

1 Laurence M. Rosen, Esq. (SBN 219683)
2 **THE ROSEN LAW FIRM, P.A.**
3 355 South Grand Avenue, Suite 2450
4 Los Angeles, CA 90071
5 Telephone: (213) 785-2610
6 Facsimile: (213) 226-4684
7 Email: lrosen@rosenlegal.com

8 *Counsel for Plaintiff*

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

VICTOR BAO, derivatively on behalf of
ALPHABET INC.,

Plaintiff,

vs.

LAWRENCE E. PAGE, SUNDAR PICHAI,
RUTH M. PORAT, SERGEY BRIN, ERIC E.
SCHMIDT, L. JOHN DOERR, ROGER W.
FERGUSON, JR., DIANE B. GREENE, JOHN
L. HENNESSY, ANN MATHER, ALAN R.
MULALLY, and K. RAM SCHRIRAM,

Defendants,

and

ALPHABET INC.,

Nominal Defendant.

Case No.:

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

DEMAND FOR JURY TRIAL

INTRODUCTION

Plaintiff Victor Bao (“Plaintiff”), by his undersigned attorneys, derivatively and on behalf of Nominal Defendant Alphabet Inc. (“Alphabet” or the “Company”), files this Verified Shareholder Derivative Complaint against Individual Defendants Lawrence E. Page, Sundar Pichai, Ruth M. Porat, Sergey Brin, Eric E. Schmidt, L. John Doerr, Roger W. Ferguson, Jr., Diane B. Greene, John L. Hennessy,

1 Ann Mather, Alan R. Mulally, and K. Ram Schriram (collectively, the “Individual Defendants” and
2 together with Alphabet, the “Defendants”) for breaches of their fiduciary duties as directors and/or officers
3 of Alphabet, unjust enrichment, waste of corporate assets, and violations of Sections 14(a), 10(b) and
4 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”). As for his complaint against the
5 Individual Defendants, Plaintiff alleges the following based upon personal knowledge as to himself and
6 his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation
7 conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the
8 Defendants’ public documents, conference calls and announcements made by Defendants, United States
9 Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding
10 Alphabet, legal filings, news reports, securities analysts’ reports and advisories about the Company, and
11 information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will
12 exist for the allegations set forth herein after a reasonable opportunity for discovery.
13
14

15 **NATURE OF THE ACTION**

16 1. This is a shareholder derivative action that seeks to remedy wrongdoing committed by
17 Alphabet’s directors and officers from at least 2015 through the present (the “Relevant Period”).

18 2. Alphabet, incorporated in 2015, is the parent company of Google, Inc. (“Google”), as well
19 as a variety of other businesses that the Company reports collectively as “Other Bets.” Google is a nearly
20 omnipresent technology company founded in 1998 whose name has become synonymous with online
21 searches.
22

23 3. One of the many services provided by Alphabet, through Google, is the Google+ social
24 media platform. Google+ creates the appearance that users can restrict the sharing of personal information
25 by toggling their privacy settings.
26
27
28

1 4. However, between 2015 and March of 2018, a software issue, or “bug” in the Google+
2 platform enabled outside developers to access personal information of users who had opted out of publicly
3 sharing their information (the “Data Breach”).

4 5. The bug was discovered in March 2018, as the Company itself admitted in October 2018.
5 The Company attempted to determine the scope of the bug’s impact, but was only able to determine how
6 many users had been impacted in the two weeks prior to the bug’s discovery—approximately 500,000 in
7 total—due to the Company’s data retention policy.

8 6. An internal memorandum regarding the Data Breach was drafted and circulated to senior
9 executives warning of the significant and immediate negative repercussions of disclosure. An internal
10 committee determined not to disclose the breach. Defendant Sundar Pichai was briefed on this plan.

11 7. On October 8, 2018, The Wall Street Journal revealed the Google+ data breach in an article
12 titled “Google Exposed User Data, Feared Repercussions of Disclosing to Public.” The article revealed,
13 among other things, the Data Breach, and the Company’s conscious and considered decision not to
14 disclose it to the public.

15 8. On this news, the price per share of Alphabet’s Class A stock declined over two trading
16 days from a close of \$1,167.83 per share on October 5, 2018 to close at \$1,145.17 per share on October
17 9, 2018 -- a drop of 1.9%, or \$22.66. The price per share of Alphabet’s Class C stock declined over two
18 trading days from a close of \$1,157.35 per share on October 5, 2018 to close at \$1,138.82 per share on
19 October 9, 2018 -- a drop of 1.6%, or \$18.53.

20 9. Days later, on October 10, 2018, Senator Richard Blumenthal announced that he would be
21 requesting that the Federal Trade Commission (“FTC”) investigate the Company as a result of the data
22 breach. Senator Blumenthal, joined by two other senators, sent a letter to the FTC that day, enjoining the
23 agency to conduct an investigation into the Google+ data breach.

1 10. On this news, the price per share of Alphabet’s Class A stock fell, closing at \$1,092.16 per
2 share on October 10, 2018 -- a drop of 4.6%, or \$53.01 from its closing price on October 9, 2018. The
3 price per share of Alphabet’s Class C stock also fell, closing at \$1,081.22 per share on October 10, 2018
4 -- a drop of 5%, or \$57.60, from their closing price on October 9, 2018.

5 11. On October 24, 2018, Senators Amy Klobuchar and Catherine Cortez Masto sent a letter
6 to Defendant Pichai regarding the Company’s failure to disclose the data breach for six months. The
7 Senator’s letter noted that the data breach raises “serious concerns” regarding the Company’s compliance
8 with consent decree the Company entered into with the with the FTC in 2011. That consent decree arose
9 from the FTC’s findings of privacy issues and deceptive tactics in connection with another social
10 networking product, Google Buzz.

11 12. On this news, the price per share of Alphabet’s Class A stock fell, closing at \$1,057.12 per
12 share on October 24, 2018 -- a drop of 5.2%, or \$57.79 from their closing price on October 23, 2018. The
13 price per share of Alphabet’s Class C stock also fell, closing at \$1,050,71 per share on October 24, 2018
14 -- a drop of 5%, or \$52.98 from their closing price on October 23, 2018.

15 13. During the Relevant Period, the investing public was under a false impression of the
16 Company’s business, operations, and financial success.

17 14. The Individual Defendants breached their fiduciary duties by knowingly or recklessly
18 permitting and failing to prevent the Data Breach.

19 15. Also during the Relevant Period, the Individual Defendants, in breach of their fiduciary
20 duties owed to Alphabet, willfully or recklessly made and/or caused the Company to make false and
21 misleading statements. Specifically, the Individual Defendants willfully or recklessly made and/or caused
22 the Company to make false and misleading statements that failed to disclose that: (1) a software issue
23 caused the Company to expose the private data of no less than 496,951 users of the Company’s Google+
24 social network; (2) the Company, with the knowledge of at least one of the Individual Defendants,
25
26
27
28

1 concealed this data breach for months; (3) the foregoing constituted a violation of the Company’s security
2 and data privacy policies, and may have constituted a violation of one or more consent decrees; (4) upon
3 the disclosure of the foregoing, the Company would be subject to reputational damage and increased
4 regulatory scrutiny; (5) the Company’s security systems were inadequate to protect user data; (6) the
5 Company’s management failed to set an appropriate “tone at the top”; (7) the Company failed to maintain
6 internal controls; and (8) due to the foregoing, Defendants’ statements regarding the Company’s business,
7 operations, and prospects were materially false, misleading, and lacked a reasonable basis in fact at all
8 relevant times.

9
10 16. The Individual Defendants failed to correct and/or caused the Company to fail to correct
11 these false and misleading statements and omissions of material fact, rendering them personally liable to
12 the Company for breaching their fiduciary duties.

13
14 17. Additionally, in breach of their fiduciary duties, the Individual Defendants willfully or
15 recklessly caused the Company to fail to maintain internal controls.

