UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

MICHAEL E. VACEK, JR., Derivatively on Behalf of WALTER INVESTMENT MANAGEMENT CORP., Plaintiff, vs. GEORGE M. AWAD, DANIEL G. BELTZMAN, MICHAEL M. BHASKARAN, NEAL P. GOLDMAN, WILLIAM J. MEURER, ALVARO G. de MOLINA, VADIM, PERELMAN, and ANTHONY N. RENZI, Defendants, and, WALTER INVESTMENT MANAGEMENT CORP., Nominal Defendant.	Case No: 2:17-cv-02820-AB **VERIFIED SHAREHOLDER AMENDED DERIVATIVE COMPLAINT** **DEMAND FOR JURY TRIAL**

Plaintiff Michael E. Vacek, Jr. ("Plaintiff"), by and through his undersigned counsel, derivatively on behalf of Nominal Defendant Walter Investment Management Corp. ("Walter Investment" or the "Company"), submits this Verified Shareholder Amended Derivative Complaint (the "Amended Complaint"). Plaintiff's allegations are based upon his personal knowledge as to himself and his own acts, and upon information and belief, developed from the investigation and analysis by Plaintiff's counsel, including a review of publicly available information, including filings by Walter Investment with the U.S. Securities and Exchange Commission ("SEC"), press releases, news reports, analyst reports, investor conference transcripts, publicly available filings in lawsuits (including lawsuits by the Federal Trade Commission

("FTC") and the Consumer Financial Protection Bureau ("CFPB")), and matters of public record.

NATURE OF THE ACTION

1. This is a shareholder derivative action brought in the right, and for the benefit, of Walter Investment against certain of its officers and directors seeking to remedy Defendants' breach of fiduciary duties, unjust enrichment, and corporate waste that occurred between May 3, 2016 and the present (the "Relevant Period") and which has caused substantial harm to Walter Investment.

JURSIDICTION AND VENUE

2. This Court has jurisdiction over the claims asserted herein under 28 U.S.C. § 1332 because there is complete diversity among the parties and the amount in controversy exceeds the sum of $75,000, exclusive of interest and costs.

3. Venue is proper in this Court under 28 U.S.C. § 1931(b) because a substantial portion of the transactions and wrongs complained of herein occurred in this District, and because Defendants conducted business here and engaged in numerous activities that had an effect in this District.

PARTIES

A. Plaintiff

4. ***Plaintiff Michael E. Vacek, Jr.*** ("Plaintiff") is, and was at relevant times, a shareholder of Walter Investment. Plaintiff will fairly and adequately represent the interests of the shareholders in enforcing the rights of the corporation. Plaintiff is a citizen of Alabama.

B. Nominal Defendant

5. ***Nominal Defendant Walter Investment Management Corp.*** is a Maryland Corporation with its principal executive offices located at 1100 Virginia Drive, Suite 100, Fort

Washington, PA. Walter Investment describes itself as an independent servicer and originator of mortgage loans and servicer of reverse mortgage loans.

C. Director Defendants

6. ***Defendant George M. Awad*** ("Awad") has served as a director of the Company and Chairman of the Board of Directors ("Board") since June 2016. Awad served as Interim Chief Executive Officer ("CEO") and President of the Company from June 2016 through September 2016 during the time the breach of fiduciary duties occurred and when there was material weakness in the Company's internal controls over financial reporting. Awad was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities, just as these same practices had plagued its subsidiaries Green Tree Servicing LLC ("Green Tree") and Reverse Mortgage Solutions, Inc. ("RMS"). These were red flags that took place before the Relevant Period and have continued to the present. Awad is a citizen of Connecticut.

7. ***Defendant Daniel G. Beltzman*** ("Beltzman") has served as a director of the Company since December 2015, and previously served as Chairman of the Board from February 2016 through June 2016. He has also served as a member of the Compensation and Human Resources Committee since 2015, a member of the Compliance Committee since March 2016, a member of the Nominating and Corporate Governance Committee since 2015, and ***as a member of the Finance Committee since March 2016***. Beltzman was also a Director of the Company when Green Tree (a Walter Investment subsidiary) entered into a Consent Order with the United States government to pay $63 million to resolve FTC and CFPB charges that it harmed homeowners with illegal loan servicing and debt collection practices. Further, Beltzman owns over 20% of the Company's outstanding voting shares. As a large shareholder, particularly one

owning a very substantial portion of the Company's stock, Beltzman controls the selection of the other directors. The fact of Beltzman's position as an overwhelmingly dominant shareholder is sufficient to support a conclusion that Beltzman dominates the Board, whoever its members might be, and therefore that a demand on those directors to sue the stockholder that put them in their positions would be futile. In addition, Beltzman was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities at the Company and at its subsidiaries Green Tree and RMS. These were red flags that took place before the Relevant Period and have continued to the present. Beltzman is a citizen of New York.

8. ***Defendant Michael M. Bhaskaran*** ("Bhaskaran") was elected to serve as a director of the Company on January 19, 2017. On that date, Bhaskaran was appointed as a member of the Audit Committee and Compliance Committee. Bhaskaran is a citizen of Massachusetts.

9. ***Defendant Neal P. Goldman*** ("Goldman") was elected to serve as a director of the Company on January 19, 2017. On that date, Goldman was appointed as the Chairman of the Compensation and is a member of the Audit, Compliance and Finance Committees. Goldman is a citizen of New York.

10. ***Defendant William J. Meurer*** ("Meurer") has served as a director of the Company since April 2009. Meurer was also a Director of the Company when Green Tree (a Walter Investment subsidiary) entered into a Consent Order with the United States government to pay $63 million to resolve FTC and CFPB charges that it harmed homeowners with illegal loan servicing and debt collection practices. He has served as the Chairman of the Audit Committee since 2009. In addition, Meurer was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities at its subsidiaries Green Tree and RMS. These were red flags that took place before the Relevant Period and have continued to

the present. Meurer is a citizen of Florida.

11. ***Defendant Alvaro G. de Molina*** ("de Molina") has served as a director of the Company since September 2012. He has served as a member of the Audit Committee since 2012, a member of the Compensation and Human Resources Committee since 2012, and as a member of the Compliance Committee since 2014. Effective January 19, 2017, de Molina was no longer a member of the Compliance Committee; however, as of that date, he became a member of the Finance Committee. De Molina was also a Director of the Company when Green Tree (a Walter Investment subsidiary) entered into a Consent Order with the United States government to pay $63 million to resolve FTC and CFPB charges that it harmed homeowners with illegal loan servicing and debt collection practices. In addition, de Molina was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities at the Company and at its subsidiaries Green Tree and RMS. These were red flags that took place before the Relevant Period and have continued to the present. De Molina is a citizen of North Carolina.

12. ***Defendant Vadim Perelman*** ("Perelman") has served as a director of the Company since December 2015. He has served as a member of the Compensation and Human Resources Committee since 2015, a member of the Compliance Committee since 2015, a member of the Nominating and Corporate Governance Committee since 2015, and Chairman of the Finance Committee since March 2016. Further, Perelman owns over 23% of the Company's outstanding voting shares. As a large shareholder, particularly one owning a very substantial portion of the Company's stock, Perelman controls the selection of the other directors. The fact of Perelman's position as an overwhelmingly dominant shareholder is sufficient to support a conclusion that Perelman dominates the Board, whoever its members might be, and therefore that a demand on

those directors to sue the stockholder that put them in their positions would be futile. In addition, Perelman was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities at the Company and at its subsidiaries Green Tree and RMS. These were red flags that took place before the Relevant Period and have continued to the present. Perelman is a citizen of New York.

13. ***Defendant Anthony N. Renzi*** ("Renzi") joined the Company and began serving as its Chief Executive Officer and President on September 12, 2016, and was elected to serve as a director of the Company on January 19, 2017. According to the Company's DEF 14A, dated April 5, 2017 ("2017 DEF 14A"), ***Renzi is not independent***. In addition, Renzi was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities at it and at its subsidiaries Green Tree and RMS. Renzi is a citizen of Pennsylvania.

14. The Company's website and its 2017 DEF 14A both identify five (5) Corporate Governance Committees of the Company: (i) Nominating and Corporate Governance Committee; (ii) Audit Committee; (iii) Compensation and Human Resources Committee; (iv) Finance Committee; and (v) Compliance Committee. However, these two sources identify different membership as follows:

Directors	Nominating and Corporate Governance Committee		Audit Committee		Compensation and Human Resources Committee		Finance Committee		Compliance Committee	
	Per Website	Per 4/5/17 DEF 14A	Per Website	Per 4/5/17 DEF 14A	Per Website	Per 4/5/17 DEF 14A	Per Website	Per 4/5/17 DEF 14A	Per Website	Per 4/5/17 DEF 14A
George M. Awad									x	
Daniel G. Beltzman	x	Chair			x	x	x	x	x	x
Michael M. Bhaskaran			x	x					x	x
Neal P. Goldman	x		x	x	Chair	Chair	x	x	x	x
William J. Meurer			Chair	Chair						
Alvaro G. de Molina			x	x	x	x	x	x		
Vadim Perelman	x	x			x	x	x	Chair	x	x
Anthony N. Renzi										

15. Defendants Awad, Beltzman, Bhaskaran, Goldman, Meurer, de Molina, Perelman, and Renzi are hereinafter referred to as the "Director Defendants" or "Defendants".

THE COMPANY'S AUDIT COMMITTEE CHARTER

16. As members of Walter Investment's Board, Defendants were held to the highest standards of honesty and integrity and charged with overseeing the Company's business.

17. Walter Investment's Audit Committee Charter states in relevant part:

RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

Financial Documents/SEC Reports Review

Review and discuss with financial management and the Corporation's independent registered public accounting firm the Corporation's annual consolidated financial statements and disclosures made in the section of the Corporation's Annual Report on Form 10-K ("Annual Report") entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," to be included in the Corporation's Annual Report prior to its filing with the SEC or the release of earnings for the year, and recommend to the Board whether the audited consolidated financial statements should be included in the Corporation's Annual Report.

Review and discuss with financial management and the Corporation's independent registered public accounting firm the Corporation's quarterly consolidated financial statements, and the disclosures to be made in the section of the Corporation's Quarterly Report on Form 10-Q (the "Quarterly Report") entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," to be included in the Corporation's Quarterly Report prior to its filing with the SEC or the release of earnings for the quarter, including the results of the registered public accounting firm's reviews of the quarterly financial statements.

Review and discuss with management and the independent registered public accounting firm prior to public dissemination the Corporation's earnings press releases (including the use of any "pro forma" or "adjusted" non-GAAP information and measures), as well as financial information and earnings guidance provided to analysts and rating agencies that have not been previously reviewed by the Audit Committee. The Audit Committee's discussion in this regard may be general in nature (*i.e.*, discussion of the types of information to be disclosed and the type of presentation to be made).

