MAGNANIMO & DEAN, LLP
FRANK A. MAGNANIMO
21031 Ventura Boulevard
Suite 803
Woodland Hills, CA 91364
Telephone: (818) 305-3450
Facsimile: (818) 305-3451
Email: Frank@MagDeanLaw.com

GAINEY McKENNA & EGLESTON
THOMAS J. MCKENNA
GREGORY M. EGLESTON
501 Fifth Avenue, 19th Floor
NY, NY 10017
Tel: (212) 983-1300
Fax: (212) 983-0383
Email: tjmckenna@gme-law.com
Email: gegleston@gme-law.com

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

AARON TAYLOR AND TANYA HARRY, Derivatively on Behalf of Nominal Defendant LOANDEPOT, INC., Plaintiffs, v. ANTHONY HSIEH, PATRICK FLANAGAN, NICOLE CARRILLO, ANDREW C. DODSON, JOHN C. DORMAN, BRIAN P. GOLSON, AND DAWN LEPORE, Defendants, -and-. LOANDEPOT, INC., Nominal Defendant.	CASE NO.: **VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT** **<u>JURY TRIAL DEMANDED</u>**

Plaintiff Aaron Taylor and Tanya Harry ("Plaintiffs"), on behalf of loanDepot, Inc. ("loanDepot" or the "Company"), derivatively, allege the following based upon personal knowledge as to themselves and their own acts, and upon information and belief and investigation of counsel as to all other matters. That investigation included, among other things, a thorough review and analysis of public documents, court filings, press releases and news articles concerning loanDepot, and the other facts as set forth herein:

NATURE OF THE ACTION

1. This is a shareholder derivative action brought on behalf of and for the benefit of loanDepot, against certain of its officers and/or directors named as defendants herein seeking to remedy their breaches of fiduciary duties. Defendants' actions have caused, and will continue to cause, substantial financial harm and reputational damage to loanDepot.

2. Plaintiffs allege that the Registration Statement and Prospectus incorporated therein (collectively, the "Registration Statement") issued in connection with the Company's initial public offering ("IPO") contained materially incorrect or misleading statements and/or omitted material information that was required to be disclosed. loanDepot is strictly liable for such misstatements and omissions therefrom.

3. In its IPO, loanDepot sold 3,850,000 shares of its Class A common stock to the public at a price of $14.00 per share for total proceeds of approximately $54 million.

4. On November 11, 2021, the Company filed its Prospectus on Form 424B4 with the SEC, which forms part of the Registration Statement. loanDepot's Prospectus issued in connection with the IPO described the Company as follows:

> "loanDepot is a customer-centric, technology-empowered residential mortgage platform with a widely recognized consumer brand. We launched our business in 2010 to disrupt the legacy mortgage industry and make obtaining a mortgage a positive experience for consumers. We have built a leading technology platform designed around the consumer that has redefined the mortgage process. Our digital-first approach has allowed us to become one of the fastest-growing, at-scale mortgage originators in the U.S.
>
> We are the second largest retail-focused non-bank mortgage originator and the fifth

> largest overall retail originator, according to Inside Mortgage Finance. […] Our innovative culture and contemporary consumer brand represent key differentiators for loanDepot. We have fostered an entrepreneurial mindset and relentlessly deliver an exceptional experience to our customers. Our guiding principle is to delight our customers by exceeding their expectations. […] We are a data driven company. We utilize data from lead acquisition, digital marketing, in market relationships, and our servicing portfolio to identify and acquire new customers and retain our existing customers. During the last twelve months, we have analyzed, enriched, and optimized more than 9 million customer leads with a deep understanding of each potential customer's financial profile and needs. We also maintain mello DataMart, an extensive proprietary data warehouse of over 38 million contacts generated over our ten-year history. Our predictive analytics, machine learning and artificial intelligence drive optimized lead performance. […] Our national brand along with our expertise in digital marketing, big data and marketing analytics, not only drives new customer acquisition, but also maximizes retention and customer lifetime value. We leverage these capabilities to "recapture" existing customers for subsequent refinance and purchase transactions. … Our platform and technology create a significant financial advantage. Our brand effectiveness and marketing capabilities optimize our customer acquisition costs, and our automation reduces unnecessary expenses throughout the origination process. We are able to scale quickly and efficiently which allows us to grow both transaction volume and profitability."

5. The Registration Statement was negligently prepared and omitted to disclose material adverse facts. Specifically, the Company failed to disclose that: (1) its refinance originations had already declined substantially at the time of the IPO due to industry over-capacity and increased competition; (2) its gain-on-sale margins had already declined substantially at the time of the IPO; (3) as a result, its revenue and growth would be negatively impacted; and (4) as a result of the foregoing, its positive statements about its business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

JURISDICTION AND VENUE

6. Pursuant to 28 U.S.C. § 1331 and section 27 of the Securities Exchange Act of 1934 (the "Exchange Act"), this Court has jurisdiction over the claims asserted herein for violations of sections 10(b) and 21D of the Exchange Act. This Court has supplemental jurisdiction over the remaining claims under 28 U.S.C. § 1367.

