

UNITED STATES DISTRICT COURT
District of New Jersey

JULIUS STEGMAN, Individually and On Behalf of)	
All Others Similarly Situated,)	CIVIL ACTION NO.
)	
Plaintiff,)	
)	CLASS ACTION COMPLAINT
vs.)	
)	
PHH CORPORATION, TERENCE W.)	<u>JURY TRIAL DEMANDED</u>
EDWARDS, and NEIL J. CASHEN)	
)	
Defendants.)	

Plaintiff, Julius Stegman, (“Plaintiff”), alleges the following based upon the investigation of Plaintiff’s counsel, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding PHH Corporation (“PHH” or the “Company”) securities analysts’ reports and advisories about the Company, and information readily obtainable on the Internet.

NATURE OF THE ACTION AND OVERVIEW

1. This is a federal class action on behalf of purchasers of the publicly traded securities of PHH between May 12, 2005 and March 1, 2006 (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. PHH provides mortgage and fleet management services in the United States and Canada. The Company's mortgage services include origination, sale, and servicing of residential first and second mortgage loans; and private label mortgage outsourcing. On February 1, 2005, PHH began operating as an independent, publicly-traded company pursuant to a spin-off (the "spin-off") from Cendant Corporation ("Cendant"). Prior to the spin-off, the Company underwent an internal reorganization which required significant accounting adjustments, and certain allocations and valuations of tax attributes.

3. According to the Company, on February 28, 2006, it determined that a material charge for impairment associated with its deferred assets may be required under Generally Accepted Accounting Principles ("GAAP"). The Company expected to take an impairment against its deferred tax assets and a charge to the Company's net income during 2005 of as much as \$50 million.

4. The complaint alleges that defendants' Class Period representations regarding PHH were materially false and misleading when made because defendants failed to disclose: (1) that the Company materially overstated its deferred tax assets, thereby materially inflating its reported net income; (2) that the Company lacked adequate internal controls; (3) that the Company's financial results were in violation of GAAP; and (4) that as a consequence of the foregoing, the Company's financial results were materially inflated at all relevant times.

5. On March 1, 2006, the Company issued a press release revealing that the Company's reported results were materially overstated. The Company also announced that it had replaced its Chief Financial Officer, defendant Neil J. Cashen. On this news, shares of PHH fell \$2.73 per share, or 9.5 percent per share, to close, on March 2, 2006, at \$26.00 per share.

JURISDICTION AND VENUE

6. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

7. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. § 1331.

8. Venue is proper in this Judicial District pursuant to §27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein occurred in substantial part in this Judicial District. Additionally, the Company maintained an executive office in this Judicial District during the Class Period.

9. In connection with the acts, conduct and other wrongs alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

10. Plaintiff, Julius Stegman, as set forth in the accompanying certification, incorporated by reference herein, purchased PHH securities at artificially inflated prices during the Class Period and has been damaged thereby.

11. Defendant PHH is a Maryland corporation with its principal executive offices located at 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054.

12. Defendant Terence W. Edwards (“Edwards”) was, at all relevant times, the Company’s Chief Executive Officer and President.

13. Defendant Neil J. Cashen (“Cashen”) was, at all relevant times, the Company’s Chief Financial Officer.

14. Defendants Edwards and Cashed are referred to hereinafter as the “Individual Defendants.” The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of PHH’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each defendant was provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these

defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

SUBSTANTIVE ALLEGATIONS

Background

15. PHH provides mortgage and fleet management services in the United States and Canada. The Company’s mortgage services include origination, sale, and servicing of residential first and second mortgage loans; and private label mortgage outsourcing. Its loan servicing activities consists of collecting loan payments; remitting principal and interest payments to investors; and managing escrow funds for payment of mortgage-related expenses, such as taxes and insurance. PHH provides fleet management services to corporate clients and government agencies. The Company’s fleet management services include fleet leasing and fleet management services, and accident management services. Its fleet leasing and fleet management services include vehicle leasing, leasing plans, fleet policy analysis and recommendations, benchmarking, vehicle recommendations, ordering and purchasing vehicles, arranging for vehicle delivery, and administration of the title and registration process, as well as tax and insurance requirements, pursuing warranty claims, and remarketing used vehicles. Accident management services include assistance, such as facilitating emergency towing services and car rental assistance, upon receiving the initial accident report from the driver; organizing the vehicle appraisal and repair

process through a network of repair and body shops; and coordinating and negotiating accident claims. PHH also offers vehicle maintenance charge cards that are used to facilitate repairs and maintenance payments. In addition, the Company offers credit research, flood certification, and tax services, as well as mortgage reinsurance.

