

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA**

JOSEPH PETROVETS, Individually and on  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

WALTER INVESTMENT MANAGEMENT  
CORP., GEORGE M. AWAD, DENMAR J.  
DIXON, ANTHONY N. RENZI, GARY L.  
TILLET,

Defendants.

CIVIL ACTION NO.

CLASS ACTION COMPLAINT FOR  
VIOLATION OF THE FEDERAL  
SECURITIES LAWS

JURY TRIAL DEMANDED

By and through its undersigned counsel, Plaintiff Joseph Petrovets (“Plaintiff”), alleges the following against Walter Investment Management Corp. (“Walter” or the “Company”) and certain of the Company’s executive officers and/or directors. Plaintiff makes these allegations upon personal knowledge as to those allegations concerning Plaintiff and, as to all other matters, upon the investigation of counsel, which included, without limitation: (a) review and analysis of public filings made by Walter and other related parties and non-parties with the U.S. Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and other publications disseminated by certain of the Defendants and other related non-parties; (c) review of news articles, shareholder communications, and postings on Walter’s website concerning the Company’s public statements; and (d) review of other publicly available information concerning Walter and the Individual Defendants.

### **NATURE OF THE ACTION**

1. This is a federal securities class against Walter and certain officers and/or directors for violations of the federal securities laws. Plaintiff brings this action on behalf of all persons or entities that purchased or otherwise acquired the publicly traded shares of Walter common stock between May 3, 2016 and March 13, 2017, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Walter operates as an independent servicer and originator of mortgage loans, and a servicer of reverse mortgage loans in the United States.

3. On September 4, 2012, Walter announced that it had acquired Reverse Mortgage Solutions (“RMS”) for \$120 million.

4. On March 14, 2017, Walter announced that RMS received a subpoena dated June 16, 2016 from the Office of Inspector General of the U.S. Department of Housing and Urban Development (“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 U.S. Department of Justice, Civil Division, could lead to a demand or claim under the False Claims Act.

5. Walter also disclosed a material weakness for its Ditech unit, which it is taking steps to remediate. Following this news, Walter investment stock was down more than 38% on intraday trading on March 14, 2017.

6. During the Class Period, Defendants misled Walter's public investors by disseminating a series of materially false and misleading statements concerning Walter's financial condition. These materially misleading misstatements and omissions regarding the Company's financial results occurred, in large part, because: (1) the Company was involved in fraudulent practices that violated the False Claims Act; (2) the Company's Ditech subsidiary had a material weakness in its internal control over operational processes; (3) resultantly, the Company lacked adequate internal controls over financial reporting; and (4) as a result of the foregoing, the Company's financial statements were materially false and misleading at all relevant times.

7. As a result of Defendants' wrongful acts and omissions, and the resulting decline in the market value of the Company's shares of common stock, Plaintiff and the other Class members have suffered significant losses and damages.

#### **JURISDICTION AND VENUE**

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

9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, Section 27 of the Securities Act (15 U.S.C. §78aa).

10. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). The Company's principal executive office is located in this district.

11. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including but

not limited to the mails, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

12. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, acquired Walter common stock at artificially inflated prices during the Class Period, and suffered damages as a result of the revelation of the alleged corrective disclosure.

13. Defendant Walter is a Delaware corporation with its principal executive offices located at 3000 Bayport Drive, Suite 1100, Tampa, FL 33606.

14. George M. Awad (“Awad”) served as the Company’s Interim Chief Executive Officer from June 2016 until September 2016.

15. Denmar J. Dixon (“Dixon”) served as the Company’s CEO and President from October 2015 to June 2016.

16. Defendant Anthony N. Renzi (“Renzi”) is the Company’s Chief Executive Officer (“CEO”), President and Director.

17. Defendant Gary L. Tillett (“Tillett”) is the Company’s Chief Financial Officer (“CFO”) and Executive Vice President.

18. Defendants Renzi, Tillett, Dixon, and Awad are collectively referred to as the “Individual Defendants.”

19. The Company and the Individual Defendants are collectively referred to herein as “Defendants.”

20. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Walter, were privy to confidential, proprietary and material adverse non-public information concerning Walter, its operations, finances, financial condition and present and future

business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or board of directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

21. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were “controlling persons” within the meaning of §20(a) of the Exchange Act, and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Walter’s business.