Review and discuss, before disclosure to governmental bodies or the public, such

other financial or other information as the Audit Committee may require.

Review disclosures made to the Audit Committee by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the Corporation's Annual Report and Quarterly Report concerning (a) any significant deficiencies in the design or operation of internal control over financial reporting or material weakness therein; and (b) any fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting.

* * *

Financial Reporting Processes

In consultation with the independent registered public accounting firm, management and the internal auditors, review the integrity of the Corporation's financial reporting processes.

The Audit Committee must obtain and discuss with management and the independent registered public accounting firm reports from management and the independent registered public accounting firm regarding:

- all critical accounting policies and practices to be used by the Corporation;

- analyses prepared by management and/or the independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with the Corporation's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm;

- ***major issues regarding accounting principles and financial statement presentations***, including any significant changes in the Corporation's selection or application of accounting principles;

- ***major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies***, [any other actions taken in light of significant deficiencies and material weaknesses, and the adequacy of disclosures about changes in internal control over financial reporting]; and

- any other material written communications between the independent registered public accounting firm and management, such as any

management letter or schedule of unadjusted differences.

> Review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures (if any), on the financial statements of the Corporation.
>
> Review and discuss with management and the independent registered public accounting firm the Corporation's guidelines and policies with respect to risk assessment and risk management. The Audit Committee should discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
>
> Discuss with the independent registered public accounting firm the matters required to be discussed by the applicable auditing standards adopted by the PCAOB and approved by the SEC from time to time.

18. By reason of their positions as officers and/or directors of the Company, and because of their ability to control the business and corporate affairs of Walter Investment, Defendants owed Walter Investment and its investors the fiduciary obligations of trust, loyalty, and good faith. The obligations required Defendants to use their utmost abilities to control and manage Walter Investment in an honest and lawful manner. Defendants were and are required to act in furtherance of the best interests of Walter Investment and its investors.

19. Each director of the Company owes to Walter Investment and its investors the fiduciary duty to exercise loyalty, good faith, and diligence in the administration of the affairs of the Company and in the use and preservation of its property and assets. In addition, as officers and/or directors of a publicly held company, Defendants had a duty to promptly disseminate accurate and truthful information with regard to the Company's operations, finances, and financial condition, as well as present and future business prospects, so that the market price of the Company's stock would be based on truthful and accurate information.

20. To discharge their duties, the officers and directors of Walter Investment were required to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the affairs of the Company. By virtue of such duties, the officers and directors of

Walter Investment were required to, among other things:

(a) ensure that the Company complied with its legal obligations and requirements, including acting only within the scope of its legal authority and disseminating truthful and accurate statements to the SEC and the investing public;

(b) conduct the affairs of the Company in an efficient, businesslike manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the value of the Company's stock;

(c) properly and accurately guide investors and analysts as to the true financial condition of the Company at any given time, including making accurate statements about the Company's business prospects, and ensuring that the Company maintained an adequate system of financial controls such that the Company's financial reporting would be true and accurate at all times;

(d) remain informed as to how Walter Investment conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, make reasonable inquiries in connection therewith, take steps to correct such conditions or practices, and make such disclosures as necessary to comply with federal and state securities laws;

(e) ensure that the Company was operated in a diligent, honest, and prudent manner in compliance with all applicable federal, state and local laws, and rules and regulations; and

(f) ensure that all decisions were the product of independent business judgment and not the result of outside influences or entrenchment motives.

21. Each defendant, by virtue of his position as a director and/or officer, owed to the

Company and to its shareholders the fiduciary duties of loyalty, good faith, and the exercise of due care and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of Defendants complained of herein involves a knowing and culpable violation of their obligations as directors and officers of Walter investment, the absence of good faith on their part, and a reckless disregard for their duties to the Company and its shareholders that Defendants were aware, or should have been aware, posed a risk of serious injury to the Company.

SUBSTANTIVE ALLEGATIONS

Background

22. Walter Investment describes itself as an independent servicer and originator of mortgage loans and servicer of reverse mortgage loans.

23. Walter Investment and its subsidiaries have a history of making false statements related to servicing reverse mortgage loans, and deceiving homeowners relating to loan servicing and modifications which resulted in two settlements with federal agencies and Walter Investment paying more than $92 million in fines.

24. During the Relevant Period, Defendants permitted Walter Investment to engage in similar conduct involving some of the same subsidiaries that has previously caused harm to Walter Investments: (a) the Company was involved in fraudulent practices that violated the False Claims Act; (b) the Company's Ditech subsidiary (which was previously named Green Tree) had a material weakness in its internal controls over financial reporting, specifically in its ***default servicing activities (the same types of practices that harmed its subsidiaries Green Tree) and RMS)***; and (c) resultantly, the Company lacked adequate internal controls over financial reporting. This conduct by Defendants in ignoring the previous red flags of Company misconduct and

allowing the Company to repeat its misconduct gives rise to the instant action.

25. Walter Investment was founded in 1958 and is now based in Fort Washington, PA. Walter Investment operates as an independent servicer and originator of mortgage loans, and a servicer of reverse mortgage loans in the United States. Walter Investment operates through three (3) segments: Servicing, Originations, and Reverse Mortgage.

26. The Servicing segment performs services on behalf of third-party credit owners of mortgage loans, as well as its mortgage loan portfolio; and subservicing for third-party owners of mortgage servicing rights.

27. The Originations segment originates and purchases mortgage loans for third parties while retaining the servicing rights.

28. The Reverse Mortgage segment performs servicing for third-party credit owners of reverse loans; and provides other services for the reverse mortgage market, such as real estate owned property management and disposition.

29. On September 4, 2012, the Company issued a press release that announced the acquisition of RMS. RMS was founded in 2007 and is an originator and servicer of reverse mortgages. RMS is one of 12 HUD-approved servicers.

30. Walter Investment has had four (4) CEOs since October 2015: Mark O'Brian ("O'Brien"), Denmar Dixon ("Dixon"), Awad, and Renzi.

31. On October 10, 2015, O'Brien resigned as CEO and President of Walter Investment. On that same day, Walter Investment announced O'Brien's retirement and stated in relevant part:

> ***On October 2, 2015, and in connection with Mr. O'Brien's retirement, the Company and Mr. O'Brien entered into a retirement agreement*** (the "Retirement Agreement"). The effective date of the Retirement Agreement will be October 10, 2015 (the "Effective Date"), and the Retirement Agreement can be rescinded before

> such time by Mr. O'Brien. ***The Retirement Agreement provides that Mr. O'Brien will receive payments totaling $3.0 million***, payable as follows: (a) the amount of $500,000 on the Effective Date; (b) the amount of $1,150,000 on January 8, 2016; and (c) if Mr. O'Brien continues to perform his duties as Chairman of the Board through December 31, 2015, Mr. O'Brien (i) will continue to be paid his current base salary at $47,917 per month for eighteen months after the Effective Date and (ii) will be paid the amount of $487,500 on January 6, 2017, in each case, subject to the terms and conditions of the Retirement Agreement. The Retirement Agreement also provides that (i) Mr. O'Brien will be entitled to be paid the full amount of shares earned based on performance with respect to his currently outstanding awards of performance shares (as if, solely for this purpose, Mr. O'Brien remained an employee of the Company through the date on which the amount of the payout is determined), and (ii) Mr. O'Brien's currently outstanding (a) restricted stock units will vest on the Effective Date and (b) unvested options will vest on the Effective Date, in each case, subject to the terms and conditions of the Retirement Agreement. Mr. O'Brien has also agreed to certain non-competition and non-solicitation provisions for a period of 36 months from the Effective Date. Additionally, the Retirement Agreement contains certain non-disparagement and confidentiality provisions. [Emphasis added].

32. O'Brien's retirement came just one month after Walter Investment agreed to pay more than $29.5 million in fines to settle charges brought by the Department of Justice ("DOJ"). This settlement related to and included DOJ claims that the Company's subsidiaries, including RMS, violated the False Claims Act by submitting false reverse mortgage claims to the Department of Housing and Urban Development, and with the knowledge and support of Walter Investment ("RMS Settlement").

33. On or about April 21, 2015, Green Tree Servicing LLC ("Green Tree"), a Walter Investment subsidiary, entered into a Stipulated Order for Permanent Injunction and Monetary Judgment (the "Stipulated Order") with the FTC and the CFPB where it agreed to pay $63 million for "mistreating borrowers." This Stipulated Order included a Data Integrity Requirement and Assessment, Home Preservation Requirement, and various Injunctions, including but not limited to, an Injunction Against False or Misleading Representations.

The Facts Behind Green Tree's FTC and CFPB Violations

34. Green Tree was a prominent servicer of "credit-sensitive" residential mortgage and manufactured-housing loans.

35. Green Tree's servicing portfolio included a substantial number of mortgages for which consumers had difficulty making payments. Many of the loans that Green Tree serviced were in default at the time that Green Tree acquired them, and the overall delinquency rate for Green Tree loans were high compared to rates for other servicers. The overall delinquency rate for Green Tree's first lien third-party servicing portfolio at the end of 2012 was 15.68%.

36. In its efforts to acquire more servicing business, Green Tree marketed itself as a "high-touch servicer," meaning that it placed collection calls to consumers frequently in an effort to get them to make timely payments on their loans. It also used "behavioral risk scoring," which analyzes consumers' delinquency and payment history, to predict the likelihood that consumers will default on their loans and to determine when and how often to call consumers.

37. Since at least 2008, Green Tree's collections department had been charged with communicating with consumers who missed their payment due date by at least one day, had not paid before a late fee has been assessed, or are already in default on their mortgage. Green Tree's collections department separates collectors into "front-end" and "back-end" collectors. Front-end collectors call consumers who are between one and twenty-nine days late with their mortgage payments. Back-end collectors generally call consumers who are thirty or more days late in making their payments. Back-end collectors typically call consumers more frequently and exert more pressure on consumers than front-end collectors.

38. Although consumers do not have contact with back-end collectors unless and until they are late on their loans, Green Tree assigned every consumer a back-end collector (which Green Tree called a "single point of contact" or "SPOC") as soon as Green Tree acquired the

servicing rights to the consumer's loan. Once consumers are thirty-days late on their loans (and sometimes earlier if Green Tree decided that an aggressive approach was needed), a consumer interfaced with Green Tree mainly, if not exclusively, through the assigned back-end collector.

39. Consumers received many collection calls from their assigned back-end collector. In addition, whenever consumers who were delinquent by 30 days or more called Green Tree's 800 number with questions – including questions about their account status, fees, loss mitigation options, or escrow accounts – they were routed automatically to their assigned back-end collector, or to another available back-end collector if their assigned collector was unavailable.

