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9
 10 **UNITED STATES DISTRICT COURT
 FOR THE DISTRICT OF NEVADA**

11 AURANGZEB NAGY, individually and on
 12 behalf of all those similarly situated, ROBERT
 VANNAH, individually and on behalf of all
 13 those similarly situated; GEORGE
 14 KLEANTHIS, individually and on behalf of all
 those similarly situated, ZANETTA
 15 KLEANTHIS, individually and on behalf of all
 those similarly situated,

16
 17 Plaintiffs,

18 vs.

19 FACEBOOK, INC., a foreign corporation;
 20 MARK ZUCKERBERG, an individual, DAVID
 WEHNER, an individual, SHARON
 21 SANDBURG, an individual, CHRISTOPHER
 COX, an individual, MICHAEL TODD
 22 SCHROEPFER, an individual, JAS ATHWAL,
 23 an individual, COLIN STRETCH, an individual,
 JAN KOUM, an individual, DAVID FISCHER,
 24 an individual, and DOES 1 through 20, inclusive.

25 Defendants.
 26

CLASS ACTION COMPLAINT

DEMAND FOR JURY TRIAL

27 Plaintiffs, individually and on behalf of all those similarly situated, allege the following
 28 upon information and belief, except as to those allegations concerning Plaintiffs, which are
 alleged upon personal knowledge. Plaintiffs' information and belief is based upon, among other

1 things, their counsel’s investigation, which includes without limitation, review and analysis of
2 Securities and Exchange Commission (“SEC”) filings, press releases and media reports issued
3 by and disseminated by Defendant Facebook, Inc. (“Facebook” or the “Company”) and review
4 of other publicly available information concerning Facebook. Plaintiffs believe that substantial
5 additional evidentiary support will exist for the allegations set forth herein after a reasonable
6 opportunity for discovery.
7

8 **I. NATURE OF THE ACTION**

9
10 1. Plaintiffs bring this action as a class action on behalf of themselves and on behalf
11 of all persons who held or purchased the publically held common stock of Facebook between
12 April 1, 2015 through November 16, 2016, inclusive (the “Class Period”). The claims asserted
13 in this action arise under the Securities and Exchange Act of 1934 (the “Exchange Act”) and
14 brought against Facebook and executives Zuckerberg, Wehner, Sandburg, Cox, Schroeffer,
15 Athwal, Stretch, Koum, and Fischer (the “Individual Defendants”)(collectively referred to with
16 Facebook as the “Defendants”).
17

18 2. Upon information and belief, Facebook has more than 1.7 billion users, and has
19 made paid advertising a central component of its growth strategy, and its significant growth in
20 mobile advertising has been driven by strong demand for video advertisements.
21

22 3. On or about May 2014, Facebook introduced new advertising and content
23 “metrics” designed to, among other things, to help advertisers “better understand how people
24 respond to [their] videos on Facebook,” to measure results from its paid advertising products,
25 and to allow advertisers to measure the performance of their Facebook ads and campaigns.
26

27 4. Facebook touted its advertising metrics as a valuable tool for measuring the
28 success of paid advertisements, but had no third-party to independently monitor or evaluate the

1 data derived from the advertising metrics, or to verify the accuracy of the metrics data, despite
2 heavy criticism from ad companies to be more transparent.

3 5. On or about April, 2015, Facebook internally began to discover errors with the
4 calculation of the advertising and content metrics, but concealed such information from the
5 public and failed to include it in SEC filings.

6 6. With knowledge of the faulty metrics, the Individual Defendants began selling off
7 substantial shares in Facebook at a profit.

8 7. On or about September 17, 2015, Facebook announced that it would let ad
9 companies utilize third-party software from analytics firm, Moat, Inc., to analyze ad metrics on
10 Facebook.

11 8. On December 1, 2015, Individual Defendants began implementing a plan to
12 liquidate their Facebook stock while also maintaining majority voting power via a three (3) to
13 one (1) stock split. Class A and Class B shareholders would receive two (2) additional share of a
14 new Class C stock that holds no voting power.

15 9. In or about January 2016, Moat, Inc. began analyzing ad metrics data
16 independently from Facebook's own metrics.

17 10. On or about June 20, 2016, Facebook shareholders approve a three (3) to one (1)
18 stock split, creating new nonvoting Class C shares.

19 11. On or about August, 2016, Moat, Inc. discovers a miscalculation in Facebook's ad
20 metrics, and Facebook alerts its advertising customers privately of a possible miscalculation in
21 its ad metrics.

22 12. On or about September 23, 2016, Facebook publically admitted that it found an
23 error in its video advertising metric that inflated the duration measurement of paid video
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1 advertisements, but downplayed its significance, provided contradictory information regarding
2 the error, and failed to disclose additional errors in the Facebook metrics.

3 13. Facebook did not alert investors of the substantial affect the miscalculation would
4 have on ad revenue in the future.

5
6 14. On or about September 30, 2016, Facebook filed in quarterly earnings statement
7 with the Securities Exchange Commission (“SEC”). The statement did not include any mention
8 of the ad metric miscalculation, nor its likely affect on ad revenue, which comprised
9 approximately 97% of Facebook’s revenue for 2016.

