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13 UNITED STATES DISTRICT COURT  
14 NORTHERN DISTRICT OF CALIFORNIA

15 DORIS SHENWICK, as Trustee for the ) Case No.  
16 DORIS SHENWICK TRUST, Individually and )  
on Behalf of All Others Similarly Situated, ) CLASS ACTION  
17 Plaintiff, ) COMPLAINT FOR VIOLATION OF THE  
18 vs. ) FEDERAL SECURITIES LAWS  
19 TWITTER, INC., RICHARD COSTOLO and )  
20 ANTHONY NOTO, )  
21 Defendants. ) DEMAND FOR JURY TRIAL

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1 Plaintiff, individually and on behalf of all others similarly situated, by plaintiff's undersigned  
2 attorneys, for plaintiff's complaint against defendants, alleges the following based upon personal  
3 knowledge as to plaintiff and plaintiff's own acts, and upon information and belief as to all other  
4 matters based on the investigation conducted by and through plaintiff's attorneys, which included,  
5 among other things, a review of Securities and Exchange Commission ("SEC") filings by Twitter,  
6 Inc. ("Twitter" or the "Company"), as well as Company press releases and conference call  
7 transcripts and media reports about the Company. Plaintiff believes that substantial additional  
8 evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for  
9 discovery.

### 10 INTRODUCTION AND OVERVIEW

11 1. This is a securities class action on behalf of all persons who purchased or otherwise  
12 acquired Twitter common stock between February 6, 2015 and July 28, 2015, inclusive (the "Class  
13 Period"), against Twitter and certain of its officers and/or directors for violations of the Securities  
14 Exchange Act of 1934 ("1934 Act"). These claims are asserted against Twitter and certain of its  
15 officers and/or directors who made materially false and misleading statements during the Class  
16 Period in press releases and filings with the SEC and in oral statements to the media, securities  
17 analysts and investors.

18 2. Twitter is a global platform for public self-expression and conversation in real time,  
19 where any user can create a Tweet and any user can follow other users. The Company's main source  
20 of revenue is advertising. Because advertising revenue is driven by the total number of users on the  
21 platform and, equally as important, the level of engagement of such users, the Company and analysts  
22 have focused closely on metrics measuring total users and user engagement. Twitter reported two  
23 primary user metrics: Monthly Active Users or "MAUs" (a measure of the total user base) and  
24 timeline views (a measure of user engagement).

25 3. Prior to the beginning of the Class Period, at an all-day meeting with analysts on  
26 November 12, 2014, defendants reported that the number of MAUs was expected to increase  
27 significantly "to over 550 million [MAUs] in the intermediate term and . . . over a billion . . .  
28 [MAUs] over the longer term." Defendants announced several new product initiatives designed to

1 drive growth in MAUs and user engagement. Defendants also announced that Twitter would  
2 discontinue reporting its primary user engagement metric, timeline views, stating the reason for the  
3 change was that the metric was an unrepresentative measure of user engagement and no longer  
4 reflective of Twitter's business.

5 4. The Class Period starts on February 6, 2015. The previous day, after the market  
6 closed, Twitter released its fourth quarter and fiscal year 2014 financial results. The Company  
7 reported non-GAAP net income of \$79 million, or non-GAAP earnings per share ("EPS") of \$0.12,  
8 and revenue of \$479 million for the fourth quarter ended December 31, 2014. Additionally, the  
9 Company reported non-GAAP net income of \$101 million, or non-GAAP EPS of \$0.14, and revenue  
10 of \$1.4 billion for the fiscal year ended December 31, 2014. The Company blamed lower than  
11 expected MAU growth on "quarter-specific factors . . . which include seasonality and a couple of  
12 issues related to the launch of iOS 8." Furthermore, the Company reiterated its outlook for strong  
13 MAU growth going forward and emphasized the success of the new product initiatives designed to  
14 "drive [MAU] growth." Defendants also reiterated that Twitter would discontinue reporting its  
15 primary user engagement metric, timeline views.

16 5. Following defendants' statements on February 5, 2015, Twitter's stock price  
17 increased nearly 17% in one day to close at \$48.01 per share on February 6, 2015, on volume of 102  
18 million shares.

19 6. On April 28, 2015, Twitter released its first quarter 2015 financial results. The  
20 Company reported non-GAAP income of \$47 million, or \$0.07 non-GAAP EPS, and revenue of  
21 \$436 million for the first quarter ended March 31, 2015. Additionally, the Company provided its  
22 outlook for the second quarter of 2015, projecting second quarter revenue of \$470 million to \$485  
23 million. Twitter also lowered its full year 2015 revenue forecast to between \$2.17 billion and \$2.27  
24 billion from prior guidance of \$2.30 billion to \$2.35 billion. Furthermore, the Company reported  
25 that Twitter's MAUs only increased 5% over the prior quarter.

26 7. As a result of this news, the price of Twitter stock dropped \$9.39 per share to close at  
27 \$42.27 per share on April 28, 2015, a decline of 18% on volume of over 77 million shares. On the  
28 following day, April 29, 2015, the price of Twitter stock dropped gain, falling \$3.78 per share to

1 close at \$38.49 per share, a one-day decline of nearly 9% on volume of over 120 million shares.  
2 However, the stock continued to trade at artificially inflated levels as defendants assured investors  
3 that new initiatives to drive user growth and engagement were still in the early stages.