40. As a result of Green Tree's routing system for handling incoming calls, consumers were often routed to a collector instead of a customer service representative. Indeed, many consumers' only option was to speak with collectors when they had questions or problems with their accounts. Even consumers who reached customer service representatives were often first asked to schedule a payment before receiving assistance if they were behind on their mortgage payments.

Green Tree's Loss Mitigation Activities

41. Through Green Tree, consumers who were having difficulty paying their mortgages could seek loss mitigation assistance, which included loan modifications, deferrals, extensions, and forbearances. Consumers could also arrange a short sale of their house as long as they obtained approval. As a mortgage servicer, Green Tree had received delegated authority from the investors that own the loans to approve short sale requests in some instances. In other cases, Green Tree sought approval from the investors before a short sale could proceed.

42. Primary responsibility for guiding consumers through the loss mitigation process rested with Green Tree's back-end collectors. The back-end collector assigned to the consumer's

account was responsible for sending the consumer loss mitigation application materials, contacting the consumer about any missing documents, and otherwise interacting with the consumer throughout the loss mitigation evaluation process.

43. Green Tree had not always informed consumers that those tasked with providing assistance are back-end collectors. Rather, Green Tree represented in correspondence to consumers that "customer service" and "account representatives" will assist consumers with loss mitigation options, questions about pending loan modification applications, missing loan modification application documents, and questions about debt validation notices involving delinquencies.

44. But Green Tree's compensation structure had not incentivized back-end collectors to work on loan modifications. The company's performance evaluations and compensation plans had not rewarded back-end collectors for work on loan modifications. Instead, a back-end collector's primary responsibility had been to handle collection work for the consumer's account if it is more than 30-days delinquent.

45. Green Tree participates in the Making Home Affordable ("MHA") program, which was launched by the United States Department of the Treasury in February of 2009. The MHA program was designed to help eligible homeowners refinance or modify their loans to obtain affordable payments. The Home Affordable Modification Program ("HAMP"), which is part of the MHA program, allows participating mortgage servicers to provide loan modifications under certain terms proscribed by the program in exchange for incentive payments. As a participating mortgage servicer, Green Tree offered loan modifications to consumers under HAMP. Consumers may be eligible for HAMP modifications if they have a financial hardship, are behind on their payments, or default is reasonably foreseeable. Consumers may also be eligible for proprietary

modifications offered by the investors who own their mortgage loans. The guidelines for proprietary modifications are set by these groups of investors.

46. HAMP focuses on affordable and sustainable modifications. HAMP also provides consumers and the investors who own the consumers' mortgages financial incentives for successful participation. Additional consumer benefits under HAMP modifications include waiver of late fees and a prohibition on modification fees. Proprietary modifications vary and may not provide similar benefits.

47. The HAMP guidelines prohibit a servicer from requiring a consumer to make any "good faith" payment or up-front cash contribution to be considered for a HAMP modification. Consumers who are unable to make a payment may, in fact, be considered for a loan modification or otherwise be evaluated for potential loss mitigation options.

48. In numerous instances, however, Green Tree's back-end collectors falsely represented to consumers that they must make a loan payment before they can be considered for a loan modification.

49. Another loss mitigation option that consumers might explore is a short sale. When a consumer sells a home in a short sale, the proceeds obtained typically fall short of the mortgage balance. The investor group that owns the consumer's mortgage must agree to the short sale, since it typically means they will release their claims on the property for less than the amount they are owed. As the investors' agent, Green Tree either makes the short sale decision if it has authority to do so or facilitates the communication between the investors and the consumer if it cannot approve or deny a short sale request itself.

50. In numerous instances, the investors who own consumers' mortgages have an incentive to agree to short sales because the amount they are paid – even if less than the amount

owed – is greater than what they would typically recover if the property went into foreclosure. By agreeing to a short sale, they also avoid the fees and costs associated with a foreclosure action.

51. In relation to foreclosure, short sales also can be advantageous to consumers. Although a short sale still will negatively impact a consumer's credit, the impact is generally less severe than that of a foreclosure. In addition, short sales are usually easier to plan for, as opposed to the unpredictable and frequently lengthy foreclosure process, and typically result in a waiver of deficiency amounts.

52. Some of the loans Green Tree services were owned by participants in the Home Affordable Foreclosure Alternative ("HAFA") program, which is part of the MHA program. HAFA requires short sale requests to be reviewed within 30-45 days depending on the identity of the owner of the loan. Green Tree also serviced loans for investors that do not participate in HAFA. These loans often have their own short sale requirements that Green Tree must follow.

53. In response to consumer requests for approval of a short sale, Green Tree represented to consumers in numerous instances that it would review and respond to the request within a set time period, *e.g.*, within thirty (30) days.

54. Upon information and belief, in numerous instances, however, consumers' requests to Green Tree for approval of a short sale met with significant delays. Green Tree's short sale department frequently was unreachable and nonresponsive. Despite multiple calls to the short sale negotiators, consumers and those working on their behalf did not receive return calls. Negotiator voice mailboxes often were full and would not accept messages. In numerous instances, Green Tree took two to six months to respond to consumers' short sale requests.

55. Upon information and belief, in numerous instances, as a result of these misrepresentations, consumers lost potential buyers who were not expecting to wait months to

complete the short sale. They also hade forgone other loss mitigation alternatives while their short sale requests were pending and ultimately faced foreclosures they could have avoided.

Green Tree's Failure to Recognize Consumers' "In-Process" Modifications

56. After Green Tree acquired servicing rights to a portfolio of loans, it gathered certain information about those loans from the prior servicer. The data gathered is commonly referred to as the "standard servicing data extract." Detailed loss mitigation data is not part of the standard servicing data extract that Green Tree acquires from prior servicers. In many instances, the loss mitigation data acquired by Green Tree had been incomplete or inaccurate.

57. To obtain a permanent HAMP modification, consumers are required to first enter into a trial period plan ("TPP") with the servicer. HAMP TPPs generally entitle the consumer to a permanent modification so long as the consumer makes all trial payments. Proprietary modifications may also have trial period plans that typically result in permanent modifications upon successful completion of all payments.

58. Many mortgages Green Tree acquired from other servicers had "In-Process Loan Modifications" in place at the time of acquisition. Some of these modifications are trial modifications, including HAMP TPPs, in which the prior servicer agreed to modify the loan payment terms and, in many cases, the consumer began to make the modified monthly payments. Others involve consumers who have completed making the trial payments by the time their loans were transferred to Green Tree but whose permanent modification was not input into the prior servicer's system before the transfer.

59. In many instances, the loss mitigation data Green Tree acquired regarding these In-Process Modifications had been incomplete or inaccurate. Green Tree employees assigned to work on the acquisition were responsible for requesting specific data such as the trial payment

history and modification documents, but in numerous instances, there was no process in place to confirm that this data has in fact been requested or received.

60. In numerous instances, Green Tree learned about In-Process Modifications from consumers during Green Tree's initial "Welcome Call" or subsequent collection calls. Green Tree would not honor an In-Process Modification, however, without conducting its own "validation."

61. As part of its validation process, Green Tree asked the consumer or the prior servicer to provide a copy of the consumer's modification paperwork.

62. In numerous instances, if Green Tree learned of an In-Process Modification from a consumer, but the information provided by the consumer did not match the account information provided by the prior servicer, it did not honor the In-Process Modification. In numerous instances, even if Green Tree subsequently obtained evidence from the prior servicer of an In-Process Modification, it still did not honor the In-Process Modification.

63. When Green Tree did not honor a consumer's In-Process Modification, in numerous instances, the consumer had to resubmit a loan modification application and Green Tree conducted its own assessment of the consumer's eligibility for a loan modification. Green Tree conducted this assessment for proprietary and HAMP modifications alike.

64. But, in numerous instances, Green Tree's validation process delayed recognition of a consumer's In-Process Modification for months, if it were even ultimately recognized at all. Green Tree required many consumers to be re-evaluated for a modification and to resubmit documents several months after beginning or completing their initial trial modification. Consumers also continued to receive collection calls while their In-Process Modification was being resolved. And Green Tree continued to seek payments from these consumers under the original, unmodified mortgage loan, and continued with its foreclosure timeline if consumers did

not make payments.

65. In numerous instances, Green Tree received written inquiries from consumers regarding errors in their accounts related to their In-Process Modifications, including the monthly payment amount, interest rate, and delinquency status.

66. In numerous instances, Green Tree failed to recognize such inquiries as "qualified written requests" subject to RESPA and failed to acknowledge receipt within 20 days and to respond to consumers about account errors within 60 days by either correcting erroneous account information or explaining why the account information was not in error.

67. In numerous instances, Green Tree furnished adverse information regarding payments that were the subject of qualified written requests to consumer reporting agencies during the 60-day period following receipt.

Green Tree's False or Unsubstantiated Claims

68. A large number of loans Green Tree acquired from other servicers contained inaccurate data regarding the status of the loan, fees owed, and corporate advances.

69. As described above, a large number of loans acquired from other servicers contained inaccurate or incomplete data regarding the consumers' in-process loan modifications.

70. In some instances, Green Tree knew or had reason to believe that specific portfolios of loans contained unreliable or missing data about the consumers' loans.

71. In many instances, consumers disputed or attempted to dispute the amounts that Green Tree claimed the consumers owed or other aspects of the loan terms. In many of these instances, Green Tree refused to consider the disputes.

72. In many instances in which consumers disputed the amounts that Green Tree claimed they owed, Green Tree eventually admitted that the consumers did not owe the amounts

initially claimed.

73. In many instances, Green Tree made false representations about the amounts consumers owed or the terms of their loans. Green Tree knew or should have known that the amounts it claimed consumers owed or the loan terms it imposed upon consumers were inaccurate.

Green Tree's Unlawful Collection Practices

74. From its offices in St. Paul, Minnesota, Tempe, Arizona, Fort Worth, Texas, and Rapid City, South Dakota, and from several smaller regional offices, Green Tree engaged in debt collection activities throughout the United States. Green Tree regularly attempted to collect debts by placing telephone calls to consumers.

75. Green Tree's collection activities are governed by Section 5 of the FTC Act and Sections 1031 and 1036(a)(1)(B) of the CFPA, both of which prohibit unfair or deceptive acts or practices. For mortgages in default at the time Green Tree acquired them, Green Tree is a debt collector as defined by the FDCPA and its collection activities are covered by the FDCPA, in addition to the FTC Act and the CFPA.

76. Upon information and belief, in numerous instances in which the debt was already in default at the time Green Tree acquired it, Green Tree called third parties more than once to obtain location information for consumers, even though: (i) the third parties had not requested additional calls and (ii) Green Tree had no reason to believe that the information originally obtained from the third parties was inaccurate or incomplete.