**Materially False And Misleading
Statements Issued During The Class Period**

16. On May 12, 2005, PHH announced results for the quarter ended March 31, 2005. Net revenues for the quarter ended March 31, 2005 were \$279 million, an increase of 27% over net revenues of \$220 million for the quarter ended March 31, 2004. The pre-tax loss from continuing operations for the first quarter of \$204 million included spin-off related expenses of \$280 million, which approximates previously disclosed estimates of these expenses. Pre-tax income was \$6 million for the corresponding quarter of last year. For the first quarter of 2005, net loss including discontinued operations was \$250 million or \$4.75 per share compared to net income of \$23 million or \$0.44 per share for the first quarter of 2004. Excluding spin-off related expenses of \$280 million, pre-tax income from continuing operations was \$76 million compared to pre-tax income from continuing operations of \$6 million in the first quarter of 2004. As of March 31, 2005, the Company's stockholders' equity was \$1.428 billion, and reported assets of \$9,202,000,000.

17. Commenting on these results, defendant Edwards stated:

“We are off to a good start with the results of our first quarter and are pleased with the performance of our business units. We are encouraged by the discussions we are having with potential clients in

our mortgage business and are happy to announce that Cendant has agreed to extend the minimum term of our joint venture from 10 years to 12 years.”

Since the quarter was aided by positive results in our MSR's risk management activities which are unlikely to recur and because we expect the mortgage and fleet businesses to continue to operate in competitive environments, our guidance for 2005 remains unchanged at a range of \$170 million to \$190 million of pre-tax income after minority interest, excluding spin-off related items, or a range of \$1.90 to \$2.13 basic earnings per share.”

18. On May 16, 2005, PHH filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed and certified by Individual Defendants and reaffirmed the Company's previously announced financial results. With respect to the presentation of its financial results, the Company stated:

The accompanying Condensed Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”).

19. On August 11, 2005, PHH announced results for the quarter ended June 30, 2005. Net revenues for the quarter ended June 30, 2005 were \$232 million, a decrease of 21% from net revenues of \$292 million for the quarter ended June 30, 2004. Net income for the second quarter of 2005 was \$18 million or \$0.34 per basic share, down 75% from net income of \$72 million or \$1.36 per basic share for the comparable quarter last year. Income from continuing operations for the quarter of \$18 million or \$0.34 per basic share was down 53% when compared to income

of \$38 million or \$0.72 per basic share for the quarter ended June 30, 2004. The Company's stockholders' equity was \$1.452 billion, and reported assets of \$9,881,000,000.

20. Commenting of these results, defendant Edwards stated:

Terry Edwards, president and chief executive officer commented, "We are very proud of the efforts of all our employees. Within the mortgage services segment, growth of market share from the first quarter to the second shows that we have put the 2004 market share losses behind us. Our focus is now on improving profitability. Our fleet management services segment continued to increase its key unit counts and maintained high client satisfaction while growing pre-tax earnings from \$8 million to \$26 million for the quarter."

He continued, "While we continue to be concerned about pricing within the mortgage industry our guidance for 2005 remains unchanged at a range of \$170 to \$190 million of pre-tax income after minority interest, excluding spin-off related items, or a range of \$1.90 to \$2.13 basic earnings per share."

21. On August 12, 2005, PHH filed its quarterly report with the SEC on Form 10-Q.

The Company's Form 10-Q was signed and certified by Individual Defendants and reaffirmed the Company's previously announced financial results. With respect to the presentation of its financial results, the Company stated:

The accompanying Condensed Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC").

