

Independent Investment Research Focused on Public Company Interactions with the SEC.

Confirmed, Undisclosed SEC Investigation

Watch List Status: Maintained on Watch List of Companies with Undisclosed SEC Investigations

Quick Take: Undisclosed SEC investigative activity found at Eagle Bancorp since Jul-2019, again confirmed as ongoing on 13-Jan-2021.

An undisclosed SEC investigation is again confirmed. The first Freedom of Information Act (FOIA) response indicating an SEC investigation was dated 16-Jul-2019. On-going enforcement proceedings confirmed on appeal three times since, most recently on 13-Jan-2021. The company makes repeated and sweeping generalizations regarding investigation(s) by regulatory agencies on which little detail is provided. This includes involvement by the US Attorney, which is a criminal exposure.

We filed our first FOIA request on this company in **Oct-2016**. Our analysis, full research history, and relevant excerpts from company disclosures appear below. Here is our full FOIA response history –

17-Oct-2016	FOIA Response	No SEC investigative records found.
16-Oct-2017	FOIA Response	No SEC investigative records found.
29-Aug-2018	FOIA Response	No SEC investigative records found.
16-Jul-2019	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
19-Aug-2019	Appeal Response	Existence of on-going SEC enforcement proceedings officially confirmed on appeal; Access to records remains blocked.
7-Apr-2020	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
4-Jun-2020	Appeal Response	Existence of on-going SEC enforcement proceedings officially confirmed on appeal; Access to records remains blocked.
14-Dec-2020	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
13-Jan-2021	Appeal Response	Existence of on-going SEC enforcement proceedings officially confirmed on appeal; Access to records remains blocked.

Clients are invited to contact us anytime, in total confidence, to discuss the data, documents, and/or risks we identify here.

Disclosure Insight®

This section offers analysis and opinion regarding the exposure(s) we identify in this report.

The timing of SEC responses to us suggests that **Eagle Bancorp management may have known about an SEC probe since at least Jul-2019.**

activity. However, the company makes repeated and sweeping generalizations regarding investigation(s) by regulatory agencies on which little detail is provided.

Repeated searches of this company's SEC filings, back to Sep-2017, found no clear disclosure of SEC investigative

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To our view, sweeping generalities regarding regulatory exposures is not an acceptable substitute for providing investors with specifics.

We also observe a lot of cut-and-paste is used in this company's disclosures (excerpts below) in place of actual updates on investigative activity that would be more useful to investors.

Even though the below-disclosed investigations have been running for a long time, and the details/updates are lacking, we caution investors to remember that there is a reason **Eagle Bancorp** started, and now keeps disclosing this investigative activity: **Management believes these exposures pose a material risk.**

We suggest you trust them on this. If you cannot independently understand why they reached that

conclusion, or why changes are made to disclosure language related to investigation(s), you are effectively left with a company that has known material risk(s) that you cannot properly analyze and discount. We generally recommend investors avoid such scenarios.

Since we know there was at least one investigation in the recent past, we recommend those with an interest ask Eagle Bancorp, Inc. what contact it had with the SEC's Division of Enforcement in the past two years.

Keep in mind that a public company can be involved in more than one SEC investigation at a time. As such, we routinely recommend asking a company if there are any investigations beyond what is disclosed or reported in media stories – or even in our research.

– John P. Gavin, CFA

Additional research history with select disclosure excerpts appear below.

Documents Acquired Under the Freedom of Information Act

At this time, we have no investigative records in our library from closed SEC investigations of this company.

Regarding the Current Warning –

If we alert you to the existence of an undisclosed SEC investigation – or any response from the SEC – that means we filed a Freedom of Information Act (FOIA) request on the company in question and have a response, in black-and-white on government letterhead, that supports our statement.

As can be seen in the table above, at least once in the past the SEC cited the "law enforcement exemption" of the FOIA as basis to deny the public's access to the detailed records we sought on this company. As a matter of law, the SEC is acknowledging some sort of investigative activity with this response.

We filed an appeal with the SEC's Office of the General Counsel to challenge that response. In response to our latest appeal(s), the date(s) of which is/are also shown in the table above, the SEC stated,

"We have confirmed with Division of Enforcement staff that the investigation from which you seek records is still active and ongoing."

Notable Events and Disclosures

Repeated searches of this company's SEC filings, back to Sep-2017, found no clear disclosure of SEC investigative activity. However, the company makes repeated and sweeping generalizations regarding investigation(s) by regulatory agencies on which little detail is provided.

To the present day, we observe a lot of cut-and-paste is used in this company's disclosures (excerpts below) in place of actual updates on investigative activity that would be more useful to investors.