4 8. Then, on July 28, 2015, after the market closed, Twitter issued a press release  
5 announcing its second quarter 2015 financial results. The Company reported non-GAAP income of  
6 \$49 million, or \$0.07 non-GAAP EPS, and revenue of \$502 million for the second quarter ended  
7 June 30, 2015. Additionally, the Company provided its outlook for the third quarter of 2015,  
8 projecting third quarter revenue of \$545 million to \$560 million. Twitter also provided its outlook  
9 for the 2015 full year, projecting revenue in the range of \$2.20 billion to \$2.27 billion.

10 9. As a result of this news, the price of Twitter stock plummeted \$5.30 per share to close  
11 at \$31.24 per share on July 29, 2015, a one-day decline of nearly 15% on volume of nearly 93  
12 million shares. The stock has not recovered and presently trades at less than \$20 per share.

13 10. As a result of defendants' false statements, Twitter common stock traded at  
14 artificially inflated prices during the Class Period. However, after the above revelations seeped into  
15 the market, the Company's stock was hammered by massive sales, sending Twitter's stock price  
16 down 40% from its Class Period high of \$52.87 per share on April 7, 2015, and causing economic  
17 harm and damages to plaintiff and members of the Class (as defined below).

#### 18 **JURISDICTION AND VENUE**

19 11. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the 1934  
20 Act, 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R.  
21 §240.10b-5.

22 12. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.  
23 §1331 and §27 of the 1934 Act.

24 13. Venue is proper in this District pursuant to §27 of the 1934 Act and 28 U.S.C.  
25 §1391(b). Twitter maintains its headquarters in this District and many of the acts charged herein,  
26 including the preparation and dissemination of materially false and misleading information, occurred  
27 in substantial part in this District.

28

1 14. In connection with the acts alleged in this complaint, defendants, directly or  
2 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to,  
3 the mails, interstate telephone communications and the facilities of the New York Stock Exchange  
4 (“NYSE”).

5 **THE PARTIES**

6 15. Plaintiff Doris Shenwick, as Trustee for the Doris Shenwick Trust, purchased Twitter  
7 common stock during the Class Period as set forth in the attached certification and was damaged  
8 thereby.

9 16. Defendant Twitter operates as a global platform for public self-expression and  
10 conversation in real time. Twitter maintains its headquarters at 1355 Market Street, Suite 900, San  
11 Francisco, California. Twitter common stock is traded under the ticker “TWTR” on the NYSE, an  
12 efficient market.

13 17. Defendant Richard Costolo (“Costolo”) was, until his resignation on July 1, 2015,  
14 Chief Executive Officer (“CEO”) and a director of Twitter.

15 18. Defendant Anthony Noto (“Noto”) is, and at all relevant times was, Chief Financial  
16 Officer (“CFO”) of Twitter.

17 19. The defendants referenced above in ¶¶17-18 are collectively referred to herein as the  
18 “Individual Defendants.” The Individual Defendants made, or caused to be made, false statements  
19 that caused the price of Twitter common stock to be artificially inflated during the Class Period.

20 20. The Individual Defendants, because of their positions with the Company, possessed  
21 the power and authority to control the contents of Twitter’s quarterly reports, press releases and  
22 presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*,  
23 the market. They were provided with copies of the Company’s reports and press releases alleged  
24 herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to  
25 prevent their issuance or cause them to be corrected. Because of their positions with the Company,  
26 and their access to material non-public information available to them but not to the public, the  
27 Individual Defendants knew that the adverse facts specified herein had not been disclosed to and  
28 were being concealed from the public and that the positive representations being made were then

1 materially false and misleading. The Individual Defendants are liable for the false and misleading  
2 statements pleaded herein.

### 3 **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

4 21. Defendants are liable for: (i) making false statements; or (ii) failing to disclose  
5 adverse facts known to them about Twitter. Defendants' fraudulent scheme and course of business  
6 that operated as a fraud or deceit on purchasers of Twitter common stock was a success, as it: (i)  
7 deceived the investing public regarding Twitter's prospects and business; (ii) artificially inflated the  
8 price of Twitter common stock; and (iii) caused plaintiff and other members of the Class to purchase  
9 Twitter common stock at artificially inflated prices.

### 10 **SCIENTER ALLEGATIONS**

11 22. During the Class Period, the defendants had the motive and opportunity to commit the  
12 alleged fraud. Defendants also had actual knowledge of the misleading statements they made and/or  
13 acted in reckless disregard of the true information known to them at the time. In doing so, the  
14 defendants participated in a scheme to defraud and committed acts, practices and participated in a  
15 course of business that operated as a fraud or deceit on purchasers of Twitter common stock during  
16 the Class Period.

### 17 **BACKGROUND**

18 23. Twitter operates as a global platform for public self-expression and conversation in  
19 real time. It offers various products and services that allow users to create, distribute and discover  
20 content. The Company also provides promoted products and services – such as promoted tweets,  
21 promoted accounts and promoted trends – that enable its advertisers to promote their brands,  
22 products and services, and subscription access to its data feed for data partners.