77. Upon information and belief, in numerous instances, Green Tree revealed debts to consumers' employers and co-workers. Such disclosures can adversely affect consumers' employment situations, including, among other things, job retention, promotions, compensation, or job assignments.

78. Upon information and belief, in numerous instances in which the debt was already in default at the time Green Tree acquired it, Green Tree revealed debts to third parties, such as family members, employers, co-workers, tenants, and neighbors of consumers. Sometimes, Green Tree encouraged third parties to tell the consumers to get in touch with Green Tree and set up a payment, or encouraged the third parties to help consumers make payments.

79. Upon information and belief, in numerous instances in which the debt was already in default at the time Green Tree acquired it, Green Tree called consumers at unusual times or places, or times or places which it knew or should have known to be inconvenient to the consumers. For example, Green Tree called: (i) early in the morning, such as at 5:00 a.m., or late at night, such as at 11:00 p.m. and (ii) at times or places that consumers informed Green Tree were inconvenient.

80. Upon information and belief, in numerous instances, Green Tree called consumers at work, even though the consumers previously informed Green Tree that the consumers' employers prohibit them from receiving personal telephone calls at work. In some instances, consumers were disciplined at work due to the impermissible calls.

81. Upon information and belief, in numerous instances in which the debt was already in default at the time Green Tree acquired it, Green Tree used obscene, profane, or abusive language in its collection calls, such as calling consumers "deadbeats" or "worthless," telling them "you should leave your husband if he can't provide for you" or to "get a real job," mocking consumers' illnesses or other struggles, and yelling and cursing at consumers.

82. Upon information and belief, in numerous instances in which the debt was already in default at the time Green Tree acquired it, Green Tree called consumers repeatedly with the intent to annoy, harass, or abuse. For example, Green Tree collectors frequently: (i) called consumers between seven and twenty times per day, every day, week after week; (ii) called

consumers again despite having already spoken to the consumers earlier that day; (iii) called consumers again as soon as a call was terminated; and (iv) left multiple voicemail messages for consumers in the same day.

83. Upon information and belief, in numerous instances, Green Tree represented that nonpayment of consumers' mortgages will result in their arrest or imprisonment, or the seizure, garnishment, attachment, or sale of property or wages, when in fact such action is not lawful or Green Tree did not intend to take such action. Upon information and belief, Green Tree often represented that it will foreclose upon consumers' homes if consumers do not make their payments over the phone immediately. In fact, Green Tree often made such representations even though (a) it was not lawful at the time of Green Tree's representation to initiate foreclosure proceedings; (b) Green Tree lacked authority to arrest or imprison consumers, or (c) it was not company policy to seek a garnishment of consumers' wages.

Green Tree's Representations Regarding Payments and Use of Unauthorized Withdrawals

84. Upon information and belief, in numerous instances, Green Tree pressured consumers to make payments using Speedpay, a payment method that charges consumers a $12 convenience fee per transaction. Upon information and belief, Green Tree often represented to consumers, either expressly or by implication, that Speedpay is the only available payment method, or that consumers must use Speedpay in order to avoid incurring a late fee. In fact, Green Tree accepts several other payment methods, some of which do not charge consumers a convenience fee. For example, Green Tree accepted checks and ACH payments without assessing consumers a convenience fee. In many instances, consumers could have used these other payment methods to make timely payments and avoid a late fee.

85. Upon information and belief, in numerous instances, Green Tree took payments

from consumers' bank accounts without the consumers' authorization. For example, consumers who provide their bank account information to Green Tree to set up one payment through Speedpay later discovered that the company used their account information to set up additional, unauthorized payments.

86. Upon information and belief, in numerous instances, Green Tree represented that consumers do not have a "grace period" after the due date on their loans, during which they would be able to make a payment without incurring a late fee. In fact, consumers' promissory notes did not recognize a period between the due date and the date on which a late fee is assessed. In other words, the notes contain a "grace period." In part due to Green Tree's misrepresentations regarding the grace period, many consumers used expedited payment methods that charge a convenience fee, under the belief that such methods are the only way to make timely payments without a grace period.

Green Tree's Inaccurate Reporting to Credit Bureaus

87. Upon information and belief, in numerous instances, Green Tree furnished consumers' credit information to consumer reporting agencies when it knew, or had reasonable cause to believe, that the information was inaccurate. Similarly, in numerous instances, Green Tree failed to correct information that it furnished to a consumer reporting agency once it determined that the information furnished was not complete or accurate. In many of these instances, consumers informed Green Tree that it reported incorrect information to the consumer reporting agencies, yet it failed to correct the information.

Green Tree's Problems with Handling Escrow Accounts

88. As part of its work as a mortgage servicer, Green Tree administered consumers' escrow accounts. For consumers whose loans include escrow accounts, Green Tree calculated the

annual amount necessary to cover required property tax and insurance payments, as applicable, divided that sum into 12 installments, and included the resulting amount in consumers' required monthly payment. Green Tree generally also includes an additional amount as a "cushion" to prevent a shortfall in the escrow account. Cushions, if properly calculated, are permissible under RESPA.

89. When Green Tree received payments from consumers with escrow accounts, it disburses the principal and interest portion of the payment to the appropriate entity. The remaining amount was held in a segregated account to be disbursed to the appropriate taxing authority or insurance company when their tax and insurance payments come due.

90. Upon information and belief, in numerous instances, however, Green Tree failed to timely pay property taxes for consumers. Green Tree's failure to make timely tax payments jeopardized consumers' continued home ownership and, in some instances, also has caused consumers' names to be listed in local publications on the delinquent tax rolls.

Green Tree's Violations of Section 5 of the FTC and the CFPA

91. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or deceptive acts or practices in or affecting commerce."

92. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act. Acts or practices are unfair under Section 5 of the FTC Act if they cause substantial injury to consumers that consumers cannot reasonably avoid themselves and that is not outweighed by countervailing benefits to consumers or competition. 15 U.S.C. § 45(n).

93. Sections 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531 and 5536(a)(1)(B), prohibit covered persons from engaging "in any unfair, deceptive, or abusive act or

practice." Acts or practices are unfair under the CFPA if "the act or practice causes or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers" and "such substantial injury is not outweighed by countervailing benefits to consumers or competition." 12 U.S.C. § 5531(c).

94. Green Tree was a "covered person" within the meaning of the CFPA, 12 U.S.C. §§ 5481(6).

Deceptive Acts and Practices Regarding Account Terms and Status

95. Upon information and belief, in numerous instances in the course of servicing mortgage loans and collecting debts from consumers, Green Tree represented to consumers, directly or indirectly, expressly or by implication, that the consumers' mortgage loans had certain unpaid balances, payment due dates, interest rates, monthly payment amounts, delinquency statuses, and unpaid fees or other amounts due.

96. In truth and in fact: (a) Green Tree had knowledge or reason to believe that a specific portfolio contained unreliable data but failed to obtain information substantiating the accuracy of the data prior to collecting; (b) Green Tree had knowledge or reason to believe that a consumer had an In-Process Loan Modification with the prior servicer of the loan but continued to seek to collect payments from the consumer under the original, unmodified mortgage loan terms; or (c) Consumers disputed or attempted to dispute the validity or accuracy of the amount of debt and Green Tree failed to review information substantiating the amount of debt, or failed to consider the consumers' disputes, prior to continuing collection.

97. Walter Investment later announced that it was merging Green Tree with another of Walter Investment's well-known subsidiaries, Ditech Mortgage Corp, to form a new company, Ditech Financial ("Ditech").

98. Denmar Dixon, who was Walter Investment's Vice Chairman of the Board, Chief Investment Officer and Executive Vice President, replaced O'Brien as CEO and President in October 2015. On June 8, 2016, the Company and Dixon entered into a Separation Agreement and General Release of Claims (the "Dixon Separation Agreement") pursuant to which Dixon resigned as Chief Executive Officer and President and as a director and Vice Chairman of the Board, in each case effective June 30, 2016 (the "Dixon Resignation Date"). Pursuant to the Dixon Separation Agreement, the Company has paid or agreed to pay Dixon, subject to certain conditions specified therein: (i) a cash payment of $598,356 on March 3, 2017, representing a prorated annual bonus for 2016 based upon the number of days Dixon was employed by the Company during 2016; (ii) an aggregate amount of $862,500, representing his base salary as in effect on the Dixon Resignation Date for a period of 18 months, paid in accordance with the Company's ordinary payroll practices; (iii) an aggregate amount of $1,800,000, representing his annual bonus for a period of 18 months after termination ($600,000 of which was paid on March 3, 2017, and the remainder of which will be paid on or before March 14, 2018); and (iv) an aggregate amount of $357,017 ($157,017 of which was paid in accordance with the Company's ordinary payroll practices from August through October 2016, and the remaining $200,000 of which was paid on March 3, 2017), in recognition for the transition services provided by Dixon. The Company has also agreed to pay Dixon each month an amount equal to the premiums for him to continue his and his dependents' health and dental coverage under the plans sponsored by the Company pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA), until the earlier of the 18-month anniversary of the Dixon Resignation or until he is eligible to receive comparable benefits from subsequent employment or government assistance. In lieu of the 2016 long-term incentive opportunity and certain rights to cash-out equity awards described in Dixon's

employment agreement, subject to a release of claims and a supplemental release which Dixon has executed, Dixon received: (i) a cash payment of $2,250,000 on July 22, 2016; and (ii) 125,000 restricted stock units that vested and settled on June 30, 2016. With respect to Dixon's outstanding awards of RSUs, performance shares and options, all such awards remained outstanding following his resignation and will continue to vest as though Dixon remained employed by the Company through each applicable vesting date, but will otherwise remain subject in all respects to the terms of the relevant plan.

99. On February 8, 2016, Walter Investment announced that Patricia Cook, Walter Investment's Executive Vice President and Ditech's President "left the Company." That same press release also stated that "[t]he Company intends to pay Ms. Cook a cash bonus in the amount of $300,000 for her service to the Company in 2015."

