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16  
 17 UNITED STATES DISTRICT COURT  
 18 NORTHERN DISTRICT OF CALIFORNIA

19  
 20 IN RE WELLS FARGO & COMPANY  
 SHAREHOLDER DERIVATIVE  
 21 LITIGATION

22 This Document Relates to:  
 ALL ACTIONS.

Lead Case No. 3:16-cv-05541-JST

**EXHIBIT B: FORFEITURE AND/OR  
 RETURN OF EXECUTIVE  
 COMPENSATION**

The Honorable Jon S. Tigar

1 WHEREAS, beginning on September 29, 2016, separate Wells Fargo shareholders filed a  
2 series of putative shareholder derivative lawsuits in the United States District Court for the  
3 Northern District of California (the “Court”) on behalf of themselves and derivatively on behalf  
4 of Wells Fargo & Company (“Wells Fargo” or “the Company” or the “Bank”), and against certain  
5 current and former officers and directors of Wells Fargo (the “Officer and Director  
6 Defendants”),<sup>4</sup> alleging, among other things, that employees in the Company’s Community Bank  
7 opened accounts without customer knowledge or authorization, and that the Officer and Director  
8 Defendants breached their fiduciary duties to Wells Fargo in connection with these and other  
9 alleged improprieties.

10 WHEREAS, on February 24, 2017, Co-Lead Plaintiffs Fire & Police Pension Association  
11 of Colorado and The City of Birmingham Retirement and Relief System (“Co-Lead Plaintiffs”)  
12 filed their Consolidated Amended Verified Shareholder Derivative Complaint (the “Complaint”)  
13 in the Derivative Action. Dkt. No. 83.

14 WHEREAS, the Complaint sought “rescission of the contracts between Defendants and  
15 Wells Fargo” due to the alleged breaches of duty and violations of law. *Id.* at ¶¶ 576-77.

16 WHEREAS, the Complaint’s Prayer for Relief sought a demand for judgment that  
17 included: “E. Extraordinary equitable or injunctive relief as permitted by law or equity, including  
18 attaching, impounding, imposing a constructive trust on, or otherwise restricting Defendants’  
19 assets so as to assure that Plaintiffs, on behalf of Wells Fargo, have an effective remedy.”

20 WHEREAS, from September 25, 2016, through April 10, 2017, the special committee  
21 established by the Independent Directors of the Company (the “Oversight Committee”) led an  
22 investigation, assisted by counsel, respecting sales practices and related matters, including  
23 determining appropriate remedial steps with respect to compensation actions; the Oversight  
24 Committee made its recommendations to the Board in the course of several meetings, and the  
25 independent directors published a final Sales Practices Investigation Report of the Independent  
26 Directors of the Board of Wells Fargo & Company on April 10, 2017.

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28 <sup>4</sup> Capitalized terms not separately defined herein have the meaning ascribed to them in the Settlement Stipulation.

1 NOW THEREFORE, Co-Lead Plaintiffs and Wells Fargo have agreed and acknowledge  
2 that facts alleged in the Derivative Action were significant factors taken into account by the  
3 Oversight Committee in conducting its investigation respecting Improper Sales Practices and in  
4 recommending appropriate remedial steps with respect to compensation reductions and  
5 forfeitures, including the following actions:

6 On February 21, 2017, the Board determined that several senior Community Bank  
7 executives terminated for cause, including Matthew Raphaelson (Head of Strategic Planning and  
8 Finance for the Community Bank), Claudia Russ Anderson (Group Risk Officer for the  
9 Community Bank), Shelley Freeman (Former Regional President for Los Angeles, and Lead  
10 Regional President for Florida), and Pamela Conboy (Lead Regional President for Arizona,  
11 Nevada, and Utah), would be required to return pay and stock grant compensation valued at  
12 approximately \$15.5 million.

13 On February 28, 2017, the Board reduced compensation for eight then-current members of  
14 Wells Fargo's Operating Committee, including the heads of Corporate Risk, the Law Department,  
15 Human Resources and Audit, based on senior leadership's collective accountability for  
16 operational and reputational risk; annual 2016 bonuses for these individuals were eliminated and  
17 the 2014 Performance Share Award payout was reduced by up to 50%, for an aggregate reduction  
18 in compensation for these individuals of approximately \$32 million.

19 On April 7, 2017, the Board determined that Defendant John G. Stumpf, the Company's  
20 former Chairman and Chief Executive Officer, would be required to return incentive  
21 compensation valued at approximately \$28 million (the value at the time of distribution in March  
22 2016 of shares issued to him following vesting of his Performance Share award granted on March  
23 8, 2013).

24 On April 7, 2017, the Board determined that Defendant Carrie L. Tolstedt, the Company's  
25 former Senior Executive Vice President and head of Community Banking, would be required to  
26 forfeit her remaining outstanding stock option awards, valued at approximately \$47 million  
27 (based on the closing price of the Company's common stock on April 7, 2017).  
28

1           The personnel and compensation actions described above taken after the initiation of the  
2 Derivative Action total \$122.5 million.<sup>5</sup> Co-Lead Plaintiffs and Wells Fargo have agreed and  
3 acknowledge that facts alleged in the Derivative Action were a significant factor in the  
4 determination to undertake the aforementioned personnel and compensation actions, and that  
5 these remedial actions conferred a value to Wells Fargo of \$60 million.

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28 <sup>5</sup> The Parties note that additional forfeitures, not listed above, from certain Officer Defendants occurred before the initiation of the Derivative Action.