could authorize movement of cash into and out of the Funds' accounts that FGG maintained at BMIS. Lipton received a B.A. in Economics

from Tufts University and M.B.A. dual degrees in Accounting and Finance from New York University's Stern School of Business; he is a Certified Public Accountant. Lipton spent nine years at Ernst & Young as a Senior Manager, with responsibility for auditing and consulting engagements, specializing in alternative assets, private equity, venture capital, and domestic and offshore funds. As a partner and senior officer of FGG, Lipton was compensated with placement, management and performance fees derived from the Funds' investments with Madoff. Lipton is based in FGG's New York office.

75. Defendant **Mark McKeefry** ("McKeefry") is FGG's Chief Operating Officer and General Counsel and a partner in the Operations Group. He holds FINRA Series 7, 24, 63, and 65 licenses and is admitted to the bars of California and New York. Prior to joining FGG's New York office in 2003, McKeefry spent eight years in private law practice advising broker-dealers and investment advisors on regulatory and compliance matters related to onshore and offshore funds and is also the author of several articles on hedge fund compliance issues and investment advisor trading practices. As a partner and senior officer of FGG, McKeefry was paid placement, management and performance fees derived from the Funds' investments with Madoff. McKeefry holds a B.S. from Carnegie Mellon University and a J.D. from Fordham University, where he was a member of the Law Review.

76. Defendant **Maria Teresa Pulido Mendoza** (“Pulido Mendoza”) is a partner in FGG. Pulido Mendoza is FGG’s Head of Global Sales, with responsibility for managing FGG’s global sales force and developing new markets. FGG’s marketing materials touted Pulido Mendoza’s 17 years of experience in private banking, investment banking and management consulting at Citi Private Bank, Bankers Trust/Deutsche Bank, James D. Wolfensohn, Inc. and McKinsey. Pulido Mendoza received a B.A. in economics, cum laude, from Columbia, and an M.B.A., magna cum laude, from MIT Sloan School of Management. As a partner and senior officer of FGG, Pulido Mendoza was compensated with placement, management and performance fees derived from the Funds’ investments with Madoff.

77. Defendant **Santiago Reyes** (“Reyes”) is a partner in FGG’s Client Group within FGG. Reyes headed FGG’s Miami office and marketed FGG’s offshore funds worldwide. Reyes holds a B.A. from the University of Texas and a Master of Economic History from the London School of Economics, as well as FINRA Series 7 and 63 licenses. As a partner and senior officer of FGG, Reyes was paid placement, management and performance fees derived from the Funds’ investments with Madoff.

78. Defendant **Andrew Smith** (“Smith”) is a partner in FGG’s Investments Group and a member of its Executive Committee. Smith was FGG’s



Chief Risk Officer and President of FGB and is based in FGG's New York office. Mr. Smith is a graduate of Dartmouth College and holds FINRA Series 7 and 63 licenses. As a partner and senior officer of FGG, Smith was paid placement, management, and performance fees derived from the Funds' investments with Madoff.

79. Defendant **Julia Luongo** ("Luongo") is a partner in FGG's New York office and serves as FGG's Assistant General Counsel – Tax Director. Luongo received a B.B.A. in Accounting from Loyola College, a J.D. from Seton Hall University, magna cum laude, where she was a law review editor, and an L.L.M. in Taxation from New York University. She is a Certified Public Accountant and is admitted to the bars of New Jersey and New York. Before joining FGG, Luongo worked as a certified public accountant in charge of auditing, consulting and tax engagements. As a partner and senior officer of FGG, Luongo was paid placement, management and performance fees derived from the Funds' investments with Madoff.

80. Defendant **Charles Murphy** ("Murphy") is a partner in FGG's New York office, a member of FGG's Executive Committee, responsible for strategy and capital markets business. Mr. Murphy holds a J.D. from Harvard Law School, an M.B.A. from MIT's Sloan School, and a B.A. from Columbia College. As a

partner and senior officer of FGG, Murphy was paid placement, management and performance fees derived from the Funds' investments with Madoff.

81. Defendant **Harold Greisman** ("Greisman") is a partner in FGG, who focuses on evaluating alternative asset investments and managers. He is based in FGG's New York and London offices. Mr. Greisman received a B.A. from Tufts University and an M.B.A. from NYU's Stern School of Business. As a partner and senior officer of FGG, Greisman was compensated with placement, management and performance fees derived from the Funds' investments with Madoff.

82. Defendant **Corina Noel Piedrahita** ("Corina Piedrahita") is a partner in FGG's Client Group. Together with her husband Defendant Andres Piedrahita, she was responsible for marketing the FGG's funds throughout Europe and South America; she also oversees trade confirmations for FGG's funds. Ms. Piedrahita is a graduate of Yale University and has worked for FGG since 1985. As a partner and senior officer of FGG, Corina Piedrahita was compensated with placement, management and performance fees derived from the Funds' investments with Madoff.

