BRUCE L. SIMON (Bar No. 96241)
bsimon@pswplaw.com
GEORGE S. TREVOR (Bar No. 127875)
gtrevor@pswplaw.com
WILLIAM J. NEWSOM (Bar No. 267643)
wnewsom@pswplaw.com
PEARSON, SIMON, WARSHAW & PENNY, LLP
44 Montgomery Street, Suite 2450
San Francisco, California 94104
Telephone: (415) 433-9000
Facsimile: (415) 433-9008

CLIFFORD H. PEARSON (Bar No. 108523)
cpearson@pswplaw.com
DANIEL L. WARSHAW (Bar No. 185365)
dwarshaw@pswplaw.com
ALEXANDER R. SAFYAN (Bar No. 277856)
asafyan@pswplaw.com
PEARSON, SIMON, WARSHAW & PENNY, LLP
15165 Ventura Boulevard, Suite 400
Sherman Oaks, California 91403
Telephone: (818) 788-8300
Facsimile: (818) 788-8104

Attorneys for Plaintiff John Gregory, on behalf of himself and all others similarly situated

FILED
2012 JUN 1 A 11:08
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION

JOHN GREGORY, on behalf of himself and all others similarly situated, Plaintiff, vs. FACEBOOK, INC.; MARK ZUCKERBERG; DAVID A. EBERSMAN; SHERYL K. SANDBERG; DAVID M. SPILLANE; MARC L. ANDREESEN; ERSKINE B. BOWLES; JAMES W. BREYER; DONALD E. GRAHAM; REED HASTINGS; PETER A. THIEL; MORGAN STANLEY & CO. LLC; J.P. MORGAN SECURITIES LLC; GOLDMAN, SACHS & CO.; MERRILL LYNCH, PIERCE, FENNER & SMITH INC.; and BARCLAYS CAPITAL INC., Defendants.	CASE NO. CV 12 2815 **CLASS ACTION** **CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS** **JURY TRIAL DEMANDED**

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44 MONTGOMERY STREET, SUITE 2450
SAN FRANCISCO, CALIFORNIA 94104

Plaintiff John Gregory ("Plaintiff") bring this class action against Defendants Facebook, Inc.; Mark Zuckerberg; David A. Ebersman; Sheryl K. Sandberg; David M. Spillane; Marc L. Andreessen; Erskine B. Bowles; James W. Breyer; Donald E. Graham; Reed Hastings; Peter A. Thiel; Morgan Stanley & Co. LLC; J.P. Morgan Securities LLC; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; and Barclays Capital Inc. for violation of the federal securities laws, and alleges the following on information and belief, except as to those allegations concerning Plaintiff, which are based on personal knowledge:

I. INTRODUCTION

1. Plaintiff brings this securities class action on behalf of himself and all others similarly situated who purchased securities of Facebook, Inc. ("Facebook") pursuant and/or traceable to Facebook's Registration Statement and Prospectus (collectively the "Registration Statement") issued in connection with Facebook's May 18, 2012 initial public offering (the "IPO"). Plaintiff seeks remedies under the Securities Act of 1933 (the "Securities Act").

2. Facebook is a global social networking company that allows users to connect, share, and communicate with other users; enables developers to build social applications and websites that integrate with Facebook; and offers space to advertisers to engage with Facebook's hundreds of millions of users. Facebook currently boasts over 900 million monthly active users and nearly 500 million daily active users.

3. On May 18, 2012, Facebook conducted its IPO. The IPO sold over 421 million shares of common stock at a price of $38 per share, raising over $16 billion. In connection with the IPO, Facebook filed the Registration Statement with the Securities and Exchange Commission ("SEC"), which provided Facebook's financial results for the fiscal years ended December 31, 2007, 2008, 2009, 2010, and 2011, as well as certain financial information for the first quarters of 2011 and 2012.

