

SUPERIOR COURT OF THE STATE OF CALIFORNIA, COUNTY OF LOS ANGELES, CENTRAL DISTRICT

BOTTLEBRUSH INVESTMENTS, L.P., a California limited partnership,  
Plaintiff,  
v.  
THE LAMBETH COMPANY, a California limited partnership,  
et al.,  
Defendants.

Case No. BC 407967  
Assigned for All Purposes to the Honorable  
Elizabeth Allen White, Department 48

**CONSOLIDATED WITH:**

LEGHORN INVESTMENTS, LTD., a California limited partnership,  
Plaintiff,  
v.  
BRIGHTON INVESTMENTS, LTD., a California limited partnership, et al,  
Defendants.

Case No.: BC 408661  
[Related to Case Nos. BC 409548,  
BC 413821, BC 413820 BC 422257 and  
BC 456932]

AND RELATED CROSS-ACTIONS

DOUGLAS HALL, as Co-Trustee of the VIVIAN H. HALL IRA and  
Derivatively on Behalf of CRESCENT SECURITIES,

Plaintiff,

vs.

PAMELA CHAIS as executor of the estate of STANLEY CHAIS, et al.

Defendants,

and

THE POPHAM COMPANY,

First Nominal Defendant,

and

MARLOMA SECURITIES,

Second Nominal Defendant.

Lead Case No. BC413820  
Consolidated with: BC413821

[Related to Case Nos. BC404557, BC404557;  
BC407721, BC407967, BC408661,  
BC409658, BC422257 and BC422258]

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**AND**

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STEVEN HEIMOFF, as Trustee of the STEVEN HEIMOFF IRA and  
Derivatively on behalf of MARLOMA SECURITIES,

Plaintiff,

vs.

PAMELA CHAIS as executor of the estate of STANLEY CHAIS, et al,

Defendants,

and

THE POPHAM COMPANY,

First Nominal Defendant,

and

MARLOMA SECURITIES,

Second Nominal Defendant.

## **NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF DERIVATIVE LITIGATION**

TO: ALL PARTNERS OF THE LAMBETH COMPANY; THE POPHAM COMPANY; AND BRIGHTON INVESTMENTS (THE “CALIFORNIA LIMITED PARTNERSHIPS”) AND ALL PARTNERS OF MARLOMA SECURITIES AND CRESCENT SECURITIES (THE “SUB-PARTNERSHIPS”), AND ALL PARTNERS OF ANY PARTNERSHIP (IN ADDITION TO THE SUB-PARTNERSHIPS) THAT WAS A LIMITED PARTNER OF THE CALIFORNIA LIMITED PARTNERSHIPS.

**THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF FOUR DERIVATIVE ACTIONS AND CLAIMS ASSERTED THEREIN. LIMITED PARTNERS OF THE CALIFORNIA LIMITED PARTNERSHIPS, PARTNERS OF THE SUB-PARTNERSHIPS, AND PARTNERS OF ANY PARTNERSHIP (IN ADDITION TO THE SUB-PARTNERSHIPS) THAT WAS A LIMITED PARTNER OF THE CALIFORNIA LIMITED PARTNERSHIPS ARE ENTITLED TO OBJECT, IF THEY DESIRE, TO THE SETTLEMENT OF THE DERIVATIVE CLAIMS AS DESCRIBED HEREIN. IF THE COURT APPROVES THE DERIVATIVE SETTLEMENT, YOU WILL BE BARRED FROM CONTESTING THE FAIRNESS, REASONABLENESS OR ADEQUACY OF THE PROPOSED SETTLEMENT, AND FROM PURSUING THE SETTLED DERIVATIVE CLAIMS.**

**ALL PARTNERSHIPS THAT WERE LIMITED PARTNERS OF ANY OF THE CALIFORNIA LIMITED PARTNERSHIPS ARE HEREBY REQUESTED TO FORWARD A COPY OF THIS NOTICE TO THEIR PARTNERS AT THEIR LAST KNOWN ADDRESSES.**

