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 E-filing

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12 [Additional Counsel Appear On Signature Page]

13 UNITED STATES DISTRICT COURT  
 14 NORTHERN DISTRICT OF CALIFORNIA

16 MICHAEL SPATZ and SANJAY ISRANI, on behalf  
 17 of themselves and all others similarly situated,

18 Plaintiffs,

19 v.

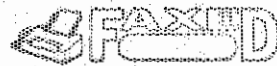
20 FACEBOOK, INC., MARK ZUCKERBERG,  
 21 DAVID A. EBERSMAN, DAVID M. SPILLANE,  
 22 MARC L. ANDREESSEN, ERSKINE B. BOWLES,  
 23 JAMES W. BREYER, DONALD E. GRAHAM,  
 24 REED HASTINGS, PETER A. THIEL, MORGAN  
 25 STANLEY & CO. LLC, J.P. MORGAN  
 26 SECURITIES LLC, GOLDMAN, SACHS & CO.,  
 27 MERRILL LYNCH, PIERCE, FENNER & SMITH  
 28 INCORPORATED, BARCLAYS CAPITAL INC.,  
 ALLEN & COMPANY LLC, CITIGROUP  
 GLOBAL MARKETS INC., CREDIT SUISSE  
 SECURITIES (USA) LLC, DEUTSCHE BANK  
 SECURITIES INC., RBC CAPITAL MARKETS,  
 LLC, and WELLS FARGO SECURITIES, LLC,

Defendants.

) Case No.

) CLASS ACTION COMPLAINT

) JURY TRIAL DEMANDED



CLASS ACTION COMPLAINT

1 Plaintiffs below, individually and on behalf of the class described below, allege this class  
2 action complaint based upon their own personal knowledge, as to their own acts and the acts and  
3 statements of Defendants in which each Plaintiff participated directly (the communications with,  
4 representations made, and documentation and information provided to each of them by Defendants  
5 in the ordinary course of business), and upon the investigation of their counsel (and counsel's  
6 information and belief only to the extent expressly stated herein). Counsel's investigation  
7 conducted on Plaintiffs' behalf, included, among other things: (i) an analysis of publicly-available  
8 news articles and reports; (ii) a review and analysis of public filings, including but not limited to  
9 Securities and Exchange Commission ("SEC") filings by Defendants; (iii) press releases issued by  
10 Defendants; (iv) research of facts and the applicable law with respect to the claims asserted herein  
11 including the use of sophisticated investigatory tools such as *Bloomberg* subscription services,  
12 *Lexis Nexis* and other subscription services, and (v) other matters of public record.

#### 13 NATURE OF THE ACTION

14 1. This is a federal securities class action brought by Plaintiffs alleging claims under  
15 sections 11, 12, and 15 of the Securities Act of 1933, 15 U.S.C. § 77 *et seq.* ("Securities Act")  
16 against Defendants, seeking to recover damages caused to the Class by Defendants' violations of  
17 the Securities Act.

18 2. On May 18, 2012, Facebook, Inc. ("Facebook" or the "Company") floated its initial  
19 public offering ("IPO") of 421,233,615 shares of its common stock at a price to the public of \$38  
20 per share on the NASDAQ Global Select Market under the symbol "FB." Under the terms of the  
21 offering, Facebook sold 180,000,000 shares of Class A common stock and selling stockholders  
22 sold 241,233,615 shares of Class A common stock.

23 3. In addition, Facebook and the selling stockholders granted the underwriters a  
24 30-day option to purchase up to 63,185,042 additional shares of Class A common stock to cover  
25 over-allotments, if any. As discussed below, Morgan Stanley, J.P. Morgan, Goldman, Sachs,  
26 BofA Merrill Lynch, Barclays, Allen & Co. LLC, Citigroup, Credit Suisse and Deutsche Bank  
27 served as book runners for the offering and RBC Capital Markets and Wells Fargo Securities are  
28 serving as active co-managers.



1 11. Most of the Defendants are either headquartered in this District or maintain  
2 significant business presences here.

3 12. In connection with the acts alleged in this Complaint, Defendants, directly or  
4 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited  
5 to, the mails, interstate telephone communications and the facilities of the national securities  
6 markets.

7 13. Shares of Facebook are a security within the meaning of federal law.

8 14. Shares of Facebook were sold to class members who reside within this judicial  
9 district.

#### 10 PARTIES

11 15. Plaintiff Michael Spatz purchased shares of Facebook pursuant to the Offering  
12 Documents on the IPO and was damaged thereby as evidenced by his annexed Plaintiff's  
13 Certification. See Verification of Plaintiff Michael Spatz (attached hereto as Exhibit A).

