

The Court has scheduled a Settlement Hearing to consider the fairness of the proposed Settlement on **April 23, 2013** at 9:30 a.m. at the Martin Luther King, Jr. Federal Building and U.S. Courthouse, 50 Walnut Street, Courtroom 4D, Newark, NJ 07102.

You do not need to attend the Settlement Hearing or take any other action. If the Settlement is approved, the Settlement Amount (*i.e.*, \$1.1 million) will be added to the Cendant Class Settlement Fund and will be included as part of subsequent distributions as will any additional restitution funds recovered. As discussed below in paragraphs 12 and 13, if you wish to object to the Settlement, you must submit an objection in accordance with the instructions set forth below, so that it is *received* no later than **April 9, 2013**.

BACKGROUND OF AND REASONS FOR THE PROPOSED SETTLEMENT

1. By Notice of Settlement of Class Action dated April 7, 2000 (the “Initial Notice”), Class Members were advised that Lead Plaintiffs recovered \$3,186,500,000 on behalf of the Class, which, as set forth in the explanatory letter accompanying the Third Distribution, was increased by a subsequent additional recovery achieved in the amount of \$131,750,000. In response to the Initial Notice, more than 123,000 claims were submitted to Heffler and, to date, four distributions have been made from the settlement funds to Class Members who submitted valid approved Proof of Claim forms and who cashed all of their prior distribution checks.

2. In November 2008, an Indictment and an Information that had been filed under seal by the U.S. Attorney for the Eastern District of Pennsylvania on September 11, 2008 were unsealed (collectively, the “Indictment”). The Indictment charged six individuals – one of whom had been a Heffler employee (the “Heffler Former Employee”) – with participating in a scheme to submit fraudulent claims in three large securities class action settlements, one of which was Cendant. The charges were based on a criminal investigation conducted by the Internal Revenue Service Criminal Investigation Division and the Federal Bureau of Investigation. The investigation determined that ten fraudulent claims had been filed in this Action and that payments totaling \$28,691,193.84 were made with respect to six of those ten claims (the “Fraudulent Claims”).

3. The Indictment alleged, among other things, that the fraudulent scheme was sophisticated and designed to defraud not only each of the three class action settlements but, also, the firms administering those settlements. The Indictment noted that the perpetrators took elaborate steps to pursue the fraudulent claims and to produce the necessary records to support them. For example, they created fake corporations, using false names for executive personnel, with addresses in the United States and in foreign countries; opened bank accounts and established virtual offices for the fake corporations in the United States and in foreign countries, with functioning mailing addresses and telephone numbers; used professional office services to retrieve the mail and take telephone messages; and created brokerage account statements and other financial documents to make it appear that the fake companies owned the securities necessary to share in the class action settlement funds.

4. Lead Plaintiffs did not learn of the Indictment or the payments on the Fraudulent Claims until after the Indictment was unsealed. Thereafter, Lead Plaintiffs investigated the circumstances of the fraud to determine whether there was a basis for bringing an action against Heffler or any other persons to recover on behalf of the Class the payments made on the Fraudulent Claims. In connection with this investigation, Co-Lead Counsel and/or Lead Plaintiffs, among other things: (i) reviewed the Indictment; (ii) spoke with the Assistant U.S. Attorney handling the criminal prosecution; (iii) obtained and reviewed all the documents relating to Cendant that were provided by Heffler to the U.S. Attorney’s office in connection with the government’s investigation into the fraudulent scheme, and reviewed additional documents requested directly from Heffler; (iv) reviewed both the transcript of the hearing in which the Heffler Former Employee pled guilty and the Government’s Change of Plea Memorandum and Guilty Plea Agreement with that employee; (v) interviewed, in the presence of Heffler’s counsel, the Heffler partner in charge of the Cendant settlement administration; (vi) obtained follow-up representations from Heffler through its counsel; and (vii) obtained responses to written questions put to the Heffler Former Employee by his attorney. Additionally, Co-Lead Counsel and Lead Plaintiffs considered the practices of and industry standards (or lack thereof) applicable to claims administrators at the time of the Cendant settlement administration; reviewed Heffler’s claims administration procedures as well as those of other claims administrators; assessed Heffler’s insurance coverage and financial condition, and evaluated the possibility of a recovery from the perpetrators of the fraud, Heffler or others.