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.**

**YOUR RIGHTS WILL BE AFFECTED BY THIS LITIGATION AND SETTLEMENT.**

1. The purpose of this Notice is to inform you about: (i) the pendency of the above-captioned lawsuits (the “Litigation” or “Plaintiffs’ Actions”), which were brought derivatively by Plaintiffs’ Leghorn Investments, Ltd. (“Leghorn”) on behalf of Brighton Investments; Bottlebrush Investments, LP (“Bottlebrush”) on behalf of the Lambeth Company; Steven Heimoff as Trustee of the Steven Heimoff IRA (“Heimoff”) on behalf of both the Popham Company and Marloma Securities, a limited partnership formed for the sole purpose of investing in the Popham Company; and Douglas Hall as co-trustee for the Vivian Hall IRA (“Hall”) on behalf of the Lambeth Company and Crescent Securities<sup>1</sup>, a limited partnership formed for the sole purpose of investing in the Lambeth Company (“Plaintiffs”) in the Superior Court of California, County of Los Angeles (the “Court”); (ii) a proposed settlement of Plaintiffs’ Actions (the “Settlement”), subject to Court approval, as provided in a Settlement Agreement (the “Agreement”) that was filed with the Court and is available for review at [www.weintraub.com/chais](http://www.weintraub.com/chais) and [www.milberg.com/chais](http://www.milberg.com/chais); and (iii) the hearing that the Court will hold on March 1, 2017 to determine whether to approve the Settlement (“Settlement Hearing”), to consider Plaintiffs’ counsel’s<sup>2</sup> application for an award of attorneys’ fees and for reimbursement of litigation expenses incurred in the prosecution of Plaintiffs’ Actions, and application for incentive awards for Douglas Hall, Steven Heimoff, Pearl Gardner, President of Bottlebrush Financial, Inc., general partner of Bottlebrush, and Robert Glusman, general partner of Leghorn (the “Individual Plaintiffs”).<sup>3</sup>

2. The Agreement was entered into as of October 19, 2016, by and among the following: (a) Plaintiffs; (b) the Stanley Chais Defendants<sup>4</sup>; (c) the Chais Related Defendants<sup>5</sup>; (collectively, the “Parties” or “Settling Parties”); and (d) subject to the express limitations more fully set forth in the Agreement, Irving H. Picard, in his capacity as trustee (the “Trustee”) under the Securities Investor Protection Act of 1970 (“SIPA”), 15 U.S.C. §§ 78aaa *et seq.*, as amended, for the liquidation of the business of Bernard L. Madoff Investment Securities LLC (“BLMIS”) and the substantively consolidated Chapter 7 estate of Bernard L. Madoff (“Madoff”), subject to the approval of the Court.<sup>6</sup>

3. The following description of the Litigation and Settlement does not constitute findings of the Court. It is based on statements of the Plaintiffs and/or Defendants and should not be understood as an expression of any opinion of the Court as to the merits of any of the claims or defenses raised by any of the Parties. The Court has not yet approved the Settlement.

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<sup>1</sup> Marloma Securities and Crescent Securities are the “Sub-Partnerships.”

<sup>2</sup> Milberg LLP is counsel to Hall and Heimoff and Weintraub Tobin Chediak Coleman Grodin, Inc. is counsel to Bottlebrush and Leghorn.

<sup>3</sup> All capitalized terms not otherwise defined in this Notice shall have the meaning provided in the Agreement.

<sup>4</sup> The Stanley Chais Defendants are the Estate of Stanley Chais; Pamela Chais; Appleby Productions Ltd.; the now-defunct defined contribution plan formerly known as Appleby Productions Ltd. Defined Contribution Plan; the now-defunct money purchase plan formerly known as Appleby Productions Ltd. Money Purchase Plan; the now-defunct profit sharing plan formerly known as Appleby Productions Ltd. Profit Sharing Plan; Chais Investments, Ltd.; Chais 1991 Family Trust (now consisting of the Survivor’s Trust under Chais 1991 Family Trust dated September 4, 1991 and the Marital Trust under Chais 1991 Family Trust dated September 4, 1991); and Chais Family Foundation.

<sup>5</sup> The Chais Related Defendants are Emily Chasalow; Mark Chais; William Chais; Michael Chasalow (who was dismissed as a defendant from the Plaintiffs’ Actions but is included in the definition of Chais Related Defendants for definitional convenience); Miri Chais, referred to in the complaint in the Trustee’s Action (defined below, in Paragraph 9) (the “Trustee Complaint”) as Mirie Chais (who was dismissed as a defendant from the Plaintiffs’ Actions but is included in the definition of Chais Related Defendants for definitional convenience); Wrenn Chais; 1994 Trust for the Children of Stanley and Pamela Chais; 1996 Trust for the Children of

## WHAT IS THE PURPOSE OF THIS NOTICE?

4. The purpose of this Notice is to explain the Litigation, the terms of the Settlement, and how the Settlement affects your legal rights, as a partner of the California Limited Partnership(s) and/or partner of the Sub-Partnership(s) (collectively, the “Limited Partners”) and/or partner of any partnership (in addition to the Sub-Partnerships) that was a limited partner of the California Limited Partnerships.

