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April 30, 2010

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OFFICE OF GENERAL
COUNSEL

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General Counsel's Office
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463
Attn: Erik Morrison

Re: April 12, 2010 Letter to Patricia D. Cornwell / Pre-MUR 500

Dear Mr. Morrison:

I submit this letter and accompanying exhibits on behalf of my client, Patricia Cornwell, in order to provide the General Counsel with factual and legal materials that are relevant to the issues raised in the above-referenced letter. Specifically, personnel from the management firm of Anchin, Block & Anchin ("Anchin"), to whom Ms. Cornwell had entrusted her assets, as well as the management of virtually all of her personal and business-related financial matters, abused their position of trust and used Ms. Cornwell's funds for political purposes without Ms. Cornwell's permission or knowledge.¹ Ms. Cornwell never authorized Anchin to "recruit" all of the attendees listed in the Commission's letter for an Elton John concert that was sponsored by the Hillary Clinton campaign. Moreover, Anchin orchestrated the purchase and distribution of Elton John tickets for Ms. Cornwell and a limited number of family and friends, only after assuring Ms. Cornwell that this limited purchase was permissible.

This unauthorized misconduct by Anchin and in particular its Principal, Evan H. Snapper, was part of a longstanding pattern of abuse and deception. To address the rampant abuse of trust and misapplication of Ms. Cornwell's funds that eventually came to light over 2008 and 2009, Ms. Cornwell terminated Anchin's services and in October 2009, initiated the lawsuit, in which she

¹ Ms. Cornwell only learned that this had occurred in or about the third week in January 2010, as a result of Anchin's apparent referral of allegations to the Department of Justice ("DoJ"). Not coincidentally, these allegations were made very shortly before Anchin was compelled to turn over financial records revealing these payments in the federal lawsuit *Cornwell v. Anchin Block & Anchin* ("the lawsuit"), filed in October of 2009 in Federal District Court in Boston. Among other improprieties, the lawsuit alleges that Anchin Principal Evan H. Snapper inappropriately transferred funds to himself from Ms. Cornwell's accounts for unauthorized expenses and gifts. A copy of the Third Amended Complaint in the lawsuit is attached as Exhibit 18.

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seeks to recover the vast sums expended by Anchin employees – sometimes for their own benefit – without Ms. Cornwell's knowledge or approval. The instant complaint with the Commission, and the apparent referral to the Department of Justice, in our view represent nothing more than a tactic by Anchin to retaliate against Ms. Cornwell for her decision to terminate Anchin's services and bring her well-founded lawsuit.

Anchin, not Ms. Cornwell, planned and executed the reimbursement scheme referenced in the Commission's letter. As a client who was completely dependent on Anchin and its purported management expertise, Ms. Cornwell was told that it would be permissible for her to purchase a small number of tickets to the Elton John concert for herself and a limited number of family and friends. Ms. Cornwell was unaware of, and did not authorize, the reimbursement of the numerous Anchin employees and family members listed in the Commission's letter.² For these reasons, and as more fully described below, there is no reason to believe that Ms. Cornwell has committed any possible violation of the Federal Election Campaign Act of 1972 ("the Act"). In contrast, there is ample reason to believe that Anchin did violate the Act.

In an effort to assist your office with its effort to understand the facts and the role of the parties, enclosed herein is relevant information concerning the following topics: (1) Ms. Cornwell's relationship with Anchin and Mr. Snapper; (2) Ms. Cornwell's complete and total reliance on Anchin and Mr. Snapper for advice regarding expenditures of all kinds, including political contributions; (3) Ms. Cornwell's lack of knowledge that her funds were being used to reimburse campaign contributions to Hillary Clinton, and the absence of authorization of the same; and (4) Ms. Cornwell's lack of knowledge or authorization regarding any reimbursed campaign contributions to James Gilmore.

(1) Ms. Cornwell's Relationship with Anchin and Mr. Snapper

As a successful author and a person with an extensive travel and work schedule, Ms. Cornwell does not have the time or expertise to manage her business or financial affairs. As her career expanded, Ms. Cornwell drew on the services of a number of employees and paid advisers, and she began to rely increasingly on others to manage her affairs. Beginning in the late 1990s, Ms. Cornwell retained the services of the New York accounting firm Yohalem Gillman & Company to assist her with investment management. On January 1, 2005, the firm of Yohalem Gillman merged with Anchin, a regional accounting firm.

² As discussed *infra*, at note 6, Ms. Cornwell invited Mr. Snapper and Laurie Fasinski to attend the concert using extra tickets, once Ms. Cornwell realized that she could not attend. But Ms. Cornwell was utterly unaware that Mr. Snapper was apparently recruiting close to a dozen other Anchin employees and associates to attend this event.

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Holding itself out as a "full-service firm," Anchin, and in particular Anchin Principal Evan Snapper, convinced Ms. Cornwell to move virtually all of her affairs under Anchin's control. Mr. Snapper pledged to Ms. Cornwell that Anchin could handle virtually all of her needs. Anchin obtained a broad power of attorney covering all of Ms. Cornwell's affairs and, pursuant to that power of attorney, conducted the entirety of Ms. Cornwell's financial affairs. Ms. Cornwell's earnings were sent directly to Anchin, which funneled those funds into various bank accounts against which they alone wrote checks and wired funds.³ Anchin regularly paid bills and issued checks in Ms. Cornwell's name without her knowledge or involvement. Anchin did not regularly provide Ms. Cornwell with financial statements, balance sheets, or other information regarding the financial transactions involving Ms. Cornwell's accounts.

By 2008, Ms. Cornwell had a growing concern that she was being overcharged by Anchin, which paid itself from her funds for services purportedly rendered, without invoicing her or otherwise itemizing the nature of the services. As the fees over time grew into the \$1,000,000 per year range, Ms. Cornwell began demanding greater transparency, which was not forthcoming. In the summer of 2009, Ms. Cornwell informed Anchin that its services would be terminated after a transition period ending Labor Day weekend. She demanded, and Anchin agreed to provide, all of her records, and the records of her S Corporation Cornwell Enterprises, Inc., n/a Cornwell Entertainment, Inc. ("CEI").

At the conclusion of the relationship, Anchin turned over in excess of 80 boxes of haphazardly organized hard-copy files, but no electronic data, which only became forthcoming as part of the mandatory Initial Disclosure in the lawsuit in early 2010. Even without the benefit of the electronic files, Ms. Cornwell was able to determine from the disheveled hard-copy files that Anchin had engaged in numerous unauthorized transactions using her accounts and her funds. In addition, Anchin mischaracterized expenditures, improperly reimbursed itself and its employees from Ms. Cornwell's accounts, and violated its fiduciary duties to Ms. Cornwell in a wide variety of ways. For example, Anchin effected a \$5,000 transfer from Ms. Cornwell's account to Mr. Snapper's daughter, ostensibly as a Bat Mitzvah gift, even though Ms. Cornwell was unaware of and did not authorize this transaction (and, indeed, had never met Mr. Snapper's daughter). Similarly, Anchin effected numerous "reimbursements" of Anchin employee expenses, including entertainment expenses, even though Ms. Cornwell was unaware of and did not authorize these transactions. Ms. Cornwell and CEI, as well as Ms. Cornwell's spouse Dr. Staci Gruber, filed the lawsuit in October of 2009, seeking, *inter alia*, a full accounting.

³ Until late in the relationship with Anchin, which terminated on Labor Day weekend 2009, Ms. Cornwell did not have access to the records for the bank accounts; if she had check-writing authority, she was unaware of that fact. All checks and wire transfers were effectuated by Anchin, to whom the bank statements were routinely sent. The accounts were at First Republic Bank in New York, a bank selected by Anchin and with which Anchin has a close relationship. Ms. Cornwell's principal residence for the last several years has been in eastern Massachusetts.

Unfortunately, Anchin's mismanagement, mishandling of investments,⁴ and breach of its fiduciary duties, have resulted in a significant dissipation of Ms. Cornwell's assets. Ms. Cornwell is seeking a recovery of at least \$40,000,000 in the lawsuit. In addition, Ms. Cornwell is seeking a full and accurate accounting of all transactions overseen by Anchin, many of which have never been reported or documented.⁵

(2) Ms. Cornwell Relied on Anchin and Mr. Snapper for Advice Regarding Political Contributions.

As a high-profile author and generous contributor to many charitable and educational causes, Ms. Cornwell is frequently solicited for contributions. However, Ms. Cornwell is not a political fundraiser. She has not hosted fundraisers for candidates or worked as part of any political campaigns, nor does she require access to public office holders or have any reason to generate good will with politicians. When Ms. Cornwell chose to contribute to candidates for office, she did so simply because she wished to support a particular candidate because she liked the person or agreed with the person's views on issues.

As a layperson with no political campaign experience, Ms. Cornwell's knowledge of campaign finance rules was rudimentary (e.g., that there was at some unknown level a maximum limit on contributions to candidates) and lacking in familiarity with the intricacies of such rules (e.g., the amounts of those maximums and over what time periods they applied). From 2005 through 2008, Ms. Cornwell relied completely upon her purportedly full-service business managers at Anchin to monitor her compliance with all applicable laws and regulations, including whether she was at the maximum permissible contribution level as to any candidate or political committee, and to issue contributions pursuant to her directions. Ms. Cornwell communicated her lack of understanding of campaign finance regulations to Anchin and explicitly asked Anchin to advise her on the propriety of potential contributions and the applicability of campaign finance rules.