16
17 18. Furthermore, during the Relevant Period, the Individual Defendants breached their
18 fiduciary duties by causing the Company to repurchase its own stock at prices that were artificially inflated
19 due to the foregoing misrepresentations while four of them engaged in insider sales, netting proceeds of
20 approximately \$136 million. Approximately 3,750 shares of the Company’s Class C capital stock were
21 repurchased between April 1, 2018 and September 30, 2018 for approximately \$4.3 million.¹ As the
22 Company’s stock was actually only worth \$1,020.08 per share, the price at which it was trading when
23 markets closed on October 29, 2018, the Company overpaid approximately \$426,312 in total.

24
25 19. The Individual Defendants’ breaches of fiduciary duty and other misconduct have
26 subjected the Company and its Chief Executive Officer (“CEO”), its Chief Financial Officer (“CFO”),

27
28 ¹ Upon information and belief, some, if not all, of the 698 Class C shares repurchased in April 2018 were
repurchased subsequent to the beginning of the Relevant Period on April 23, 2018.

1 and Company subsidiary Google’s CEO to a federal securities fraud class action lawsuit pending in this
2 District, and has subjected the Company and its CEO and CFO to a federal securities fraud class action
3 lawsuit initially filed in the United States District Court for the Eastern District of New York and
4 subsequently transferred to this District (the “Securities Class Actions”), the Company and its subsidiary
5 Google to a class action alleging, *inter alia*, unlawful and unfair business practices and invasion of privacy
6 in the United States District Court for the Northern District of California (the “California Class Action”),
7 the need to undertake internal investigations, losses from the waste of corporate assets, and losses due to
8 the unjust enrichment of Individual Defendants who were improperly over-compensated by the Company
9 and who received proceeds of insider sales, and is costing the Company millions of dollars.

11 20. The Company has been substantially damaged as a result of the Individual Defendants’
12 knowing or highly reckless breaches of fiduciary duty and other misconduct.

14 21. In light of the breaches of fiduciary duty engaged in by the Individual Defendants, most of
15 whom are the Company’s current directors, of the collective engagement in fraud and misconduct by the
16 Company’s directors, of the substantial likelihood of the directors’ liability in this derivative action, and
17 of their not being disinterested and/or independent directors, a majority of the Board cannot consider a
18 demand to commence litigation against themselves on behalf of the Company with the requisite level of
19 disinterestedness and independence.

20 **JURISDICTION AND VENUE**

21 22. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because Plaintiff’s
22 claims raise a federal question under Section 14(a) of the Exchange Act, 15 U.S.C. § 78n, Rule 14a-9 of
23 the Exchange Act, 17 C.F.R. § 240.14a-9, Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§
24 78j(b), 78t(a) and 78t-1), and SEC Rule 10b-5 (17 C.F.R. § 240.10b-5) promulgated thereunder, and raise
25 a federal question pertaining to the claims made in the Securities Class Actions based on violations of the
26 Exchange Act.
27
28

1 23. This Court has supplemental jurisdiction over Plaintiff’s state law claims pursuant to 28
2 U.S.C. § 1367(a).

3 24. This derivative action is not a collusive action to confer jurisdiction on a court of the United
4 States that it would not otherwise have.

5 25. Venue is proper in this District because Alphabet is headquartered in this District. In
6 addition, a substantial portion of the transactions and wrongs complained of herein occurred in this
7 District, the Defendants have conducted business in this District, and Defendants’ actions have had an
8 effect in this District.
9

10 **PARTIES**

11 **Plaintiff**

12 26. Plaintiff is a current shareholder of Alphabet. Plaintiff has continuously held Alphabet
13 common stock at all relevant times.
14

15 **Nominal Defendant Alphabet**

16 27. Alphabet is a Delaware corporation with its principal executive offices at 1600
17 Amphitheatre Parkway, Mountain View, California, 94043. Alphabet’s Class A common shares trade on
18 the NASDAQ under the ticker symbol “GOOGL.” Alphabet’s Class C capital stock shares trade on the
19 NASDAQ under the ticker symbol “GOOG.” Alphabet’s Class B common stock, which entitles holders
20 to ten votes per share, as compared to one vote for holders of Class A common stock, is not listed or traded
21 on any exchange.
22

23 **Defendant Page**

24 28. Defendant Lawrence E. Page (“Page”) was a founder of Google, has served on the Board
25 since 1998, had has been Alphabet’s CEO since 2015. Prior to becoming the CEO of Alphabet, Defendant
26 Page served as the CEO of Google from 2011 to 2015. According to the Company’s Schedule 14A filed
27 with the SEC on April 28, 2018 (the “2018 Proxy Statement”), as of March 29, 2018, Defendant Page
28

1 beneficially owned 19,952,558 shares of the Company's Class B common stock, representing 25.9% of
2 total shareholder voting power as of that date.² Given that the price per share of the Company's Class A
3 common stock at the close of trading on March 29, 2018 was \$1,037.14, Page owned at least \$20.69
4 *billion* worth of Alphabet stock.³

5
6 29. For the fiscal years ended December 31, 2016 and 2017, Defendant Page received \$1 in
7 compensation from the Company, in the form of salary.

8 30. The Company's 2018 Proxy Statement stated the following about Defendant Page:

9 *Larry Page*,⁴ Chief Executive Officer of Alphabet, was one of Google's founders and has
10 served as a member of our Board of Directors since its inception in September 1998, and
11 as Google's Chief Executive Officer from April 2011 to October 2015 (when he became
12 the Chief Executive Officer of Alphabet). From July 2001 to April 2011, Larry served as
13 Google's President, Products. In addition, from September 1998 to July 2001, Larry served
14 as Google's Chief Executive Officer, and from September 1998 to July 2002, as Google's
15 Chief Financial Officer. Larry holds a Master of Science degree in computer science from
16 Stanford University and a Bachelor of Science degree in engineering, with a concentration
17 in computer engineering, from the University of Michigan.

18 31. Upon information and belief, Defendant Page is a citizen of the State of California.

19
20 **Defendant Porat**

21 32. Defendant Ruth M. Porat ("Porat") has served as Alphabet's and Google's Senior Vice
22 President and CFO since 2015. According to the 2018 Proxy Statement, as of March 29, 2018, Defendant
23 Porat beneficially owned 3,000 shares of the Company's Class A common stock. Given that the price per
24 share of the Company's Class A common stock at the close of trading on March 29, 2018 was \$1,037.14,
25 Porat owned over \$3.1 million worth of Alphabet stock.

26
27 ² The 2018 Proxy Statement did not report on ownership of the Company's Class C capital stock, and the
28 Individual Defendant's shareholdings listed herein are limited to their shares of Class A and Class B
common stock.

³ As noted above, there is no developed market for Alphabet's Class B common stock, which holds
superior voting rights to the Company's Class B common stock. Thus, the value of Class B common stock
is assumed to be at least equivalent in value to the Company's Class A common stock throughout this
complaint.

⁴ Emphasis is in the original unless otherwise noted throughout.

1 33. For the fiscal year ended December 31, 2016, Defendant Porat received \$39,074,129 in
2 compensation from the Company. This included \$650,000 in salary, \$38,313,13 in stock awards, and
3 \$110,956 in all other compensation. For the fiscal year ended December 31, 2017, Defendant Porat
4 received \$688,638 in compensation from the Company. This included \$650,000 in salary and \$38,638 in
5 all other compensation.
6

7 34. The Company's 2018 Proxy Statement stated the following about Defendant Porat:

8 *Ruth M. Porat*, Senior Vice President and Chief Financial Officer of Alphabet since
9 October 2015 and also Senior Vice President and Chief Financial Officer of Google since
10 May 2015. Prior to joining Google, she served as Executive Vice President and Chief
11 Financial Officer of Morgan Stanley since January 2010. She previously served as Vice
12 Chairman of Investment Banking from September 2003 to December 2009 and as Global
13 Head of the Financial Institutions Group from September 2006 through December 2009.
14 Ruth is Vice Chair of the Stanford University board of trustees and a member of the board
15 of directors of Stanford Management Company, a board member of The Council on
16 Foreign Relations and a member of the Advisory Council of the Hutchins Center on Fiscal
17 and Monetary Policy at the Brookings Institution. Ruth holds a Bachelor of Arts degree
18 from Stanford University, a Master of Business Administration degree with distinction
19 from The Wharton School of the University of Pennsylvania and a Master of Science from
20 the London School of Economics.