23 24. Following its November 2013 initial public offering (“IPO”), Twitter's stock price  
24 increased significantly to as high as \$70 per share in late 2013. A key to the Company's successful  
25 IPO was substantial growth in its two primary user metrics: MAUs (a measure of the total user base)  
26 and timeline views (a measure of user engagement). For example, the Company had doubled its  
27 MAUs in the 24 months preceding the IPO to 232 million and the trajectory was expected to  
28 continue. As noted by one analyst, “[t]he company has kind of pitched itself as a billion-user

1 business long term.” User metrics, including user engagement, were highlighted over fifty times in  
 2 Twitter’s S-1 Registration Statement filed in connection with its IPO, including:

- 3 • “Growth in our user base and user engagement is a fundamental driver to the growth  
 4 of our business.”
- 5 • “User growth trends reflected in the number of MAUs, user engagement trends  
 6 reflected in timeline views and timeline views per MAU . . . are key factors that  
 7 affect our revenue.”
- 8 • “The size of our user base and our users’ level of engagement are critical to our  
 9 success.”

10 25. User engagement metrics were particularly important to analysts and investors  
 11 because more engaged users would lead to higher MAU growth and higher advertising revenues.  
 12 Twitter’s primary user engagement metrics were timeline views and timeline views per MAU.<sup>1</sup> As  
 13 the Company itself indicated prior to the Class Period, “[t]imeline views are kind of proxy for the  
 14 amount of content our users consume.” Defendants closely tracked user engagement metrics,  
 15 including timeline views.<sup>2</sup> User engagement became even more important to analysts and investors  
 16 starting in the second half of 2014 when Twitter’s MAU growth began to decelerate. As the  
 17 Company has acknowledged, “as your MAU growth slows, engagement becomes a much bigger  
 18 factor.” (*See also, e.g.*, “To the extent our user growth rate slows, our success will become  
 19 increasingly dependent on our ability to increase levels of user engagement . . .”).<sup>3</sup>

18 \_\_\_\_\_  
 19 <sup>1</sup> Twitter S-1 Registration Statement:

- 20 • “We broadly measure user engagement on our platform through timeline views and  
 21 the number of timeline views per MAU.”
- 22 • “We believe that timeline views and timeline views per MAU are measures of user  
 23 engagement.”

24 <sup>2</sup> Twitter Form 10-K for the year ended December 31, 2014:

NOTE REGARDING **KEY METRICS**

We review a number of metrics, including monthly active users, or MAUs,  
 25 ***timeline views, timeline views per MAU*** and advertising revenue per timeline view,  
 26 to evaluate our business, measure our performance, identify trends affecting our  
 27 business, formulate business plans and make strategic decisions.

(Here as elsewhere, emphasis has been added unless otherwise noted.)

28 <sup>3</sup> Twitter S-1 Registration Statement.

1           26.     On November 12, 2014, Twitter held an all-day meeting with analysts (“Analyst  
2 Day”). Twitter executives emphasized new initiatives to drive user engagement and reinvigorate  
3 MAU growth. Twitter also abruptly announced that it would cease reporting its sole user  
4 engagement metric, timeline views, going forward. Twitter reassured investors that the recent trend  
5 of declining timeline views was not indicative of an actual declining trend in user engagement.  
6 Twitter did not provide any alternative user engagement metrics to investors despite  
7 acknowledgment that such alternative metrics were tracked internally by management. For example:

8                     [Analyst:] So, Bob Pecks, SunTrust. . . . And then as analyst at Wall Street,  
9 ***how should [we] gauge your progress, what metrics should we be looking at and***  
10 ***once we see those metrics pop up so we can see that you’re actually getting traction***  
11 ***with the products?*** Thanks.

12   \*       \*       \*

13                     [Trevor O’Brien, Twitter Director of Product Management:] And then the  
14 last part of your question Bob, on how do you measure us in metrics, I mean  
15 ultimately, we want to drive shareholder value that’s going to be tied to our  
16 financials. We’re not naive to think that you’re not going to focus on the leading  
17 indicators of financials, long-term growth potential. And so there are going to be  
18 non-financial metrics to look at. . . .

19                     . . . ***We constantly evaluate a number of different metrics and [debate] what***  
20 ***we should be disclosing, what we’re not disclosing.***

21   \*       \*       \*

22                     [Nota:] I’ll tell you, we struggle with the measure [of] engagement not because  
23 we’re not smart, but because ***there’s a lot of measurements of engagement . . . .***