Ms. Cornwell frequently received invitations to political fundraising events via Mr. Snapper and Anchin, as opposed to directly from a candidate's campaign. See Exhibit 1 (January 17, 2008 email chain re: January 24, 2008 Clinton event); Exhibit 2 (February 12, 2008 email chain re: February 13, 2008 Clinton campaign call); Exhibit 3 (March 17, 2008 email chain re: April 9, 2008

⁴ Although Ms. Cornwell was unaware of this deficiency, Anchin was not a registered investment adviser, although it handled all aspects of her investments (in apparent disregard for her conservative investment objectives).

⁵ As noted above, the original federal complaint was filed in Boston in October of 2009. Thereafter, Anchin apparently took it upon itself, inferentially for the purpose of retaliating against Ms. Cornwell and to gain leverage in the litigation, to raise allegations with DoJ, and now with the Commission, about campaign contributions that Anchin made and for which it reimbursed itself from Ms. Cornwell's or CEI's accounts.

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Clinton event); Exhibit 4 (December 4, 2008 email chain re: December 15, 2008 Clinton event). Mr. Snapper and Anchin also coordinated any follow-up between Ms. Cornwell and any political campaigns. See Exhibit 5 (April 8 – 9, 2008 email chain re: Mr. Snapper coordinating communications with Clinton campaign). When contributions were made, Anchin prepared and signed the checks from accounts that it established and controlled.

Further, Ms. Cornwell repeatedly indicated to Anchin that she sought to comply with all applicable campaign finance laws and explicitly deferred to Anchin for guidance in this area. For example, in response to an invitation to a Clinton fundraiser sent by Mr. Snapper to Ms. Cornwell, Ms. Cornwell asked him "Can we make a donation or are we maxed [sic] out?" See Exhibit 1. Similarly, after Mr. Snapper sent a Clinton campaign update to Ms. Cornwell, she instructed him "When the next contribution can go, send it. If we're not at the max for the year." See Exhibit 2 (emphasis added). As is evident from these examples, Ms. Cornwell clearly communicated her desire to comply with campaign finance limits and her expectation that Anchin would provide her with advice regarding what those limits permitted.

(3) Ms. Cornwell Did Not Authorize Reimbursement of Campaign Contributions to Hillary Clinton, and Was Led by Anchin to Believe That the Purchase of Concert Tickets for a Small Group of Family and Friends Was Permissible.

On March 17, 2008, having already informed Ms. Cornwell that she had reached the maximum level of contributions for the Clinton campaign, Mr. Snapper forwarded to Ms. Cornwell - without solicitation - an invitation to an Elton John concert at Radio City Music Hall. See Exhibit 3. The email, written from Elton John, invited the recipient to a concert "to support my friend Hillary Clinton." The email stated that tickets would go on sale on March 19 and advertised that "seats" could be purchased via Ticketmaster. Mr. Snapper forwarded this to Ms. Cornwell with the added language "[s]eats [f]or!" It is Ms. Cornwell's understanding that Elton John is among Mr. Snapper's favorite performers.

By the time Mr. Snapper forwarded the Elton John concert invitation, Mr. Snapper had already informed Ms. Cornwell that she had reached her maximum contribution to the Clinton campaign. See Exhibits 1 – 2. Ms. Cornwell therefore inferred that this concert, which Mr. Snapper was suggesting might be fun to attend, was just that: a concert for which tickets could be purchased, not a typical political fundraiser. Given that this was an event at Radio City Music Hall, with tickets sold via Ticketmaster, and not being aware of the intricacies of political fundraisers, Ms. Cornwell viewed this as an event similar to a ticketed charity concert or benefit, events with which she was more familiar. This inference was supported not only by Ms. Cornwell's past experiences with charity events, but also in at least two ways by Mr. Snapper's communications. First, Mr. Snapper forwarded this invitation despite the fact that he had already informed Ms. Cornwell that she had reached the limit for contributions to the Clinton campaign, thus implying that this event fell outside the scope of that limit. Second, Mr. Snapper had previously

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informed Ms. Cornwell, in connection with another Clinton fundraiser, that he would "check if this counts towards your total." See Exhibit 1. This statement implied that contributions to certain campaign events counted toward the allowable maximum contribution, while others did not.

Indeed, from the time that she received the invitation forwarded by Mr. Snapper, Ms. Cornwell understood that she was purchasing high-end tickets to an Elton John concert, and that such a purchase fell outside the scope of the traditional limits on direct campaign donations. Her understanding is evidenced by an email she sent to a good friend, Ilana Kloss, regarding this event. See Exhibit 6 (March 17 - 18, 2008 email chain re: Elton John concert). Ms. Cornwell invited Ms. Kloss to attend the event and noted that "unlike other political fund raisers, there isn't a limit to what you can donate."

With this understanding clearly in mind, Ms. Cornwell responded to Mr. Snapper's forwarding of the invitation by proposing that she purchase 50 tickets and donate them back to be re-sold (see Exhibit 6), a common practice for high-end charity benefits. Ms. Cornwell noted that she hoped that this act of generosity "might encourage others to do the same and raise a hell of a lot more money." The fact that Ms. Cornwell proposed purchasing such a large block of tickets in such a high-profile manner - and, indeed, for the very purpose of encouraging others to do the same - demonstrates that she was oblivious to any notion that this proposed purchase ran afoul of federal campaign laws.

Subsequently, Mr. Snapper informed Ms. Cornwell that, due to federal campaign regulations, she could not purchase a large block of tickets to the Elton John concert. Ms. Cornwell, consistent with her constant reliance on Anchin for guidance regarding political contributions, accepted that advice and abandoned any notion of purchasing a large block of tickets and gifting them back to the campaign. Around this time, Laurie Fastluki of Anchin informed Ms. Cornwell that Anchin could arrange for others to attend the Elton John concert, with the tickets being ultimately paid for by Ms. Cornwell. Mr. Fasinski told Ms. Cornwell that Anchin had done this for other clients on previous occasions, and Mr. Snapper suggested that, if Ms. Cornwell were to identify members of her family and friends who might want to attend the concert, Anchin could obtain tickets for them. Ms. Fasinski subsequently informed Ms. Cornwell via email that she and Mr. Snapper were working on obtaining tickets to the concert for Ms. Cornwell's friend and real estate agent, Charla Coleman, and her family. See Exhibit 7 (March 20, 2008 email chain re: Elton John concert).

As the concert approached, Ms. Cornwell continued to believe - because Anchin led her to believe - that it was permissible to purchase tickets for her close friends and family. Ms. Cornwell continued to view the purchase of tickets to the Elton John concert as a different type of support for a candidate, distinct from outright campaign contributions. This belief was hardly surprising, given that Anchin, which managed her political contributions, had both (a) told her that she had reached the maximum limit for the Clinton campaign, and (b) suggested that she buy tickets for the Elton

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John concert. She viewed the Elton John concert as an exciting event that members of her family and friends might enjoy, not for political purposes – indeed, her family members are Republicans – but simply as entertainment: a concert by one of the world's most famous musicians, with whom Ms. Cornwell is acquainted through mutual friends. Ms. Cornwell's subsequent communications with Anchin during the lead-up to the Elton John concert focus solely on Anchin's efforts to *obtain tickets* for Ms. Cornwell's friends and associates, do not speak in terms of donations or contributions, and do not reference any *amounts raised* via these ticket purchases. See Exhibit 8 (March 31, 2008 email chain re: Elton John concert); Exhibit 9 (April 3, 2008 email re: Elton John concert); Exhibit 10 (April 3 – 4, 2008 email chain re: Elton John concert).⁶

Although her advisors at Anchin knew that Ms. Cornwell relied totally and completely upon their advice regarding the legality and propriety of campaign contributions, at no time did Mr. Snapper or Ms. Fasinski advise Ms. Cornwell that they were making donations in a manner that would violate federal campaign finance laws. Ms. Cornwell simply did not realize that the purchase of a top-quality ticket to the Elton John concert was the functional equivalent of a cash donation to the Clinton campaign. While Ms. Cornwell wished to be involved with the Elton John concert to the extent allowable by law, and wished to extend invitations to her friends and family to attend the concert to the extent permissible, she would never have authorized any activity that would violate campaign finance rules. Ms. Cornwell assumed – based upon her repeated instructions to Anchin that campaign finance limits be obeyed and based upon her explicit reliance on Anchin for advice concerning campaign finance rules – that the activities that Anchin proposed and carried-out were wholly legal and appropriate. And Ms. Cornwell was entirely unaware that Mr. Snapper had apparently identified and recruited a number of additional individuals not known to Ms. Cornwell to attend the concert; this conduct was unauthorized and contrary to Ms. Cornwell's wishes.

Ms. Cornwell had no idea that she and Dr. Gruber would be listed as co-chairs of the Elton John concert. Neither Ms. Cornwell nor Dr. Gruber attended this event. Ms. Cornwell had no direct communications with the Clinton campaign in advance of this event. All ticket-purchasing was conducted solely by Mr. Snapper and Anchin – to such an extent that, following the concert, the Clinton campaign needed to contact Mr. Snapper in an effort to obtain Ms. Cornwell's contact information. See Exhibit 5.