21 35. Upon information and belief, Defendant Porat is a citizen of the State of California.

22 **Defendant Pichai**

23 36. Defendant Sundar Pichai ("Pichai") has served as Google's CEO since 2015 and as a
24 member of Alphabet's Board since 2017. According to the 2018 Proxy Statement, as of March 29, 2018,
25 Defendant Pichai beneficially owned 16,332 shares of the Company's Class A common stock.⁵ Given that
26 the price per share of the Company's Class A common stock at the close of trading on March 29, 2018
27 was \$1,037.14, Pichai owned over \$16.9 million worth of Alphabet stock.
28

29 ⁵ This figure includes 12,541 shares of Class A common stock issuable upon exercise of options that are
30 fully vested and exercisable and 2,526 shares of Class A common stock issuable upon vesting of Google
31 Stock Units ("GSUs") within sixty days of March 29, 2018. GSUs entitle the beneficial owner to receive
32 one share of Class A common stock for each share underlying the GSU as the GSU vests.

37. During the period of time when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Pichai made the following sales of Company stock, and made no purchases of Company stock:

Date	Security	Number of Shares	Price ⁶	Proceeds
May 2, 2018	Class A	325	\$ 1,037.05	\$ 337,041
May 2, 2018	Class C	3,675	\$ 1,028.10	\$ 3,778,268
May 16, 2018	Class A	325	\$ 1,085.09	\$ 352,654
May 16, 2018	Class C	3,675	\$ 1,077.31	\$ 3,959,114
June 6, 2018	Class A	325	\$ 1,152.77	\$ 374,650
June 6, 2018	Class C	8,775	\$ 1,136.78-1,142.54	\$ 9,993,719
June 20, 2018	Class A	325	\$ 1,183.04	\$ 384,488
June 20, 2018	Class C	9,675	\$ 1,176.05-1,183.06	\$ 11,406,255
July 5, 2018	Class A	325	\$ 1,124.60	\$ 365,495
July 5, 2018	Class C	9,675	\$ 1,112.15-1,116.84	\$ 10,768,661
July 18, 2018	Class A	325	\$ 1,208.73	\$ 392,837
July 18, 2018	Class C	9,675	\$1,194.61-1,204.45	\$ 11,591,830
August 1, 2018	Class A	325	\$ 1,242.73	\$ 403,887
August 1, 2018	Class C	9,675	\$ 1,226.20-1,233.89	\$ 11,886,837
August 15, 2018	Class A	325	\$ 1,245.30	\$ 404,723
August 15, 2018	Class C	9,675	\$ 1,226.42-1,235.38	\$ 11,897,420
September 5, 2018	Class A	325	\$ 1,208.60	\$ 392,795
September 5, 2018	Class C	9,675	\$ 1,187.66-1,195.79	\$ 11,528,373
September 19, 2018	Class A	325	\$ 1,168.96	\$ 379,912
September 19, 2018	Class C	9,675	\$ 1,156.45-1,166.70	\$ 11,224,259
October 3, 2018	Class A	325	\$ 1,212.00	\$ 393,900
October 3, 2018	Class C	9,675	\$ 1,198.21- 1,206.55	\$ 8,198,535

Thus, in total, before the fraud was exposed, he sold 97,100 Company shares on inside information, for which he received approximately \$110.4 million. His insider sales made with knowledge of material non-public information before the material misstatements and omissions were exposed demonstrate his motive in facilitating and participating in the scheme.

⁶ Price ranges in this column represent the total range of prices at which Defendant Pichai sold Class C capital stock on the date in question. Proceeds have been calculated using the average prices listed in the relevant Form 4's filed with the SEC.

1 38. For the fiscal year ended December 31, 2016, Defendant Pichai received \$199,718,200 in
2 compensation from the Company. This included \$650,000 in salary, \$198,695,780 in stock awards, and
3 \$372,410 in all other compensation. For the fiscal year ended December 31, 2017, Defendant Pichai
4 received \$1,333,557 in compensation from the Company. This included \$650,000 in salary, and \$683,557
5 in all other compensation.
6

7 39. The Company's 2018 Proxy Statement stated the following about Defendant Pichai:

8 *Sundar Pichai*, Chief Executive Officer of Google since October 2015, has served as a
9 member of our Board of Directors since July 2017. Sundar previously served as Google's
10 Senior Vice President of Products from October 2014 to October 2015, and as Google's
11 Senior Vice President of Android, Chrome and Apps from March 2013 to October 2014.
12 Since joining Google in April 2004, Sundar has held various positions, including Google's
13 Senior Vice President, Chrome and Apps; Senior Vice President, Chrome; and Vice
14 President, Product Management. Prior to joining Google, Sundar worked in engineering
15 and product management at Applied Materials, Inc., a semiconductor company, and in
16 management consulting at McKinsey & Company, a management consulting firm. Sundar
17 was previously a director of Jive Software, Inc., a provider of communication and
18 collaboration solutions, from April 2011 to July 2013. Sundar holds a Master of Science
19 degree in materials, science and engineering from Stanford University, a Master of
20 Business Administration degree from The Wharton School of the University of
21 Pennsylvania, and a Bachelor of Engineering degree with honors in metallurgical
22 engineering from the Indian Institute of Technology Kharagpur.

23 40. Upon information and belief, Defendant Pichai is a citizen of the State of California.

24 **Defendant Brin**

25 41. Defendant Sergey Brin ("Brin") is one of the founders of Google, the President of
26 Alphabet, and has served as a member of the Board since 1998. According to the 2018 Proxy Statement,
27 as of March 29, 2018, Defendant Brin beneficially owned 19,290,366 shares of the Company's Class B
28 common stock, representing 25.1% of total shareholder voting power as of that date. Given that the price
per share of the Company's Class A common stock at the close of trading on March 29, 2018 was
\$1,037.14, Brin owned at least \$20 *billion* worth of Alphabet stock.

 42. For the fiscal years ended December 31, 2016 and 2017, Defendant Brin received \$1 in
compensation from the Company in the form of salary.

1 43. The Company's 2018 Proxy Statement stated the following about Defendant Brin:

2 *Sergey Brin*, President of Alphabet, was one of Google's founders and has served as a
3 member of our Board of Directors since its inception in September 1998. Previously,
4 Sergey served as Google's President, Technology and Co-Founder. In addition, from
5 September 1998 to July 2001, Sergey served as Google's President and Chairman of
6 Google's Board of Directors. Sergey holds a Master of Science degree in computer science
7 from Stanford University and a Bachelor of Science degree with high honors in
8 mathematics and computer science from the University of Maryland at College Park.

9 44. Upon information and belief, Defendant Brin is a citizen of the State of California.

10 **Defendant Schmidt**

11 45. Defendant Eric E. Schmidt ("Schmidt") has served as a member of the Company's Board
12 since 2001, and currently serves as a technical advisor to the Company. Defendant Schmidt previously
13 served as Google's CEO from 2001 to 2011 and as the Company's Executive Chair from 2011 to January
14 2018. According to the 2018 Proxy Statement, as of March 29, 2018, Defendant Schmidt beneficially
15 owned 219,960 shares of the Company's Class A common stock and 4,283,434 shares of the Company's
16 Class B common stock, representing 5.6% of total shareholder voting power as of that date.⁷ Given that
17 the price per share of the Company's Class A common stock at the close of trading on March 29, 2018
18 was \$1,037.14, Schmidt owned at least \$4.67 *billion* worth of Alphabet stock.