22. On November 10, 2005, PHH announced results for the quarter ended September 30, 2005. Net revenues for the third quarter of 2005 were \$292 million, an increase of 19% from

net revenues of \$245 million for the quarter ended September 30, 2004. Net income for the quarter ended September 30, 2005 was \$46 million or \$0.86 per basic share, compared to net income of \$62 million or \$1.19 per basic share for the quarter ended September 30, 2004. Income from continuing operations for the quarter of \$46 million or \$0.86 per share was up 92% when compared to income from continuing operations of \$24 million or \$0.47 per basic share for the quarter ended September 30, 2004. The Company's stockholders' equity was \$1.511 billion, and reported assets of \$10,012,000,000.

23. Commenting on these results, defendant Edwards stated:

"The third quarter was a solid quarter for both PHH Arval and PHH Mortgage. Our year to date pre-tax income of \$178 million, excluding spin-off expenses, speaks to the outstanding performance of both operating companies. Continued margin pressure in the mortgage market and potential volatility associated with hedging activities for the pipeline and the servicing portfolio will challenge the mortgage results in the fourth quarter; however, the recent signings of CUNA Mutual Mortgage and MetLife are evidence that our outsource business model is performing to expectations. PHH Arval continues to exceed our original estimates and we anticipate continued strong results in the fourth quarter."

24. On November 14, 2005, PHH filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed and certified by Individual Defendants and reaffirmed the Company's previously announced financial results. With respect to the presentation of its financial results, the Company stated:

The accompanying Condensed Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for

interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC").

25. The statements contained in ¶¶ 16-24 were materially false and misleading when made because defendants failed to disclose or indicate the following: (1) that the Company materially overstated its deferred tax assets, thereby materially inflating its reported net income; (3) that the Company lacked adequate internal controls; and (4) that as a consequence of the foregoing, the Company's financial results were materially inflated at all relevant times.

The Truth Begins to Emerge

26. On March 1, 2005, PHH announced that it would delay the filing of its Annual Report on Form 10-K for the fiscal year ended December 31, 2005 ("Form 10-K") beyond its March 16, 2006 filing deadline and that its Board of Directors had removed defendant Cashen, effective February 23, 2006. More specifically, the Company, in its press release, stated:

Delay in Filing Form 10-K

PHH Corporation (the "Company" or "PHH") has not yet finalized financial statements for the fourth quarter and fiscal year 2005, and, as a result, its independent auditors, Deloitte & Touche LLP, have not yet completed their audit of the Company's 2005 financial statements. As a result, PHH does not expect to meet its March 16, 2006 deadline for filing its Form 10-K.

As previously reported in filings with the Securities and Exchange Commission ("SEC"), on February 1, 2005, PHH began operating as an independent, publicly-traded company pursuant to a spin-off (the "spin-off") from Cendant Corporation ("Cendant"). Prior to the spin-off, the Company underwent an internal reorganization which required significant accounting adjustments, and certain allocations were made that are now the subject of additional review by PHH and

its independent auditors as part of the on-going audit of its 2005 financial statements.

The Company is unable to provide an expected date for the filing of its Form 10-K, and has delayed its earnings release and conference call originally scheduled for March 10, 2006. The call will be rescheduled for a later date after the Form 10-K is filed.

PHH has had difficulty completing its Form 10-K in a timely manner for a number of reasons, primarily relating to the documentation and analysis of certain spin-off entries, including the allocation and valuation of certain tax assets, the valuation of goodwill and intangibles, the consolidation of PHH Home Loans, LLC, a mortgage joint venture between Cendant and PHH Mortgage, and the assessment of other tax items. Interested investors should refer to the Company's Current Report on Form 8-K filed today for additional detail regarding these and other items. The Form 8-K may be accessed at the Company's website at www.phh.com.

Appointment of New Chief Financial Officer

Effective February 23, 2006, the Board of Directors appointed Mr. Raubenstine as executive vice president and chief financial officer of the Company. The Board determined that the Company would be best served by having a chief financial officer with extensive public-company accounting experience. Mr. Raubenstine assumed this role from Neil J. Cashen who will continue with the Company as senior vice president, strategic planning and investor relations.