10
11 15. On or about October 2016, Facebook makes additional reports of more ad metrics
12 being miscalculated.

13 16. On or about November 3, 2016, Facebook announces that it expects a significant
14 decrease in ad revenue, and growth in the coming year, and that the company expects to
15 significantly increase capital investment by taking on more debt.

16
17 17. The price of Facebook stock began its decline following the November 3, 2016,
18 announcement of expected reduction in ad revenue, and capital expenditures. The value of
19 Facebook stock fell \$4 billion dollars between November 3, 2016, and November 4, 2016.

20 18. Once the truth regarding the ad metrics was revealed, and the expected impact the
21 error would have on Facebook’s future revenue, stock prices continued to drop significantly
22 resulting in significant losses to Facebook shareholders.

23
24 19. On November 18, 2016, Defendant Zuckerberg announced Facebook’s first ever
25 buyback of Class A voting stock set to be implemented starting in January 2017.

26 20. On November 18, 2016, Facebook announces that their Chief Accounting Officer,
27 Jas Athwal has resigned.
28

1 21. As a direct result of Defendants’ false statements and omissions, shareholders
2 purchased or held Facebook stock believing that the Company had the ability to sustain growth
3 in paid advertising, and could successfully execute its paid advertising plan and related metrics.
4 All the while, however, Defendants knew that significant errors with the Facebook metrics were
5 inflating and misrepresenting the volume and duration of Facebook ad views, and that the
6 eventual disclosure of such errors would result in plunging ad sales.
7

8
9 **II. JURISDICTION AND VENUE**

10 22. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange
11 Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17
12 C.F.R. §240.10b-5).

13 23. This Court has jurisdiction over the subject matter of this action pursuant to 28
14 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

15 24. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b) and
16 Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in furtherance of the
17 alleged fraud or the effects of the fraud have occurred in this District, and Defendants have
18 engaged in continuous and systematic business operations within the State of Nevada, and
19 maintains such minimum contacts with Nevada to make this Court’s exercise of jurisdiction
20 proper.
21

22 25. In connection with the acts, transactions, and conduct alleged herein, Defendants
23 directly and indirectly used the means and instrumentalities of interstate commerce, including
24 the United States mail, interstate telephone and electronic communications, and the facilities of a
25 national securities exchange.
26
27

28 **III. PARTIES**

1 26. Plaintiffs purchased or held Facebook stock during the Class Period, and suffered
2 damages as a result of the federal securities law violations and false and/or misleading
3 statements and/or material omissions alleged herein.

4 27. Defendant Facebook, Inc. (“Facebook”) is a publicly traded U.S. company
5 incorporated in Delaware, with its principal place of business at 1 Hacker Way, Menlo Park, CA
6 94025.

7 28. Defendant Mark Zuckerberg is the founder and Chief Executive Officer of
8 Facebook, and during the Class Period sold millions of shares of the Company, while in
9 possession of adverse undisclosed information about the Company.

10 29. Defendant David Wehner is the Chief Financial Officer of the Company and sold
11 tens of thousands of shares of Facebook stock during the Class Period, while in possession of
12 adverse undisclosed information about the Company.

13 30. Defendant Sharon Sandburg is the Chief Operating Officer of the Company and
14 sold hundreds of thousands of shares of Facebook stock during the Class Period, while in
15 possession of adverse undisclosed information about the Company.

16 31. Defendant Christopher Cox is the Chief Product Officer of the Company and sold
17 tens of thousands of shares of Facebook stock during the Class Period, while in possession of
18 adverse undisclosed information about the Company.

19 32. Defendant Michael Todd Schroepfer is the Chief Technology Officer and sold
20 tens of thousands of shares of Facebook stock during the Class Period, while in possession of
21 adverse undisclosed information about the Company.

22 33. Defendant Jas Athwal is the Chief Accounting Officer of the Company and sold
23 thousands of shares of Facebook stock during the Class Period, while in possession of adverse
24 undisclosed information about the Company.

1 34. Defendant Colin Stretch is the Vice President and General Counsel of the
2 Company and sold tens of thousands of shares of Facebook stock during the Class Period, while
3 in possession of adverse undisclosed information about the Company.

4 35. Defendant Jan Koum is a Director of the Company who sold millions of shares of
5 Facebook stock during the Class Period, while in possession of adverse undisclosed information
6 about the Company.

7 36. Defendant David Fischer is a Vice President of the Company and sold tens of
8 thousands of shares of Facebook stock during the Class Period, while in possession of adverse
9 undisclosed information about the Company.

10 37. The Individual Defendants, because of their positions with the Company
11 possessed the power and authority to control and did control the contents of Facebook's public
12 reports, press releases and presentations to securities analysts, money and portfolio managers and
13 institutional investors, i.e., the market. These Individual Defendants were quoted in and/or
14 provided with copies of the Company's reports and press releases alleged herein to be
15 misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent
16 their issuance or cause them to be corrected. Because of their positions and access to material
17 non-public information available to them, each of these Individual Defendants knew that the
18 adverse facts specified herein had not been disclosed to, and were intentionally being concealed
19 from, the public, and that the positive representations, which were being made were then
20 materially false and/or misleading.

