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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

WILLIAM B. DAVIS, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. INVENSENSE, INC., BEHROOZ ABDI and ALAN KROCK, Defendants.	Case No.: **CLASS ACTION** **COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS** **DEMAND FOR JURY TRIAL**

Plaintiff William B. Davis ("Plaintiff") has alleged the following based upon the investigation of Plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by InvenSense, Inc ("InvenSense" or the "Company"), as well as regulatory filings and reports, securities analysts' reports about the Company, press releases, conference call transcripts, and other public statements issued by the Company, and media reports about the Company, and Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action on behalf of purchasers of the common stock of InvenSense between July 29, 2014 and October 28, 2014, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Defendant InvenSense (NYSE: INVN) designs, develops, markets and sells Micro-Electro-Mechanical Systems ("MEMS") sensors, such as accelerometers, gyroscopes and microphones for consumer electronics. The Company targets sales of its products to manufacturers of consumer electronic products including smartphones and tablets, console and portable video gaming devices, digital still and video cameras, smart TVs (including digital set-top boxes, televisions and multi-media HDDs), navigation devices, toys, and health and fitness accessories. The Company delivers leading solutions based on its advanced multi-axis technology. The Company touts itself as "the pioneer and a global market leader in devices for the motion interface market that detect and track an object's motion in three-dimensional space."

3. In its SEC filings, the Company states that its "ability to secure new customers depends on winning competitive processes, known as 'design wins.'" The Company explains that "[t]hese selection processes are typically lengthy" and that, the "sales cycle for [its] products is long." The Company further states that it "primarily sells [its] products through [its] worldwide sales organization to manufacturers of consumer electronics devices from whom [it has] secured a design win." Thus, due to the technical nature and need for close product integration between its MEMS sensors and its customer's products, InvenSense works closely with its customers both before and after a design win.

4. Prior to the start of the Class Period, InvenSense had developed relationships with well-known electronics and mobile device manufacturers, including Samsung Electronics and LG Electronics. Even though InvenSense may have supplied chips to these reputable companies, the Company had not yet announced a relationship with the "holy grail" of mobile device companies – Apple, Inc. ("Apple"). Apple is a leading technology company well known for its meticulous planning of products and policies on not revealing products until they are finished, polished, and ready for distribution to customers.

5. Due to the highly secretive nature of the way Apple does business, the Company was not permitted to reveal to investors that its sensors would be used in the iPhone 6. During early to mid-2014, however, based on statements by the Company and rumors from well-respected sources, investors and analysts had become confident that InvenSense had finally secured a design win with Apple for its next blockbuster product, the iPhone 6 mobile phone. It was ultimately revealed during September 2014 (approximately 6 weeks after the start of the Class Period) that InvenSense's sensors were included in the iPhone 6. Accordingly, the Company necessarily worked closely with Apple and agreed upon key contractual terms prior to the start of the Class Period.

6. The Class Period begins on July 29, 2014, when InvenSense issued a press release announcing financial results for the first quarter fiscal year 2015 and provided guidance for the next several quarters. In the press release, the Company made extremely positive statements about the condition of its business and near term prospects. Although Defendants may not have specifically referenced Apple or the iPhone 6 by name, Defendants' statements during the Class Period made it *clear* to investors that InvenSense sensors would be included in the iPhone 6 and that the Company's near term guidance included a substantial amount of sales related to that product. Significantly, Defendants not only issued strong sales guidance, but they also represented to investors that the Company's *margins* would be "consistent" and "in line" with margin levels in recent past quarters. Thus, Defendants portrayed the Company as having huge sales opportunities without any negative impact on margins or profitability.

7. Unbeknownst to investors, however, Defendants knew, or recklessly disregarded, that certain problems existed by the start of the Class Period that were then – affecting and would continue to negatively impact the financial performance of the Company and compress margins. *First*, even though InvenSense sensors would be included in the iPhone 6, Apple had obtained a cut rate deal on pricing. The low price point for Apple, along with lower than average pricing for Samsung, negatively impacted the Company's profitability. *Second*, the Company encountered manufacturing inefficiencies – and thus, higher costs – associated with the development and rollout of the iPhone 6, since it was a new product. This further reduced the Company's margins and profits. *Third*, InvenSense held a large stockpile of old inventory that needed to be written off. Thus, Defendants lacked a reasonable basis to assure investors that near term margins would be consistent with historical levels. Instead of revealing the true condition of the Company and its prospects, Defendants hid those facts from investors and chose to issue strong guidance and to portray a profitable future with a new mega-customer.

8. The Class Period ends on October 28, 2014. On that date, InvenSense announced disappointing financial results for the second quarter fiscal 2015, ended September 28, 2014. The Company revealed a substantial drop-off in gross margins which it attributed primarily to low pricing for "high volume" customers, Apple and Samsung, operational inefficiencies with the iPhone 6 rollout, and a charge related to old inventory. The Company's announcements caused InvenSense shares to plummet more than 25% in one day, on unusually heavy volume, damaging investors.

JURISDICTION AND EVENUE

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

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act [15 U.S.C. §78aa].

11. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b), as the Company maintains is principal executive offices in this District.