83. Defendant **Robert Blum** ("Blum") was a Managing Partner and Chief Operating Officer of FGG from 2000 to 2005. He was responsible for overseeing or assisting in all aspects of FGG's activities, and co-led the build out of FGG's

capabilities to a diversified hedge fund management firm and co-managed FGG's hedge fund business. Blum holds a B.A. from the University of Pennsylvania and his J.D. from the University of Chicago Law School. After leaving FGG, Blum continued to share in FGG's profits subsequent to leaving the firm. As a managing partner and senior officer of FGG, Blum was compensated with placement, management and performance fees derived from the Funds' investments with Madoff.

84. The persons identified above in paragraphs 62 through 83 are referred to collectively as the "Individual Defendants."

85. By virtue of their education, business experience and sophistication, and the dominant role that the Madoff relationship played in the business of FGG, each of the Individual Defendants either knew or should have known of the "red flags" associated with Madoff's business and either knew or should have known the true facts alleged herein with regard to FGG's false representations and lack of due diligence with respect to the Madoff relationship.

86. Defendants FGG, FGL, FGBL, FGA, FRS, FHC, FGL UK, LFCM, Noel, Tucker, Piedrahita, Vijayvergiya, Lipton, McKeefry, Horn, Landsberger, Pulido Mendoza, Smith, Murphy, and Blum are referred to collectively as the "Fairfield Defendants."

87. A subset of the Fairfield Defendants group, comprised of FGG, FGL, FGBL, FGA, FRS, Noel, Tucker, Piedrahita, Vijayvergiya, Lipton and McKeefry are referred to collectively as the “Fairfield Fraud Claim Defendants.” These are the only Fairfield Defendants against which fraud claims are brought.

88. Defendants Della Schiava, Toub, Barrenche, Boele, d’Hendencourt, Harary, Reyes, Luongo, Greisman and Corina Piedrahita are referred to collectively as the “Fairfield Fee Claim Defendants.” These are the Fairfield Defendants against which only fee-related claims are brought.

## 2. Citco Defendants

89. Defendant **Citco Bank Nederland, N.V., Dublin Branch** (“Citco Bank”) is incorporated in the Netherlands and is registered as a branch of an external company in the Republic of Ireland. Since July 3, 2006, Citco Bank has provided custodial services to Fairfield Sentry. As Custodian, Citco Bank was responsible for monitoring any sub-custodians used by Fairfield Sentry, including BMIS. Upon information and belief, Citco Bank engaged with and transferred Fund assets to Fund sub-custodian BMIS in New York.

90. Defendant **Citco Global Custody N.V.** (“Citco Global”) is incorporated in the Netherlands. Since at least July 3, 2006, Citco Global served as the Depositary for Fairfield Sentry. As Depositary, Citco Global had the responsibility of holding securities on behalf of the Fund, and received instructions

from the Fund through the Custodian, Citco Bank. From September 20, 1994, to July 3, 2006, Citco Global served as the Custodian of Fairfield Sentry. Upon information and belief, Citco Global had the same responsibilities as custodian to Fairfield Sentry that Citco Bank currently has, including monitoring any sub-custodians used by Fairfield Sentry, including BMIS. Citco Global also served as Custodian to Fairfield Sigma. Upon information and belief, Citco Global engaged with and transferred Fund assets to Fund sub-custodian BMIS in New York, New York.

91. **Defendant Citco Fund Services (Europe) B.V.** (“Citco Fund Services”), is incorporated in the Netherlands. Citco Fund Services was the administrator, registrar, and transfer agent for Fairfield Sentry and Fairfield Sigma, and since at least August 2006, has acted as the administrator for Greenwich Sentry and Greenwich Sentry Partners. As fund administrator, Citco Fund Services had the responsibility for furnishing administrative services to the Funds, including accounting services; maintaining the Funds’ books and records; preparation of reports and accounts; calculation of Net Asset Values (“NAV”) and fees; communications with shareholders; communications with governmental bodies; paying the Funds’ expenses; providing suitable facilities and procedures for handling dividends and distributions and the orderly liquidation and dissolution of the Fund, if required. In addition, Citco Fund Services was responsible for

independently calculating the monthly performance and NAVs/equity of the Fairfield Funds as well as individual investor accounts. As Fund Administrator, Citco Fund Services received information from, and relayed information to, BMIS in New York, New York.

92. Defendant **Citco Fund Services (Bermuda) Limited** (“CFSB”) is a corporation organized under the laws of Bermuda with its principal place of business in Hamilton, Bermuda. CFSB employed Ian Pilgrim and Brian Francoeur and directed both employees to serve as directors of FGBL within the scope of their employment. CFSB instructed its employees to serve as directors of FGBL, and in return, FGBL paid CFSB for these services. As their employer, CFSB is legally responsible for the actions of Pilgrim and Francoeur as directors of FGBL.

93. Defendant **Citco (Canada) Inc.** (“Citco Canada”) is a corporation organized under the laws of Canada with its principal place of business in Toronto, Ontario. Citco Canada serves as the Sub-Administrator of Greenwich Sentry, L.P., and Greenwich Sentry Partners, L.P., and is responsible for the Partnerships’ accounting, registrar, and transfer services.