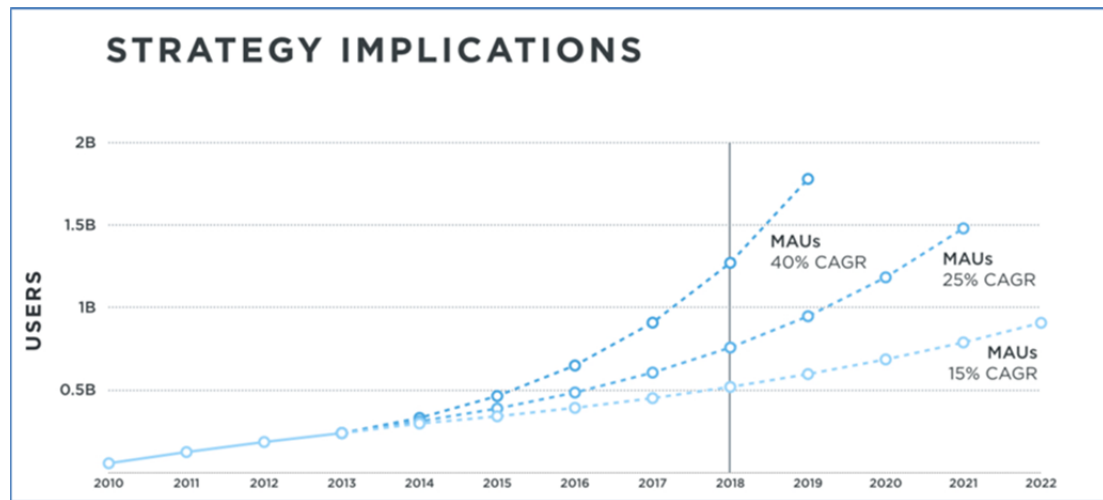
24           27.     The Analyst Day comments also included a discussion of new product initiatives that  
25 defendants represented would grow the user base and improve user engagement.<sup>4</sup> Defendant Noto  
26 described the impact of the new initiatives on user growth as follows:

27                     We think we have a significant product roadmap, much of which hasn’t been  
28 launched yet that ***[we] believe positions us to grow our monthly active users by 2x to***  
***over 550 million in the intermediate term*** and 3-4x to over a billion core users,  
monthly active users over the longer term.

4     For example: “Today, you will hear about a number of initiatives we have underway to grow our core of monthly active users . . . .”; “[W]e’ve launched things in the past year, or recently that have demonstrated key results, where we have tested the work, they’re also showing positive results.”; “[W]e’ve been testing this for a while and [have] seen very positive results.”



28. The accompanying slide described the expected MAU growth:



**DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS  
ISSUED DURING THE CLASS PERIOD**

**Fourth Quarter 2014 Earnings: February 5, 2015**

29. On February 5, 2015, after the market closed, Twitter issued a press release announcing its fourth quarter and fiscal year 2014 financial results. The Company reported non-GAAP net income of \$79 million, or non-GAAP EPS of \$0.12, and revenue of \$479 million for the fourth quarter ended December 31, 2014. Additionally, the Company reported non-GAAP net income of \$101 million, or non-GAAP EPS of \$0.14, and revenue of \$1.4 billion for the fiscal year ended December 31, 2014. Twitter's revenue was higher than projected, but MAU growth was less than expected and the timeline views metric (the last time Twitter would report it) was flat. In the conference call later that day, the low MAU growth was blamed on "quarter-specific factors that impacted our net adds in Q4, which include seasonality and a couple of issues related to the launch of iOS 8." Furthermore, the release provided the Company's outlook for strong MAU growth in the first quarter of 2015, stating in part:

"We closed out the year with our business advancing at a great pace. Revenue growth accelerated again for the full year, and we had record quarterly profits on an adjusted EBITDA basis," said Dick Costolo, CEO of Twitter. "In addition, the trend thus far in Q1 leads us to believe that the absolute number of net users added in Q1 will be similar to what we saw during the first three quarters of 2014."

1 30. After releasing its fourth quarter and fiscal year 2014 financial results, on February 5,  
2 2015, Twitter held a conference call for analysts, media representatives and investors during which  
3 defendant Noto represented the following:

4 In terms of engagement metrics, as I mentioned, we're no longer going to provide the  
5 metric of timeline view. And the reason for that is it's really a measurement that  
6 doesn't reflect the initiatives that we're doing. In fact, if anything, we're taking  
7 specific initiatives and product changes that will hurt timeline view. . . .

8 And so that's why we decided to eliminate the timeline view metric, given  
9 that we have specific product changes that will hurt that metric. More broadly, as we  
10 think about engagement, there are a number of different ways that we measure  
11 engagement – there's no one perfect way. When it comes to advertising, it's going to  
12 be click-through rate. And it's actually different by each format. A mobile app  
13 download click-through rate is very different than a regular Promoted Tweet that  
14 could be either re-tweeted or favorited as a measurement of payment.

15 \* \* \*

16 And so as we get to a point where we have a metric that's going to really  
17 reflect what we're trying to do, we'll share that with you. But, at this point, there's a  
18 number of them that we look at, and no one metric to share.

19 31. Defendants also emphasized the success of the new product initiatives that the  
20 Company had previously introduced at its Analyst Day. For example:

21 [Analyst:] On the MAU number . . . I'm curious as to the acceleration [in MAU  
22 growth] there, if that's seasonality or something else?

23 \* \* \*

24 [Costolo:] Sure. Thanks, Paul, this is Dick. In Q1, I would say it's a  
25 combination of seasonality, a return to organic growth, and ***the set of product***  
26 ***initiatives we've created to drive growth***. Again, at a high level, I'd like to say that  
27 I'm thinking about growth and our product as, these changes we're making now as  
28 helping us grow across logged-in, logged-out, and our syndicated audience across the  
web and third-party mobile apps.

***The user numbers we saw on January, again, indicate that our MAU trend***  
***has already turned around***, and that Q1 trend is likely to be back in the range of  
absolute net ads that we saw during the first three quarters of 2014. So we're in a  
great place there. And, again, I would stress that it's seasonality, a return to organic  
growth, ***and product initiatives***, all taken together.