⁶ Anchin communicated to Ms. Cornwell that it had obtained tickets for Ms. Cornwell, Dr. Gruber, and a small group of their family and friends. Ms. Cornwell had planned to attend the concert, but later learned that she had won a major literary honor, which was to be awarded at an event in the United Kingdom that conflicted with the concert. After Ms. Cornwell and Ms. Gruber realized they could not attend the concert, others with whom they were to have attended cancelled as well. At this point, Ms. Fasinski asked Ms. Cornwell how she should handle the "extra tickets," and Ms. Cornwell offered certain unused tickets to Mr. Snapper and Ms. Fasinski. However, Ms. Cornwell was unaware – and in no way authorized – that Mr. Snapper apparently invited a large group of additional Anchin employees and associates to attend the Elton John concert at her expense.

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2 U.S.C. § 441(f) proscribes making a federal campaign contribution in the name of another person. However, Ms. Cornwell did not authorize any such campaign contributions, and was unaware that Anchin's efforts concerning the Elton John concert led to any direct contributions to the Clinton campaign. Ms. Cornwell believed that Anchin was facilitating the purchase of tickets to a concert for several of her family members and friends, not making campaign contributions to the Clinton campaign. In conclusion, Ms. Cornwell (1) delegated to Anchin responsibility for her involvement with the Elton John concert, relying totally and implicitly on her advisers at Anchin; (2) communicated clearly to these advisers that she demanded scrupulous compliance with all applicable campaign finance rules; (3) relied completely on these advisers to provide her with accurate guidance regarding campaign finance requirements; (4) was unaware that purchasing tickets to the Elton John concert for a small number of friends and family was the functional equivalent of a traditional campaign contribution; and (5) was completely unaware that Mr. Snapper apparently recruited a large group of Anchin employees and associates to attend the concert at Ms. Cornwell's expense. For these reasons, it is not accurate to say that Ms. Cornwell solicited contributions to the Clinton campaign and directed that these contributions be reimbursed.

(4) Ms. Cornwell Did Not Authorize, and Lacked any Knowledge Regarding, any Reimbursed Campaign Contributions to James Gilmore.

Ms. Cornwell is personal friends with James Gilmore, whom she has known since he was Governor of Virginia, where she lived for many years. In 2006, after leaving public office, Mr. Gilmore was instrumental in forming the National Council on Readiness and Preparedness ("NCORP"). NCORP promoted public and private partnerships to ensure that local communities were prepared to deal with the challenges confronting them in the first 72-hours following a crisis event, such as the attacks on 9/11. Because of her admiration for Mr. Gilmore and the community-focused homeland security mission of NCORP, Ms. Cornwell contributed one million dollars to NCORP. In addition, Ms. Cornwell put Mr. Gilmore in touch with Mr. Snapper for the purpose of having Anchin assist NCORP with certain public relations issues. Mr. Gilmore met separately with Mr. Snapper to discuss these issues in 2006 and, subsequently, Mr. Snapper worked directly with Mr. Gilmore on these efforts. See Exhibit 11 (March 7, 2006 email chain re: NCORP). Consistent with its management of Ms. Cornwell's financial and other affairs, Anchin managed all particulars of this coordination without Ms. Cornwell's day-to-day involvement.

In 2006, Mr. Gilmore was considering becoming a candidate for the U.S. Presidency. Mr. Gilmore asked Ms. Cornwell if he could use her private aircraft to travel to Des Moines, Iowa to speak at a local party event. See Exhibit 12 (April 10, 2006 email chain re: Polk County event). In response, Ms. Cornwell referred the request to Mr. Snapper so that he could provide advice and coordinate logistics. Ms. Cornwell told Mr. Gilmore that Mr. Snapper would call him to coordinate and that she had asked Mr. Snapper to ensure that "things like this, when done, are done properly." *Id.* This is consistent with Ms. Cornwell's clear and repeated instruction to Anchin that, in

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connection with any campaign activity, she expected scrupulous compliance with all applicable campaign finance rules.

Subsequently, Mr. Snapper responded to Ms. Cornwell regarding the potential tax issues and campaign finance issues that the proposed flight might implicate. *See* Exhibit 13 (April 10 – 11, 2006 email chain re: Polk County avon). Consistent with her overall reliance on Anchin for advice and guidance concerning campaign activities, Ms. Cornwell replied to Mr. Snapper that “I leave all this sort of thing up to you.” *Id.* Mr. Snapper coordinated with Mr. Gilmore’s staff and obtained a legal opinion from Mr. Gilmore’s attorney regarding the potential applicability of campaign finance rules. *See* Exhibit 14 (April 11, 2006 email chain re: flight for Mr. Gilmore). This, too, is consistent with Ms. Cornwell’s complete reliance on Anchin for advice and guidance concerning campaign activities.

When Mr. Gilmore became a candidate for President, communications between his campaign and Ms. Cornwell were generally routed through Mr. Snapper. *See, e.g.,* Exhibit 15 (May 10, 2007 email chain re: presidential debate). In addition, Mr. Gilmore personally solicited Ms. Cornwell for a campaign contribution. Because of her support of Hillary Clinton, and because of Mr. Gilmore’s opposition to gay marriage, Ms. Cornwell was unwilling to contribute to his campaign. Ms. Cornwell never contributed to Mr. Gilmore’s Presidential campaign. However, because Ms. Cornwell held Mr. Gilmore in high regard, she told him that she would encourage others to support his candidacy.

Ms. Cornwell informed Mr. Snapper that she did not wish to contribute to Mr. Gilmore but that she would encourage others to do so. Ms. Cornwell knew that Mr. Snapper, who had worked with Mr. Gilmore on NCOIP-related projects, held Mr. Gilmore in high esteem, and she also knew that Mr. Gilmore and Mr. Snapper belonged to the same political party (Republican). Ms. Cornwell expected that Mr. Snapper might decide on his own to donate to Mr. Gilmore’s campaign. In addition, as a professional with a network of high-income clients and associates, Ms. Cornwell hoped that Mr. Snapper might encourage other potential donors to contribute to Mr. Gilmore. However, Ms. Cornwell never instructed Mr. Snapper to donate to Mr. Gilmore’s Presidential campaign, nor did she ever authorize him to reimburse himself from her funds. Ms. Cornwell discovered only recently, after the commencement of her lawsuit against Anchin and Mr. Snapper, that Mr. Snapper and his wife had, without her knowledge or authorization, reimbursed themselves from Ms. Cornwell’s funds for donations that they made to Mr. Gilmore’s campaign. This unauthorized reimbursement fits a pattern of Mr. Snapper abusing his position of trust by accessing and using Ms. Cornwell’s assets without her knowledge or approval.

In July 2007, Mr. Gilmore withdrew from the Presidential race and, in November 2007, he announced his candidacy for U.S. Senate. Mr. Gilmore again personally solicited Ms. Cornwell for a campaign contribution. Ms. Cornwell initially asked Mr. Snapper to make a contribution in her name to Mr. Gilmore’s Senate campaign. *See* Exhibit 16 (November 19, 2007 email chain re: Jim

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Gilmore). However, Ms. Cornwell changed her mind, primarily because of his opposition to gay marriage, and instructed Mr. Snapper not to make a contribution on her behalf to the Gilmore campaign. Ms. Cornwell never contributed to Mr. Gilmore's Senate campaign. Subsequently, Ms. Cornwell asked Mr. Snapper to handle Mr. Gilmore's request for a contribution to his Senate campaign the same way she handled his request regarding the Presidential campaign — i.e., to decline to make a contribution in her name but to encourage others who did not share her concerns to support him. See Exhibit 17 (November 27, 2007 email chain re: Jim Gilmore).⁷ Ms. Cornwell specifically instructed Mr. Snapper that "it's fine to suggest others support him. He's a good person." *Id.* Mr. Snapper responded affirmatively and indicated that he would handle things in this manner. *Id.* Ms. Cornwell never instructed Mr. Snapper to donate to Mr. Gilmore's Senate campaign, nor did she ever authorize him to reimburse himself from her funds.

Ms. Cornwell (1) communicated clearly to Mr. Snapper and her advisers at Anchin that she demanded scrupulous compliance with all applicable campaign finance rules; (2) never instructed Mr. Snapper to make personal donations to either of Mr. Gilmore's campaigns or to do so in his wife's name; and (3) never authorized or gave implied permission for Mr. Snapper to reimburse himself or his wife for any contributions to either of Mr. Gilmore's campaigns. Further, Mr. Snapper's unauthorized transfer of Ms. Cornwell's funds to himself and his family is consistent with a longstanding pattern of abuse and theft. For these reasons, it is totally inaccurate to suggest that Ms. Cornwell directed Mr. Snapper to reimburse himself from her funds for any contributions made by Mr. Snapper and his wife.

(5) Conclusion

For the foregoing reasons, there is no basis to find that Ms. Cornwell committed any violation of the Act. We therefore respectfully request that your office recommend that the Commission find no reason to believe that a possible violation of the Act has occurred, and that you close the file in this matter.

To the extent you believe that any further information would assist you in making your recommendation to the Commission, please do not hesitate to contact me at 617-951-7171.

