

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

BUFFALO GROVE POLICE PENSION	)	
FUND, Derivatively on Behalf of Nominal	)	
Defendant NAVIENT CORPORATION,	)	C.A. No. 2:19-cv-00062
	)	
Plaintiff,	)	
	)	
v.	)	
	)	
WILLIAM M. DIEFENDERFER, III, JOHN	)	
K. ADAMS, ANNA ESCOBEDO CABRAL,	)	
DIANE SUITT GILLELAND, KATHERINE	)	
A. LEHMAN, LINDA A. MILLS, JOHN	)	
(JACK) F. REMONDI, JANE J.	)	
THOMPSON, LAURA S. UNGER, BARRY	)	
L. WILLIAMS, ANN TORRE BATES,	)	
STEVEN L. SHAPIRO, BARRY A.	)	
MUNITZ, TIMOTHY J. HYNES, IV,	)	
SOMSAK CHIVAVIBAL, JOHN M. KANE,	)	
and CHRISTIAN M. LOWN,	)	
	)	
Defendants,	)	
	)	
- and -	)	
	)	
NAVIENT CORPORATION,	)	
	)	
Nominal Defendant.	)	
	)	
	)	
	)	
	)	

**NOTICE OF PENDENCY OF DERIVATIVE ACTION, PROPOSED SETTLEMENT  
OF DERIVATIVE ACTION, SETTLEMENT HEARING, AND RIGHT TO APPEAR**

**TO: ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF NAVIENT CORPORATION (“NAVIENT” OR THE “COMPANY”) COMMON STOCK AS OF JANUARY 3, 2019.**

- PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.
- THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF THE ABOVE-CAPTIONED STOCKHOLDER DERIVATIVE ACTION (THE “ACTION”) AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR

RIGHTS MAY BE AFFECTED BY THESE LEGAL PROCEEDINGS. IF THE COURT APPROVES THE SETTLEMENT, YOU WILL BE FOREVER BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE RELEASED CLAIMS.

- IF YOU HOLD NAVIENT COMMON STOCK FOR THE BENEFIT OF ANOTHER, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNER.
- PLEASE NOTE THAT THE ACTION IS A DERIVATIVE ACTION BROUGHT BY A STOCKHOLDER OF THE COMPANY FOR THE BENEFIT OF THE COMPANY, AND THERE IS NO CLAIM FORM BECAUSE NO INDIVIDUAL HAS A RIGHT TO BE COMPENSATED AS A RESULT OF THE SETTLEMENT OF THE DERIVATIVE ACTION.
- THE COURT HAS MADE NO FINDINGS OR DETERMINATIONS CONCERNING THE MERITS OF ANY CLAIMS OR DEFENSES BY ANY OF THE PARTIES IN THE ACTION. THE RECITATION OF THE BACKGROUND AND CIRCUMSTANCES OF THE SETTLEMENT CONTAINED HEREIN DOES NOT CONSTITUTE FINDINGS OF THE COURT. IT IS BASED ON REPRESENTATIONS MADE TO THE COURT BY COUNSEL FOR THE PARTIES.

Notice is hereby provided to you of the proposed settlement of this Action. This long form Notice of Pendency of Derivative Action, Proposed Settlement of Derivative Action, Settlement Hearing, and Right to Appear (the “Notice”) is provided by Order of the U.S. District Court for the Eastern District of Pennsylvania (the “Court”). It is not an expression of any opinion by the Court with respect to the truth of the allegations in the Action or merits of the claims or defenses asserted by or against any Party. It is solely to notify you of the terms of the proposed Settlement and your rights related thereto. Capitalized terms not otherwise defined shall have the definitions set forth in the Stipulation of Settlement, dated January 3, 2019 (the “Stipulation”). The text of the Stipulation can be viewed and/or downloaded at <https://scott-scott.com/cases/settlements/>.

On April 11, 2019 at 2:30 p.m., a hearing (the “Settlement Hearing”) will be held before the Court, to determine: (i) whether the terms of the settlement are fair, reasonable, and adequate, including the amount for Plaintiff’s Counsel’s attorneys’ fees and expenses, and should be finally approved; (ii) whether a final judgment should be entered and the Action dismissed with prejudice pursuant to the Stipulation; and (iii) such other matters as may be necessary or proper under the circumstances.

