

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

IN RE COUNTRYWIDE FINANCIAL CORPORATION
SECURITIES LITIGATION

Lead Case No.
CV 07-05295 MRP (MANx)

This Document Relates To: All Actions

**SUPPLEMENTAL NOTICE OF PROPOSED MODIFIED
SETTLEMENT OF CLASS ACTION AND FAIRNESS HEARING**

If, between March 12, 2004 and March 7, 2008, inclusive (the "Class Period"), you purchased or acquired Countrywide Financial Corporation common stock, call options, 6.25% Subordinated Notes Due 5/15/2016, Series A Medium-Term Notes, Series B Medium-Term Notes, certain Series L Medium-Term Notes, certain Series M Medium-Term Notes, and/or Countrywide Capital V 7% Capital Securities, or you sold Countrywide put options during the Class Period, and you were damaged thereby, then you may be entitled to receive money from a proposed class action settlement.

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

You were previously sent a Notice of Pendency and Proposed Settlement of Class Action and Fairness Hearing, dated August 2, 2010 (the "Original Notice") in connection with a proposed \$624 million Settlement of this class action (the "Action"). The purpose of this Supplemental Notice is to inform you that: (a) the proposed Settlement and Plan of Allocation of the Net Settlement Fund have been modified in certain respects; (b) the Court has set February 25, 2011 as the new date for a hearing (the "Fairness Hearing") to consider whether the modified Settlement should be approved and various other matters; and (c) the Court has extended the deadline stated in the Original Notice for submitting Proofs of Claim.

Your rights may be affected by this Supplemental Notice whether you act or do not act. Please read this Supplemental Notice and the Original Notice previously mailed to you carefully. This Supplemental Notice does not replace all of the information in the Original Notice. The Original Notice is also available at www.CountrywideSecuritiesClassAction.com and www.labat.com.

A. Summary

The Parties have reached an agreement to modify the Settlement Agreement in this Action. As more fully discussed below, under the proposed modification, up to \$22.5 million of the \$624 million Settlement Amount will be set aside for up to two years to be used by Countrywide to satisfy claims asserted by individuals and entities that voluntarily excluded themselves from the Class. The parties believe that the per share recovery for Class Members will be at least as great, if not greater, than the recovery predicted in the Original Notice for at least two reasons. First, with requests for exclusion having been received, there are now fewer Class Members sharing in the Net Settlement Fund. Second, the amendment to the Settlement Agreement ensures that the amount that will be set aside will not exceed the estimated amount that the excluded Class Members would have received had they remained in the Class.

Moreover, as a result of a recent settlement reached by the Securities and Exchange Commission (the "SEC") in a civil enforcement action, an additional \$48,150,000 will be distributed to certain Class Members in this Action.

B. Procedural History of the Settlement and Proposed Modified Settlement

Lead Plaintiff Thomas P. DiNapoli, Comptroller of the State of New York, as Administrative Head of the New York State and Local Retirement Systems and as sole Trustee of the New York State Common Retirement Fund ("NYSCRF"), Lead Plaintiffs New York City Employees' Retirement System, New York City Police Pension Fund, New York City Fire Department Pension Fund, New York City Board of Education Retirement System, and Teachers' Retirement System of the City of New York (collectively, the "New York City Pension Funds"), and Plaintiff Barry Brahn, on behalf of themselves and the Class (collectively, "Plaintiffs"); and Defendants Countrywide Financial Corporation ("Countrywide"), Countrywide Securities Corporation, and Countrywide Capital V; Defendant KPMG LLP ("KPMG"); the Individual Defendants, and the Underwriter Defendants (collectively, "Defendants"), have proposed an amendment (the "Amendment") to certain terms of the Settlement in this Action which was previously presented to, and preliminarily approved by, the Court. The proposed Amendment amends the Settlement terms set forth in the Amended Stipulation and Agreement of Settlement dated as of June 29, 2010 (the "Settlement Agreement"). Unless stated otherwise, all capitalized terms herein are as defined in the Settlement Agreement, as modified by the Amendment.

The Settlement Agreement provided that the Settlement could be terminated under certain circumstances. At the option and in the sole discretion of Countrywide or KPMG, as to their respective settlements with Plaintiffs and the Class, the Settlement could be terminated if Class Members who timely and validly requested exclusion from the Class collectively incurred at least a certain dollar amount of alleged losses in connection with their purchases and sales of the Countrywide securities at issue in this Action (the "Termination Threshold").

On August 2, 2010, the Court in this Action (the Honorable Mariana R. Pfaelzer, U.S. District Judge) held a hearing and entered an Order Granting Preliminary Approval to Settlement and Directing Dissemination of Notice to the Class (the "First Preliminary Approval Order"), and scheduled a Fairness Hearing for November 15, 2010.