I ask that the contents of, and attachments to, this letter remain confidential in accordance with 2 U.S.C. § 437g(a)(12)(A), and that these materials also be treated as exempt from requests made under the Freedom of Information Act ("FOIA"). Given the heated litigation between

⁷ When Ms. Cornwell sent this email, she had no idea how Mr. Snapper had *actually* handled the Gilmore request in the Presidential campaign.

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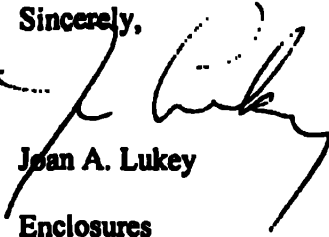
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Ms. Cornwell and Anchin, it is particularly important that Anchin not be permitted to use agency proceedings as a discovery tool, or as a strategic weapon for its own benefit.

Sincerely,



Jean A. Lukey

Enclosures

cc: Michael K. Fee
William F. Abely

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

CORNWELL ENTERTAINMENT, INC.
(f/k/a CEI ENTERPRISES, INC. and
CORNWELL ENTERPRISES, INC.),
PATRICIA D. CORNWELL, and
STACI GRUBER, Ph.D.,

Plaintiffs,

v.

ANCHIN, BLOCK & ANCHIN LLP, and
EVAN H. SNAPPER,

Defendants.

Civil Action No. 09-11708-GAO

**THIRD AMENDED COMPLAINT
AND JURY TRIAL DEMAND**

Jury Trial Demanded On All Counts So Triable.

This is an action in which Cornwell Entertainment, Inc., f/k/a CEI Enterprises, Inc. and Cornwell Enterprises, Inc. ("CEI"), its sole shareholder Patricia D. Cornwell ("Ms. Cornwell"), and her spouse Staci Gruber, Ph.D. ("Dr. Gruber") (collectively "Plaintiffs") seek an accounting and damages from their former accounting firm, investment advisor/manager, and business manager Anchin, Block & Anchin LLP and its Principal, Evan H. Snapper, for negligent performance of professional services, breach of fiduciary duty, breach of contract, conversion, intentional interference with advantageous relations, equitable forfeiture, violation of the Massachusetts and New York Consumer Protection Acts, and defamation (i.e., libel).

Jurisdiction and Venue

1. Plaintiff CEI is a corporation incorporated in Virginia with its principal place of business in eastern Massachusetts.
2. Plaintiff Ms. Cornwell is an author whose principal residence and offices are located in eastern Massachusetts. Ms. Cornwell is the sole owner of CEI.
3. Plaintiff Dr. Gruber, Ms. Cornwell's spouse, is a Harvard neuroscientist whose principal residence and place of business are located in eastern Massachusetts.
4. Defendant Anchin, Block & Anchin LLP ("Anchin") is a limited liability partnership that provides accounting and traditional and non-traditional advisory services to privately held corporations and high net worth individuals. Anchin's principal place of business is in New York City.
5. Although Anchin does not maintain an office in Massachusetts, from January 1, 2005 (and earlier through predecessor entity Yohalem Gillman & Company) through August of 2009, Anchin transacted business with Plaintiffs in the Commonwealth, contracted to supply services to Plaintiffs in the Commonwealth, caused tortious injury to Plaintiffs by an act or omission in the Commonwealth, and caused tortious injury to Plaintiffs by an act or omission outside of the Commonwealth while regularly doing business in the Commonwealth and deriving substantial revenue from services rendered in the Commonwealth. This Court therefore has personal jurisdiction over Anchin pursuant to Massachusetts General Laws, c. 223A, § 3.
6. Defendant Evan H. Snapper ("Mr. Snapper") is a Principal at Anchin whose principal residence, upon information and belief, is in Connecticut, and whose principal place of business is in New York.

7. Although Mr. Snapper does not reside in Massachusetts nor does he principally work in Massachusetts, Mr. Snapper transacted business with Plaintiffs in the Commonwealth via regular business-related visits to the Commonwealth, caused tortious injury to Plaintiffs by an act or omission in the Commonwealth, and caused tortious injury to Plaintiffs by an act or omission outside of the Commonwealth while regularly doing business in the Commonwealth and deriving substantial revenue from services rendered in the Commonwealth. This Court therefore has personal jurisdiction over Mr. Snapper pursuant to Massachusetts General Laws, c. 223A, § 3.

8. The citizenship of Defendants on the one hand, and Plaintiffs on the other, is diverse; and the amount in controversy exceeds \$75,000, exclusive of interest and costs. This Court therefore has diversity jurisdiction over this case pursuant to 28 U.S.C. § 1332.

9. Venue is proper in this district because Plaintiffs Ms. Cornwell and Dr. Gruber maintain their principal residence and workplaces and Plaintiff CEI maintains its principal offices in eastern Massachusetts, and the real property referenced herein is located in Massachusetts.

Preliminary Factual Allegations Applicable to All Counts

10. Beginning in the mid-1990's, Plaintiffs CEI and Ms. Cornwell retained the services of Stanley Gillman, a principal in a New York Certified Public Accounting ("CPA") firm known as Yohalem Gillman & Company ("Yohalem Gillman") for investment advising. CEI's and Ms. Cornwell's business needs were otherwise handled through CEI's own employees. On April 5, 2002, following a lengthy illness, Mr. Gillman passed away. Thereafter, Yohalem Gillman principal Ira Yohalem ("Mr.

Yohalem") informed Plaintiffs CEI and Ms. Cornwell that he would take over responsibility for their accounts.

11. In the second half of 2004, Yohalem Gillman began transitioning toward a merger into regional CPA and advisory firm Anchin, which merger was to take effect on January 1, 2005. Unlike Yohalem Gillman, which was a CPA firm that also offered some other financial services, Anchin holds itself out as a "full-service firm ...[that] serves privately-held businesses and high net worth individuals with a wide range of traditional and non-traditional advisory services, including financial statement preparation; tax planning ...; management and succession advisory services; litigation support; forensic accounting and valuation services; and wealth management." Anchin offers its clients concierge style full-service management services. In the words of Mr. Snapper to Ms. Cornwell, Anchin would "do everything for its clients including buying and delivering their toilet paper."

12. In the second half of 2004 as the merger was approaching, Yohalem Gillman assumed an increasing role in CEI's business activities. Ms. Cornwell was, and remains, unaware of the full extent to which Yohalem Gillman involved itself in aspects of CEI's business other than accounting and investments, in the period preceding the merger. However, she is aware that both Messrs. Yohalem and Mr. Snapper encouraged her to terminate CEI's staff, worked with her in accomplishing that termination of CEI's staff as of early January, 2005, and encouraged her to transition all of CEI's and her business needs, including investment advising, to Anchin immediately following Yohalem Gillman's merger with the latter.

13. Ms. Cornwell is a best-selling crime novelist whose ability to write is dependent upon the ability to avoid distractions. A quiet, uninterrupted environment, free of the distractions of managing her business and her assets, including her investments, was essential to her ability to write and to meet her deadlines. Further, Ms. Cornwell openly acknowledges her diagnosis with a mood disorder known as bipolar disorder, which, although controlled without medication, has contributed to her belief that it is prudent for her to employ others to manage her business affairs and her investments. Anchin was aware of Ms. Cornwell's disorder.

14. Over the course of the several months following the January 1, 2005 merger, the tasks undertaken by Anchin grew in scope until Anchin became Ms. Cornwell's and CEI's full service concierge business manager. Anchin assumed full accounting responsibilities, full investment advisory and/or management responsibilities, and undertook all other aspects of CEI's and Ms. Cornwell's business affairs. Of particular import with regard to business affairs, Anchin, particularly through Mr. Snapper, assumed responsibility for CEI's and Ms. Cornwell's real estate, including the acquisition, divestiture, and leasing of real estate. Anchin also assumed responsibility for other major acquisitions, including automobiles and other modes of transport.

15. By 2006, Anchin held full powers of attorney for CEI, Ms. Cornwell, and even Ms. Cornwell's mother. Examples of the functions undertaken by Anchin increasingly over time included, but were not limited to, the following:

(a) All incoming revenues to CEI and Ms. Cornwell, including especially those attributable to Ms. Cornwell's books, were sent by her current agent ICM and her former agent Donald Congdon directly to Anchin. All investment income

was also sent directly to Anchin. Anchin opened multiple bank accounts (as many as ten at one time), determined into what bank accounts the revenues would be placed, and moved money around among the accounts at its sole discretion. Principals of Anchin were the sole authorized signatories on such accounts until 2009.

(b) Anchin paid all of CEI's and Ms. Cornwell's bills from the latter's accounts, via self-executed internal transfers, without approval or review by CIII or Ms. Cornwell.

(c) Anchin handled all investment advisory and/or management responsibilities, including the selection of all investment companies and accounts, for CEI, Ms. Cornwell, and eventually Dr. Gruber. Anchin selected all such investments without input from Ms. Cornwell, CEI, or Dr. Gruber until Ms. Cornwell, upon finally learning of the extent of the investment losses in 2009, insisted that the investments be invested exclusively in bonds. CEI, Ms. Cornwell and eventually Dr. Gruber received no investment advice from anyone but Anchin, and were aware of no other advisors being involved with their investments. Early in the investment advisory and/or management relationship with Yohalem Gillman, Stanley Gillman discussed with Ms. Cornwell the wisdom of CEI and Ms. Cornwell investing conservatively, with which Ms. Cornwell agreed. Apart from this conversation, no one from Yohalem Gillman or Anchin ever discussed with Ms. Cornwell or Dr. Gruber their risk tolerance or investment objectives, and Ms. Cornwell never revoked personally or for CEI the directive that their funds be invested conservatively. Despite the conversation with Mr. Gillman, Plaintiffs have recently learned that Anchin, through Mr. Snapper, granted power of attorney to one or more investment entities to trade CEI's funds at will and directed such entities to pursue

an "aggressive growth" strategy with a "high risk account that uses leverage and short-selling strategies." See Exhibit A hereto.