32. Following defendants' statements on February 5, 2015, Twitter's stock price  
increased nearly 17% in one day to close at \$48.01 per share on February 6, 2015, on volume of 102  
million shares. Analysts viewed these results favorably. For example, J.P. Morgan raised its price  
target to \$67.00 per share, stating:

1 Twitter reported strong 4Q results as both revenue and EBITDA came in well  
 2 above our and Street estimates despite MAU net adds of 4M Q/Q that came in 3M  
 3 light vs. the Street and below our 6M due to a 4M negative impact related to the iOS  
 4 8 update. *More importantly, the company believes it is on track to return to 13-  
 5 16M Q/Q MAU net adds in 1Q15 and we think the strong cadence of product  
 6 launches/enhancements should drive improving MAU growth through 2015.* Ad  
 7 revenue of \$432M increased 97% Y/Y, well above our \$411.1M driven by  
 8 revenue/1,000 TLVs which increased 49% Y/Y as TWTR continues to show strength  
 9 in monetization. We note that Twitter’s ad load remains well below industry peers  
 10 such as Facebook. EBITDA of \$142M was well above our \$110M, with margins  
 11 increasing more than 11% points Y/Y to nearly 29.5% in 4Q. We believe the 1Q and  
 12 2015 guide could be conservative, despite tougher Y/Y comps due to the Olympics,  
 13 FIFA World Cup and FX headwinds, as we expect ad demand to continue increasing.  
 14 *We believe the pace and quality of execution at the company continues to improve  
 15 and that onboarding improvements, rich content (i.e. video), & better timeline  
 16 organization can drive user growth going forward.*

17 (Emphasis in original.)

18 33. Defendants’ February 5, 2015 statements were materially false and misleading.  
 19 Defendants concealed adverse facts they knew or deliberately disregarded, including the following:

20 (a) By early 2015, daily active users (“DAUs”) had replaced the timeline views  
 21 metric as the primary user engagement metric tracked internally by Twitter management.

22 (b) By early 2015, the trend in user engagement growth (*i.e.*, DAUs) was flat or  
 23 declining.

24 (c) New product initiatives were not having a meaningful impact on MAUs or  
 25 user engagement.

26 (d) The “acceleration [in MAU growth]” was the result of low-quality MAU  
 27 growth (in which new users were not as engaged as existing users).

28 (e) Defendants lacked a basis for their previously issued projections of  
 approximately 20% MAU growth and 550 million MAUs in the immediate term.

**Fiscal Year 2014 Form 10-K: March 2, 2015**

34. On March 2, 2015, Twitter filed its Form 10-K for the year ended December 31,  
 2014, which incorporated the financial statements previously reported. The Form 10-K also  
 discussed timeline views:

We present and discuss timeline views in this Annual Report on Form  
 10-K. . . . Additionally, the ongoing optimization of our products has reduced the  
 number of times a user needs to request a timeline view. As a result, our  
 management team believes timeline views have become an unrepresentative measure

1 of, and will not use them internally to measure for, user engagement on our platform.  
 2 As we announced on November 12, 2014, we do not intend to disclose timeline  
 views for any future period. They are presented here only for historical purposes.

3 35. The disclosures in the Form 10-K about the elimination of the timeline view metric  
 4 would later lead to an April 13, 2015 inquiry from the SEC requesting alternative metrics to explain  
 5 trends in user engagement. The SEC letter stated:

6 We note your disclosures relating to Timeline Views, Timeline Views per Monthly  
 7 Active User (MAU), and Advertising Revenue Per Timeline. We also note on page  
 46 that going forward you intend to cease presenting timeline views in future filings.  
 Please address the following:

- 8 • ***Please describe the alternative metric(s)*** you anticipate presenting in future  
 9 filings ***to explain trends in user engagement*** and advertising services  
 10 revenue. Also, please describe your reasons for choosing such metric(s).

11 \* \* \*

12 We refer you to Section III.B of SEC Release 33-8350.

13 36. Twitter's response to the SEC included alternative user engagement metrics that were  
 14 purportedly used internally by defendants:

15 The Company respectfully advises the Staff that it has included two metrics,  
 16 changes in ad engagements and changes in cost per ad engagement, on page 25 in the  
 Key Metrics section of its Quarterly Report on Form 10-Q for the quarter ended  
 17 March 31, 2015, filed on May 11, 2015 (the "Form 10-Q"). These metrics are  
 intended to serve as a measure of user engagement and demand, respectively, on the  
 18 Company's platform. . . . [C]hanges in ad engagements indicate trends in user  
 engagement and, in particular, user engagement with ads, which affects revenue. . . .

19 The Company's management internally tracks changes in ad engagements . . .  
 20 on the Twitter platform to monitor trends in user engagement . . . and believes th[is]  
 metric[] [is] helpful to investors to understand the same.