### 3. GlobeOp Defendant

94. Defendant **GlobeOp Financial Services, LLC** (“GlobeOp”) is a Delaware limited liability company that served as the administrator of Greenwich Sentry, L.P., from January 1, 2004 to August 2006. As Administrator of

Greenwich Sentry, L.P., GlobeOp was responsible for preparing and distributing monthly reports that contain the amount of the Partnership's net assets, the amount of any distributions from the Partnership and Performance Allocation, accounting and legal fees, and all other fees and expenses of the Partnership. GlobeOp's principal office is located at One South Road, Harrison, New York 10528.

### **ALLEGATIONS OF FACT**

#### **A. Bernard Madoff's Massive Ponzi Scheme**

95. Madoff founded BMIS in 1960, and eventually expanded the firm to a worldwide client base. Since at least 1990, Madoff perpetrated a massive Ponzi scheme through the investment advisor services of BMIS, whereby Madoff and BMIS fraudulently distributed new investors' assets to prior investors to create the illusion of profits. BMIS's account statements, which purported to set forth trades in equities and options, as well as trading gains and losses and securities holdings, including U.S. Treasury bills, were entirely fictitious, and no trades of securities were executed for years.

96. The size of Madoff's global fraud has been estimated at \$64.8 billion, based upon the reported value of approximately 4,800 BMIS client accounts as of November 30, 2008. On December 11, 2008, Bernard L. Madoff was arrested and charged in a criminal complaint after admitting to his sons that his money management operations were "all just one big lie" and "basically, a giant Ponzi

scheme.” On March 12, 2009, Madoff pleaded guilty to an 11-count criminal complaint, including fraud, perjury, theft from an employee benefit plan, and two counts of international money laundering.

**B. The Fairfield Greenwich Group Funneled Investments to Madoff**

97. Fairfield Greenwich Group (“FGG”) was started in 1983 by its original founders and partners, Defendants Walter Noel and Jeffrey Tucker. Defendant Piedrahita, who has been a principal and partner of FGG since 1997, was named a “founding” partner in 2007. FGG began its relationship with Madoff and BMIS when Tucker and another founding partner of FGG, Fred Kolber, introduced Noel to Madoff. At around the same time, FGG launched the funds Fairfield Sentry Limited (“Fairfield Sentry”) and Greenwich Sentry, L.P. (“Greenwich Sentry”) in 1990. FGG used Madoff and BMIS as the investment advisor for Fairfield Sentry and Greenwich Sentry, and marketed a supposed strategy of “buying a basket of equities hedged by puts and calls,” called a “split-strike conversion method.” In contravention of standard risk management practice, BMIS also served as the custodian or sub-custodian for the assets of these funds, thus allowing Madoff to perpetrate his fraud.

98. Fairfield Sentry was incorporated in 1990 as an international business company in the Territory of the British Virgin Islands (“BVI”). Shares of Fairfield Sentry are listed on the Irish Stock Exchange. In contravention of standard



management practice, substantially all of Fairfield Sentry's assets were held by BMIS, which served as the execution agent and sub-custodian for Fairfield Sentry; again, this enabled Madoff to perpetrate his fraud. Fairfield Sentry was primarily marketed to foreign investors, and investments in Fairfield Sentry were made from outside New York.

99. In furtherance of its global expansion, FGG launched Fairfield Sigma Limited ("Fairfield Sigma") in 1997, which offered three classes of shares based on three foreign currencies (Euro, Singapore Dollar, and Yen). Fairfield Sigma was incorporated under the laws of the BVI. Fairfield Sigma's stated business objective was "to obtain capital appreciation of its assets by purchasing shares in Fairfield Sentry Limited." (Ex. 2, Fairfield Sigma Private Placement Memorandum ("FS PPM") of December 1, 2008, at 2, 9.) Because Fairfield Sigma was a conduit for funneling funds into Fairfield Sentry, BMIS also held substantially all of Fairfield Sigma's assets. Fairfield Sigma was marketed to investors outside the United States, and the investments were made from outside New York. Several other FGG funds, such as Fairfield Lambda, also fed into Fairfield Sentry.

100. Greenwich Sentry is a Delaware limited partnership organized December 27, 1990, under the name Aspen/Greenwich Limited Partnership. Its name was changed to Greenwich Sentry, L.P., on December 4, 1992, and

operations commenced under the new name on January 1, 1993. Greenwich Sentry's stated investment objective is to "obtain capital appreciation of its assets principally through the utilization of a nontraditional options trading strategy." (Ex. 3, Greenwich Sentry, L.P. Confidential Offering Memorandum ("GS COM") of August 2006, at 8.) In contravention of standard risk management practices, substantially all of Greenwich Sentry's assets were held by BMIS, which served as the execution agent and custodian for Greenwich Sentry; this enabled Madoff to perpetrate his fraud. Greenwich Sentry was marketed to United States investors.

101. In 2006, FGG moved some of its original Greenwich Sentry investors into a fourth fund, Greenwich Sentry Partners, L.P. ("Greenwich Sentry Partners" or "GSP"). Greenwich Sentry Partners is a Delaware limited partnership, organized on April 11, 2006, which commenced operations on May 1, 2006. Greenwich Sentry Partners' stated investment objective is to "obtain capital appreciation of its assets principally through the utilization of a nontraditional option trading strategy." (Ex. 4, Greenwich Sentry Partners, L.P. Confidential Offering Memorandum ("GSP COM") of August 2006, at 7.) In contravention of standard risk management practices, substantially all of Greenwich Sentry Partners' assets were held by BMIS, which served as the execution agent and custodian for Greenwich Sentry Partners; as with the other Funds, this enabled

Madoff to perpetrate his fraud. Like Greenwich Sentry, Greenwich Sentry Partners was marketed to United States investors.

