

NOTICE OF PROPOSED CLASS ACTION SETTLEMENT AND FAIRNESS HEARING

Sykes v. Mel S. Harris and Associates LLC, No. 09 Civ. 8486

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

You may be entitled to receive money from a settlement with debt collectors LR Credit and the Mel Harris law firm.

To receive a payment, you must send a Claim Form to the Administrator before April 7, 2016.

If you are making payments on an LR Credit debt now, you should stop.

- This is a notice of a proposed settlement of the claims against Defendants in a class action lawsuit. The Settlement must be approved by the Court. A Federal Court authorized this notice.
- The Defendants in the lawsuit are LR Credit and certain of its affiliates; Mel S. Harris & Associates, LLC (the “Mel Harris law firm”) and certain of its partners and employees; and Samserv Inc. and certain of its principals and employees (together, the “Defendants”).
- **Money Settlement:** The Defendants have agreed to create a Settlement Fund to settle claims that they violated the law by submitting false affidavits to state courts in order to obtain default judgments in consumer debt collection cases.
 - Defendants have agreed to pay \$54,492,500 plus additional money collected until the Settlement is finally approved by the Court. As of November 2015, the total was approximately \$59 million. This part of the Settlement is called the “Money Settlement.”
 - Class members whose Claim Forms are received by the Administrator **by April 7, 2016** will be eligible to receive some of the Money Settlement if they paid money or their judgments were sold to a third party.
- **Injunctive Settlement:** Defendants have also agreed to stop collecting LR Credit debts while the Court considers whether to approve the Settlement. If you are making payments on an LR Credit debt, you should stop now. If the Settlement is finally approved, collection on debts LR Credit owns will stop forever, and Plaintiffs will work with the New York State courts to try to vacate all judgments LR Credit obtained. Defendants have also agreed to reform their business practices. This part of the Settlement is called the “Injunctive Settlement.”
- ***For you to receive any money under the Settlement, the Administrator must receive your [Claim Form](#) by April 7, 2016.***

What This Settlement Means for Class Members

- Class Members whose Claim Form is received **by April 7, 2016 may be entitled to money.**
- **Collection of debts LR Credit owns will be stopped for now.** If the Settlement is approved, collection of all debts currently owned by LR Credit will stop forever, and Plaintiffs will work with the New York State courts to try to vacate all judgments obtained by LR Credit.
- This Settlement applies only to consumer debts that were owed to LR Credit (or its subsidiaries) and does not apply to other consumer debts that you may owe.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

You May		Due Date
Submit a Claim Form	<p><u>This is the only way for you to get a payment from the Settlement if you are eligible.</u> By submitting a Claim Form to the Administrator, you may be entitled to receive a payment if you are eligible. However, you will give up your legal rights to bring further claims against Defendants regarding their debt collection activities for LR Credit.</p>	Received By: April 7, 2016
Opt Out and Not Receive Money	<p><u>You will not get a payment from the Settlement.</u> This is the only way you will be able to be part of any other lawsuit seeking to recover <i>money</i> damages from Defendants. Even if you opt out, however, you will still (a) be part of the Injunctive Settlement and (b) not be able to bring another lawsuit against Defendants for <i>injunctive</i> relief. All requests to “opt out” must be made in writing and received by April 14, 2016. <i>If you opt out, you will not receive any money.</i></p>	Received By: April 14, 2016
Object to Settlement	<p><u>You will remain a Class Member, but you may write to the Court about any part of the Settlement that you do not like.</u> You may also ask to speak in Court at the Fairness Hearing about your objection to the Settlement. If you object, you must still submit a Claim Form to get money from the Settlement Fund. If you opt out from the Settlement (see above), you may not object to the Money Settlement, but you may still object to any part of the Injunctive Settlement.</p>	Received By: April 14, 2016
Do Nothing	<p><u>You will not get a payment from the Settlement, and you will give up all your rights to sue Defendants regarding their debt collection activities.</u> Even if you do nothing, collection on debts owned by LR Credit will stop forever if the Settlement is approved, and you will receive the Settlement’s Injunctive Relief.</p>	N/A

- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and after any appeals are resolved. It is also only after the Settlement is finally approved that collection on debts currently owned by LR Credit will stop forever, and Plaintiffs will seek to have the default judgments vacated.