21 37. Defendants' March 2, 2015 statements were materially false and misleading.  
 22 Defendants concealed adverse facts they knew or deliberately disregarded, including the following:

23 (a) DAUs had become the primary user engagement metric tracked internally by  
 24 Twitter management. The trend in user engagement growth (*i.e.*, DAU growth) was flat or  
 25 declining. As noted by the SEC, MD&A disclosure rules required the disclosure of key internal  
 26 metrics used by management.<sup>5</sup>

27 \_\_\_\_\_  
 28 <sup>5</sup> In particular, SEC Release 33-8350 states that "one of the principal objectives of MD&A is to  
 give readers a view of the company through the eyes of management . . . . [C]ompanies should

1 (b) The ad engagement metric, which defendants intended to be “helpful to  
2 investors to understand” and “monitor trends in user engagement,” was a *monetization* metric rather  
3 than a user engagement metric. The trend in “ad engagements” was not indicative of trends in user  
4 engagement. In fact, the trend in “ad engagements” was moving in the opposite direction (*i.e.*,  
5 increasing) from the trend in user engagement.

6 **First Quarter 2015 Earnings: April 28, 2015**

7 38. On April 28, 2015, Twitter issued a press release announcing its first quarter 2015  
8 financial results.<sup>6</sup> The Company reported non-GAAP income of \$47 million, or \$0.07 non-GAAP  
9 EPS, and revenue of \$436 million for the first quarter ended March 31, 2015. Additionally, the  
10 Company provided its outlook for the second quarter of 2015, projecting second quarter revenue of  
11 \$470 million to \$485 million. Twitter also lowered its full year 2015 revenue forecast to between  
12 \$2.17 billion and \$2.27 billion, from prior guidance of \$2.30 billion to \$2.35 billion. Furthermore,  
13 the Company reported that Twitter’s MAUs only increased 5% over the prior quarter, including 3%  
14 growth in U.S. MAUs.

15 39. After releasing its first quarter 2015 financial results on April 28, 2015, Twitter held a  
16 conference call for analysts, media representatives and investors during which defendant Noto  
17 stated:

18 *[W]e expect the factors which led to our marginally slower growth in Q1 to*  
19 *continue for the full year of 2015.*

20 \* \* \*

21 In Q2 . . . there’s also some headwinds. . . .

22 We’re off to a slow start in April and . . . the trend is not similar to Q1 . . . .

23 ‘identify and address those key variables and other qualitative and quantitative factors which are  
24 peculiar to and necessary for an understanding and evaluation of the individual company.’”  
25 *Commission Guidance Regarding Management’s Discussion and Analysis of Financial Condition*  
*and Results of Operations*, Release Nos. 33-8350, 34-48960, 2003 SEC LEXIS 3034, at \*25 (Dec.  
19, 2003).

26 <sup>6</sup> This earnings release was mistakenly released at 3pm EST before the market closed. Twitter  
27 confirmed the unintentional release, which led to the NYSE halting trading in the Company’s stock.  
28 Trading resumed before the market closed. The Company held its earnings call with analysts as  
originally scheduled after the market closed.

1 40. Defendant Noto also commented on user engagement metrics:

2 In terms of engagement metrics, *there's a lot of different metrics that we look at*  
3 *internally*. There's not one metric for engagement. And so I can give you a sense of  
4 some of them and quite frankly, *we would like to be able to give you more visibility*  
5 *on this*, but there's just a number of different measurements.

6 \* \* \*

7 [W]e continue to look for metrics that could be helpful to you and we will try to give  
8 you color from time to time across these different metrics . . . .

9 41. As a result of this news, the price of Twitter stock dropped \$9.39 per share to close at  
10 \$42.27 per share on April 28, 2015, a decline of 18%. On the following day, April 29, 2015, the  
11 price of Twitter stock dropped again, falling \$3.78 per share to close at \$38.49 per share, a one-day  
12 decline of nearly 9% on volume of more than 119 million shares.

13 42. However, defendants' positive statements about active users and Twitter's new  
14 initiatives kept the stock from dropping further. For example, defendants represented the following  
15 on the conference call:

16 [Costolo:] I talked last quarter about the experiments we were running to test  
17 *instant timelines*.

18 \* \* \*

19 *The results during our experiment were quite positive in terms of*  
20 *engagement* . . . .

21 \* \* \*

22 [Noto:] *We are very encouraged by the growth we've experienced thus far*, but as  
23 often is the case with new products, we have a great deal of iterating and fine-tuning  
24 to do as we scale in order to maximize the effectiveness of these products in our  
25 complex marketplaces.

26 43. Defendants' April 28, 2015 statements were materially false and misleading.  
27 Defendants concealed adverse facts they knew or deliberately disregarded, including the following:

28 (a) DAUs had become the primary user engagement metric tracked internally by  
Twitter management. The trend in user engagement growth (*i.e.*, DAU growth) was flat or  
declining.

(b) New product initiatives were not effective at increasing user engagement or  
MAU growth.

1 **First Quarter 2015 Form 10-Q: May 11, 2015**

2 44. On May 11, 2015, Twitter filed its Form 10-Q for the first quarter of 2015, which  
3 incorporated the financial statements previously reported. In the 10-Q, Twitter stated the following  
4 regarding user metrics:

5 **NOTE REGARDING KEY METRICS**

6 We review a number of metrics, including monthly active users, or MAUs,  
7 changes in ad engagements and changes in cost per ad engagement, to evaluate our  
8 business, measure our performance, identify trends affecting our business, formulate  
9 business plans and make strategic decisions.