4. In the weeks leading up to the IPO, Facebook officials conducted a "roadshow," which gave them the opportunity to gauge potential investor interest in purchasing Facebook's securities. During this roadshow, Facebook's lead underwriters, Morgan Stanley & Co. LLC ("Morgan Stanley"); J.P. Morgan Securities LLC ("J.P. Morgan"); Goldman, Sachs & Co.

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("Goldman Sachs"); Merrill Lynch, Pierce, Fenner & Smith Inc. ("Merrill Lynch"); and Barclays Capital Inc. ("Barclays") (collectively the "Underwriter Defendants") received material information from Facebook advising them to cut their revenue forecasts for Facebook in the second quarter and full year of 2012.

5. Upon receiving this information, the Underwriter Defendants only revealed it to a small number of their clients, primarily large institutional investors. Neither Facebook nor the Underwriter Defendants disclosed this information to the general investing public.

6. The Registration Statement failed to disclose at the time of the IPO that, *inter alia*: (1) Facebook was then experiencing a severe and pronounced reduction in revenue growth due to the increased number of its users on mobile devices rather than personal computers; (2) during the roadshow, Facebook officials told the Underwriter Defendants to lower their revenue forecasts for the second quarter and full year of 2012; and (3) the revised financial forecasts were selectively disclosed to only certain preferred investors.

7. By selectively disclosing this material information to only certain preferred investors, Facebook, its individual officers and directors (the "Individual Defendants," defined below), and the Underwriter Defendants made materially misleading statements and/or failed to disclose information necessary to make various statements not materially misleading to the general investing public. As a direct result of this conduct, millions of investors purchased Facebook's shares at artificially high prices, and suffered damages thereby.

II. JURISDICTION AND VENUE

8. The claims asserted herein arise under Sections 11, 12(a)(2), and 15 of the Securities Act (15 U.S.C. §§ 77k, 77l(a)(2), and 77o).

9. This Court has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act (15 U.S.C. § 77v) and 28 U.S.C. § 1331.

10. Venue is proper in this Judicial District pursuant to Section 22 of the Securities Act and 28 U.S.C. § 1391(b) and (c). Defendant Facebook and a number of the Individual Defendants reside in this Judicial District, and the Underwriter Defendants transact a substantial amount of their business in this Judicial District. Additionally, a substantial part of the events or omissions

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SAN FRANCISCO, CALIFORNIA 94104

giving rise to the claims asserted herein occurred in this Judicial District.

11. In connection with the acts and conduct alleged in this Complaint, Defendants, directly or indirectly, used the means and instruments of interstate commerce, including the mails, telephonic communications, and the facilities of the NASDAQ National Securities Market ("NASDAQ").

III. THE PARTIES

A. Plaintiff:

12. Plaintiff John Gregory, as set forth in the certification attached hereto and incorporated herein by reference, purchased Facebook common stock pursuant and/or traceable to the Registration Statement issued in connection with the IPO and suffered damages as a result of the federal securities laws violations and false and misleading statements and/or material omissions alleged herein.

B. Defendants:

13. Defendant Facebook is a Delaware corporation with its principal place of business at 1601 Willow Road, Menlo Park, California 94025. Facebook is actively traded on the NASDAQ exchange under the ticker symbol "FB."

Individual Defendants

14. Defendant Mark Zuckerberg is the Founder, Chief Executive Officer, and Chairman of the Board of Directors of Facebook. Mr. Zuckerberg signed Facebook's Registration Statement. In connection with the IPO, on May 21, 2012, Mr. Zuckerberg sold 30,200,000 shares of Facebook stock at $37.58 per share, for total proceeds of $1,134,916,000.

15. Defendant David A. Ebersman is the Chief Financial Officer of Facebook. Mr. Ebersman signed Facebook's Registration Statement.

16. Defendant Sheryl K. Sandberg is the Chief Operating Officer of Facebook. Ms. Sandberg signed Facebook's Registration Statement.