100. On that same day, the Company announced that David Schneider ("Schneider") (the Company's Executive Vice President) will be named President of Ditech with responsibility for leading both the Servicing and Originations businesses. Effective October 12, 2016, Schneider left the Company. In connection with his departure, the Company and Schneider entered into a Separation Agreement and Release of Claims, dated December 2, 2016 (the "Schneider Separation Agreement"). Pursuant to the Schneider Separation Agreement, Schneider will receive the following payments: (i) an amount equal to $425,000, payable over a period of six months in accordance with the Company's normal payroll practices, with the first of such installments commencing with the first regularly scheduled payroll date immediately following December 10, 2016 (the "Release Effective Date"); (ii) an amount equal to $690,000, payable in three substantially equal installments within approximately six months following the Release Effective Date; and (iii) an amount equal to $98,000, payable in a lump sum on the first regularly scheduled

payroll date immediately following the Release Effective Date, in each case, subject to the terms and conditions of the Schneider Separation Agreement. In addition, subject to Schneider's election of continuation coverage under COBRA, the Company will pay the Company portion of health, dental and/or vision benefits for a period of twelve months in the same amount as would be paid in respect of similarly situated active employees. Except for the noncompetition provision, which the Company has waived, the post-termination restrictive covenants set forth in the employment agreement between the Company and Schneider, dated February 10, 2015, remain in effect. Additionally, pursuant to the terms of the applicable equity award agreements, Schneider retained certain unvested stock options following his departure. Such stock options will continue to vest in accordance with the applicable vesting schedule, and except for the non-competition provision, which the Company has waived, the stock options will otherwise remain subject in all respects to the terms of the applicable equity award agreements and to the Amended and Restated 2011 Plan.

101. On March 2, 2016, the Company announced that Schneider was also being appointed as the Company's Chief Operating Officer ("COO"). The press release also stated in relevant part:

> Mr. Schneider, age 50, has served as Executive Vice President of the Company since October 2014 and President of Ditech Financial since January 2016, and has responsibility for all operations and strategic oversight of the Company's mortgage loan servicing and originations businesses. ***He previously served as President, Servicing of Ditech Financial from August 2015 to January 2016 and as President of Green Tree Credit Solutions LLC and its subsidiaries from October 2014 to August 2015.*** Mr. Schneider joined the Company in October 2013 as Executive Vice President, Business Development for Green Tree Servicing LLC ("Green Tree").

102. On June 8, 2016, the Company announced that Denmar J. Dixon ("Dixon") resigned as CEO and as a director. As part of his resignation, the Company agreed to pay Dixon millions of dollars as part of a separation agreement. The press release also stated in relevant part:

> In connection with his resignation, the Company entered into a Separation Agreement and General Release of Claims with Mr. Dixon dated June 8, 2016 (the "Separation Agreement"). Pursuant to the Separation Agreement, the Company has agreed to pay Mr. Dixon, subject to certain conditions (including Mr. Dixon's release of any claims against the Company and agreement to provide transition services to the Company for the period of time between the date of the Separation Agreement and June 30, 2016, Mr. Dixon's last day of employment with the Company, and his execution and delivery of a supplemental release applicable to the period between the effective date of the Separation Agreement and June 30, 2016): (i) a prorated annual bonus for 2016 based on actual performance achieved under the terms of the bonus plan, prorated for the number of days Mr. Dixon was employed by the Company during 2016; (ii) continued base salary for a period of eighteen (18) months; and (iii) continued payment of the annual bonus amounts (based on actual performance under the bonus plan, and at least equal to Mr. Dixon's 2016 target bonus of $1,200,000) that Mr. Dixon would have received had he remained employed for a period of eighteen (18) months after termination (without duplication with the prorated annual bonus described in clause (i)). The Company has also agreed to pay Mr. Dixon each month an amount equal to the premiums for him to continue his and his dependents' health and dental coverage under the plans sponsored by the Company pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA), until the earlier of the 18-month anniversary of his termination date or until he is eligible to receive comparable benefits from subsequent employment or government assistance. In lieu of the 2016 long-term incentive opportunity and certain rights to cash out equity awards described in Mr. Dixon's employment agreement, subject to the release of claims and supplemental release described above, ***Mr. Dixon will receive: (i) a cash payment of $2,250,000 within 45 days following the date of the Separation Agreement***; and (ii) 125,000 restricted stock units ("RSUs") issued under the Company's 2011 Omnibus Incentive Plan, as amended and restated, which RSUs will vest on June 30, 2016 and be settled in the form of shares of Company common stock as soon as practicable following June 30, 2016. With respect to Mr. Dixon's awards of RSUs, performance shares and options, all such awards will remain outstanding and continue to vest as though Mr. Dixon remained employed by the Company through each applicable vesting date, but will otherwise remain subject in all respects to the terms of the relevant plan. In recognition of the transition services to be provided by Mr. Dixon, Mr. Dixon will receive a cash payment of $200,000 on March 15, 2017. [Emphasis added].

103. On June 8, 2016, Defendant Awad was elected to serve as the Company's interim CEO and President. The Company's press release stated in relevant part:

> In connection with his appointment as interim Chief Executive Officer and President of the Company, a director and Executive Chairman of the Board, the Company entered into a Letter Agreement with Mr. Awad dated June 8, 2016 (the "Letter Agreement") […]

> Pursuant to the Letter Agreement, Mr. Awad will be eligible to receive an award of 500,000 restricted stock units on or about June 30, 2016. The agreement governing such award will provide, among other things, that the restricted stock units will vest (i) ratably in annual installments over three years on September 30 of each of 2016, 2017 and 2018, (ii) upon a change in control and (iii) if Mr. Awad is not nominated for re-election as a director. During the Transition Period, Mr. Awad will be eligible for compensation provided to non-employee directors under the Company's non-employee director compensation policy. Mr. Awad is also entitled to the same insurance, indemnification, compensation and expense reimbursement arrangements as apply to other non-employee directors of the Company.

104. Further, the 2016 Board received a letter dated June 15, 2016 from counsel to another stockholder demanding that the Board assert legal claims against certain current and former directors and officers of the Company. Defendants Awad, Beltzman, de Molina, Meurer, and Perelman were members of the 2016 Board.

105. The other stockholder (much like Plaintiff here) alleged that these directors and officers breached their fiduciary duties by failing to oversee the Company's operations and internal controls regarding its loan servicing, loan origination, reverse mortgage and financial reporting practices (red flags of identical activities that have continued to the present).

106. On June 27, 2016, the 2016 Board formed an Evaluation Committee to consider and make a recommendation to the 2016 Board concerning the stockholder demand. Plaintiff does not know who comprised this Evaluation Committee. On November 11, 2016, the Evaluation Committee recommended that the 2016 Board refuse the demand, and the 2016 Board adopted the Evaluation Committee's recommendation.

107. On August 8, 2016, the Company announced that Defendant Renzi was elected to serve as the Company's CEO and President. The Company press release also stated in relevant part:

> In connection with his election as Chief Executive Officer and President of the Company, on August 8, 2016, the Company entered into an employment agreement

(the "Employment Agreement") with Mr. Renzi. […]

> The Employment Agreement provides for a base salary of $500,000, subject to annual review and increase (but not decrease) by the Compensation and Human Resources Committee of the Board of Directors of the Company (the "Compensation Committee"). The Employment Agreement also provides for a guaranteed 2016 fiscal year bonus of $1,750,000, the payment of which is subject to Mr. Renzi's continued employment through the date of payment of the 2016 bonus. For each full fiscal year during the employment term beginning with the 2017 fiscal year, Mr. Renzi is eligible to receive an annual bonus in an amount to be determined by the Compensation Committee, which actual bonus payment amount will be contingent upon achievement of annual Company and individual performance objectives for the applicable fiscal year.
>
> * * *
>
> In addition, ***the Employment Agreement provides for a signing bonus of $2,500,000,*** payable in a lump sum cash payment on the first payroll date immediately following the Effective Date.
>
> * * *
>
> In the event of a termination of employment by the Company without Cause, due to non-renewal of the term of employment by the Company, or by Mr. Renzi for Good Reason, subject to Mr. Renzi's execution, delivery and non-revocation of a release of claims and compliance with the restrictive covenants by which he is bound, he will receive, in addition to certain accrued amounts.

108. On October 12, 2016, the Company announced that Schneider, the Company's Executive Vice President and COO, and Ditech's President "left the Company."

109. On December 2, 2016, the Company announced that it had entered into a Separation Agreement with Schneider, and that included Schneider receiving a payout of hundreds of thousands of dollars.

THE SAME DECEPTIVE ACTS AND PRACTICES CONTINUE

110. On March 14, 2017, the Company filed a Form 10-K with the SEC announcing the financial and operating results for the fourth fiscal quarter and fiscal year ended December 31, 2016 ("2016 Form 10-K"). The 2016 Form 10-K stated in relevant part:

> ***We identified a material weakness in our internal controls over financial reporting. If we do not adequately address this material weakness, if we have other material weaknesses or significant deficiencies in our internal controls over financial reporting in the future, or if we otherwise do not maintain effective internal controls over financial reporting, we could fail to accurately report our financial results, which may materially adversely affect our business and financial condition.*** […]
>
> ***For the year ended December 31, 2016, we concluded there was a material weakness in internal controls over financial reporting related to operational processes associated with Ditech Financial default servicing activities***. We have initiated steps to remediate this material weakness. While we believe these steps will improve the effectiveness of our internal controls over financial reporting and remediate the material weakness, if our remediation efforts are insufficient to address the material weakness, or if additional material weaknesses in our internal controls are discovered in the future, they may adversely affect our ability to record, process, summarize and report financial information timely and accurately and, as a result, our financial statements may contain material misstatements or omissions.
>
> * * *
>
> As of December 31, 2016, ***we identified a material weakness in internal controls over operational processes within the transaction level processing of Ditech Financial default servicing activities.*** Specifically, ***we did not design and maintain effective controls related to our ability to identify foreclosure tax liens and resolve such liens timely, foreclosure related advances, and the processing and oversight of loans in bankruptcy status. This resulted in several adjustments to reserves during the fourth quarter of 2016 totaling $16.3 million for exposures related to deficient processes within the operating control environment for default servicing***. [Emphasis added].

111. The 2016 Form 10-K also disclosed that RMS was being investigated (yet again) for potential violations of the False Claims Act:

> In recent years, HUD and the DOJ have pursued actions against FHA-approved lenders, including RMS, under the False Claims Act, which imposes liability on any person who knowingly makes a false or fraudulent claim for payment to the U.S. government. Potential penalties are significant as these actions may result in treble damages and several large settlements have been entered into by HUD-approved mortgagees who have allegedly violated the False Claims Act. ***RMS received a subpoena dated June 16, 2016 from the Office of Inspector General of HUD requiring RMS to produce documents and other materials relating to, among other things, the origination, underwriting and appraisal of reverse mortgages for the time period since January 1, 2005. RMS also received a***

> ***subpoena from the Office of Inspector General of HUD dated January 12, 2017 requesting certain documents and information relating to the origination and underwriting of certain specified loans. This investigation, which is being conducted in coordination with the U.S. Department of Justice, Civil Division, could lead to a demand or claim under the False Claims Act, which allows for penalties and treble damages, or other statutes***. [Emphasis added].

112. On release of the news, the Company's share price fell $1.30 from a closing price on March 13, 2017 of $2.70 per share to a close of $1.60 per share, a drop of approximately 40%.