102. The funds identified in paragraphs 100 through 103 are collectively referred to herein as the “Funds.”

**C. The Nature and Structure of the Fairfield Greenwich Group**

103. FGG holds itself out to the public as a partnership between several corporate entities and individuals, and operates as a de facto partnership. FGG’s corporate partners include Defendants FGBL, FGL, and FGA, and its individual partners include Defendants Noel, Tucker, and Piedrahita, and the other Fairfield Defendants and Fairfield Fee-Sharing Defendants (“FGG Partners”).

104. The FGG Partners (i) shared, on a pro rata basis, the profits and losses realized by FGG and the other FGG entities; (ii) made pro rata contributions to the capital of FGG and the other FGG entities; (iii) intended to carry on as co-owners of FGG with the common goal of earning a profit; and (iv) participated in the management of FGG.

105. FGG and its Partners held themselves out as “partners” in FGG by their words and actions. Defendants’ identification of the operating entity as FGG and themselves as “partners” was intended by defendants to induce Plaintiffs and other members of the Class to invest in Fairfield Sentry and Greenwich Sentry, and did induce such investment.

106. Business activities of the partners are ascribed to FGG and to each other. A representative brochure prepared in September 2008, entitled “Fairfield Greenwich Group – the Firm and Its Capabilities,” describes FGG as consisting of “Partners”: “Under the leadership of its Partners, FGG has built a team of professionals who specialize in product development, risk management, marketing, operations, compliance, and client services on a global basis.” (See Ex. 5, at 20.) The August 14, 2006, Fairfield Sentry PPM states, in the Uniform Application for Investment Adviser Registration attached thereto, that the due diligence conducted by defendants on behalf of the Fairfield Sentry Fund and its investors was conducted by FGG rather than FGBL, the purported Investment Manager: “[Fairfield Risk Services] primarily conducts both the pre- and post- investment quantitative analyses of hedge fund managers, monitors the market risk and investment compliance of these managers, and provides the quantitative analyses supporting the asset allocation decisions across the firm’s multi-strategy funds.” (Ex. 1, FS PPM-8/14/06, Appendix A, Items 4.A.(5) and 4.B.(8).) Defendants’ identification of the operating entity as FGG and themselves as “partners” was intended by defendants to induce Plaintiffs and other members of the Class to invest in the Funds. The perception that the Individual Defendants were personally responsible for the operation of the Funds was critical to the success of FGG.

**D. The Fairfield Defendants Falsely Represented the Fairfield Funds' Investments With Madoff and the Absence of Due Diligence and Oversight of Madoff's Operations**

107. Beginning in 1990 and continuing up to December 11, 2008, the Fairfield Defendants marketed the Fairfield Funds on the basis of false and misleading representations and omissions. Each of the PPMs and COMs issued by the Fairfield Defendants consistently described the investment strategy of the Fairfield Funds as seeking to obtain capital appreciation of its assets principally through a "split-strike conversion" strategy. For example, the Fairfield Sentry PPMs consistently stated that: "The establishment of a typical position entails (i) the purchase of a group or basket of equity securities that are intended to highly correlate to the S&P 100 Index, (ii) the sale of out-of-the-money S&P 100 Index call options in an equivalent contract value dollar amount to the basket of equity securities, and (iii) the purchase of an equivalent number of out-of-the-money S&P 100 Index put options." (Ex. 6, FS PPM-7/1/03, at 9-10; Ex. 7, FS PPM-10/1/04, at 8; Ex. 1, FS PPM-8/14/06, at 9.) The offering memoranda for Fairfield Sigma and the Greenwich Sentry Funds made similar claims. (Ex. 2, FE PPM- 12/1/08, at 2; Ex.3, GS COM- 8/2006, at 1, 8; Ex. 8, GS COM- 5/2006, at 7; Ex. 9, GS COM- 1994, at 6; Ex. 4, GSP COM-8/2006, at 8.) In reality, this investment strategy was not being pursued because investors' assets were being placed in a Ponzi scheme in which no legitimate securities transactions whatsoever were conducted.

**E. Defendants' False Representations Concerning Performance**

108. The Fairfield Defendants touted a historical track record of profitability based on this supposed "split-strike conversion" strategy. For example, PPMs for Fairfield Sentry purported to "set[] forth ... the prior trading results" of the particular fund, and provided a table representing a rate of return that was positive in virtually all prior months of the fund's operation. (Ex.6, FS PPM-7/1/03, at 23; Ex. 7, FS PPM-10/1/04, at 21-22; Ex. 10, Fairfield Sentry Ltd. October 2008 Update.) These monthly representations showed substantial, consistent annualized rates of return for the Funds. This represented "historical track record" of investment returns was false. Based upon government investigations to date, defendant Madoff had not made any securities transactions in the thirteen years prior to his arrest. There were thus no profitable months for the Funds, because their assets were not invested. Instead, the Plaintiffs' assets were handed over to Madoff, who simply used them to fund his admittedly fraudulent Ponzi scheme.