BASIC INFORMATION

1. Who got this notice?

This notice was publicly posted. Class Members are all people who ever had an alleged debt owned by LR Credit, even if LR Credit later sold that debt to another debt collector. The Court in this case approved this notice to inform Class Members (a) that Plaintiffs and Defendants reached a proposed Settlement, and (b) of all of their options before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections and appeals take place, payments will be mailed to eligible Class Members whose Claim Forms are received by **April 7, 2016**, and collection on debts still owned by LR Credit will stop forever.

This Notice explains the lawsuit, the Settlement, Class Members' legal rights, and what benefits are available. The Court overseeing this case is the United States District Court for the Southern District of New York. This lawsuit is known as *Sykes v. Mel S. Harris and Associates LLC*, No. 09 Civ. 8486.

2. What is this lawsuit about?

This lawsuit is about whether Defendants improperly collected debts from people in New York. Plaintiffs allege that Defendants used fraudulent practices to file debt collection lawsuits, obtain default judgments, and then collect on those judgments. Specifically, Plaintiffs allege that (a) Defendants never served Class Members with notice of the lawsuits; (b) Defendants made sworn statements to the courts that Class Members had been served when they were not; (c) Defendants made sworn statements to the courts that they knew Plaintiffs owed a debt even though Defendants did not know whether a debt was owed; (d) the courts entered judgments against Plaintiffs based on Defendants' false statements; and (e) Defendants used the judgments to collect money from Plaintiffs by freezing their bank accounts and garnishing their wages, among other ways. Plaintiffs allege these actions violated the federal Fair Debt Collection Practices Act ("FDCPA"), the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"), New York General Business Law § 349, and (for the Mel Harris Law Firm Defendants who are attorneys) New York Judiciary Law § 487. Defendants deny that they have engaged in any wrongdoing. The Court has not decided whether Plaintiffs' claims have any merit.

3. Why is this a class action?

In a class action, one or more people (called "Class Representatives" or "Lead Plaintiffs") bring a lawsuit and are appointed by the Court to sue on behalf of all people who have similar claims. The Lead Plaintiffs here are Monique Sykes, Rea Veerabadren, Kelvin Perez, and Clifton Armoogam. All of the people with similar claims are together called a "class," and each person is a "class member." One court decides the issues for all class members — except for those who opt out of the class. In this case, Class Members can choose to opt out of the Money Settlement but not the Injunctive Settlement.

4. Why is there a settlement?

The Court has not decided in favor of Plaintiffs or Defendants. Both Plaintiffs and Defendants believe they would have prevailed in the case, but there was no decision in favor of either party. Instead, Plaintiffs and Defendants agreed to a Settlement. That way, they avoid the cost and delays of a trial. The Lead Plaintiffs and their attorneys think the Settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT AND LAWSUIT?

5. Who are the Defendants?

There are three groups of Defendants:

The LR Credit Defendants (the debt buyer): LR Credit, LLC; LR Credit 10, LLC; LR Credit 14, LLC; LR Credit 18, LLC; LR Credit 21, LLC; and other subsidiaries of LR Credit, LLC (including LR Credit 1, LLC through LR Credit 23, LLC) (collectively, "LR Credit"); L-Credit, LLC; Leucadia National Corporation; Joseph A. Orlando and Philip M. Cannella.

The Mel Harris Defendants (the law firm): Mel S. Harris & Associates, LLC; Mel S. Harris, Michael Young, David Waldman, Kerry Lutz, and Todd Fabacher.

The Samserv Defendants (the process serving agency): Samserv, Inc.; William Mlotok, Benjamin Lamb, Michael Mosquera, and John Andino.

6. Who are the Class Members for the Settlement?

There are two Settlement Classes in connection with this Settlement.

