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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

_____, Individually and on behalf of all
others similarly situated,

Plaintiff,

v.

THE CHARLES SCHWAB
CORPORATION, WALTER W.
BETTINGER II, and PETER
CRAWFORD,

Defendants.

No.

**CLASS ACTION COMPLAINT
FOR VIOLATIONS OF THE
FEDERAL SECURITIES
LAWS**

CLASS ACTION

JURY TRIAL DEMANDED

Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons
similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint
against Defendants (defined below), alleges the following based upon personal
knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to
all other matters, based upon, *inter alia*, the investigation conducted by and
through his attorneys, which included, among other things, a review of the
Defendants’ public documents, conference calls and announcements made by

1 Defendants, public filings, wire and press releases published by and regarding The
2 Charles Schwab Corporation (“Charles Schwab” or the “Company”), and
3 information readily obtainable on the Internet. Plaintiff believes that substantial
4 evidentiary support will exist for the allegations set forth herein after a reasonable
5 opportunity for discovery.

6 **NATURE OF THE ACTION**

7 1. This is a class action on behalf of persons or entities who purchased
8 or otherwise acquired publicly traded Charles Schwab securities between August
9 7, 2017 and June 13, 2022, inclusive (the “Class Period”). Plaintiff seeks to
10 recover compensable damages caused by Defendants’ violations of the federal
11 securities laws under the Securities Exchange Act of 1934 (the “Exchange Act”).

12 **JURISDICTION AND VENUE**

13 2. The claims asserted herein arise under and pursuant to Sections 10(b)
14 and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5
15 promulgated thereunder by the U.S. Securities and Exchange Commission
16 (“SEC”) (17 C.F.R. § 240.10b-5).

17 3. This Court has jurisdiction over the subject matter of this action
18 pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C.
19 §78aa).

20 4. Venue is proper in this judicial district pursuant to 28 U.S.C. §
21 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged
22 misstatements entered and the subsequent damages took place in this judicial
23 district.

24 5. In connection with the acts, conduct and other wrongs alleged in this
25 complaint, Defendants, directly or indirectly, used the means and instrumentalities
26 of interstate commerce, including but not limited to, the United States mails,
27 interstate telephone communications and the facilities of the national securities
28 exchange.

1 **PARTIES**

2 6. Plaintiff, as set forth in the accompanying certification, incorporated
3 by reference herein, purchased Charles Schwab securities during the Class Period
4 and was economically damaged thereby.

5 7. Defendant Charles Schwab is purportedly a savings and loan holding
6 company that, through its subsidiaries, engages in wealth management, securities
7 brokerage, banking, asset management, custody, and financial advisory services.
8 Charles Schwab is incorporated in Delaware with its principal office located in
9 San Francisco, California. Charles Schwab's common stock trades on the New
10 York Stock Exchange ("NYSE") under the ticker symbol "SCHW."

11 8. Defendant Walter W. Bettinger II ("Bettinger") has served as the
12 Company's Chief Executive Officer ("CEO") at all relevant times.

13 9. Defendant Peter Crawford ("Crawford") served as the Company's
14 Chief Financial Officer ("CFO") at all relevant times.

15 10. Defendants Bettinger and Crawford are collectively referred to herein
16 as the "Individual Defendants."

17 11. Each of the Individual Defendants:

- 18 (a) directly participated in the management of the Company;
 - 19 (b) was directly involved in the day-to-day operations of the
20 Company at the highest levels;
 - 21 (c) was privy to confidential proprietary information concerning
22 the Company and its business and operations;
 - 23 (d) was directly or indirectly involved in drafting, producing,
24 reviewing and/or disseminating the false and misleading statements
25 and information alleged herein;
 - 26 (e) was directly or indirectly involved in the oversight or
27 implementation of the Company's internal controls;
- 28

1 (f) was aware of or recklessly disregarded the fact that the false
2 and misleading statements were being issued concerning the
3 Company; and/or

4 (g) approved or ratified these statements in violation of the federal
5 securities laws.

6 12. Charles Schwab is liable for the acts of the Individual Defendants and
7 its employees under the doctrine of *respondeat superior* and common law
8 principles of agency because all of the wrongful acts complained of herein were
9 carried out within the scope of their employment.