5. In a derivative action, one or more people and/or entities who are current partners of a partnership sue on behalf of and for the benefit of the partnership, seeking to enforce the partnership’s legal rights.

6. As described more fully below, you have the right to object to the Settlement, the application by Plaintiffs’ counsel for an award of attorneys’ fees and reimbursement of expenses, and the application for incentive awards for the Individual Plaintiffs. You have the right to appear and be heard at the Settlement Hearing, which will be held on March 1, 2017, at 8:30 a.m., before the Honorable Elizabeth A. White, at the Superior Court of California, 5<sup>th</sup> Floor, Stanley Mosk Courthouse, 111 North Hill Street, Dept. 48, Los Angeles, CA 90012. At the Settlement Hearing, the Court will determine whether:

- a. The Settlement should be approved;
- b. Plaintiffs’ Actions and all claims, including any counterclaims, asserted by or against any of the Settling Parties therewith, should be dismissed with prejudice as set forth in the Agreement;
- c. Plaintiffs’ counsel’s request for an award of attorneys’ fees and reimbursement of expenses should be approved by the Court; and
- d. Plaintiffs’ counsel’s request for an incentive award for the Individual Plaintiffs should be approved by the Court.

## WHAT ARE THESE CASES ABOUT?

7. In 2009, the Plaintiffs filed separate derivative actions against Chais,<sup>7</sup> among others, seeking recovery of funds lost as a result of Madoff Ponzi scheme, and alleging, among other things, breach of fiduciary duty, breach of contract, negligence, fraud, unjust enrichment and fraudulent conveyance.

8. In 2009, the California Attorney General (the “CAAG”) filed suit against Chais for alleged wrongful conduct arising from Chais’s investments in the Madoff Ponzi scheme, *The People of the State of California v. Chais, et al.*, Case No. BC422257 (the “CAAG Action”). Like with the Plaintiffs’ Actions, the CAAG Action seeks to recover from the Estate of Stanley Chais the fees Chais was paid by investors in the California Limited Partnerships and seeks from Chais the full restitution of the principal investments made into the California Limited Partnerships. Although the CAAG Action sought administrative relief unavailable in the Plaintiffs’ Actions, unlike the Plaintiffs’ Actions, however, the CAAG Action does not seek to recover profits from the investments in the California Limited Partnerships and the Sub-Partnerships. Furthermore, the CAAG Action names only a single specific defendant, the Estate of Stanley Chais. The Plaintiffs’ Actions, on the other hand, name numerous individuals and entities,

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Stanley and Pamela Chais, referred to in the Trustee Complaint as The 1996 Trust for the Children of Pamela Chais And Stanley Chais; BLMIS Account 1C1286, sued in the Trustee Complaint as The 1999 Trust for the Children of Stanley and Pamela Chais; 1999 Trust for the Grandchildren of Stanley and Pamela Chais; Emily Chais 1983 Trust; Emily Chais Trust No. 1, Emily Chais Trust No. 2, and Emily Chais Trust No. 3, referred to collectively in the Trustee Complaint as The Emily Chais Trust; Emily Chais Issue Trust No. 1 and Emily Chais Issue Trust No. 2, referred to collectively in the Trustee Complaint as The Emily Chais Issue Trust; Mark Hugh Chais Trust No. 1, Mark Hugh Chais Trust No. 2, and Mark Hugh Chais Trust No. 3, referred to collectively in the Trustee Complaint as The Mark Hugh Chais Trust; Mark Hugh Chais Issue Trust No. 1 and Mark Hugh Chais Issue Trust No. 2, referred to collectively in the Trustee Complaint as The Mark Hugh Chais Issue Trust; Mark Hugh Chais 1983 Trust; William Frederick Chais Trust No. 1, William Frederick Chais Trust No. 2, and William Frederick Chais Trust No. 3, referred to collectively in the Trustee Complaint as The William Frederick Chais Trust; William Frederick Chais Issue Trust No. 1 and William Frederick Chais Issue Trust No. 2, referred to collectively in the Trustee Complaint as The William F. Chais Issue Trust; William Frederick Chais 1983 Trust; The William and Wrenn Chais 1994 Family Trust; Ari Chais 1999 Trust; Ari Chais Transferee Trust No. 1, referred to in the Trustee Complaint as The Ari Chais Transferee #1 Trust; Benjamin Paul Chasalow 1999 Trust; Benjamin Paul Chasalow Transferee Trust No. 1, referred to in the Trustee Complaint as The Benjamin Paul Chasalow Transferee #1 Trust; Chloe Frances Chais 1994 Trust, referred to in the Trustee Complaint as The Chloe Francis Chais 1994 Trust; Chloe Frances Chais Transferee Trust No. 1, referred to in the Trustee Complaint as The Chloe Francis Chais Transferee #1 Trust; Jonathan Wolf Chais 1996 Trust, referred to in the Trustee Complaint as The Jonathan Wolf Chais Trust; Jonathan Chais Transferee Trust No. 1, referred to in the Trustee Complaint as The Jonathan Chais Transferee #1 Trust; Justin Robert Chasalow 1999 Trust; Justin Robert Chasalow Transferee Trust No. 1, referred to in the Trustee Complaint as The Justin Robert Chasalow Transferee #1 Trust; Madeline Celia Chais 1992 Trust; Madeline Chais Transferee Trust No. 1, referred to in the Trustee Complaint as The Madeline Chais Transferee #1 Trust; Rachel Allison Chasalow 1999 Trust; Rachel Allison Chasalow Transferee Trust No. 1, referred to in the Trustee Complaint as The Rachel Allison Chasalow Transferee #1 Trust; Tali Chais 1997 Trust; Tali Chais Transferee Trust No. 1, referred to in the Trustee Complaint as The Tali Chais Transferee #1 Trust; Unicycle Trading Company; Unicycle Corp., individually and as the General Partner of Unicycle Trading Company; the now-defunct money purchase plan formerly known as Unicycle Corporation Money Purchase Plan; Onondaga, Inc., individually and as General Partner of Chais Investments Ltd.; the now-defunct money purchase plan formerly known as The Onondaga, Inc. Money Purchase Plan; the now-defunct defined benefit pension plan formerly known as The Onondaga, Inc. Defined Benefit Pension Plan; Chais Management, Inc., individually and as General Partner of Chais Management Ltd.; Chais Management Ltd.; and Chais Venture Holdings.