21 38. Plaintiff Aurangzeb Nagy is a resident of Clark County, Nevada who purchased
22 or held shares of Facebook during the Class Period.

23 39. Plaintiff Robert Vannah is a resident of Clark County, Nevada who purchased or
24 held shares of Facebook during the Class Period.

1 40. Plaintiff George Kleanthis is a resident of DuPage County, Illinois who purchased
2 or held shares of Facebook during the Class Period.

3 41. Plaintiff Zanetta Kleanthis is a resident of DuPage County, Illinois who purchased
4 or held shares of Facebook during the Class Period.

5
6 **IV. GENERAL ALLEGATIONS**

7 42. Facebook operates www.facebook.com (“Website”), a social networking website
8 that allows registered users to create profiles, upload photos and videos, send messages and keep
9 in touch with friends, family and colleagues.

10 43. Facebook is essentially an advertising company that connects sellers and
11 advertisers of consumer goods and services with its consumer users with the purpose of
12 generating revenue, achieved primarily through the sale of advertising targeted at its consumer
13 users.

14
15 44. To further its financial objectives, Facebook provides business services through
16 the Website to serve as a resource for businesses that want to use Facebook for marketing and
17 advertising.

18
19 45. Facebook’s advertising products comprised 97% of Facebooks revenue for 2016,
20 generating billions of dollars in revenue by displaying advertisements to Facebook users. In this
21 process, millions of American advertisers paid substantial sums of money for advertising based
22 on Facebook's representations of how many consumers can be reached and influenced by
23 advertisements that appear on the Website.

24
25 46. Facebook generates revenue by selling advertisement placements over its website
26 and mobile applications to sellers of consumer goods and services to help them reach consumers
27 on the Website based on user information appropriated by Facebook. As such, Facebook enables
28 companies to target consumers based on a variety of factors such gender, age, network, profile

1 keywords, relationship status, all based on the manner in which the consumer interacts with the
2 Facebook website.

3 47. Upon information and belief, Facebook’s single most important revenue source is
4 advertising and Facebook has generated billions in its history, the majority of which comes from
5 advertising, including mobile advertising. During the last three months of 2015, as reported by
6 Facebook in January 2016, Facebook brought in \$5.8 billion, \$1.6 billion of which was profit
7 generated largely from advertising revenue.
8

9 48. Substantially all of Facebook's growth between 2014 and 2016 was based on paid
10 advertisements that are placed on Facebook by advertisers to advertise business ideas and/or
11 products by specifically targeting the millions of American consumers using the Website.
12

13 49. On or about May 2014, Facebook introduced new advertising and content
14 “metrics” designed to, among other things, measure results from its paid advertising products,
15 and to allow advertisers to measure the performance of their Facebook ads and campaigns.
16

17 50. Facebook touted its advertising metrics as a valuable for tool for measuring the
18 success of paid advertisements, but had no third-party to independently monitor or evaluate the
19 data derived from the advertising metrics, or to verify the accuracy of the metrics data.
20

21 51. On or about May 4, 2014, the Website’s business page touted the “video metrics”
22 as providing advertisers with information “like video views, unique video views, the average
23 duration of the video view and audience retention,” and promoted the new metrics as being
24 “designed to help you learn what’s resonating with people and determine how to more
25 effectively create and promote your videos on Facebook.”
26

27 52. During the Class Period, advertisers continued to purchase advertisements from
28 Facebook in increasing numbers, and continued to rely upon Facebook metrics and “measuring

1 tools” to monitor the reach and success of their advertisements and to measure the volume and
2 duration of their Facebook ad views.

3 53. In February 2015, Facebook announced that it had reached two million active
4 advertisers with most of the gain coming from small businesses. In March 2016, Facebook
5 announced that it reached three million active advertisers with more than 70% from outside the
6 United States.¹ According to 2015 figures from market-research website eMarketer, the average
7 Facebook user generates \$12.76 in yearly advertising revenue for Facebook, up from \$10.03 in
8 2014. That figure is expected to rise still further, up to \$17.50 in 2017.²

9
10
11 54. In February 2015, Facebook continued to try to attract advertisers by representing
12 that, “[w]ith Facebook measurement tools, you’ll see how people respond to your page and
13 advertisements, so you can make informed decisions about reaching your customers.”

14 55. In or about April 17, 2015, Facebook began to analyze the data from the
15 advertising metrics and measurement tools, and discovered that Facebook had been
16 miscalculating several of the metrics it uses to measure how content performs.

17
18 56. Shortly thereafter, the Individual Defendants began to sell off Facebook stock in
19 unprecedented quantities.³

20 57. Although Defendants embarked on their fraudulent scheme to conceal the
21 Company’s erroneous metrics by no later than the beginning of the Class Period, the market did
22 learn the full extent of the problem until on or about November 16, 2016.