17. Defendant David M. Spillane is the Chief Accounting Officer of Facebook. Mr. Spillane signed Facebook's Registration Statement.

18. Defendant Marc L. Andreessen is a member of the Board of Directors of Facebook.

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Mr. Andreessen signed Facebook's Registration Statement.

19. Defendant Erskine B. Bowles is a member of the Board of Directors of Facebook. Mr. Bowles signed Facebook's Registration Statement.

20. Defendant James W. Breyer is a member of the Board of Directors of Facebook. Mr. Breyer signed Facebook's Registration Statement. In connection with the IPO, on May 21, 2012, Mr. Breyer sold 57,726,901 shares of Facebook stock at $37.58 per share, for total proceeds of $2,169,376,939, either on his own behalf or on behalf of Accel IX, LP.

21. Defendant Donald E. Graham is a member of the Board of Directors of Facebook. Mr. Graham signed Facebook's Registration Statement.

22. Defendant Reed Hastings is a member of the Board of Directors of Facebook. Mr. Hastings signed Facebook's Registration Statement.

23. Defendant Peter A. Thiel is a member of the Board of Directors of Facebook. Mr. Thiel signed Facebook's Registration Statement. In connection with the IPO, on May 21, 2012, Mr. Thiel sold 16,844,315 shares of Facebook stock at $37.58 per share, for total proceeds of $633,009,357.

24. The Defendants listed above at §§ 14 – 23 are collectively referred to herein as the "Individual Defendants."

25. As senior executive officers and/or directors of Facebook, the Individual Defendants had access to material adverse non-public information about Facebook, its operation, and its financial outlook. By virtue of their positions, the Individual Defendants had the authority to control the contents of Facebook's reports, press releases, and presentations to financial analysts, and through them, to the general investing public. The Individual Defendants controlled and/or possessed copies of Facebook's Registration Statement, its reports, press releases, and presentations that are alleged in this Complaint to be misleading, and had the ability and authority to prevent their issuance or cause them to be corrected.

26. As senior executive officers and/or directors of Facebook and as controlling persons of Facebook, the Individual Defendants had a duty to disclose accurate and truthful information regarding Facebook's financial condition and performance, growth, earnings, and

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present and future business prospects, and to correct any issued statements that were materially false or misleading, so that the market price of Facebook's common stock would be based on truthful and accurate information. The Individual Defendants' material misrepresentations and omissions alleged in this Complaint violated this duty.

Underwriter Defendants

27. Defendant Morgan Stanley served as the lead underwriter of Facebook's IPO. Morgan Stanley was allotted 38.5% of the shares to be sold in the IPO and was to receive 38.5% of the approximately $176 million in underwriting fees.

28. Defendant J.P. Morgan served as an underwriter of Facebook's IPO. J.P. Morgan was allotted 20.15% of the shares to be sold in the IPO and was to receive 20.15% of the approximately $176 million in underwriting fees.

29. Defendant Goldman Sachs served as an underwriter of Facebook's IPO. Goldman Sachs was allotted 15% of the shares to be sold in the IPO and was to receive 15% of the approximately $176 million in underwriting fees. In connection with the IPO, on May 16, 2012, Goldman Sachs, by and through Goldman Sachs Group, Inc. and GS Investment Strategies, LLC sold 24,324,886 shares of Facebook stock at a price of $37.58 per share, for total proceeds of $914,129,215.

30. Defendant Merrill Lynch served as an underwriter of Facebook's IPO. Merrill Lynch was allotted 6.5% of the shares to be sold in the IPO and was to receive 6.5% of the approximately $176 million in underwriting fees.

31. Defendant Barclays served as an underwriter of Facebook's IPO. Barclays was allotted 6.5% of the shares to be sold in the IPO and was to receive 6.5% of the approximately $176 million in underwriting fees.