1. The **Injunctive Settlement Class** includes every person who was or could have been sued in any New York court by Mel S. Harris & Associates, LLC (or by any other counsel as directed by Mel S. Harris & Associates, LLC), as counsel for LR Credit. Every person whose alleged debt is or was owned by LR Credit is part of the Settlement Injunctive Class, no matter whether he or she ever made a payment to LR Credit (or any of its subsidiaries).
2. The **Money Settlement Class** includes every person sued in any New York court by Mel S. Harris & Associates, LLC, as counsel for LR Credit (or by any other counsel as directed by Mel S. Harris & Associates, LLC), and against whom a default judgment was obtained. All of the members of the Money Settlement Class are also members of the Injunctive Settlement Class.

Members of either Settlement Class who paid money to Defendants or whose judgment was sold to a third party may be entitled to a portion of the Money Settlement if they submit a timely Claim Form.

7. How do I know if I am part of the Settlement?

You are part of the Injunctive Settlement Class if you ever had an alleged debt that was owned by LR Credit, even if LR Credit later sold that debt to another debt collector. You are part of the Money Settlement Class if LR Credit ever obtained a default judgment against you, even if that judgment was later vacated or sold to another debt collector. If you are unsure whether you are a Class Member, go to www.sykesclassaction.com or contact the Administrator at (877) 868-0034.

THE SETTLEMENT BENEFITS— WHAT YOU GET

8. What does the Settlement provide?

Defendants have agreed to provide two types of relief:

Money:

The LR Credit Defendants will pay \$46 million.

The Mel Harris Defendants will pay \$7.975 million.

The Samserv Defendants will pay \$517,500.

The LR Credit Defendants and Mel Harris Defendants have also agreed to add to the Fund debt collection proceeds collected since the date of the Settlement and will continue to contribute additional debt collection proceeds collected during the time the Court is considering approval of the Settlement.

All together, Defendants will pay \$54,492,500 plus additional debt collection proceeds. As of November 2015, the total was approximately \$59 million.

Injunctive Relief:

The LR Credit Defendants have agreed to stop collecting LR Credit debts while the Court decides whether to approve the Settlement. If the Settlement is finally approved, LR Credit will transfer all debts it owns to a not-for-profit entity chosen by Plaintiffs. The not-for-profit entity will stop all collections and forgive the debt as a gift to you. Plaintiffs will also work with the New York State courts to try to have all the judgments vacated. LR Credit has not agreed to cancel or forgive LR Credit debts. Also, LR Credit will not buy any more consumer debt.

The Mel Harris law firm has shut down, which means it will not collect any more LR Credit debts. In addition, the individual Mel Harris Defendants will not buy any more consumer debt or seek default judgments on any consumer debt they already own.

The Samserv Defendants have agreed to make certain of their process serving records in consumer debt cases available to Class Counsel and certain consumer clinics; to pay process servers for unsuccessful attempts at service at the same rate as for successful attempts; for Samserv not to serve process in consumer debt collection cases; and for Defendant process servers who serve process in New York City to, for an agreed-upon period of time, include a detailed description of the service location in their process serving records.

9. What costs will be deducted from the Settlement before money is given to Class Members?

If the Court approves the Settlement, three categories of costs will be deducted from the Settlement Fund before money will be available to eligible Class Members:

- All of the fees and expenses to administer and/or implement the Settlement and stop collections, including those of the Administrator and the cost of hiring the law firm Stephen Einstein & Associates, P.C. to stop collections immediately, except for the cost of providing notice to Class Members (which, primarily, will be paid separately by LR Credit);
- Service Awards to Lead Plaintiffs to compensate them for the risks they took and their service to the Class in bringing this lawsuit. Class Counsel will ask the Court to approve payments of \$30,000 to each of the four Lead Plaintiffs; and
- Attorneys' fees and costs awarded to Class Counsel (*see* Question 19 below). Attorneys' fees and costs will not be more than one-third of the total Settlement Fund after subtracting administrative costs and Service Awards.

The Court may award less than these amounts.