14 16. Plaintiff Sanjay Israni purchased shares of Facebook pursuant to the Offering  
15 Documents on the IPO and was damaged thereby as evidenced by his annexed Plaintiff's  
16 Certification. See Verification of Plaintiff Sanjay Israni (attached hereto as Exhibit B).

17 17. Defendant Facebook, Inc. ("Facebook" or the "Company") is located in Menlo  
18 Park, California, within this judicial district, and is incorporated under the laws of the State of  
19 Delaware. Facebook operates a social networking website that allows people to communicate and  
20 share information with friends and family. It also develops technologies that facilitate the sharing  
21 of information.

#### 22 Individual Defendants

23 18. Defendant **Mark Zuckerberg** ("Zuckerberg") is the Chairman and Chief Executive  
24 Officer of the Company and signed the Final Registration Statement dated May 21, 2012.  
25 Facebook, Inc., Registration Statement (Form S-8) (May 21, 2012) ("Final Registration  
26 Statement").

27 19. Defendant **David A. Ebersman** ("Ebersman") is the Chief Financial Officer of the  
28 Company and signed the Final Registration Statement dated May 21, 2012.



1           20. Defendant **David M. Spillane** ("Spillane") is the Chief Accounting Officer of the  
2 Company and signed the Final Registration Statement dated May 21, 2012.

3           21. Defendant **Marc L. Andreessen** ("Andreessen") is a director of the Company and  
4 signed the Final Registration Statement dated May 21, 2012.

5           22. Defendant **Erskine B. Bowles** ("Bowles") is a director of the Company and signed  
6 the Final Registration Statement dated May 21, 2012.

7           23. Defendant **James W. Breyer** ("Breyer") is a director of the Company and signed  
8 the Final Registration Statement dated May 21, 2012.

9           24. Defendant **Donald E. Graham** ("Graham") is a director of the Company and  
10 signed the Final Registration Statement dated May 21, 2012.

11           25. Defendant **Reed Hastings** ("Hastings") is a director of the Company and signed the  
12 Final Registration Statement dated May 21, 2012.

13           26. Defendant **Peter A. Thiel** ("Thiel") is a director of the Company and signed the  
14 Final Registration Statement dated May 21, 2012.

15           27. These nine individual Defendants are collectively referred to as the "Individual  
16 Defendants."

17 **Underwriter Defendants**

18           28. The following underwriter Defendants were the underwriters "on the cover" of the  
19 Facebook prospectus.

20           29. Defendant **Morgan Stanley & Co. LLC** ("Morgan Stanley"), the lead underwriter,  
21 is located at 1585 Broadway, New York, NY 10036.

22           30. Defendant **J.P. Morgan Securities LLC** ("J.P. Morgan") is located at 270 Park  
23 Ave., New York, NY 10017.

24           31. Defendant **Goldman, Sachs & Co.** ("Goldman Sachs") is located at 200 West  
25 Street, 29th Floor, New York, NY 10282.

26           32. Defendant **Merrill Lynch, Pierce, Fenner & Smith Incorporated** ("BofA Merrill  
27 Lynch") is located at Bank of America Corporate Center, 100 N. Tryon Street, Charlotte, North  
28 Carolina 28255.

1           33.     Defendant **Barclays Capital Inc.** ("Barclays Capital") is located at 200 Park Ave.,  
2 New York, NY 10166.

3           34.     Defendant **Allen & Company LLC** ("Allen & Co.") is located at 711 Fifth Ave.,  
4 New York, NY 10022.

5           35.     Defendant **Citigroup Global Markets Inc.** ("Citigroup") is located at 388  
6 Greenwich Street, New York, NY 10013.

7           36.     Defendant **Credit Suisse Securities (USA) LLC** ("Credit Suisse") is located at 11  
8 Madison Ave., New York, NY 10010.

9           37.     Defendant **Deutsche Bank Securities Inc.** ("Deutsche Bank") is located at 31  
10 West 52 St., New York, NY 10019.

11          38.     Defendant **RBC Capital Markets, LLC** ("RBC Capital Markets") is located at 3  
12 World Financial Center, 200 Vesey St., New York, NY 10281.

13          39.     Defendant **Wells Fargo Securities, LLC** ("Wells Fargo") is located at 420  
14 Montgomery Street, San Francisco, CA 94104.

15          40.     These eleven Defendant underwriters are collectively referred to as the  
16 "Underwriter Defendants."