From October 1998 through June 2002, Mr. Raubenstine served as a national independence consulting partner with PricewaterhouseCoopers, LLP ("PwC"). He also served as a national SEC consulting partner, Pennsylvania Cluster Accounting and Auditing consultant, and prior to that, as the director of Accounting, Auditing and SEC for the Atlantic Region of PwC. While with PwC, Mr. Raubenstine also served as an assurance and business advisory services partner and gained valuable experience with multinational companies and numerous small- and medium-sized companies in a wide variety of industries. His career at PwC spanned 39 years until his retirement in June 2002. From July 2002 to February 2006, he has provided accounting and financial advisory services to various charitable and educational organizations. Mr. Raubenstine is a

licensed Certified Public Accountant in Pennsylvania, New York, and New Jersey, is a Certified Management Accountant and is Certified in Financial Management.

Management Comments

Terry Edwards, president and chief executive officer, commented, "In addition to strengthening our financial management team with the hiring of Clair Raubenstine, we have also engaged outside accounting firms to advise on tax related matters and other accounting matters. Based on our current evaluation, we believe that the open accounting matters are primarily related to the spin-off from Cendant. We are aggressively working with our independent auditors to complete the documentation to close out the outstanding issues so that our financial statements can be filed as soon as possible."

Mr. Edwards continued, "Although we are disappointed with the difficulties we have encountered in completing our financial statements, we are pleased that, with respect to all key drivers, our business segments performed as expected in 2005."

27. On this news, shares of PHH fell \$2.73 per share, or 9.5 percent per share, to close, on March 2, 2006, at \$26.00 per share.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

28. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the securities of PHH during the Class Period and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

29. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, PHH's securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by PHH or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

30. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

31. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

32. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a. whether the federal securities laws were violated by defendants' acts as alleged herein;

b. whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of PHH; and

c. to what extent the members of the Class have sustained damages and the proper measure of damages.

33. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

34. The market for PHH's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, PHH's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired PHH securities relying upon the integrity of the market price of PHH's securities and market information relating to PHH, and have been damaged thereby.

35. During the Class Period, defendants materially misled the investing public, thereby inflating the price of PHH's securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

36. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about PHH's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of PHH and its business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

LOSS CAUSATION

37. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

38. During the Class Period, Plaintiff and the Class purchased securities of PHH at artificially inflated prices and were damaged thereby. The price of PHH common stock declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER

39. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding PHH, their control over, and/or receipt and/or modification of PHH's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning PHH, participated in the fraudulent scheme alleged herein.

40. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

**Applicability Of Presumption Of Reliance:
Fraud-On-The-Market Doctrine**

41. At all relevant times, the market for PHH securities was an efficient market for the following reasons, among others:

- a. PHH stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;
- b. As a regulated issuer, PHH filed periodic public reports with the SEC and the NYSE;
- c. PHH regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

d. PHH was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

42. As a result of the foregoing, the market for PHH securities promptly digested current information regarding PHH from all publicly-available sources and reflected such information in PHH stock price. Under these circumstances, all purchasers of PHH securities during the Class Period suffered similar injury through their purchase of PHH securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

43. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as “forward-looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-

looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of PHH who knew that those statements were false when made.

FIRST CLAIM
Violation Of Section 10(b) Of
The Exchange Act And Rule 10b-5
Promulgated Thereunder Against All Defendants

44. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

45. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase PHH securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

46. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for PHH securities in violation of Section 10(b) of the

Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

47. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of PHH as specified herein.

48. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of PHH value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about PHH and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of PHH securities during the Class Period.

49. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's man-

agement team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

50. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing PHH's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

51. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of PHH securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of PHH's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, Plaintiff and the other members of the Class acquired PHH securities during the Class Period at artificially high prices and were damaged thereby.

52. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that PHH was experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their PHH securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

53. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

54. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM
Violation Of Section 20(a) Of
The Exchange Act Against the Individual Defendants

55. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

56. The Individual Defendants acted as controlling persons of PHH within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

57. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

58. As set forth above, PHH and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

a. Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead Counsel;

b. Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

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

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

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated:

Respectfully submitted,

LITE DEPALMA GREENBERG & RIVAS LLC

By:_____

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