## **SUBSTANTIVE ALLEGATIONS**

### ***Company Background***

22. Walter was founded in 1958 and is based in Tampa, Florida. Walter operates as an independent servicer and originator of mortgage loans, and a servicer of reverse mortgage loans in the United States. Walter operates through three segments: Servicing, Originations, and Reverse Mortgage.

23. 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.

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

25. 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.

26. On September 4, 2012, the Company issued a press release also attached as Exhibit 99.1 to a Form 8-K filed with the SEC announcing the acquisition of Reverse Mortgage Solutions, Inc. (“RMS”). RMS was founded in 2007 and is an originator and servicer of reverse mortgages. RMS is one of 12 HUD-approved servicers.

***Material Misstatements and Omissions during the Class Period***

27. The Class Period begins The Class Period begins on February 29, 2016, when Walter filed an Annual Report on Form 10-K with the SEC, announcing the Company’s financial and operating results for the quarter and year ended December 31,2015 (the “2015 10-K”). For the quarter, Walter reported a net loss of \$11 7.14 million, or \$3.10 per diluted share, on net revenue of \$268.23 million, compared to a net loss of \$43.97 million, or \$1.17 per diluted share, on net revenue of \$240.65 million for the same period in the prior year. For 2015, Walter reported a net loss of \$263.19 million, or \$7.00 per diluted share, on net revenue of \$1 billion, compared to a net loss of \$110.33 million, or \$2.93 per diluted share, on net revenue of \$1.18 billion for 2014.

28. In the 2015 10-K stated, in part:

**Strategy**

...

**Consumer-Focused Rebranding**

During the third quarter of 2015, we consolidated Ditech Mortgage Corp and Green Tree Servicing into one legal entity, Ditech Financial, with one brand, Ditech, a Walter Company . We believe this rebranding and consolidation will allow for greater focus on our consumers, will enhance brand recognition as mortgage loans originated by Ditech Financial will be serviced by the same brand, will simplify the process and improve quality for the consumer and will provide us with greater opportunities to cross-sell. We are focused on increasing our recapture rates from the serviced portfolio and believe the enhanced brand recognition will contribute to improving our recapture performance. The consolidation will also enable us to

better leverage our resources and talent across the businesses and is expected to drive operational efficiencies. In addition, we exited the Originations segment's consumer retail channel in January 2016 and have focused on developing our Originations segment's consumer direct channel. Further, we have made and are continuing to make investments in technology which are designed to facilitate the originations process for borrowers.

...

### **Operational Efficiency**

In conjunction with our exit from the Originations segment's consumer retail channel in January 2016, we continued our expense reduction efforts and further reorganized Ditech Financial in an attempt to improve our efficiency. One-time costs associated with the measures taken in January 2016 are estimated to be approximately \$5 million. The consumer retail channel incurred a direct margin loss of approximately \$11 million in 2015. In addition to the elimination of this loss in future annual periods, the January 2016 reorganization activities are expected to result in additional annual cost savings of approximately \$17 million. Further, as part of our ongoing technology improvement and customer experience enhancement initiatives, we commenced a project in February 2016 to review many of our operating processes. We expect to complete our initial review of such processes in the second quarter of 2016 and plan to move forward with implementation of identified action items thereafter.

29. The 2015 10-K contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") signed by Defendants Dixon and Tillett attesting to the accuracy of the financial statements, the disclosure of any material changes to the Company's internal controls over financial reporting, and that all fraud was disclosed.

30. On May 3, 2016, Walter filed a Quarterly Report on Form 10-Q with the SEC, announcing the Company's financial and operating results for the quarter ended March 31, 2016 (the "1Q16 10-Q"). For the quarter, Walter reported a net loss of \$172.7 million, or \$4.85 per diluted share, on net revenue of \$2.52 million, compared to a net loss of \$31.01 million, or \$0.82 per diluted share, on net revenue of \$235.99 million for the same period in the prior year.

31. The 1Q16 10-Q stated in part:

#### **Costs Associated with Exit Activities**

During 2015, the Company took distinct actions to improve efficiencies within the organization, which included re-branding its mortgage loan originations business by consolidating Ditech Mortgage Corp and Green Tree Servicing into one legal entity with one brand, Ditech, a Walter Company. Additionally, the Company took measures to restructure its mortgage loan servicing operations and improve the profitability of the reverse mortgage business by streamlining its geographic footprint and strengthening its retail originations channel. These actions resulted in costs relating to the closing of offices and the termination of certain employees as well as other expenses to institute efficiencies. The Company completed these activities in the fourth quarter of 2015.

