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13 *Attorneys for Plaintiff*
14 *and the Proposed Class*

15 **UNITED STATES DISTRICT COURT**
16 **CENTRAL DISTRICT OF CALIFORNIA**
17 **WESTERN DIVISION**

18 MICHAEL CHALEFF, On Behalf Of)
19 Himself And All Others Similarly)
20 Situated,)

21 Plaintiff,)

22 v.)

23 BERNARD L. MADOFF, BERNARD L.)
24 MADOFF INVESTMENT)
SECURITIES, STANLEY CHAIS, AND)
25 THE BRIGHTON COMPANY)

26 Defendants.)

No. CV _____

CLASS ACTION

**CLASS ACTION COMPLAINT
FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL

1 Plaintiff Michael Chaleff (“Plaintiff” or “Michael Chaleff”) files this Class
2 Action Complaint against Defendants Bernard L. Madoff (“Madoff”), Bernard L.
3 Madoff Investment Securities (“BMIS”), Stanley Chais (“Chais”), and the Brighton
4 Company (“Brighton”) (collectively “Defendants”). Plaintiff alleges the following
5 based upon the investigation of Plaintiff’s counsel. Plaintiff believes that substantial
6 additional evidentiary support will exist for the allegations set forth herein after a
7 reasonable opportunity for discovery.

8
9 **I. NATURE OF ACTION**

10 1. This matter involves a massive and unprecedented Ponzi-scheme. Over
11 the past several years, Defendants have amassed billions of dollars in private
12 investments. For years, Defendants have been fraudulently paying returns to certain
13 investors out of the principal received from other investors. As a result, Defendants
14 have accumulated nearly \$50 billion dollars in liabilities, and have defrauded
15 investors of their investments.

16 2. In effect, Defendants represented to investors that Defendants would
17 use the investor funds for investing in the securities market, and that the investors
18 would share in the profits from such investments. Defendants promised high
19 monthly returns typically in excess of 10% of the investment profits.

20 3. Defendants also represented and reported that existing investors were
21 making large profits on their investments, thereby encouraging further investments
22 from new and existing investors.

23 4. In truth, Plaintiff and other members of the proposed Class were not
24 sharing in true returns on their investments in the securities market. Instead,
25 Defendants systematically stole investor funds for their personal use and for making
26 payments to other investors in order to create the false appearance of high returns on
27 investments (“Ponzi Payments”).
28

1 10. For many years, CMG has provided all of its investment capital to
2 Defendant Stanley Chais acting as General Partner of Defendant the Brighton
3 Company (“Brighton”). Plaintiff is informed and believes that CMG has provided
4 about \$75 million to \$80 million worth of investment capital to Brighton.

5 11. Defendant Stanley Chais is believed to be a resident of Beverly Hills,
6 California. He is acting, and has been acting as the General Partner of Brighton. In
7 that role, Chais has engaged in investment activities using funds from investor
8 groups like CMG. Chais is believed to have engaged in similar investment activities
9 with investment funds provided by other partnerships as well.

10 12. Defendant Brighton is believed to be a California-based limited
11 partnership, with its General Partner, Stanley Chais, residing in Beverly Hills,
12 California. Brighton appears to be engaged in the business of managing investments
13 for various investor groups. Plaintiff is informed and believes that Brighton
14 collected capital from about 10 investment groups, including CMG, worth at least
15 \$250 million dollars.

16 13. Defendant Bernard L. Madoff is a resident of New York, New York.
17 He is a former chairman of the Board of Directors of the Nasdaq stock market. He
18 controls the investment adviser services and finances at BMIS, and he is the sole
19 owner of BMIS, a company which Madoff appears to have founded in the 1960s.

20 14. Defendant BMIS is a broker-dealer and investment adviser registered
21 with the SEC. BMIS formally engages in three operations, which include investment
22 adviser services, market making services, and proprietary trading. According to the
23 BMIS website, BMIS recently ranked among the top 1% of US Securities firms.

24 15. In January 2008, BMIS filed a Form ADV with the SEC, stating that
25 BMIS had over \$17 billion in assets under management. BMIS represented that its
26 trading strategy for adviser accounts involved trading in baskets of equity securities
27 and options thereon.