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

PARTIES

13. Plaintiff William B. Davis, as set forth in the accompanying certification, incorporated by reference herein, purchased the common stock of InvenSense during the Class Period and has been damaged thereby.

14. Defendant InvenSense, Inc. is a Delaware corporation with its principal executive offices located at 1745 Technology Drive, Suite 200, San Jose, CA 95110. InvenSense designs, develops, markets, and sells MEMS gyroscope for motion-tracking devices in consumer electronics. The Company delivers motion interface solutions based on its multi-axis technology that target smartphones and tablets, console and portable video gaming devices, digital still and video cameras, smart TVs, navigation devices, toys, and health and fitness accessories. According to the Company's website:

> InvenSense Inc. (NYSE: INVN) is the leading provider of MotionTracking™ sensor system on chip (SoC) and Sound solutions for consumer electronic devices such as smartphones, tablets, wearables, gaming devices, optical image stabilization, and remote controls for Smart TVs. The company's MotionTracking products are also being integrated into a number of industrial applications. The company's patented InvenSense Fabrication Platform and patent-pending MotionFusion™ technology address the emerging needs of many mass-market consumer applications via improved performance, accuracy, and intuitive motion-, gesture- and sound-based interfaces.
>
> ***
>
> Founded in 2003, InvenSense is headquartered in San Jose, California with offices in China, Korea, Japan, Slovakia, Taiwan and Wilmington, MA.

15. Defendant Behrooz Abdi ("Abdi") has served as the Company's President and Chief Executive Officer ("CEO") since October 2012 and has served as a director on the Company's board of directors since June 2011.

16. Defendant Alan Krock ("Krock") served as the Company's Vice President and Chief Financial Officer ("CFO") from May 2011 until his resignation from his position effective September 2, 2014.

17. Defendants Abdi and Krock are collectively referred to herein as the "Individual Defendants." Defendant InvenSense and the Individual Defendants are collectively referred to herein as the "Defendants."

18. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's business, operations, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

19. Each of the above officers of InvenSense, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. Said Defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

20. As officers and controlling persons of a publicly-held company whose shares were, and are, registered with the SEC pursuant to the Exchange Act, and were, and are, traded over the New York Stock Exchange ("NYSE"), and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded shares would be

based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

21. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with InvenSense, each of the Individual Defendants had access to the adverse undisclosed information about InvenSense's business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about InvenSense and its business issued or adopted by the Company materially false and misleading.

22. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

23. Each of the Defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of InvenSense common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding InvenSense's business, operations, management and the intrinsic value of InvenSense common stock; and (ii) caused Plaintiff and other members of the Class to purchase InvenSense common stock at artificially inflated prices.

CLASS ACTION ALLEGATIONS

24. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased the common stock of InvenSense between July 29, 2014 and October 28, 2014, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

25. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, InvenSense common stock was actively traded on the NYSE (an open and efficient market). While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. As of October 24, 2014, the Company had over 90 million shares outstanding. Millions of InvenSense shares were traded publicly during the Class Period on the NYSE. Record owners and other members of the Class may be identified from records maintained by InvenSense or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

26. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law complained of herein.

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

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

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and operations of InvenSense;

(c) whether the price of InvenSense common stock was artificially inflated during the Class Period; and

(d) to what extent the members of the Class have sustained damages and the proper measure of damages.

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

SUBSTANTIVE ALLEGATIONS

30. The Class Period begins on July 29, 2014. On that date, InvenSense issued a press release announcing its financial results for its first fiscal quarter of 2015, for the period ended June 29, 2014. For the quarter, the Company reported net revenue of $66.7 million, a net loss of $4.8 million, or ($.05) per share, and gross profit of $31.18 million. In the press release, Defendant Abdi commented on the "exciting and promising time for Invensense" and the "strong

market share increases" due to the growth of the Company's "design win portfolio," stating, in pertinent part, as follows:

> This is an exciting and promising time for InvenSense . . . ***Our design win portfolio continues to grow, positioning us for strong market share increases in the coming quarters as new designs ramp into volume production***. We continue to transition to a platform solution company, underscored by our announcement earlier this quarter of our intention to acquire two leading sensor algorithm and software companies. These highly strategic acquisitions allow us to scale our research and development efforts in this area and deliver higher value solutions to our customers. In total, our expanding presence in key geographic markets, additional content opportunities within the mobile device market and new applications for motion and audio sensors, such as wearables, provide healthy growth drivers through the current fiscal year and beyond.[1]

31. That same day, InvenSense held a conference call with analysts and investors to discuss the earnings announcement and the Company's operations. During the call, Defendants reiterated the financial results from the press release and made positive statements about InvenSense, its business, earnings and operations. During the call, Defendant Abdi discussed the exciting opportunities expected in the near term for the Company, and its shareholders, including "yet to be announce[d] phones," the entering of a "period of significant growth" and "*overall gross margins at consistent levels*," stating, in pertinent part, as follows:

> In the mobile market, we're excited to report that there are multiple smart phones that include both our 6-axis MotionTracking solution as well as our two axis OIS products. These products include the LG G3 and Amazon Fire smart phones. As well as ***a number of yet to be announce[d] phones***, ***preparing to launch across multiple geographies in the coming months***.
>
> * * *
>
> Turning our attention to the fiscal second quarter, we're ***excited to be entering a period of significant growth***. ***We are ramping into production at a number of new and existing customers in every region, which will bring us greater diversification and scale***.
>
> While we expect volume ***shipments of our 6-axis MotionTracking SoCs to contribute the majority of this growth***, we also expect to achieve greater volume shipments across the majority of our motion products, including two axis OIS and 3-axis discrete gyroscopes.
>
> * * *
>
> Having strategically built inventory ahead of anticipated demand for our second generations 6-axis products in previous quarters, ***we are now able to meet significant new customer requirements*** even while we continue to add

[1] All emphasis is added unless otherwise noted.