19 46. For the fiscal year ended December 31, 2016, Defendant Schmidt received \$4,309,791 in
20 compensation from the Company. This included \$1,250,000 in salary, \$2,430,685 in non-qualified
21 deferred compensation earnings, and \$629,106 in all other compensation. For the fiscal year ended
22 December 31, 2017, Defendant Schmidt received \$4,726,592 in compensation from the Company. This
23

24 _____
25 ⁷ This figure includes 181,840 shares of Class A common stock issuable upon exercise of options that are
26 fully vested and exercisable; 5,491 shares of Class A common stock issuable upon vesting of GSUs within
27 sixty days of March 29, 2018; 702,326 shares of Class B common stock held by the Schmidt Investments
28 L.P. of which the Schmidt Family Living Trust is the sole general partner; and 2,386,799 shares of Class
B common stock held by the Schmidt Family Living Trust of which Defendant Schmidt is a co-trustee.

1 included \$1,250,000 in salary, \$2,798,606 in non-qualified deferred compensation earnings, and \$677,986
2 in all other compensation.

3 47. The Company's 2018 Proxy Statement stated the following about Defendant Schmidt:

4 *Eric E. Schmidt*, Technical Advisor of Alphabet, has served as a member of our Board of
5 Directors since March 2001, and as Executive Chairman of our Board of Directors from
6 April 2011 to January 2018. From July 2001 to April 2011, Eric served as Google's Chief
7 Executive Officer. He was the chairman of Google's board of directors from March 2001
8 to April 2004, and again from April 2007 to April 2011. Prior to joining Google, from April
9 1997 to November 2001, Eric served as chairman of the board of directors of Novell, Inc.,
10 a computer networking company, and, from April 1997 to July 2001, as the Chief
11 Executive Officer of Novell. From 1983 until March 1997, Eric held various positions at
12 Sun Microsystems, Inc., a supplier of network computing solutions, including Chief
13 Technology Officer from February 1994 to March 1997, and President of Sun Technology
14 Enterprises from February 1991 until February 1994. Eric is a visiting innovation fellow at
15 the Massachusetts Institute of Technology. Eric holds a Doctoral degree and a Master of
16 Science degree in computer science from the University of California, Berkeley, and a
17 Bachelor of Science degree in electrical engineering from Princeton University.

18 48. Upon information and belief, Defendant Schmidt is a citizen of the State of California.

19 **Defendant Doerr**

20 49. Defendant L. John Doerr ("Doerr") has served as a Company director since 1999.
21 According to the 2018 Proxy Statement, as of March 29, 2018, Defendant Doerr beneficially owned
22 145,594 shares of the Company's Class A common stock and 1,117,447 shares of the Company's Class B
23 common stock, representing 1.5% of total shareholder voting power as of that date. Given that the price
24 per share of the Company's Class A common stock at the close of trading on March 29, 2018 was
25 \$1,037.14, Doerr owned over approximately \$1.31 *billion* worth of Alphabet stock.

26 50. During the period of time when the Company materially misstated information to the
27 investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Doerr
28 made the following sales of the Company's Class C capital stock, and made no purchases of Company
stock:

Date	Number of Shares	Price ⁸	Proceeds
May 15, 2018	11,097	\$ 1,075.42-1,090.30	\$ 11,999,485
August 15, 2018	10,262	\$ 1,212.47-1,231.34	\$ 12,519,386

Thus, in total, before the fraud was exposed, he sold 21,359 shares of the Company's Class C capital stock on inside information, for which he received approximately \$24.5 million. His insider sales made with knowledge of material non-public information before the material misstatements and omissions were exposed demonstrate his motive in facilitating and participating in the scheme.

51. For the fiscal year ended December 31, 2017, Defendant Doerr received \$430,567 in compensation from the Company, comprised of \$75,000 in fees earned or paid in cash and \$355,567 in stock awards.

52. The Company's 2018 Proxy Statement stated the following about Defendant Doerr:

L. John Doerr has served as a member of our Board of Directors since May 1999. John has been a General Partner of Kleiner Perkins Caufield & Byers, a venture capital firm, since August 1980. John has also been a member of the board of directors of Amyris, Inc., a renewable products company, since May 2006, and serves as chair of its nominating and governance committee and as a member of its leadership development and compensation committee. John was previously a director of Zynga, Inc., a provider of social game services, from April 2013 to May 2017. John holds a Master of Business Administration degree from Harvard Business School, and a Master of Science degree in electrical engineering and computer science, and a Bachelor of Science degree in electrical engineering from Rice University.

53. Upon information and belief, Defendant Doerr is a citizen of the State of California.

Defendant Ferguson

54. Defendant Roger W. Ferguson, Jr. ("Ferguson") has served as a Company director since 2016, and is a member of the Audit Committee.

⁸ Price ranges in this column represent the total range of prices at which Defendant Doerr sold Class C capital stock on the date in question. Proceeds have been calculated using the average prices listed in the relevant Form 4's filed with the SEC.

1 55. For the fiscal year ended December 31, 2017, Defendant Ferguson received \$410,708 in
2 compensation from the Company, comprised of \$71,552 in fees earned or paid in cash and \$339,156 in
3 stock awards.

4 56. The Company's 2018 Proxy Statement stated the following about Defendant Ferguson:

5
6 *Roger W. Ferguson, Jr.* has served as a member of our Board of Directors since June 2016.
7 Roger has served as the President and Chief Executive Officer of TIAA, a major financial
8 services company, since April 2008. He joined TIAA after his tenure at Swiss Re, a global
9 reinsurance company, where he served as Chairman of the firm's America Holding
10 Corporation, Head of Financial Services, and a member of the Executive Committee from
11 2006 to 2008. Prior to that, Roger joined the Board of Governors of the U.S. Federal
12 Reserve System in 1997 and served as its Vice Chairman from 1999 to 2006, and was a
13 consultant at McKinsey & Company from 1984 to 1997. Roger has been a member of the
14 board of directors of General Mills, Inc., a manufacturer and marketer of branded consumer
15 foods, since December 2015, and serves as chair of its finance committee, and as a member
16 of its corporate governance committee; and a member of the board of directors of
17 International Flavors & Fragrances, Inc., a creator of flavors and fragrances, since April
18 2010, and serves as chair of its compensation committee. He is currently Chairman of the
19 Conference Board and serves on the board of trustees of the Institute for Advanced Study,
20 The Group of Thirty, and the Memorial Sloan Kettering Cancer Center. Roger holds a
21 Bachelor of Arts degree in economics, a Doctoral degree in economics, and a Juris Doctor
22 degree, all from Harvard University.

23
24
25
Defendant Greene

26 57. Defendant Diane B. Greene ("Greene") has served as a Company director since 2012, and
27 as Senior Vice President and CEO of Google Cloud since 2015. According to the 2018 Proxy Statement,
28 as of March 29, 2018, Defendant Greene beneficially owned 185 shares of the Company's Class A
common stock.⁹ Given that the price per share of the Company's Class A common stock at the close of
trading on March 29, 2018 was \$1,037.14, Greene owned approximately \$191,870 worth of Alphabet
stock.

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

⁹ This figure includes 123 shares of Class A common stock held by the Greene/Rosenblum Family 2004 Trust; 11 shares of Class A common stock held by the Nathan Greene Rosenblum Irrevocable Trust; and 11 shares of Class A common stock held by the Mara Rosenblum Greene Irrevocable Trust. Defendant Greene is a trustee of each of these trusts and has voting and investment authority over the shares held by these trusts.

1 58. For the fiscal year ended December 31, 2017, Defendant Greene received \$674,177 in
2 compensation from the Company, comprised of \$650,000 in salary, \$15,048 in life insurance premiums,
3 and \$9,129 in other benefits and perquisites.