7. The Court has jurisdiction over each defendant because each defendant is either a corporation that does sufficient business in California or is an individual who has sufficient

minimum contacts with California so as to render the exercise of jurisdiction by the California courts permissible under traditional notions of fair play and substantial justice.

8. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because one or more of the Defendants either resides in or maintains executive offices in this District, including Nominal Defendant loanDepot, a substantial portion of the transactions and wrongs complained of herein – including Defendants' (defined below) primary participation in the wrongful acts detailed herein and aiding and abetting in violations of fiduciary duties owed to loanDepot – occurred in this District, and Defendants have received substantial compensation in this District by doing business here and engaging in numerous activities that had an effect in this District.

9. In connection with the acts and conduct alleged herein, Defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications, and the facilities of the national securities exchanges and markets.

PARTIES

Plaintiffs

10. ***Plaintiff Aaron Taylor*** ("Plaintiff Taylor") is a current loanDepot shareholder during the relevant period. Plaintiff Taylor will continue to hold loanDepot shares throughout the pendency of this action. Plaintiff Taylor will fairly and adequately represent the interests of the shareholders in enforcing the rights of the corporation.

11. ***Plaintiff Tanya Harry*** ("Plaintiff Harry") is a current loanDepot shareholder during the relevant period. Plaintiff Harry will continue to hold loanDepot shares throughout the pendency of this action. Plaintiff Taylor will fairly and adequately represent the interests of the shareholders in enforcing the rights of the corporation.

Nominal Defendant

12. Nominal Defendant loanDepot is a corporation with principal executive offices located at 26642 Towne Centre Drive Foothill Ranch, California.

Director Defendants

13. ***Defendant Anthony Hsieh*** ("Hsieh") was the founder, Chairman and Chief Executive Officer ("CEO") of the Company, and signed or authorized the signing of the Company's Registration Statement filed with the SEC. Defendant Hsieh is a resident of Orange County, California.

14. ***Defendant Andrew C. Dodson*** ("Dodson") was a director of the Company, and signed a consent form dated January 11, 2021 authorizing his name to be included in the Company's Registration Statement filed with the SEC as a director nominee of loanDepot.

15. ***Defendant John C. Dorman*** ("Dorman") was a director of the Company, and signed a consent form dated January 11, 2021 authorizing his name to be included in the Company's Registration Statement filed with the SEC as a director nominee of loanDepot.

16. ***Defendant Brian P. Golson*** ("Golson") was a director of the Company, and signed a consent form dated January 11, 2021 authorizing his name to be included in the Company's Registration Statement filed with the SEC as a director nominee of loanDepot.

17. ***Defendant Dawn Lepor*** ("Lepor") was a director of the Company, and signed a consent form dated January 11, 2021 authorizing his name to be included in the Company's Registration Statement filed with the SEC as a director nominee of loanDepot.

18. Defendants Hsieh, Dodson, Dorman, Golson and Lepor are collectively referred to herein as "Director Defendants."

Officer Defendants

19. ***Defendant Patrick Flanagan*** ("Flanagan") was the Chief Financial Officer ("CFO") of the Company, and signed or authorized the signing of the Company's Registration Statement filed with the SEC. Defendant Flanagan is a resident of Orange County, California.

20. ***Defendant Nicole Carrillo*** ("Carrillo") was the Executive Vice President of the Company, and signed or authorized the signing of the Company's Registration Statement filed with the SEC. Defendant Carrillo is also a resident of Orange County, California.

21. Defendants Flanagan and Carrillo are herein referred to as the "Officer Defendants."

22. The Director Defendants and Officer Defendants are collectively referred to herein as the "Defendants."

SUBSTANTIVE ALLEGATIONS

23. loanDepot is an independent retail mortgage lender that provides residential loans, refinance loans, and personal loan products nationwide. The Prospectus for the Company's IPO described the Company's business as follows:

> loanDepot is a customer-centric, technology-empowered residential mortgage platform with a widely recognized consumer brand. We launched our business in 2010 to disrupt the legacy mortgage industry and make obtaining a mortgage a positive experience for consumers. We have built a leading technology platform designed around the consumer that has the mortgage process. Our digital-first approach has allowed us to become one of the fastest-growing, at-scale mortgage originators in the U.S. […]
>
> Consumer-facing industries continue to be disrupted by technological innovation. The mortgage industry is no different with consumers expecting increased levels of convenience and speed. ***The residential mortgage market in the U.S. is massive—with approximately $11.0 trillion of mortgages outstanding as of September 30, 2020—and is largely served by legacy mortgage originators, which require consumers to navigate time-consuming and paper-based processes to apply for and obtain mortgage loans. mello®, our proprietary end-to-end technology platform, combined with our differentiated data analytics capabilities and nationally recognized consumer brand, uniquely positions us to capitalize on the ongoing shift towards at-scale, digitally-enabled platforms.*** […]
>
> ***Our innovative culture and contemporary consumer brand represent key differentiators for loanDepot.*** We have fostered an entrepreneurial mindset and relentlessly deliver an exceptional experience to our customers. Our guiding principle is to delight our customers by exceeding their expectations.
>
> We are a data driven company. We utilize data from lead acquisition, digital marketing, in-market relationships, and our servicing portfolio to identify and acquire new customers and retain our existing customers. During the last twelve months, we have analyzed, enriched, and optimized more than 9 million customer leads with a deep understanding of each potential customer's financial profile and needs. We also maintain mello DataMart, an extensive proprietary data warehouse of over 38 million contacts generated over our ten-year history. Our predictive analytics, machine learning and artificial intelligence drive optimized lead performance.
>
> We leverage our brand, technology and data to serve customers across our two interconnected strategies: Retail and Partner. Our Retail strategy focuses on directly reaching consumers through a combination of digital marketing and more than 2,000