### **BACKGROUND OF THE ACTION**

Navient is a public corporation and was created as a result of a spin-off from SLM Corporation (“Sallie Mae”) in 2014. In connection with the reorganization of Sallie Mae, Navient, through its subsidiaries (including Navient Solutions, LLC and Pioneer Credit Recovery, Inc. (“Pioneer”)), assumed the servicing and collection of certain private and federal student loans owned by Navient and various third parties.

Navient has been investigated by numerous governmental entities, including the Consumer Financial Protection Bureau (“CFPB”) and multiple state attorneys general, who have alleged that Navient committed payment processing errors and failed to implement the internal controls necessary to appropriately service student loans, leading to misapplied payments, misinformation being sent to borrowers, and false reporting to credit agencies of certain loans. In addition, these regulators have alleged that Navient failed to advise borrowers of certain rights as required by federal and state law.

The above allegations led to both regulatory and private actions to be taken against the Company, including lawsuits being filed by the CFPB and state attorneys general and two securities class action lawsuits. These actions have caused both financial and reputational harm to the Company.

Certain Company insiders also capitalized on Navient’s artificially inflated stock price by conducting \$1.2 million in insider sales before Navient’s critically deficient servicing practices were widely known.

On January 15, 2018, Plaintiff sent a demand to inspect certain books and records of the Company pursuant to 8 *Del. C.* §220 to investigate potential wrongdoing, mismanagement, and breaches of fiduciary duty by the members of the Company’s management and Board (the “Demand”). On March 12, 2018, the Company produced to Plaintiff inspection materials pursuant to the Demand (the “220 Documents”). Plaintiff subsequently sent a settlement demand to the Company on May 21, 2018.

On May 7, 2018, Plaintiff provided Navient with a draft derivative complaint on behalf of the Company against certain directors and officers of Navient for breaches of fiduciary duty. Plaintiff alleged breach of fiduciary duty claims arising out of Defendants’ roles in allowing the Company to function without effective controls in place to ensure compliance with minimum federal standards for student loan servicing, allowing the Company to violate the federal securities laws, and allowing certain Defendants to enrich themselves at the expense of the Company and its stockholders. Defendants informed Plaintiff that they believed the claims were without merit and would defend them in court, if the complaint were filed.

In August 2018, the Parties agreed to mediate the claims at issue in the Demand. The Parties retained Bill Baten (“Mr. Baten”) of Van Winkle Baten Dispute Resolution to mediate their dispute. Prior to mediating, the Parties exchanged written proposals on possible reforms intended to benefit Navient. The Parties separately had multiple communications with Mr. Baten to discuss the merits of their allegations and their respective positions. On September 21, 2018, the Parties attended a mediation in Washington, D.C., before Mr. Baten. After a full day session, the Parties reached an agreement-in-principle on substantive terms to settle the Action and executed a memorandum of understanding (the “MOU”). This Stipulation memorializes the terms of the Parties’ agreement to settle the Action.

Plaintiff has owned shares of Navient common stock since the outset of the Action and continues to do so. Plaintiff, having thoroughly considered the facts and law underlying the Action, and based upon its investigation and prosecution of the Action and the mediation that led to the Settlement, and after weighing the risks of continued litigation, has determined that it is in

the best interests of Navient and Navient Stockholders that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation and that these terms and conditions are fair, reasonable, and adequate to Navient and Navient Stockholders.

Defendants have denied and continue to deny the allegations of wrongdoing, allegations of liability, and the existence of any damages asserted in or arising from the Action. Defendants have concluded that further litigation in connection with the Action would be time-consuming and expensive. After weighing the costs, disruption, and distraction of continued litigation, they have determined, solely to eliminate the risk, burden, and expense of further litigation, that the Action should be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation.