<sup>6</sup> Collectively, the Stanley Chais Defendants and the Chais Related Defendants are the “Defendants”.

<sup>7</sup> Plaintiffs also filed amended complaints which, after Chais passed away, named, among other defendants, Pamela Chais as executor of the Estate of Stanley Chais (the “Chais Estate”).

in addition to the Chais Estate, such as the Chais Related Defendants. The Plaintiffs' Actions, therefore, seek to recover assets due to Chais's alleged wrongful conduct from more individuals and entities than the CAAG Action.

9. The Trustee, in 2009, prior to the filing of the Plaintiffs' Actions, in connection with the BLMIS liquidation proceeding pending in the Bankruptcy Court for the Southern District of New York, filed an action in the same court against Defendants, *Picard v. Stanley Chais, et al.*, Adv. Pro. No. 09-1172 (SMB), (the "Trustee Action") seeking to recover alleged fraudulent transfers to the Defendants. The Plaintiffs' Actions substantially overlap with the Trustee Action in both the claims and named defendants, but unlike the CAAG Action, seeks recovery from the Chais Related Defendants.

10. The Defendants have denied the claims asserted against them, disclaim any liability or damages, and deny that they or Chais engaged in any wrongdoing or violation of law of any kind whatsoever. Accordingly, the Settlement may not be construed as an admission of the Defendants' or Chais' wrongdoing, nor construed or deemed to be evidence of or an admission or concession on the part of any Defendant or with respect to Chais regarding the merits of any claim, nor of any infirmity in the defenses that the Defendants or Chais have, or could have, asserted in this Litigation. Likewise, the Settlement shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any Plaintiffs of any infirmity in the claims that Plaintiffs have, or could have, asserted.

11. Since Plaintiffs' Actions were filed in 2009, the parties to the Litigation have engaged in extensive discovery and motion practice before the Court. Collectively, the parties produced many thousands of pages of documents during the course of the Litigation. In addition, Plaintiffs took and defended numerous depositions, including Chais's deposition taken over the course of nine sessions in January, March, and April 2010. Chais passed away in the fall of 2010. The Estate of Stanley Chais was thereafter substituted as a defendant in the Injunctive Adversary Proceeding, the Plaintiffs' Actions, the CAAG Action, and the Trustee Action.

12. During the Litigation, certain of the Defendants, including all of the Chais Related Defendants, argued in demurrers filed with the Court, that certain claims brought by the Plaintiffs should be dismissed because those claims are barred by the automatic stay imposed by the United States Bankruptcy Code and belong to the Trustee. Plaintiffs opposed this argument. Initially, the Court granted the demurrers, with leave to amend the complaints. Amended complaints were then filed, and additional demurrers were filed challenging the amended complaints.