digitally-empowered licensed mortgage professionals. In our Partner strategy, we have established deep relationships with mortgage brokers, realtors, joint ventures with home builders, and other referral partners.

These partnerships are valuable origination sources with lower customer acquisition costs. Our technology is a key component of the value proposition to these partner relationships, allowing us to integrate directly into our partners' native systems. We maintain integrated referral relationships with several leading brands, including a partnership with one of the 10 largest U.S. retail banks by total assets. During 2019, our Retail strategy produced 72% of our origination volume, with our Partner strategy representing the remaining 28%.

Our digital-first approach across our Retail and Partner strategies leverages the power of mello® to create a streamlined experience for consumers. Our predictive models route leads to the right loan officer at the right time to optimize the consumer's experience and best serve their needs. Based on each consumer's needs and preferences, leads are directed to in-house or in-market loan officers, team members at our centralized operations locations, or our digital self-service platform. Our in-market loan officers are able to leverage their long-term relationships as well as our proprietary mello® platform and loanDepot brand, driving improved profitability per loan officer.

Our national brand along with our expertise in digital marketing, big data and marketing analytics, not only drives new customer acquisition, but also maximizes retention and customer lifetime value. We leverage these capabilities to "recapture" existing customers for subsequent refinance and purchase transactions. ***Our recapture rates are among the highest in the industry — for the nine months ended September 30, 2020, our organic refinance consumer direct recapture rate was 61% highlighting the efficacy of our marketing efforts and the strength of our customer relationships. This compares to an industry average refinance recapture rate of only 18% for the three months ended September 30, 2020 according to Black Knight Mortgage Monitor. In addition, we achieved an overall organic recapture rate of 47% for the nine months ended September 30, 2020. Our recapture originations have lower customer acquisition costs than originations to new customers, positively impacting our profit margins.***

We have significantly increased our originations market share from 1.0% in 2014 to 2.6% for the first nine months of 2020, and our strong consumer brand and proprietary technology platform have positioned us to continue gaining additional share. Our Retail and Partner strategies have led to a balanced mix of purchase and refinance mortgages, with purchase originations representing 41% of total originations in 2019. We have a well-defined plan to accelerate this growth by expanding upon our technological and brand advantages, growing our market share in both purchase and refinance markets, and further increasing customer retention and lifetime value. Secular demographic and housing market tailwinds provide further support for our competitive advantages.

> ***Our platform and technology create a significant financial advantage***. Our brand effectiveness and marketing capabilities optimize our customer acquisition costs, and our automation reduces unnecessary expenses throughout the origination process. We are able to scale quickly and efficiently which allows us to grow both transaction volume and profitability. During the COVID-19 pandemic, our technology platform and culture enabled us to hire, train and onboard over 3,500 new team members remotely. Our growth and profitability during the last nine months is further evidence of the scalability of our platform and validates the investments we have made in our brand and our technology. ***For the nine months ended September 30, 2020, we generated $63.4 billion in originations (116% year-over-year growth), $3.0 billion in revenue (227% year-over-year growth), $1,465.9 million in net income and $1,085.9 million in adjusted net income, making us one of the fastest-growing and most profitable companies in our industry***. [Emphasis added].

24. Prior to the IPO, the Company was majority owned by Defendant Hsieh (61%) and 38% by Parthenon Capital.

25. The Company's IPO was a means for the Company's controlling shareholder, Defendant Hsieh, and the Company's early partner and investor, Parthenon, to cash out their illiquid stock in the Company. Of the IPO proceeds, the Company's insiders (Defendant Hsieh and Parthenon) sold 1,456,000 shares of Class A Common Stock compared to 2,394,000 shares sold by the Company. Thus, the Company's insiders received approximately 38% of all proceeds from the IPO.