28

1 2008, Madoff informed another senior employee that Madoff wanted to pay early
2 bonuses to BMIS employees.

3 23. On or about December 10, 2008, the two senior employees met with
4 Madoff at his apartment in Manhattan. At that time, Madoff informed them that, in
5 substance, his investment advisory business was a fraud. Madoff is reported to have
6 stated that he was “finished,” that he had “absolutely nothing,” that “it’s all just one
7 big lie” and that the business was “basically, a giant Ponzi-scheme.”

8 24. In substance, Madoff admitted that he had for years been paying returns
9 to certain investors out of the principal received from other investors. Madoff also
10 stated that BMIS was insolvent, and that it had been for years. Madoff also
11 estimated the losses from this fraud to be approximately \$50 billion dollars.

12 25. Madoff further informed the two senior employees that he planned to
13 surrender to authorities, but first, he still had about \$200 million to \$300 million
14 dollars left, and he intended to distribute it to certain selected employees, family, and
15 friends.

16 26. On or about December 12, 2008, Chais informed the partners of CMG
17 that the man handling all of their funds on Wall Street was Bernard Madoff of BMIS,
18 and that all of their money has been lost as part of the Ponzi-scheme.

19 27. As a result of this scheme, Defendants wrongfully acquired investment
20 capital from Plaintiff and other members of the proposed Class.

21 28. In addition, Defendants materially misled putative class members by
22 providing them with false and misleading statements about their investment returns
23 and/or concealing the Ponzi-scheme from them. At all relevant times, the alleged
24 misrepresentations and/or concealment of material facts induced the putative Class
25 members to invest their capital with, and to maintain their investments with,
26 Defendants. As a result, the investment capital acquired from Plaintiff and other
27 putative Class members is reported to be lost.

1 29. All Defendants knew that their representations about their investment
2 activities were materially false and misleading, and knew that their concealment of
3 the true nature and status of the investments would materially mislead putative class
4 members. Defendants also knowingly and substantially participated or acquiesced in
5 the unlawful and fraudulent manipulation of investment capital placed with them for
6 investment in the securities market.

7
8 **V. CLASS ACTION ALLEGATIONS**

9 30. Plaintiff brings this action as a class action pursuant to Federal Rule of
10 Civil Procedure 23(a) and (b)(3) on behalf of a proposed Class consisting of all
11 persons or entities: (i) who had invested capital in or through Defendant Chais or
12 Defendant Brighton, (ii) who had such capital invested with Defendant Madoff or
13 Defendant BMIS as of December 12, 2008, and (iii) who were damaged thereby.
14 Excluded from the proposed Class are Defendants, the officers, directors, and
15 employees of BMIS and Brighton, and members of their immediate families or their
16 legal representatives, heirs, successors or assigns, and any entity in which
17 Defendants have or had a controlling interest.

18 31. The members of the proposed Class are so numerous that joinder of all
19 members is impracticable. While the exact number of Class members is unknown to
20 Plaintiff at this time and can only be ascertained through appropriate discovery,
21 Plaintiff believes that there are several hundred, if not thousands, of members in the
22 proposed Class. There were more than 50 investors through CMG alone. Other
23 members of the proposed Class may be identified from records maintained by the
24 Defendants.

25 32. Plaintiff's claims are typical of the claims of the members of the
26 proposed Class as all members of the proposed Class are similarly affected by
27
28

1 Defendants' wrongful conduct in violation of the federal securities laws, as alleged
2 herein.

3 33. Plaintiff will fairly and adequately protect the interests of the members
4 of the proposed Class and has retained counsel competent and experienced in class
5 and securities litigation.

6 34. Common questions of law and fact exist as to all members of the
7 proposed Class and predominate over any questions solely affecting individual
8 members of the proposed Class. Among the questions of law and fact common to
9 the proposed Class are:

- 10 a. whether the federal securities laws were violated by Defendants' acts
11 and scheme as alleged herein;
- 12 b. whether statements or omissions made by Defendants to investors
13 misrepresented material facts about the investments; and
- 14 c. to what extent the members of the Class have sustained damages,
15 and the proper measure of damages.