10. How will the Settlement Fund be divided among Class Members?

Based on the formula preliminarily approved by the Court, the money in the Settlement Fund (out of which administrative costs, Service Awards to the Lead Plaintiffs, and attorneys' fees and costs will also be paid as described above) will be divided among the Class Members who had money collected from them or whose Judgments were sold — **but only if those Class Members do not opt out of the Class and submit a Claim Form that is received by the Administrator by April 7, 2016.**

The amount each eligible Class Member receives will be based on (a) how much money Defendants received from the Class Member, (b) whether a Class Member's claims are timely based on the applicable statutes of limitations, (c) whether LR Credit obtained a default judgment against the Class Member, (d) whether LR Credit still owns the Class Member's judgment or debt, and (e) how many people submit valid and timely Claim Forms. [The Plan of Allocation](#) contains the exact plan for dividing the money. You may obtain the Plan of Allocation at www.sykesclassaction.com/PlanofAllocation or by contacting the Administrator. The Court may change the formula without further notice.

Only class members who had money collected from them or whose judgments were sold are eligible to receive a payment.

11. What will I get from the Settlement if it is approved?

Every Class Member who had money collected from them or whose judgments were sold, and who returns a [Claim Form](#), will receive **at least \$100** and possibly much more. **The amount you receive will depend on a number of factors, including how many people submit valid and timely Claim Forms.**

All Class Members should receive in the mail a notice *specific to them* that explains: (1) the amount Defendants collected from you; (2) whether your judgment or account was sold; and (3) the amount you might receive if you submit a timely Claim Form. If you think you are a Class Member but did not receive this Notice, call the Administrator at (877) 868-0034.

A money payment from the Settlement may affect your eligibility for needs-based government benefits, like Public Assistance and SSI. If you receive these benefits and want more information, visit www.sykesclassaction.com/FAQ.

Also, **even if you do not submit a Claim Form**, once the Settlement is finally approved, LR Credit will transfer all debts it owns to a not-for-profit entity chosen by Plaintiffs. The not-for-profit entity will stop all collections and forgive the debt as a gift for you. Plaintiffs will also work with the New York State courts to try to vacate the judgments **through a special proceeding under CPLR § 5015(c), upon such terms as the State Court deems to be just**. Please go to www.sykesclassaction.com/FAQ for information about the efforts to vacate the judgments.

Neither Class Counsel nor Defendants make any representations concerning tax consequences of this Settlement or participation in it, and you are advised to seek your own personal tax advice prior to acting in response to this notice.

12. What will I give up if the Settlement is approved?

If you do not opt out of the Money Settlement (*see* Question 16), you will give up your right to file your own lawsuit for money damages against the Defendants (or any related entities or individuals) arising out of LR Credit's debt collection activities. All of the Court's orders will apply to you and legally bind you.

The claims that are released by the Settlement and the persons and entities who are released by it are defined in the [Settlement Agreement](#). The [release](#) is a very important part of the Money Settlement, and, if you do not opt out from the Money Settlement, and the Settlement is finally approved by the Court, you will be bound by all of the terms of the release. The release is very broad and applies to all claims arising out the operative facts set out in the Complaint filed by Lead Plaintiffs that have been asserted or could have been asserted against the individuals and entities that are included in the definition of "Releasee." The term "Releasee" includes not only the Defendants but also all of their related persons and entities (including, for example, their directors, officers, employees, members, agents, attorneys, and representatives). **Companies that bought debts from LR Credit are *not* released.** A copy of the full release (with the relevant definitions) is available at www.sykesclassaction.com/release. If you do not opt out, you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants (or the Releasees) involving any of the claims that are released. **If you have a pending lawsuit that involves any of the Defendants, you should speak to your lawyer in that case immediately to see if this Settlement will affect your other case.**

The Settlement also requests that the Court enter "bar orders" barring anyone from suing the Releasees for any injury that relates to a released claim.

Also, once the Settlement is approved, you will not be able to bring a lawsuit against Defendants for injunctive relief arising out of their collection of LR Credit debts.

