

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

IN RE FACEBOOK, INC., IPO SECURITIES  
AND DERIVATIVE LITIGATION

MDL No. 12-2389 (RWS)

**CONSOLIDATED CLASS ACTION  
COMPLAINT**

**JURY TRIAL DEMANDED**

This document relates to the  
Consolidated Securities Action:

No. 12-cv-4081	No. 12-cv-4763
No. 12-cv-4099	No. 12-cv-4777
No. 12-cv-4131	No. 12-cv-5511
No. 12-cv-4150	No. 12-cv-7542
No. 12-cv-4157	No. 12-cv-7543
No. 12-cv-4184	No. 12-cv-7544
No. 12-cv-4194	No. 12-cv-7545
No. 12-cv-4215	No. 12-cv-7546
No. 12-cv-4252	No. 12-cv-7547
No. 12-cv-4291	No. 12-cv-7548
No. 12-cv-4312	No. 12-cv-7550
No. 12-cv-4332	No. 12-cv-7551
No. 12-cv-4360	No. 12-cv-7552
No. 12-cv-4362	No. 12-cv-7586
No. 12-cv-4551	No. 12-cv-7587
No. 12-cv-4648	

**TABLE OF CONTENTS**

	<b>Page</b>
I. INTRODUCTION .....	2
II. JURISDICTION AND VENUE .....	9
III. PARTIES .....	10
A. Lead Plaintiffs .....	10
B. Named Plaintiffs .....	11
C. Defendants .....	12
1. Corporate Defendant .....	12
2. The Individual Defendants .....	12
3. The Underwriter Defendants .....	15
IV. OVERVIEW .....	18
A. Facebook's Meteoric Rise Creates Unprecedented Market Anticipation For Its IPO .....	18
B. Facebook Files For Its IPO, And The Market Reacts Positively To Its Disclosures Concerning Its Revenue, Growth, And Positioning In The Mobile Market .....	20
C. The SEC Questions Facebook's Disclosures .....	23
D. As Facebook Prepares For Its Roadshow, The Company Continues To Emphasize Its Growth Prospects In The Mobile Market To Investors .....	24
E. As Facebook Begins Its Roadshow, It Determines That Its Revenues For The Second Quarter And The Year Have Been Materially Impacted .....	30
F. Facebook Discloses Its Severe Revenue Declines To A Select Group Of Investors, But Not To The Market .....	33
G. With The Market Unaware Of The Pronounced Deterioration In Facebook's Revenue, Facebook Increases The Price And Size Of The Offering, And Allocates An Extremely High Number Of Shares To Small Investors .....	39
H. Facebook Conducts Its Historic IPO .....	43
I. Facebook's Market Debut Fizzles As Morgan Stanley Is Forced To Desperately Prop Up The Company's Stock Price To Prevent A "Broken Issue" .....	45
J. Facebook Stock Collapses On Monday And Tuesday As The Truth Emerges ....	48
K. The Financial Media Acknowledges That The Declines In Facebook's Revenue Estimates Were Not Conveyed By Facebook's Public Disclosures, And Significantly Altered The Total Mix Of Information .....	52
V. THE NEGATIVE CHANGE IN FACEBOOK'S REVENUE ESTIMATES SIGNIFICANTLY ALTERED THE TOTAL MIX OF INFORMATION IN THE MARKETPLACE .....	54

VI.	MATERIALLY UNTRUE AND MISLEADING STATEMENTS AND OMISSIONS .....	59
VII.	CLASS ACTION ALLEGATIONS .....	67
VIII.	THE INAPPLICABILITY OF THE STATUTORY SAFE HARBOR AND BESPEAKS CAUTION DOCTRINE .....	69
IX.	CAUSES OF ACTION .....	70
	COUNT I .....	70
	For Violations Of Section 11 Of The Securities Act (Against Defendants Zuckerberg, Ebersman, Spillane, The Facebook Board, And The Underwriter Defendants)	
	COUNT II .....	72
	For Violations Of Section 12(a)(2) Of The Securities Act (Against Facebook, Defendants Zuckerberg, Sandberg, and Ebersman, and The Underwriter Defendants)	
	COUNT III.....	75
	For Violations Of Section 15 Of The Securities Act (Against the Individual Defendants)	
X.	PRAYER FOR RELIEF .....	77
XI.	JURY TRIAL DEMANDED .....	77

1. Court-appointed Lead Plaintiffs, the North Carolina Department of State Treasurer on behalf of the North Carolina Retirement Systems, Banyan Capital Master Fund Ltd., Arkansas Teacher Retirement System, and the Fresno County Employees' Retirement Association (collectively, "Lead Plaintiffs"), and Named Plaintiffs Jose G. Galvan and Mary Jane Lule Galvan, bring this action individually and on behalf of all persons and entities who purchased or otherwise acquired the Class A common stock of Facebook, Inc. ("Facebook" or the "Company") in or traceable to Facebook's initial public offering (the "IPO"), which occurred on or about May 17, 2012, and were damaged thereby (collectively, the "Class"). Excluded from the Class are Defendants (as set forth herein), present or former executive officers of Facebook and their immediate family members (as defined in 17 C.F.R. § 229.404, Instructions (1)(a)(iii) and (1)(b)(ii)).

2. Lead Plaintiffs allege the following based upon personal knowledge as to themselves and their own acts and upon information and belief as to all other matters. Lead Plaintiffs' information and belief is based on, *inter alia*, the independent investigation of Court-appointed Co-Lead Counsel, Bernstein Litowitz Berger & Grossmann LLP and Labaton Sucharow LLP. This investigation included, but was not limited to, a review and analysis of: (i) public filings with the Securities and Exchange Commission ("SEC") by Facebook; (ii) research reports by securities and financial analysts; (iii) transcripts of investor conference calls; (iv) publicly available presentations by Facebook; (v) press releases and media reports; (vi) economic analyses of securities movement and pricing data; (vii) publicly available filings in the legal action brought against Morgan Stanley & Co. LLC by the Massachusetts Securities Division (the "Massachusetts Enforcement Action"); (viii) consultations with relevant experts; and (ix) other publicly available material and data identified herein. Co-Lead Counsel's investigation into the

factual allegations contained herein is continuing, and many of the relevant facts are known only by the Defendants named herein, or are exclusively within their custody or control. Lead Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for further discovery.

3. As set forth further below, the claims asserted herein arise solely under the Securities Act of 1933 (the “Securities Act”). These Securities Act claims are based solely on strict liability and negligence, and are not based on any reckless or intentionally fraudulent conduct by or on behalf of the Defendants – *i.e.*, these claims do not allege, arise from, or sound in, fraud. Lead Plaintiffs specifically disclaim any allegation of fraud, scienter, or recklessness in these non-fraud Securities Act claims.

## **I. INTRODUCTION**

4. This case is about the integrity of the market for initial public offerings. Facebook, the world’s largest online social network, conducted one of the biggest and most highly anticipated initial public offerings in history on May 17, 2012. In the offering, Facebook and its insiders sold more than 421 million shares of common stock to the investing public at \$38 per share, reaping more than \$16 billion in proceeds – the largest initial public offering ever conducted by a technology company, and the third-largest ever conducted in the United States by any company.

5. A key factor influencing the value of Facebook’s stock was its ability to generate large and rapidly growing amounts of revenue through its core advertising business. Thus, the Registration Statement pursuant to which Facebook conducted its IPO repeatedly represented that the Company had experienced “rapid growth,” stating, for example, that its annual revenues had increased from approximately \$150 million to more than \$3.7 billion in the four years before its IPO. In the months and weeks leading up to the IPO, the financial press repeatedly reported

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

## FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.