23
24 58. In or about April 2015, Facebook discovered errors in its advertising and
25 measurement tools that artificially inflated the viewing results of Facebook ads.

26
27 1. <https://www.facebook.com/business/news/3-million-advertisers>.

28 2. <http://www.emarketer.com/Article/Social-Network-Ad-Revenues-Accelerate-Worldwide/1013015>

³ <http://www.nasdaq.com/symbol/fb/insider-trades/sells>

1 59. On September 17, 2015, Facebook announced that ad companies would be
2 permitted to use software from third-party analysis firm, Moat, Inc., to collect Facebook user
3 data and analyze independent ad metrics.

4
5 60. In or about January 2016, third-party Moat began to independently analyze the
6 user data from Facebook to contrast with Facebook’s own advertising metrics and measurement
7 tools.

8 61. On or about June 20, 2016, Facebook shareholders vote to approve a stock split.

9
10 62. On or about August 23, 2016, Facebook began to privately alert certain ad
11 customers of possible errors in the advertising metrics.

12 63. On or about September 23, 2016, Facebook posted the following admission to its
13 Facebook business page:

14 We found an error in the way we calculate one of the video metrics on our
15 dashboard – average duration of video viewed. The metric should have reflected
16 the total time spent watching a video divided by the total number of people who
17 played the video. But it didn’t – it reflected the total time spent watching a video
18 divided by only the number of “views” of a video (that is, when the video was
19 watched for three or more seconds). And so the miscalculation overstated this
20 metric.

21 64. As a result of the faulty metric, Facebook inflated the duration measurement by
22 only counting a video duration advertisement as “viewed” if it had been seen for more than 3
23 seconds, and excluded from the calculation instances when a viewer either did not watch the
24 video or watched the video for less than 3 seconds.

25 65. Facebook also admitted to the *Wall Street Journal* that as a result of its error in
26 calculating the video metrics, Facebook reported for two years that the average time users spent
27 watching videos was “artificially inflated by 60% to 80%.”
28

1 66. On or about September 30, 2016, Facebook issued its quarterly statements, but
2 omitted any mention of the metric errors, possible litigation, or revenue losses resulting from the
3 faulty advertising metrics.

4 67. On October 21, 2016, Facebook reported yet another flaw in its advertising
5 metrics that impacted the reporting of engagement counts in Page insights.

6 68. While the market seemingly started to understand that Facebook’s advertising
7 metrics could be unreliable and unverified, the full extent of the Company’s misrepresentations
8 had not yet come to light.

9 69. On or about November 3, 2016, Facebook announced significantly decreased
10 future revenue from ads, and increased capital expenditures expected in 2017.

11 70. On or about November 4, 2016, the value of Facebook shares begins to drop
12 significantly resulting in \$4 billion in losses.

13 71. On or about November 16, 2016, Facebook discloses additional faulty metrics,
14 and announces that it is updating its metrics to provide “more clarity” and “confidence about the
15 insights we provide.” Facebook also announced “Increased Third-Party Verification,” and a
16 “new internal review process to ensure our metrics are clear and up to date as our product
17 offerings continue to evolve.”

18 72. On November 18, 2016, Defendant Zuckerberg announces the Company’s first
19 ever buyback of class A stock, and announces that Facebook’s Chief Accounting Officer Jas
20 Athwal will resign.

21 73. Defendants made numerous materially false and misleading statements and
22 omissions to investors during the Class Period regarding the Company’s advertising metrics, and
23 its business and financial results and outlook.

1 **V. CLASS ACTION ALLEGATIONS**

2 78. Class Definition: That Plaintiffs bring this nationwide class action on behalf of
3 themselves and the class defined as follows: All persons or entities who, from April 1, 2015
4 through November 16, 2016, ("Class Period") purchased (the "Purchasers") and/or held (the
5 "Holders") any shares of Facebook public common stock, which shares were harmed or
6 adversely affected by material omissions in corporate filings and in market timing in the stocks,
7 during the Class Period. Excluded from the Class are defendants, members of the immediate
8 families of the individual defendants, and their legal representatives, parents, affiliates, heirs,
9 successors or assigns and any entity in which defendants have or had a controlling interest, and
10 any other person who engaged in the wrongful conduct alleged herein (the "Excluded Persons").
11

12 79. Numerosity: Upon information and belief, Plaintiffs allege that the total number
13 of Class members is dispersed across the United States, and the stock was actively traded on the
14 NYSE during the Class Period. Consequently, joinder of the individual Class members would be
15 impracticable. While the exact number of Class members is unknown to Plaintiffs at this time
16 and can be ascertained only through appropriate discovery, Plaintiffs believe that there are at
17 least thousands of members in the proposed Class such that the disposition of the individual
18 claims of the respective Class members through this Class action will benefit both the parties and
19 this Court, and will facilitate judicial economy.
20

21 80. Ascertainability: The Class is ascertainable because, on information and belief,
22 Defendant keeps and collects the information of each Class member in a detailed electronic
23 database and records.
24