16 35. A class action is superior to all other available methods for the fair and
17 efficient adjudication of this controversy since joining all members is impracticable.
18 There will be no difficulty in the management of this action as a class action.

19
20 **VI. CLAIMS FOR RELIEF**

21 **FIRST CLAIM:**

22 **VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT OF 1934 AND**
23 **RULE 10B-5 PROMULGATED THEREUNDER**
24 **AGAINST ALL DEFENDANTS**

25
26 36. Paragraphs 1 through 35 are realleged and incorporated by reference as
27 if set forth fully herein.

1 37. Defendants, directly or indirectly, by the use of means or
2 instrumentalities of interstate commerce or of the mails, have used or employed, in
3 connection with the purchase or sale of securities, a manipulative and/or deceptive
4 Ponzi-scheme in contravention of SEC rules and regulations.

5 38. Defendants knew and/or deliberately disregarded that they had
6 concealed the true nature of their investment management activities and the
7 fraudulent Ponzi-scheme described herein.

8 39. Defendants: (a) employed devices, schemes, and artifices to defraud;
9 (b) made untrue statements of material fact and/or omitted to state material facts
10 necessary to make the statements not misleading; and (c) engaged in acts, practices,
11 and a course of business which operated as a fraud and deceit upon the purchasers of
12 securities.

13 40. Plaintiff and other members of the proposed Class would not have
14 invested in or through Defendants, or maintained their capital investments with
15 Defendant BMIS, if they had been aware of the true nature of Defendants'
16 investment management activities and the fraudulent Ponzi-scheme.

17 41. As a direct and proximate result of Defendants' wrongful conduct,
18 Plaintiff and other members of the proposed Class suffered damages in connection
19 with their purchases of securities through BMIS and the resulting loss of their
20 investment capital.

21 42. By reason of the activities described herein, the Defendants have
22 violated Section 10(b) of the Exchange Act [15 USC Section 78j(b)] and Rule 10b-5
23 [17 CFR Section 240.10b-5] thereunder.

1 sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial,
2 including interest thereon;

3 C. Awarding Plaintiff and the Class their reasonable costs and expenses
4 incurred in this action, including counsel fees and expert fees; and

5 D. Such other and further relief as the Court may deem just and proper.

6
7 DATED: December 15, 2008

HAGENS BERMAN SOBOL SHAPIRO LLP

8
9
10 By  _____

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27 *Attorneys for Plaintiff and the Proposed Class*
28

1 **DEMAND FOR JURY TRIAL**

2 Plaintiff hereby demands a trial by jury, pursuant to Rule 38(b) of the Federal
3 Rules of Civil Procedure, of all issues so triable.

4
5 DATED: December 15, 2008

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7 By 

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**CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS**

Michael Chaleff ("Plaintiff") declares as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed a complaint alleging securities fraud against Defendants Bernard L. Madoff ("Madoff"), Bernard L. Madoff Investment Securities ("BMIS"), Stanley Chais ("Chais"), and the Brighton Company ("Brighton") (collectively "Defendants") and authorized its filing.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of Plaintiff's counsel in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

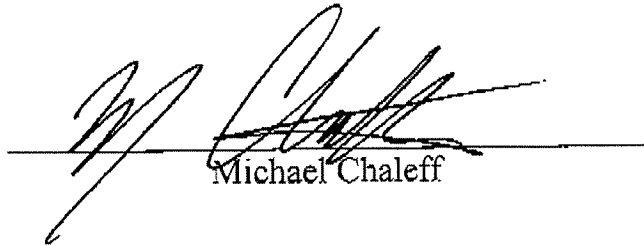
4. Plaintiff has made no transaction(s) during the Class Period in the debt or equity securities that are the subject of this action except those set forth below:

Acquisitions	Date Acquired	No. Shares Acquired	Acquisition Price Per Share
Not Applicable			

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in the following actions filed under the federal securities laws except as detailed below: No other actions.

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.
Executed this 15 day of December, 2008.


Michael Chaleff

Please fill out the additional information. Thank you.

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