> manufacturing capacity and ramp into production our third-generation 6-axis products.
>
> While we expect gross margins at some of our top-tier customers to remain under pressure, as a result of high-volume pricing, as well as lower initial manufacturing yields as we ramp new products into production, ***we believe our higher value system solutions combined with our aggressive manufacturing cost reductions, will keep our overall gross margins at consistent levels***.
>
> * * *
>
> We are especially please[d] to see our shipments and revenue grew in North America. Growing this quarter to be a substantial portion of our total business, driven primarily by significant share gain at several existing and new customers.

32. During the July 29 call, Defendant Krock discussed the Company's strong financial outlook for the second quarter of fiscal year 2015 and the fiscal year 2015, due in large part to "major" new customers in the United States and China, stating, in pertinent part, as follows:

> ***We see*** continuing progress and strength and adoption of our products across customers and therefore ***significant continuing market share gains in mobile markets***, due to our products higher performance and attractive features and size.
>
> ***We see this progress at [a] number of major customers including some representing new sizable market share gains at customers headquartered in both the United States and China***. And we believe our products strength at all these customers, offers an important opportunity to continue our unit shipment and revenue growth in fiscal periods beyond the current year.
>
> Considering these factors, ***we expect FY15 Q2 revenue to be in the range of $86 million to $91 million***. To support this Q2 fiscal 2015 revenue outlook, ***we currently have backlog in place representing a majority of this total current quarter revenue target***.

33. On the call, Defendant Krock further represented that the second quarter was only the tip of the iceberg for these new customers that the third quarter looks extremely bright as well, and he stated that *margins will remain "consistent with" recent historical levels notwithstanding the Company's growth prospects and dependence on large customers*. Furthermore, even though Defendant Krock did not mention Apple by name, he described a new customer that the market correctly inferred was Apple. Defendant Krock stated, in pertinent part, as follows:

> ***These Q2 FY15 outlook estimates reflect only a partial quarter estimate of the related revenue opportunities***. As these new product opportunities with both United States-based and China-based OEMs are only expected to be in production for part of our fiscal Q2. ***Therefore these new product opportunities can contribute significant additional amounts of revenue when in production for our entire fiscal Q3 period.***

> We expect sales at our largest customer, Samsung Electronics, to represent mid-20% to 30% of this target, reflecting strength in applications where we have existing designs and are participating in expected new customer design launches.
>
> Additionally, we expect that LG will continue to be a 10%, September quarter customer as in the June quarter. Potentially together with at least one China-based OEM depending upon the level of total Q2 revenue achieved. ***And that we will have at least one new 10% customer as of the September and future quarters***.
>
> As mentioned, ***some*** of the opportunities in the United States and China ***represent near-term significant market share gains and others represent new inertial sensor, especially gyroscope attach rate opportunities***. We also expect new mobile market sensor applications such as microphones and OIS to contribute to future revenue growth, albeit with somewhat uncertain timing.
>
> Product mix for the current quarter continues to favor our highest volume mobile customers. And ***we should generate a total gross margin in line with recent levels. We believe that on a GAAP basis our Q2 FY15 gross margin will be in a range around 48% continuing to now modestly reflect the impact of additional cost of amortization of intangibles acquired***.
>
> On a ***non-GAAP basis, Q2 FY15 gross margin is expected to be consistent with recent past quarters that is in the range around 50%***. In future quarters, lower-cost of products, additional production volumes, and improving product yields should contribute to a favorable impact on our gross margin. ***Therefore our target non-GAAP gross margin remains unchanged***.
>
> * * *
>
> We expect our spending in margin opportunities for our FY15 -- ***we continue to expect gross margins generally consistent with our recent past and FY14 on a non-GAAP basis and on a GAAP basis in a range of around approximately 48%***.
>
> * * *
>
> And therefore earnings per share range around $0.80 per share on a non-GAAP basis and on a GAAP basis we expect earnings per share in the range around 35% -- $0.35 per share. Of course both earnings estimate exclude any foreseen [*sic*] events or activities, which could arise in the future.

34. In response to a question from analyst David Williams of Ascendiant Capital Markets about the potential downside due to a decrease in orders from a certain existing customer, Samsung, Defendant Krock stated that a "larger new customer" (*i.e.*, Apple), would more than offset any declines, stating, in pertinent part, as follows:

> … As Behrooz says, there's a lot of different new products coming into production and some potential additional new content to offset any potential change in unit volumes that people are concerned with.
>
> ***So, with a larger newer customer that's going to be, clearly 10% or greater of***

> ***revenue, the percent that any one of the other existing customers occupy will drop off some. But generally levels of revenue and opportunities are similar going forward, especially considering additional potential content that may be in some of the newer products***.