26. In addition, shortly before the IPO, the Company's insiders caused the Company to make large cash payments to them. In November 2020, the Company paid profit distributions of $278.8 million to certain of its unitholders, namely Defendant Hsieh and Parthenon. In December 2020, the Company distributed $71.1 million to the unitholders. In addition, shortly prior to the IPO, the Company's related entity LD Holdings distributed an additional $159 million to the unitholders. Moreover, on April 30, 2021 the Company distributed an additional $146.2 million to the unitholders. Thus, shortly before and/or after the IPO, ***the Company's insiders siphoned off over $655 million in cash from the Company***.

27. On November 12, 2020, the Company filed a draft Registration Statement on Form DRS with the SEC.

28. On January 11, 2021, the Company filed a draft Registration Statement on Form S-1 with the SEC. Following several amendments made in response to comments received by the SEC, the SEC declared the Registration Statement effective on February 10, 2021.

29. On February 16, 2021, loanDepot filed the Prospectus with the SEC. The Registration Statement and Prospectus were utilized in the Offering.

30. Defendants Hsieh, Dodson, Dorman, Golson and Lepor signed the Registration Statement or signed consent forms dated January 11, 2021 authorizing their names to be included in the Registration Statement as director nominees of loanDepot.

31. On February 16, 2021, the Company filed its Prospectus with the SEC on Form 424B4.

32. loanDepot thereafter announced the pricing of its initial public offering of 3,850,000 Class A shares at a price of $14 per share. The Company announced that its shares had been approved for listing on the NYSE under the symbol "LDI."

33. The Offering Documents used to effectuate the Company's IPO were negligently prepared and contained false and misleading statements and material omissions.

34. The Registration Statement stated that the Company's "innovative technology" had allowed it to realize significantly increased revenues and profitability:

> "We have demonstrated our ability to grow our business and market share, having grown from a de novo start-up in 2010 to the second largest non-bank retail originator in the U.S. with a 2.6% share of a $11.0 trillion mortgage market as of September 30, 2020. We believe that we are well positioned to continue our market share growth through both our Retail strategy, where we have invested in our team members and technology to enable rapid scaling, and our Partner strategy, where independent brokers, in addition to joint venture and integrated referral partners, increasingly choose to work with us based on our reputation for excellent customer service and seamless user experiences. ***Our growth has accelerated in recent quarters as our long-term investments in brand marketing and innovative technology have helped us achieve industry-leading growth and profitability***.
>
> "We believe that ***continuing to make these investments will allow us to grow market share, increase customer retention and deliver enhanced returns that will ultimately enable a virtuous cycle of further investment and returns.***" [Emphasis added].

35. The Offering Documents also stated:

> We've created a company that is built to serve customers throughout the entire loan transaction, from the onset of the purchase or refinance decision through loan closing and servicing. ***We now possess roughly 3% market share of annual mortgage origination volumes***, which makes up part of the $11T total addressable market. Thanks to our brand investment over time, we are also one of the most recognized brands in the industry today. ***All of this gives us enormous runway***. [Emphasis added].

36. The Prospectus also stated:

> ***We*** originated $79.4 billion of loans for the twelve months ended September 30, 2020 and ***experienced 116% year-over-year origination volume growth for the nine months ended September 30, 2020***. [Emphasis added].

37. In another section of the Offering Documents discussing potential competition, the Company represented that its brand and technology protected it against potential competition and that there were significant barriers to entry:

> We believe that we are one of only two non-banks with a nationally-recognized consumer brand in the U.S. retail mortgage origination industry. Since the Company's launch in 2010, we have invested over $1.2 billion in marketing and the promotion of our brand, and we believe there are significant barriers-to-entry in creating a brand comparable to ours.

38. The Offering Documents also trumpeted loanDepot's success in achieving higher than-average recapture rates and profit margins in its industry, and stated that loanDepot was well positioned to protect its high profit margins:

> ***Our recapture rates are among the highest in the industry***—for the nine months ended September 30, 2020, ***our organic refinance consumer direct recapture rate was 61% highlighting the efficacy of our marketing efforts and the strength of our customer relationships. This compares to an industry average refinance recapture rate of only 18% for the three months ended September 30, 2020*** according to Black Knight Mortgage Monitor. In addition, we achieved an overall organic recapture rate of 47% for the nine months ended September 30, 2020. Our recapture originations have lower customer acquisition costs than originations to new customers, positively impacting our profit margins. [Emphasis added].

39. The Prospectus also stated that loanDepot had significantly increased its market share and was well-positioned to protect and grow that market share through its proprietary "platform and technology" which gave loan Depot a "significant financial advantage":