Pursuant to the First Preliminary Approval Order, beginning on August 13, 2010, the Original Notice was mailed to all Class Members that could be identified through reasonable efforts.

The First Preliminary Approval Order gave Class Members the opportunity, until October 18, 2010, to exclude themselves from the Class. Certain Class Members submitted requests for exclusion from the Class that were timely and that otherwise appeared to satisfy the requirements of the First

Preliminary Approval Order (the "Opt-Outs"). The Opt-Outs' collective purchases and sales of Countrywide securities at issue in this Action, as listed in their respective requests for exclusion, resulted in the Termination Threshold being exceeded.

On October 26, 2010 and thereafter, the Court rescheduled the Fairness Hearing. On December 1, 2010, NYSCRF, the New York City Pension Funds, Countrywide and KPMG participated in discussions mediated by the Honorable A. Howard Matz, a sitting judge of the U.S. District Court for the Central District of California, and Professor Eric D. Green of Boston University, a private mediator, concerning the Opt-Outs and Countrywide's and KPMG's termination rights. These discussions resulted in an agreement on the terms of the Amendment that is the subject of this Supplemental Notice.

C. Terms of the Proposed Modified Settlement

In exchange for the agreement of Countrywide and KPMG not to exercise their rights to terminate the Settlement in connection with the Opt-Outs, Plaintiffs have agreed to set aside up to \$22,500,000 of the \$624,000,000 Settlement Amount (the "Set-Aside") for a period of two (2) years from the date that the Settlement, as modified, is approved by the Court.

Countrywide may use the Set-Aside to settle litigation brought or threatened to be brought by Opt-Outs. Any portion of the Set-Aside not used for these purposes after the two-year period will be returned to the Net Settlement Fund. Countrywide may not use the Set-Aside to pay the fees or expenses of its counsel.

The reasonable costs of printing and mailing this Supplemental Notice, and the reasonable associated fees of the Claims Administrator, will be paid out of the Set-Aside and not the Net Settlement Fund.

If the total amount of money the Opt-Outs actually would have received from the Net Settlement Fund if they all had not opted out of the Class and had instead submitted timely and valid Proofs of Claim (this amount is called the "Opt-Out Payout") is less than \$22.5 million, the Set-Aside will be reduced to that lesser amount. (The Opt-Out Payout cannot be accurately calculated until all Proofs of Claim are reviewed and processed and any disputes concerning the timeliness, validity or completeness of Proofs of Claim are resolved.) Nonetheless, and in all instances, **the Set-Aside will not exceed the Opt-Out Payout.**

D. Impact of the Amendment to the Settlement on Plaintiff Recovery

Although the Set-Aside will reduce the gross Settlement Amount by up to \$22.5 million, the Class is now smaller because the Opt-Outs have excluded themselves from the Class and thus given up their right to seek payments from the Net Settlement Fund. Although the Opt-Out Payout cannot be accurately calculated at this time, before all the Proof of Claim forms have been submitted, reviewed and processed, the Set-Aside will equal the lesser of \$22.5 million or the actual Opt-Out Payout when that amount is finally calculated. This means that individual Class Members will recover no less in the proposed modified Settlement than they would have recovered under the original Settlement if the Opt-Outs had not excluded themselves from the Class.

In the Original Notice, Plaintiffs provided an estimate of the average recoveries per damaged share of Countrywide common stock and Countrywide Capital V 7% Capital Securities both under the Settlement Agreement and had Plaintiffs prevailed on each asserted claim. These calculations assumed that no Class Member would opt out of the Class. Because the Class is smaller without the Opt-Outs, however, and the Set-Aside will not exceed the Opt-Out Payout, the estimated average per-share recovery and damage amounts in the Original Notice are not diminished by the Amendment, and as a result the per share recovery for Class Members is expected to be at least as great, if not greater, than if the Opt-Outs had not excluded themselves from the Class.

Additionally, Class Members should be aware that the civil enforcement proceeding brought by the SEC against former Countrywide executives Angelo R. Mozilo, David Sambol, and Eric P. Sieracki, titled *SEC v. Mozilo*, No. CV 09-3994 JFW (MANx) (C.D. Cal.) (the "SEC Proceeding"), was settled on October 15, 2010 with the approval of the Honorable John F. Walter, U.S. District Judge. Mr. Mozilo, Mr. Sambol, and Mr. Sieracki are named Defendants in this Action as well as in the SEC Proceeding. Plaintiffs, Countrywide, and KPMG were not parties to the SEC Proceeding. The settlements in the SEC Proceeding (the "SEC Settlements") have yielded \$48,150,000 in new cash that, pursuant to an order by Judge Walter, will be distributed directly to certain Countrywide investors who are members of the Class, as further explained below.