35. On the call, in response to a question from analyst Mark Delaney of Goldman Sachs about potential pricing pressures from InvenSense's customers, Defendant Krock stated that "*there's no one customer with any particular window of pricing that's relevant*." The exchange with the analyst is set forth, in pertinent part, below:

> **Mark Delaney**
>
> Can you also discuss to what extent pricing is locked in or pretty firm for ***new product launches in and the next quarter or two***? Or can a customer still come in and ask for larger pricing declines?
>
> **Alan Krock**
>
> There's a paradigm that set. Many of our customers have unique schedules for negotiation of pricing. As mentioned we have now substantial exposure and if it's got a Gyro function in and it's a smartphone, a substantial share of the market. So any one customer can always be jockeying for a better price, as they all do at all times.
>
> But generally it's about the value of these sensor function in the market with the Gyro and integrated sensor attached. ***So there's no one customer with any particular window of pricing that's relevant***.
>
> Some of the Asian ones are quarterly, some of the others are semi annual, and others even longer than that. So there's just a very broad exposure now that we have to integrate sensors with the Gyro function included in smart phones, maybe half the market or something like that.

36. Analysts were very encouraged about the Company's prospects after the conference call, assumed that Apple was the new U.S. based customer, and believed that business from Apple for the iPhone 6 was incorporated into the Company's guidance, including statements about margins. For example, a research report from Ascendiant Capital Markets, LLC, dated July 30, 2014 and titled *Upgrading to Buy on Demonstration of Growth Leverage Across Entire OEM Spectrum. $29 PT* stated, in pertinent part, as follows:

> **As expected INVN delivered a strong June quarter and provided further evidence that supports our belief of the initial participation in Apple's (AAPL, N/R) portfolio**, likely in both the iPhone6 and wearables.
>
> * * *
>
> **The only downside of adding a customer the size of Apple**, and possibly Xiaomi, is that these unit sizes typically come with volume discounts that limit gross margin upside. However, ***now that we believe Apple is being incorporated into the firm's guidance for September and the full-year, gross margins look to be stabilizing around the 50% mark, and we believe should set a new base for the company to improve on through growing yields and cost reductions***.

37. On August 7, 2014, InvenSense filed with the SEC its Form 10-Q, signed and/or certified by Defendants Abdi and Krock, for the quarter ended June 29, 2014 (the "1Q15 Form 10-Q"). The 1Q15 Form 10-Q, among other things, reiterated the financial results reported by the Company on July 29, 2014.

38. On August 25, 2014, the Company announced in a press release that, effective September 2, 2014, Defendant Krock would be resigning from his employment at InvenSense, that Mark P. Dentinger would succeed Krock as vice president and CFO effective September 2, 2014, and that Krock would help with the transition and serve as a special advisor through October 31, 2014. On September 4, 2014, the Company filed a Form 8-K with the SEC attaching Krock's Separation Agreement and Release, which contains a non-disclosure clause and provides, *inter alia*, that the Company is to pay him severance of $175,000 and a consulting fee of $25,000 for the months of September and October 2014.

39. On September 9, 2014, Apple announced the iPhone 6 and 6 Plus, which contained an InvenSense MEMS sensor.

40. On September 18, 2014, InvenSense filed with the SEC a Form 8-K which reported that the Company held its Annual Meeting of Stockholders on September 12, 2014 an that Defendant Abdi and Eric Stang were elected as directors to serve until 2017.

41. Defendants' statements referenced above in ¶¶ 30, 31, 32, 33, 34 and 35 were each materially false and misleading when made because they misrepresented or failed to disclose the following adverse facts, which were known to Defendants, or recklessly disregarded by them:

(a) the Company had entered into an agreement with Apple to supply sensors for the iPhone 6 and iPhone 6 plus at heavily discounted prices compared to other customers;

(b) the low prices charged to Apple, along with low prices charged to Samsung, had, and would continue to, negatively impact the Company's margins;

(c) InvenSense encountered manufacturing problems and inefficiencies which negatively impacted margins;

(d) Defendants lacked a reasonable basis to provide its stated near term financial guidance or to assure investors that margins would be consistent with historical levels;

(e) the Company's Form 10-Q for the first quarter of 2015 failed to disclose then presently known trends, events or uncertainties associated with the Company's sales and margins that were reasonably likely to have a material effect on InvenSense's future operating results; and

(f) as a result of the foregoing, Defendants lacked a reasonable basis for their positive statements about the Company's financial performance and outlook during the Class Period.

42. The Class Period ends on October 28, 2014. On that date, the Company issued a press release announcing its financial results for its second quarter fiscal year 2015, ended September 28, 2014 including net revenue of $90.2 million and net loss of $6.9 million or ($.08) per share. The Company also reported, among other things, *disappointing GAAP gross margins of only 35% and non-GAAP gross margins of 37%, compared with GAAP gross margins of 47% and non-GAAP gross margins of 50%, in the first quarter of fiscal 2015*. In the press release, the Company gave the following reasons for the decrease in margins:

> …***The sequential decrease in gross margin was primarily attributable to two factors: a non-recurring inventory charge largely related to earlier generations of the company's products that reduced the gross margin by approximately eight percentage points, and a shift in revenue mix towards lower margin, high volume customers that reduced the gross margin by approximately five percentage points***.