If your debt was sold, the Settlement does not affect your right to bring a lawsuit against the company that bought your debt from LR Credit.

13. What happens if the Settlement is not approved?

If the Settlement is not approved, no one will get any money from the Settlement, LR Credit will not transfer the debts it owns to an entity Plaintiffs choose, and Plaintiffs will not be able to work with the New York State courts to try to vacate all the judgments. LR Credit would also have the right to re-start collections, but no interest would accrue while the Court was considering the Settlement. The litigation would continue.

HOW TO GET A PAYMENT

14. How can I get my payment?

You must submit a [Claim Form](#) to the Administrator that is received by April 7, 2016 by mailing the form to the following address: Sykes Class Action Settlement, PO Box 3145, Portland, OR 97208-3145. You may also submit a claim online by going to www.sykesclassaction/claimsubmission.

15. When will I get my payment?

The Court will hold a hearing on May 11, 2016 at 11 a.m. in Courtroom 519 at the U.S. District Court for the Southern District of New York, 40 Foley Square, New York, New York 10007. The hearing — which is known as the Fairness Hearing — will let the Court hear arguments on whether it should approve the Settlement. If the Court approves the Settlement, objectors may appeal that approval. It is always difficult to predict whether an appeal will be brought or, if an appeal is brought, how long it will take for the appeal to be resolved. Resolving an appeal can take time, perhaps more than a year. No payments will be made until the Settlement is finally approved. Nor will LR Credit transfer the debts it owns to an entity chosen by Plaintiffs until approval of the Settlement is final. Please note that the date of the Fairness Hearing may change.

OPTING OUT FROM THE SETTLEMENT

16. How do I get out of the Money Settlement?

If you do not want a payment from the Money Settlement, and you want to keep the right to sue or continue to sue Defendants for money damages, you must take steps to tell the Court you do not want to participate in the Money Settlement. This is called “opting out.” **If you have a pending lawsuit that involves any of the Defendants, you should speak to your lawyer in that case immediately to see if this Settlement will affect your other case.**

To opt out from the Money Settlement, you must send a letter to the Administrator stating that you want to opt out from the Money Settlement in *Sykes v. Mel Harris and Associates LLC*, No. 09 Civ. 8486 and acknowledging that, by opting out, you will not receive any funds from the Money Settlement. You must include your name, address, telephone number, and signature. Your opt-out request must be received by the Administrator no later than April 14, 2016, and it must be mailed to the Administrator at the following address: Sykes Class Action Settlement, PO Box 3145, Portland, OR 97208-3145. If you ask to opt out, **you will not get any settlement payment**, and you cannot object to the Money Settlement.

17. What happens if I opt out from the Money Settlement?

If you opt out, you will not receive any money from this lawsuit through the Money Settlement.

But, you may bring your own case, at your own expense, to seek damages from the Defendants relating to their debt collection activities on LR Credit debts.

Simply not returning the Claim Form to receive the money payment is not enough to keep the right to bring your own lawsuit. Unless you actively opt out, you will give up that right.

Even if you opt out from the Money Settlement, however, you will still (a) be a Class Member in the Injunctive Settlement and (b) not be able to bring another lawsuit against the Defendants for injunctive relief.

THE LAWYERS REPRESENTING YOU

18. Do I have a lawyer in this case?

The Court has decided that the lawyers at Emery Celli Brinckerhoff & Abady LLP, New Economy Project, and MFY Legal Services, Inc. are qualified to represent you and all Class Members in the Settlement. These lawyers are called “Class Counsel.” You will not be charged for these lawyers. You do not need to retain your own lawyer in order to participate as a Class Member. If you want to be represented by your own lawyer, you may hire one at your own expense.