> ***We have significantly increased our originations market share from 1.0% in 2014 to 2.6% for the first nine months of 2020, and our strong consumer brand and proprietary technology platform have positioned us to continue gaining additional share***. Our Retail and Partner strategies have led to a balanced mix of purchase and refinance mortgages, with purchase originations representing 41% of total originations in 2019. ***We have a well-defined plan to accelerate this growth*** by expanding upon our technological and brand advantages, growing our market share in both purchase and refinance markets, and further increasing customer retention and lifetime value. Secular demographic and housing market tailwinds provide further support for our competitive advantages.
>
> ***Our platform and technology create a significant financial advantage***. Our brand effectiveness and marketing capabilities optimize our customer acquisition costs, and our automation reduces unnecessary expenses throughout the origination process. We are able to scale quickly and efficiently which allows us to grow both transaction volume and profitability. During the COVID-19 pandemic, our technology platform and culture enabled us to hire, train and onboard over 3,500 new team members remotely. Our growth and profitability during the last nine months is further evidence of the scalability of our platform and validates the investments we have made in our brand and our technology. For the nine months ended September 30, 2020, we generated $63.4 billion in originations (116% year-over-year growth), $3.0 billion in revenue (227% year-over-year growth), $1,465.9 million in net income and $1,085.9 million in adjusted net income, making us one of the fastest-growing and most profitable companies in our industry. [Emphasis added].

40. The Offering Documents represented the following with respect to the Company's gain-on-sale margins:

> While the financial markets have demonstrated significant volatility due to the economic impacts of COVID-19, interest rates have fallen to historic lows resulting in increased mortgage refinance originations and favorable margins. Our efficient and scalable platform has enabled us to respond quickly to the increased market demand. Market demand in 2020 was driven by a prolonged period of historically low interest rates. This demand contributed to gain on sale margins reaching levels that the Company does not believe will be sustained in future years and could result in decreases in revenue.

41. This statement was false and misleading because the Company was already experiencing lower gain-on-sale margins. Instead of disclosing this existing fact, the Offering Documents falsely stated that gain-on-sale margins and revenues could be impacted "in future years." Including a misleading disclosure that margins and revenues could be impacted in "future years" when in fact the margins and revenues ***had already been adversely affected*** and would continue to be affected in the very next quarter (not year) was itself a false and misleading statement.

42. The representations in the Offering Documents were also false and misleading because, at the time of the IPO, loanDepot was already experiencing significantly increased competition, greatly reduced originations, and lower gain-on sale margins. Neither loanDepot's supposedly proprietary technology or platform or other touted advantages were proving successful in fighting this competition. Instead, Defendants concealed from the Offering Documents the fact that loanDepot was being forced to lower prices/rates in order to combat the significantly increased competition, which was leading and would inexorably lead to lower margins and profits. In addition, its efforts to protect its market share by reducing prices/rates were not enough to protect its loan originations, which were declining and thus leading to reduced revenue loanDepot failed to disclose these material facts in the Offering Documents, thus making the statements above misleading.

43. Indeed, when loanDepot announced disappointing Q2 2021 results on August 3, 2021, Defendant Hsieh admitted that everything about loanDepot's business is "highly predictable" and thus that loanDepot had perfect visibility at the time of the IPO as to where its business was and was going. On the conference call with analysts to discuss loanDepot's Q2 2021 earnings on August 3, 2021, Defendant Hsieh stated: "James, this is certainly not our first rodeo. ***Everything here is highly predictable. There's been very, very little surprise***." [Emphasis added].

44. loanDepot never disclosed this information in the Offering Documents. This omitted information was material because the Company's loan originations, growth rate, and margins were highly material to investors. Indeed, the entire business of loanDepot is loan originations and loan refinancing and thus the misrepresentations and omissions alleged herein concerned the Company's core (and only) product.

45. loanDepot had its lawyers draft boilerplate disclosures that it could use in the future to try to argue that the undisclosed facts were actually disclosed. The following generic and misleading disclosure in the Offering Documents was included by loanDepot for exactly this purpose:

> "Our loan originations, particularly our refinance mortgage loan volume, are dependent on interest rates and are expected to decline ***if interest rates increase***. Our loan origination activities are also subject to overall market factors that can impact our ability to grow our loan production volume. For example, ***increased competition*** from new and existing market participants, slow growth in the level of new home purchase activity or reductions in the overall level of refinancing activity ***can impact our ability to continue to grow our loan origination volume, and we may be forced to accept lower margins in order to continue to compete and keep our volume of activity consistent with past or projected levels***. [Emphasis added].

46. This alleged disclosure was itself false and misleading. Telling investors that potential, theoretical increased competition "could" impact revenues and margins is a far cry from telling investors that the company ***was already experiencing*** significantly increased competition that had already forced it to accept lower margins in order to stave off such competition. Moreover, interest rates did not increase from the time of the IPO to the Company's announcement of significantly reduced revenues and margins in Q2 2021 (less than six months after the IPO). Interest rates stayed flat and even were lowered during this time period. Thus, the Company's boilerplate alleged disclosures in the Offering Documents actually misled investors rather than warning them about known, existing facts, as Defendants had an obligation to do under the federal securities laws.