**F. Defendants' False Representations of Due Diligence and Oversight**

109. During the time the Ponzi scheme was operated, the Fairfield Defendants represented to investors that they conducted thorough due diligence of Madoff's operations, including the Funds into which Plaintiffs' assets were purportedly invested. For example, the Fairfield Defendants represented to

Plaintiffs that assets of the Funds would be subject to fund guidelines that would protect Plaintiffs' investment against risk: "The Split Strike Conversion strategy is implemented by Bernard L. Madoff Investment Securities LLC ("BLM"), a broker-dealer registered with the Securities and Exchange Commission, through accounts maintained by the Fund at that firm. The accounts are subject to certain guidelines which, among other things, impose limitations on the minimum number of stocks in the basket, the minimum market capitalization of the equities in the basket, the minimum correlation of the basket against the S&P 100 Index, and the permissible range of option strike prices." (Ex. 1, FS PPM-8/14/06, at 9-10; Ex. 3, GS COM-8/2006, at 8-9; Ex. 8, GS COM- 5/2006, at 7-8; Ex. 4, GSP COM-8/2006, at 8.) This representation was false because the monies invested by Plaintiffs were in fact turned over by the Fairfield Defendants to Madoff without any actual enforcement or monitoring of the represented investment restrictions. In reality, and contrary to the representations that Madoff "implemented" the split-strike conversion strategy, Madoff exercised total dominance and control over the monies invested as soon as he received them from the Fairfield Defendants, without any oversight, advice, or consent from them. When Madoff operated outside Fund guidelines, the Fairfield Defendants failed to take action to assure that Madoff operated within the Fund guidelines, while at the same time assuring the Funds' investors that Madoff had never operated outside the Funds' guidelines.

110. In the 2006 PPM for Fairfield Sentry, the Fairfield Defendants represented that they monitored Fund managers, including through oversight of the split-strike conversion strategy purportedly employed by Madoff. The Fairfield Defendants represented that “FGBL’s core product business model is the investment management and oversight of the split-strike conversion strategy [and] FGBL conducts a detailed manager selection and due diligence process, analyzing such important issues as liquidity management, market and credit risks, management quality (which includes on-site visit(s), background, and reference checks), and operational, compliance, and regulatory risks.” (Ex. 1, FS PPM-8/14/06, Appendix A, Item 4.C.(7).) These representations were false because in fact the Fairfield Defendants failed to conduct any remotely credible or plausible “investment management and oversight.”

111. The Fairfield Defendants failed to disclose to Plaintiffs that the Fairfield Defendants were in fact not engaging in customary, or any other meaningful, due diligence to verify that their assets were being properly invested and managed by Madoff, or that the assets that had been entrusted to Madoff even still existed.

**G. Defendants’ Failure to Disclose or Investigate “Red Flags” Concerning Madoff**

112. The Fairfield Defendants also failed to disclose in the PPMs, or otherwise, the existence of numerous “red flags” regarding the conduct of



Madoff's business. These included the lack of any transparency into Madoff's actual operations, the lack of segregation of duties, inadequate auditing, and the consistently profitable returns for a fund pursuing the stated strategy.

**H. Madoff's Secretive Operations**

113. The misrepresentations and omissions of the Fairfield Defendants are even more egregious when viewed against the backdrop of these red flags they ignored, but which put them on notice that Madoff's operations were a sham, particularly because they violated some of the basic investment tenets that Defendants represented to Plaintiffs were observed. For example, Madoff refused to answer even basic questions about BMIS and its operations, let alone to permit the kind of due diligence and supervision that the Fairfield Defendants and Defendant Citco Bank represented was necessary, was being undertaken, and that they should have undertaken. Madoff maintained excessive secrecy concerning the trading of the Funds' accounts, and Madoff family members controlled key positions at the firm. This secrecy was a clear warning sign to the Defendants that a fraud was being perpetrated, yet this fact was ignored and concealed from Plaintiffs by them.

**I. Madoff's Custody of Assets**

114. Another red flag ignored by the Fairfield Defendants was that Madoff failed to trade through an independent broker and, instead, self-cleared all Fund

activities through his wholly-owned company BMIS. He also served as custodian or sub-custodian for the Funds' assets. As Defendants acknowledged in a Fairfield Sentry PPM (Ex. 1, FS PPM-8/14/06, at 22-23), the lack of involvement by unaffiliated entities greatly increased the risk of Madoff perpetrating a fraud – yet Defendants simply ignored this threat. In fact, the Fairfield Defendants acquiesced to the unusual arrangement by which Madoff served as both the sub-custodian of the Funds' assets and the executing broker, which they recognized was a “risk factor.”

**J. Madoff's Unknown Auditing Firm**

115. Another warning flag was Madoff's use of Friebling & Horowitz (“F&H”), an unknown accounting firm that was plainly unequipped to audit a company of BMIS's size. The firm had only three employees – a retired partner living in Florida, a secretary, and one active certified public accountant. While F&H was a member of the American Institute of Certified Public Accountants (“AICPA”), it had not been subjected to a peer review since 1993 – a requirement of membership of AICPA – because F&H represented to the AICPA, in writing, that it did not perform any audits. Not only was this information ignored by Defendants, but, as detailed below, the Fairfield Defendants actually falsely touted F&H's audits as a check against fraud by Madoff.