113. On May 26, 2017, the Company filed a Form 8-K with the SEC, stating in relevant part:

> On May 26, 2017, management of the Company, after consultation with Ernst & Young LLP ("EY"), the Company's independent registered public accounting firm, concluded that, due to an accounting error, as described below, the previously issued audited consolidated financial statements and other financial information contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and the previously issued unaudited consolidated financial statements and other financial information contained in the Company's Quarterly Reports on Form 10-Q for the fiscal periods ended June 30, 2016, September 30, 2016 and March 31, 2017 (the "Original Filings") should no longer be relied upon. The Audit Committee of the Board of Directors of the Company, acting on the recommendations of management and after consultation with EY, also concluded that, due to such accounting error, the previously issued audited and unaudited consolidated financial statements and other financial information contained in the Original Filings should no longer be relied upon. Similarly, related earnings releases and other financial communications for these periods should no longer be relied upon.
>
> The Company has become aware of an error in the calculation of the valuation allowance on the deferred tax asset balances in the Original Filings. The Company's methodology effectively resulted in a duplication of the reversal of taxable temporary differences. Accordingly, the Company is in the process of revising its calculation to eliminate the duplication.
>
> Although the Company has not determined the precise amount of the adjustments to the valuation allowance on the deferred tax asset balances included in the Original Filings, ***such amounts are anticipated to be material***. The Company's net deferred tax asset balances were $273.8 million as of June 30, 2016, $425.9 million as of September 30, 2016, $299.9 million as of December 31, 2016, and $299.6 million as of March 31, 2017. The impact of these adjustments will be to materially reduce the overall net deferred tax asset balances by increasing the

valuation allowance, and reducing the tax benefit recorded in the Company's previously issued consolidated statements of comprehensive loss.

These adjustments are not anticipated to have an effect on the reported net operating cash flows of the Company for the restated periods reflected in the Original Filings.

The Company will work with the Audit Committee to determine the amendments required to be made to the Original Filings to reflect the adjustment to the valuation allowance on the deferred tax asset balances as expeditiously as possible. Upon the completion of this process, which could identify further adjustments in addition to those discussed above, the Company anticipates filing required amendments to the Original Filings with the Securities and Exchange Commission (the "SEC") as soon as practicable to reflect the impact of the correction of the error.

The Company has reassessed the Company's internal control over financial reporting and disclosure controls and procedures in light of the error. The Company has determined that a material weakness relating to the ineffective review of the tax calculations associated with the valuation allowance on the deferred tax asset balances existed for the affected periods, and therefore the Company's internal controls over financial reporting and disclosure controls and procedures were ineffective. Further details and remediation plans will be reflected in the amended filings.

The Audit Committee and the Company's management have discussed the matters disclosed in this Item 4.02(a) with EY, the Company's independent registered public accounting firm.

The need to restate the Company's financial statements will require that the Company seek appropriate amendments, waivers and/or forbearances to a number of its and its subsidiaries' credit and financing arrangements, including the agreements described in Items 1.01 and 2.03 above, and certain other agreements. [Emphasis added].

114. On August 9, 2017, Walter Investment amended its previously filed Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2016, September 30, 2016 and March 31, 2017 (collectively, the "Amended Filings") in order to correct an error in the Company's calculation of the valuation allowance on its deferred tax asset balances (the "Restatement").

115. On August 9, 2017, the Company also filed its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (the "2017 Second Quarter Report").

116. On August 11, 2017, Walter Investment received written notification (the "Notice") from the New York Stock Exchange ("NYSE") that the Company was considered to be non-compliant with the continued listing standards set forth under Rule 802.01B of the NYSE Listed Company Manual because the average market capitalization of the Company's common stock was less than $50 million over a consecutive 30 trading-day period, while its last reported stockholders' equity was less than $50 million.

117. On August 16, 2017, the Company issued a press release, in accordance with and as required by the rules of the NYSE, announcing receipt of the Notice.

Various Subpoenas Issued and Litigation Against the Company

118. RMS received a subpoena dated June 16, 2016 from the Office of Inspector General of HUD requiring RMS to produce documents and other materials relating to, among other things, the origination, underwriting and appraisal of reverse mortgages for the time period since January 1, 2005. RMS also received a subpoena from the Office of Inspector General of HUD dated January 12, 2017 requesting certain documents and information relating to the origination and underwriting of certain specified loans. This investigation, which is being conducted in coordination with the U.S. Department of Justice, Civil Division, could lead to a demand or claim under the False Claims Act, which allows for penalties and treble damages, or other statutes.

119. On July 27, 2016, RMS received a letter from the New York Department of Financial Services requesting information on RMS's reverse mortgage servicing business in New York.

120. RMS received a subpoena dated March 30, 2017 from the Office of the Attorney General of the State of New York requiring RMS to produce documents and information relating to, among other things, the servicing of HECMs insured by the FHA during the period since

January 1, 2012.

121. The Company has received various subpoenas for testimony and documents, motions for examinations pursuant to Federal Rule of Bankruptcy Procedure 2004, and other information requests from certain Offices of the U.S. Trustees, acting through trial counsel in various federal judicial districts, seeking information regarding an array of the Company policies, procedures and practices in servicing loans to borrowers who are in bankruptcy and our compliance with bankruptcy laws and rules.

122. Since mid-2014, the Company has received subpoenas for documents and other information requests from the offices of various state attorneys general who have, as a group and individually, been investigating the Company's mortgage servicing practices.

123. The Company is also involved in litigation, including putative class actions, and other legal proceedings concerning, among other things, lender-placed insurance, private mortgage insurance, bankruptcy practices, employment practices, the Consumer Financial Protection Act, the Fair Debt Collection Practices Act, the TCPA, the Fair Credit Reporting Act, TILA, RESPA, EFTA, the ECOA, and other federal and state laws and statutes.

124. In *Sanford Buckles v. Green Tree Servicing LLC and Walter Investment Management Corporation*, filed on August 18, 2015 in the U.S. District Court for the District of Nevada, Ditech Financial is subject to a putative class action suit alleging that Ditech Financial, within the three years prior to the filing of the complaint, improperly recorded phone calls received from, and/or made to, persons in Nevada at the time of the call, and did so without their prior consent in violation of Nevada state law. The plaintiff in that suit, on behalf of himself and others similarly situated, seeks punitive damages, statutory penalties and attorneys' fees. Ditech Financial moved to dismiss the complaint, and the court determined that the relevant issue is a

question of Nevada law to be decided by the Nevada Supreme Court. Accordingly, further proceedings in the U.S. District Court are stayed pending a decision by the Nevada Supreme Court.

125. In *Kamimura, Lee C. v. Green Tree Servicing LLC*, filed on April 8, 2016 in the U.S. District Court for the District of Nevada, Ditech Financial is subject to a putative nationwide class action suit alleging FCRA violations by obtaining credit bureau information without a permissible purpose after the discharge of debt owed to Ditech Financial pursuant to Chapter 13 of the Bankruptcy Code. The plaintiff in that suit, on behalf of himself and others similarly situated, seeks actual and punitive damages, statutory penalties, and attorneys' fees and litigation costs.

126. Ditech Financial is also subject to several putative class action suits alleging violations of the TCPA for placing phone calls to plaintiffs' cell phones using an automatic telephone dialing system without their prior consent. The plaintiffs in these suits, on behalf of themselves and others similarly situated, seek statutory damages for both negligent and knowing or willful violations of the TCPA.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

127. Plaintiff brings this action derivatively in the right and for the benefit of the Company to redress injuries suffered and to be suffered as a direct and proximate result of the breaches of fiduciary duties and gross mismanagement by Defendants.

128. Plaintiff will adequately and fairly represent the interests of the Company and its shareholders in enforcing and prosecuting its rights and has retained counsel competent and experienced in derivative litigation.

129. Plaintiff is a current owner of Walter Investment stock and has continuously been an owner of the stock during all times relevant to Defendants' illegal and wrongful course of

conduct alleged herein. Plaintiff understands his obligation to hold stock throughout the duration of this action and is prepared to do so.

130. During the wrongful course of conduct at the Company, the Board consisted of the Defendants. Because of the facts set forth throughout this Amended Complaint, demand on the Board to institute this action is not necessary because such a demand would have been a futile and useless act.

131. The Board is currently comprised of eight (8) members: Awad, Beltzman, Bhaskaran, Goldman, Meurer, de Molina, Perelman, and Renzi. Thus, Plaintiff is required to show that a majority of the Demand Defendants, *i.e.*, four (4), cannot exercise independent objective judgment about whether to bring this action or whether to vigorously prosecute this action.

132. Defendants face a substantial likelihood of liability in this action. Because of their advisory, executive, managerial, and directorial positions with the Company, each of the Defendants had knowledge of material non-public information regarding the Company and was directly involved in the operations of the Company at the highest levels.

133. Defendants (or at the very least a majority of them) cannot exercise independent objective judgment about whether to bring this action or whether to vigorously prosecute this action. For the reasons that follow, and for reasons detailed elsewhere in this complaint, Plaintiff has not made (and should be excused from making) a pre-filing demand on the Board to initiate this action because making a demand would be a futile and useless act.

134. Defendants approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from the Company's stockholders or recklessly and/or with gross negligence disregarded the wrongs complained of herein, and are therefore not disinterested parties.

135. Because of their participation in the gross dereliction of fiduciary duties, and breaches of the duties of due care, good faith, and loyalty, Defendants are unable to comply with their fiduciary duties and prosecute this action. Each of them is in a position of irreconcilable conflict of interest in terms of the prosecution of this action and defending themselves in the securities fraud class action lawsuit brought under the Securities Exchange Act of 1934.

136. Additionally, each of the Defendants received payments, benefits, stock options, and other emoluments by virtue of their membership on the Board and their control of the Company.

THE DIRECTOR DEFENDANTS ARE NOT INDEPENDENT OR DISINTERESTED

Defendant Renzi

137. Defendant Renzi is not disinterested or independent, which is admitted by the Company in its 2017 Proxy, and therefore, is incapable of considering any demand. Defendant Renzi is also the President and CEO of the Company, and derives substantially all of his income from his employment with the Company, making him not independent. Renzi is also a defendant in the securities class action now pending entitled *Elkin v. Walter Investment Mgmt. Corp., et al.*, Civil Action: No. 17-2025 (E.D. Pa.) ("Securities Class Action").

138. As such, Defendant Renzi cannot independently consider any demand to sue himself for breaching his fiduciary duties to the Company, because that would expose him to liability and threaten his livelihood.

Defendant Perelman

139. Defendant Perelman is the managing partner of Baker Street Management, LLC ("Baker Street"). Defendant Perelman and Baker Street have a combined beneficial ownership of Walter Investment stock of 23.93%. At the end of 2015, Baker Street's fund was valued at $142

million, ***$123 million of which was invested in Walter Investment***. Baker Street has reported to the SEC that Walter Investment has been the only U.S. stock in its hedge fund's portfolio ever since.

