

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

ADAM PERRY, on Behalf of Himself and All
Others Similarly Situated,

Plaintiff,

v.

WELLS FARGO & COMPANY, CHARLES W.
SCHARF, TIMOTHY J. SLOAN, and JOHN R.
SHREWSBERRY,

Defendants.

Case No.

CLASS ACTION

**COMPLAINT FOR VIOLATION OF
THE FEDERAL SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff Adam Perry (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his undersigned counsel, hereby brings this Class Action Complaint for Violation of Federal Securities Law (“Complaint”) against Wells Fargo & Company (“Company” or “Wells Fargo”); and Charles Scharf, Wells Fargo Chief Executive Officer (“CEO”) and President; Timothy J. Sloan, former Wells Fargo Chief Executive Officer and President; and John R. Shrewsberry, Wells Fargo Senior Executive Vice President and Chief Financial Officer, based upon, *inter alia*, the investigation conducted by and under the supervision of Plaintiff’s counsel, which included a review of the Company’s public documents, conference calls, and announcements, United States (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding the Company, analysts’ reports and advisories about the Company and readily obtainable information. Plaintiff’s counsel’s investigation into the matters alleged herein is ongoing and many relevant facts are known only to, or are exclusively within the custody or control of, the Company and the Individual Defendants. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons other than Defendants who purchased or otherwise acquired common shares of Wells Fargo stock between February 2, 2018, and March 10, 2020, both dates inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violation of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. Wells Fargo is a Delaware company headquartered in San Francisco, California. Wells Fargo is a financial services company that provides range of products and services, including banking, consumer finance, credit cards, investments, leasing, and mortgages. The Company operates through physical stores, the internet and other distribution channels worldwide.

3. On February 2, 2018, Wells Fargo entered into a Consent Order with the Board of Governors of the Federal Reserve System (“FRS Consent Order”), committing to comply with the Federal Reserve System’s (“FRS”) directives regarding its governance and risk management policies. The FRS Consent Order was part of an enforcement action brought against the Company in connection with certain of its fraudulent practices. Soon thereafter, on April 20, 2020, Wells Fargo entered into yet another consent order with the Consumer Fraud Protection Bureau (“CFPB”) and the Office of the Comptroller of the Currency (“OCC Consent Order”), which required Wells Fargo to, among other things, develop a comprehensive plan for identifying and remediating present and future consumer harm.

4. After the execution of the FRS and OCC Consent Orders, Wells Fargo embarked on a years-long public campaign to repair its tarnished reputation, which it sought to do by widely touting the corporate reforms Wells Fargo purportedly implemented in compliance with the FRS and OCC Consent Orders. These corporate reforms had several major objectives, including remediation of past

harm done to consumers as well as preventing consumer fraud from happening in the future. In its effort to convince the market and the investors that its revamped corporate infrastructure was essentially fraud-proof, Wells Fargo's disseminated dozens of public statements in its SEC filings, earnings calls, and presentations, touting the progress and the effectiveness of its reforms which were purportedly taking place consistent with and in compliance with the FRS and OCC Consent Orders.

5. In reality, however—and unbeknownst to the investing public—Wells Fargo was far from complying with the regulators' directive, including repeatedly submitting insufficiently developed and inadequate remediation plans, struggling to meet deadlines, and failing to implement meaningful reforms. The Company's persistent failure to live up to its commitments under the FRS and OCC Consent Orders even moved the regulators to threaten supervisory and/or enforcement actions and additional penalties, a fact that investors were never apprised of in Wells Fargo's public statements.

6. On March 4, 2020, via the publication of a 113-page report, the market learned that notwithstanding Wells Fargo's representations over the past two years, Wells Fargo "fell woefully" short of implementing meaningful corporate reforms, and that its risk and compliance policies remained dangerously inadequate to prevent another consumer fraud from occurring. Thus, instead of fixing the broken compliance infrastructures, Wells Fargo engaged in a series of window dressing changes to quench the investors' demands, while remaining non-compliant with the regulatory directives, in violation of the FRS and OCC Consent Orders.

7. On this news, the common shares of Wells Fargo stock ("Wells Fargo shares") fell more than 10% over two trading days, from \$41.40 per share to \$37.09 per share.

8. Following the publication of the report, on March 10, 2020, the U.S. House Financial Services Committee ("Financial Services Committee") Chairwoman Maxine Waters ("Chairwoman Waters") requested that the U.S. Department of Justice ("DOJ") investigate Wells Fargo's former CEO, Defendant Sloan, for providing false statements in the context of his public testimony a year

earlier, in March 2019, which directly related to Wells Fargo's compliance with the FRS and OCC Consent Orders and its progress in developing and implementing effective and meaningful reforms.

9. On this news, the Company's shares fell more than 20% over two trading days, from \$34.63 per share to \$27.20 per share.

10. Throughout the Class Period, Defendants made materially false and misleading statements, and failed to disclose material adverse facts about the Company's business, operational, and compliance policies. Specifically, Defendants made false and/or misleading statements and failed to disclose to investors that: (i) Wells Fargo had inadequate disclosure controls and procedures and internal controls over financial reporting, particularly with respect to its risk and compliance management, policies and programs; (ii) the Company was not compliant with the regulatory consent orders entered into in 2018; (iii) the Company's remedial plans were inadequate, incomplete, and insufficient to prevent future consumer abuses; (iv) as a result of the continued noncompliance with the regulatory consent orders, the Company was threatened with supervisory and/or enforcement actions and penalties; (v) the Company's remedial measures and risk and compliance management remained inadequate to protect against consumer fraud; (vi) as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis and omitted materials facts.

11. As a result of Wells Fargo's wrongful acts and omissions, and the precipitous decline in the market value of Wells Fargo's common shares, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

12. The claims asserted herein arise under Section 10(b) and 20(a) of the Exchange Act (15 U.S.C. § 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

13. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

14. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b), as the alleged misstatements were entered and the subsequent damages took place in this Judicial District. Pursuant to Wells Fargo's most recent annual report on Form 10-K, as of June 28, 2019, there were 4,099,887,226 shares of the Company's common stock outstanding. Wells Fargo's common stock trades on the New York Stock Exchange ("NYSE"). Accordingly, there are presumably hundreds, if not thousands, of investors in Wells Fargo's common stock located with the U.S., some of whom undoubtedly reside in this Judicial District.

15. In connection with the acts alleged in this Complaint, Wells Fargo, directly or indirectly, used the instrumentalities of interstate commerce, including interstate wires, U.S. Postal Service mail, wireless spectrum, and the national securities exchange.

PARTIES

16. Plaintiff is a resident of Las Vegas, Nevada. As set forth in the attached Certification, incorporated by reference herein, Plaintiff acquired Wells Fargo shares during the Class Period, at artificially inflated prices, and was damaged by the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

17. Defendant Wells Fargo is a Delaware corporation with a principal place of business at 420 Montgomery Street, San Francisco, California 94104. Wells Fargo shares trade on the New York Stock Exchange ("NYSE") under the ticker symbol "WFC."

18. Defendant Timothy J. Sloan ("Sloan") served as the Company's CEO and President from October 2016 until his resignation in March 2019.

19. Defendant Charles W. Scharf ("Scharf") has served as the Company's CEO and President since October 2019.

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