

NEWS

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U.S. and Cendant Corp. Sue Former Company Chairman
to Recover Fraudulently Transferred Assets

(More)

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NEWARK – The United States and the company formerly known as Cendant Corp. today filed suit against former Cendant Chairman Walter A. Forbes, two trusts and other individuals and entities to recover at least \$22 million in cash, securities and real estate that are alleged to have been fraudulently transferred to avoid creditors and a \$3.2 billion restitution order, U.S. Attorney Christopher J. Christie announced.

The suit, filed in federal court in Hartford, Conn., alleges that Forbes initiated a flurry of legal and accounting activity to move and hide assets shortly after Cendant shed \$14 billion of its market value with the revelation in 1998 of a massive accounting fraud. Forbes is now serving more than 12 years in federal prison for his role in the fraud.

The lawsuit is a joint complaint by the United States and Cendant Corp., now known as Avis. The United States is bringing claims against Forbes; his personal attorney, Robert T. Tucker as trustee of the Forbes Family Trust; Forbes' wife Caren; two of Mr. Forbes' daughters; and FG Enterprises, LLC, and the trustee for another trust, identified at this time only as the John Doe Trust. Cendant is bringing separate claims against all of those defendants, as well as Tucker individually and the accounting firm of Buck, Sturmer & Co.

“Forbes knew the law was catching up with him, and it was for that reason that he moved with such stealth and purpose to shelter his assets,” said Christie. “It is our intention to get back every dollar of those assets available to us under the law.”

Forbes was convicted in federal court in Bridgeport on Oct. 31, 2006, of conspiracy to commit securities fraud and making false statements to the Securities and Exchange Commission. He was sentenced on Jan. 17, 2007, to 12 years and seven months in prison and ordered to pay \$3.275 billion in restitution. Formerly of New Canaan, Conn., Forbes is now in the Allenwood Federal Correctional Complex in Pennsylvania.

The lawsuit identifies a series of efforts by Forbes, with the help of Tucker, his long-time attorney, and the Buck & Sturmer accounting firm, to shield tens of millions of dollars in assets by transferring them to his wife and daughters and two trusts. Many of these actions came in close proximity to Cendant's April 15, 1998, announcement of the massive accounting fraud for which Forbes and others were ultimately convicted of perpetrating. The next day, Cendant's market value plunged \$14 billion, or 46 percent, and shareholder lawsuits commenced the following day.

Among the fraudulent actions initiated by Forbes to shield his assets, according to the lawsuit:

- The creation of the Forbes Family Trust, on June 8, 1998, into which Forbes transferred his interests in real estate in Montana and Wisconsin and approximately \$3 million in cash,

in concert with Tucker and Buck & Sturmer.

- The transfer, also on June 8, 1998, of Forbes' interest in the couple's property in Vail, Colo., for the nominal amount of \$10 (three-and-a-half years later, Mrs. Forbes sold the property for \$13.5 million).
- The transfer on Dec. 15, 1999, of his interest in the Forbes family home in New Canaan to his wife for the nominal consideration of \$10. (At his criminal trial, Forbes testified that the home was worth between \$10 and \$15 million at the time of its transfer)
- The transfer on Dec. 4, 1998, of Forbes' interest in their home in Vero Beach, Fla. to Mrs. Forbes.
- The transfer, over the course of three years of approximately \$864,033 in cash and approximately \$1.7 million in partnership interests to FG Enterprises, for no consideration.

The suit states that it was entirely Forbes' income and assets that were used to purchase and maintain the real estate and other assets.

The amount of assets available to the United States and Forbes' other creditors was substantially reduced as a result of the transfers. By January 2005, his accountants calculated that his net worth had been reduced to less than \$5 million.

In November 2006, the government filed a similar lawsuit against E. Kirk Shelton, the former Cendant vice chairman now serving a 10-year sentence for his convictions in connection with the Cendant accounting fraud. Judges imposed the same \$3.275 billion restitution order against Forbes and Shelton.

Shelton was alleged to have made the fraudulent transfer of millions of dollars to shelter his assets in ways similar to Forbes. In January, Shelton settled with the government and relinquished \$23.4 million in cash and securities, plus a \$2.2 million condominium in Vail.

The government is represented in the civil suit by Assistant U.S. Attorney Jordan Anger of the Financial Litigation Unit of the U.S. Attorney's Civil Division in Newark.

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Defense Counsel:

William S. Fish, Jr., Esq., Hartford, Ct., for Caren Forbes

Robert M. Cary, Esq., Washington, D.C., for Walter Forbes