5. The conclusion of both the investigation by the U.S. Attorney’s office and the one undertaken by Lead Plaintiffs was that, contrary to the initial belief that the Heffler Former Employee was an integral part of the scheme, he apparently had had a very limited role (which did not involve the review or approval of claims submitted) in the Cendant claims administration. Moreover, only one of the ten fraudulent claims was submitted while he was working on the Cendant administration and four fraudulent claims were submitted after he left Heffler’s employment.

6. Based on the results of the investigation, Lead Plaintiffs determined there was no basis for alleging that Heffler participated in the fraudulent scheme uncovered by the government and that Heffler could not be held legally responsible for the conduct of the Heffler Former Employee. While Lead Plaintiffs did believe that a claim could be stated for negligence on the part of Heffler for both failing to have in place adequate policies and procedures to detect fraud and not applying those policies and procedures with sufficient rigor to determine that the claims at issue were

fraudulent, they recognized the significant obstacles and risks that they would face if they were to commence an action against Heffler. Based on their investigation, the sophisticated nature of the fraud perpetrated, and the steps taken by the perpetrators to evade detection, Lead Plaintiffs concluded that the litigation risks, costs and delays attendant to pursuing a negligence claim against Heffler based on its approval or payment of the Fraudulent Claims were significant. Moreover, Heffler's insurance carrier disclaimed coverage on any claims that Lead Plaintiffs might assert. Thus, even if Lead Plaintiffs were to prevail in an action against Heffler, recovery on any judgment could be subject to litigation against its insurance carrier. Lead Plaintiffs weighed both the cost and risk to the Class of protracted litigation against Heffler and, possibly, its insurance carrier and the risk of a possible lengthy postponement of final distribution of the Settlement Fund before entering into the Settlement with Heffler. Finally, the U.S. Attorney's office has pursued the assets of the individuals convicted of participating in the fraudulent scheme. After communications with the Assistant U.S. Attorney, Co-Lead Counsel and Lead Plaintiffs concluded that the likelihood of any additional meaningful recovery from the individual perpetrators of the fraud beyond the restitution funds that have been or may be obtained by the government was minimal, and, accordingly, that pursuing legal action against these individuals on behalf of the Class was not warranted.

7. In light of these considerations, Lead Plaintiffs authorized Co-Lead Counsel to explore the possibility of settlement. Following extended negotiations, Lead Plaintiffs and Heffler reached an agreement to settle all claims by the Class against Heffler in connection with the payments on the Fraudulent Claims.

WHAT DOES THE PROPOSED SETTLEMENT PROVIDE?

8. The proposed Settlement provides that, upon the Effective Date, in exchange for the release by the Class of the Released Claims⁴ and upon payment to Heffler of its Court-awarded fees and expenses as audited and approved by Lead Plaintiffs, Heffler:

- will make a cash payment into the Cendant Class Settlement Fund of \$1.1 million; and
- if it makes a cash contribution of more than \$300,000 toward a settlement in the BankAmerica Action (a second class action that was impacted by the same fraudulent scheme), then Heffler shall pay one dollar to the Cendant Class Settlement Fund for every dollar paid to plaintiffs in the BankAmerica Action in excess of \$300,000 up to an additional payment of \$250,000.

Additionally, Heffler will continue to apportion any available restitution funds to the Cendant and BankAmerica classes in proportion to the classes' respective losses.⁵ As of December 31, 2012, restitution funds in the amount of \$1,735,980.44 have been deposited in escrow of which \$1,440,690.17 was allocated to this Action and included in the Fourth Distribution.

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?

9. The Settlement Hearing will be held on April 23, 2013 at 9:30 a.m. before the Honorable William H. Walls, at the Martin Luther King, Jr. Federal Building and U.S. Courthouse, 50 Walnut Street, Courtroom 4D, Newark, NJ. At the Settlement Hearing, the Court will consider whether the proposed Settlement is fair, reasonable and adequate and should be approved.

WHAT DO I NEED TO DO?

10. Nothing. Unless you wish to object to the Settlement or attend the Settlement Hearing (discussed below), you do not need to take any action. If the Settlement is approved, the Settlement Amount will be added to the Cendant Class Settlement Fund and will be included as part of future distributions from the fund.

11. Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval of the Settlement.

WHAT ARE THE PROCEDURES FOR OBJECTING TO THE SETTLEMENT?