140. As a member of the Compliance Committee, Defendant Perelman's duties and responsibilities include monitoring the formulation and implementation of the Company's compliance management system "including its program for compliance with state and Federal consumer financial protection laws, rules and regulations and other laws, rules, regulations, guidance and standards governing its consumer-oriented businesses." Defendant Perelman failed to meet his responsibilities of this committee as acknowledged in Walter Investment's 2016 Form 10-K, and as alleged herein.

141. As a member of the Compensation and Human Resources Committee, Defendant Perelman was required to review and approve any severance or termination arrangements. As alleged herein, Walter Investment paid out millions of dollars to departing CEO's and other officers at a time when the Company settled wrongful conduct claims relating to RMS and Greentree (now Ditech) totaling in excess of $93 million, and also at a time when the Company was publicly reporting net losses. On information and belief, Plaintiff alleges that no Walter Investment Director, including Defendant Perelman, conducted any due diligence relating to each and every exiting officer who received a payout to determine if said departure should be characterized as "for cause", or otherwise was entitled to or deserving of a separation payment.

142. As a member of the Nominating and Corporate Governance Committee, Defendant Perelman's duties and responsibilities include, but are not limited to, overseeing a review of the independence of the directors, risks related to the Company's governance structure and processes, and develop, recommend to the Board, monitor a set of corporate governance guidelines, and

review and approve each Committee's charter.

143. Each and every Committee charter includes a "self -evaluation" provision, which provision was reviewed and approved by Defendant Perelman as a member of the Nominating and Corporate Governance Committee. By the terms of this "self-evaluation" provision each Committee, and the Board, completes an assessment of itself to determine (among other things) if it has fulfilled its duties and responsibilities. There is no outside or independent evaluation to confirm that each director has fulfilled his duties and responsibilities.

144. Because of Defendant Perelman's large stake in Walter Investment and for other reasons as alleged herein, Defendant Perelman himself is not independent and cannot and should not be tasked and trusted to determine the independence of himself and the other directors.

145. As a major shareholder, particularly one owning a very substantial portion of the Company's stock, Defendant Perelman had control of the selection of the other directors. The fact of Perelman's position as an overwhelmingly dominant shareholder is sufficient to support a conclusion that Perelman dominates the Board, whoever its members might be, and therefore that a demand on those directors to sue the stockholder that put them in their positions would be futile.

146. In addition, Defendant Perelman was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities (much of the same practices that plagued its subsidiaries Green Tree and RMS). These were red flags that took place before the Relevant Period and have continued to the present.

Defendant Beltzman

147. Defendant Beltzman is the managing member of the general partner of Birch Run Capital Advisors, LP ("Birch Run"). Beltzman and Birch Run have a combined beneficial ownership of Walter Investment stock of 20.62%. As stated in a November 17, 2015

bizjournal.com article:

> Beltzman's appointment [as a Walter Investment director] appears to be a preemptive strike against more aggressive investors who might seek to make deeper changes at Walter (NYSE: WAC), a Tampa firm that services and originates home loans.
>
> Walter's board adopted a shareholder rights plan in June after Baker Street Capital of Los Angeles bought up nearly 20 percent of the stock. The so-called "poison pill" was intended to reduce the potential that any person or group could gain control of the company by open market accumulation or other tactics without paying a control premium, a news release said.
>
> Walter amended the shareholder rights agreement last week, to allow Birch Run to hold up to 25 percent of the stock, according to a regulatory filing. ***Both Beltzman and Birch Run have agreed to vote all their stock at the company's 2016 annual meeting of shareholders in support of board-nominated directors and against any stockholder proposals not board-approved***. [Emphasis added].

148. As a major shareholder, particularly one owning a very substantial portion of the Company's stock, Defendant Beltzman had control of the selection of the other directors. The fact of Defendant Beltzman's position as an overwhelmingly dominant shareholder is sufficient to support a conclusion that Defendant Beltzman dominates the Board, whoever its members might be, and therefore that a demand on those directors to sue the stockholder that put them in their positions would be futile.

149. As a member of the Compliance Committee, Defendant Beltzman's duties and responsibilities include, but are not limited to, monitoring the formulation and implementation of the Company's compliance management system "including its program for compliance with state and Federal consumer financial protection laws, rules and regulations and other laws, rules, regulations, guidance and standards governing its consumer-oriented businesses." Defendant Beltzman failed to meet his responsibilities of this committee as acknowledged in Walter Investment's 2016 Form 10-K, and as alleged herein.

150. As a member of the Compensation and Human Resources Committee, Defendant

Beltzman was required to review and approve any severance or termination arrangements. As alleged herein, Walter Investment paid out millions of dollars to departing CEO's and other officers at a time when the Company settled wrongful conduct claims relating to RMS and Greentree (now Ditech) totaling in excess of $93 million, and also at a time when the Company was publicly reporting net losses. On information and belief, Plaintiff alleges that no Walter Investment Director, including Defendant Beltzman, conducted any due diligence relating to each and every exiting officer who received a payout to determine if said departure should be characterized as "for cause", or otherwise was entitled to or deserving of a separation payment.

151. As a member (and possibly its Chairman) of the Nominating and Corporate Governance Committee, Defendant Beltzman's duties and responsibilities include, but are not limited to, overseeing a review of the independence of the directors, risks related to the Company's governance structure and processes, and develop, recommend to the Board, monitor a set of corporate governance guidelines, and review and approve each Committee's charter.

152. Each and every Committee charter includes a "self -evaluation" provision, which provision was reviewed and approved by Defendant Beltzman as a member of the Nominating and Corporate Governance Committee. By the terms of this "self-evaluation" provision each Committee, and the Board, completes an assessment of itself to determine (among other things) if it has fulfilled its duties and responsibilities. There is no outside or independent evaluation to confirm that each director has fulfilled his duties and responsibilities.

153. Because of Defendant Beltzman's large stake in Walter Investment and for other reasons as alleged herein, Defendant Beltzman is not independent and cannot and should not be tasked and trusted to determine the independence of himself and the other directors.

154. In addition, Defendant Beltzman was also aware of the Company's material

weakness in its internal controls over financial reporting, specifically its default servicing activities (much of the same practices that plagued its subsidiaries Green Tree and RMS). These were red flags that took place before the Relevant Period and have continued to the present.

Defendant de Molina

155. Defendant de Molina has served as a director of the Company since September 2012. He has served as a member of the Audit Committee since 2012, a member of the Compensation and Human Resources Committee since 2012, and as a member of the Compliance Committee since 2014. As a long-standing Board and Committees member, Defendant de Molina knew of the RMS Settlement and Stipulated Order and the agreements and requirements that accompanied these events. He also knew of the Green Tree settlement with the government and requirements that accompanied these events.

156. As the Chairman of the Audit Committee, Defendant de Molina's duties and responsibilities include that he must obtain and discuss with management and the independent registered public accounting firm regarding "major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies [any other actions taken in light of significant deficiencies and material weaknesses, and the adequacy of disclosures about changes in internal control over financial reporting.]"

157. As a member of the Compliance Committee, Defendant de Molina's duties and responsibilities include, but are not limited to, monitoring the formulation and implementation of the Company's compliance management system "including its program for compliance with state and Federal consumer financial protection laws, rules and regulations and other laws, rules, regulations, guidance and standards governing its consumer-oriented businesses."

158. Defendant de Molina failed to meet his responsibilities of these committees as

acknowledged in Walter Investment's 2016 Form 10-K, and as alleged herein.

159. As a member of the Compensation and Human Resources Committee, Defendant de Molina was required to review and approve any severance or termination arrangements. As alleged herein, the Company paid out millions of dollars to departing CEOs and other officers at a time when the Company settled wrongful conduct claims relating to RMS and Greentree (now Ditech) totaling in excess of $93 million, and also at a time when the Company was publicly reporting net losses. On information and belief, Plaintiff alleges that no Walter Investment Director, including Defendant de Molina, conducted any due diligence relating to each and every exiting officer who received a payout to determine if said departure should be characterized as "for cause" or otherwise was entitled to or deserving of a separation payment.

160. In addition, Defendant de Molina was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities (much of the same practices that plagued its subsidiaries Green Tree and RMS). These were red flags that took place before the Relevant Period and have continued to the present.

161. Based on the forgoing and on the other facts alleged herein, Defendant de Molina cannot be considered independent or disinterested, and any demand on him would be futile.

Defendant Meurer

162. Defendant Meurer has served as a director of the Company since September 2009. He has served as a member of the Audit Committee since 2009, and is presently the chair of the Audit Committee.

163. As a long-standing Board and Committee member, Defendant Meurer knew of the RMS Settlement and Stipulated Order and the agreements and requirements that accompanied these events. He also knew of the Green Tree settlement with the government and requirements

that accompanied these events.

164. As the Chairman and a member of the Audit Committee, Defendant Meurer's duties and responsibilities include, but are not limited to, that he must obtain and discuss with management and the independent registered public accounting firm regarding "major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies [any other actions taken in light of significant deficiencies and material weaknesses, and the adequacy of disclosures about changes in internal control over financial reporting]." Defendant Meurer failed to meet his responsibilities of this committee as acknowledged in Walter Investment's 2016 Form 10-K, and as alleged herein.

165. In addition, Defendant Meuer was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities (much of the same practices that plagued its subsidiaries Green Tree and RMS). These were red flags that took place before the Relevant Period and have continued to the present.

166. Based on the forgoing and on the other facts alleged herein, Defendant Meurer cannot be considered independent or disinterested, and any demand on him would be futile.

Defendant Goldman

167. Defendant Goldman was elected to serve as a director of the Company on January 19, 2017. Goldman is a member of the Audit Committee, the Compliance Committee, is the Chairman of the Compensation and Human Resources Committee, and may be a member of the Nominating and Corporate Governance Committee.

168. As a member of the Audit Committee, Defendant Goldman's duties and responsibilities include that he must obtain and discuss with management and the independent registered public accounting firm regarding "major issues as to the adequacy of the Corporation's

internal controls and any special audit steps adopted in light of material control deficiencies [any other actions taken in light of significant deficiencies and material weaknesses, and the adequacy of disclosures about changes in internal control over financial reporting]."

169. As a member of the Compliance Committee, Defendant Goldman's duties and responsibilities include, but are not limited to, monitoring the formulation and implementation of the Company's compliance management system "including its program for compliance with state and Federal consumer financial protection laws, rules and regulations and other laws, rules, regulations, guidance and standards governing its consumer-oriented businesses."

170. Defendant Goldman failed to meet his responsibilities of these committees as acknowledged in Walter Investment's 2016 Form 10-K, and as alleged herein.