19. How will the lawyers be paid?

To date, Class Counsel have not received any payment for their services or expenses in pursuing Plaintiffs’ and the Class Members’ claims. Class Counsel have committed significant time and expense to litigating this case for the benefit of Plaintiffs and the Classes. Class Counsel will ask the Court to be paid for their fees and out-of-pocket costs out of the portion of the Settlement Fund set aside to cover Settlement Costs (*see* Question 9). Attorneys’ fees and costs will not be more than one-third of the total Settlement Fund (which, as of November 2015, had approximately \$59 million but may grow) after subtracting administrative costs and Service Awards. If you decide to hire your own attorney, you will be responsible for that attorney’s fees and expenses.

OBJECTING TO THE SETTLEMENT

20. How do I tell the Court that I don’t like the Settlement?

If you are a Class Member (and do not opt out from the Money Settlement), you can object to any part of the Settlement that you do not like, and you can give reasons why you think the Court should not approve the Settlement. If you opt out from the Money Settlement, you can still object, if you wish, to the Injunctive Settlement. The Court cannot modify the Settlement; it can only approve or not approve it. To object, you must send a letter that includes the following: (a) your name, address, telephone number, and email address if you have one; (b) a statement saying that you object to the Settlement in *Sykes v. Mel Harris and Associates LLC*, No. 09 Civ. 8486; (c) the reasons you object; (d) whether you want to speak at the Fairness Hearing (*see* Question 24); and (e) your signature. Mail the objection to the Administrator at: Sykes Class Action Settlement, PO Box 3145, Portland, OR 97208-3145. The Administrator must receive your objection by April 14, 2016. The Administrator will take care of submitting it to the Court and serving it on Class Counsel and Defendants’ counsel.

21. What’s the difference between objecting and opting out?

Objecting is simply telling the Court that you do not like something about the Settlement. You have to be a Class Member to object. Opting out is telling the Court that you do not want to be a Class Member. If you opt out of the Money Settlement, you can file your own claim for money damages against Defendants.

As discussed in Question 17, you cannot opt out from the Injunctive Settlement.

THE COURT'S FAIRNESS HEARING

22. When and where will the Court decide whether to approve the Settlement?

The Court will hold a Fairness Hearing on May 11, 2016 at 11 a.m. in Courtroom 519 at the United States District Court for the Southern District of New York, 40 Foley Square, New York, New York to decide whether to approve the Settlement.

At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have asked, in writing, to speak at the hearing. The Court may also decide how much to pay Class Counsel. After the hearing, the Court will decide whether to approve the Settlement. We do not know how long the Court will take to reach its decision.

PLEASE NOTE: The date of the Fairness Hearing may change. If you (or counsel you have hired to speak on your behalf) decide to attend the Fairness Hearing, you should double-check the date at www.sykesclassaction.com.

23. Do I have to come to the hearing?

No. Class Counsel will answer questions the Court may have. If you send an objection, you do not have to come to Court to talk about it, but you may if you want to. As long as you mailed your written objection to the Administrator on time, the Court will consider it, whether you attend the hearing or not. You may also pay your own lawyer to attend, but it is not necessary.

24. May I speak at the hearing?

Yes. To speak at the Fairness Hearing, you must send a letter to the Administrator at: Sykes Class Action Settlement, PO Box 3145, Portland, OR 97208-3145 saying that you wish to speak at the Fairness Hearing in *Sykes v. Mel Harris and Associates LLC*, No. 09 Civ. 8486. Be sure to include your name, address, telephone number, your signature, and what you want to speak about. Your letter stating your desire to speak at the hearing must be received by the Administrator no later than April 14, 2016.

If you want, you can (at your own expense) have an attorney speak for you at the hearing. If you have hired an attorney to speak for you at the hearing, your attorney will have to notify the Court and counsel of record that he or she is entering an appearance on your behalf. Your counsel's filing must be received by the Court and by counsel no later than April 14, 2016.

GETTING MORE INFORMATION

25. Are there more details about the Settlement and the lawsuit?

This notice summarizes the proposed Settlement. More details are in the [Settlement Agreement](#), as well as on www.sykesclassaction.com. If you have any questions about this notice or the Settlement, you should contact the Administrator at (877) 868-0034.

Questions? Call (877) 868-0034 or go to www.sykesclassaction.com