32. The Defendants listed above at §§ 27 – 31 are collectively referred to herein as the "Underwriter Defendants."

33. The Underwriter Defendants assisted in the preparation and dissemination of Facebook's regulatory filings, including the Registration Statement. As underwriters of Facebook's IPO, the Underwriter Defendants were responsible for ensuring the truthfulness and

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accuracy of the statements contained in or incorporated by reference in these regulatory filings.

34. Defendants Facebook, the Individual Defendants, and the Underwriter Defendants are collectively referred to herein as "Defendants."

IV. SUBSTANTIVE ALLEGATIONS

35. Facebook is the largest social networking company in the world. It has over 900 million monthly active users ("MAUs")[1] and nearly 500 million daily active users ("DAUs").[2]

36. According to the Registration Statement, Facebook generates substantially all of its revenue from advertising and from fees associated with its Payments infrastructure that enables users to purchase virtual and digital goods from developers. Facebook, Inc., Form 424B4, Filed May 18, 2012 ("Registration Statement"), at 46. Advertising accounts for the vast majority of Facebook's total revenue, comprising 85% in 2011 and 82% in the first quarter of 2012. *Id.* at 12.

37. Facebook's advertising revenue is generated by displaying advertisement products on its website. Advertisers pay for these products based on the number of impressions delivered (*i.e.,* the number of times an advertisement appears on a page displayed to users) or the number of clicks made by Facebook's users.

38. Facebook generates a smaller percentage of its revenue from fees paid by developers when users make purchases from them using Facebook's Payments infrastructure. In 2011 and the first quarter of 2012, the popular game Zynga accounted for approximately 12% and 11%, respectively, of Facebook's revenue derived from such fees. Registration Statement, at 18.

39. Due to its heavy reliance on advertising revenue, Facebook attempted to caution

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[1] MAUs are defined as Facebook users who logged in and visited Facebook through its website or a mobile device, or took an action to share content or activity with their Facebook friends or connections via a third-party website that is integrated with Facebook, at least once in the last 30 days as of the date of measurement. MAUs are a measure of the size of Facebook's global active user community.

[2] DAUs are defined as Facebook users who logged in and visited Facebook through its website or a mobile device, or took an action to share content or activity with their Facebook friends or connections via a third-party website that is integrated with Facebook, on a given day. DAUs are a measure of Facebook's user engagement.

investors in its most recent Registration Statement about its future revenue growth due to the increased use of Facebook on mobile devices. On May 9, 2012, Facebook filed an amended Prospectus with the SEC, which stated in relevant part:

> Based upon our experience in the second quarter of 2012 to date, the trend we saw in the first quarter of DAUs increasing more rapidly than the increase in number of ads delivered has continued. We believe this trend is driven in part by increased usage of Facebook on mobile devices where we have only recently begun showing an immaterial number of sponsored stories in News Feed, and in part due to certain pages having fewer ads per page as a result of product decisions.

40. In further attempting to describe the risks associated with Facebook's revenue growth, the amended Prospectus stated in relevant part:

> ***Growth in use of Facebook through our mobile products, where our ability to monetize is unproven, as a substitute for use on personal computers may negatively affect our revenue and financial results.***
>
> We had 488 million MAUs who used Facebook mobile products in March 2012. While most of our mobile users also access Facebook through personal computers, we anticipate that the rate of growth in mobile usage will exceed the growth in usage through personal computers for the foreseeable future, in part due to our focus on developing mobile products to encourage mobile usage of Facebook. We have historically not shown ads to users accessing Facebook through mobile apps or our mobile website. In March 2012, we began to include sponsored stories in users' mobile News Feeds. However, we do not currently directly generate any meaningful revenue from the use of Facebook mobile products, and our ability to do so successfully is unproven. We believe this increased usage of Facebook on mobile devices has contributed to the recent trend of our daily active users (DAUs) increasing more rapidly than the increase in the number of ads delivered. If users increasingly access Facebook mobile products as a substitute for access through personal computers, and if we are unable to successfully implement monetization strategies for our mobile users, or if we incur excessive expenses in this effort, our financial performance and ability to grow revenue would be negatively affected.