**K. Madoff's Paper Trading Records**

116. While Madoff claimed his operation to be technologically advanced, and the Fairfield Defendants claimed transparency to Madoff and his operation, Madoff only used paper tickets for his trades, and copies of the tickets were given to Defendants only 3-5 days after the trades supposedly occurred. The use of delayed paper trade records, which are susceptible to manipulation, was another red flag ignored by the Fairfield Defendants.

**L. Madoff's Consistent Investment Returns**

117. In addition, had the Fairfield Defendants scrutinized Madoff's purported investment returns as they represented they did, they would have discovered that the purported results were unattainable. In fact, anyone who applied a critical and knowledgeable understanding of the split-strike conversion strategy that Madoff claimed to employ – which understanding Defendants represented to have – would have recognized that: (1) Madoff bought near daily lows and sold near highs with uncanny consistency; (2) Madoff always invested in treasury bills at the end of each quarter, even though the strategy supposedly took weeks to execute; and (3) Madoff's reported results were inconsistent with the split-strike strategy, which might reduce volatility but would not produce gains in a declining stock market.

**M. Defendants Recognized the Importance of Due Diligence and Oversight, but Failed to Take Such Actions**

118. At the same time they were ignoring these red flags, the Fairfield Defendants understood the importance of assuring Plaintiffs that they were conducting meaningful due diligence and oversight. For example, in a marketing document entitled “Due Diligence and Risk Monitoring: FGG’s Value-Added Investment Process,” the Fairfield Defendants represented that “FGG employs an in-depth, multi-faceted due diligence and risk monitoring process which is designed to uncover” risk from “faulty or incomplete due diligence by investors or their advisors,” and recognized that “lack of regular and comprehensive follow-up risk monitoring are often revealed as the reasons why [investors or their advisors] were not aware of and/or did not react to risks or behavior that eventually became the cause of a fund’s unexpectedly high level of losses.” (Ex. 11, Fairfield Greenwich Group, Due Diligence and Risk Monitoring, at 2.)

119. The Fairfield Defendants also recognized the importance of assuring investors that there would be verification of a Fund’s assets and stock trades. For example, the Fairfield Defendants falsely represented to Plaintiffs that they conducted an “[a]nalysis of portfolio composition, portfolio stress testing, risk management, asset verification, peer group comparison, operational procedures, information technology, and a review of offering documents and financial statements are among the areas of examination.” Defendants further falsely

represented that “[i]ndependent prime broker trading records are examined” and “an attempt is made to confirm assets under management.” (Ex. 11, Fairfield Greenwich Group, Due Diligence and Risk Monitoring, at 4), when in fact they did no such thing.

120. The Fairfield Defendants similarly misrepresented their due diligence and oversight process in an April 2006 marketing presentation entitled “Fairfield Greenwich Group, Investment Process and Risk Management Overview, April 2006.” (Ex. 12, at 4-5.) In that piece, the Fairfield Defendants represented that, among the qualities they “look[ed] for in managers,” were “strong risk management”; “solid investment process”; “operational procedures”; “legal compliance”; and “transparency.” They further represented that their manager selection process involved verification of “portfolio analysis”; “financial statements”; “backoffice procedures”; and “regulatory/legal procedures.” They represented to Plaintiffs that their due diligence process involved “check[ing] for a ‘reputable’ auditor”; an “understand[ing]...of explanation of valuation methods used [and] trade execution process.” When it came to Madoff, these representations were knowingly false.

121. The Fairfield Defendants’ false representations about their oversight, monitoring, and other risk management processes were so pervasive that they actually set themselves apart from other investment advisors by representing to

Plaintiffs that their exhaustive due diligence would have caused them not to invest assets in another fund that turned out to be a fraud. In the April 2006 marketing piece, the Fairfield Defendants represented to investors that they would never have invested in that fraudulent fund because they would have “[v]isit[ed][the potential fund manager’s] office, have [had] several face-to-face meetings” and “[w]atch[ed] for inconsistent answers, refusal to give information,” in addition to “[v]erif[y]ing assets under management for all funds directly with the prime broker/ administrator” and conducting an “independent, third party confirmation of assets.” (Ex. 12, Fairfield Greenwich Group, Investment Process and Risk Management Overview, April 2006, at 21-22.) These representations were false when made because the Fairfield Defendants failed to conduct due diligence or otherwise monitor Madoff and his operations in the manner set forth above.

122. In another effort to set themselves apart from the competition, the Fairfield Defendants represented to Plaintiffs that they understood the risks of the hedge fund business and knew how to avoid “blow ups” by applying principles which, in actuality, they ignored: “When one reads about a hedge fund ‘blow-up’ in the media, it is most likely the result of operational failure or fraud...**Operational failures, including misrepresentation of valuations and outright fraud, constitute a majority of instances where massive investor losses occur...**The inadequacy or lack of independence or transparency of

valuation procedures, contingency plans, and other trading and settlement procedures may cause FGG to reject an otherwise appealing manager.” (Ex. 11, Fairfield Greenwich Group, Due Diligence and Risk Monitoring, at 5) (emphasis in original). In reality, the Fairfield Defendants knowingly disregarded all of these operating principles, including manager oversight and asset verification, in their blind commitment of billions of dollars of investor funds to defendant Madoff and BMIS.