25 81. Typicality: Plaintiffs' claims are typical of the claims of the members of the
26 Class. The claims of Plaintiffs' and the members of the Class are based on the same legal
27 theories and arise from the same unlawful conduct. As such, the claims of Plaintiffs and the
28

1 Class rise and fall together and are typical of one another.

2 82. Common Questions of Fact and Law Predominate: There are numerous questions
3 of law or fact common to all Class members including, but not limited to:

- 4
- 5 a. Whether the federal securities laws were violated by Defendants' acts as alleged
6 herein;
- 7 b. Whether statements made by Defendants to the investing public during the Class
8 Period misrepresented and/or omitted material facts about the business, operations
9 and management of Facebook;
- 10 c. Whether the Individual Defendants caused Facebook to issue false and misleading
11 statements during the Class Period;
- 12 d. Whether Defendants acted knowingly or recklessly in issuing false and
13 misleading financial statements;
- 14 e. Whether Plaintiffs and the other members of the Class sustained damages because
15 of defendants' conduct, and the appropriate measure of damages; and
- 16 f. Whether Defendants acted in an intentional, willful or wanton manner justifying
17 an award of punitive damages.

18 These questions are susceptible to a common answer. These questions and others like
19 them predominate over individual issues. The same evidence needed to prove Plaintiffs'
20 individual claims will be used to prove the claims of all Class members.

21 83. Adequacy of Representation: Plaintiffs are adequate representatives of the Class
22 because their interests do not conflict with the interests of the members of the Class. Plaintiffs
23 will fairly, adequately, and vigorously represent and protect the interests of the members of the
24 Class and have no interests antagonistic to the members of the Class. Plaintiffs have retained
25 counsel who are competent and experienced in the prosecution of complex consumer class action
26
27
28

1 litigation. Plaintiffs' attorneys have the resources, expertise and experience to prosecute this
2 action, and do not have knowledge of any conflicts among the members of Plaintiffs' Class, or
3 any conflicts between the Class and Plaintiffs' attorneys.

4
5 84. Superiority: The Class action is superior to other available methods for the fair
6 and efficient adjudication of this controversy because: (a) the prosecution of a multitude of
7 separate actions would be inefficient and wasteful of judicial resources; (b) the members of the
8 class may be scattered throughout the country and are not likely to be able to vindicate and
9 enforce their rights unless this actions is maintained as a class action; (c) the issues raised can be
10 more fairly and efficiently resolved in the context of a single action rather than piece-meal
11 litigation in the context of separate actions; (d) the resolution of litigation in a single forum will
12 avoid the danger and resultant confusion of possible inconsistent determinations; (e) the
13 prosecution of separate actions would create the risk of inconsistent or varying adjudications
14 with respect to individuals pursuing claims against Defendants, which would establish
15 incompatible standards of conducts for Defendants; (f) Defendants have acted and will act on
16 grounds applicable to all Class members; and (g) questions of law and/or fact common to
17 members of the Class, especially on issues of liability, predominate over any question, such as
18 that of individuals damages that will affect individual Class members.

19
20
21
22 **APPLICABILITY OF THE PRESUMPTION
OF RELIANCE: FRAUD ON THE MARKET**

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

- 25
26 a. Defendants made public misrepresentations or failed to disclose material facts
27 during the Class Period;
28 b. The omissions and misrepresentations were material;

- c. Facebook stock was traded in an efficient market during the Class Period;
- d. The misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of Facebook stock; and
- e. Plaintiffs and members of the Class purchased or held Facebook stock between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.
- f. Based upon the foregoing, Plaintiffs and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

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

ADDITIONAL SCIENTER ALLEGATIONS

87. As alleged herein, Defendants acted with scienter in that each of them knowingly or recklessly participated in a scheme to defraud Plaintiffs and other purchasers and holders of the stock and profited from their participation in said scheme, as alleged herein.

88. Each of the Defendants knew that ongoing errors in Facebook metrics were miscalculating how paid advertising was performing resulting in inaccurate and unreliable data, the disclosure of which would result in the devaluation of the market price of Facebook stock.

89. Each of the Defendants knew that failure to disclose the errors in the Facebook metrics would be enormously harmful to shareholders, including Plaintiffs and the other members of the Class.

1 90. Each of Defendants was highly motivated to participate in the wrongdoing
2 alleged herein, pursuant to which they were able to sell their Facebook shares at a cost much
3 higher than their value once the metrics errors were disclosed.

4 **VI. CLAIMS FOR RELIEF**

5 **FIRST CLAIM FOR RELIEF**

6 **VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT**
7 **AND SEC RULE 10b-5 PROMULGATED THEREUNDER ON BEHALF OF**
8 **PURCHASERS**

9 **[Against all Defendants for Violations of Section 10(b) of the Exchange Act and Rule 10b-5]**

10
11 91. Plaintiffs hereby incorporate by reference all of the allegations set forth above as
12 though fully set forth hereafter.

13
14 92. This Count is asserted against all Defendants and is based upon Section 10(b) of
15 the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC, 17
16 C.F.R. §240.10b-5.