41. Through this language, Facebook purported to warn investors that Facebook's revenue from advertising *could* be adversely affected by increased use of Facebook on mobile devices. However, this language was vague and ambiguous and did not fully reveal the extent that mobile device use had already impacted Facebook's revenue.

42. Following the issuance of the amended Prospectus, three of Facebook's lead underwriters—Morgan Stanley, J.P. Morgan, and Goldman Sachs—cut their estimates for Facebook's revenue in the second quarter and full year of 2012. This concerted action was no coincidence. News reports later revealed that the Underwriter Defendants had received tips

directly from Facebook advising them to cut their estimates.

43. For example, a *Reuters* report published on May 22, 2012 titled "Facebook Advised Analysts to Cut Forecasts Before Float" stated:

> As Facebook officials traveled the country to talk up the company's $16 billion initial public offering this month, the social networking giant advised analysts for underwriters to reduce revenue and earnings forecasts, said people with direct knowledge. Facebook decided to tell analysts to cut estimates due to feedback during the investor roadshow which revealed users were opting for mobile devices which generate less advertising revenue . . . .

44. That same day, *Business Insider* published an article titled "EXCLUSIVE: Here's the Inside Story of What Happened on the Facebook IPO," which stated:

> Earlier, we reported that the analysts at Facebook's IPO underwriters had cut their estimates for the company in the middle of the IPO roadshow, a highly unusual and negative event. What we didn't know was why. Now we know. *The analysts cut their estimates because a Facebook executive who knew the business was weak told them to.* Put differently, the company basically pre-announced that its second quarter would fall short of analysts' estimates. But it only told the underwriter analysts about this. The information about the estimate cut was then verbally conveyed [by the underwriters] to sophisticated institutional investors who were considering buying Facebook stock, *but not to smaller investors.* (All emphasis in original).
>
> ***
>
> The fact that some potential Facebook investors were told of the analysts' estimated cuts and others were not would seem to be a major "selective dissemination" issue. *It is inconceivable that a reasonable investor would consider the sudden reduction of the underwriter analysts' estimates to be immaterial to an investment decision.* (Emphasis added).
>
> ***
>
> According to another source with insight into the Facebook IPO process, until the underwriters' analysts cut their estimates, demand for Facebook's stock among sophisticated institutional investors was high. Once these investors heard about the estimate cut, however, they became more cautious about the IPO. . . . The estimate cut, moreover, was followed by three additional pieces of information that were interpreted negatively by some institutional investors:
>
> 1) The price range for the deal was increased, which made the deal even less attractive in light of the estimate cut,
>
> 2) The size of the deal was increased, which meant that more stock would be sold, and
>
> 3) Many smart institutional Facebook shareholders like Goldman Sachs decided to sell more stock on the deal—the "smart money," in other words, was cashing out.

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45. Also on May 22, 2012, *Reuters* published the reduced financial estimates of four of Facebook's lead underwriters—Defendants Morgan Stanley, J.P. Morgan, and Goldman Sachs, and Bank of America. This article, titled "The Numbers on the Facebook Earnings Revisions," stated in relevant part:

> While Facebook did not provide any specifics in its amended S-1 filing, the four underwriters reduced their earnings and revenue estimates for both the second quarter of 2012 and the full year within the next two days, according to sources.
>
> The new estimates highlighted a continued slowdown in Facebook's growth, with the banks forecasting 30.4 percent year-on-year 2012 revenue growth on average, instead of the 36.7 percent growth previously expected. In 2011, Facebook's revenue grew 87.9 percent year-on-year to $3.71 billion.
>
> The new numbers were relayed to big investors through phone calls and conference calls, according to investors. . . .
>
> Here are the detailed figures from the four banks, according to one of the investors who received the new numbers.
>
> Lowered full year revenue estimate for 2012
>
> Morgan Stanley -- $4.854 bln (new) from $5.036 bln (old)
>
> Bank of America -- $4.815 bln (new) from $5.040 bln (old)
>
> JPMorgan -- $4.839 bln (new) from $5.044 bln (old)
>
> Goldman Sachs -- $4.852 bln (new) from $5.169 bln (old)
>
> Lowered estimates for second-quarter 2012
>
> Morgan Stanley -- $1.111 bln (new) from $1.175 bln (old)
>
> Bank of America -- $1.100 bln (new) from $1.166 bln (old)
>
> JPMorgan -- $1.096 bln (new) from $1.182 bln (old)
>
> Goldman Sachs -- $1.125 bln (new) from $ 1.207 bln (old)
>
> Lowered 2013 Earnings per share estimate
>
> Morgan Stanley -- 83 cents (new) from 88 cents
>
> Bank of America -- 64 cents (new) from 66 cents
>
> JPMorgan -- 66 cents (new) from 70 cents
>
> Goldman Sachs -- 63 cents (new) from 68 cents

46. The SEC and Financial Industry Regulatory Authority (FINRA) have launched

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investigations into the conduct of Facebook and its lead underwriters during the IPO. In addition, Massachusetts Secretary of Commonwealth William Galvin issued a subpoena to Morgan Stanley in connection with its selective disclosure of the material information discussed above to certain preferred institutional investors.

47. The Registration Statement was negligently prepared and, as a result, contained untrue statements of material facts or omitted to state other facts necessary to make the statements made not misleading and were not prepared in accordance with the rules and regulations governing their preparation.

48. The statements in the Registration Statement were materially false and/or misleading because they misrepresented and/or failed to disclose the following material facts, which were known to Defendants or recklessly disregarded by them at the time of the IPO: (1) Facebook was then experiencing a severe and pronounced reduction in revenue growth due to the increased number of its users on mobile devices rather than personal computers; (2) during the roadshow, Facebook officials told the Underwriter Defendants to lower their revenue forecasts for the second quarter and full year of 2012; and (3) the revised financial forecasts were selectively disclosed to only certain preferred investors.

49. In the days immediately following Facebook's IPO, the share price plummeted approximately 20%. On May 21, 2012, Facebook shares declined \$4.20 per share, or nearly 11%, to close at \$34.03 per share. On May 22, 2012, Facebook shares declined an additional \$3.03 per share, or nearly 9%, to close at \$31.00 per share.

50. Over the next week, Facebook's common stock price has continued its decline. On May 30, 2012, Facebook shares closed at \$28.19 per share, a 25.8% decrease from Facebook's IPO price.

V. CLASS ACTION ALLEGATIONS

51. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons or entities who purchased or acquired shares of Facebook common stock in the IPO or that are traceable to the Registration Statement and were damaged thereby (the "Class"). Excluded from the Class are Defendants, the

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officers and directors of Defendants and members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

52. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are thousands of members in the proposed Class located throughout the United States. Members of the Class are readily identified from records maintained by Facebook or the transfer agent for its common stock. Notice of the pendency of this class action can be provided to the Class by mail or other appropriate means through forms of notice customarily used in securities class actions.

53. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of the Securities Act.

54. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff can fairly and adequately protect the interests of all absent Class members.

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

a. whether Defendants' acts as alleged herein violated the Securities Act;

b. whether statements made by Defendants to the members of the Class in the Registration Statement misrepresented and/or omitted material facts about the business and operations of Facebook; and

c. to what extent the members of the Class have sustained damages, the proper measure of such damages, and whether members of the Class are entitled to recessionary or other equitable relief.

56. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the

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damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

VI. CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

VIOLATION OF SECTION 11 OF THE SECURITIES ACT [15 U.S.C. § 77k]

(Against All Defendants)

57. Plaintiff repeats and realleges each and every allegation contained in the paragraphs above as if fully set forth herein.