4 59. The Company's 2018 Proxy Statement stated the following about Defendant Greene:

5
6 *Diane B. Greene* has served as a member of our Board of Directors since January 2012 and
7 as a Senior Vice President, Chief Executive Officer, Google Cloud, since December 2015.
8 Diane founded bebop Technologies, Inc. (bebop) and served as Chief Executive Officer
9 and a member of its board of directors from December 2012 to December 2015 when bebop
10 was acquired by Google. Diane was previously a director of Intuit Inc., a provider of
11 business and financial management solutions, from August 2006 to January 2018. Diane
12 co-founded VMware, Inc., a virtualization software company, in 1998 and took the
13 company public in 2007. She served as Chief Executive Officer and President of VMware
14 from 1998 to 2008, as a member of the board of directors of VMware from 2007 to 2008,
15 and as an Executive Vice President of EMC Corporation, a provider of information
16 infrastructure and virtual infrastructure technologies, solutions and services, from 2005 to
17 2008. Prior to VMware, Diane held technical leadership positions at Silicon Graphics Inc.,
18 a provider of technical computing, storage and data center solutions, Tandem Computers,
19 Inc., a manufacturer of computer systems, and Sybase Inc., an enterprise software and
20 services company, and was Chief Executive Officer of VXtreme, Inc., a developer of
21 streaming media solutions. Diane is also a lifetime member of The MIT Corporation, the
22 governing body of the Massachusetts Institute of Technology. Diane holds a Master of
23 Science degree in computer science from the University of California, Berkeley, a Master
24 of Science degree in naval architecture from the Massachusetts Institute of Technology,
25 and a Bachelor of Arts degree in mechanical engineering from the University of Vermont.

26 60. Upon information and belief, Defendant Greene is a citizen of the State of California.

27 **Defendant Hennessy**

28 61. Defendant John L. Hennessy ("Hennessy") has served as a Company director since 2004,
and as the Company's Chairman since January 2018. According to the 2018 Proxy Statement, as of March
29, 2018, Defendant Hennessy beneficially owned 4,843 shares of the Company's Class A common
stock.¹⁰ Given that the price per share of the Company's Class A common stock at the close of trading on
March 29, 2018 was \$1,037.14, Hennessy owned approximately \$5 million worth of Alphabet stock.

¹⁰ This figure includes 4,760 shares of Class A common stock held by the Hennessy 1993 Revocable Trust. Defendant Hennessy is a trustee of the Hennessy 1993 Revocable Trust and has voting and investment authority over the shares held by the Trust.

62. During the period of time when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Hennessy made the following sales of Company stock, and made no purchases of Company stock:

Date	Security	Number of Shares	Price	Proceeds
July 25, 2018	Class A	400	\$ 1,257.92	\$ 503,168
July 25, 2018	Class C	324	\$ 1,240.89	\$ 402,048

Thus, in total, before the fraud was exposed, he sold 724 Company shares on inside information, for which he received approximately \$905,216. His insider sales made with knowledge of material non-public information before the material misstatements and omissions were exposed demonstrate his motive in facilitating and participating in the scheme.

63. For the fiscal year ended December 31, 2017, Defendant Hennessy received \$430,567 in compensation from the Company, comprised of \$75,000 in fees earned or paid in cash and \$355,567 in stock awards.

64. The Company's 2018 Proxy Statement stated the following about Defendant Hennessy:

John L. Hennessy has served as a member of our Board of Directors since April 2004 and as Chairman of the Board of Directors since January 2018. John previously served as our Lead Independent Director from April 2007 to January 2018. John served as the President of Stanford University from September 2000 to August 2016. John has also been a member of the board of directors of Cisco Systems, Inc., a networking equipment company, since January 2002, and serves on its nominating and governance committee and acquisition committee. He also serves as a trustee of the Gordon and Betty Moore Foundation and as a director of the Chan Zuckerberg Biohub. From 1994 to August 2000, John held various positions at Stanford, including Dean of the Stanford University School of Engineering and Chair of the Stanford University Department of Computer Science. John holds a Doctoral degree and a Master of Science degree in computer science from the State University of New York, Stony Brook, and a Bachelor of Science degree in electrical engineering from Villanova University.

65. Upon information and belief, Defendant Hennessy is a citizen of the State of California.

Defendant Mather

66. Defendant Ann Mather ("Mather") has served as a Company director since 2005, and is the Chair of the Audit Committee. According to the 2018 Proxy Statement, as of March 29, 2018,

1 Defendant Mather beneficially owned 1,680 shares of the Company's Class A common stock. Given that
 2 the price per share of the Company's Class A common stock at the close of trading on March 29, 2018
 3 was \$1,037.14, Mather owned over \$1.7 million worth of Alphabet stock.

4 67. During the period of time when the Company materially misstated information to the
 5 investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Mather
 6 made the following sales of the Company's Class C capital stock, and made no purchases of Company
 7 stock:
 8

Date	Number of Shares	Price	Proceeds
May 2, 2018	37	\$ 1,028.10	\$ 38,040
June 1, 2018	39	\$ 1,099.06	\$ 42,863
July 2, 2018	24	\$ 1,100.00	\$ 26,400
August 1, 2018	25	\$ 1,228.64	\$ 30,716
September 4, 2018	24	\$ 1,206.20	\$ 28,949
October 1, 2018	25	\$ 1,199.89	\$ 29,997

9
 10
 11
 12
 13
 14 Thus, in total, before the fraud was exposed, she sold 174 shares of the Company's Class C capital stock
 15 on inside information, for which she received approximately \$196,965. Her insider sales made with
 16 knowledge of material non-public information before the material misstatements and omissions were
 17 exposed demonstrate her motive in facilitating and participating in the scheme.
 18

19 68. For the fiscal year ended December 31, 2017, Defendant Mather received \$455,567 in
 20 compensation from the Company, comprised of \$100,000 in fees earned or paid in cash and \$355,567 in
 21 stock awards.

22 69. The Company's 2018 Proxy Statement stated the following about Defendant Mather:

23 *Ann Mather* has served as a member of our Board of Directors since November 2005. Ann
 24 has also been a member of the board of directors of: Arista Networks, Inc., a computer
 25 networking company, since June 2013, and serves as chair of its audit committee; Glu
 26 Mobile Inc., a publisher of mobile games, since September 2005, and serves on its
 27 nominating and corporate governance committee; Netflix, Inc., a streaming media
 28 company, since July 2010, and serves as chair of its audit committee; and Shutterfly, Inc.,
 an internet-based image publishing company, since May 2013 and serves on its audit
 committee. Ann has also been an independent trustee to the Dodge & Cox Funds board of
 trustees since May 2011. Ann was previously a director of Solazyme, Inc., a biotechnology

1 company, from April 2011 to November 2014. From 1999 to 2004, Ann was Executive
2 Vice President and Chief Financial Officer of Pixar, a computer animation film studio.
3 Prior to her service at Pixar, Ann was Executive Vice President and Chief Financial Officer
4 of Village Roadshow Pictures, the film production division of Village Roadshow Limited.
Ann holds a Master of Arts degree from Cambridge University in England, is an honorary
fellow of Sidney Sussex College, Cambridge, and is a chartered accountant.

5 70. Upon information and belief, Defendant Mather is a citizen of the State of California.

6 **Defendant Mulally**

7 71. Defendant Alan R. Mulally (“Mulally”) has served as a Company director since 2006, and
8 is a member of the Audit Committee.