17
18 93. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and
19 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,
20 practices and courses of business, which operated as a fraud and deceit upon Plaintiffs and other
21 Purchasers; made various untrue statements of material facts and omitted to state material facts
22 necessary in order to make the statements made, in light of the circumstances under which they
23 were made, not misleading; and employed devices, schemes and artifices to defraud in
24 connection with the purchase and sale of securities. Such scheme was intended to, and,
25 throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other
26 Purchasers as alleged herein, in an effort to enrich themselves through undisclosed manipulative
27 trading tactics in violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5; (ii)
28

1 manipulated the market price of Facebook stock during the Class Period such it did not reflect
2 the risks and costs of the continuing course of conduct alleged herein; and (iii) cause Plaintiffs
3 and other Purchasers to purchase or otherwise acquire Facebook stock at artificially inflated
4 prices. In furtherance of this unlawful scheme, plan and course of conduct, each of the
5 Defendants took the actions set forth herein.
6

7 94. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the
8 Defendants participated directly or indirectly in the preparation and/or issuance of the statements
9 and documents described above, including statements made to securities analysts and the media
10 that were designed to influence the market for Facebook stock. Such reports, filings, releases and
11 statements were materially false and misleading in that they failed to disclose material adverse
12 information and misrepresented the truth about Facebook's operations.
13

14 95. By virtue of their positions at Facebook, Defendants had actual knowledge of the
15 materially false and misleading statements and material omissions alleged herein and intended
16 thereby to deceive Plaintiffs and other Purchasers, or, in the alternative, Defendants acted with
17 reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts
18 as would reveal the materially false and misleading nature of the statements made, although such
19 facts were readily available to Defendants. Such acts and omissions of Defendants were
20 committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or
21 recklessly disregarded that material facts were being misrepresented or omitted as described
22 above.
23

24 96. Information showing that Defendants acted knowingly or with reckless disregard
25 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers
26 and/or directors of Facebook, the Individual Defendants had knowledge of the details of
27 Facebook's internal affairs.
28

1 97. The Defendants, individually and in concert, directly and indirectly, by the use,
2 means or instrumentalities of interstate commerce and/or of the mails, engaged and participated
3 in the manipulative scheme, and/or a continuous course of conduct to conceal adverse material
4 information about Facebook's operations, as alleged herein.
5

6 98. The Individual Defendants employed devices, schemes and artifices to defraud
7 and a course of conduct and scheme as alleged herein to unlawfully manipulate and profit from
8 secretly timed trading of Facebook stock and thereby engaged in transactions, practices and a
9 course of business which operated as a fraud and deceit upon Plaintiffs and the Purchasers.
10

11 99. The Individual Defendants are also liable both directly and indirectly for the
12 wrongs complained of herein. Because of their positions of control and authority, the Individual
13 Defendants were able to and did, directly or indirectly, control the content of the statements of
14 Facebook. The Individual Defendants had a duty to disseminate timely, accurate, and truthful
15 information with respect to Facebook's operations. As a result of the dissemination of the
16 aforementioned false and misleading reports, releases and public statements, the market price of
17 Facebook stock was artificially inflated throughout the Class Period. In ignorance of the adverse
18 facts concerning Facebook's operations, Plaintiffs and the other members of the Class purchased
19 or otherwise acquired Facebook stock at artificially inflated prices, and relied upon the price of
20 the securities, the integrity of the market for the securities and/or upon statements disseminated
21 by Defendants, and were damaged thereby.
22
23

24 100. During the Class Period, Facebook stock was traded on an active and efficient
25 market. Plaintiffs and other Purchasers, relying on the materially false and misleading statements
26 described herein, which the Defendants made, issued or caused to be disseminated, or relying
27 upon the integrity of the market, purchased or otherwise acquired shares of Facebook stock at
28 prices artificially inflated by Defendants' wrongful conduct. Had Plaintiffs and the other

1 members of the Class known the truth, they would not have purchased or otherwise acquired
2 those securities, or would not have purchased or otherwise acquired them at the inflated prices
3 they paid. At the time of the purchases and/or acquisitions by Plaintiffs and the Class, the true
4 value of Facebook's stock was substantially lower than the prices paid by Plaintiffs and the other
5 members of the Class. The market price of Facebook stock declined sharply upon public
6 disclosure of the facts alleged herein, resulting in injury to Plaintiffs and other Purchasers.
7

8 101. By reason of the conduct alleged herein, Defendants knowingly or recklessly,
9 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5
10 promulgated thereunder.
11

12 102. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and
13 the other members of the Class suffered damages in connection with their respective purchases,
14 acquisitions and sales of Facebook stock during the Class Period, upon the disclosure that the
15 Company had been disseminating false statements to the investing public.
16

17 **SECOND CLAIM FOR RELIEF**

18 **VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT**
19 **AND SEC RULE 10b-5 PROMULGATED THEREUNDER ON BEHALF OF HOLDERS**

20 **[Against all Defendants for Violations of Section 10(b) of the Exchange Act and Rule 10b-5]**

21 103. Plaintiffs hereby incorporate by reference all of the allegations set forth above as
22 though fully set forth hereafter.