43. Later that day, the Company held a conference call for analysts to discuss the 2Q 2015 results, and provided additional information about the Company's performance. During the

conference call, the Company's new CFO, Mark Dentinger, discussed the Company's disappointing margins, stating, in pertinent part, as follows:

> ***Most of our Q2 performance was within our expectations with the Company issued guidance early in Q2, except for gross margins. The lower than expected gross margins had the effect of reducing our non-GAAP EPS by about $0.11***.
>
> * * *
>
> Non-GAAP cost of revenue was $56.6 million in Q2, resulting in gross margins of 37%. Q2 gross margins were lower than Q1 by 13 percentage points. ***There were three primary factors contributing to the lower gross margin performance this quarter.***
>
> ***First, we recorded approximately $7.4 million in adjustments in Q2, mostly to write down earlier generation inventory that is now excess or obsolete***. These inventory write-downs resulted in 8-point margin reduction from our Q1 actuals. We do not expect most of these adjustments to repeat in Q3.
>
> ***Second, while unit volumes exceeded our expectations, a greater than anticipated contribution of this quarter's revenue came from our largest customers, and these customers generate lower average selling prices***. We also sold some of our older product at prices that diluted our margins in Q2. The combinations – the combination of these pricing issues resulted in a 3 percentage point quarter over quarter decline in gross margin.
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> ***We expect that the customer mix issue will continue for the rest of the fiscal year and we have factored this expectation into our Q3 guidance***.
>
> ***Finally, our yielded manufacturing costs, especially for our newer products, were higher than we expected and this lowered our gross margin by 2 percentage points in Q2***. We also expect this phenomenon to continue into Q3.
>
> *******
>
> Looking towards Q3, we are estimating that total revenue will be within a range of $108 million to $115 million, with a customer and market mix approximately what we experienced in Q2. As a result, our expectations for non-GAAP gross margins in fiscal Q3 is a range between 46% and 47%.
>
> Our Q3 non-GAAP gross margin guidance presumes that most of the inventory adjustments we recorded in Q2 will not be repeated. The margin guidance does presume some of the pricing pressure resulting from our mix of business towards larger customers and most of our cost pressure will continue.
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> * * *
>
> Non-GAAP EPS should be a range between $0.17 and $0.21 per share, assuming an average share count of about 95 million. If you are modeling us on a GAAP basis, our gross margin should be between 43% and 44%. Our operating margin should be between 8% and 12%, and our GAAP EPS should be between $0.06 and $0.10 in Q3.

44. During the call, Defendant Abdi and CFO Dentinger responded to a question from analyst Ruben Roy of Piper Jaffray about the disappointing gross margins, stating, in pertinent part, in the following exchange:

> **Ruben Roy**
>
> Can you maybe walk us through some more details on some of the moving parts around the gross margin? You gave us guidance back in late July and I'm wondering what some of the changes were during the quarter, around ASPs [average selling prices] and yields, that you hadn't seen when we got the original guidance.
>
> **Mark Dentinger**
>
> … [A] couple of things. We were a little surprised by the strength of the contribution from our large customers, which, on general, bring lower gross margins. And, as a result of that, we felt a little bit of that pressure.
>
> Second, we did move some older material at reduced margins during the quarter that we don't expect to repeat going forward. And we are still digesting some of the cost pressure from ramping up the production with the new customers. So the combination of those three factors really had us about 5 points lower than what we were calling as we entered the quarter.
>
> And, as I indicated in my guidance, we do expect some of that pressure to continue as we move into Q3. But we are forecasting that there will be an improvement off of what would be the, quote-unquote, adjusted 45 points of gross margin as we move into Q3. And we are looking at 46% to 47% margins for this quarter.
>
> **Behrooz Abdi**
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> This is Behrooz. Let me add a little bit more color. As we talked at the last earnings call, what we said was that, to the extent that our tier 1 customer mix changes and they become more dominant, that it will be more difficult to hit the gross margin early on, until we get to full production yielded and kind of a steady-state run rate.
>
> And, if you look at our business mix, the top two customers are more dominant this past quarter and the current quarter than we anticipated when we started. The rest of the market -- the rest of the customers and product lines are either at or well above the corporate goal in terms of gross margin. So it is really the mix, as Mark mentioned, is more than anticipated towards the tier ones.

45. During the call, Defendant Abdi responded to a question from the same analyst about pricing dynamics with customers, stating, in pertinent part, as follows:

> **Ruben Roy**
>
> Thanks for that. I wondering, on sort of the pricing negotiations, I mean, are there pricing dynamics over the course of three or six months? Or are they -- how does

> that work? I'm trying to figure out if there are additional ASP-related margin impacts that we might expect over the next couple of quarters.
>
> And then, I guess, as a follow-up, the near-term improvement that Mark discussed for the December quarter, is that all yield based?
>
> **Behrooz Abdi**
>
> Yes. Some of them are yield based; some of them are just, again, based on the pricing given to some of the customers to get the revenue and the market and to really get that going. But, in terms of the pricing, it really depends on the customer.
>
> There are customers that, even tier ones, that when we set the price roadmap, pretty much done for the year, for the next year. So, what we anticipate in terms of going forward, it is already baked in. And then there are customers, as you know, that negotiate on a quarterly basis and that is what we have been used to in the past. And, again, we make some assumption around those in our prediction of pricing and gross margins.