10 13. The scienter of the Individual Defendants and other employees and
11 agents of the Company is similarly imputed to Charles Schwab under *respondeat*
12 *superior* and agency principles.

13 14. Defendant Charles Schwab and the Individual Defendants are
14 collectively referred to herein as “Defendants.”

15 **SUBSTANTIVE ALLEGATIONS**

16 **Materially False and Misleading Statements Issued During the Class Period**

17 15. On August 7, 2017, Charles Schwab filed a form 10-Q for the
18 quarterly period ended June 30, 2017 (“2Q 2017 10-Q”). Attached to the 2Q 2017
19 10-Q were certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”)
20 signed by Defendants Bettinger and Crawford.

21 16. The 2Q 2017 10-Q stated, in relevant part, that it had charged no fees
22 to its “Intelligent Portfolios” clients.

23 17. On February 22, 2018, Charles Schwab filed a form 10-K for the
24 fiscal year ended December 31, 2017 (“2017 10-K”). Attached to the 2017 10-K
25 were SOX certifications signed by Defendants Bettinger and Crawford.

26 18. The 2017 10-K stated, in pertinent part:
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1 “For clients seeking a relationship in which investment decisions are
2 fully delegated to a financial professional, Schwab offers several
3 alternatives. We provide investors access to professional investment
4 management in a diversified account that is invested exclusively in
5 either mutual funds or ETFs through the Schwab Managed Portfolios
6 and Windhaven Investment Management, Inc. (Windhaven®), or
7 equity securities and ETFs through ThomasPartners® programs. We
8 also refer investors who want to utilize a specific third-party money
9 manager to direct a portion of their investment assets to the Schwab
10 Managed Account program. ***Schwab Intelligent Portfolios®,***
11 ***available since 2015, are for clients who are looking to have their***
12 ***assets professionally managed via a fully automated online***
13 ***investment advisory service.*** In late 2016, we introduced Schwab
14 Intelligent Advisory® to offer our clients a hybrid advisory service
15 which combines live credentialed professionals and algorithm-driven
16 technology to make financial and investment planning more
17 accessible to investors. Finally, clients who want the assistance of an
18 independent professional in managing their financial affairs may be
19 referred to RIAs in the Schwab Advisor Network. These RIAs provide
20 personalized portfolio management, financial planning, and wealth
21 management solutions.”

16 (Emphasis added.)

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18 19. On February 22, 2019, Charles Schwab filed a form 10-K for the
19 fiscal year ended December 31, 2018 (“2018 10-K”). Attached to the 2018 10-K
20 were SOX Certifications signed by Defendants Bettinger and Crawford.

21 20. The 2018 10-K stated, in relevant part:

22 “For clients seeking a relationship in which investment decisions are
23 fully delegated to a financial professional, Schwab offers several
24 alternatives. We provide investors access to professional investment
25 management in a diversified account that is invested exclusively in
26 either mutual funds or ETFs through the Schwab Managed Portfolios
27 and the Windhaven Investment Management® Strategies, or equity
28 securities and ETFs through the ThomasPartners Investment
Management® Strategies. We also refer investors who want to utilize
a specific third-party money manager to direct a portion of their

1 investment assets to the Schwab Managed Account program. ***Schwab***
2 ***Intelligent Portfolios®***, available since 2015, are for clients who are
3 ***looking to have their assets professionally managed via a fully***
4 ***automated online investment advisory service***. In late 2016, we
5 introduced Schwab Intelligent Advisory® to offer our clients a hybrid
6 advisory service which combines live credentialed professionals and
7 algorithm-driven technology to make financial and investment
8 planning more accessible to investors. Finally, clients who want the
9 assistance of an independent professional in managing their financial
10 affairs may be referred to RIAs in the Schwab Advisor Network.
11 These RIAs provide personalized portfolio management, financial
12 planning, and wealth management solutions.”

13 (Emphasis added.)

14 21. On February 26, 2020, Charles Schwab filed a form 10-K for the
15 fiscal year ended December 31, 2019 (“2019 10-K”). Attached to the 2019 10-K
16 were SOX Certifications signed by Defendants Bettinger and Crawford.