23 104. This Count is asserted against all Defendants and is based upon Section 10(b) of
24 the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC, 17
25 C.F.R. §240.10b-5.
26

27 105. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and
28 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,
practices and courses of business, which operated as a fraud and deceit upon Plaintiffs and the

1 other Holders; made various untrue statements of material facts and omitted to state material
2 facts necessary in order to make the statements made, in light of the circumstances under which
3 they were made, not misleading; and employed devices, schemes and artifices to defraud in
4 connection with the purchase and sale of securities. Such scheme was intended to, and,
5 throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other
6 Holders as alleged herein, in an effort to enrich themselves through undisclosed manipulative
7 trading tactics in violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5; (ii)
8 manipulated the market price of Facebook stock during the Class Period such it did not reflect
9 the risks and costs of the continuing course of conduct alleged herein; and (iii) cause Plaintiffs
10 and other Holders to hold Facebook stock, which they would not have, had they known of the
11 wrongful conduct alleged herein. In furtherance of this unlawful scheme, plan and course of
12 conduct, each of the Defendants took the actions set forth herein.

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15 106. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the
16 Defendants participated directly or indirectly in the preparation and/or issuance of the statements
17 and documents described above, including statements made to securities analysts and the media
18 that were designed to influence the market for Facebook stock. Such reports, filings, releases and
19 statements were materially false and misleading in that they failed to disclose material adverse
20 information and misrepresented the truth about Facebook's operations.

21
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23 107. By virtue of their positions at Facebook, Defendants had actual knowledge of the
24 materially false and misleading statements and material omissions alleged herein and intended
25 thereby to deceive Plaintiffs and other Holders, or, in the alternative, Defendants acted with
26 reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts
27 as would reveal the materially false and misleading nature of the statements made, although such
28 facts were readily available to Defendants. Such acts and omissions of Defendants were

1 committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or
2 recklessly disregarded that material facts were being misrepresented or omitted as described
3 above.

4
5 108. Information showing that Defendants acted knowingly or with reckless disregard
6 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers
7 and/or directors of Facebook, the Individual Defendants had knowledge of the details of
8 Facebook's internal affairs.

9
10 109. The Defendants, individually and in concert, directly and indirectly, by the use,
11 means or instrumentalities of interstate commerce and/or of the mails, engaged and participated
12 in the manipulative scheme, and/or a continuous course of conduct to conceal adverse material
13 information about Facebook's operations, as alleged herein.

14
15 110. The Individual Defendants employed devices, schemes and artifices to defraud
16 and a course of conduct and scheme as alleged herein to unlawfully manipulate and profit from
17 secretly timed trading of Facebook stock and thereby engaged in transactions, practices and a
18 course of business which operated as a fraud and deceit upon Plaintiffs and other Holders.

19
20 111. The Individual Defendants are also liable both directly and indirectly for the
21 wrongs complained of herein. Because of their positions of control and authority, the Individual
22 Defendants were able to and did, directly or indirectly, control the content of the statements of
23 Facebook. The Individual Defendants had a duty to disseminate timely, accurate, and truthful
24 information with respect to Facebook's operations. As a result of the dissemination of the
25 aforementioned false and misleading reports, releases and public statements, the market price of
26 Facebook stock was artificially inflated throughout the Class Period. In ignorance of the adverse
27 facts concerning Facebook's operations, Plaintiffs and the other members of the Class purchased
28 or otherwise acquired Facebook stock at artificially inflated prices, and relied upon the price of

1 the securities, the integrity of the market for the securities and/or upon statements disseminated
2 by Defendants, and were damaged thereby.

3 112. During the Class Period, Facebook stock was traded on an active and efficient
4 market. Plaintiffs and other Holders, relying on the materially false and misleading statements
5 described herein, which the Defendants made, issued or caused to be disseminated, or relying
6 upon the integrity of the market, purchased or otherwise acquired shares of Facebook stock at
7 prices artificially inflated by Defendants' wrongful conduct. Had Plaintiffs and the other Holders
8 known the truth, they would not have continued to hold Facebook stock, had they known of the
9 wrongful conduct alleged herein. During the Class Period, the true value of Facebook's stock
10 was substantially lower than the market reflected. Plaintiffs and the other Holders, held onto
11 their Facebook stock during the Class Period, and were damaged thereby when the market price
12 of Facebook stock declined sharply upon public disclosure of the facts alleged herein, resulting
13 in injury to Plaintiffs and other Holders.

14 113. By reason of the conduct alleged herein, Defendants knowingly or recklessly,
15 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5
16 promulgated thereunder.

17 114. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and
18 other Holders suffered damages in connection with their respective purchases, acquisitions and
19 sales of Facebook stock during the Class Period, upon the disclosure that the Company had been
20 disseminating false statements to the investing public.

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26 **THIRD CLAIM FOR RELIEF**

27 **AGAINST INDIVIDUAL DEFENDANTS FOR CONTROL PERSON LIABILITY**
28 **UNDER SECTION 20(A) OF THE EXCHANGE ACT**

115. Plaintiffs hereby incorporate by reference all of the allegations set forth above as

1 though fully set forth hereafter.