13. On January 4, 2012, prior to the Court ruling on the demurrers to the amended complaints, the Trustee filed an adversary proceeding in the Bankruptcy Court for the Southern District of New York against Plaintiffs and the CAAG, seeking to enjoin them from continuing to litigate the actions they filed in this Court, on the ground that the automatic stay applied to or should be extended to both the Plaintiffs' Actions and the CAAG Action (the "Injunctive Adversary Proceeding"). In addition to filing the Injunctive Adversary Proceeding, the Trustee filed an application with the Bankruptcy Court (the "Application") seeking an order to enforce the automatic stay and immediately preclude both the Plaintiffs' Actions and the CAAG Action from going forward.

14. Numerous briefs were filed in connection with the Trustee's Application, and a hearing was set for July 2012 for argument on the Trustee's Application. At that hearing, the Bankruptcy Court, rather than rule on the Trustee's Application, referred the matter to mediation. Since August 2012, the Trustee, the CAAG, the Plaintiffs, the Stanley Chais Defendants and the Chais Related Defendants engaged in multiple mediation conferences and related mediation communications with the Hon. James L. Garrity, Jr., at that time retired from the United States Bankruptcy Court for the Southern District of New York, as mediator.

15. During and after these communications, the Plaintiffs engaged in discussions and negotiations regarding a resolution of Plaintiffs' Actions and the Trustee's Injunctive Adversary Proceeding against Plaintiffs. These negotiations led to the Agreement, which will resolve all claims made in connection with the Plaintiffs' Actions and the Trustee's Injunctive Adversary Proceeding against Plaintiffs. The negotiations also resolved the Trustee Action (the "Trustee Agreement"), the CAAG Action, and the Trustee's Injunctive Adversary Proceeding against the CAAG (the "CAAG Agreement").<sup>8</sup>

16. Pursuant to the Trustee Agreement, the Stanley Chais Defendants have agreed to turn over to the Trustee substantially all of their assets, and the Chais Related Defendants have agreed to pay to the Trustee an amount equal to their two-year transfers from their BLMIS accounts, as determined by the Trustee.<sup>9</sup>

17. Pursuant to the CAAG Agreement, a fund will be created for compensating the investors in the California Limited Partnerships, the Sub-Partnerships and/or any partnership (in addition to the Sub-Partnerships) that was a limited partner of the California Limited Partnerships (the "Restitution Fund"), in the amount of Fifteen Million Dollars (\$15,000,000), to be funded in part through concessions by the Trustee and in part by contributions by certain of the Defendants in consideration for, *inter alia*, (i) the termination of the CAAG Action, (ii) resolution of all disputes between the Trustee and the Attorney General relating to the assets of Stanley Chais and the Estate of Stanley Chais; and (iii) releases by Restitution Fund Claimants (as defined in the CAAG Agreement) in favor of the Defendants and certain of their affiliates, agents and other related parties.

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<sup>8</sup> The CAAG Settlement Agreement can be obtained at [www.weintraub.com/chais](http://www.weintraub.com/chais) and [www.milberg.com/chais](http://www.milberg.com/chais).

<sup>9</sup> The Trustee Agreement can be obtained at [www.weintraub.com/chais](http://www.weintraub.com/chais) and [www.milberg.com/chais](http://www.milberg.com/chais).

18. On November 18, 2016, the Bankruptcy Court entered an order approving and authorizing the Trustee (to the extent necessary) to enter into the Agreement, Trustee Agreement and CAAG Agreement.

19. The Plaintiffs believe, based upon their investigation and discovery thus far, that the claims asserted in this Litigation have merit. However, Plaintiffs and their counsel are mindful of the inherent problems of proof of, and possible defenses to, the allegations asserted in this Litigation, and recognize and acknowledge the expense and length of continued proceedings necessary to prosecute this Litigation through trial and through anticipated appeals. Plaintiffs and their counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the derivative litigation of this type, as well as the difficulties and delays inherent in such litigation. Under the circumstances, Plaintiffs and their counsel have concluded that the terms and conditions of the Agreement are fair, reasonable and adequate to the California Limited Partnerships and the Sub-Partnerships, and in their best interests, and have agreed to settle the claims raised in this Litigation pursuant to the terms and provisions of Agreement, after considering (i) the substantial benefits that the California Limited Partnerships and the Sub-Partnerships will receive from resolution of this Litigation on the terms set forth in the Agreement, including but not limited to releases by the Trustee for any potential clawback claims he may have against certain investors in the California Limited Partnerships and the Sub-Partnerships; (ii) the uncertainty that a trial on the merits could result in a judgment providing the California Limited Partnerships and/or the Sub-Partnerships with the same or substantially the same benefits; (iii) the attendant risks and uncertainty of continued litigation; and (iv) the desirability of permitting the Settlement to be consummated without delay as provided by the terms of the Agreement.

