

1 ROBBINS GELLER RUDMAN
& DOWD LLP
2 SHAWN A. WILLIAMS (213113)
Post Montgomery Center
3 One Montgomery Street, Suite 1800
San Francisco, CA 94104
4 Telephone: 415/288-4545
415/288-4534 (fax)
5 shawnw@rgrdlaw.com
– and –

6 DAVID C. WALTON (167268)
DANIEL S. DROSMAN (200643)
7 655 West Broadway, Suite 1900
8 San Diego, CA 92101-8498
Telephone: 619/231-1058
9 619/231-7423 (fax)
davew@rgrdlaw.com
10 dand@rgrdlaw.com

11 Attorneys for Plaintiff

12 [Additional counsel appear on signature page.]

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

22
23
24
25
26
27
28

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.

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.¹ 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.² 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 . . .”).³

18 _____
 19 ¹ 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 ² 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 ³ 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***

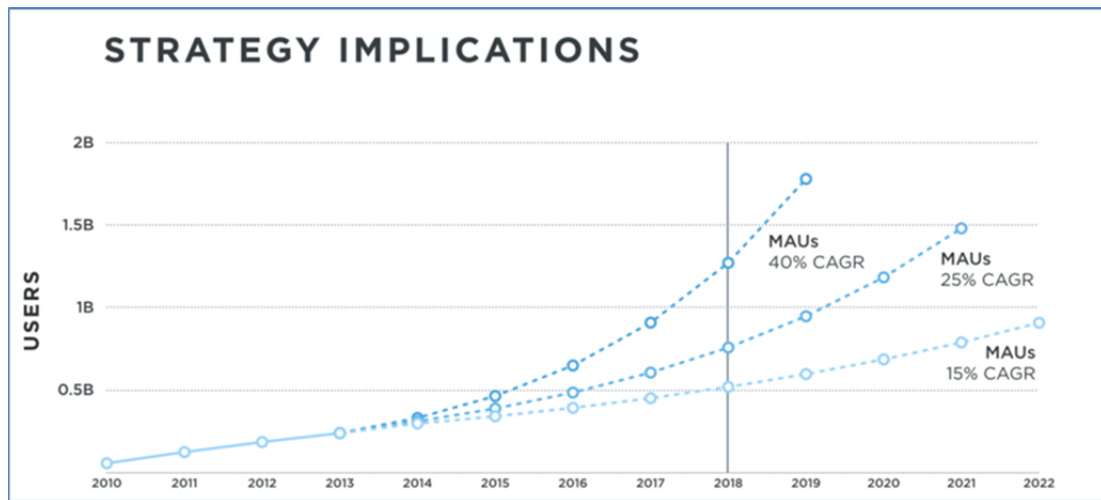
24 27. The Analyst Day comments also included a discussion of new product initiatives that
25 defendants represented would grow the user base and improve user engagement.⁴ Defendant Noto
26 described the impact of the new initiatives on user growth as follows:

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.

29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100
101
102
103
104
105
106
107
108
109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196
197
198
199
200
201
202
203
204
205
206
207
208
209
210
211
212
213
214
215
216
217
218
219
220
221
222
223
224
225
226
227
228
229
230
231
232
233
234
235
236
237
238
239
240
241
242
243
244
245
246
247
248
249
250
251
252
253
254
255
256
257
258
259
260
261
262
263
264
265
266
267
268
269
270
271
272
273
274
275
276
277
278
279
280
281
282
283
284
285
286
287
288
289
290
291
292
293
294
295
296
297
298
299
300
301
302
303
304
305
306
307
308
309
310
311
312
313
314
315
316
317
318
319
320
321
322
323
324
325
326
327
328
329
330
331
332
333
334
335
336
337
338
339
340
341
342
343
344
345
346
347
348
349
350
351
352
353
354
355
356
357
358
359
360
361
362
363
364
365
366
367
368
369
370
371
372
373
374
375
376
377
378
379
380
381
382
383
384
385
386
387
388
389
390
391
392
393
394
395
396
397
398
399
400
401
402
403
404
405
406
407
408
409
410
411
412
413
414
415
416
417
418
419
420
421
422
423
424
425
426
427
428
429
430
431
432
433
434
435
436
437
438
439
440
441
442
443
444
445
446
447
448
449
450
451
452
453
454
455
456
457
458
459
460
461
462
463
464
465
466
467
468
469
470
471
472
473
474
475
476
477
478
479
480
481
482
483
484
485
486
487
488
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
510
511
512
513
514
515
516
517
518
519
520
521
522
523
524
525
526
527
528
529
530
531
532
533
534
535
536
537
538
539
540
541
542
543
544
545
546
547
548
549
550
551
552
553
554
555
556
557
558
559
560
561
562
563
564
565
566
567
568
569
570
571
572
573
574
575
576
577
578
579
580
581
582
583
584
585
586
587
588
589
590
591
592
593
594
595
596
597
598
599
600
601
602
603
604
605
606
607
608
609
610
611
612
613
614
615
616
617
618
619
620
621
622
623
624
625
626
627
628
629
630
631
632
633
634
635
636
637
638
639
640
641
642
643
644
645
646
647
648
649
650
651
652
653
654
655
656
657
658
659
660
661
662
663
664
665
666
667
668
669
670
671
672
673
674
675
676
677
678
679
680
681
682
683
684
685
686
687
688
689
690
691
692
693
694
695
696
697
698
699
700
701
702
703
704
705
706
707
708
709
710
711
712
713
714
715
716
717
718
719
720
721
722
723
724
725
726
727
728
729
730
731
732
733
734
735
736
737
738
739
740
741
742
743
744
745
746
747
748
749
750
751
752
753
754
755
756
757
758
759
760
761
762
763
764
765
766
767
768
769
770
771
772
773
774
775
776
777
778
779
780
781
782
783
784
785
786
787
788
789
790
791
792
793
794
795
796
797
798
799
800
801
802
803
804
805
806
807
808
809
810
811
812
813
814
815
816
817
818
819
820
821
822
823
824
825
826
827
828
829
830
831
832
833
834
835
836
837
838
839
840
841
842
843
844
845
846
847
848
849
850
851
852
853
854
855
856
857
858
859
860
861
862
863
864
865
866
867
868
869
870
871
872
873
874
875
876
877
878
879
880
881
882
883
884
885
886
887
888
889
890
891
892
893
894
895
896
897
898
899
900
901
902
903
904
905
906
907
908
909
910
911
912
913
914
915
916
917
918
919
920
921
922
923
924
925
926
927
928
929
930
931
932
933
934
935
936
937
938
939
940
941
942
943
944
945
946
947
948
949
950
951
952
953
954
955
956
957
958
959
960
961
962
963
964
965
966
967
968
969
970
971
972
973
974
975
976
977
978
979
980
981
982
983
984
985
986
987
988
989
990
991
992
993
994
995
996
997
998
999
1000