The SEC Settlements will provide recovery to persons who purchased Countrywide common stock between May 9, 2005 and March 12, 2008 (the "SEC Relevant Period"). This period substantially overlaps with the Class Period in this Action. Plaintiffs and the SEC have agreed that the \$48,150,000 yielded by the SEC Settlements will be jointly administered with this Settlement (as modified) for the benefit of the Class Members in this Action who purchased Countrywide common stock during the SEC Relevant Period, and will be distributed to such Class Members pursuant to the Plan of Allocation. Because the SEC Settlements do not provide a mechanism by which investors may opt out, the Opt-Outs will have the right to claim their *pro rata* share of the SEC Settlement money.

Owing in part to the addition of the cash proceeds from the SEC Settlements, the total amount of settlement funds available to Class Members today is greater than the total amount of settlement funds that was available to Class Members as of the date the parties in this Action originally agreed to the Settlement and the date the Original Notice was first mailed.

Plaintiffs and Plaintiffs' Lead Counsel believe the proposed modified Settlement is fair, reasonable, and adequate and in the best interests of all Class Members.

All Defendants continue to deny that they have violated any laws or are liable to the Plaintiffs or the Class and continue to deny that the Plaintiffs or the Class have suffered any recoverable damages relating to their investments in Countrywide securities.

E. The Fairness Hearing

The Court will hold the Fairness Hearing on **February 25, 2011, at 1:00 p.m.**, in Courtroom 12 at the United States District Court for the Central District of California, United States Courthouse, 312 North Spring Street, Los Angeles, California 90012.

At this hearing, the Court will consider whether the proposed modified Settlement is fair, reasonable and adequate and should be approved, whether the proposed Plan of Allocation of the Net Settlement Fund (as modified herein) is fair and reasonable and should be approved, the modified application of Plaintiffs' Lead Counsel for attorneys' fees and reimbursement of expenses (summarized below), and whether to dismiss certain

Defendants and claims as specified in the Original Notice. The Court will take into consideration any written objections to the Amendment filed no later than **February 18, 2011** and otherwise in accordance with the instructions at question 18 of the Original Notice. The Court may also decide how much to pay to Plaintiffs' Counsel for their fees and expenses. At or after the hearing, the Court will decide whether to approve the modified Settlement. We do not know how long these decisions will take.

Please be aware that the Court may change the date or time of the Fairness Hearing without further notice to Class Members. If you or your attorney plan to come to the hearing, you should check with Plaintiffs' Lead Counsel before coming to be sure that the date or time has not changed.

F. Plaintiffs' Lead Counsel's Modified Request for Attorneys' Fees and Expenses

In view of the Amendment to the Settlement, Plaintiffs' Lead Counsel will ask the Court, on behalf of all Plaintiffs' Counsel, to award attorneys' fees of approximately \$46,472,000.00, or approximately 7.73% of the \$601,500,000 gross Settlement amount exclusive of the Set-Aside, plus interest on such fees at the same rate as earned by the Gross Settlement Fund. This estimated fee request is \$900,000 less than the fee requested by Plaintiffs' Lead Counsel in submissions previously filed with the Court in connection with the original Settlement. Plaintiffs' Lead Counsel will not seek or receive any fees in connection with the additional money made available to the Class in connection with the SEC Settlements.

Plaintiffs' Lead Counsel will also seek reimbursement of expenses incurred by Plaintiffs' Counsel in connection with the prosecution of this Action in the approximate amount of \$8,080,517.87, plus interest on such expenses at the same rate as earned by the Gross Settlement Fund. This amount is approximately \$669,000 less than the approximate amount of expenses stated in the Original Notice.

The estimated amounts of combined fees and expenses per damaged share of Countrywide common stock and damaged share of Countrywide Capital V 7% Capital Securities, both of which were stated in the Original Notice, assumed that no Class Member would Opt-Out of the Class. Because the Class is smaller without the Opt-Outs, the Set-Aside will not exceed the Opt-Out Payout, \$48.15 million from the SEC Settlement will be distributed to certain Class Members pursuant to the Plan of Allocation, and Plaintiffs' Lead Counsel will request a smaller amount of expenses than the estimated amount stated in the Original Notice, the estimated amounts of combined fees and expenses per share are not increased by the Amendment.

G. Modification to Plan of Allocation of Net Settlement Fund

The Plan of Allocation is modified by adding the following language at the end of the first paragraph of Part G, titled "Distributions from the Net Settlement Fund," at page 18 of the Original Notice:

A Claimant's Distribution Amount will be reduced dollar-for-dollar by any amount separately paid or required to be paid to the Claimant by any of the Released Parties to resolve a Settled Claim.

The terms "Claimant," "Distribution Amount," "Released Parties," and "Settled Claim" are all as defined in the Original Notice.