17          41.     All Defendants are collectively referred to as "Defendants."

#### 18                                 **CLASS ACTION ALLEGATIONS**

19          42.     Plaintiffs bring this action as a class action pursuant to Rule 23(a) and (b)(3) of the  
20 Federal Rules of Civil Procedure on behalf of all investors that purchased Facebook common  
21 stock on the IPO pursuant or traceable to the Offering Documents (the "Class").

22          43.     Members of the Class are so numerous that joinder of all members is impracticable.  
23 While the exact number of Class members is unknown to Plaintiffs at this time and can only be  
24 ascertained through appropriate discovery, Plaintiffs believe that there are thousands of members  
25 of the Class located throughout the United States.

26          44.     According to the Offering Documents, over 450 million shares of common stock  
27 were sold to the public pursuant to the IPO.

28          45.     Facebook shares were sold to Class members during the Class Period pursuant to

1 the Offering Documents.

2 46. All members of the Class may readily be identified from records maintained by  
3 Facebook and/or its transfer agent and may be notified of the pendency of this action by mail,  
4 using forms of notice similar to those customarily used in securities class actions.

5 47. Plaintiffs' claims are typical of the claims of the other members of the Class.  
6 Plaintiffs and the other members of the Class, by virtue of their purchases of shares of Facebook  
7 on or pursuant to the IPO, have sustained damages as a result of Defendants' unlawful activities as  
8 alleged herein. Plaintiffs have retained counsel competent and experienced in class and securities  
9 litigation and intend to prosecute this action vigorously. The interests of the Class will be fairly  
10 and adequately protected by Plaintiffs. Plaintiffs have no interests which are contrary to or in  
11 conflict with those of the Class which Plaintiffs seek to represent.

12 48. A class action is superior to all other available methods for the fair and efficient  
13 adjudication of this controversy. Plaintiffs know of no difficulty to be encountered in the  
14 management of this action that would preclude its maintenance as a class action.

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

- 18 a. Whether the Securities Act was violated by Defendants' acts;
- 19 b. Whether each Defendant participated in the course of conduct complained of  
20 herein; and
- 21 c. Whether members of the Class have sustained damages as a result of Defendants'  
22 conduct, and the proper measure of such damages including but not limited to recessionary  
23 damages.

24 **THE PROSPECTUS CONTAINED MATERIAL MISSTATEMENTS**  
25 **AND OMITTED MATERIAL INFORMATION**

26 50. Facebook, through its underwriters, sold over 421 million shares of common stock  
27 on May 18, 2012. The IPO was priced at \$38 per share and resulted in the Company raising \$16  
28 billion for itself and the selling stockholders, including Defendant Zuckerberg.

1 51. The IPO was marketed through the issuance of the Offering Documents and the  
2 presentation of numerous "road shows" to various investment banks and potential investors that  
3 senior Facebook executives attended along with underwriters.

4 52. The Prospectus contained material misstatements and statements made materially  
5 inaccurate through the omission of material facts. These include the following statements  
6 contained in the Prospectus:

7 We believe this increased usage of Facebook on mobile devices has contributed to  
8 the recent trend of our daily active users (DAUs) increasing more rapidly than the  
9 increase in the number of ads delivered.

10 \* \* \*  
11 As an example, we believe that the recent trend of our DAUs increasing more  
12 rapidly than the increase in the number of ads delivered has been due in part to  
13 certain pages having fewer ads per page as a result of these kinds of product  
14 decisions.

15 \* \* \*  
16 Based upon our experience in the second quarter of 2012 to date, the trend we saw  
17 in the first quarter of DAUs increasing more rapidly than the increase in number of  
18 ads delivered has continued. We believe this trend is driven in part by increased  
19 usage of Facebook on mobile devices where we have only recently begun showing  
20 an immaterial number of sponsored stories in News Feed, and in part due to certain  
21 pages having fewer ads per page as a result of product decisions. For additional  
22 information on factors that may affect these matters, see "Risk Factors - Growth in  
23 use of Facebook through our mobile products, where our ability to monetize is  
24 unproven, as a substitute for use on personal computers may negatively affect our  
25 revenue and financial results" and "Risk Factors - Our culture emphasizes rapid  
26 innovation and prioritizes user engagement over short-term financial results."

27 Facebook, Inc., Prospectus (Form 424B4), at 14, 17, 57 (May 18, 2012) ("Prospectus").

28 53. Each of these statements in the Prospectus contained material misstatements,  
omitted to state a material fact required to be stated therein, or failed to disclose certain material  
facts necessary to make the statements therein not misleading, because each failed to materially  
disclose that Facebook's revenue and revenue growth rate would be substantially lower than that  
originally disclosed and forecast.