(d) Anchin determined where Ms. Cornwell's and CEI's automobiles, Ms. Cornwell's and Dr. Gruber's motorcycles, and helicopters maintained for CEI's business purposes would be registered.

(e) Anchin performed, or at least purportedly performed, the due diligence on all leases of real property for CEI and Ms. Cornwell, and performed, or purportedly performed, the due diligence for the acquisition, renovation, and sale of all real property for CEI and Ms. Cornwell.

(f) Anchin prepared all tax returns for Ms. Cornwell and CEI and, at least in the year 2007, signed and filed the CEI return without review or signature by Ms. Cornwell.

16. Anchin held the sole signatory rights on all of CEI's and Ms. Cornwell's bank accounts and did not provide bank statements to Ms. Cornwell; nor did it provide Ms. Cornwell with passwords that would have allowed her to access the bank accounts online.

17. Anchin did not, at least with any regularity, provide investment statements to Ms. Cornwell, CEI, or Dr. Gruber, nor did Ms. Cornwell, CEI, or Dr. Gruber know with any specificity where or how their funds were invested.

18. Anchin did not generally share with Ms. Cornwell or CEI where it chose to register automobiles, motorcycles, or the helicopter used by CEI for business purposes, nor did Anchin provide the rationale for the selection of such registration sites.

19. Anchin did not generally share with Ms. Cornwell or CEI contract documents, including insurance policies, leases, consulting and vending contracts, or the results of due diligence efforts with regard to real property that CEI, Ms. Cornwell, or their affiliates were renting or acquiring.

20. Anchin did not provide monthly or periodic balance sheets to CEI or Ms. Cornwell, or any other documentation from which the latter could track revenues and expenses, and determine their cash flow positions.

21. Anchin did not regularly provide CEI or Ms. Cornwell with financial statements, or any other documentation from which the latter could determine their net worth.

22. In July of 2009, after four and a half years in which Anchin controlled Ms. Cornwell's and CEI's business affairs and investments, including all check writing purportedly on behalf of Ms. Cornwell and CEI, Ms. Cornwell demanded information as to her net worth, and that of CEI. Notwithstanding eight figure earnings per year during that period, CEI and Ms. Cornwell learned that their net worth, while substantial, was the equivalent of only approximately one year's net income. They also learned that Anchin had borrowed on their behalf collectively several million dollars, comprised of mortgages for real property and a loan for the purchase of a helicopter.

23. Ms. Cornwell terminated the relationship with Anchin effective August 31, 2009, except for the requirement that Anchin complete the 2008 income tax returns, then on extension, for her individually and for CEI. She required that all records be delivered to her forthwith. However, without disclosing that it was doing so, Anchin failed and neglected to turn over electronic data, until required to do so as part of its Initial

Disclosures in January 2010, thereby leaving CEI without information of significant importance to CEI's business, and Ms. Cornwell and Dr. Gruber without information of significant importance to their personal affairs. This required Plaintiffs to incur substantial costs in an effort to recreate missing data.

Count I: For An Accounting (Anchin)

24. Plaintiffs incorporate paragraphs 1 through 23 as if set forth here in their entirety.

25. Defendant Anchin received all revenues and controlled the payment of all expenses for Ms. Cornwell and CEI for a period of approximately four and a half years, from the beginning of 2005 until mid-2009.

26. For the majority of the relevant period, Anchin agreed to charge CEI and Ms. Cornwell on an hourly basis, but Anchin paid itself internally and an accounting for such hours was not generally provided to CEI or Ms. Cornwell, and, when provided, was lacking in detail.

27. In or about mid-July, 2007, Ms. Cornwell complained to Anchin that she did not believe that Anchin was treating CEI and her fairly with regard to amounts that Anchin was unilaterally collecting from them. She demanded financial statements and explanations for amounts that Anchin had collected, but such documentation was not forthcoming. By the end of 2007, Anchin had paid itself almost \$1,000,000 for the preceding year from Ms. Cornwell and CEI, all without providing bills, or billing detail or back-up.

28. Commencing in or about May of 2008, Ms. Cornwell insisted that Anchin charge her and CEI cumulatively no more than \$40,000 per month. Notwithstanding that this agreement was reached, Anchin paid itself a supplemental \$45,000 on September 30,

2008, without notice to CEI or Ms. Cornwell, and without so much as an internal invoice to explain this charge. When Ms. Cornwell and CEI announced to Anchin that they were terminating the latter's services, Anchin contended that Ms. Cornwell's and Anchin's previous monthly payments had merely been "retainers," and that they actually owed several hundred thousand additional dollars for which she had not yet been billed. On October 15, 2009, Anchin sent an invoice to CEI for \$561,430, purportedly for unpaid services rendered between October 1, 2008 and September 30, 2009.

29. Once files were turned over by Anchin at the conclusion of the relationship in 2009, Ms. Cornwell and CEI identified numerous checks or documents that they do not understand and for which they require an explanation. They also encountered the absence of records regarding how certain assets had been handled and disposed of by Anchin. Examples of materials present in the file, but for which explanations are required, include the following:

(a) electronic checks for cash that Ms. Cornwell and CEI do not believe that they authorized or approved, e.g., an electronic "check" for the purported "gift" of \$11,000 to a business associate who denies ever receiving the funds (which she would have returned);

(b) an electronic check for cash in the amount of \$5,000, with a memo line indicating that it was a gift from Ms. Cornwell to Mr. Snapper's daughter (whom Ms. Cornwell has never met) on the occasion of the daughter's bat mitzvah;

(c) three \$500,000 checks for the deposit on a property in Eastern Massachusetts, with only one indicated as being voided, even though only one check was necessary for that deposit;

(d) two \$50,000 deposits to the DeNiro Group (on information and belief, another Anchin client), both voided, apparently for a sub-tenancy on which a final \$40,000 deposit was paid directly to the tenant, with regard to an apartment that Ms. Cornwell occupied only briefly for several reasons, including a misrepresentation to the Board that Ms. Cornwell was a "cousin" of the tenant;

(e) numerous checks or transfers to Power Motorcars (on information and belief, another Anchin client or friend of Mr. Snapper's) including several that appear to relate to vehicles that CEI and Ms. Cornwall did not purchase from Power Motorcars;

(f) numerous reimbursements of Anchin employee expenses, including substantial expenses for travel, entertainment, and other charges, particularly by Mr. Snapper, that were not authorized by Ms. Cornwell, and for which minimal (or no) back-up is provided, including numerous reimbursements for stays at the W Hotel in Manhattan, meals, limousines, and even finance charges for Mr. Snapper's personal American Express credit card;

(g) numerous reimbursements to Mr. Snapper for charges made on his personal American Express card for purchases that were authorized by Ms. Cornwell but which should have been properly made on CEI's American Express card;

(h) a non-holiday season check to cash for \$5,000 purportedly for \$100 bills for "PC" that she does not recall requesting or receiving;

(i) a partially executed lease for a property in Miami, Florida, without other documentation, for an apartment never occupied by CEI or Ms. Cornwell;

(j) a deposit check for a property that failed inspection and was not purchased (with no accompanying documentation as to whether the deposit was refunded);

(k) records of rental payments paid for an apartment that was vacated by CEI and Ms. Cornwell when it became uninhabitable because of flooding from elsewhere in the building;

(l) tax schedules including, or checks reflecting, charitable deductions that Ms. Cornwell did not recall making or authorizing;

Examples of materials that CEI and Ms. Cornwell and CEI have been unable to locate in the files, and for which explanations are required, include the following:

(m) various automobile sales transactions that resulted, or should have resulted, in payments to Ms. Cornwell or CEI, including but not limited to the disposition of Ms. Cornwell's 2005 F430 Ferrari black coupe, which was picked up by or delivered to Powers Motorcars from another dealer in or about December of 2007, and whether such funds are included in Ms. Cornwell's net worth as of July, 2009;

(n) approximately \$907,000 wired to Ms. Cornwell's account from Peter Harrington Books in April, June and September of 2007 upon the repurchase of forty-eight rare books from Ms. Cornwell, and whether such funds are included in Ms. Cornwell's net worth as of July, 2009; and

(o) disposition of the funds from the sales of various pieces of real property, and whether such funds are included in Ms. Cornwell's net worth as of July, 2009.

30. Because statements regarding CEI's, Ms. Cornwell's, and Dr. Gruber's investments were generally not provided to CEI, Ms. Cornwell, or Dr. Gruber, they cannot determine before 2009 how their funds were invested or what the gains/losses were on their investments.

31. From the time that Anchin assumed responsibility for CEI's and Ms. Cornwell's business in January of 2005 until the present, Plaintiffs have not, to Plaintiffs' knowledge, engaged in any major cash outlays that would explain why Ms. Cornwell's net worth at the time that she terminated Anchin's service was less than \$10,000,000, despite high eight figure total earnings during that period.