As you review the following disclosure excerpts, keep in mind that public companies can provide investors with far more substantive detail and updates on SEC investigative activity than most do. Public companies can – if they choose – disclose greater detail on such things as:

- First contact with the SEC.
- Records / testimony requested.
- Time period [now] covered by the investigation.
- Areas it is [now] focused on.
- Whether the investigation has expanded.
- Whether the investigation is formal.
- Involvement by other agencies.
- Company personnel asked to give testimony.
- Subpoenas (there can be many over time).
- Who got subpoenas / what they sought?
- Last contact with the SEC on the investigation(s).

- Probes Reporter

From the Eagle Bancorp Inc. 10-K filed on 1-Mar-2021:

The Company has received various document requests and subpoenas from securities and banking regulators and U.S. Attorney's offices in connection with investigations, which the Company believes relate to the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official, among other things. The Company is cooperating with these investigations. There have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted as a result of these ongoing investigations. We are, however, unable to predict the duration, scope or outcome of these investigations.

From the Eagle Bancorp Inc. 10-Q/A filed on 18-Nov-2020:

The Company has received various document requests and subpoenas from securities and banking regulators and U.S. Attorney's offices in connection with investigations, which the Company believes relate to the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official, among other things. The Company is cooperating with these investigations. There have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted as a result of these ongoing investigations. We are, however, unable to predict the duration, scope or outcome of these investigations. The amount of legal fees and expenditures for the year is net of expected insurance coverage where we believe we have a high likelihood of recovery pursuant to our D&O insurance policies, but does not include any offset for potential claims we may have in the future as to which recovery is impossible to predict at this time.

From the Eagle Bancorp Inc. 10-Q filed on 9-Nov-2020:

The Company has received various document requests and subpoenas from securities and banking regulators and U.S. Attorney's offices in connection with investigations, which the Company believes relate to the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official, among other things. The Company is cooperating with these investigations. There have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted as a result of these ongoing investigations. We are, however, unable to predict the duration, scope or outcome of these investigations. The amount of legal fees and expenditures for the year is net of expected insurance coverage where we believe we have a high likelihood of recovery pursuant to our D&O insurance policies, but does not include any offset for potential claims we may have in the future as to which recovery is impossible to predict at this time.

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From the Eagle Bancorp Inc. 10-Q filed on 10-Aug-2020:

The Company has received various document requests and subpoenas from securities and banking regulators and U.S. Attorney's offices in connection with investigations, which the Company believes relate to the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official, among other things. The Company is cooperating with these investigations. There have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted as a result of these ongoing investigations. We are, however, unable to predict the duration, scope or outcome of these investigations.

From the Eagle Bancorp Inc. 10-Q filed on 11-May-2020:

The Company has received various document requests and subpoenas from securities and banking regulators and U.S. Attorney's offices in connection with investigations, which the Company believes relate to the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official, among other things. The Company is cooperating with these investigations. There have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted as a result of these ongoing investigations. We are, however, unable to predict the duration, scope or outcome of these investigations.

From the Eagle Bancorp Inc. 10-K filed on 2-Mar-2020:

The Company has received various document requests and subpoenas from securities and banking regulators and U.S. Attorney's offices in connection with investigations, which the Company believes relate to the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official, among other things. The Company is cooperating with these investigations. There have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted as a result of these ongoing investigations. We are, however, unable to predict the duration, scope or outcome of these investigations.

From the Eagle Bancorp Inc. 10-Q filed on 12-Nov-2019:

Legal, accounting and professional fees and expenses for the three months ended September 30, 2019 increased to \$3.6 million from \$2.1 million for the same period in 2018, a 70% increase. Legal, accounting and professional fees and expenses for the nine months ended September 30, 2019 increased to \$8.1 million from \$7.3 million for the same period in 2018, an 11% increase. The increased expenses for both the quarter and year to date 2019 periods were primarily associated with government agencies investigations previously disclosed in the second quarter 2019 earnings press release. The Company expects to incur elevated levels of legal and professional fees and expenses for at least the remainder of 2019 as it continues to cooperate with these investigations. Other than these increased costs, we do not believe at this time that the resolution of these investigations will be materially adverse to the Company. As a result of these ongoing investigations, there have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted. We are, however, unable to predict the duration, scope or outcome of these investigations.