...

### **Operational Efficiency**

In conjunction with our exit from the Originations segment's consumer retail channel in January 2016, we continued our expense reduction efforts and further reorganized Ditech Financial in an attempt to improve our efficiency. One-time costs associated with the measures taken in January 2016 were approximately \$4 million. The consumer retail channel incurred a direct margin loss of approximately \$11 million in 2015. In addition to the elimination of this loss in future annual periods, the January 2016 reorganization activities are expected to result in additional annual cost savings of approximately \$17 million, with approximately \$15 million to be realized in 2016. Further, as part of our ongoing technology improvement and customer experience enhancement initiatives, we commenced a project in February 2016 to review many of our operating processes. We expect to complete our initial review of such processes in the second quarter of 2016 and plan to move forward with implementation of identified action items thereafter.

32. The 1Q16 10-Q stated the following concerning the Company's internal controls over financial reporting:

### **Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2016 covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

33. Attached to the 1Q16 10-Q were certifications pursuant to SOX signed by Defendants Dixon and Tillett attesting to the accuracy of the financial statements, the disclosure



of any material changes to the Company's internal controls over financial reporting, and that all fraud was disclosed.

34. On August 9, 2016, Walter filed a Quarterly Report on Form 10-Q with the SEC, announcing the Company's financial and operating results for the quarter ended June 30, 2016 (the "2Q16 10-Q"). For the quarter, Walter reported a net loss of \$232.4 million, or \$6.49 per diluted share, on net revenue of \$123.07 million, compared to a net loss of \$38.12 million, or \$1.01 per diluted share, on net revenue of \$343.77 million for the same period in the prior year.

35. The 2Q16 10-Q stated, in part:

**Costs Associated with Exit Activities**

During 2015, the Company took distinct actions to improve efficiencies within the organization, which included re-branding its mortgage business by consolidating Ditech Mortgage Corp and Green Tree Servicing into one legal entity with one brand, Ditech, a Walter Company. Additionally, the Company took measures to restructure its mortgage loan servicing operations and improve the profitability of the reverse mortgage business by streamlining its geographic footprint and strengthening its retail originations channel. These actions resulted in costs relating to the closing of offices and the termination of certain employees as well as other expenses to institute efficiencies. The Company completed these activities in the fourth quarter of 2015.

36. The 2Q16 10-Q stated the following concerning the Company's internal controls over financial reporting:

**Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2016 covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

37. The 2Q16 10-Q contained signed certifications pursuant to SOX by Defendants Awad and Tillett, attesting to the accuracy of the financial statements, the disclosure of any

material changes to the Company's internal controls over financial reporting and that all fraud was disclosed.

38. On November 9, 2016, Walter filed a Quarterly Report on Form 10-Q with the SEC, announcing the Company's financial and operating results for the quarter ended September 30, 2016 (the "3Q16 10-Q"). For the quarter, Walter reported a net loss of \$101.83 million, or \$2.82 per diluted share, on net revenue of \$232.03 million, compared to a net loss of \$76.93 million, or \$2.04 per diluted share, on net revenue of \$152.67 million for the same period in the prior year.

39. The 3Q16 10-Q stated, in part

#### **Costs Associated with Exit Activities**

During 2015, the Company took distinct actions to improve efficiencies within the organization, which included re-branding its mortgage business by consolidating Ditech Mortgage Corp and Green Tree Servicing into one legal entity with one brand, Ditech, a Walter Company. Additionally, the Company took measures to restructure its mortgage loan servicing operations and improve the profitability of the reverse mortgage business by streamlining its geographic footprint and strengthening its retail originations channel. These actions resulted in costs relating to the closing of offices and the termination of certain employees, as well as other expenses to institute efficiencies. The Company completed these activities in the fourth quarter of 2015.

...