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.⁵

27 _____
 28 ⁵ 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.⁶ 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*
 26 *and Results of Operations*, Release Nos. 33-8350, 34-48960, 2003 SEC LEXIS 3034, at *25 (Dec.
 27 19, 2003).

28 ⁶ This earnings release was mistakenly released at 3pm EST before the market closed. Twitter confirmed the unintentional release, which led to the NYSE halting trading in the Company’s stock. 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.⁷

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 ⁷ 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 [Nota:] 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
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: September 16, 2016

ROBBINS GELLER RUDMAN
& DOWD LLP
SHAWN A. WILLIAMS

s/ Shawn A. Williams
SHAWN A. WILLIAMS

Post Montgomery Center
One Montgomery Street, Suite 1800
San Francisco, CA 94104
Telephone: 415/288-4545
415/288-4534 (fax)

ROBBINS GELLER RUDMAN
& DOWD LLP
DAVID C. WALTON
DANIEL S. DROSMAN
655 West Broadway, Suite 1900
San Diego, CA 92101-8498
Telephone: 619/231-1058
619/231-7423 (fax)

ABRAHAM, FRUCHTER & TWERSKY, LLP
JEFFREY S. ABRAHAM
One Pennsylvania Plaza, Suite 2805
New York, NY 10119
Telephone: 212/279-5050
212/279-3655 (fax)

Attorneys for Plaintiff

I:\Admin\CptDraft\Securities\Cpt Twitter.docx

**CERTIFICATION OF PLAINTIFF
PURSUANT TO THE FEDERAL SECURITIES LAWS**

Doris Shenwick, a trustee of the Doris Shenwick Trust (the "Trust") hereby certifies under penalties of perjury that the following is true and correct to the best of my knowledge, information and belief:

1. I have reviewed the attached Class Action Complaint For Violations of the Federal Securities Laws and have authorized counsel to file the complaint on behalf of the Trust.

2. The Trust did not purchase the security that is the subject of this action at the direction of counsel or in order to participate in this private action.

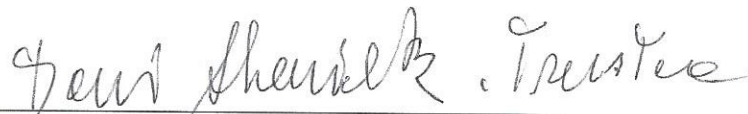
3. The Trust is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. To the best of my knowledge, the following are all of the Trust's transactions in the securities of Twitter Inc. during the period from February 6, 2015 and July 28, 2015, inclusive: purchased 75 shares on May 1, 2015 at \$38.60 per share.

5. Neither I nor the Trust have sought to serve as a class representative in any case brought under a provision of the federal securities laws within the last three years.

6. Neither I nor the Trust will accept any payment for serving as class representative on behalf of the class beyond the Trust's pro rata share of any recovery, except as ordered or approved by the court, including any award for reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

Dated: September 26, 2016



**Doris Shenwick, as Trustee for the Doris
Shenwick Trust**