

Resolved, that stockholders of Wells Fargo urge that:

1. The Board of Directors conduct a series of study sessions, ideally organized and led by an independent director, to address whether the divestiture of all non-core banking business segments would enhance shareholder value, and whether it should divide into a number of independent firms.
2. The Board shall attempt to report publicly on its analysis to stockholders no later than 300 days after the 2017 Annual Meeting of Stockholders, and confidential information may be withheld.
3. In carrying out its evaluation, Board should consider retaining, at reasonable cost, independent legal, investment banking and other third party advisers as the Board determines is appropriate. For purposes of this proposal, "non-core banking operations" mean operations that are conducted by affiliates other than the affiliate the corporation identifies as Wells Fargo Bank, NA, which holds the FDIC Certificate No 3511

### **SUPPORTING STATEMENT**

The financial crisis that began in 2008 underscored potentially significant weaknesses in the practices of large, inter-connected financial institutions such as Wells Fargo. As the financial crisis unfolded in 2008, Wells Fargo stock fell from \$37 on September 1, 2008, to \$12 on February 1, 2009. The crisis revealed that some banks were "too big." They were "too big to fail," in which their creditors were guaranteed; they were "too big to jail," as Attorney General Holder confided that true justice for a mega-bank would lead to grave collateral consequences (leaving shareholder-funded fines as the chief penalty); and they were "too big to manage." At Wells Fargo, roughly 5,300 employees of the community banking division perpetrated a massive fraud whereby they created some 2 million accounts for unwitting customers. Rather than sanction the community banking chief executive, Wells Fargo celebrated her tenure with a \$125 million retirement package. Rather than acknowledging a management break-down, CEO John Stumpf blamed a minority of bad employees. He claimed there was no reason for the employees to commit the fraud. "There was no incentive to do bad things," Stumpf told the Wall Street Journal. Taking CEO Stumpf at his word, then, we believe he effectively argues that his firm is so large as to be unmanageable.

This proposal, which should not be seen as prescriptive, merely urges an independent study. Study is the bedrock of all investment decisions, a principle subscribed to by virtually all professional investors. For example, the Ontario Teachers Pension Plan states, "Our responsible investing approach includes consideration of a broad range of financial and non-financial factors." Or take private equity firm Vestar Capital Partners: "We value transparency."

Surely, Wells Fargo's board should consider, given the urgency of its management problems, a study of whether it might more likely remain on the right side of the law under a trimmer organizational structure.