47. Rather than disclose the known, existing adverse facts, the Offering Documents repeatedly touted the fact that the Company had been extremely successful (even during Covid) of increasing market share, profit margins, and staving off competition:

> "While the financial markets have demonstrated significant volatility due to the economic impacts of COVID-19, interest rates have fallen to historic lows resulting in increased mortgage refinance originations and favorable margins. Our efficient and scalable platform has enabled us to respond quickly to the increased market demand. We have highlighted below the key steps we have undertaken since the onset of the pandemic to position our platform for continued success:
>
> - Maintained higher liquidity levels from an increase in cash from retained earnings.
> - Increased our total loan funding capacity with our current lending partners.
> - Stepped up protocols related to verification of key metrics such as employment and income to ensure the highest quality underwriting standards are maintained.

- Transitioned our workforce to working remotely as of March 19, 2020."[1]

48. The Company's Offering Documents represented that the Company was experiencing rapid growth in revenues and margins and that the Company's business performance, prospects and products were well-positioned to continue such high growth rate and margins, while omitting these known trends and facts that had already had a materially unfavorable impact on the Company's revenues and business at the time of the IPO. *See* Item 303 of SEC Reg. S-K, 17 C.F.R. §229.303(a)(3)(ii) (requiring that the materials incorporated in a registration statement disclose all "known trends or uncertainties" reasonably expected to have a material, unfavorable impact on a company's operations).

49. The Registration Statement contained pages and pages of numerous generalized possible "Risk Factors" that might occur and "[i]n case" they did actually occur, then loanDepot's financial condition and results of operation "***could*** be adversely affected." Those statements were false or misleading and omitted material information for the reasons stated above in paragraph 46.

50. The statements identified above that the Company made in the Offering Documents were materially false and misleading when made because, in addition to what was stated above, they failed to disclose:

(a) at the Company's refinance originations had already declined substantially at the time of the IPO due to industry over-capacity and increased competition;

(b) that the Company's gain-on-sale margins had already declined substantially at the time of the IPO;

(c) that, as a result, the Company's revenue and growth would be negatively impacted;

(d) that the Company had already been forced to embark on a significant expense reduction plan due to the significantly lower growth and refinance originations that the Company was experiencing;

---

[1] *See* Prospectus at p. 106.

(e) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis; and

(f) that the Company's business, prospects and ability to achieve growth had been materially impaired by the time of the IPO as a result of adverse industry, sales and earnings trends.

51. Moreover, Item 303 of SEC Regulation S-K, 17 C.F.R. §229.303(a)(3)(ii), required Defendants to "[d]escribe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on the sales or revenues or income from continuing operations." Similarly, Item 503 of SEC Regulation S-K, 17 C.F.R. §229.503, requires, in the "Risk Factor" section of registration statements and prospectuses, "a discussion of the most significant factors that make the offering speculative or risky" and that each risk factor "adequately describes the risk." The failure of the Registration Statement to disclose that the Company was experiencing adverse growth and earnings trends, including significantly increased competition in the market for loan originations, reduced gain-on-sale margins, and lower revenues, violated 17 C.F.R. §229.303(a)(3)(ii), because these undisclosed facts would (and did) have an unfavorable impact on the Company's sales, revenues and income from continuing operations. This failure also violated 17 C.F.R. §229.503, because these specific risks were not adequately disclosed, or disclosed at all, even though they were some of the most significant factors that made an investment in shares of the Company's common stock speculative or risky.

52. By August 17, 2021, loanDepot's stock had declined 42% from its IPO after it disclosed disappointing Q2 2021 results and provided significantly lower guidance for its business.

53. At the time of the filing of this action, loanDepot's stock was trading in the range of $8 per share, having plummeted in response to information reflecting the materialization of significant risks misrepresented and omitted from the Registration Statement as alleged herein.

DUTIES OF DEFENDANTS

54. By reason of their positions as officers, directors, and/or fiduciaries of loanDepot and because of their ability to control the business and corporate affairs of loanDepot, Defendants owed the Company and its shareholders fiduciary obligations of trust, loyalty, good faith and due care, and were and are required to use their utmost ability to control and manage loanDepot in a fair, just, honest, and equitable manner. Defendants were and are required to act in furtherance of the best interests of loanDepot and its shareholders so as to benefit all shareholders equally, and not in furtherance of their personal interest or benefit.

55. Each director and officer of the Company owes to loanDepot and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the Company and in the use and preservation of its property and assets, as well as the highest obligations of fair dealing. 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, financial condition, and present and future business prospects so that the market price of the Company's stock would be based on truthful and accurate information.

56. Defendants, because of their positions of control and authority as directors and/or officers of loanDepot, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by the Company. Because of their advisory, executive, managerial and directorial positions with loanDepot, each of the Defendants had access to adverse non-public information about the financial condition, operations, sales and marketing practices, and improper representations of loanDepot.

57. To discharge their duties, the officers and directors of loanDepot were required to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the financial affairs of the Company. By virtue of such duties, the officers and directors of loanDepot 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 investing public;

b) conduct the affairs of the Company in an efficient, business-like 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 loanDepot conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, make reasonable inquiry 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; and

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

58. Each Defendant, by virtue of his or her 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 loanDepot, 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.