46. On the conference call, CFO Dentinger responded to a further question about customer pricing pressures and margins from analyst Joe Moore of Morgan Stanley. The exchange was, in pertinent part, as follows:

> **Joe Moore**
>
> I wanted to follow up on the customer concentration issue, that you said customers -- if I heard this right -- greater than 10% of revenues had only moved up from 52% last quarter to 55% this quarter. I was a little bit surprised by that, given that you had brought up a new customer, and also that you guys were surprised it, by the shift when it doesn't seem like it was that big. Was it just the two OEMs that were the problem or was there some other issue?
>
> **Mark Dentinger**
>
> Let me answer them in reverse order, Joe. It was just the two OEMs -- the large OEMs that created most of the pricing pressure. The other phenomenon -- it is a little bit more subtle.
>
> It is true that our contribution from 10% customers moved from 52% to 55% during the quarter, but there were more than two customers contributing to the 52% in Q2 -- or excuse me, in Q1. So we only had two customers contributing in Q2, so there was a pretty substantial move inside the 10% customers upstream to the lower margin arena.

47. In response to these announcements on October 28, 2014, the price of InvenSense shares declined from \$21.48 per share prior to the announcements, to close on October 29, 2014 at \$16.08 per share, or a drop of 25%, on extremely heavy trading volume of approximately 16.4 million shares.

48. Analysts covering InvenSense were dissatisfied with the Company's poor financial results and margin compression. For example, an October 29, 2014 research report by Morgan Stanley titled *InvenSense Inc. - Reset on Gross Margin Targets* characterized the Company as having a "[d]isappointing quarter," and stated that '[i]t's going to take time for confidence to be restored." The report further stated, in pertinent part, as follows:

> **Our take**: Disappointing quarter. We had forecast higher revenues and lower GMs vs. company guidance, and they fell short of our estimate on both counts as average selling prices, principally to Apple which we estimate was 31% of sales in the qtr, were lower . . .
>
> **What happened**: Non gaap eps of $0.06 on $90mn revs (vs. MSe $0.20 / $96mn and consensus $0.16 / $90mn). Gross margins were 34.7% vs. 50% guidance and our estimate of 48%; excluding an 8 point impact from inventory writedown, GMs would have been 42.7%, still quite disappointing. We believe Apple ASPs were even lower than we had forecast, and INVN initial manufacturing yields weren't great. Apple and Samsung combined were 55% of revenues. Opex [operating expense] was slightly higher after taking into consideration one off expenses for TPI and Movea. We model GAAP operating margins at 11.5% in 3q15. December qtr guidance was for revs $108-115 (we were $121, consensus $116), gross margins 46-47% (we were 48%), and higher opex and share count than we had modelled.
>
> **Why gross margins were worse**. The company cited higher volumes from the top 2 customers, Apple and Samsung, who are 55% of revenues, but we believe those customers were in line with our model; overall revenues were only slightly higher than forecast. Our sense is that the company's plan to achieve margin improvement while ramping Apple required near perfect yields, but that proved too optimistic as meeting quality requirements with a new product required bringing yields down. We were not confident in prospects for margin improvement while ramping Apple, but are still surprised by the magnitude of the shortfall; it's somewhat healthy that GM targets are more achievable. Having said that, we are discouraged that opex and share count continue to rise faster than the company's forecast, with R&D up 166% in 5 qtrs (partly due to M&A).

49. Similarly, an October 29, 2014 research report by Piper Jaffray titled *Profitability Concerns Prompt Thesis Change; Downgrading to Neutral*, concluded:

> - INVN revenue met expectations but gross margin was much lower than expected and materially impacted profitability. The nearly 13 point gross margin miss was attributed primarily to ˜a non-recurring inventory charge (800bQs) and revenue mix and product yield (500bps). Management expects the mix/yield issues to continue to impact gross margin in the near-term. With guidance for the December quarter slightly lower than consensus, materially lower gross margin and modestly higher than expected opex, our EPS estimates move lower. With a lower outlook on potential earnings power for FY2016, we move to the sidelines and downgra1fe our investment rating to Neutral from Overweight and reduce our PT to $17 from $29.

- **Revenue at high-end of guidance but gross margin surprise to the downside**. Revenue of $90.2M was up 35% Q/Q and 27% *YIY* driven mostly by AAPL related revenue. Non-GAAP gross margin, though, came in at 37.2% versus guidance of 50%. Management cited three issues: 1. non-recurring inventory charge of $7.4M on excess and obsolete inventory (800 bps), 2. lower ASPs on products sold to large customers (300 bps) and 3. product yields (200 bps). Lower gross margin negatively impacted reported non-GAAP EPS, which came in at $0.05 versus management's $0.15-$0.16 guidance. AAPL revenue ramped in the quarter driving roughly $22M in incremental revenue in the U.S. geography.