### **TERMS OF THE PROPOSED DERIVATIVE SETTLEMENT**

The principal terms, conditions, and other matters that are part of the Settlement, which is subject to approval by the Court, are summarized below. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the Stipulation, which is available at <https://scott-scott.com/cases/settlements/>.

The Board has or shall adopt resolutions and amend committee charters to the extent necessary for the implementation of the corporate governance changes set forth below. The corporate governance changes set forth herein shall be maintained for a period of at least three years, unless any provision (or part of any provision) is rendered unlawful or ill-advised under any statute or regulation. The Board may exercise its discretion in deciding whether to continue any of the corporate governance changes after three years.

1. **Board Composition.** Navient commits to appoint, or to have appointed following receipt of Plaintiff's Complaint, two new independent directors to the Company's Board by the end of 2019.

2. **Director Orientation and Continuing Education.**

i. Within six months of their election or appointment, all new members of the Board must receive training on applicable consumer protection laws and state collection laws; and

ii. In addition, every member of the Board shall receive annual training on compliance with such consumer protection laws, standards, and regulations.

3. **Risk Oversight Disclosures.** Navient shall prepare a summary of the Board's risk oversight responsibilities for publication on Navient's publicly facing website. Navient shall provide Plaintiff with the summary prior to the date when Plaintiff's final fairness papers are due with the Court.

4. **Revisions to the Board's Committee Charters.** Navient shall review and revise, as necessary, the charter for each standing committee to ensure that each committee's risk oversight responsibilities are clearly described. Navient shall provide

Plaintiff with the final revisions prior to the date when Plaintiff's final fairness papers are due with the Court.

5. **Limitations on Directors and Audit Committee Service.** Navient shall amend the Board's Governance Guidelines to provide that: (i) the Chair of the Audit Committee shall not serve on the audit committee of more than one other public company's board of directors; and (ii) any individual member of the Board will not serve as the chair of more than one committee or as a member of more than three committees.

6. **Independent Director Meetings in Executive Session.**

i. Navient shall amend the Board's Governance Guidelines to require the independent directors of the Board to meet in executive session at each regularly scheduled meeting of the Board, with a minimum requirement to meet at least four times annually, outside of the presence of any director who serves as an officer for Navient; and

ii. Navient shall amend the Board's Governance Guidelines to provide that the independent directors shall have the power to call for reporting from any business unit at the executive session, including, without limitation, from audit and compliance segments.

7. **Maintenance of Senior Executive Position(s) for Loan Servicing and Collections.** Navient shall maintain at least one executive position at the Senior Vice-President level or higher whose primary areas of responsibility shall be: (a) loan servicing operations; and (b) loan-related collections efforts reasonably designed to achieve compliance with state and federal law.

8. **Creation of a Loan Servicing and Collections Compliance Committee.**

i. Navient shall create an executive-level Loan Servicing and Collections Compliance Committee;

ii. The executive(s) listed in ¶7. above, General Counsel/Principal Legal Officer, and Chief Risk and Compliance Officer shall all serve on the Loan Servicing and Collections Compliance Committee;

iii. The Loan Servicing and Collections Compliance Committee shall report directly to the Company's Audit Committee;

iv. The Loan Servicing and Collections Compliance Committee shall provide additional oversight of the Company's loan servicing and loan-related collections efforts. Reports regarding these responsibilities shall be provided to the Company's Audit Committee; and

v. The Loan Servicing and Collections Compliance Committee shall provide additional oversight of internal controls regarding the Company's loan

servicing and loan-related collections efforts. Reports regarding these responsibilities shall be provided to the Company's Audit Committee.

9. **Revisions to the Code of Business Conduct.** Navient shall amend its Code of Business Conduct to state the following (or similar language):

If you become aware of a failure by the Company to comply with loan servicing or collection procedures mandated by federal or state consumer protection laws and/or by the federal securities laws and SEC rules, regulations or guidance, or if you, or anyone else you are aware of, are asked to discharge your/their respective duties in a manner that fails to comply with any such rules, regulations, or guidance, you shall immediately report the event via email to legalcompliance@navient.com.

