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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

_____, Individually and on Behalf of All
Others Similarly Situated,

Plaintiff,

vs.

FACEBOOK, INC., MARK E.
ZUCKERBERG and DAVID M. WEHNER,

Defendants

Case No.

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

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 Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by Defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Facebook, Inc. (“Facebook” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons other than Defendants who purchased or otherwise acquired common shares of Facebook between April 26, 2018 and July 25, 2018, both dates inclusive (the “Class Period”). Plaintiff seeks to recover

1 compensable damages caused by Defendants' violations of the federal securities laws and to pursue
2 remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act")
3 and Rule 10b-5 promulgated thereunder.

4 2. Facebook operates a social networking website that allows people to communicate with
5 their family, friends, and coworkers. Facebook develops technologies that facilitate the sharing of
6 information, photographs, website links, and videos. Facebook users have the ability to share and
7 restrict information based on their own specific criteria. By the end of 2017, Facebook had more than
8 2.2 billion active users.

9
10 3. Founded in 2004, the Company is headquartered in Menlo Park, California. The
11 Company's common stock trades on the NASDAQ Global Select Market ("NASDAQ") under the
12 ticker symbol "FB."

13
14 4. Throughout the Class Period, Defendants made materially false and misleading
15 statements regarding the Company's business, operational and compliance policies. Specifically,
16 Defendants made false and/or misleading statements and/or failed to disclose that: (i) the number of
17 daily and monthly active Facebook users was declining; and (ii) as a result, Facebook's public
18 statements were materially false and misleading at all relevant times.

19
20 5. On July 25, 2018, post-market, Facebook announced its financial and operating results
21 for the second quarter of 2018. The Company reported revenues and numbers of daily and monthly
22 active users that fell short of market expectations. On a conference call discussing Facebook's financial
23 outlook, the Company's chief financial officer stated that Facebook expected its revenue growth to slow
24 and its operating margins to fall.

25
26 6. On this news, Facebook's share price fell \$41.24, or 18.96%, to close at \$176.25 on July
27 27, 2017.

1 14. Defendant Zuckerberg has served at all relevant times as the Company’s CEO and
2 Chairman.

3 15. Defendant David M. Wehner (“Wehner”) has served at all relevant times as the
4 Company’s Chief Financial Officer (“CFO”).

5 16. The Defendants referenced above in ¶¶ ___-___ are sometimes referred to- herein as the
6 “Individual Defendants.”

7
8 17. The Individual Defendants possessed the power and authority to control the contents of
9 Facebook’s SEC filings, press releases, and other market communications. The Individual Defendants
10 were provided with copies of the Company’s SEC filings and press releases alleged herein to be
11 misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their
12 issuance or to cause them to be corrected. Because of their positions with the Company, and their
13 access to material information available to them but not to the public, the Individual Defendants knew
14 that the adverse facts specified herein had not been disclosed to and were being concealed from the
15 public, and that the positive representations being made were then materially false and misleading. The
16 Individual Defendants are liable for the false statements and omissions pleaded herein.
17

18 **SUBSTANTIVE ALLEGATIONS**

19 **Background**

20
21 18. Facebook operates a social networking website that allows people to communicate with
22 their family, friends, and coworkers. Facebook develops technologies that facilitate the sharing of
23 information, photographs, website links, and videos. Facebook users have the ability to share and
24 restrict information based on their own specific criteria. By the end of 2017, Facebook had more than
25 2.2 billion active users.
26

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

1 19. The statements referenced in ¶¶ ___-___ above were materially false and/or misleading
2 because they misrepresented and/or failed to disclose the following adverse facts pertaining to the
3 Company's business, operational and financial results, which were known to Defendants or recklessly
4 disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to
5 disclose that: (i) the number of daily and monthly active Facebook users was declining; and (ii) as a
6 result, Facebook's public statements were materially false and misleading at all relevant times.
7

8 **The Truth Begins To Emerge**

9 20. On July 25, 2018, post-market, Facebook announced its financial and operating results
10 for the second quarter of 2018. The Company reported revenues and numbers of daily and monthly
11 active users that fell short of market expectations. On a conference call discussing Facebook's financial
12 outlook, the Company's chief financial officer stated that Facebook expected its revenue growth to slow
13 and its operating margins to fall.
14

15 21. On this news, Facebook's share price fell \$41.24, or 18.96%, to close at \$176.25 on July
16 27, 2017.

17 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

18 22. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure
19 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired
20 Facebook common shares traded on the NASDAQ during the Class Period (the "Class"); and were
21 damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are
22 Defendants herein, the officers and directors of the Company, at all relevant times, members of their
23 immediate families and their legal representatives, heirs, successors or assigns and any entity in which
24 Defendants have or had a controlling interest.
25
26

27 23. The members of the Class are so numerous that joinder of all members is impracticable.
28 Throughout the Class Period, Facebook common shares were actively traded on the NASDAQ. While

1 the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only
2 through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the
3 proposed Class. Record owners and other members of the Class may be identified from records
4 maintained by Facebook or its transfer agent and may be notified of the pendency of this action by mail,
5 using the form of notice similar to that customarily used in securities class actions.
6

7 24. Plaintiff's claims are typical of the claims of the members of the Class as all members of
8 the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is
9 complained of herein.