10 45. Defendants' May 11, 2015 statements were materially false and misleading.  
11 Defendants concealed adverse facts they knew or deliberately disregarded, including that DAUs had  
12 become the primary user engagement metric tracked internally by Twitter management, and the  
13 trend in user engagement growth (*i.e.*, DAU growth) was flat or declining. SEC MD&A disclosure  
14 rules required the disclosure of key internal metrics used by management.<sup>7</sup>

15 46. On June 11, 2015, Twitter announced the resignation of CEO Costolo. Media  
16 attributed his departure to the Company's struggles with growth in MAUs and user engagement.

17 47. On July 28, 2015, Twitter's stock closed at \$36.54 per share.

18 48. Then after the market closed on July 28, 2015, Twitter issued a press release  
19 announcing its second quarter 2015 financial results. The Company reported non-GAAP income of  
20 \$49 million, or \$0.07 non-GAAP EPS, and revenue of \$502 million for the second quarter ended  
21 June 30, 2015. Additionally, the Company provided its outlook for the third quarter of 2015,  
22 projecting third quarter revenue of \$545 million to \$560 million. Twitter also provided its outlook  
23 for the 2015 full year, projecting revenue in the range of \$2.20 billion to \$2.27 billion. Furthermore,  
24 the Company reported that Twitter's MAUs had increased by only 2 million users over the prior  
25 quarter, representing growth of less than 1%. After releasing its second quarter 2015 financial  
26 results, on July 28, 2015, Twitter held a conference call for analysts, media representatives and  
27 investors during which it represented the following:

28 <sup>7</sup> See, e.g., SEC Release 33-8350.

1 [Jack Dorsey, Twitter's Interim CEO:] *Product initiatives we've mentioned in*  
2 *previous earnings calls*, like instant timelines and logged-out experiences, *have not*  
3 *yet had meaningful impact* on growing our audience or participation. *This is*  
4 *unacceptable, and we're not happy about it.*

5 \* \* \*

6 [Noto:] To be clear, however, *we do not expect to see sustained meaningful*  
7 *growth in MAUs until we start to reach the mass market. We expect that will take a*  
8 *considerable period of time. . . .*

9 . . . I wanted to provide an update and some key data points as it relates to the  
10 long-term opportunities we discussed at our Analysts Day. First, the ratio of DAU to  
11 MAU for our top 20 markets in Q2 2015 was *approximately 44% versus the 48% we*  
12 *shared with you at our Analysts Day*, which is for the first three quarters of 2014.

13 \* \* \*

14 [I]n the near term, *our organic growth is going to be very low*, as it was this quarter  
15 and as I think about Q3, it's marginally better. But *I wouldn't want you to – or*  
16 *anyone else to expect a change in our growth rate relative to what you are seeing*  
17 *in this quarter*. I think you'll see that for a while and that was my point.

18 49. As a result of this news, the price of Twitter stock plummeted \$5.30 per share to close  
19 at \$31.24 per share on July 29, 2015, a one-day decline of nearly 15% on volume of more than 92  
20 million shares.

21 50. As a result of defendants' false statements, Twitter common stock traded at  
22 artificially inflated prices during the Class Period. However, after the above revelations seeped into  
23 the market, the Company's shares were hammered by massive sales, sending the price of the  
24 Company's stock down 40% from its Class Period high and causing economic harm and damages to  
25 Class members.

### 26 **LOSS CAUSATION/ECONOMIC LOSS**

27 51. During the Class Period, defendants made false and misleading statements by  
28 misrepresenting Twitter's user engagement metrics and engaged in a scheme to deceive the market.  
Defendants' conduct artificially inflated the price of Twitter common stock and operated as a fraud  
or deceit on members of the Class. Later, when defendants' prior misrepresentations were disclosed  
to market participants, the price of Twitter common stock plummeted, as the prior artificial inflation  
came out of the price. As a result of their purchases of Twitter stock during the Class Period,



1 plaintiff and members of the Class suffered economic loss, *i.e.*, damages, under the federal securities  
2 laws.

3 **APPLICABILITY OF THE PRESUMPTION OF RELIANCE**  
4 **AND FRAUD ON THE MARKET**

5 52. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-  
6 market doctrine in that, among other things:

7 (a) Defendants made public misrepresentations or failed to disclose material facts  
8 during the Class Period;

9 (b) The omissions and misrepresentations were material;

10 (c) The Company's stock traded in an efficient market;

11 (d) The misrepresentations alleged would tend to induce a reasonable investor to  
12 misjudge the value of the Company's stock; and

13 (e) Plaintiff and other members of the Class purchased Twitter common stock  
14 between the time defendants misrepresented or failed to disclose material facts and the time the true  
15 facts were disclosed, without knowledge of the misrepresented or omitted facts.

16 53. At all relevant times, the market for Twitter common stock was efficient for the  
17 following reasons, among others:

18 (a) Twitter stock met the requirements for listing, and was listed and actively  
19 traded on the NYSE, a highly efficient market;

20 (b) As a regulated issuer, Twitter filed periodic public reports with the SEC; and

21 (c) Twitter regularly communicated with public investors via established market  
22 communication mechanisms, including through regular dissemination of press releases on the major  
23 news wire services and through other wide-ranging public disclosures, such as communications with  
24 the financial press, securities analysts and other similar reporting services.