54. It is absolutely clear that the statements in the Prospectus were materially  
inaccurate and materially incomplete disclosures concerning the fact that Facebook's revenue and  
revenue growth rate would be lower, and that these facts were not being completely and accurately  
disclosed in the Prospectus. This is so based upon the following facts.



1           55.     The actionable statements from the Prospectus quoted above were originally added  
2 by prospectus dated May 9, 2012. Facebook, Inc., Amendment No. 6 to Form S-1 Registration  
3 Statement (Form S-2/A) (May 9, 2012) ("Amendment No. 6").

4           56.     Thereafter, during the time period between May 9, 2012 and May 17, 2012, which  
5 included the Company's roadshow, the Underwriter Defendants materially lowered their estimates  
6 of Facebook's future revenue and revenue growth rate.

7           57.     Prior to the May 18, 2012 effective date of the Company's IPO, however, the  
8 Underwriter Defendants only disclosed their materially lowered estimates of Facebook's revenue  
9 and revenue growth rate privately *to select major clients* who were potential investors in the IPO  
10 and did not disclose their lowered estimates to the investing public at large.

11           58.     The fact that the Underwriter Defendants lowered their revenue and revenue  
12 growth rate estimates demonstrates that the statements added to the prospectus by prospectus  
13 Amendment No. 6, which were subsequently contained in the effective Prospectus of May 18,  
14 2012, were material. The fact that the revised revenue and revenue growth rate estimates were  
15 only privately disseminated by the Underwriter Defendants demonstrates that these additional  
16 Amendment No. 6 disclosures were materially deficient – they contained material misstatements,  
17 omitted to state material facts required to be stated therein, or failed to disclose certain material  
18 facts necessary to make the statements therein not misleading. This is so because otherwise there  
19 would have been no reason for the Underwriter Defendants to limit disclosure of their revised and  
20 lowered estimates to private disclosure to select potential investors in the IPO, without full and  
21 complete disclosure in the Prospectus.

22           59.     Defendant Morgan Stanley was the lead investment bank for the Facebook IPO.

23           60.     Morgan Stanley's consumer Internet analyst, Scott Devitt, materially "cut his  
24 revenue estimate for the current second quarter significantly, and also cut his full-year 2012  
25 revenue forecast." But, prior to the Company's IPO, Morgan Stanley only disclosed its materially  
26 lowered estimates privately to select major clients who were potential investors in the IPO and did  
27 not disclose its lowered estimates to the general investing public, according to a May 22, 2012  
28 Reuters article entitled, "*Morgan Stanley Shocked Investors By Cutting Facebook Estimates Just*

1 *Before IPO.*" Barr, Alistar, *Morgan Stanley Shocked Investors By Cutting Facebook Estimates*  
2 *Just Before IPO*, Reuters (May 22, 2012) ("*Reuters Article*")

3 61. Scott Sweet, senior managing partner at the research firm IPO Boutique, said he  
4 was aware of the reduced estimates, according to the *Reuters* article. He went on to say, however,  
5 that he learned of the lowered estimates from "[m]y biggest hedge fund client [who] told me they  
6 [Morgan Stanley] lowered their numbers right around mid-roadshow," according to *Reuters*.

7 62. Upon information and belief, another of the three top-line investment banks on the  
8 cover of the prospectus, J.P. Morgan, prior to the Company's IPO also materially lowered its  
9 estimates of the Company's revenue and revenue growth rate. Similarly, prior to the IPO, J.P.  
10 Morgan only disclosed its materially lowered estimates privately to select major clients who were  
11 potential investors in the IPO and did not disclose its lowered estimates to the general public at  
12 large. *See Reuters Article*.

13 63. Upon information and belief, another of the three top-line investment banks on the  
14 cover of the prospectus, Goldman, Sachs & Co., prior to the Company's IPO also materially  
15 lowered its estimates of the Company's revenue and revenue growth rate. Similarly, prior to the  
16 IPO, Goldman, Sachs & Co. only disclosed its materially lowered estimates privately to select  
17 major clients who were potential investors in the IPO and did not disclose its lowered estimates to  
18 the public at large. *See Reuters Article*.

19 64. At the same time that the Underwriter Defendants were privately *lowering* their  
20 estimates of the Company's revenues and revenue growth rate, the Company and the Underwriter  
21 Defendants were publicly *upwardly revising* the projected IPO price to the effective price of \$38  
22 per share.