- **Profitability metrics remain in question**. FQ3:15 revenue guidance for $108-$115M is, at the midpoint of $111.5M, below the current consensus estimate of $116.3M. Non GAAP gross margin is expected to improve to roughly 46.5% but remains impacted by product mix and yield issues. Timing of potential recovery back to the 50% range is unclear. Operating expenses are also moving higher primarily driven by a full quarter of expenses related to Movea and TPI. Consequently, FQ3 non-GAAP EPS guidance of"$0.17-$0.21 is below the consensus estimate of $0.30. In terms of FY15, INVN continues to expect revenue at or above 35% Y/Y growth. Given its gross margin and operating expense assumptions though, we forecast EPS of $0.42 (previously $0.80) vs. the company's previous FY guidance of $0.80.

- **Limited upside likely given earnings outlook**. We are downgrading our investment rating on INVN shares to Neutral given a fundamental change to our thesis based on changes to our margin assumptions. We are using a 25x multiple on our CY2015 EPS estimate of $.0.68 to arrive at a $17 price target, down from $29.

The report went on to note, in relevant part, that "[n]egative gross margin surprise dampens revenue ramp" and that Piper Jaffray was, therefore, "[d]owngrading to Neutral as negative ASP and yield dynamics expected to continue: INVN expects the negative ASP surprise related to large customers to impact gross margin in the near-term. As well, timing of product yield improvement is unclear. We believe that 6-axis product pricing to AAPL is likely below $0.80 now and improvement from here is unlikely."

50. An October 29, 2014 article in Barron's entitled *InvenSense Plunges 24%: Crushed by Lower Prices in Apple, Samsung Wares*, discussed the Company's stock drop after its earnings release, stating, in pertinent part as follows:

> Shares of sensor maker **InvenSense** (INVN) are down $5.22, or 24%, at $16.26, after the company yesterday afternoon reported **fiscal Q2** revenue and earnings per share that missed analysts' expectations, and forecast results this quarter lower as well.

Revenue in the three months ended in September rose 27% to $90.2 million, missing consensus of $90.7 million, and EPS of 5 cents was well below consensus for 16 cents.

The company forecast revenue of $108 million to $115 million this quarter, and EPS of 17 cents to 21 cents, missing the Street's average estimate for $117 million and 31 cents.

Gross margin declined from 50% a year earlier to 37%, on a non-GAAP basis.

CEO Behrooz Abdi said it was an "exciting time" for the company, noting record revenue, and cited a "full portfolio of differentiated products that we believe will provide meaningful growth opportunity for years to come."

CFO Mark Dentinger on the conference call said InvenSense was selling into products with lower average selling prices, crimping InvenSense's own prices and margins.

> *While unit volumes exceeded our expectations, a greater than anticipated contribution of this quarter's revenue came from our largest customers, and these customers generate lower average selling prices. We also sold some of our older product at prices that diluted our margins in Q2. The combinations – the combination of these pricing issues resulted in a 3 percentage point quarter over quarter decline in gross margin. We expect that the customer mix issue will continue for the rest of the fiscal year and we have factored this expectation into our Q3 guidance.*

The stock has gotten three downgrades this morning, that I can see, from Piper Jaffray, Pacific Crest, and Northland.

Pac Crest's John Vinh, cutting his rating, to Sector Perform from Outperform, writes that "more things went wrong than right."

InvenSense didn't "execute" well, he thinks, but also its dominant market share in products from **Apple** (AAPL), and **Samsung Electronics** (005930KS) actually hurt, not helped.

He thinks the company probably saw pressure on pricing from some Apple products:

> *Despite having secured a dominant position at Apple and Samsung, indeed, 100% share, InvenSense executed poorly in what was anticipated to be one of the strongest quarters in the company's history. Instead, price pressures from Apple and Samsung and the acknowledgment of potential second-sourcing significantly reduce our confidence that InvenSense will be able to sustain growth and avoid multiple compression [. . .] Pricing pressure associated with Apple business is having a substantial impact on InvenSense's margin expectations. The company indicated that it expects pricing pressures will continue for the next several quarters, which lowers its gross margin outlook to the high 40%s from 50%-55%. As FQ3 (Dec.) is expected to have similar product and customer mix, InvenSense guided gross margin for the quarter to be 46%-47%. The company remains confident that its new product launches in F2016 will help improve the*

> *margin profile. However, we anticipate that lower gross margin will contract valuation multiples.*

[Emphasis in original.]

51. The market for InvenSense common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, InvenSense common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased InvenSense common stock relying upon the integrity of the market price of InvenSense common stock and market information relating to InvenSense, and have been damaged thereby.

52. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of InvenSense common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

53. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused, or were a substantial contributing cause of, the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false or misleading statements about InvenSense's business, products and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of InvenSense and its business, products and operations, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

ADDITIONAL SCIENTER ALLEGATIONS

54. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding InvenSense, their control over, and/or receipt and/or modification of InvenSense's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning InvenSense, participated in the fraudulent scheme alleged herein.