#### **18. Subsequent Events**

On August 8, 2016, Ditech Financial and NRM executed an agreement whereby Ditech Financial agreed to sell to NRM all of Ditech Financial's right, title and interest in mortgage servicing rights with respect to a pool of mortgage loans, with sub-servicing retained. After giving effect to certain adjustments based upon developments with respect to the MSR pool prior to the closing date and calculated in accordance with the NRM Flow and Bulk Agreement, this first bulk MSR transaction closed on October 3, 2016 and NRM purchased from Ditech Financial MSRs with an aggregate unpaid principal balance of \$32.3 billion for a purchase price of \$212 million. On October 11, 2016, Ditech Financial agreed to sell to NRM mortgage servicing rights with respect to a pool of mortgage loans with an aggregate unpaid principal balance of \$5.0 billion for a purchase price of \$27 million (in each case subject to adjustment based upon developments with respect to the MSR pool prior to the closing date), with sub-servicing expected to be

retained. The closing of this second bulk MSR transaction between Ditech Financial and NRM under the NRM Flow and Bulk Agreement is subject to the receipt of certain government-sponsored entity and other approvals, various other conditions precedent and certain termination provisions.

40. The 3Q16 10-Q stated the following concerning the Company's internal controls over financial reporting:

**Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2016 covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

41. The Q3 2016 10-Q contained certifications pursuant to SOX signed by Defendants Renzi and Tillett attesting to the accuracy of the financial statements, the disclosure of any material changes to the Company's internal controls over financial reporting, and that all fraud was disclosed.

42. The statements in paragraphs 27-41 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations, and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) the Company was involved in fraudulent practices that violated the False Claims Act; (2) the Company's Ditech subsidiary had a material weakness in its internal controls over financial reporting; (3) resultantly, the Company lacked adequate internal controls over financial reporting; and (4) as a result of the foregoing, the Company's financial statements were materially false and misleading at all relevant times.

***The Truth Emerges***

43. 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 10-K”) which was signed and certified under the Sarbanes Oxley Act of 2002 by the Individual Defendants. The 2016 10-K stated the following:

***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.

44. Additionally, the 2016 10-K disclosed that RMS was being investigated for potential violations of the False Claims Act. In relevant part, the 2016 Form 10-K stated:

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.

45. 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%.

### **CLASS ACTION ALLEGATIONS**

46. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all those that purchased or otherwise acquired the publicly traded shares of Walter common stock during the Class Period, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

47. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Walter's securities were actively traded on the NYSE (an open and efficient market) under the symbol "WAC." While the exact number of Class

members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. As of March 9, 2017, the Company had over 36.4 million shares outstanding. Millions of Walter shares were traded publicly during the Class Period on the NYSE. Record owners and the other members of the Class may be identified from records maintained by Walter or its transfer agent, and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

48. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

49. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

50. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether the federal securities laws were violated by Defendants' acts as alleged herein;
- (b) whether Defendants participated in and pursued the common course of conduct complained of herein;
- (c) whether documents, press releases, and other statements disseminated to the investing public with the Company's shareholders during the Class Period misrepresented material facts about the business, finances, financial condition and prospects of Walter;

- (d) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Walter;
- (e) whether the market price of Walter common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and
- (f) to what extent the members of the Class have sustained damages and the proper measure of damages.

51. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

#### **UNDISCLOSED ADVERSE FACTS**

52. The market for Walter common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Walter common stock traded at artificially inflated prices during the Class Period. Plaintiff and the other members of the Class purchased or otherwise acquired Walter common stock relying upon the integrity of the market price of the Company's securities and market information relating to Walter, and have been damaged thereby.

53. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Walter's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth

herein, not false and/or misleading. Said statements and omissions were materially false and/or misleading in that they failed to disclose material adverse information and/or misrepresented the truth about Walter's business, operations, and prospects as alleged herein.

54. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and the other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Walter's financial well-being and prospects.

55. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and the other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

### **LOSS CAUSATION**

56. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Walter common stock and operated as a fraud or deceit on Class Period purchasers of Walter common stock by failing to disclose to investors that the Company's financial results were materially misleading and misrepresented material information. When Defendants' misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Walter's common stock fell precipitously as the prior inflation came out of the Company's stock price. As a result of their



purchases of Walter's common stock during the Class Period, Plaintiff and the other Class members suffered economic loss, *i.e.* damages, under the federal securities law.

57. By failing to disclose the true state of the Company's business prospects and operations, investors were not aware of the true state of the Company's financial status. Therefore, Defendants presented a misleading picture of Walter's business and prospects. Thus, instead of truthfully disclosing during the Class Period the true state of the Company's business, Defendants caused Walter to conceal the truth.