12. If you wish to object to the proposed Settlement, your objection must be in writing and it must be filed, together with copies of all other papers and briefs supporting the objection, with the Clerk's Office at the United States District Court for the District of New Jersey at the address set forth below on or before April 9, 2013. You must

⁴"Released Claims" as used in the Stipulation means any and all claims, actions and causes of action in law or equity, suits, obligations, debts, demands, agreements, promises, liabilities, controversies, damages, losses, attorneys' fees, costs or expenses of any kind whatsoever, whether based on common law or on any federal or state statute, rule, regulation, or other law or right of action, foreseen or unforeseen, matured or unmatured, known or unknown, accrued or not accrued, suspected or unsuspected, fixed or contingent, and whether or not concealed or hidden, that Lead Plaintiffs or any Class Member have or may have against Heffler that are based upon, are related to, arise from, or are connected with the recommendation by Heffler for approval of the Fraudulent Claims and/or the payment by Heffler from the Cendant Class Settlement Fund of the Fraudulent Claims as well as all claims arising out of Heffler's role in the review, verification, calculation, tabulation or any other aspect of the processing of the claims in this Action, or other involvement in the administration or taxation of the Cendant Class Settlement Fund or the Net Cendant Class Settlement Fund.

⁵The class' loss in the BankAmerica Action caused by the fraudulent scheme was \$5,879,073.36. Class counsel in the third action affected by the fraud will not be making any claim to the restitution funds.

also serve the papers on Co-Lead Counsel for the Class and on counsel for Heffler at the addresses set forth below so that the papers are **received on or before April 9, 2013**.

<u>Clerk's Office</u>	<u>Co-Lead Counsel for the Class</u>	<u>Counsel for Heffler</u>
Clerk of the Court United States District Court for the District of New Jersey Martin Luther King, Jr. Federal Building and U.S. Courthouse 50 Walnut Street Newark, NJ 07102	Max W. Berger, Esq. Bernstein Litowitz Berger & Grossmann LLP 1285 Avenue of the Americas New York, NY 10019	Patricia M. Hamill, Esq. Conrad O'Brien PC 1500 Market Street West Tower, 39 th Floor Philadelphia, PA 19102

13. Any objection to the Settlement must contain (a) the objector's full name, address and telephone number; and (b) a statement of the objection and the specific reasons for the objection, including any legal and evidentiary support the Class Member wishes to bring to the Court's attention. You may not object to the Settlement if you are not a member of the Class. If you are a Class Member but did not receive this Notice by direct mail, in addition to the requirements noted in the preceding sentence, your objection must also include documentation sufficient to demonstrate your membership in the Class.

14. Class Members do not need to attend the Settlement Hearing. The Court will consider any objection made in accordance with the provisions of paragraphs 12 and 13 even if the objecting Class Member does not attend the hearing.

15. Any Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the Settlement.

HOW CAN I SPEAK AT THE SETTLEMENT HEARING?

16. If you wish to be heard at the hearing in opposition to approval of the Settlement, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Clerk's Office and serve it on Co-Lead Counsel for the Class and Counsel for Heffler at the addresses set forth above so that it is **received** on or before April 9, 2013. Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.

17. You may file an objection without having to appear at the Settlement Hearing. You may not, however, appear at the Settlement Hearing to present your objection unless you first file and serve a written objection in accordance with the procedures described above.

18. You do not need to hire an attorney in order to make a written objection to the Settlement or to appear at the Settlement Hearing. If you do decide to hire an attorney, which will be at your own expense, however, he or she must file a notice of appearance with the Court and serve it on Co-Lead Counsel and Counsel for Heffler at the addresses set forth above so that the notice is **received on or before April 9, 2013**.

19. The Settlement Hearing may be adjourned by the Court without further written notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Co-Lead Counsel.

HOW CAN I GET MORE INFORMATION ABOUT THE SETTLEMENT?

20. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the Settlement, you are referred to the Stipulation which is posted on the Cendant Corporation Litigation case page maintained on Heffler's website, <http://www.hefflerclaims.com/cases/cen/> and on Co-Lead Counsel's website www.blbglaw.com. Any related orders entered by the Court will also be posted on those sites. All inquiries concerning this Notice or the Settlement should be directed to:

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Bernstein Litowitz Berger & Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019
(800) 380-8496
blbg@blbglaw.com

Dated: January 18, 2013

By Order of the United States District Court for
the District of New Jersey