10. **Revisions to the Confidential Whistleblower Program.** Navient shall require the Chief Risk Compliance Officer to meet with the Audit Committee at least annually to present on and discuss the current Whistleblower Policy and to consider any amendments that the Chief Risk Compliance Officer or Audit Committee recommends.

#### **PLAINTIFF'S COUNSEL'S ATTORNEYS' FEES AND EXPENSES**

Subsequent to the execution of the MOU and after all of the material terms of the Settlement were agreed upon by the Parties, Plaintiff's Counsel engaged in arm's-length negotiations with the Defendants and Navient concerning an appropriate award of attorneys' fees and litigation expenses for Plaintiff's Counsel. As a result of those negotiations, it has been agreed that Plaintiff's Counsel's Fee and Expense Application will not exceed \$1,495,000.00, including a service award for Plaintiff in the amount of \$5,000, and Defendants and Navient will not oppose a request up to that amount. The above-referenced fee and expense award shall constitute that full amount that Defendants and Navient shall be required to pay to Plaintiff's Counsel, or any other counsel, in connection with the litigation and settlement of the claims asserted in this Action. Additionally, Plaintiff's Counsel has a referral obligation to the Kehoe Law Firm, which has been consented to by the Plaintiff. The referral obligation will be paid out of Plaintiff's Counsel's Fee and Expense Award.

#### **REASONS FOR THE SETTLEMENT**

The Parties have determined that it is desirable and beneficial that the Action and any dispute related thereto is fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation, and Plaintiff's Counsel believes that the settlement is in the best interest of the Parties and Navient Stockholders.

#### **Why Did Plaintiff Agree to Settle?**

Plaintiff and Plaintiff's Counsel believe that the claims asserted in the Action have merit. Nonetheless, Plaintiff and Plaintiff's Counsel also recognize and acknowledge the significant risk, expense, and length of continued proceedings necessary to prosecute the Action against the Defendants through trial and appeal. Plaintiff and Plaintiff's Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex cases, such as the

Action, as well as the difficulties and delays inherent in such litigation. Plaintiff and Plaintiff's Counsel are also mindful of the inherent problems of proving the violations asserted in the Action. In consideration of the mediation that led to the settlement, and after weighing the risks of continued litigation, Plaintiff and Plaintiff's Counsel have determined that it is in the best interests of Navient and its stockholders that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation, and that these terms and conditions are fair, reasonable, adequate, and confer substantial benefits to Navient and its stockholders.

### **Why Did the Defendants Agree to Settle?**

Defendants deny each and all of the claims and contentions alleged in the Action. Moreover, Defendants expressly deny any misconduct alleged in the Action and further deny any wrongdoing, legal liability, or violation of any laws arising out of any of the conduct alleged in the Action. Furthermore, Defendants believe they have substantial defenses to the claims alleged against them in the Action. And neither the Stipulation nor any document referred to therein, nor any action taken to carry out the Stipulation, is, may be construed as, or may be used as an admission by or against Defendants of any fault, wrongdoing, or liability whatsoever or the lack of merit of any defense that had been or could have been asserted to such claim.

Defendants nevertheless recognize that further conduct of the Action against them would be protracted, expensive, and distracting. If the Action is not settled, substantial amounts of time, energy, and resources have been and, unless this settlement is made, will have to be devoted to the defense of the claims asserted in the Action. Defendants have, therefore, determined that it is desirable and beneficial to them and the Company that the Action should be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation to eliminate the burden and expense of further protracted litigation.

### **SETTLEMENT HEARING**

On April 11, 2019 at 2:30 p.m., the Court will hold the Settlement Hearing, before the Honorable Lynne A. Sitarski in the United States District Court for the Eastern District of Pennsylvania. At the Settlement Hearing, the Court will consider: (i) whether the terms of the settlement are fair, reasonable, and adequate, including the amount for Plaintiff's Counsel's attorneys' fees and expenses, and should be finally approved; (ii) whether the Final Judgment Order should be entered and the Action dismissed with prejudice pursuant to the Stipulation; and (iii) such other matters as may be necessary or proper under the circumstances.