59. Each director and officer of the Company owed to loanDepot the fiduciary duty to exercise due care and diligence in the administration of the affairs of the Company and in the use

and preservation of its property and assets, and the highest obligations of good faith and fair dealing. In addition, as officers and/or directors of a publicly held company, Defendants had a duty not to advance their own personal, financial, or economic interests over, and at the expense of, the Company's public shareholders, or to allow other loanDepot directors, officers, and/or employees to do so. Each director and officer of the Company also owed loanDepot and its shareholder-owners the duty to maintain the Company's confidential information and prevent others from misappropriating and/or trading while in possession of the Company's proprietary, confidential information.

60. Defendants breached their duties of loyalty and good faith by causing the Company to misrepresent the information as detailed *infra*. Defendants subjected the Company to the costs of defending and the potential liability from a class action lawsuit for violations of the federal securities laws. As a result, loanDepot has expended, and will continue to expend, significant sums of money.

61. Defendants' actions have irreparably damaged loanDepot's corporate image and goodwill.

DEMAND FUTILITY ALLEGATIONS
FOR THE BOARD OF LOANDEPOT

62. Plaintiffs will adequately and fairly represent the interests of loanDepot and its shareholders in enforcing and prosecuting its rights.

63. Plaintiffs bring this action derivatively in the right and for the benefit of loanDepot to redress injuries suffered and to be suffered by loanDepot because of the breaches of fiduciary duty by Defendants.

64. Because of the facts set forth herein, Plaintiffs have not made a demand on the Board of loanDepot to institute this action against Defendants. Such demand would be a futile and useless act because the Board is incapable of making an independent and disinterested decision to institute and vigorously prosecute this action.

65. The loanDepot Board is currently comprised of Hsieh, Dodson, Dorman, Golson and Lepor. Thus, Plaintiffs are required to show that a majority of Defendants, *i.e.*, *three* (3), cannot exercise independent objective judgment about whether to bring this action or whether to vigorously prosecute this action.

66. Defendants face a substantial likelihood of liability in this action because they caused loanDepot to issue false and misleading statements concerning the information described herein. Because of their advisory, executive, managerial, and directorial positions with loanDepot, 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.

67. Defendants either knew or should have known of the false and misleading statements that were issued on the Company's behalf and took no steps in a good faith effort to prevent or remedy that situation, proximately causing millions of dollars of losses for loanDepot shareholders.

68. 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, Plaintiffs have not made (and is 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.

69. Any suit by the Board to remedy these wrongs would likely expose the Company to further violations of the securities laws that would result in civil actions being filed; thus, the Board members are hopelessly conflicted in making any supposedly independent determination about whether to sue themselves.

70. 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.

71. Defendants authorized and/or permitted the Company to make false statements that disseminated directly to the public and made available and distributed to shareholders, authorized and/or permitted the issuance of various false and misleading statements, and are principal beneficiaries of the wrongdoing alleged herein, and thus, could not fairly and fully prosecute such a suit even if they instituted it.

DEFENDANTS ARE NOT INDEPENDENT

Defendant Hsieh

72. Defendant Hsieh is the CEO of the Company. Defendant Hsieh is also the Chairman of the Board of the Company.

73. Defendant Hsieh is not disinterested or independent, and therefore, is incapable of considering demand because Hsieh (as CEO) is an employee of the Company who derived substantially all of his income from his employment with loanDepot, making him not independent. As such, Hsieh 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.

74. This lack of independence and financial benefits received by Defendant Hsieh renders him incapable of impartially considering a demand to commence and vigorously prosecute this action.

75. Defendant Hsieh is also a defendant in the securities class actions entitled *Doban v. loanDepot, Inc., et al.*, Case 8:21-cv-01513 (C.D. Cal.) and *Lako v. loanDepot, Inc., et al.*, Case 8:21-cv-01449 (C.D. Cal.) (the "Securities Class Actions")

Defendants Dodson, Dorman, Golson and Lepor

76. Defendants Dodson, Dorman, Golson and Lepor are defendants in the Securities Class Actions.

FIRST CAUSE OF ACTION

(Against Defendants For Breach of Fiduciary Duty)

77. Plaintiffs incorporate by reference and re-allege each allegation contained above, as though fully set forth herein.

78. Defendants owed and owe loanDepot fiduciary obligations. By reason of their fiduciary relationships, Defendants owed and owe loanDepot the highest obligation of good faith, fair dealing, loyalty and due care.

79. Defendants, and each of them, violated and breached their fiduciary duties of care, loyalty, reasonable inquiry, oversight, good faith and supervision.

80. Defendants had actual or constructive knowledge that they had caused the Company to improperly misrepresent the business prospects of the Company. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

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

82. Plaintiffs, on behalf of loanDepot, have no adequate remedy at law.

SECOND CAUSE OF ACTION

(Against Defendants for Unjust Enrichment)

83. Plaintiffs incorporate by reference and re-allege each and every allegation set forth above, as though fully set forth herein.

84. By their wrongful acts and omissions, Defendants were unjustly enriched at the expense of and to the detriment of loanDepot in the form of salaries, bonuses, and other forms of compensation.