### WHAT ARE THE TERMS OF THE PROPOSED SETTLEMENT?

20. The terms and conditions of the proposed Settlement are set forth in the Agreement. This Agreement has been filed with the Court and is also available for viewing on [www.weintraub.com/chais](http://www.weintraub.com/chais) and [www.milberg.com/chais](http://www.milberg.com/chais). The following is only a summary of the terms of the Agreement.

21. The Restitution Fund will include Fifteen Million Dollars (\$15,000,000) funded under the terms of the CAAG Agreement plus additional funds contributed pursuant to the Agreement in the Plaintiffs' Actions in the amount of Five Million, Two Hundred Thousand Dollars (\$5,200,000) ("Settlement Proceeds") for a combined total of Twenty Million Two Hundred Thousand Dollars (\$20,200,000), less any amounts, up to a maximum of One Hundred Thousand Dollars (\$100,000), awarded by the Court for an incentive award to Plaintiffs and less any amounts, up to a maximum of Four Million Dollars (\$4,000,000), awarded by the Court to Plaintiffs' counsel for attorneys' fees and costs, as discussed below.

22. Disbursements from the Restitution Fund shall be made by the CAAG in accordance with the CAAG Agreement. **Those investors in the California Limited Partnerships, in the Sub-Partnerships and/or any partnership (in addition to the Sub-Partnerships) that was a limited partner in the California Limited Partnerships seeking to recover monies from the Restitution Fund must submit a claim in accordance with the procedures established by the CAAG Agreement.**

23. Those claimants who incurred a "Net Loss" or a "Nominal Loss" in relation to his, her or its investment(s) will be eligible to recover from the Restitution Fund. "Net Loss" means, with respect to a Restitution Fund Claimant, the amount by which the aggregate of all investments made by such Restitution Fund Claimant to the California Limited Partnerships, Sub-Partnerships and/or any partnership (in addition to the Sub-Partnerships) that was a limited partner of the California Limited Partnerships exceeds the aggregate amount of distributions received by such Restitution Fund Claimant on account thereof. "Nominal Loss" means, with respect to a Restitution Fund Claimant, the sum of such Restitution Fund Claimant's interests in the California Limited Partnerships' account balances with BLMIS as of December 11, 2008. The actual amounts that a Restitution Fund Claimant will actually receive will be determined in accordance with CAAG Agreement.

24. In addition, under the Agreement, Defendants and certain others included within the definition of Chais Releasees and Relevant Third Party Releasees will obtain injunctive relief in the form set forth in Section 7(b) of the Agreement, and there will be a judicial dissolution, winddown and termination of existence for all purposes of the California Limited Partnerships in accordance with California law.

25. In connection with the Court's approval of the Settlement, all claims asserted by or against any of the Plaintiffs, including claims against Defendants, each Affiliate thereof, will be dismissed with prejudice. **Additionally, the Plaintiff Group Members will release Defendants and certain others included within the definition of Chais Releasees and Relevant Third Party Releasees, covenant not to sue and be enjoined from pursuing any and all actions, causes of action, and any other right to obtain any type of damages or any other remedies of whatever kind, whether individual, class, derivative, representative, legal, equitable, or any other type or in any other capacity, and that in any way arise out of or in connection with the California Limited Partnerships, the Sub-Partnerships, BLMIS, the Madoff Ponzi scheme and/or any other matters involving Stanley Chais, subject to certain narrow exceptions.** The full scope of the releases and the persons and entities who are the subject of the releases are set forth in the Agreement, which is available at [www.milberg.com/chais](http://www.milberg.com/chais) and [www.weintraub.com/chais](http://www.weintraub.com/chais).

## WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENT?

26. As a result of the Bankruptcy Court approving the Trustee Agreement, no assets of the Chais Estate are available to pay the claims in Plaintiffs' Actions. Claims against the remaining Defendants are much riskier than the claims against the Chais Estate. These Defendants have limited assets, and any recovery in the Plaintiffs' Actions could be rendered moot by the terms of the Trustee Agreement, separately reached with Defendants. Under that agreement, all assets of the Chais Estate go to the Trustee, and the Trustee can seek to obtain a judgment in the Bankruptcy Court against the California Limited Partnerships for withdrawals they made from BLMIS. Although the specific amount of the Trustee's claim is not yet fully ascertained, it is anticipated that it could be in excess of \$100 million and potentially more than \$1 billion. The Trustee can then assign that judgment to the Chais Related Defendants. If the Plaintiffs then obtain a judgment against the Chais Related Defendants, the specific amount of Plaintiffs' claim, which similarly could be in excess of \$100 million, will potentially be offset by the Trustee's judgment assigned to the Chais Related Defendants. The Trustee Agreement also provides that the Trustee will use his reasonable best efforts to obtain a permanent injunction in favor of the Defendants enjoining the continued prosecution of any claims released by the Trustee and any claim that is duplicative or derivative of any such claim. That injunction could significantly limit, if not preclude, much of the relief sought in the Litigation.