17 22. The 2019 10-K, in pertinent part, stated:

18 “For clients seeking a relationship in which investment decisions are
19 fully delegated to a financial professional, Schwab offers several
20 alternatives. We provide investors access to professional investment
21 management in a diversified account that is invested exclusively in
22 either mutual funds or ETFs through the Schwab Managed Portfolios
23 and the Windhaven Investment Management® Strategies, or equity
24 securities and ETFs through the ThomasPartners Investment
25 Management® Strategies. We also refer investors who want to utilize
26 a specific third-party money manager to direct a portion of their
27 investment assets to the Schwab Managed Account program. ***Schwab***
28 ***Intelligent Portfolios®***, available since 2015, are for clients who are
looking to have their assets professionally managed via a fully
automated online investment advisory service. In late 2016, we
introduced a hybrid advisory service, now called Schwab Intelligent
Portfolios Premium™, to offer our clients an advisory service which
combines unlimited guidance provided by a CERTIFIED
FINANCIAL PLANNER™ and our robo-advice technology to make
financial and investment planning more accessible to investors. In

1 early 2020, we launched Schwab Intelligent Income™, a low-cost
2 solution designed to offer a simple, modern way to generate income
3 from existing investment portfolios. Finally, clients who want the
4 assistance of an independent professional in managing their financial
5 affairs may be referred to RIAs in the Schwab Advisor Network.
6 These RIAs provide personalized portfolio management, financial
7 planning, and wealth management solutions.”

8 (Emphasis added.)

9 23. On February 24, 2021, Charles Schwab filed a form 10-K for the
10 fiscal year ended December 31, 2020 (“2020 10-K”). Attached to the 2020 10-K
11 were SOX Certifications signed by Defendants Bettinger and Crawford.

12 24. The 2020 10-K, in relevant part, stated:

13 “For clients seeking a relationship in which investment decisions are
14 fully delegated to a financial professional, Schwab offers several
15 alternatives. We provide investors access to professional investment
16 management in a diversified account that is invested exclusively in
17 either mutual funds or ETFs through the Schwab Managed
18 Portfolios™ and the Windhaven Investment Management®
19 Strategies, or equity securities and ETFs through the ThomasPartners
20 Investment Management® Strategies. During 2020, we completed our
21 acquisition of Wasmer Schroeder, which adds established strategies
22 and new separately managed account offerings to our existing fixed
23 income lineup. We also refer investors who want to utilize a specific
24 third-party money manager to direct a portion of their investment
25 assets to the Schwab Managed Account™ program. ***Schwab
26 Intelligent Portfolios®, available since 2015, are for clients who are
27 looking to have their assets professionally managed via a fully
28 automated online investment advisory service.*** In late 2016, we
introduced a hybrid advisory service, now called Schwab Intelligent
Portfolios Premium®, to offer our clients an advisory service which
combines unlimited guidance provided by a CERTIFIED
FINANCIAL PLANNER™ and our robo-advice technology to make
financial and investment planning more accessible to investors. In
early 2020, we launched Schwab Intelligent Income®, a low-cost
solution designed to offer a simple, modern way to generate income

1 from existing investment portfolios. Finally, clients who want the
2 assistance of an independent professional in managing their financial
3 affairs may be referred to RIAs in the Schwab Advisor Network.
4 These RIAs provide personalized portfolio management, financial
5 planning, and wealth management solutions.”

6 (Emphasis added.)

7 25. The statements contained in ¶¶15-22 were materially false and/or
8 misleading because they misrepresented and failed to disclose the following
9 adverse facts pertaining to the Company’s business, operations and prospects,
10 which were known to Defendants or recklessly disregarded by them. Specifically,
11 Defendants made false and/or misleading statements and/or failed to disclose that:
12 (1) Charles Schwab made false and misleading statements in their Form ADV
13 filings about the cash component of their robo-adviser service, Schwab Intelligent
14 Portfolios (“SIP”); (2) Charles Schwab made false and misleading statements in
15 advertisements, stating there were “no hidden fees [and] no advisory fees” for
16 SIP; (3) SIP portfolios held, on average, at least 12.5% of their assets in cash,
17 resulting in reduced returns under market conditions where other assets such as
18 equities outperform cash; (4) the aforementioned practice resulted in reduced
19 returns that were approximately equal to the cost of advisory fees; (5) as a result
20 as a result of the foregoing, the Company was at greater risk of regulatory and
21 legal scrutiny and enforcement; and (6) as a result, Defendants’ statements about
22 Charles Schwab’s business, operations, and prospects, were materially false and
23 misleading and/or lacked a reasonable basis at all relevant times.