58. Defendants' false and misleading statements caused Walter's common stock to trade at artificially inflated levels throughout the Class Period. However, as a direct result of the Company's problems coming to light, Walter's common stock price fell precipitously from its Class Period high. The stock price drop discussed herein caused real economic loss to investors who purchased the Company's securities during the Class Period.

59. The decline in the price of Walter's common stock after the truth came to light was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Walter's common stock price decline negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss suffered by Plaintiff and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the prices of Walter's securities and the subsequent decline in the value of Walter's securities when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

### **SCIENTER ALLEGATIONS**

60. As alleged herein, Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Walter, their control over, and/or receipt and/or modification of Walter's allegedly materially misleading statements and/or their associations with the Company which made them privy to confidential proprietary information concerning Walter, participated in the fraudulent scheme alleged herein.

61. The ongoing fraudulent scheme described herein could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

### **APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD-ON-THE-MARKET DOCTRINE)**

62. At all relevant times, the market for Walter's common stock was an efficient market for the following reasons, among others:

- (a) Walter stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;
- (b) as a regulated issuer, Walter filed periodic public reports with the SEC and/or the NYSE;
- (c) Walter regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on

the national circuits of major newswire services, and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) Walter was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

63. As a result of the foregoing, the market for Walter's securities promptly digested current information regarding Walter from all publicly available sources and reflected such information in Walter's stock price. Under these circumstances, all purchasers of Walter common stock during the Class Period suffered similar injury through their purchase of Walter common stock at artificially inflated prices and a presumption of reliance applies.

64. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because Plaintiff's fraud claims are grounded in Defendants' omissions of material fact of which there is a duty to disclose. As this action involves Defendants' failure to disclose material adverse information regarding Walter's business practices, financial results and condition and internal controls-information that Defendants were obligated to disclose during the Class Period but did not-positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered such information important in the making of investment decisions.

#### **NO SAFE HARBOR**

65. The federal statutory safe harbor provided for forward-looking statements under

certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

66. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Walter who knew that the statement was false when made.

### **COUNT I**

#### **Violation of Section 10(b) and Rule 10b-5 Against All Defendants**

67. Plaintiff repeats and realleges the allegations set forth above as though fully set forth herein. This claim is asserted against all Defendants.

68. During the Class Period, Walter and the Individual Defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and the other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Walter common stock; and (iii) cause Plaintiff and the other members of the Class to acquire or otherwise purchase Walter stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

69. These Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make

the statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Company's Securities in an effort to maintain artificially high market prices for Walter securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged herein.

70. In addition to the duties of full disclosure imposed on Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they each had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. § 210.01 et seq.) and S-K (17 C.F.R. § 229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

71. Walter and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, performance, operations and future prospects of Walter as specified herein. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Walter's value and performance and substantial growth, which included the making of, or the participation

in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Walter and its business, operations and future prospects, in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Walter's securities during the Class Period.

72. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's operational and financial projections and/or reports; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other and were advised of and had access to other members of the Company's management team, internal reports, and other data and information about the Company's financial condition and performance at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

73. These Defendants had actual knowledge of the 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 readily available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Walter's operating condition, business practices and future business prospects from the investing public and supporting the artificially inflated price of its

stock. As demonstrated by their overstatements and misstatements of the Company's financial condition and performance throughout the Class Period, the Individual Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were severely reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

74. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Walter's common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of Walter's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the Securities trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Walter's Securities during the Class Period at artificially high prices and were or will be damaged thereby.

75. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding Walter's financial results, which was not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Walter securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices that they paid.

76. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

77. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's Securities during the Class Period.

## **COUNT II**

### **The Individual Defendants Violated Section 20(a) of the Exchange Act**

78. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

79. The Individual Defendants acted as controlling persons of Walter within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, agency, ownership and contractual rights, and participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control, and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements that Plaintiff contends are false and misleading. The Individual Defendants provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to have been misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or to cause the statements to be corrected.

80. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.



81. As set forth above, Walter and the Individual Defendants each violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment as follows:

- (a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;
- (b) Awarding Plaintiff and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;
- (c) Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and;
- (d) Awarding such other and further relief as the Court deems appropriate.

### **JURY TRIAL DEMANDED**

Plaintiff demands a trial by jury.

Dated: March 23, 2017

**Cullin O'Brien Law, P.A.**

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*(Pro hac vice applications forthcoming)*

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