23 65. This type of selective dissemination of material information has damaged the Class.

24 66. First, in the days leading up to the IPO, Facebook and the Underwriter Defendants  
25 elected to issue millions of additional shares in an exceeding 60 million shares. Many large hedge  
26 funds were unwilling to accept additional allocations because they were aware that analysts at the  
27 lead underwriters had privately lowered their revenue and revenue growth rate estimates. Those  
28 additional shares, instead, found their way to the accounts of thousands of small, retail customers

1 who had requested small allocations but given prior experience in other "hot" IPOs like Google,  
2 were surprised to receive their requested allocations or allocations larger than those requested.  
3 These investors did not know however that they were buying shares in an IPO that the lead  
4 underwriters' analysts thought was overvalued.

5 67. Second, many hedge funds which were told that analysts had slashed projections  
6 were able to quickly sell their allocated position and short the stock, thereby causing downward  
7 pressure on the IPO.

8 68. Third, the fact that the Underwriter Defendants' research analysts only privately  
9 disclosed their lowered revenue and revenue growth rate estimates for Facebook demonstrates that  
10 the separation of those investment banks research and investment function did not exist and had  
11 been breached for this IPO because the private only dissemination of the lowered estimates helped  
12 the Underwriter Defendants' investment bankers sell the public offering.

13 69. The Facebook IPO went public on May 18, 2012 at a price of \$38 per share. It  
14 reached its high of \$45 per share just a few minutes later.

15 70. On May 22, 2012, the price of Facebook shares further declined to close at \$31.00.

16 71. Had Plaintiffs and the members of the Class known of the facts not disclosed in the  
17 Offering Documents, they would not have purchased their Facebook shares or would have  
18 purchased them only at substantially reduced prices.

19 72. The Company raised billions of dollars which it would not have been able to raise  
20 if the Offering Documents had not contained material misstatements and material omissions.

21 73. Similarly, the Underwriter Defendants made over \$150 million in underwriting fees  
22 from sales of Facebook shares in the IPO, fees that they would not have made if the Offering  
23 Documents had not contained material misstatements and material omissions.

#### 24 **NO SAFE HARBOR**

25 74. The statutory safe harbor provided for forward-looking statements under certain  
26 circumstances does not apply to any of the allegedly false statements pled in this complaint.  
27 Virtually all of the specific statements pled herein were not forward-looking or were not identified  
28 as "forward-looking statements" when made. To the extent there were any forward-looking

1 statements upon which Plaintiffs base their claims, there were no meaningful cautionary  
2 statements identifying important factors that could cause actual results to differ materially from  
3 those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory  
4 safe harbor does apply to any forward-looking statements pled herein, Defendants are liable for  
5 those false forward-looking statements because at the time each of those forward-looking  
6 statements was made, the particular speaker knew that the particular forward-looking statement  
7 was false, and/or the forward-looking statement was authorized and/or approved by an executive  
8 officer of Defendants who knew that those statements were false when made.

9 75. The safe harbor does not apply to statements made, as here, in connection with an  
10 initial public offering.

11 **FIRST CLAIM FOR RELIEF**  
12 **(Against All Defendants For Violations Of Section 11 Of The Securities Act)**

13 76. Plaintiffs repeat and reallege each and every allegation above as if fully set forth  
14 herein.

15 77. Plaintiffs do not allege that the material omissions and material misstatements set  
16 forth herein were made intentionally, knowingly or recklessly by Defendants.

17 78. Plaintiffs brought this action within one year after the discovery of the materially  
18 incorrect statements and omissions, and within three years after the shares were offered to the  
19 public through the Offering Documents.

20 79. This claim is brought by Plaintiffs against all Defendants.

21 80. The Company was the issuer of the Offering Documents and sold the shares  
22 pursuant to the Offering Documents.

23 81. Each of the Individual Defendants signed the Prospectus.

24 82. Each of the Underwriter Defendants served as a co-managing underwriter of the  
25 Offering, and is identified as such by, among other things, their listing "on the cover" of the  
26 Prospectus. Each of the Underwriter Defendants is also liable for the material misstatements and  
27 material omissions in the Offering Documents and is therefore also liable to Plaintiffs and the  
28 members of the Class under § 11.

1           83. Each of the Individual Defendants participated in the preparation of, caused to be  
2 issued and/or participated in the issuance of the Offering Documents, and signed the Registration  
3 Statement, each of which was inaccurate and contained material misstatements; omitted to state a  
4 material fact required to be stated therein, or failed to disclose certain material facts necessary to  
5 make the statements therein not misleading, as set forth herein.