24 **THE TRUTH BEGINS TO EMERGE**

25 26. On July 1, 2021, Charles Schwab published a press release revealing
26 that it had been responding to an investigation by the SEC. In pertinent part, the
27 press release stated:
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1 “The company has been responding to an investigation by the U.S.
2 Securities and Exchange Commission (SEC) arising from a
3 compliance examination. *The investigation largely concerns historic*
4 *disclosures related to the Schwab Intelligent Portfolios® (SIP)*
5 *digital advisory solution.*

6 The company has been cooperating with SEC staff in the investigation
7 and is evaluating its options. Given the investigation’s status,
8 *Schwab’s second quarter 2021 financial results will include a*
9 *liability and related non-deductible charge of \$200 million.* The
10 company’s ultimate liability may differ, depending on the outcome of
11 the matter.”

12 (Emphasis added.)

13 27. On this news, the price of Charles Schwab share prices dropped
14 \$0.77, or approximately 1%, to close at \$72.80 on July 2, 2021, damaging
15 investors.

16 THE TRUTH FULLY EMERGES

17 28. On June 13, 2022, the SEC announced that it had charged three
18 Charles Schwab investment adviser subsidiaries and that the subsidiaries agreed to
19 pay \$187 million in settlement. The SEC order stated, in relevant part:

20 “1. From March 2015 through November 2018, certain investment
21 adviser subsidiaries of The Charles Schwab Corporation made false
22 and misleading statements in their Form ADV filings about the cash
23 component of their robo-adviser service, Schwab Intelligent Portfolios
24 (“SIP”). Each of SIP’s model portfolios held between 6% and 29.4%
25 of clients’ assets in cash. The amount of cash that each SIP model
26 portfolio contained was pre-set so that Respondents’ affiliate bank
27 would earn at least a minimum amount of revenue from the spread on
28 the cash by loaning out the money. In significant part because of the
revenue received from the spread on the SIP cash allocations,
Respondents did not charge investors an advisory fee for the SIP
service. *But Respondents did not disclose that, under market*
conditions where other assets such as equities outperform cash, the

1 *cash allocations in the investors’ portfolios would lower clients’*
2 *returns by approximately the same amount as an advisory fee would*
3 *have.*

4 2. Respondents made *false and misleading statements in their*
5 *Form ADV filings regarding both their conflict of interest in setting*
6 *the cash allocations at a level that would earn a minimum amount*
7 *of revenue, as well as the effect of the cash allocations.* For example,
8 Respondents *failed to disclose* in these filings that, under market
9 conditions where other assets such as equities outperform cash, *the*
10 *cash allocations in SIP would reduce investors’ returns by*
11 *approximately as much as advisory fees would have.* Also, they
12 *falsely claimed that the cash allocations in the SIP portfolios were*
13 *determined through a “disciplined portfolio construction*
14 *methodology” when in fact they were pre-set for business reasons,*
15 and to compensate Respondents for not charging an advisory fee.
16 Respondents’ disclosure failures were compounded by the fact that,
17 around the same time, Respondents launched a marketing campaign
18 that included advertising stating that SIP was a no-advisory-fee
19 product, which Respondents viewed as a strong competitive
20 advantage over other robo-advisers, and falsely implying that
21 investing in SIP allowed investors to keep more of their money than
22 other advisory services that charged a fee. *But because of the*
23 *disclosure failures in Respondents’ Form ADV filings and the*
24 *misleading advertisements, investors were unable to make a fully*
25 *informed decision regarding whether the lack of an advisory fee*
26 *benefitted them.”*

27 (Emphasis added.)

28 29. On this news, the price of Charles Schwab shares dropped \$1.98, or
approximately 3%, to close on June 13, 2022 at \$60.24, damaging investors.