27. Even if the Trustee Action and/or the Trustee Agreement do not moot Plaintiffs' ability to pursue Defendants, Plaintiffs will face other risks if there is no settlement. As discussed above, Plaintiffs and Defendants have sharply diverging views of the factual and legal merits of the case and the applicable legal standards. Under the applicable rules, the Court would determine whether, in light of the legal standards that apply to the Defendants' conduct, there are material factual disputes that should be decided by a jury. Plaintiffs and their counsel recognize that the Court could adopt the Defendants' view of the applicable legal standards or otherwise decide that the discovered facts are insufficient to impose liability as a matter of law.

28. It also is possible that the Court could agree with Plaintiffs and their respective counsel and the case could proceed to trial. In that case, if Plaintiffs prevailed in whole at trial, the Defendants could be ordered to pay damages in an undetermined amount, which could exceed the amount agreed to in the Settlement and the above-referenced offset. If, however, Defendants prevailed at trial, there would be no recovery or benefit. In addition, following a trial, lengthy appeals by the losing party would be likely.

29. Additionally, the Trustee has claimed that distributions paid by Madoff through Chais to the California Limited Partnerships, Sub-Partnerships and individual investors during the two year period immediately prior to the commencement of bankruptcy proceedings are subject to a clawback proceeding by the Trustee. The Trustee had advised that if the Plaintiffs pursue their actions, he will consider and most likely proceed with the clawback proceedings, which would further limit any potential recovery Plaintiffs could obtain from the Litigation.

## HOW WILL THE ATTORNEYS BE PAID? HOW WILL INCENTIVE AWARDS BE PAID?

30. Plaintiffs' counsel shall apply for an award of attorneys' fees and reimbursement of expenses not to exceed Four Million Dollars (\$4,000,000) and to be paid or caused to be paid by Defendants exclusively out of the Settlement Proceeds.

31. In addition, Plaintiffs' counsel will apply to the Court for incentive awards payable by Defendants exclusively out of the Settlement Proceeds, of up to an aggregate maximum amount of One Hundred Thousand Dollars (\$100,000), and no more than Twenty-five Thousand Dollars (\$25,000) to any one of the Individual Plaintiffs as compensation for their efforts in prosecuting the Litigation and for their reasonable expenses.

32. Plaintiffs' counsel will file their papers in support of final approval of the Settlement, their application for attorneys' fees and reimbursement of expenses, and their application for an incentive award for Individual Plaintiffs by no later than January 20, 2017. These papers will be posted on Plaintiffs' counsel's respective websites, [www.weintraub.com/chais](http://www.weintraub.com/chais) and [www.milberg.com/chais](http://www.milberg.com/chais).

33. Although the Settlement is conditioned on Court approval, the Settlement is not conditioned on the Court awarding Plaintiffs' counsel's attorneys' fees, reimbursement of expenses or incentive awards for Individual Plaintiffs.

## WHEN AND WHERE WILL THE COURT RULE ON APPROVAL OF THE SETTLEMENT? DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING?

34. You may, if you wish to do so, comment to the Court on the Settlement, the application for an award of attorneys' fees and reimbursement of expenses, and/or the application for incentive awards for the Individual Plaintiffs. If you do not wish to object in person to the Settlement, the application for attorneys' fees and reimbursement of expenses and/or incentive awards for the Individual Plaintiffs, you do not need to attend the Settlement Hearing. You can object to the Settlement, the application for attorneys' fees and reimbursement of expenses, and/or the application for incentive for the Individual Plaintiffs without attending.