Pending final determination of whether the settlement should be approved, all Navient Stockholders are enjoined from commencing, instituting, prosecuting, continuing to prosecute, soliciting, encouraging, or participating in the prosecution of any action or proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting any of the Released Claims.

### **RIGHT TO ATTEND SETTLEMENT HEARING**

Navient Stockholders, as of January 3, 2019, may, but are not required to, appear in person at the Settlement Hearing. If you want to be heard at the Settlement Hearing, then you must first comply with the procedures for objecting, which are set forth below. The Court has the right to

change the hearing date or time without further notice. Thus, if you are planning to attend the Settlement Hearing, you should confirm the date and time before going to the Court. Navient Stockholders who have no objection to the settlement do not need to appear at the Settlement Hearing or take any other action.

### **Right to Object to the Proposed Derivative Settlement and Procedures for Doing So**

Any Navient Stockholder, as of January 3, 2019, may appear and show cause, if he, she, or it has any reason why the settlement of the Action should not be approved as fair, reasonable, and adequate, why a judgment should not be entered thereon, or why separately negotiated attorneys' fees and expenses should not be approved. You must object in writing, and you may request to be heard at the Settlement Hearing. If you choose to object, then you must follow these procedures.

### **You Must Make Detailed Objections in Writing**

Any objections must be presented in writing and must contain the following information:

1. your name, legal address, telephone number, and e-mail address;
2. proof of being a Navient Stockholder as of January 3, 2019;
3. a statement of your position with respect to the matters to be heard at the Settlement Hearing, including a statement of each objection being made and any legal support for such objection;
4. notice of whether you or your counsel intend to appear at the Settlement Hearing (appearance is not required if you have lodged your objection with the Court); and
5. signature of the stockholder making the objection.

The Court may not consider any objection that does not substantially comply with these requirements.

### **You Must Timely Deliver Written Objections to the Court and Counsel for Plaintiff and Defendants**

YOUR WRITTEN OBJECTIONS MUST BE ON FILE WITH THE CLERK OF THE COURT NO LATER THAN MARCH 28, 2019. The Court Clerk's address is:

Clerk of the Court  
U.S. District Court for the Eastern District of Pennsylvania  
601 Market Street, Room 2609  
Philadelphia, PA 19106-1797



YOU ALSO MUST DELIVER COPIES OF THE MATERIALS TO COUNSEL FOR PLAINTIFF AND DEFENDANTS SO THEY ARE RECEIVED NO LATER THAN MARCH 28, 2019. Counsel's addresses are:

***Counsel for Plaintiff:***

Geoffrey M. Johnson  
Scott+Scott Attorneys at Law LLP  
12434 Cedar Road, Suite 12  
Cleveland Heights, Ohio 44106

***Counsel for Defendants:***

Andrew B. Clubok  
Latham & Watkins LLP  
555 Eleventh St. NW, Suite 1000  
Washington, DC 20004

Unless the Court orders otherwise, your objection will not be considered unless it is timely filed with the Court and delivered to the above counsel. Any Person or entity who fails to object in the manner provided shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the proposed Settlement as set forth in the Stipulation and Final Judgment Order, or to the award of attorneys' fees and expenses to Plaintiff's Counsel, unless otherwise ordered by the Court.

**HOW TO OBTAIN ADDITIONAL INFORMATION**

This long form Notice is a summary and does not describe all of the details of the Stipulation. For precise terms and conditions of the Settlement, you may review the Stipulation filed with the Court, as well as the other pleadings and records of this litigation, which may be inspected during business hours at the office of the Clerk of the Court, U.S. District Court, Eastern District of Pennsylvania, 601 Market Street, Room 2609, Philadelphia, PA 19106-1797. You may also view and/or download the Stipulation at <https://scott-scott.com/cases/settlements/>.

**PLEASE DO NOT CALL, WRITE, OR OTHERWISE DIRECT QUESTIONS TO EITHER THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE.**

Dated: January 28, 2019

BY ORDER OF THE UNITED STATES  
DISTRICT COURT FOR THE EASTERN  
DISTRICT OF PENNSYLVANIA