6           84. Each of the Underwriter Defendants participated in the preparation of, caused to be  
7 issued and/or participated in the issuance of the Offering Documents, each of which was  
8 inaccurate and contained material misstatements; omitted to state a material fact required to be  
9 stated therein, or failed to disclose certain material facts necessary to make the statements therein  
10 not misleading, as set forth herein.

11           85. The Individual Defendants did not make a reasonable investigation, failed to  
12 exercise reasonable due diligence, and/or had no reasonable grounds to believe, that the Offering  
13 Documents issued by the Company were free of material misstatements and material omissions at  
14 the time those documents were filed, and they are therefore also liable to Plaintiffs and the  
15 members of the Class under § 11.

16           86. Plaintiffs allege that all statutory affirmative defenses available to only Underwriter  
17 Defendants under sections 11 and 12 are affirmative defenses which those Defendants must plead  
18 and prove and which Plaintiffs need not allege. Nevertheless, Plaintiffs address the underwriter  
19 affirmative defenses below.

20           87. While the following concerns an affirmative defense which can be raised by the  
21 Underwriter Defendants only, and concerning which each of them bears the burden of proof,  
22 nevertheless, Plaintiffs allege that each Underwriter Defendant did not make a reasonable  
23 investigation, did not possess reasonable grounds to believe, and did not believe, that the  
24 statements contained in the Offering Documents were true, were without omissions of any  
25 material facts and were not misleading. Each Underwriter Defendant participated in the  
26 preparation of the Offering Documents, and was required to investigate with due diligence the  
27 statements contained therein to confirm that they did not contain material misstatements or  
28 omitted to state material facts, but each of the Underwriter Defendants did not perform this



1 investigation with due diligence. (Indeed, the underwriter Defendant had a substantial direct  
2 interest in the success of the offering, as detailed above.)

3 88. Each Underwriter Defendant, as the result of engaging in the routine conduct of  
4 their business or through common sense, was negligent (without limitation) as follows:

5 (a) in not knowing that their misstatements and omissions were material;

6 (b) in not knowing that the statements concerning the Company's future revenue  
7 and revenue growth rates were materially inaccurate.

8 89. The Offering Documents, at the time they became effective, were inaccurate and  
9 contained material misstatements of fact; omitted to state material facts required to be stated  
10 therein, or failed to disclose certain material facts necessary to make the statements therein not  
11 misleading, as set forth herein.

12 90. The facts misstated and omitted would have been material to a reasonable person  
13 reviewing the Offering Documents.

14 91. Plaintiffs and the other Class members did not know and, in the exercise of  
15 reasonable diligence, could not have known of the material misstatements and material omissions  
16 contained in the Offering Documents at the time of their purchases during the Class Period.

17 92. During the Class Period, Plaintiffs and the other members of the Class purchased in  
18 the initial public offering over five hundred million shares of Facebook common stock.

19 93. Although not required to be alleged with respect to this claim because it is an  
20 affirmative defense to be alleged and proven by Defendants, nevertheless, Plaintiffs allege that  
21 Plaintiffs and the other members of the Class purchased their Facebook shares as a direct and  
22 proximate result of, and/or without knowledge of, the material misstatements and omissions in the  
23 Offering Documents. Plaintiffs and/or other members of the class would not have purchased their  
24 Facebook shares from Defendants if the material misstatements and material omissions in the  
25 Offering Documents had not been made by Defendants.

26 94. By virtue of the foregoing, each of the Defendants on this section 11 claim violated  
27 section 11 of the Securities Act, and is liable to Plaintiffs and the other members of the Class.

28 95. As a direct and proximate result of Defendants' unlawful conduct as alleged herein,

1 Plaintiffs and the other members of the Class sustained damages in connection with their purchase  
2 of Facebook shares during the Class Period pursuant to or traceable to the Offering Documents in  
3 an amount in excess of \$500 million and possibly in excess of \$1 billion, the exact amount to be  
4 proven at trial.

5 96. Plaintiffs and the members of the Class acquired their shares pursuant or traceable  
6 to the Company's Offering Documents which were rendered materially inaccurate as a result of  
7 Defendants' misstatements and omissions.

8 **SECOND CLAIM FOR RELIEF**  
9 **(Against The Individual Defendants For Control Person Liability**  
10 **Under Section 15 For Violation Of Section 11)**

11 97. Plaintiffs repeat and reallege each and every allegation above as if fully set forth  
12 herein.