35. Any Limited Partner and any partner in any partnership (in addition to the Sub-Partnerships) that was a partner in the California Limited Partnerships may object to the Settlement, Plaintiffs' counsel's request for an award of attorneys' fees and

expenses, or the request for an incentive award for the Individual Plaintiffs. Objections must be in writing, and must include (i) the objector’s name, address and telephone number, along with a representation as to whether the objector intends to appear at the Settlement Hearing; (ii) proof that the objector is a Limited Partner or a partner in any partnership (in addition to the Sub-Partnerships) that was a partner in the California Limited Partnerships; (iii) proof that the person or entity submitting the objection has authority to submit the objection on behalf of the Limited Partner or the partner in any partnership (in addition to the Sub-Partnerships) that was a partner in the California Limited Partnerships, if not submitted directly by the Limited Partner or the partner in any partnership (in addition to the Sub-Partnerships) that was a partner in the California Limited Partnerships; (iv) a statement of the objections to any matters before the Court, the grounds therefor or the reasons for the objector’s desiring to appear and be heard, as well as all documents or writings the objector desires the Court to consider; and (v) if the objector has indicated that he, she or it intends to appear at the Settlement Hearing, the identities of any witnesses the objector may call to testify and any exhibits the objector intends to introduce into evidence at the Settlement Hearing. **You must file your objection with the Clerk’s Office at the address set forth below on or before February 8, 2017.** You must also serve the papers (by hand, first class mail, or express service) on Plaintiffs’ counsel and Defendants’ counsel at the addresses set forth below so that the papers are *received* by such counsel on or before February 8, 2017.

36. If you fail to object in the manner and within the time prescribed above you shall be deemed to have waived your right to object (including the right to appeal) and shall forever be barred, in this proceeding or in any other proceeding, from raising such objection(s).

37. The Settlement Hearing will be held on March 1, 2017, at 8:30 a.m., before the Honorable Elizabeth A. White, at the Superior Court of California, 5<sup>th</sup> Floor, Stanley Mosk Courthouse, 111 North Hill Street, Dept. 48, Los Angeles, CA 90012. The Court reserves the right to approve the Settlement or the application for attorneys’ fees and expenses at or after the Settlement Hearing without further notice to any Limited Partner or any partner in any partnership (in addition to the Sub-Partnerships) that was a partner in the California Limited Partnerships.

38. The Settlement Hearing may be adjourned by the Court without further written notice to you. If you intend to attend the Settlement Hearing, you should confirm the date and time with Plaintiffs’ counsel.

<u>Clerk’s Office</u>	<u>Plaintiffs’ counsel</u>
SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES Clerk of the Court Stanley Mosk Courthouse 111 North Hill Street Los Angeles, CA 90012	Marvin Gelfand, Esq. Weintraub Tobin Chediak Coleman Grodin, Inc. 10250 Constellation Blvd., Suite 2900 Los Angeles, CA 90067  and Barry Weprin, Esq. Milberg LLP One Pennsylvania Plaza, 50 <sup>th</sup> Floor New York, NY 10119-0165
<u>Counsel for the Stanley Chais Defendants</u>	<u>Counsel for the Chais Related Defendants</u>
Dennis F. Dunne, Esq. Michael L. Hirschfeld, Esq. Milbank, Tweed, Hadley & McCloy LLP 28 Liberty Street New York, NY 10005  and Jerry L. Marks Milbank, Tweed, Hadley & McCloy LLP 2029 Century Park East, 33 <sup>rd</sup> Floor Los Angeles, CA 90067	Andrew H. Sherman, Esq. Sills Cummis & Gross P.C. One Riverfront Plaza Newark, NJ 07102  and Steven J. Katzman, Esq. Biernert, Miller & Katzman 903 Calle Amancer, Suite 350 San Clemente, CA 92673

**CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?**

39. This Notice contains only a summary of the terms of the Agreement. More detailed information about the Litigation is available at either of Plaintiffs' counsel's respective firm websites, [www.weintraub.com/chais](http://www.weintraub.com/chais) and [www.milberg.com/chais](http://www.milberg.com/chais), including, among other documents, the complaints, the Agreement, the Trustee Agreement and the CAAG Agreement. You or your attorney may examine the Court files for the Litigation (*Heimoff v. Chais, et al.*, Case No. BC413821; *Hall v. Chais, et al.*, Case No. BC413820; *Bottlebrush Investments, LP v. The Lambeth Company, et al.*, Case No. BC407967; *Leghorn Investments, Ltd. v. Brighton Investments, et al.*, Case No. BC408661) during regular business hours at the Superior Court of California, County of Los Angeles. Questions about the Settlement or about this Notice in general should be directed to:

**Plaintiffs' counsel:**

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New York, NY 10119-0165  
(800) 320-5081  
ContactUs@milberg.com

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT  
REGARDING THIS NOTICE.**

Dated: December 21, 2016

By Order of the Clerk of the Court  
Superior Court of California  
County of Los Angeles