32. From the time that Anchin assumed investment management for Dr. Gruber's funds at the urging of Mr. Snapper, Dr. Gruber has lost a significant percentage of her investments. In mid-2009, Dr. Gruber also learned that Anchin has caused the books and records of CEI to reflect that she owes CEI in excess of \$100,000 for a loan that she never authorized, with regard to an indebtedness that she was never aware she had incurred.

WHEREFORE, Plaintiffs pray for a full and accurate accounting of all revenues received, expenses incurred, investments made, and other transactions and events that have affected their respective net worth; and that they be made whole for all money for which Anchin cannot properly account.

**Count II: Negligent Performance of Professional Services
(Anchin and Mr. Snapper)**

33. Plaintiffs incorporate paragraphs 1 through 32 as if set forth here in their entirety.

34. CEI and Ms. Cornwell retained Anchin after January 1, 2005 to provide full-service concierge business management, including accounting and investment services. Dr. Gruber retained Anchin at some point thereafter to provide accounting and investment advisory and management services.

35. Anchin and Mr. Snapper deviated from accepted standards of care for an average reasonably qualified and prudent full-service business manager in its handling of CEI's and Ms. Cornwell's business as alleged above, and in numerous other ways including without limitation:

(a) Anchin paid itself each month, in varying amounts until the last few months of the relationship, without providing CEI or Ms. Cornwell with an invoice or back-up detail, and generally without informing them that the payments had been made. Indeed, even internal invoices were only occasionally prepared, and no time records or other back-up documentation were ever provided.

(b) Anchin, through Mr. Snapper, agreed to oversee, directly or through a consultant whom Anchin retained, the renovation of a large residence/personal office located on Garfield Road in Concord, Massachusetts. The property was intended to be CEI's principal office and Ms. Cornwell's and Dr. Gruber's principal residence. Unfortunately, Anchin provided no meaningful oversight, although it did retain, at CEI's expense, an individual from New York to fill the oversight role. That individual was rarely present, and the mismanaged renovations resulted in such significant damage to the structure, e.g., removal of one or more bearing walls, and failure to make the building water-tight, that the building was rendered uninhabitable in its existing state.

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(c) While the above-referenced renovations were in progress, Mr. Snapper performed a review of the contractor's insurance to confirm that it was adequate to protect CEI as beneficial owner of the property, and Ms. Cornwell as the sole owner of CEI. Although he purchased additional personal injury insurance on behalf of the contractor at CEI's expense, he neither assured that professional services (i.e., malpractice) insurance was procured by the contractor, nor caused it to be purchased on behalf of the contractor. As a result, CEI and Ms. Cornwell suffered millions of dollars in unrecoverable worthless renovation costs, as well as a multi-million dollar reduction in the fair market value of the property. With a basis of approximately \$8,000,000 (although the full renovation expenditures are yet to be confirmed), the 355 Garfield Road Realty Trust of which Mr. Snapper was the sole Trustee and CEI the sole beneficiary sold the property for only \$3,000,000 in the summer of 2009.

(d) At some point beginning no later than 2006, Anchin, through Mr. Snapper, began to list its own Manhattan address as the address of CEI, although CEI was a Virginia corporation with its principal place of business in Massachusetts. This practice on Anchin's part included registering vehicles owned by CEI at Anchin's address, although the vehicles were not garaged there, and, with the exception of one local car maintained at the Trump Tower, were not garaged in New York at all. Anchin then caused the helicopter to be purchased in CEI's name. The combination of purchasing the helicopter in CEI's name, coupled with the misuse of Anchin's address as CEI's address, caused, or significantly contributed to causing, New York State to audit CEI with regard to whether a New York State sales tax would be required on CEI's purchase of the helicopter, even though the helicopter was purchased in Tennessee, and

garaged in Massachusetts where CEI maintained its principal place of business. The audit resulted in CEI being compelled to pay a compromise settlement of \$187,656.36 in sales tax and interest, and to incur substantial legal fees and related costs, none of which would likely have been incurred if Anchin had refrained from using an incorrect address in New York for CEI, and purchasing the helicopter in CEI's name. An additional New York State audit is currently underway for the years 2006 and 2007, for both CEI and Ms. Cornwell personally.

(e) Anchin's practice of listing Anchin's address as CEI's and Ms. Cornwell's address in virtually all settings caused, or significantly contributed to causing, New York State audits of Ms. Cornwell that have already resulted in inappropriately high allocations of her income to New York and are likely to do so again for additional years now undergoing audit. Indeed, Anchin, through Mr. Snapper, entered into agreements premised on an inaccurately high allocation of her time and revenue to New York, all without input from or notice to CEI and Ms. Cornwell.

(f) Anchin's disorganized record keeping resulted in scattered documents relating to other clients being interspersed in CEI's files, and an information and belief, resulted in Plaintiffs' records being interspersed in other clients' files.

(g) Anchin assumed responsibility for locating rental apartments to be used by Ms. Cornwell when visiting New York, particularly for business reasons. Anchin, acting through Mr. Snapper, failed to exercise reasonable judgment and perform appropriate diligence before committing CEI and/or Ms. Cornwell to binding leases, and failed to protect CEI's and Ms. Cornwell's interests when problems arose. These deviations from accepted standards of care included, without necessary limitation:

- (i) entering into a lease at One Central Park West, without determining that construction was about to commence on the two units immediately above the rented apartment, thereby rendering the apartment uninhabitable due to noise and construction dust for a period of more than a year, during all of which time Ms. Cornwell continued to pay the full rent on the uninhabitable unit;
- (ii) entering into a lease at 135 Central Park West and paying all or most of the several month balance of the lease term, even after the property flooded and was rendered uninhabitable;
- (iii) entering into a sublease on Fifth Avenue under circumstances where Ms. Cornwell and Dr. Gruber were told by Anchin after Anchin entered into the lease that they would have to pose as the cousins of the tenant, who was Middle Eastern, even though Ms. Cornwell and Dr. Gruber are both fair in complexion and hair and eye color, and do not even remotely appear to be Middle Eastern; and
- (iv) causing, or substantially contributing to causing, Ms. Cornwell to miss one book deadline entirely, such that one year's income for the *Scarpetta* series was lost, because the real estate difficulties described herein presented Ms. Cornwell with too many distractions to permit meeting her deadline.

(h) Anchin assumed responsibility in 2007 for the resale of certain rare books by Ms. Cornwell to the rare books dealer from whom she had originally purchased them in London. However, several other rare books and papers, including an early

American edition of *Frankenstein* and early 17th century documents from the King of Spain regarding the settlement of Jamestown, were not repurchased and were held by the dealer awaiting instructions from Anchin. Ms. Cornwell has recently learned that no instructions have been given to the dealer by Anchin, and the valuable rare books and papers remain in storage in London.

(i) Anchin handled Ms. Cornwell's political contributions, violated certain requirements pertaining to same, misinformed her regarding such requirements, reimbursed its own employees improperly from CEI's or Ms. Cornwell's accounts without Ms. Cornwell's knowledge for contributions made to a political candidate or candidates, and, on information and belief, after Plaintiffs' initial filing of this lawsuit sought to blame Ms. Cornwell for the improper reimbursement checks that Anchin itself had written.

(j) Anchin handled all paperwork for CEI's employees and misled at least two of them regarding their 401(k) benefits, thereby resulting in additional payments to the employees.

(k) Anchin mishandled loans to CEI's and Ms. Cornwell's family and friends, often treating them as gifts when they were not intended to be such.

36. Anchin deviated from accepted standards of care for a qualified, reasonably prudent investment advisor and manager in its handling of CEI's, Ms. Cornwell's, and Dr. Gruber's investments. As set forth below, the actions of Anchin constituted violations of, *inter alia*, the so-called "know-your-customer" rules of FINRA Rule 2310 and Incorporated NYSE Rule 405. These rules, and others, require firms acting as investment advisors such as Anchin to make reasonable efforts to obtain certain

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information from the customer, including the customer's risk tolerance and investment objectives. Anchin's deviations from such rules included, without limitation:

- (a) failing to abide by the conservative investment objectives and low risk tolerance that Ms. Cornwell expressed at the outset for herself and CEI to Stanley Gillman;
- (b) failing either to abide by the conservative investment objectives and low risk tolerance that Ms. Cornwell expressed at the outset for herself and CEI to Stanley Gillman, or to determine whether Ms. Cornwell's and CEI's investment objectives and low risk tolerance had changed at any time after Mr. Gillman passed away;
- (c) failing to determine Dr. Gruber's investment objectives and risk tolerance, which were respectively relatively conservative and relatively low;
- (d) failing to keep Ms. Cornwell, CEI, and Dr. Gruber regularly apprised of the nature of their respective investments, or the gains/losses associated therewith;
- (e) making high risk investments, including at the now-defunct Lehman Brothers as late as the latter part of 2007, without the approval of CEI, Ms. Cornwell, or Dr. Gruber, notwithstanding that such investments were neither prudent nor consistent with the clients' investment objectives and risk tolerance;
- (f) without notice to CEI, granting power of attorney to one or more investment entities to trade CEI's funds at will, and directing such entities to pursue an "aggressive growth" strategy with a "high risk account that uses leverage and short-

selling strategies," in express violation of CEI's clearly-stated risk tolerance, *see* Exhibit A hereto; and

(g) failing to alert Ms. Cornwell, CEI, and Dr. Gruber to the significant decline in their investments, until their losses exceeded those in the market generally.