9 72. For the fiscal year ended December 31, 2017, Defendant Mulally received \$430,567 in
10 compensation from the Company, comprised of \$75,000 in fees earned or paid in cash, and \$355,567 in
11 stock awards.
12

13 73. The Company’s 2018 Proxy Statement stated the following about Defendant Mulally:

14 *Alan R. Mulally* has served as a member of our Board of Directors since July 2014. Alan
15 served as President and Chief Executive Officer of Ford Motor Company, a global
16 automotive company, from September 2006 through June 2014. Alan was previously a
17 member of the board of directors of Ford and served on its finance committee from
18 September 2006 through June 2014. From March 2001 to September 2006, Alan served as
19 Executive Vice President of the Boeing Company and President and Chief Executive
20 Officer of Boeing Commercial Airplanes, Inc. He also was a member of the Boeing
21 Executive Council. Prior to that time, he served as President of Boeing’s space and defense
22 business. Alan served as co-chair of the Washington Competitiveness Council and sat on
23 the advisory boards of NASA, the University of Washington, the University of Kansas, the
Massachusetts Institute of Technology, and the U.S. Air Force Scientific Advisory Board.
He is a member of the U.S. National Academy of Engineering and a fellow of England’s
Royal Academy of Engineering. Alan holds a Bachelor of Science and Master of Science
degrees in aeronautical and astronautical engineering from the University of Kansas, and a
Master’s degree in Management from the Massachusetts Institute of Technology as a 1982
Alfred P. Sloan fellow.

24 **Defendant Shriram**

25 74. Defendant K. Ram Shriram (“Shriram”) has served as a Company director since 1998.
26 According to the 2018 Proxy Statement, as of March 29, 2018, Defendant Shriram beneficially owned
27
28

1 144,037 shares of the Company's Class A common stock.¹¹ Given that the price per share of the
2 Company's Class A common stock at the close of trading on March 29, 2018 was \$1,037.14, Shriram
3 owned approximately \$149.4 million worth of Alphabet stock.

4 75. For the fiscal year ended December 31, 2017, Defendant Shriram received \$430,567 in
5 compensation from the Company, comprised of \$75,000 in fees earned or paid in cash, and \$355,567 in
6 stock awards.
7

8 76. The Company's 2018 Proxy Statement stated the following about Defendant Shriram:

9 *K. Ram Shriram* has served as a member of our Board of Directors since September 1998.
10 Ram has been a managing partner of Sherpalo Ventures, LLC, an angel venture investment
11 company, since January 2000. From August 1998 to September 1999, Ram served as Vice
12 President of Business Development at Amazon.com, Inc., an ecommerce company. Prior
13 to that, Ram served as President at Jungle Corporation, a provider of database technology,
14 which was acquired by Amazon.com in 1998. Ram was an early member of the executive
15 team at Netscape Communications Corporation. Ram is also on the Stanford University
16 board of trustees. Ram holds a Bachelor of Science degree in mathematics from the
17 University of Madras, India.

18 77. Upon information and belief, Defendant Shriram is a citizen of the State of California.

19 **FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS**

20 78. By reason of their positions as officers, directors, and/or fiduciaries of Alphabet and
21 because of their ability to control the business and corporate affairs of Alphabet, the Individual Defendants
22 owed Alphabet and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and
23 were and are required to use their utmost ability to control and manage Alphabet in a fair, just, honest,
24 and equitable manner. The Individual Defendants were and are required to act in furtherance of the best
25 interests of Alphabet and its shareholders so as to benefit all shareholders equally.
26

27 ¹¹ This figure includes 63,041 shares of Class A common stock held by Defendant Shriram's spouse; and
28 16,884 shares of Class A common stock held by Janket Ventures Limited Partnership. Defendant Shriram
has voting and investment authority over the shares held by Janket Ventures Limited Partnership.

1 79. Each director, officer, and controller of the Company owes to Alphabet and its shareholders
2 the fiduciary duty to exercise good faith and diligence in the administration of the Company and in the
3 use and preservation of its property and assets and the highest obligations of fair dealing.

4 80. The Individual Defendants, because of their positions of control and authority as directors,
5 officers, and/or controllers of Alphabet, were able to and did, directly and/or indirectly, exercise control
6 over the wrongful acts complained of herein.

7 81. To discharge their duties, the officers, directors, and controllers of Alphabet were required
8 to exercise reasonable and prudent supervision over the management, policies, controls, and operations of
9 the Company.

10 82. Each Individual Defendant, by virtue of his, her, or its position as a director, officer, and/or
11 controlling shareholder owed to the Company and to its shareholders the highest fiduciary duties of
12 loyalty, good faith, and the exercise of due care and diligence in the management and administration of
13 the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct
14 of the Individual Defendants complained of herein involves a knowing and culpable violation of their
15 obligations as directors, officers, and controllers of Alphabet, the absence of good faith on their part, or a
16 reckless disregard for their duties to the Company and its shareholders that the Individual Defendants were
17 aware or should have been aware posed a risk of serious injury to the Company. The conduct of the
18 Individual Defendants who were also officers, directors, and/or controllers of the Company has been
19 ratified by the remaining Individual Defendants who collectively comprised Alphabet's Board at all
20 relevant times.

21 83. As senior executive officers, directors, and controllers of a publicly-traded company whose
22 common stock was registered with the SEC pursuant to the Exchange Act and traded on the NASDAQ,
23 the Individual Defendants had a duty to prevent and not to effect the dissemination of inaccurate and
24 untruthful information with respect to the Company's financial condition, performance, growth,
25
26
27
28

1 operations, financial statements, business, products, management, earnings, internal controls, and present
2 and future business prospects, including the dissemination of false information regarding the Company's
3 business, prospects, and operations, and had a duty to cause the Company to disclose in its regulatory
4 filings with the SEC all those facts described in this Complaint that it failed to disclose, so that the market
5 price of the Company's common stock would be based upon truthful and accurate information.
6 Additionally, the Individual Defendants had a duty not to cause the Company to waste corporate assets by
7 making the Company repurchase its own stock at artificially inflated prices, to the detriment of the
8 Company and its shareholders.

10 84. To discharge their duties, the officers and directors of Alphabet were required to exercise
11 reasonable and prudent supervision over the management, policies, practices, and internal controls of the
12 Company. By virtue of such duties, the officers and directors of Alphabet were required to, among other
13 things:

15 (a) ensure that the Company was operated in a diligent, honest, and prudent manner in
16 accordance with the laws and regulations of Delaware, California, and the United States, and pursuant to
17 Alphabet's own Code of Conduct;

18 (b) conduct the affairs of the Company in an efficient, business-like manner so as to
19 make it possible to provide the highest quality performance of its business, to avoid wasting the
20 Company's assets, and to maximize the value of the Company's stock;

22 (c) remain informed as to how Alphabet conducted its operations, and, upon receipt of
23 notice or information of imprudent or unsound conditions or practices, to make reasonable inquiry in
24 connection therewith, and to take steps to correct such conditions or practices;

25 (d) establish and maintain systematic and accurate records and reports of the business
26 and internal affairs of Alphabet and procedures for the reporting of the business and internal affairs to the
27

1 Board and to periodically investigate, or cause independent investigation to be made of, said reports and
2 records;

3 (e) maintain and implement an adequate and functioning system of internal legal,
4 financial, and management controls, such that Alphabet's operations would comply with all applicable
5 laws and Alphabet's financial statements and regulatory filings filed with the SEC and disseminated to
6 the public and the Company's shareholders would be accurate;

7
8 (f) exercise reasonable control and supervision over the public statements made by the
9 Company's officers and employees and any other reports or information that the Company was required
10 by law to disseminate;

11 (g) refrain from unduly benefiting themselves and other Company insiders at the
12 expense of the Company; and

13 (h) examine and evaluate any reports of examinations, audits, or other financial
14 information concerning the financial affairs of the Company and to make full and accurate disclosure of
15 all material facts concerning, *inter alia*, each of the subjects and duties set forth above.

16
17 85. Each of the Individual Defendants further owed to Alphabet and the shareholders the duty
18 of loyalty requiring that each favor Alphabet's interest and that of its shareholders over their own while
19 conducting the affairs of the Company and refrain from using their position, influence or knowledge of
20 the affairs of the Company to gain personal advantage.

21
22 86. At all times relevant hereto, the Individual Defendants were the agents of each other and
23 of Alphabet and were at all times acting within the course and scope of such agency.

