

## *In re Cendant Corporation Securities Litigation*

**COURT:** United States District Court for the District of New Jersey  
**CASE NUMBER:** Master File No. 98-1664(WHW)(D.N.J.)  
**CLASS PERIOD:** 05/31/1995 - 08/28/1998  
**CASE LEADERS:** Max W. Berger, Gerald H. Silk

The third largest securities fraud class action recovery in history.

Filed on behalf of all persons and entities, other than defendants and their affiliates, who purchased or otherwise acquired publicly traded securities of Cendant and its predecessor, CUC International, Inc. (other than Cendant PRIDES), during the period from May 31, 1995 through August 28, 1998, inclusive. The Class encompassed persons and entities who acquired: (a) Cendant and CUC common stock, including stock acquired in exchange for HFS International common stock in the merger between HFS and CUC, which combined to form Cendant on December 17, 1997; (b) Cendant and CUC common stock options; (c) Cendant 5 % Senior Notes due 2003; (d) Cendant 4% Convertible Senior Notes due 2003; and (e) Cendant 3% Convertible Subordinated Notes due 2002. After the merger of HFS into CUC, the company was renamed Cendant Corporation.

BLB&G represented Lead Plaintiffs CalPERS - the California Public Employees Retirement System, the New York State Common Retirement Fund and the New York City Pension Funds, the three largest public pension funds in America, in this action. The action was settled for approximately \$3.2 billion. Of that amount, CUC's auditors, Ernst & Young ("E&Y") paid \$335 million and the company paid the balance.

### **December 29, 2007 - Additional Recoveries of Up to \$149.25 Million for Cendant Class Members**

On December 29, 2007, Cendant and certain former HFS officers who were defendants in the Class Action settled their separate claims against E&Y for \$298.5 million. Under the terms of the Cendant Settlement, the Class is entitled to 50% of Cendant's net recovery from E&Y. Accordingly, as much as \$149.25 million of the \$298.5 million will be paid to the Class, depending on the Court's resolution of a dispute concerning the method for determining "net recovery."

### **Background**

The allegations in the Complaint set forth in detail the pervasive fraud that had corrupted 17 of the 22 operating units of the former CUC and had caused CUC's operating income to be inflated by approximately \$500 million during the Class Period, representing more than one-third of CUC's total reported operating income. It is also alleged that E&Y committed myriad violations of Generally Accepted Accounting Principles, involving hundreds of millions of dollars of revenue and income. The magnitude of the financial fraud at CUC and Cendant was confirmed when Cendant filed its restated financial statements with the SEC on September 29, 1998, which disclosed that, during the Class Period, Cendant had overstated income from continuing operations before income from continuing operations before income taxes by approximately 24% and overstated earnings per share by 130%.

The initial distribution of the settlement, which has now been made, constituted 90% of the Net Settlement Fund, or approximately, \$2.9 billion.

Because of the unprecedented size of the settlement funds, the large number of claims filed (approximately 120,000) and the complex plan of allocation, the administration of this settlement was a daunting task. Once the claims were fully processed, the work was reviewed by an independent accounting firm and Lead Counsel obtained an order from the Court to begin distributing the settlement proceeds.

Checks were mailed on March 31, 2003; and another round of checks were mailed beginning on March 24, 2004.

## Case Documents

- October 5, 2012 - Motion for Entry of Hearing Order and Order Modifying Third Distribution Order
- Stipulation and Agreement of Settlement with Heffler, Radetich & Saitta L.L.P.
- December 31, 2012 - Hearing Order and Order Modifying Third Distribution Order
- October 5, 2012 - Memorandum of Law in Support of Lead Plaintiff's Motion for Entry of Hearing Order and Order Modifying Third Distribution Order
- January 18, 2013 - Notice of Proposed Settlement of Possible Claims Against Claims Administrator
- Notice of Settlement of Class Action
- April 1, 2010 - Joint Decl. of M. Berger/J. Golan in Support of Lead Plaintiffs' Motion To Conduct 3rd Distribution of Net Sett. Fund, Payment of Lead Counsel's Fees for Services Provided Oct 1, 2003-Jan 31, 2009 + Unreimbursed Litigation Expenses
- April 1, 2010 - Lead Plaintiffs' Motion to Conduct a Third Distribution of the Net Settlement Fund, and for Payment of Lead Counsel's Fees for Services Provided Between October 1, 2003 and January 31, 2009, and for Unreimbursed Litigation Expenses
- December 14, 1998 - Amended and Consolidated Class Action Complaint