13 98. Plaintiffs do not allege that the material omissions and material misstatements set  
14 forth herein were made intentionally, knowingly or recklessly by Defendants.

15 99. The Defendants in this claim for control person liability under section 15 of the  
16 Securities Act, for violation of section 11 of the Securities Act, are all of the Individual  
17 Defendants.

18 100. The Individual Defendants, individually and jointly, were control persons under  
19 section 15 by virtue of their senior executive officer and/or directorial positions at the Company.

20 101. As senior officers and/or directors of the Company, the Individual Defendants had  
21 a duty to have the controlled persons issue materially accurate information in the Offering  
22 Documents.

23 102. The Individual Defendants at all relevant times were able to and did control the  
24 Company's day-to-day operations, financial statements, and public filings.

25 103. The Individual Defendants at all relevant times were able to and did control the  
26 contents of the Offering Documents, which contained material misstatements and material  
27 omissions; the issuance of the Offering Documents; had and exercised the power and influence to  
28 cause the Company to engage in the unlawful conduct complained of herein, and had the power to  
cause some or all of the other Defendants to refrain from the conduct complained of herein.

1           104. The Individual Defendants were a control person of at least one primary violator of  
2 section 11, the Company. By virtue of their positions as controlling persons of a primary violator,  
3 each of the Individual Defendants is also liable pursuant to section 15 of the Securities Act.

4           105. While the following concerns an affirmative defense that can be raised by only  
5 these control person Defendants, and concerning which they bear the burden of proof,  
6 nevertheless, Plaintiffs allege that each of these Defendants, as a controlling person, cannot prove  
7 that he: (a) had no knowledge of the existence of the facts by reason of which the liability of the  
8 controlled person is alleged to exist; or (b) had no reasonable grounds to believe in the existence  
9 of the facts by reason of which the liability of the controlled person is alleged to exist.

10          106. As set forth above, each of the Defendants on the section 11 claim violated section  
11 11 of the Securities Act.

12          107. The Individual Defendants, individually and jointly, are each liable under section  
13 15 as a control person of the other Defendants who are primarily liable under section 11, and each  
14 Defendant on this claim is liable to Plaintiffs and the other members of the Class, in an amount to  
15 be proved at trial.

16                                   **THIRD CLAIM FOR RELIEF**  
17                   **(Against All Defendants For Violations Of Section 12(a)(2) Of The Securities Act)**

18          108. Plaintiffs repeat and reallege each and every allegation above as if fully set forth  
19 herein.

20          109. Plaintiffs do not allege that the material omissions and material misstatements set  
21 forth herein were made intentionally, knowingly or recklessly by Defendants.

22          110. Plaintiffs brought this action within one year after the discovery of the materially  
23 incorrect statements and omissions, and within three years after the shares were offered to the  
24 public through the Offering Documents.

25          111. This claim is brought by Plaintiffs against all Defendants.

26          112. The Company, as the issuer of the shares, reaped over \$6.8 billion from the IPO.

27          113. The Individual Defendants were sellers and offerors and/or solicitors of purchasers  
28 of the Facebook shares offered pursuant to the Offering Documents.

          114. Mr. Zuckerberg was not only Chairman and CEO of the Company, but was the

1 public face of the Company. Mr. Zuckerberg became a billionaire many times over as a result of  
2 the IPO.

3 115. The Underwriter Defendants made over \$150 million in underwriting fees from  
4 sales of Facebook shares in the IPO, fees that they would not have made if the Offering  
5 Documents had not contained material misstatements and material omissions.

6 116. Each of the Defendants on this claim was a seller, offerer and/or solicitor of  
7 purchases of the Company's shares, pursuant to the Offering Documents, for their own financial  
8 benefit.

9 117. Each of the Defendants' acts of selling, offering and/or soliciting included but were  
10 not limited to the preparation of the Offering Documents which contained the material  
11 misstatements and material omissions, and their issuance and dissemination to public investors.

12 118. Each of the Defendants' acts of selling, offering and/or soliciting was a substantial  
13 factor with respect to the purchase of the Company's shares by Plaintiffs and the members of the  
14 Class.

15 119. But for the Defendants' selling and/or solicitation activities by means of the  
16 materially incorrect Offering Documents, Plaintiffs and the members of the Class would not have  
17 purchased their Facebook shares or would have acquired their shares at a price less than they  
18 actually paid.

19 120. While the following concerns an affirmative defense which can be raised by only  
20 the section 12 Defendants, and concerning which they bear the burden of proof, nevertheless,  
21 Plaintiffs allege that each of these Defendants cannot prove that it: (a) did not know of such  
22 material misstatement or omission and (b) in the exercise of reasonable care could not have known  
23 of such material misstatement or omission.