55. Defendants were further motivated to engage in this fraudulent course of conduct in order to allow Company insiders to sell shares of their personally-held InvenSense common stock at inflated prices, yielding them proceeds of more than $4 million during the Class Period. Defendant Krock personally reaped more than $3 million from sales of Company shares during the Class Period:

InvenSense, Inc. (INVN)
Insider Sales: 7/29/14 – 10/28/14

Filer Name	Title	Date	Shares	Price	Proceeds
Krock, Alan F	Chief Financial Officer	18-Aug-2014	1,666	$24.70	$41,150
		27-Aug-2014	69,650	$25.03	$1,743,340
		27-Aug-2014	25,000	$24.88	$622,000
		27-Aug-2014	5,350	$25.03	$133,911
		28-Aug-2014	25,000	$25.33	$633,250
			126,666		$3,173,651
Lloyd, Stephen	Officer	18-Aug-2014	1,428	$24.70	$35,272
Shah, Amit	Director	06Aug-2014	2,171	$23.95	$51,995
		06Aug-2014	28	$23.95	$671
		06Aug-2014	14	$23.95	$335
		11Aug-2014	256	$24.60	$6,298
		11Aug-2014	19,616	$24.60	$482,554
		11Aug-2014	128	$24.60	$3,149
			22,213		$545,002

Filer Name	Title	Date	Shares	Price	Proceeds
Tachner, Adam H	General Counsel	16Sep-2014	13,930	$22.25	$309,943
TOTAL			**164,237**		**$4,063,868**

56. Furthermore, Defendant Abdi was motivated to hide the true state of affairs of the Company from investors to ensure that he would be re-elected to the Company's board of directors at the Annual Meeting of Shareholders of InvenSense held on September 12, 2014.

LOSS CAUSATION

57. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of InvenSense common stock and operated as a fraud or deceit on Class Period purchasers of InvenSense common stock by failing to disclose and misrepresenting the adverse facts detailed herein. As Defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the price of InvenSense common stock declined significantly as the prior artificial inflation came out of the Company's common stock price.

58. As a result of their purchases of InvenSense common stock during the Class Period, Plaintiff and the other Class members suffered economic loss, *i.e.*, damages, under the federal securities laws. Defendants' false and misleading statements had the intended effect and caused InvenSense common stock to trade at artificially inflated levels throughout the Class Period, reaching as high as $25.85 per share on August 29, 2014.

59. By concealing from investors the adverse facts detailed herein, Defendants presented a misleading picture of InvenSense's business, products and operations. When the truth about the Company was revealed to the market, the price of InvenSense common stock fell significantly. This decline removed the inflation from the price of InvenSense common stock, causing real economic loss to investors who had purchased InvenSense common stock during the Class Period.

60. The decline in the price of InvenSense common stock after the corrective disclosure came to light was a direct result of the nature and extent of Defendants' fraudulent

misrepresentations being revealed to investors and the market. The timing and magnitude of the price decline in InvenSense common stock negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to Defendants' fraudulent conduct.

61. The economic loss, *i.e.*, damages, suffered by Plaintiff and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the price of InvenSense common stock and the subsequent significant decline in the value of InvenSense common stock when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET DOCTRINE

62. At all relevant times, the market for InvenSense common stock was an efficient market for the following reasons, among others:

(a) InvenSense common stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient, electronic stock market;

(b) as a regulated issuer, InvenSense filed periodic public reports with the SEC and the NYSE;

(c) InvenSense regularly communicated with public investors via established market communication mechanisms, including regular disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) InvenSense was followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their brokerage firms. Each of these reports was publicly available and entered the public marketplace.

63. As a result of the foregoing, the market for InvenSense common stock promptly digested current information regarding InvenSense from all publicly available sources and

reflected such information in the prices of the common stock. Under these circumstances, all purchasers of InvenSense common stock during the Class Period suffered similar injury through their purchase of InvenSense common stock at artificially inflated prices and a presumption of reliance applies.

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

NO SAFE HARBOR

65. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

66. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of InvenSense who knew that the statement was false when made.

COUNT I
VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT
AND RULE 10b-5 PROMULGATED THEREUNDER
AGAINST ALL DEFENDANTS

67. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

68. During the Class Period, Defendants disseminated or approved the materially false and misleading statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

69. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock during the Class Period.

70. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for InvenSense common stock. Plaintiff and the Class would not have purchased InvenSense common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

71. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of InvenSense common stock during the Class Period.

72. This action was filed within two years of discovery of the fraud and within five years of each plaintiff's purchases of securities giving rise to the cause of action.

COUNT II
VIOLATION OF SECTION 20(a) OF THE EXCHANGE ACT
AGAINST THE INDIVIDUAL DEFENDANTS

73. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

74. The Individual Defendants acted as controlling persons of InvenSense within the meaning of Section 20(a) of the Exchange Act as alleged herein. By reason of their positions as officers and/or directors of InvenSense, and their ownership of InvenSense stock, the Individual

Defendants had the power and authority to cause InvenSense to engage in the wrongful conduct complained of herein.

75. By reason of such conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead Counsel;

B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATE: January 29, 2015

/s/Eric Lechtzin
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