171. As a member of the Compensation and Human Resources Committee, Defendant Goldman was required to review and approve any severance or termination arrangements. As alleged herein, the Company paid out millions of dollars to departing CEOs and other officers at a time when the Company settled wrongful conduct claims relating to RMS and Greentree (now Ditech) totaling in excess of $93 million, and also at a time when the Company was publicly reporting net losses. On information and belief, Plaintiff alleges that no Walter Investment Director, including Defendant Goldman, conducted any due diligence relating to each and every exiting officer who received a payout to determine if said departure should be characterized as "for cause" or otherwise was entitled to or deserving of a separation payment.

172. As a (possible) member of the Nominating and Corporate Governance Committee, Defendant Goldman's duties and responsibilities include, but are not limited to, overseeing a review of the independence of the directors, risks related to the Company's governance structure and processes, and develop, recommend to the Board, monitor a set of corporate governance

guidelines, and review and approve each Committee's charter.

173. Each and every Committee charter includes a "self-evaluation" provision, which provision was reviewed and approved by Defendant Goldman as a member of the Nominating and Corporate Governance Committee. By the terms of this "self-evaluation" provision each Committee, and the Board, completes an assessment of itself to determine (among other things) if it has fulfilled its duties and responsibilities. There is no outside or independent evaluation to confirm that each director has fulfilled his duties and responsibilities.

174. For the reasons as alleged herein, Defendant Goldman himself is not independent and cannot and should not be tasked and trusted to determine the independence of himself and the other directors. This is further evidenced by his apparent approval the self-evaluation provision contained in each Committee's charter.

Defendant Bhaskaran

175. Defendant Bhaskaran was elected to serve as a director of the Company on January 19, 2017. Bhaskaran is a member of the Audit Committee and the Compliance Committee.

176. As a member of the Audit Committee, Bhaskaran's duties and responsibilities include that he must obtain and discuss with management and the independent registered public accounting firm regarding "major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies [any other actions taken in light of significant deficiencies and material weaknesses, and the adequacy of disclosures about changes in internal control over financial reporting]."

177. As a member of the Compliance Committee, Bhaskaran's duties and responsibilities include, but are not limited to, monitoring the formulation and implementation of the Company's compliance management system "including its program for compliance with state

and Federal consumer financial protection laws, rules and regulations and other laws, rules, regulations, guidance and standards governing its consumer-oriented businesses."

178. Bhaskaran failed to meet his responsibilities of these committees as acknowledged in Walter Investment's 2016 Form 10-K, and as alleged herein.

Defendant Awad

179. Defendant Awad has served as a director of the Company and Chairman of the Board since June 2016 and, upon information and belief, is a member of the Compliance Committee. He also served as Interim Chief Executive Officer and President of the Company from June 2016 through September 2016. Awad is also a defendant in the Securities Class Action.

180. As a member of the Compliance Committee, Awad's duties and responsibilities include, but are not limited to, monitoring the formulation and implementation of the Company's compliance management system "including its program for compliance with state and Federal consumer financial protection laws, rules and regulations and other laws, rules, regulations, guidance and standards governing its consumer-oriented businesses."

181. Awad failed to meet his responsibilities of this committee as acknowledged in Walter Investment's 2016 Form 10-K, and as alleged herein.

182. Based on the forgoing and on the other facts alleged herein, including but not limited to, agreeing with, and participating in director "self-evaluation", and determination of independence by the majority of Board members of the Nominating and Corporate Governance Committee (Beltzman and Perelman) who themselves are not independent, Awad cannot be considered independent or disinterested, and any demand on him would be futile.

183. In addition, Defendant Awad was also aware of the Company's material weakness in its internal controls over financial reporting, specifically its default servicing activities at it and

at its subsidiaries Green Tree and RMS. These were red flags that took place before the Relevant Period and have continued to the present

As to All Director Defendants

184. Each and every Director Defendant is not disinterested or independent, and therefore, is incapable of considering demand as evidenced by the Board's concurrence and separate affirmative determination that each and every Walter Investment Director is independent, with the sole exception of Renzi (as discussed hereunder).

185. The Company's 2017 DEF 14A states in relevant part:

> Our Corporate Governance Guidelines provide that the Nominating and Corporate Governance Committee must oversee, at least annually, a review of the independence of our directors and candidates for membership on the Board of Directors, and report its findings to the Board of Directors. Under our Corporate Governance Guidelines, a substantial majority of our Board of Directors is expected to be considered independent directors under applicable NYSE and SEC rules. Under NYSE rules, a director is not independent unless the Board of Directors affirmatively determines that he or she does not have a direct or indirect material relationship with the Company. In addition, the directors who serve on the Audit Committee or the Compensation and Human Resources Committee must satisfy heightened independence standards established by the SEC and NYSE, as applicable.
>
> In making its independence determinations, the Nominating and Corporate Governance Committee evaluates all relevant facts and circumstances, including the various commercial, charitable and employment transactions and relationships known to the committee, if any, that exist between us and our subsidiaries and the directors and the entities with which certain of our directors or members of their immediate families are, or have been, affiliated (including those identified through our annual directors' questionnaires). Based on its analysis, the Nominating and Corporate Governance Committee has affirmatively determined that each director, other than Mr. Renzi, is independent under applicable NYSE rules. The Board of Directors concurred and also affirmatively determined that each director, other than Mr. Renzi, is independent…

186. The Company's Nominating and Corporate Governance Committee is comprised of Defendants Perelman, Beltzman, and Goldman. As stated above, Defendants Perelman and Beltzman are the beneficial owners (directly or through their respective investment companies) of

almost 45% of the stock of the Company and therefore could never be considered independent or disinterested because as dominant shareholders, Perelman and Beltzman dominate the Board, whoever its members might be, and therefore that a demand on those directors to sue the stockholder that put them in their positions would be futile. Further, with this combined level of ownership, Defendants Perelman and Beltzman should not be two of the three members of the Nominating and Corporate Governance Committee and tasked with the responsibility of determining director independence.

187. The Nominating and Corporate Governance Committee's duties and responsibilities include, but are not limited to, overseeing a review of the independence of the directors, risks related to the Company's governance structure and processes, and develop, recommend to the Board, monitor a set of corporate governance guidelines, and review and approve each Committee's charter.

188. Based on the forgoing and on the other facts alleged herein, including but not limited to, agreeing with, and participating in director "self-evaluation", and determination of independence by the majority of Board members of the Nominating and Corporate Governance Committee (Defendants Beltzman and Perelman) who themselves are not independent, no Director can be considered independent or disinterested.

COUNT I

(Against Defendants for Breach of Fiduciary Duties)

189. Plaintiff incorporates by reference and re-alleges each and every allegation contained above, as though fully set forth herein.

190. Defendants owe the Company fiduciary obligations. By reason of their fiduciary relationships, Defendants owed and owe the Company the highest obligation of good faith, fair

dealing, loyalty, and due care.

191. Defendants violated and breached their fiduciary duties of care, loyalty, reasonable inquiry, and good faith.

192. Defendants engaged in a sustained and systematic failure to properly exercise their fiduciary duties. In breach of their fiduciary duties owed to Walter Investment, Defendants made false and/or misleading statements and/or failed to disclose that: (a) the Company was involved in fraudulent practices that violated the False Claims Act; (b) the Company's Ditech subsidiary had a material weakness in its internal controls over financial reporting; (c) resultantly, the Company lacked adequate internal controls over financial reporting; and (d) as a result of the foregoing, the Company's financial statements were materially false and misleading at all relevant times, and failed to properly oversee the Company's business, rendering them personally liable to the Company for breaching their fiduciary duties.

193. Defendants had actual or constructive knowledge of the weaknesses of the Company's internal controls and that the Company was involved in fraudulent practices that continued to violate the False Claims Act. Defendants had actual knowledge of the above 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.

194. As a direct and proximate result of Defendants' failure to perform their fiduciary obligations, the Company has sustained significant damages. As a result of the misconduct alleged herein, Defendants are liable to the Company.

195. As a direct and proximate result of Defendants' breach of their fiduciary duties, the Company has suffered damage, not only monetarily, but also to its corporate image and goodwill.

Such damage includes, among other things, costs associated with defending securities lawsuits, severe damage to the share price of the Company, resulting in an increased cost of capital, the waste of corporate assets, and reputational harm.

COUNT II

(Against Defendants for Unjust Enrichment)

196. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

197. By their wrongful acts and omissions, Defendants were unjustly enriched at the expense of and to the detriment of Walter Investment. Defendants were unjustly enriched as a result of the compensation and director remuneration they received while breaching fiduciary duties owed to Walter Investment.

198. Plaintiff, as a stockholder and representative of Walter Investment, seeks restitution from these Defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits, and other compensation obtained by these defendants, and each of them, from their wrongful conduct and fiduciary breaches.

199. Plaintiff, on behalf of Walter Investment, has no adequate remedy at law.

COUNT III

(Against Defendants for Waste of Corporate Assets)

200. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

201. As a result of the wrongdoing detailed herein and by failing to conduct proper supervision, Defendants have caused Walter Investment to waste its assets by paying improper compensation and bonuses to certain of its executive officers and directors that breached their

fiduciary duty.

202. As a result of the waste of corporate assets, Defendants are liable to the Company.

203. Plaintiff, on behalf of Walter Investment, has no adequate remedy at law.

REQUEST FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Determining that this action is a proper derivative action maintainable under law, and that demand is excused;

B. Awarding, against all Defendants and in favor of the Company, the damages sustained by the Company as a result of Defendants' breaches of their fiduciary duties;

C. Directing the Company to take all necessary actions to reform and improve its corporate governance and internal procedures, to comply with the Company's existing governance obligations and all applicable laws and to protect the Company and its investors from a recurrence of the damaging events described herein;

D. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

E. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff demands a trial by jury as to all factual matters and issues as to which trial by jury is applicable or advisable.

DATED: September 11, 2017

DONOVAN LITIGATION GROUP, LLC

By: */s/ Michael D. Donovan*
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Attorneys for Plaintiff

VERIFICATION

I, MICHAEL E. VACEK, JR., am a plaintiff in the within action. I have reviewed the allegations made in this Verified Shareholder Amended Derivative Complaint, know the contents thereof, and authorize its filing. To those allegations of which I have personal knowledge, I believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely upon my counsel and their investigation and believe them to be true.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this 11TH day of September 2017.

MICHAEL E. VACEK, JR.

CERTIFICATE OF SERVICE

I hereby certify that on the date below, a true and correct copy of the foregoing document was electronically filed using the Court's CM/ECF system and will therefore be served by electronic means via the Court's ECF Notification system upon all counsel of record.

s/ Michael D. Donovan
Michael D. Donovan

Date: September 13, 2017