This modification to the Plan of Allocation has been proposed solely by Plaintiffs, and is not part of the Amendment negotiated and agreed-to with Defendants. Final Court approval of the Settlement and/or the Amendment is not contingent upon approval of this modification to the Plan of Allocation.

H. Objections

If you are a Class Member, you can object to the modifications that have been made to the proposed Settlement as described in the Amendment and/or the modification to the Plan of Allocation as described above. You may write to the Court setting out your objection(s). You may give reasons why you think the Court should not approve any or all of the modified terms set forth in the Amendment or the modification to the Plan of Allocation. If you would like the Court to consider your views, your objection must follow the requirements and procedures set forth in question 18 of the Original Notice, and must be filed with the Court and mailed and delivered to all of the counsel identified in question 18 of the Original Notice, **no later than February 18, 2011**. If you wish to appear at the Fairness Hearing, either yourself or through an attorney, you must file and mail a Notice of Appearance in accordance with the procedures set forth in question 22 of the Original Notice, **no later than February 18, 2011**.

The Court has determined that Class Members who did not previously request to be excluded from the Class by October 18, 2010 may not request exclusion now.

I. Extended Proof of Claim Submission Deadline

To qualify for a payment, you must send in a timely and valid Proof of Claim form. The Proof of Claim form was included with the Original Notice. You can also get one on the Internet at www.CountrywideSecuritiesClassAction.com or www.labaton.com, or you can also ask for one by calling 877-465-4142 toll-free, sending an e-mail to info@CountrywideSecuritiesClassAction.com, or writing to Countrywide Financial Corporation Securities Litigation, c/o Rust Consulting, Inc., P.O. Box 2284, Faribault, MN 55021-2419.

Read the instructions carefully, fill out the Proof of Claim form, include all the documents the form asks for, sign it, and mail it to the P.O. Box address on the form by first-class mail. In view of the new Fairness Hearing date, the Court has extended the deadline for Class Members to submit Proof of Claim forms. Proof of Claim forms now must be postmarked **no later than April 26, 2011**.

If you have already submitted a Proof of Claim form, there is no need to submit it again.

J. Getting More Information

This Supplemental Notice summarizes the proposed modified Settlement. More details are in a First Amendment to Amended Stipulation and Agreement of Settlement, dated as of January 4, 2011 (the "Amendment"), and in the Original Notice. You can get a copy of the Amendment or the Original Notice by writing to Joel H. Bernstein, Esq., Labaton Sucharow LLP, 140 Broadway, New York, NY 10005, toll-free telephone 800-321-0476.

You also can call the Claims Administrator toll-free at 877-465-4142; send an e-mail to info@CountrywideSecuritiesClassAction.com; write to Countrywide Financial Corporation Securities Litigation, c/o Rust Consulting, Inc., P.O. Box 2284, Faribault, MN 55021-2419; or visit the website at www.CountrywideSecuritiesClassAction.com, where you will find answers to common questions about the Settlement, the Original Notice, a Proof of Claim form, and other information to help you determine whether you are a Class Member and whether you are eligible for a payment.

For even more detailed information concerning the matters involved in this action, reference is made to the pleadings, the Amendment, the Settlement Agreement, the Orders entered by the Court, and the other papers filed in the action, most of which may be inspected at the Office of the Clerk of the United States District Court for the Central District of California, United States Courthouse, 312 North Spring Street, Los Angeles, California 90012, on weekdays (other than court holidays) between 10:00 a.m. and 4:00 p.m. Subscribers to PACER, a fee-based service, can also view the papers filed publicly in the action through the Court's on-line Case Management/Electronic Case Files System at <https://ecf.cacd.uscourts.gov>.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If, between March 12, 2004 and March 7, 2008, inclusive, you purchased or otherwise acquired any of the Countrywide publicly traded securities specified herein for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN FIVE (5) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased such Countrywide security during such time period or (b) request additional copies of this Supplemental Notice, which will be provided to you free of charge, and within five (5) days mail the Supplemental Notice directly to the beneficial owners of that security. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Set-Aside of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation, if received within ninety (90) days after this Supplemental Notice is mailed. All communications concerning the foregoing should be addressed to the Claims Administrator:

Countrywide Financial Corporation Securities Litigation
c/o Rust Consulting, Inc.
P.O. Box 2284
Faribault, MN 55021-2419
Toll-free telephone: 877-465-4142
E-mail: info@CountrywideSecuritiesClassAction.com

**PLEASE DIRECT YOUR QUESTIONS TO THE CLAIMS ADMINISTRATOR OR TO PLAINTIFFS' LEAD COUNSEL.
DO NOT CONTACT THE COURT.**

Dated: Los Angeles, California
January 7, 2011

BY ORDER OF THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

IMPORTANT COURT DOCUMENT

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