37. On information and belief, Archin deviated from accepted standards of care for a qualified, reasonably prudent accounting firm in performing accounting services for Ms. Cornwell, CEI, and Dr. Gruber. On information and belief, such deviations included, without limitation:

(a) filing returns in such a fashion that various audits, particularly by the State of New York, have been triggered;

(b) failing, at least in a timely fashion, to treat international taxes in the permissible fashion to achieve maximum credits for CEI;

(c) failing to take charitable contribution deductions for both monetary and non-monetary contributions made by CEI or Ms. Cornwell to charitable entities;

(d) failing to have returns ready by filing deadlines, thereby necessitating extensions, or missing deadlines, and depriving the taxpayers of adequate opportunity to review and correct the returns; and

(e) on at least one occasion, filing and signing a tax return under a power of attorney without allowing the taxpayer the opportunity to review or correct the return.

38. The deviations from accepted standards of professional care, including those itemized above have caused, and continue to cause, significant costs and damages to Ms. Cornwell, CEI, and Dr. Gruber, including but not limited to costs associated with

accounting, investment and legal services to correct Anchin's errors and omissions, as well as losses on investments, out-of-pocket expenditures, lost opportunity costs, unrecouped down payments and rental payments, and lost book revenues.

Count III: Breach of Fiduciary Duty (Anchin and Mr. Snapper)

39. Plaintiffs incorporate paragraphs 1 through 38 as if set forth here in their entirety.

40. Anchin and Mr. Snapper owed multiple fiduciary duties to Ms. Cornwell, CEI, and Dr. Gruber, including as full-service business manager, accountants, and investment advisors and/or managers. In addition, Anchin owed a fiduciary duty to Ms. Cornwell and CEI because Anchin partners Mr. Snapper, Mr. Yohalem, and perhaps others, acted as trustees and officers of various affiliated entities in whose names assets were acquired and held. Further, Anchin and its partners, including Mr. Snapper, owed a fiduciary duty to Ms. Cornwell and CEI because they held full powers of attorney to handle all of Ms. Cornwell's and CEI's business affairs, and many of their personal affairs.

41. Anchin's and Mr. Snapper's conduct, as alleged above, failed to meet the high standards of loyalty and care owed in a fiduciary relationship and therefore gave rise to breaches of various fiduciary duties to CEI and Ms. Cornwell as a business manager, as accountants, and as an investment advisor and/or manager, and to Dr. Gruber as accountants and investment advisors and/or managers.

42. Such breaches included, but were not limited to:

(a) failure to abide by the "know your customer" rule in their role as investment advisors and/or managers; and blatantly ignoring Plaintiffs' risk tolerance and objectives, by, among other actions, granting power of attorney to one or more

investment entities to trade CEI's funds at will and directing such entities to pursue an "aggressive growth" strategy with a "high risk account that uses leverage and short-selling strategies," *see* Exhibit A hereto;

(b) failure to keep Plaintiffs apprised of the nature, extent, and results of their investments;

(c) mishandling political contributions, and, on information and belief, blaming Ms. Cornwell for Anchin's and Mr. Snapper's own conduct;

(d) allowing one or more employees to reimburse himself or themselves for expenses without receipts or other confirming documentation or notice to CEI;

(e) in Mr. Snapper's case, improperly causing Anchin to reimburse him for personal items or expenses including finance charges on his personal credit card from CEI's accounts, without notice to, or approval by, CEI; and, on information and belief often in circumstances in which the expenses were not properly chargeable to CEI;

(f) causing Plaintiffs to enter into transactions, such as rentals and sales of real property, acquisition of vehicles, and contracts for goods or services, that were not on terms most advantageous to Plaintiffs, with Anchin's or Mr. Snapper's clients, friends, or business associates;

(g) on information and belief, causing Plaintiffs to enter into the transactions alleged in subparagraph (f) in circumstances that provided business benefits to Anchin and/or personal benefits to Mr. Snapper or other Anchin employees;

(h) failing to provide Plaintiffs with itemized invoices that would allow them to determine the amount that Anchin was charging them, the nature of the services being rendered, and whether the services justified the fees being charged;

(i) on information and belief, diverting expensive gifts from vendors intended for the Plaintiffs to Anchin's or Mr. Snapper's own use and benefit;

(j) without Plaintiffs' knowledge or consent, delegating services for which Anchin and or Mr. Snapper were responsible, including without necessary limitation, accounting and investment advice, to others.

43. Ms. Cornwell, CEI, and Dr. Gruber have all suffered damages as a result of Anchin's and Mr. Snapper's breaches of their various fiduciary duties.

Count IV: Breach of Contract (Anchin)

44. Plaintiffs incorporate paragraphs 1 through 43 as if set forth here in their entirety.

45. CEI and Ms. Cornwell retained Anchin after January 1, 2005 to provide full-service concierge business management, including accounting and investment services. Dr. Gruber retained Anchin at some point thereafter to provide accounting and investment services. A contractual relationship therefore existed between Anchin, on the one hand, and, individually, CEI, Ms. Cornwell, and Dr. Gruber, on the other. The contractual relationship was oral in part and written in part, and included e-mail modifications over time.

46. Pursuant to the terms of the contract between Anchin, on the one hand, and, individually, CEI and Ms. Cornwell, on the other, Anchin assumed various contractual responsibilities, as alleged above, relating to its assumption of full accounting

responsibilities, full investment responsibilities, and various powers of attorney for CEI and Ms. Cornwell.

47. Pursuant to the terms of the contract between Anchin and Dr. Gruber, Anchin assumed various contractual responsibilities, as alleged above, relating to its assumption of full accounting and investment responsibilities for Dr. Gruber.

48. As alleged above, Anchin breached its contractual duties to CEI, Ms. Cornwell, and Dr. Gruber by failing to provide the services upon which the parties had contractually agreed.

49. Anchin's breach of contract proximately caused injury and damage to CEI, Ms. Cornwell, and Dr. Gruber, including the property, economic, and consequential damages set forth above.

Count V: Conversion (Mr. Snapper)

50. Plaintiffs incorporate paragraphs 1 through 49 as if set forth here in their entirety.

51. CEI and Ms. Cornwell possessed title and ownership rights to all funds rightfully belonging to them. However, by taking possession of the funds and reimbursements as set forth above, including, without limitation, those funds used for (i) the bat mitzvah check to Mr. Snapper's daughter, (ii) various stays at the W Hotel in Manhattan, (iii) meals, (iv) limousines, (v) finance charges and other items on Mr. Snapper's personal American Express credit card, Mr. Snapper has tortiously taken, wrongly detained, and intentionally deprived CEI and Ms. Cornwell of same.

52. Mr. Snapper's intentional dominion and control over these funds was to the exclusion of CEI's and Ms. Cornwell's superior rights of possession of these funds.

53. Mr. Snapper's conversion of these funds has proximately caused economic and consequential injury and damage to CEI and Ms. Cornwell.

Count VI: Equitable Forfeiture (Anchin and Mr. Snapper)

54. Plaintiffs incorporate paragraphs 1 through 53 as if set forth here in their entirety.

55. As outlined above, Anchin and Mr. Snapper were fiduciaries to Plaintiffs and owed them special duties of loyalty. Anchin and Mr. Snapper were repeatedly disloyal to CEI and Ms. Cornwell. Such acts of disloyalty included without limitation receiving undisclosed financial and other benefits, charging excessive fees while failing to provide investment, accounting and business management services as contractually agreed or delegating responsibilities for same to others without Plaintiffs' knowledge or approval (such as, for example, granting power of attorney to one or more investment entities to trade CEI's funds at will and directing such entities to pursue an "aggressive growth" strategy with a "high risk account that uses leverage and short-selling strategies," see Exhibit A hereto), mishandling political contributions, and, on information and belief, seeking to blame Ms. Cornwell for same in order to gain an advantage in this litigation, and causing Plaintiffs to do business on unfavorable terms with clients, vendors, and friends of Anchin and/or Mr. Snapper.

56. These profits, benefits and advantages were gained or earned without the knowledge or consent of Anchin's and Mr. Snapper's principals, CEI and Ms. Cornwell. Such profits, benefits and advantages were thus the result of systematic and repeated acts of disloyalty by Anchin and Mr. Snapper.

57. As a result of their disloyalty, Anchin and Mr. Snapper have proximately caused economic and consequential injury and damage to CEI and Ms. Cornwell.

Defendants, as faithless fiduciaries, have forfeited the right to any compensation from CEI or Ms. Cornwell and are required to make restitution to CEI and Ms. Cornwell of all sums paid as compensation during the period of their disloyalty.

Count VII: Violation of M.G.L. c. 93A (Anchin)

58. Plaintiffs incorporate paragraphs 1 through 57 as if set forth here in their entirety.

59. Anchin is a legal "person" that engages in trade or commerce. CEI and Ms. Cornwell are also persons who engage in trade or commerce.

60. Ms. Cornwell and Dr. Gruber are also individual consumers with regard to certain aspects of their dealings with Anchin.