58. Plaintiff acquired common stock of Facebook pursuant and/or traceable to the Registration Statement.

59. The Registration Statement contained untrue statements of material fact and omitted to state material facts required to be stated therein or necessary to make the statements therein not misleading.

60. Facebook is the registrant for the IPO. Facebook issued, caused to be issued, and participated in the issuance of materially false and misleading written statements of fact and/or omissions of material facts to the general investing public that were contained in the Registration Statement. As issuer of the common stock, Facebook is strictly liable to Plaintiff and the Class for the misstatements and omissions.

61. Each of the Individual Defendants signed the Registration Statement. Each of the Individual Defendants was a director or person performing similar functions for Facebook at the time of the filing of the Registration Statement and at the time of the IPO.

62. Each of the Underwriter Defendants is liable as an underwriter in connection with the IPO.

63. Pursuant to Item 303 of SEC Regulation S-K, registrants must "[d]escribe any known trends or uncertainties . . . that the registrant reasonably expects will have a material . . . unfavorable impact on . . . revenues or income from continuing operations." Instruction 3 to

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paragraph 303(a) provides that "[t]he discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition." 17 C.F.R. § 229.303(a) instruction 3. According to the SEC's interpretive release regarding Item 303, the Regulation imposes a disclosure duty "where a trend, demand, commitment, event or uncertainty is both [1] presently known to management and [2] reasonably likely to have material effects on the registrant's financial condition or results of operations." Management's Discussion and Analysis of Financial Condition and Results of Operations, Securities Act Release No. 6835, Exchange Act Release No. 26,831, Investment Company Act Release No. 16,961, 43 SEC Docket 1330 (May 18, 1989). Defendants had an affirmative obligation to disclose the impact of the adverse trends on Facebook's second quarter and fiscal year revenues and earnings. Each of the Defendants knew or should have known that the omitted information was likely to have material effects on the registrant's financial condition, and failed to disclose it in the Registration Statement, or in any amendment, press release, or other manner prior to the IPO.

64. By reason of the foregoing, all Defendants are liable for violations of section 11 of the Securities Act to Plaintiff and the Class.

65. This claim for relief is brought within one year after Plaintiff discovered the untrue statements and omissions in the Registration Statement, or after such discovery should have been made by exercise of reasonable diligence, and within three years after Facebook's common stock was offered to the public.

SECOND CLAIM FOR RELIEF

VIOLATION OF SECTION 12(a)(2) OF THE SECURITIES ACT [15 U.S.C. § 77l(a)(2)]

(Against All Defendants)

66. Plaintiff repeats and realleges each and every allegation contained in the paragraphs above as if fully set forth herein.

67. Defendants were sellers, offerors, and/or solicitors of sales of Facebook common stock offered pursuant to the Prospectus and Registration Statement.

68. As set forth above, the Prospectus and Registration Statement contained untrue

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statements of material fact and omitted to state material facts required to be stated therein or necessary to make the statements therein not misleading.

69. Defendants' actions of solicitation included preparing the inaccurate and misleading Prospectus and participating in efforts to market the IPO to investors.

70. Defendants owed to the purchasers of Facebook common stock, including Plaintiff and the Class, the duty to make a reasonable and diligent investigation of the statements contained in the Prospectus and Registration Statement to ensure that such statements were accurate and that they did not contain any untrue statement or omission of material fact. Defendants, in the exercise of reasonable care, should have known that the Prospectus and Registration Statement contained untrue statements and omissions of material fact.