85. Plaintiffs, as shareholders and representatives of loanDepot, seek restitution from Defendants, and each of them, and seek 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.

THIRD CAUSE OF ACTION

(Against Defendants for Abuse of Control)

86. Plaintiffs incorporate by reference and re-allege each and every allegation set forth above, as though fully set forth herein.

87. Defendants' misconduct alleged herein constituted an abuse of their ability to control and influence the Company, for which they are legally responsible.

88. As a direct and proximate result of Defendants' abuse of control, the Company has sustained significant damages. As a direct and proximate result of Defendants' breaches of their fiduciary obligations of candor, good faith, and loyalty, the Company has sustained and continues to sustain significant damages.

89. As a result of the misconduct alleged herein, Defendants are liable to the Company. Plaintiffs, on behalf of the Company, have no adequate remedy at law.

FOURTH CAUSE OF ACTION

(Against Defendants for Waste of Corporate Assets)

90. Plaintiffs incorporates by reference and re-allege each and every allegation set forth above, as though fully set forth herein.

91. As a result of the foregoing, and by failing to properly consider the interests of the Company and its public shareholders, Defendants have caused the Company to waste valuable corporate assets by failing to disclose (i) the Company had a material weakness in its internal control over financial reporting; (ii) the Company's disclosure controls and procedures were not effective; and (iii) as a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

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

93. Plaintiffs, on behalf of the Company, have no adequate remedy at law.

FIFTH CAUSE OF ACTION

(Against Defendants for Contribution for Violations of Sections 10(b) and 21D of the Exchange Act)

94. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

95. Defendants are named as defendants in related Securities Class actions. The conduct of these defendants, as described herein, has exposed the Company to significant liability under various federal and state securities laws by their disloyal acts.

96. The Company is named as a defendant in related Securities Class Actions that alleges and asserts claims arising under § 10(b) of the Exchange Act. The Company is alleged to be liable to private persons, entities and/or classes by virtue of many of the same facts alleged herein. If the Company is found liable for violating the federal securities laws, the Company's liability will arise in whole or in part from the intentional, knowing, or reckless acts or omissions of all or some of the Defendants as alleged herein, who have caused the Company to suffer substantial harm through their disloyal acts. The Company is entitled to contribution and indemnification from these Defendants in connection with all claims that have been, are, or may be asserted against the Company by virtue of their wrongdoing.

97. As officers, directors and otherwise, Defendants had the power or ability to, and did, control or influence, either directly or indirectly, the Company's general affairs, including the content of its public statements, and had the power or ability to directly or indirectly control or influence the specific corporate statements and conduct that violated § 10(b) of the Exchange Act and SEC Rule 10b-5.

98. Defendants are liable under § 21D of the Exchange Act, which governs the application of any private right of action for contribution asserted pursuant to the Exchange Act.

99. Defendants have damaged the Company and are liable to the Company for contribution.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief and judgment as follows:

A. Against Defendants in favor of the Company for the amount of damages sustained by the Company as a result of Defendants' breaches of fiduciary duties, unjust enrichment, abuse of control, waste of corporate assets and violations of Sections 10(b) and 21D of the Exchange Act;

B. Awarding to Plaintiffs the costs and disbursements of the action, including reasonable attorney's fees, accountants' and experts' fees, costs, and expenses; and

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

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

DATED: October 14, 2020

MAGNANIMO & DEAN, LLP

By: Frank A. Magnanimo
FRANK A. MAGNANIMO
21031 Ventura Boulevard
Suite 803
Woodland Hills, CA 91364
Telephone: (818) 305-3450
Facsimile: (818) 305-3451
Email: Frank@MagDeanLaw.com

Thomas J. McKenna
Gregory M. Egleston
GAINEY McKENNA & EGLESTON
501 Fifth Avenue, 19th Floor
New York, NY 10017
Tel: (212) 983-1300
Fax: (212) 983-0383
Email: tjmckenna@gme-law.com
Email: gegleston@gme-law.com

Attorneys for Plaintiffs

VERIFICATION

I, TANYA HARRY, declare that I have reviewed the Verified Shareholder Derivative Complaint ("Complaint") prepared on behalf of loanDepot, Inc. and authorize its filing. I have reviewed the allegations made in the Complaint, and 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 on my counsel and their investigation and for that reason believe them to be true. I further declare that I am a current holder, and have been a holder, of loanDepot, Inc. common stock at all relevant times.

Tanya Harry

TANYA HARRY

VERIFICATION

I, AARON TAYLOR, declare that I have reviewed the Verified Shareholder Derivative Complaint ("Complaint") prepared on behalf of loanDepot, Inc. and authorize its filing. I have reviewed the allegations made in the Complaint, and 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 on my counsel and their investigation and for that reason believe them to be true. I further declare that I am a current holder, and have been a holder, of loanDepot, Inc. common stock at all relevant times.

Aaron Taylor

AARON TAYLOR