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

PLAINTIFF’S CLASS ACTION ALLEGATIONS

1 31. Plaintiff brings this action as a class action pursuant to Federal Rule
2 of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons
3 other than Defendants who acquired Charles Schwab securities publicly traded on
4 the NYSE during the Class Period, and who were damaged thereby (the “Class”).
5 Excluded from the Class are Defendants, the officers and directors of Charles
6 Schwab, members of the Individual Defendants’ immediate families and their
7 legal representatives, heirs, successors or assigns and any entity in which
8 Defendants have or had a controlling interest.

9 32. The members of the Class are so numerous that joinder of all
10 members is impracticable. Throughout the Class Period, Charles Schwab
11 securities were actively traded on the NYSE. While the exact number of Class
12 members is unknown to Plaintiff at this time and can be ascertained only through
13 appropriate discovery, Plaintiff believes that there are hundreds, if not thousands
14 of members in the proposed Class.

15 33. Plaintiff’s claims are typical of the claims of the members of the
16 Class as all members of the Class are similarly affected by Defendants’ wrongful
17 conduct in violation of federal law that is complained of herein.

18 34. Plaintiff will fairly and adequately protect the interests of the
19 members of the Class and has retained counsel competent and experienced in class
20 action and securities litigation. Plaintiff has no interests antagonistic to or in
21 conflict with those of the Class.

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

- 25 • whether the Exchange Act was violated by Defendants’ acts as
26 alleged herein;

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1 • whether statements made by Defendants to the investing public
2 during the Class Period misrepresented material facts about the financial condition
3 and business of Charles Schwab;

4 • whether Defendants' public statements to the investing public during
5 the Class Period omitted material facts necessary to make the statements made, in
6 light of the circumstances under which they were made, not misleading;

7 • whether the Defendants caused Charles Schwab to issue false and
8 misleading filings during the Class Period;

9 • whether Defendants acted knowingly or recklessly in issuing false
10 filings;

11 • whether the prices of Charles Schwab securities during the Class
12 Period were artificially inflated because of the Defendants' conduct complained of
13 herein; and

14 • whether the members of the Class have sustained damages and, if so,
15 what is the proper measure of damages.

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

23 37. Plaintiff will rely, in part, upon the presumption of reliance
24 established by the fraud-on-the-market doctrine in that:

25 • Charles Schwab's shares met the requirements for listing, and were
26 listed and actively traded on the NYSE, an efficient market;

27 • As a public issuer, Charles Schwab filed periodic public reports;
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1 • Charles Schwab regularly communicated with public investors via
2 established market communication mechanisms, including through the regular
3 dissemination of press releases via major newswire services and through other
4 wide-ranging public disclosures, such as communications with the financial press
5 and other similar reporting services;

6 • Charles Schwab's securities were liquid and traded with sufficient
7 volume during the Class Period; and

8 • Charles Schwab was followed by a number of securities analysts
9 employed by major brokerage firms who wrote reports that were widely
10 distributed and publicly available.

11 38. Based on the foregoing, the market for Charles Schwab securities
12 promptly digested current information regarding Charles Schwab from all publicly
13 available sources and reflected such information in the prices of the shares, and
14 Plaintiff and the members of the Class are entitled to a presumption of reliance
15 upon the integrity of the market.

16 39. Alternatively, Plaintiff and the members of the Class are entitled to
17 the presumption of reliance established by the Supreme Court in *Affiliated Ute*
18 *Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants
19 omitted material information in their Class Period statements in violation of a duty
20 to disclose such information as detailed above.

21 **COUNT I**

22 **For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder**
23 **Against All Defendants**

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

26 41. This Count is asserted against Defendants based upon Section 10(b)
27 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder
28 by the SEC.

1 42. During the Class Period, Defendants, individually and in concert,
2 directly or indirectly, disseminated or approved the false statements specified
3 above, which they knew or deliberately disregarded were misleading in that they
4 contained misrepresentations and failed to disclose material facts necessary in
5 order to make the statements made, in light of the circumstances under which they
6 were made, not misleading.