24 87. Because of their advisory, executive, managerial, directorial, and controlling positions with
25 Alphabet, each of the Individual Defendants had access to adverse, non-public information about the
26 Company.

1 88. The Individual Defendants, because of their positions of control and authority, were able
2 to and did, directly or indirectly, exercise control over the wrongful acts complained of herein, as well as
3 the contents of the various public statements issued by Alphabet.

4 **CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION**

5 89. In committing the wrongful acts alleged herein, the Individual Defendants have pursued,
6 or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired
7 with one another in furtherance of their wrongdoing. The Individual Defendants caused the Company to
8 conceal the true facts as alleged herein. The Individual Defendants further aided and abetted and/or
9 assisted each other in breaching their respective duties.

10 90. The purpose and effect of the conspiracy, common enterprise, and/or common course of
11 conduct was, among other things, to: (i) facilitate and disguise the Individual Defendants' violations of
12 law, including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of
13 Sections 14(a), 10(b), and 20(a) of the Exchange Act; (ii) conceal adverse information concerning the
14 Company's operations, financial condition, legal compliance, future business prospects and internal
15 controls; and (iii) artificially inflate the Company's stock price while the Company repurchased its own
16 stock.

17 91. The Individual Defendants accomplished their conspiracy, common enterprise, and/or
18 common course of conduct by causing the Company purposefully or recklessly to conceal material facts,
19 fail to correct such misrepresentations, and violate applicable laws. In furtherance of this plan, conspiracy,
20 and course of conduct, the Individual Defendants collectively and individually took the actions set forth
21 herein. Because the actions described herein occurred under the authority of the Board, each of the
22 Individual Defendants who is a director of Alphabet was a direct, necessary, and substantial participant in
23 the conspiracy, common enterprise, and/or common course of conduct complained of herein.
24
25
26
27
28

1 92. Each of the Individual Defendants aided and abetted and rendered substantial assistance in
2 the wrongs complained of herein. In taking such actions to substantially assist the commission of the
3 wrongdoing complained of herein, each of the Individual Defendants acted with actual or constructive
4 knowledge of the primary wrongdoing, either took direct part in, or substantially assisted in the
5 accomplishment of that wrongdoing, and was or should have been aware of his or her overall contribution
6 to and furtherance of the wrongdoing.
7

8 93. At all times relevant hereto, each of the Individual Defendants was the agent of each of the
9 other Individual Defendants and of Alphabet, and was at all times acting within the course and scope of
10 such agency.

11 **ALPHABET’S CODE OF CONDUCT**

12 94. The Company’s Code of Conduct (the “Code of Conduct”) states that “[e]mployees of
13 Alphabet and its subsidiaries and controlled affiliates (‘Alphabet’) should do the right thing – follow the
14 law, act honorably, and treat co-workers with courtesy and respect.”
15

16 95. The Code of Conduct further states that “[w]e expect all of our employees and Board
17 members to know and follow this Code of Conduct.”

18 96. The Code of Conduct notes that “waivers of this Code for directors or executive officers
19 must be approved by our Board.”
20

21 97. The Code of Conduct provides, regarding “Financial Integrity and Responsibility,” in
22 relevant part, that persons subject to the Code of Conduct must “[e]nsure that money is appropriately
23 spent, our financial records are complete and accurate, and our internal controls are honored.”

24 98. Regarding legal compliance, the Code of Conduct provides that those subject to the Code
25 of Conduct must “[c]omply with all applicable legal requirements and understand the major laws and
26 regulations that apply to your work.”

27 99. Regarding “Competition Laws,” the Code of Conduct provides, in relevant part:
28

1 Be sure you follow all laws designed to promote free and fair competition and protect
2 consumers. ***These laws generally prohibit*** 1) arrangements with competitors that restrain
3 trade, 2) abuse of market power to unfairly disadvantage competitors, and 3) ***misleading***
4 ***or harming consumers***. Some of these laws carry civil and criminal penalties for
5 individuals and companies.

6 (Emphasis added.)

7 100. Regarding Insider Trading laws, the Code of Conduct provides the following:

8 ***Do not use non-public information to buy or sell stock***, or to pass it along to others so that
9 they may do so. ***That could constitute the crime of insider trading***.

10 Familiarize yourself with Alphabet's Insider Trading Policy. It describes policies that
11 address the risks of insider trading, such as:

- 12 • a prohibition on hedging Alphabet stock
- 13 • periodic blackout windows when you may not trade Alphabet stock

14 (Emphasis added.)

15 101. The Code of Conduct enjoins the Company's employees and directors to "Report
16 Concerns," stating, in relevant part:

17 To notify Alphabet's Audit Committee of any concerns regarding Alphabet's accounting,
18 internal controls, auditing or conflict minerals matters, you may mail your concern to:

19 Alphabet Inc.
20 Attn: Accounting Concerns
21 1600 Amphitheatre Parkway
22 Mountain View, CA 94043

23 102. In violation of the Code of Conduct, the Individual Defendants conducted little, if any,
24 oversight of the Company's engagement in the Individual Defendants' scheme to issue materially false
25 and misleading statements to the public and to facilitate and disguise the Individual Defendants' violations
26 of law, including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and violations
27 of Sections 14(a), 10(b), and 20(a) of the Exchange Act. Four of the Individual Defendants violated the
28 code by selling shares of Company stock during the Relevant Period while in possession of material, non-
public information about the Company. Moreover, in violation of the Code of Conduct, the Individual
Defendants failed to maintain the accuracy of Company records and reports, comply with laws and

1 regulations, conduct business in an honest and ethical manner, and properly report violations of the Code
2 of Conduct.

3 ALPHABET'S AUDIT COMMITTEE CHARTER

4 103. The Company's has adopted a Charter for its Audit Committee. That charter provides that
5 the purpose of the Audit Committee is to, among other things:
6

- 7 • *Oversee Alphabet's accounting and financial reporting processes, including*
8 *Alphabet's disclosure controls and procedures and system of internal controls* and
audits of Alphabet's consolidated financial statements.

9 * * *

- 10 • Provide oversight regarding significant financial matters, including Alphabet's tax
11 planning, treasury policies, currency exposures, dividends and share issuance and
12 repurchases.

13 104. Regarding the Audit Committee's responsibilities, the Audit Committee Charter provides,
14 in relevant part:

15 *The Audit Committee's main responsibility is to oversee Alphabet's financial reporting*
16 *process (including Alphabet's disclosure controls and procedures and system of internal*
17 *controls). The Audit Committee believes that Alphabet's policies and procedures should*
18 *remain flexible in order to best react to changing conditions and circumstances. The*
19 *following list includes the Audit Committee's main recurring processes in carrying out its*
responsibilities. This list is intended as a guide, with the understanding that the Audit
Committee can supplement it as appropriate, consistent with the requirements of the SEC
and the NASDAQ.

20 * * *

- 21 5. Internal Controls; Risk Assessment. *The Audit Committee will discuss with*
22 *management and the independent auditors the design, implementation, adequacy*
23 *and effectiveness of Alphabet's internal controls.* The Audit Committee will also meet
24 separately with the independent auditors, with and without management present, to
25 discuss the results of their examinations. *The Audit Committee will provide oversight*
26 *over the system of internal controls, relying upon management's and the independent*
27 *auditors' representations and assessments of, and recommendations regarding, these*
28 *controls. The Audit Committee will review any required disclosures regarding*
Alphabet's internal controls.

The Audit Committee has responsibility for oversight of risks and exposures associated
with financial matters, particularly financial reporting, tax, accounting, disclosure,
internal control over financial reporting, investment guidelines and credit and liquidity

1 matters, our programs and policies relating to legal compliance and strategy, and our
2 operational infrastructure, particularly reliability, business continuity, capacity,
3 security, and data privacy, including cybersecurity. The Audit Committee shall provide
4 regular reports to the full Board of Directors. In order to facilitate this review, the Audit
Committee shall meet in executive session with key management personnel and
representatives of outside advisors as required.