25 **NO SAFE HARBOR**

26 54. Many (if not all) of defendants' false and misleading statements during the Class  
27 Period were not forward-looking statements ("FLS") and/or were not identified as such by  
28 defendants, and thus did not fall within any "Safe Harbor."

1 55. Twitter’s verbal “Safe Harbor” warnings accompanying its oral FLS issued during the  
2 Class Period were ineffective to shield those statements from liability.

3 56. Defendants are also liable for any false or misleading FLS pleaded because, at the  
4 time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was  
5 authorized and/or approved by an executive officer of Twitter who knew that the FLS was false.  
6 Further, none of the historic or present tense statements made by defendants were assumptions  
7 underlying or relating to any plan, projection or statement of future economic performance, as they  
8 were not stated to be such assumptions underlying or relating to any projection or statement of future  
9 economic performance when made.

10 **CLASS ACTION ALLEGATIONS**

11 57. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules  
12 of Civil Procedure on behalf of all persons who purchased or otherwise acquired Twitter common  
13 stock during the Class Period (the “Class”). Excluded from the Class are defendants and their  
14 families, the officers and directors of the Company, at all relevant times, members of their  
15 immediate families and their legal representatives, heirs, successors or assigns, and any entity in  
16 which defendants have or had a controlling interest.

17 58. The members of the Class are so numerous that joinder of all members is  
18 impracticable. The Company’s stock is actively traded on the NYSE and there are more than 700  
19 million shares of Twitter common stock outstanding. While the exact number of Class members is  
20 unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff  
21 believes that there are hundreds or thousands of members in the proposed Class. Record owners and  
22 other members of the Class may be identified from records maintained by Twitter or its transfer  
23 agent and may be notified of the pendency of this action by mail, using the form of notice similar to  
24 that customarily used in securities class actions.

25 59. Common questions of law and fact predominate and include: (i) whether defendants  
26 violated the 1934 Act; (ii) whether defendants omitted and/or misrepresented material facts; (iii)  
27 whether defendants knew or recklessly disregarded that their statements were false; (iv) whether  
28

1 defendants' statements and/or omissions artificially inflated the price of Twitter common stock; and  
2 (v) the extent and appropriate measure of damages.

3 60. Plaintiff's claims are typical of the claims of the members of the Class, as all  
4 members of the Class are similarly affected by defendants' wrongful conduct in violation of federal  
5 law that is complained of herein.

6 61. Plaintiff will fairly and adequately protect the interests of the members of the Class  
7 and has retained counsel competent and experienced in class and securities litigation.

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

13 **COUNT I**

14 **For Violation of §10(b) of the 1934 Act and Rule 10b-5**  
15 **Against All Defendants**

16 63. Plaintiff incorporates ¶¶1-62 by reference.

17 64. During the Class Period, defendants disseminated or approved the false statements  
18 specified above, which they knew or recklessly disregarded were misleading in that they contained  
19 misrepresentations and failed to disclose material facts necessary in order to make the statements  
20 made, in light of the circumstances under which they were made, not misleading.

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

22 (a) Employed devices, schemes, and artifices to defraud;

23 (b) Made untrue statements of material fact or omitted to state material facts  
24 necessary in order to make the statements made, in light of the circumstances under which they were  
25 made, not misleading; or

26 (c) Engaged in acts, practices and a course of business that operated as a fraud or  
27 deceit upon plaintiff and others similarly situated in connection with their purchases of Twitter  
28 common stock during the Class Period.

1 66. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of  
2 the market, they paid artificially inflated prices for Twitter common stock. Plaintiff and the Class  
3 would not have purchased Twitter common stock at the prices they paid, or at all, if they had been  
4 aware that the market prices had been artificially and falsely inflated by defendants' misleading  
5 statements.

6 67. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the  
7 other members of the Class suffered damages in connection with their purchases of Twitter common  
8 stock during the Class Period.

9 **COUNT II**

10 **For Violation of §20(a) of the 1934**  
11 **Act Against All Defendants**

12 68. Plaintiff incorporates ¶¶1-67 by reference.

13 69. During the Class Period, defendants acted as controlling persons of Twitter within the  
14 meaning of §20(a) of the 1934 Act. By virtue of their positions and their power to control public  
15 statements about Twitter, the Individual Defendants had the power and ability to control the actions  
16 of Twitter and its employees. Twitter controlled the Individual Defendants and its other officers and  
17 employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

18 **PRAYER FOR RELIEF**

19 WHEREFORE, plaintiff prays for judgment as follows:

- 20 A. Determining that this action is a proper class action, designating plaintiff as Lead  
21 Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil  
22 Procedure and plaintiff's counsel as Lead Counsel;
- 23 B. Awarding plaintiff and the members of the Class damages and interest;
- 24 C. Awarding plaintiff's reasonable costs, including attorneys' fees; and
- 25 D. Awarding such equitable/injunctive or other relief as the Court may deem just and  
26 proper.
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**JURY DEMAND**

Plaintiff demands a trial by jury.

DATED: September 16, 2016

ROBBINS GELLER RUDMAN  
& DOWD LLP  
SHAWN A. WILLIAMS

*s/ Shawn A. Williams*  
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