7 43. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that
8 they:

- 9 • employed devices, schemes and artifices to defraud;
- 10 • made untrue statements of material facts or omitted to state material
11 facts necessary in order to make the statements made, in light of the circumstances
12 under which they were made, not misleading; or
- 13 • engaged in acts, practices and a course of business that operated as a
14 fraud or deceit upon Plaintiff and others similarly situated in connection with their
15 purchases of Charles Schwab securities during the Class Period.

16 44. Defendants acted with scienter in that they knew that the public
17 documents and statements issued or disseminated in the name of Charles Schwab
18 were materially false and misleading; knew that such statements or documents
19 would be issued or disseminated to the investing public; and knowingly and
20 substantially participated, or acquiesced in the issuance or dissemination of such
21 statements or documents as primary violations of the securities laws. These
22 Defendants by virtue of their receipt of information reflecting the true facts of
23 Charles Schwab, their control over, and/or receipt and/or modification of Charles
24 Schwab's allegedly materially misleading statements, and/or their associations
25 with the Company which made them privy to confidential proprietary information
26 concerning Charles Schwab, participated in the fraudulent scheme alleged herein.

27 45. Individual Defendants, who are the senior officers and/or directors of
28 the Company, had actual knowledge of the material omissions and/or the falsity of

1 the material statements set forth above, and intended to deceive Plaintiff and the
2 other members of the Class, or, in the alternative, acted with reckless disregard for
3 the truth when they failed to ascertain and disclose the true facts in the statements
4 made by them or other Charles Schwab personnel to members of the investing
5 public, including Plaintiff and the Class.

6 46. As a result of the foregoing, the market price of Charles Schwab
7 securities was artificially inflated during the Class Period. In ignorance of the
8 falsity of Defendants' statements, Plaintiff and the other members of the Class
9 relied on the statements described above and/or the integrity of the market price of
10 Charles Schwab securities during the Class Period in purchasing Charles Schwab
11 securities at prices that were artificially inflated as a result of Defendants' false
12 and misleading statements.

13 47. Had Plaintiff and the other members of the Class been aware that the
14 market price of Charles Schwab securities had been artificially and falsely inflated
15 by Defendants' misleading statements and by the material adverse information
16 which Defendants did not disclose, they would not have purchased Charles
17 Schwab securities at the artificially inflated prices that they did, or at all.

18 48. As a result of the wrongful conduct alleged herein, Plaintiff and other
19 members of the Class have suffered damages in an amount to be established at
20 trial.

21 49. By reason of the foregoing, Defendants have violated Section 10(b)
22 of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the
23 Plaintiff and the other members of the Class for substantial damages which they
24 suffered in connection with their purchase of Charles Schwab securities during the
25 Class Period.

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COUNT II
Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants

50. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

51. During the Class Period, the Individual Defendants participated in the operation and management of Charles Schwab, and conducted and participated, directly and indirectly, in the conduct of Charles Schwab’s business affairs. Because of their senior positions, they knew the adverse non-public information about Charles Schwab’s misstatement of revenue and profit and false financial statements.

52. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Charles Schwab’s financial condition and results of operations, and to correct promptly any public statements issued by Charles Schwab which had become materially false or misleading.

53. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Charles Schwab disseminated in the marketplace during the Class Period concerning Charles Schwab’s results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Charles Schwab to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were “controlling persons” of Charles Schwab within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Charles Schwab securities.

1 54. By reason of the above conduct, the Individual Defendants are liable
2 pursuant to Section 20(a) of the Exchange Act for the violations committed by
3 Charles Schwab.

4 **PRAYER FOR RELIEF**

5 **WHEREFORE**, Plaintiff, on behalf of himself and the Class, prays for
6 judgment and relief as follows:

7 (a) declaring this action to be a proper class action, designating plaintiff
8 as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of
9 the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead
10 Counsel;

11 (b) awarding damages in favor of plaintiff and the other Class members
12 against all defendants, jointly and severally, together with interest thereon;

13 (c) awarding plaintiff and the Class reasonable costs and expenses
14 incurred in this action, including counsel fees and expert fees; and

15 (d) awarding plaintiff and other members of the Class such other and
16 further relief as the Court may deem just and proper.

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18 **JURY TRIAL DEMANDED**

19 Plaintiff hereby demands a trial by jury.
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