71. Pursuant to Item 303 of SEC Regulation S-K, registrants must "[d]escribe any known trends or uncertainties . . . that the registrant reasonably expects will have a material . . . unfavorable impact on . . . revenues or income from continuing operations." Instruction 3 to paragraph 303(a) provides that "[t]he discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition." 17 C.F.R. § 229.303(a) instruction 3. According to the SEC's interpretive release regarding Item 303, the Regulation imposes a disclosure duty "where a trend, demand, commitment, event or uncertainty is both [1] presently known to management and [2] reasonably likely to have material effects on the registrant's financial condition or results of operations." Management's Discussion and Analysis of Financial Condition and Results of Operations, Securities Act Release No. 6835, Exchange Act Release No. 26,831, Investment Company Act Release No. 16,961, 43 SEC Docket 1330 (May 18, 1989). Defendants had an affirmative obligation to disclose the impact of the adverse trends on Facebook's second quarter and fiscal year revenues and earnings. Each of the Defendants knew or should have known that the omitted information was likely to have material effects on the registrant's financial condition, and failed to disclose it in the Prospectus and Registration Statement, or in any amendment, press release, or other manner prior to the IPO.

72. Plaintiff and other members of the Class purchased or otherwise acquired Facebook

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common stock pursuant to the Prospectus and Registration Statement, and neither Plaintiff nor the other Class members knew, or in the exercise of reasonable diligence could have known, of the untruths, inaccuracies, and omissions contained in the Prospectus and Registration Statement.

73. By reason of the foregoing, all Defendants are liable for violations of section 12(a)(2) of the Securities Act to Plaintiff and the Class.

THIRD CLAIM FOR RELIEF

VIOLATION OF SECTION 15 OF THE SECURITIES ACT [15 U.S.C. § 77o]

(Against the Individual Defendants)

74. Plaintiff repeats and realleges each and every allegation contained in the paragraphs above as if fully set forth herein.

75. At all relevant times, each of the Individual Defendants was a controlling person of Facebook within the meaning of section 15 of the Securities Act. Each of the Individual Defendants served, and currently serves, as a director and/or executive officer of Facebook.

76. At all relevant times, the Individual Defendants participated in the operation and management of Facebook. As officers of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Facebook's financial condition and operation.

77. By virtue of their positions of control and authority within Facebook, the Individual Defendants had the authority to control, and did control, the contents of the Registration Statement, which contained materially false and misleading financial information.

78. By reason of the foregoing, the Individual Defendants are liable for violations of section 15 of the Securities Act, to the same extent Facebook and the Underwriter Defendants are liable under sections 11 and 12(a)(2) of the Securities Act, to Plaintiff and the Class.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands that judgment be rendered in favor of Plaintiff against Defendants as follows:

1. Finding that this action is appropriate as a class action and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure;

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2. For compensatory and general damages according to proof;

3. For special damages according to proof;

4. For prejudgment interest at the maximum legal rate;

5. For the costs of the proceedings herein;

6. For rescission of all transactions made by members of the Plaintiff Class in shares of Facebook;

7. For Plaintiff's reasonable attorneys' fees; and

8. For all such other and further relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury in this action.

DATED: June 1, 2012

PEARSON, SIMON, WARSHAW & PENNY, LLP
BRUCE L. SIMON
CLIFFORD H. PEARSON
GEORGE S. TREVOR
DANIEL L. WARSHAW
WILLIAM J. NEWSOM
ALEXANDER R. SAFYAN

By: ______________________
GEORGE S. TREVOR
Attorneys for Plaintiff John Gregory, individually and on behalf of all others similarly situated

PLAINTIFF'S CERTIFICATION

I, John Gregory, as to the claims asserted under the federal securities laws, declare that:

1. I have reviewed the Complaint prepared by my counsel, and I authorized its filing.

2. I did not purchase my shares of Facebook, Inc. common stock at the direction of plaintiff's counsel or in order to participate in this private action.

3. I am willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. I purchased 20 shares of Facebook, Inc. common stock shortly after its initial public offering at a price of $39 per share and 20 shares of Facebook, Inc. common stock at a price of $40 per share.

5. During the three years prior to the date of this Certification, I have not sought to serve nor served as representative party for any class under the federal securities law.

6. I will not accept any payment for serving as a representative party on behalf of a class beyond my pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as may be ordered by the Court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 31 day of May, 2012 in Los Angeles, CA.

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