24 121. Plaintiffs and the other members of the Class purchased their shares in the initial  
25 public offering which makes all shares purchased in and of themselves traceable to the offering.

26 122. Plaintiffs and the other members of the Class purchased their Facebook shares  
27 pursuant to the written Offering Documents herein, and without knowledge of the material  
28 misstatements and omissions in those Offering Documents.





1 that he: (a) had no knowledge of the existence of the facts by reason of which the liability of the  
2 controlled person is alleged to exist; or (b) had no reasonable grounds to believe in the existence  
3 of the facts by reason of which the liability of the controlled person is alleged to exist.

4 132. As set forth above, each of the Defendants on the section 12 claim violated section  
5 12 of the Securities Act.

6 133. The Individual Defendants, individually and jointly, are each liable under section  
7 15 as a control person of the other Defendants who are primarily liable under section 12, and each  
8 Defendant on this claim is liable to Plaintiffs and the other members of the Class, in an amount to  
9 be proved at trial.

10 **REQUEST FOR RELIEF**

11 134. WHEREFORE, Plaintiffs demand judgment individually and on behalf of the Class  
12 against Defendants, jointly and severally, as follows:

13 a. An order declaring this action to be a class action properly maintained pursuant to  
14 the Federal Rules of Civil Procedure, including Rules 23(a) and (b)(3), certifying the Class, and  
15 certifying their counsel as Class Counsel;

16 b. Against Defendants, jointly and severally, for damages suffered as a result of  
17 Defendants' violations of the Securities Act, and/or awarding rescission under section 12 of the  
18 Securities Act, in an amount to be proven at trial;

19 c. Awarding Plaintiffs and the other members of the Class pre-judgment and post-  
20 judgment interest, as well as their reasonable attorneys' fees, accountants' fees and experts' fees  
21 and other costs and disbursements; and

22 d. Awarding Plaintiffs and the Class such other and further relief as may be just and  
23 proper under the circumstances.

24 ///

25 ///

26 ///

27 ///

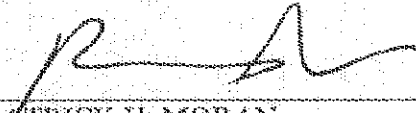
28 ///

**JURY TRIAL DEMANDED**

Plaintiffs demand a trial by jury on all issues so triable.

DATED: May 23, 2012

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FREEMAN & HERZ LLP  
FRANCIS M. GREGOREK  
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CLASS ACTION COMPLAINT

**EXHIBIT A**

**PLAINTIFF'S CERTIFICATION**

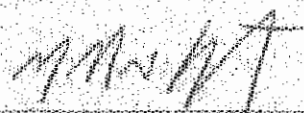
Michael Spatz ("Plaintiff") declares under penalty of perjury, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the complaint and authorized the commencement of an action on Plaintiff's behalf.
2. Plaintiff did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.
3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff's transactions in Facebook securities during the Class Period specified in the Complaint are as follows:

| <u>Date</u> | <u># of Shares Purchased</u> | <u># of Shares Sold</u> | <u>Price</u> |
|-------------|------------------------------|-------------------------|--------------|
| 5/8         | 200                          |                         | 36.50        |
| 5/8         | 100                          |                         | 36.50        |
| 5/21        | 100                          |                         | 36.50        |
| 5/21        | 100                          |                         | 34.25        |
| 5/21        | 100                          |                         | 33.125       |

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws.
6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond his *pro rata* share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 22 day of May, 2012.

  
\_\_\_\_\_  
Michael Spatz

**EXHIBIT B**



**PLAINTIFF'S CERTIFICATION**

SANJAY ISRANI ("Plaintiff") declares under penalty of perjury, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the complaint and authorized the commencement of an action on Plaintiff's behalf.
2. Plaintiff did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.
3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff's transactions in Facebook securities pursuant or traceable to the IPO specified in the Complaint are as follows:

| <u>Date</u> | <u># of Shares Purchased</u> | <u># of Shares Sold</u> | <u>Price</u> |
|-------------|------------------------------|-------------------------|--------------|
| 05/18/2012  | 50                           |                         | 38.00        |
| 05/18/2012  | 50                           |                         | 43.00        |
| 05/22/2012  |                              | 50                      | 30.80        |

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws. [Or, Plaintiff has served as a class representative in the action(s) listed below:]

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 23<sup>rd</sup> day of May, 2012.

  
SANJAY ISRANI