From the Eagle Bancorp Inc. 10-Q/A filed on 12-Aug-2019:

During the three month periods ended June 30, 2019 and June 30, 2018, the Company incurred legal, accounting and professional fees and expenses of \$2.7 million and \$2.2 million, respectively, which represented an increase of 26%. For the six month periods ended June 30, 2019 and June 30, 2018, the Company incurred legal, accounting and professional fees and expenses of \$4.4 million and \$5.2 million, respectively, which represented a decrease of 14%. During the three months ended June 30, 2018, these expenses related substantially to the Company's engagement of independent

accounting, legal and compliance consultants who conducted various investigations for the Company, in addition to consulting costs to enhance our governance and risk management systems. During the three months ended June 30, 2019, such expenses related primarily to legal fees and expenditures in connection with our responses to investigations and related document requests and subpoenas from government agencies examining matters, including the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official. The Company has D&O insurance that may provide reimbursement for all or part of advancement and indemnification costs requested by current and former officers and directors, and those costs cannot be estimated at this time. While we are unable to estimate the amount of these legal expenditures at this time, the Company expects that it will continue to incur elevated levels of legal and professional fees and expenses for at least the remainder of 2019 as it continues to cooperate with these investigations. Other than these increased costs, we do not believe at this time that the resolution of these investigations will be materially adverse to the Company. As a result of these ongoing investigations, there have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted. We are, however, unable to predict the duration, scope or outcome of these investigations.

From the Eagle Bancorp Inc. 10-Q filed on 9-Aug-2019:

During the three month periods ended June 30, 2019 and June 30, 2018, the Company incurred legal, accounting and professional fees and expenses of \$2.7 million and \$2.2 million, respectively, which represented an increase of 26%. For the six month periods ended June 30, 2019 and June 30, 2018, the Company incurred legal, accounting and professional fees and expenses of \$4.4 million and \$5.2 million, respectively, which represented a decrease of 14%. During the three months ended June 30, 2018, these expenses related substantially to the Company's engagement of independent accounting, legal and compliance consultants who conducted various investigations for the Company, in addition to consulting costs to enhance our governance and risk management systems. During the three months ended June 30, 2019, such expenses related primarily to legal fees and expenditures in connection with our responses to investigations and related document requests and subpoenas from government agencies examining matters, including the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official. The Company has D&O insurance that may provide reimbursement for all or part of advancement and indemnification costs requested by current and former officers and directors, and those costs cannot be estimated at this time. While we are unable to estimate the amount of these legal expenditures at this time, the Company expects that it will continue to incur elevated levels of legal and professional fees and expenses for at least the remainder of 2019 as it continues to cooperate with these investigations. Other than these increased costs, we do not believe at this time that the resolution of these investigations will be materially adverse to the Company. As a result of these ongoing investigations, there have been no regulatory restrictions placed on the Company's ability to fully engage in its banking business as presently conducted. We are, however, unable to predict the duration, scope or outcome of these investigations.

From the Eagle Bancorp Inc. 8-K filed on 18-Jul-2019:

During the three month periods ended June 30, 2019 and June 30, 2018, the Company incurred legal, accounting and professional fees and expenses of \$2.7 million and \$2.2 million, respectively, which represented an increase of 26%. For the six month periods ended June 30, 2019 and June 30, 2018, the Company incurred legal, accounting and professional fees and expenses of \$4.4 million and \$5.2 million, respectively, which represented a decrease of 14%. During the three months ended June 30, 2018, these expenses related substantially to the Company's engagement of independent accounting, legal and compliance consultants who conducted various investigations for the Company, in addition to consulting costs to enhance our governance and risk management systems. During the three months ended June 30, 2019, such expenses related primarily to legal fees and expenditures in connection with our responses to investigations and related document requests and subpoenas from government agencies examining matters, including the Company's identification, classification and disclosure of related party transactions; the retirement of certain former officers and directors; and the relationship of the Company and certain of its former officers and directors with a local public official. The Company has D&O insurance that may provide reimbursement for all or part of advancement and indemnification

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Probes Reporter research provides data, commentary, and analysis on public company interactions with investors and with the SEC. Our work is heavily reliant on company disclosures and our expertise in using the Freedom of Information Act.

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Notes: The SEC reminds us that its assertion of the law enforcement exemption should not be construed as an indication by the Commission or its staff that any violations of law have occurred with respect to any person, entity, or security.

New SEC investigative activity could theoretically begin or end after the date covered by the latest information in this report, which would not be reflected here. The SEC did not disclose the details on investigations referenced herein. All we know is that they somehow pertain to the conduct, transactions, and/or disclosures of the companies referenced above. Companies with undisclosed SEC investigations are maintained on our Watch List of companies with undisclosed SEC investigations.

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