

Madoff Figure's \$20M Deal With Calif., Investors OK'd

By **Bonnie Eslinger**

Law360, Los Angeles (March 1, 2017, 10:32 PM EST) -- Calling the deal a "fair result," a California judge gave final approval Wednesday to a \$20.2 million settlement investors and the state reached with the estate of a now-deceased Beverly Hills adviser who allegedly funneled investor money into Bernie Madoff's notorious Ponzi scheme.

Lead plaintiff Bottlebrush Investments LP, a limited partnership formed for the purpose of capital investment, first filed suit against investment adviser Stanley Chais and the Lambeth Company, in which he was a partner, in February 2009. The complaint alleged that Chais represented that he managed investments in "arbitrage partnerships" and that Bottlebrush invested more than \$36 million through Chais only to learn later that he had turned the funds over to Madoff.

Not until Madoff's massive fraud was revealed did the plaintiffs learn that was where their money was invested and that it was all gone. In 2009, three other related derivative actions were filed against Chais, among others, also seeking recovery of funds lost through Madoff. The California Attorney General's Office **also filed suit** against Chais, who died in 2010.

The \$20.2 million settlement approved Wednesday by Los Angeles Superior Court Judge Elizabeth Allen White incorporates a **\$15 million agreement** reached by the state to secure restitution for California residents who invested money with Chais. It also includes \$4 million in attorneys' fees and costs for plaintiffs' counsel.

"We've been going at this since 2009," Judge White said to the parties on Wednesday. "I have to say it's a real pleasure to finally get this motion."

The settlement was reached with the Chais estate as well as with certain family members, family trusts and related entities. The motion for final approval noted that the defendants denied the claims asserted against them, disclaimed any liability for damages and denied wrongdoing.

During Wednesday's proceedings, an attorney for the children of Chais and for Chais-related entities, Steven Jay Katzman of Bienert Miller & Katzman PLC, underscored that point. He noted that a written tentative ruling presented to the parties at the start of the hearing said the plaintiffs appeared to have strong claims as victims of the Ponzi scheme.

"I just want to point out this was a negotiated settlement and that we take issue with that as there was a number of formidable defenses that we had," Katzman said. "The court made that reference and I just wanted to put it on the record that we feel very strongly about the strength of our case. But notwithstanding, the settlement is a product of extensive discussions and we believe it's fair and reasonable and support it."

The written ruling by Judge White also noted that, without the settlement, there was a risk that the plaintiffs claims would take a backseat to claims by the court-appointed trustee for the liquidation of Madoff's investment firm.

"In light of the factual allegations, it's a good result, it's a fair result," Judge White said in court on Wednesday.

Chais oversaw funds that funneled investors' money to Bernard L. Madoff Investment Securities LLC and opened up more than 60 accounts with Madoff's business, court documents say. California regulators claim Chais deceived his clients because he told them he was actively managing their money but in actuality was channeling their investments to Madoff.

Chais and his family maintain that they were not aware of Madoff's fraud or his company's Ponzi scheme, according to documents filed by attorneys from BakerHostetler who are representing Irving Picard, the trustee who has spent years liquidating Bernard L. Madoff Investment Securities.

Madoff pled guilty in March 2009 to orchestrating the massive scheme and is currently serving a 150-year federal prison term.

An attorney for some of the plaintiffs, Barry Weprin of Milberg LLP, told Law360 after Wednesday's proceedings that he was "glad to get to this final resolution" that will allow some of Chais former clients to recover some of their losses.

Plaintiffs Bottlebrush Investments LP and Leghorn Investments LP are represented by Marvin Gelfand of Weintraub Tobin Chediak Coleman Grodin Law Corp. Plaintiffs Douglas Hall and Steven Heimoff are represented by Barry Weprin of Milberg LLP and Stephen A. Weiss of Seeger Weiss LLP.

The State of California is represented by Frances T. Grunder, Kathrin Sears and Alexandra Robert Gordon of the California Attorney General's Office.

Pamela Chais, as executor to the estate of Stanley Chais, and related defendants are represented by Jerry L. Marks, Michael L. Hirschfeld and Andrea G. Hood of Milbank Tweed Hadley & McCloy LLP. The Chais-related entities are represented by Steven Jay Katzman and Anthony Bisconti of Bienert Miller & Katzman PLC and Andrew H. Sherman of Sills Cummins & Gross LLP. Defendants Brighton Investments, the Popham Company and the Lambeth Company are represented by William K. Mills, Theodore Frank and Justin D. Denlinger of Parker Mills LLP. Francis X. Mantovani and Halpern & Mantovani are represented by Allan E. Ceran of Burke Williams & Sorenson LLP.

The cases are Bottlebrush Investments LP v. The Lambeth Company et al., number BC407967, Leghorn Investments Ltd. v. Brighton Investments Ltd. et al., number

BC408661, Douglas Hall et al. v. Pamela Chaise et al., number BC413820, in the Superior Court of the State of California, County of Los Angeles.

--Editing by Jill Coffey.

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