**N. Defendants’ False Representations of Access to Madoff**

123. The Fairfield Defendants touted their access to the operations of the fund managers, in particular Madoff, as adding value to their services. For example, in an April 2008 marketing piece, the Fairfield Defendants falsely represented that their “business model enables the firm to have privileged access to all aspects of a manager’s operation and investment process, including security level transparency which is employed on a confidential basis.” (Ex. 11, Fairfield Greenwich Group, Due Diligence and Risk Monitoring, at 2.) The Fairfield Defendants further falsely represented that, “[f]or risk monitoring purposes, FGG obtains portfolio transparency from all managers which are included in its multi-strategy funds,” (Ex. 10, Fairfield Sentry Ltd. October 2008 Update) and, specifically, that Fairfield “maintain[s] full transparency to [Madoff] accounts.” (Ex. 13, Fairfield Greenwich Group: Fairfield Sentry Limited Presentation, May

2006, at 17.) These representations were knowingly false when made because there was no transparency (much less “full”), and no access (much less “privileged”) to Madoff’s operations. On the contrary, the Fairfield Defendants never even visited the floor on which Madoff allegedly executed trades for his split-strike conversion strategy; nor could senior Fairfield personnel even describe the proprietary models and algorithms that Madoff supposedly used to run the strategy. Indeed, it appears that the only attempt to confirm that Madoff was actually making trades was a 2001 visit to Madoff’s office by Jeffrey Tucker during which Madoff superficially showed him purported, limited records of trading in a single stock. (*See In re Fairfield Greenwich Advisors, LLC*, No. 2009-0028, Compl. ¶¶ 185-199 (Mass. Sec’y of Commw. Sec. Div. Apr. 1, 2009.)

124. Although Madoff stated to the Fairfield Defendants that he “maintained accurate records as to voting of ... proxies that will enable the investment advisor to periodically review ... actions taken on individual voting situations” with respect to the purported assets, the Fairfield Defendants never received or reviewed any proxy materials from Madoff in connection with the equities he was supposedly holding. Had they done so as part of the represented due diligence, they would have discovered that Madoff was not, in fact, buying and selling the securities he claimed to be trading. Keeping track of proxies was yet



another basic, normal-course-of-dealing due diligence step that the Fairfield Defendants failed to undertake, contrary to their representations.

**O. Defendants' False Representations Concerning Monitoring of Madoff**

125. The Fairfield Defendants repeatedly represented that they conducted daily monitoring of Madoff's activities. For example, they represented that they conducted "detailed daily compliance monitoring of portfolio activity against all risk limits" and "daily positions-based risk measurement, performance attribution and other quantitative analytics." (Ex. 14, Fairfield Sentry Limited Standardized Responses, Dec. 2008 ¶¶ 54, 69.) They also represented that "portfolio holdings are reconciled daily. Proprietary software is used." (Ex. 15, Fairfield Sentry Limited Due Diligence Questionnaire, Oct. 2007, at 21.) They further represented that: "The Investment Manager monitors compliance of the SSC strategy against these risk limits and guidelines each day." (Ex. 14, Fairfield Sentry Limited Standardized Responses, Dec. 2008, ¶ 77.) The Fairfield Defendants, however, did not tell Plaintiffs that the "daily" monitoring of positions and risk profiles had a three to five day time lag because they did not receive trade confirmations from Madoff until three to five days after the trade had been purportedly executed. This time lag, which was not disclosed to Plaintiffs, further allowed Madoff time to concoct his fake trading records.

126. The Fairfield Defendants further falsely represented that they maintained “deep, ongoing joint venture relationships” with their fund managers and would review on an ongoing basis “audited financials and auditor’s management letter comments”; “accounting controls: from trade execution; to trade capture; to trade reconciliation with the Street, administrator, and fund; to fund’s books and records”; “bank reconciliations for irregular or outstanding items”; and “broker reconciliations to ensure completeness and existence of all securities.” (Ex. 11, Fairfield Greenwich Group, Due Diligence and Risk Monitoring, at 7; Ex. 5, Fairfield Greenwich Group: The Firm and Its Capabilities, Sept. 2008, at 18.) These representations were also knowingly false when made because, as the Fairfield Defendants knew, they conducted no such review and, in fact, the auditing work being done on behalf of the Fairfield Funds did not provide the necessary information from which it would be possible for them to substantiate proper performance or to identify any “irregular or outstanding items” with respect to Madoff’s operations.