10 25. Plaintiff will fairly and adequately protect the interests of the members of the Class and
11 has retained counsel competent and experienced in class and securities litigation. Plaintiff has no
12 interests antagonistic to or in conflict with those of the Class.
13

14 26. Common questions of law and fact exist as to all members of the Class and predominate
15 over any questions solely affecting individual members of the Class. Among the questions of law and
16 fact common to the Class are:

- 17 • whether the federal securities laws were violated by Defendants' acts as alleged
18 herein;
- 19 • whether statements made by Defendants to the investing public during the Class
20 Period misrepresented material facts about the financial condition, business,
21 operations, and management of Facebook;
- 22 • whether Defendants caused Facebook to issue false and misleading financial
23 statements during the Class Period;
- 24 • whether Defendants acted knowingly or recklessly in issuing false and
25 misleading financial statements;
- 26 • whether the prices of Facebook securities during the Class Period were
27 artificially inflated because of Defendants' conduct complained of herein; and
28 • whether the members of the Class have sustained damages and, if so, what is the
proper measure of damages.

1 27. A class action is superior to all other available methods for the fair and efficient
2 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
3 damages suffered by individual Class members may be relatively small, the expense and burden of
4 individual litigation make it impossible for members of the Class to individually redress the wrongs
5 done to them. There will be no difficulty in the management of this action as a class action.
6

7 28. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-
8 the-market doctrine in that:

- 9 • Defendants made public misrepresentations or failed to disclose material facts
10 during the Class Period;
- 11 • the omissions and misrepresentations were material;
- 12 • Facebook common shares are traded in efficient markets;
- 13 • the Company's shares were liquid and traded with moderate to heavy volume
14 during the Class Period;
- 15 • the Company traded on the NASDAQ, and was covered by multiple analysts;
- 16 • the misrepresentations and omissions alleged would tend to induce a reasonable
17 investor to misjudge the value of the Company's common shares; and
- 18 • Plaintiff and members of the Class purchased and/or sold Facebook common
19 shares between the time the Defendants failed to disclose or misrepresented
20 material facts and the time the true facts were disclosed, without knowledge of
21 the omitted or misrepresented facts.

22 29. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a
23 presumption of reliance upon the integrity of the market.

24 30. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of
25 reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United*
26 *States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class
27 Period statements in violation of a duty to disclose such information, as detailed above.
28

COUNT I

**Violation of Section 10(b) of The Exchange Act and Rule 10b-5
Against All Defendants**

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

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

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

34. Facebook and the Individual Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Facebook common shares during the Class Period.

35. Facebook and the Individual Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of Facebook were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These

1 Defendants by virtue of their receipt of information reflecting the true facts of Facebook, their control
2 over, and/or receipt and/or modification of Facebook allegedly materially misleading statements, and/or
3 their associations with the Company which made them privy to confidential proprietary information
4 concerning Facebook, participated in the fraudulent scheme alleged herein.

5 36. Individual Defendants, who are the senior officers and/or directors of the Company, had
6 actual knowledge of the material omissions and/or the falsity of the material statements set forth above,
7 and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with
8 reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements
9 made by them or other Facebook personnel to members of the investing public, including Plaintiff and
10 the Class.
11

12 37. As a result of the foregoing, the market price of Facebook common shares was
13 artificially inflated during the Class Period. In ignorance of the falsity of Facebook's and the Individual
14 Defendants' statements, Plaintiff and the other members of the Class relied on the statements described
15 above and/or the integrity of the market price of Facebook common shares during the Class Period in
16 purchasing Facebook common shares at prices that were artificially inflated as a result of Facebook's
17 and the Individual Defendants' false and misleading statements.
18

19 38. Had Plaintiff and the other members of the Class been aware that the market price of
20 Facebook common shares had been artificially and falsely inflated by Facebook's and the Individual
21 Defendants' misleading statements and by the material adverse information which Facebook's and the
22 Individual Defendants did not disclose, they would not have purchased Facebook's common shares at
23 the artificially inflated prices that they did, or at all.
24

25 39. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the
26 Class have suffered damages in an amount to be established at trial.
27

1 participated in the unlawful conduct alleged which artificially inflated the market price of Facebook
2 common shares.

3 45. By reason of the above conduct, the Individual Defendants are liable pursuant to Section
4 20(a) of the Exchange Act for the violations committed by Facebook.

5 **PRAYER FOR RELIEF**

6 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

7
8 A. Determining that the instant action may be maintained as a class action under Rule 23 of
9 the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

10 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of
11 the acts and transactions alleged herein;

12 C. Awarding Plaintiff and the other members of the Class prejudgment and post- judgment
13 interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

14 D. Awarding such other and further relief as this Court may deem just and proper.
15

16 **DEMAND FOR TRIAL BY JURY**

17 Plaintiff hereby demands a trial by jury.

18 Dated: _____, 2018
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