61. On information and belief, Anchin neither maintains a place of business nor keeps assets within the Commonwealth.

62. Anchin's conduct as alleged above, including but not limited to the specific conduct itemized in paragraphs 42 and 55, constituted unfair or deceptive acts or practices within the meaning of M.G.L. c. 93A, § 2 in the conduct of Anchin's trade or commerce as a business manager, accounting firm, and investment advisor and/or manager.

63. Anchin's use or employment of the unfair or deceptive acts or practices described herein was a willful or knowing violation of M.G.L. c. 93A, § 2.

64. Anchin's conduct as alleged herein violated M.G.L. c. 93A, §§ 9 and 11.

65. Ms. Cornwell, Dr. Gruber, and CEI suffered monetary damages as a result of Anchin's use or employment of unfair or deceptive acts or practices declared unlawful by section two or by any rule or regulation issued under paragraph (c) of section two.

Count VIII: Violation of the New York Consumer Protection Act (Anchin)

66. Plaintiffs incorporate paragraphs 1 through 65 as if set forth here in their entirety.

67. Anchin's conduct as described above occurred in New York as well as in Massachusetts, although the injury to Plaintiffs occurred in Massachusetts where they reside and have their principal places of business. Therefore, the New York Consumer Protection Act, N.Y. Gen. Bus. Law § 349 (McKinney 2004) is also applicable.

68. Anchin acts as a business manager, accountant, and investment advisor and/or manager for privately held companies like CEI and for high net worth individuals like Ms. Cornwell and Dr. Gruber. Anchin's acts or practices as described above, including but not limited to the specific conduct itemized in paragraphs 42 and 55, are consumer-oriented and have an impact on consumers at large falling into the categories of privately held corporations and high net worth individuals.

69. Anchin's conduct as alleged above was deceptive or misleading in a material way, in that Plaintiffs were, *inter alia*, unaware of the full fees being charged, unaware that their investment objectives and risk tolerance were not being honored, unaware until recent months how their money was being invested and how their investments were performing, unaware that various vehicles and CEI's helicopter were being registered in New York with resulting tax disadvantages, unaware that various gifts may have been made in their names without "credit" to or acknowledgement of them, unaware that their real estate project was not being properly managed, and unaware of the lack of due diligence undertaken with regard to their rental properties.

70. CEI, Ms. Cornwell, and Dr. Gruber were all injured and suffered actual monetary harm by reason of Anchin's deceptive or misleading conduct, such harm

including without necessary limitation loss of investments, loss in income, reduction in net worth, additional taxes and interest, and loss of money in the form of fees and expenses inappropriately charged.

Count IX: Defamation (Libel) (Anchin)

71. Plaintiffs incorporate paragraphs 1 through 70 as if set forth here in their entirety.

72. During the period of the on-going relationship between Anchin on the one hand, and CEI and Ms. Cornwell on the other, Anchin paid itself for the services rendered generally without consultation with, or rendering invoices to, CEI or Ms. Cornwell. After Anchin was informed that Plaintiffs were terminating the relationship as of August 31, 2009, Anchin stated for the first time that it would seek to charge CEI and Ms. Cornwell additional sums of money for services allegedly rendered. However, no bill or invoice was forthcoming at that time.

73. On October 13, 2009, Plaintiffs filed the original Complaint in this action and served it immediately by certified mail upon Anchin. At that time, Anchin had rendered no invoices.

74. At 5:55 p.m. on October 15, 2009, an Anchin employee named Jeffrey Vorchheimer emailed an invoice to CEI's counsel stating that Anchin's charges for the period October 1, 2008 until September 30, 2009 were \$971,430, that the agreed upon \$40,000 monthly payments were simply "on account," and that the total amount due for that period was therefore \$561,430. Mr. Vorchheimer further stated that another invoice would be issued in the future for "October's services." See Exhibit B hereto.

75. CEI and Ms. Cornwell responded, through counsel, on Friday, October 16, 2009, requesting supporting documentation including time records for services and receipts for expenses, so that CEI could "proceed in a prudent and reasonable manner in determining whether payment of the invoice is warranted in whole or in part." See Exhibit B hereto.

76. On Monday, October 19, 2009, Mr. Vorchheimer acknowledged on behalf of Anchin receipt of the request, and stated that he had "begun work to collect the information you requested, and hope to have something back to you by week's end" (i.e., by Friday, October 23, 2009). CEI's counsel immediately responded, "thank you. We'll look forward to receiving the information." See Exhibit C hereto.

77. Rather than providing the documentation supporting the unitemized \$561,430 invoice as promised, on or before October 23, 2009 Anchin gave a statement to *Daily Finance* through an agent authorized to speak on its behalf, to wit, Anchin's attorney Thomas Manisero, claiming (a) that Ms. Cornwell had suffered "no losses" in their account with Anchin, and (b) that the filing of this litigation constituted a preemptive lawsuit designed to avoid paying fees owed to Anchin.

78. These statements made by Anchin through an agent authorized to speak on its behalf were published on-line by *dailyfinance.com* on October 23, 2009 and disseminated to a large number of Internet readers and browsers interested in matters of business and finance. The statements remain available to the public through such search engines as Google.

79. Because Anchin did not provide Plaintiffs with investment summaries or histories until they insisted on a transfer of all remaining funds to bonds in 2009,

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Plaintiffs cannot know with certainty what happened to their funds before that transfer. Similarly, Plaintiffs cannot know whether their substantial loss of funds while Anchin functioned as their concierge business manager occurred via investments or in some other manner until they receive the accounting which they seek in this litigation. However, Plaintiffs do know that they did not owe Anchin any fees when Anchin authorized its agent to make a false statement to the contrary. Anchin paid itself from CEI's funds throughout the period of the relationship. In the unlikely event that Anchin failed to pay itself any fees to which it was entitled, Anchin did not provide an invoice until after the commencement of this litigation. Nor did Anchin provide the requested – and promised – documentation to support the belated itemized invoice so that Plaintiffs could determine whether all or any part of the claimed fees are actually due.

80. The statements that Anchin authorized its agent to make, particularly with regard to the purported motivation of filing litigation to avoid fees that were due and owing, were false, discredited Ms. Cornwell and CEI with regard to their creditworthiness and trustworthiness in a business setting, and impaired Ms. Cornwell's and CEI's standing in the minds of a considerable and respectable portion of the business community.

81. Anchin knew the statements to be false and nonetheless authorized the false statements to be made with actual malice in order to do injury to the business reputations of CEI and Ms. Cornwell, as to whether they are creditworthy and assume responsibility for their debts. Anchin authorized the false statements in an effort to shield itself from the import of its own conduct as more fully alleged above, and did so in a context, to wit: an interview with the press, that is not entitled to any privilege or protection.

82. On information and belief, and based on the circumstances surrounding this lawsuit, Anchin has made similar false statements regarding CEI's and Ms. Cornwell's purported motivation to avoid paying its debt to Anchin, to clients, other reporters, and other categories of persons.

83. Anchin's statements have caused, and continue to cause, injury to Ms. Cornwell's and CEI's business reputation, the full extent of which is not yet even known to Plaintiffs.

Count X: Intentional Interference with Advantageous Relations / Unjust Enrichment (Mr. Snapper)

84. Plaintiffs incorporate paragraphs 1 through 83 as if set forth here in their entirety.

85. CEI had, and has, an account with American Express for which it receives so-called "Membership Rewards" points for purchases made on the card. These Membership Rewards points may be exchanged for goods and services of value from various third-party retailers and vendors.

86. As set forth above, by intentionally and maliciously charging expenses on his personal American Express card that should have been properly charged on CEI's American Express card, Mr. Snapper improperly interfered with CEI's legally protected interest in its economic relationship with American Express by depriving CEI of Membership Rewards points and the consequential goods and services of substantial value for which they would have been exchanged.

87. Mr. Snapper directly benefitted from his improper interference by receiving for himself the Membership Rewards points to which CEI was rightfully entitled.

88. Mr. Snapper has thus proximately caused economic and consequential injury and damage to CEI.

WHEREFORE, Plaintiffs pray:

1. for a full accounting;
2. for the right to further amend their Complaint as appropriate upon receipt of the full accounting;
3. for recovery of all compensation paid by Plaintiffs to Defendants for the period of their disloyalty, to wit: from January 1, 2005 through September, 2009;
4. for damages as determined by the jury awardable to each Plaintiff;
5. for punitive damages as appropriate under M.G.L. c. 93A;
6. for an award of their reasonable attorneys' fees and costs under M.G.L. c. 93A;
7. for punitive damages as appropriate under the New York Consumer Protection Act;
8. for an award of their reasonable attorneys' fees and costs under the New York Consumer Protection Act;
9. for interest and costs as allowed by law; and
10. for such other and further relief as this Court deems appropriate.

PLAINTIFFS CLAIM A JURY ON ALL CLAIMS SO TRIABLE.

Respectfully submitted,

CORNWELL ENTERTAINMENT, INC.,
PATRICIA D. CORNWELL, and
STACI GRUBER, Ph.D.

By their attorneys,

/s/ Joan A. Lukey

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Dated: April 14, 2010

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CERTIFICATE OF SERVICE

In accordance with Fed. R. Civ. P. 5(b) and Local Rule 5.2(b), I hereby certify that this document filed through the ECF system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing (NEF) and paper copies will be sent to those indicated as non registered participants on April 14, 2010.

/s/ Joan A. Lukey
Joan A. Lukey

Dated: April 14, 2010