2 116. During the Class Period, the Individual Defendants participated in the operation
3 and management of Facebook, and conducted and participated, directly and indirectly, in the
4 conduct of Facebook's business affairs. Because of their senior positions at the Company, they
5 knew the adverse non-public information about Facebook's misstatement of income and
6 expenses and false financial statements.
7

8 117. As officers and/or directors of a publicly owned company, the Individual
9 Defendants had a duty to disseminate accurate and truthful information with respect to
10 Facebook's financial condition and results of operations, and to correct promptly any public
11 statements issued by Facebook, which had become materially false or misleading.
12

13 118. Because of their positions of control and authority as senior officers, the
14 Individual Defendants were able to, and did, control the contents of the various reports, press
15 releases and public filings, which Facebook disseminated in the marketplace during the Class
16 Period concerning SunEdison's results of operations.
17

18 119. Throughout the Class Period, the Individual Defendants exercised their power and
19 authority to cause Facebook to engage in the wrongful acts complained of herein. The Individual
20 Defendants, therefore, were "controlling persons" of Facebook within the meaning of Section
21 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged
22 that manipulated the market price of Facebook stock during the Class Period such it did not
23 reflect the risks and costs of the continuing course of conduct alleged herein. Each of the
24 Individual Defendants, therefore, acted as a controlling person of Facebook.
25

26 120. By reason of their positions as senior management and/or directors of Facebook,
27 each of the Individual Defendants had the power to direct the actions of, and exercised the same
28 to cause, Facebook to engage in the unlawful acts and conduct complained of herein. Each of the

1 Individual Defendants exercised control over the general operations of Facebook and possessed
2 the power to control the specific activities, which comprise the primary violations about which
3 Plaintiffs and the other members of the Class complaint.
4

5 121. By reason of the above conduct, the Individual Defendants are liable pursuant to
6 Section 20(a) of the Exchange Act for the violations committed by Facebook.
7

8 **PRAYER FOR RELIEF**

9 **WHEREFORE**, Plaintiffs and those similarly situated pray for relief and damages as
10 follows:
11

- 12 A. That the Court determine this action is a proper class action and appoint Plaintiffs as
13 representatives of the Class under Rule 23 of the Federal Rules of Civil Procedure;
- 14 B. That Plaintiffs and the Plaintiffs' Class be awarded general and special damages
15 sustained as a result of Defendants' wrongdoing in an amount to be proven at trial;
- 16 C. That Plaintiffs and the Plaintiffs' Class be awarded punitive damages,
- 17 D. That Plaintiffs and the Plaintiffs' Class be awarded reasonable attorney's fees and be
18 awarded their costs of court;
- 19 E. That Plaintiffs and the Plaintiffs' Class be awarded pre-judgment and post-judgment
20 interest.
- 21 F. That Plaintiffs and the Plaintiffs' Class be awarded any other equitable/injunctive relief
22 as the Court may deem proper.
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DEMAND FOR JURY TRIAL

Plaintiffs and the Plaintiffs' Class hereby demand a trial by jury for all issues so triable.

DATED this 22nd day of November, 2016.

Respectfully submitted,

EGLET PRINCE

/s/ Robert T. Eglet
ROBERT T. EGLET, ESQ.
ROBERT M. ADAMS, ESQ.
ERICA D. ENTSMINGER, ESQ.
400 South Seventh Street, Box 1, Suite 400
Las Vegas, Nevada 89101

EGLET PRINCE


JS 44 (Rev. 11/15)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

Aurangzeb Nagy, Robert Vannah, George Kleanthis and Zanetta Kleanthis

(b) County of Residence of First Listed Plaintiff Clark
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)
Eglet Prince
400 S. 7th Street, 4th Floor, Ste. 400, Las Vegas, NV 89101
P. (702) 450-5400

DEFENDANTS

Facebook, Inc., et al.

County of Residence of First Listed Defendant _____
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff
- 3 Federal Question (U.S. Government Not a Party)
- 2 U.S. Government Defendant
- 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

	PTF	DEF		PTF	DEF
Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACTS	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES	
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excludes Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input checked="" type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury - Medical Malpractice	PERSONAL INJURY <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 690 Other LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Management Relations <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 751 Family and Medical Leave Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Employee Retirement Income Security Act IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 375 False Claims Act <input type="checkbox"/> 376 Qui Tam (31 USC 3729(a)) <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 896 Arbitration <input type="checkbox"/> 899 Administrative Procedure Act/Review or Appeal of Agency Decision <input type="checkbox"/> 950 Constitutionality of State Statutes

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from Another District (specify)
- 6 Multidistrict Litigation

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity): 15 U.S.C. Section 78


Brief description of cause: Shareholder lawsuit for fraud and misrepresentation

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$ _____ CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE _____ DOCKET NUMBER _____

DATE 11/22/2016 SIGNATURE OF ATTORNEY OF RECORD 

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____

ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [Securities Class Action Filed Against Facebook, Executives](#)