127. The Fairfield Defendants also knew and intended that potential investors would be reassured that the Fairfield Defendants recognized the importance of consistently and closely monitoring the operations of the Funds, and falsely represented to Plaintiffs that they so monitored Madoff’s management of the Funds: “[o]nly by receiving full transparency from its managers can FGG

assure itself and its clients that every FGG fund continues to act according to the principles, agreements, and strategies that are specified to FGG and investors.” (Ex. 11, Fairfield Greenwich Group, Due Diligence and Risk Monitoring, at 2.) Fairfield specifically represented the transparency with which it would monitor Madoff’s investments, touting that the “Value Added by FGG” included Fairfield’s ability to “[m]aintain full transparency to [Madoff] accounts” and to provide “[i]ndependent verification of prices and account values.” (Ex. 16, Fairfield Greenwich Group Fairfield Sentry Limited Presentation, Oct. 2008, at 8.) These representations were false because, as the Fairfield Defendants knew, they had never monitored any of Madoff’s activities, in a transparent manner or otherwise, and they had no basis to represent that Madoff would ever permit such “full transparency” (which, of course, he never would have so as to continue his fraudulent scheme).

128. The Fairfield Defendants further told Plaintiffs that they would examine “[i]ndependent prime broker trading records” – a “key aspect” to transparency. (Ex. 5, Fairfield Greenwich Group: The Firm and Its Capabilities, Sept. 2008, at 15-16; Ex. 11, Fairfield Greenwich Group, Due Diligence and Risk Monitoring, at 4.) In fact, the Fairfield Defendants represented to Plaintiffs that it independently verified prices and account values. (Ex. 13, Fairfield Greenwich Group: Fairfield Sentry Limited Presentation, May 2006, at 17.) These

representations were false because, as the Fairfield Defendants knew, they had never been permitted to examine “prime broker trading records” in a manner that would permit verification that transactions were even made by Madoff, much less the transaction price or account value, and they had no basis to represent that Madoff would change his manner of doing business with them so as to allow verification of transactions.

129. Further, contrary to their representations that they verified trading records and asset values, the Fairfield Defendants never engaged in any meaningful effort to determine whether Madoff was actually holding the assets he said he was holding on behalf of the Fairfield Funds and whether Madoff was actually making the trades he said he was making. In fact, the Fairfield Defendants acquiesced to the unusual arrangement by which Madoff served as both the sub-custodian of the Fund assets and the executing broker, which meant that any verification of the custodian's records against the broker's records was in reality a check of information received from Madoff against other information received from Madoff – or, in reality, no check at all. Moreover, the Fairfield Defendants never once contacted any of Madoff's purported counterparties to verify that trades supposedly made by Madoff had in fact occurred.

130. In a due diligence questionnaire dated October 2007 and intended for investors, the Fairfield Defendants asserted that, with respect to Madoff's

operations, “regular on-site visits are conducted by a number of senior members of FGG’s legal, operations, and risk teams. [PricewaterhouseCoopers], the Fund’s Auditor, has also conducted periodic on-site checks.” (Ex. 15, Fairfield Sentry Limited Due Diligence Questionnaire, Oct. 2007, at 16.) Like the others, this representation was knowingly false.

131. The foregoing are but examples of the continuing false representations, both written and oral, and of the material omissions, made by the Fairfield Defendants to Plaintiffs. Contrary to these false representations and omissions, the Fairfield Defendants had not conducted due diligence, monitoring, or verification of Madoff’s operations and Plaintiffs’ assets, nor did the Fairfield Defendant intend to fulfill their promises and duties to exercise oversight over Madoff, and in fact did not monitor and verify the investments made with Madoff.

**P. Defendants’ False Assurances to Investors**

132. When members of the Plaintiff Class raised questions about Madoff, the Fairfield Defendants repeatedly – and falsely – assured them that they had nothing to worry about. For example, the Fairfield Defendants kept a database of responses to questions frequently asked by their clients. In those responses, the Fairfield Defendants falsely represented that controls existed to ensure the legitimacy of Madoff’s operations, including the handling of the Fairfield Funds’ assets, such as (i) annual reports by F&H, the purported independent auditors, with

respect to Madoff's internal controls; (ii) bi-annual audits by PricewaterhouseCoopers ("PwC"), the Fairfield Funds' auditors, of Madoff's "controls and systems at BLM, the front-office and trading practices, procedures in respect to supervision and monitoring, procedures in respect of stock reconciliation, procedures in respect to trade allocation of bunched orders, error handling and a number of other items"; and (iii) the Fairfield Defendants' own "periodic[] ... on-site due diligence visits to BLM [to] independently assess the suitability of operational controls, systems and procedures." (E-mail from D. Attavar to Sentry Team, Nov. 14, 2008.) These statements were knowingly false.

133. For example, the Fairfield Defendants knew or should have known that F&H, the three-person auditing firm that was operating out of a strip mall in New City, New York, was not conducting proper audits of Madoff's operation, and the Fairfield Defendants had no basis to represent that F&H was so doing. At least as early as 2005, the Fairfield Defendants knew that the accounting firm had only one employee. In response to the failure of another fund, a Fairfield client asked with respect to the Fairfield Sentry fund "who supervises that everything is in order?" In order to respond to this basic question, the Fairfield Defendants scrambled to find out information about F&H and discovered that "[i]t appears Friehling is the only employee." (E-mail from G. McKenzie to J. Tucker, D. Lipton & C. Castillo, Sept. 14, 2005.) Yet, with absolutely no basis, Defendant