5 (Emphasis added.)

6 105. The Audit Committee Charter provides that the Audit Committee’s responsibilities also
7 include:

8 11. CEO and CFO Certifications. The Audit Committee will review the CEO and CFO
9 disclosure and certifications under Sections 302 and 906 of the Sarbanes-Oxley Act.

10 12. Related Party Transactions. The Audit Committee will review and approve all related
11 party transactions.

12 **INDIVIDUAL DEFENDANTS’ MISCONDUCT**

13 **Background**

14 106. Incorporated in 2015, Alphabet is the parent company of its leading subsidiary, Google.
15 Google was incorporated in 1998.

16 107. Google provides numerous services, including a search engine, email service, its “G Suite”
17 of productivity products, and a social networking platform, Google+.

18 108. Google has struggled to properly handle users’ data privacy. Google agreed to a proposed
19 settlement in March 2011, containing a consent decree, in connection with Google Buzz, a Google social
20 networking product. The FTC found that Google used deceptive tactics and violated its own privacy
21 promises to consumers when it launched Google Buzz in 2010. The settlement prevented Google from
22 misrepresenting the privacy of users’ information or user’s control over the collection, use, or disclosure
23 of covered information, and required Google to establish a “comprehensive privacy program” designed to
24 address privacy risks related to the its products and services, and “protect the privacy and confidentiality
25 of covered information.”
26
27
28

1 109. Google paid \$22.5 million in 2012 to settle charges it violated the 2011 decree as a result
2 of bypassing the privacy settings of customers using the Safari browser.

3 110. Google created an application programming interface (“API”)¹² as part of Google+ to allow
4 application developers to access the profile information of users who had permitted sharing of such
5 information through their privacy settings. Such information included users’ personal and contact
6 information, and information about other users to whom those users were connected on the network.
7

8 111. A bug in this API allowed outside developers to access personal information of Google+
9 users who had opted against disclosing such data in their privacy settings. This bug was present between
10 2015 and March 2018.

11 112. On February 6, 2018, the Company filed with the SEC its report for the fiscal year and
12 quarter ended December 31, 2017 on Form 10-K (the “2017 10-K”). Regarding the “Risk Factors” facing
13 the Company, the 2017 10-K stated, in relevant part:
14

15 ***Privacy concerns relating to our technology could damage our reputation and deter***
16 ***current and potential users or customers from using our products and services. If our***
17 ***security measures are breached resulting in the improper use and disclosure of user data,***
18 ***or if our services are subject to attacks that degrade or deny the ability of users to access***
our products and services, our products and services may be perceived as not being
secure, users and customers may curtail or stop using our products and services, and we
may incur significant legal and financial exposure.

19 From time to time, concerns have been expressed about whether our products, services, or
20 processes compromise the privacy of users, customers, and others. Concerns about our
21 practices with regard to the collection, use, disclosure, or security of personal information
or other privacy related matters, even if unfounded, could damage our reputation and
adversely affect our operating results.

22 Our products and services involve the storage and transmission of users’ and customers’
23 proprietary information, and theft and security breaches expose us to a risk of loss of this
24 information, improper use and disclosure of such information, litigation, and potential
25 liability. Any systems failure or compromise of our security that results in the release of
our users’ data, or in our or our users’ ability to access such data, could seriously harm our
reputation and brand and, therefore, our business, and impair our ability to attract and retain
users. We expect to continue to expend significant resources to maintain state-of-the-art
security protections that shield against theft and security breaches.

26 We experience cyber attacks of varying degrees on a regular basis. Our security measures
27

28 ¹² An API is a software intermediary allowing two applications to communicate with one another.

1 may also be breached due to employee error, malfeasance, system errors or vulnerabilities,
2 including vulnerabilities of our vendors, suppliers, their products, or otherwise. Such
3 breach or unauthorized access, increased government surveillance, or attempts by outside
4 parties to fraudulently induce employees, users, or customers to disclose sensitive
5 information in order to gain access to our data or our users' or customers' data could result
6 in significant legal and financial exposure, damage to our reputation, and a loss of
7 confidence in the security of our products and services that could potentially have an
8 adverse effect on our business. . . . If an actual or perceived breach of our security occurs,
9 the market perception of the effectiveness of our security measures could be harmed and
10 we could lose users and customers.

11 113. The data made available as a result of the Data Breach is highly valuable on the black
12 market, particularly to identity thieves who can use the names, email addresses, birthdates, occupations,
13 genders, nicknames, and other personal information to gain access to countless existing websites and
14 accounts.

15 114. Such personal information can be used against the people it belongs to by way of
16 blackmail, embarrassment, or harassment, in addition to fraudulent activity such as obtaining driver's
17 licenses or other identification cards, obtaining government benefits, and obtaining tax returns and
18 refunds.

19 115. In April 2007, the President's Identity Task Force published an article through the Federal
20 Trade Commission titled, "Combating Identity Theft – A Strategic Plan," which discussed the harms
21 people potentially face from identity theft, stating, in relevant part:

22 In addition to the losses that result when identity thieves fraudulently open accounts or
23 misuse existing accounts, monetary costs of identity theft include indirect costs to
24 businesses for fraud prevention and mitigation of the harm once it has occurred (e.g., for
25 mailing notices to consumers and upgrading systems). Similarly, individual victims often
26 suffer indirect financial costs, including the costs incurred in both civil litigation initiated
27 by creditors and in overcoming the many obstacles they face in obtaining or retaining
28 credit. Victims of non-financial identity theft, for example, health-related or criminal
record fraud, face other types of harm and frustration.

In addition to out-of-pocket expenses that can reach thousands of dollars for the victims of
new account identity theft, and the emotional toll identity theft can take, some victims have
to spend what can be a considerable amount of time to repair the damage caused by the
identity thieves. Victims of new account identity theft, for example, must correct fraudulent
information in their credit reports and monitor their reports for future inaccuracies, close
existing bank accounts and open new ones, and dispute charges with individual creditors.

1 116. In the 2013 Norton Report, published by Norton, an antivirus & cybersecurity software
2 company, and drawing from one of the largest consumer cybercrime studies ever conducted, the global
3 price tag of cybercrime was estimated at around \$113 billion at the time, with victims facing an average
4 cost of \$298.

5 117. Identity theft issues are made worse by the fact that identity thieves may wait years before
6 using the personal information they are in possession of. As such, victims of the Data Breach will have
7 to worry of their data being used for unauthorized reasons for years and potentially decades.

8 118. The personal information obtained through the Data Breach is commonly sold on the
9 “dark web,” a heavily encrypted section of the internet that hinders authorities’ ability to find the location
10 or owners of a website, and is accessible through a special browser that seeks to conceal users’ identities
11 and online activities. Once personal information is purchased, it can be used to gain access to bank
12 accounts, social media, and credit card information. Other sensitive information can be drawn after
13 accessing different accounts, including information drawn from accounts belonging to family, colleagues,
14 and friends of the person whose account was initially breached.

15 119. Google’s Terms of Service, found at <https://policies.google.com/terms>, note that
16 information is collected by Google from its users. Google’s Privacy Policy, effective as of May 25, 2018
17 and still in effect as of the date of filing of this Complaint, states prominently: “When you use our
18 services, you’re trusting us with your information. We understand this is a big responsibility and work
19 hard to protect your information and put you in control.” The Privacy Policy also notes, “We’ll share
20 personal information outside of Google when we have your consent.” Moreover, the policy states that
21 users “have choices regarding the information we collect and how it’s used,” that Google will “ask for
22 your consent before using your information for a purpose that isn’t covered in this Privacy Policy,” and
23 that Google will “ask for your explicit consent to share any sensitive personal information.” Google also
24 states that users “[c]ontrol whom you share information with through your account on Google+.”
25
26
27
28

The Data Breach

1
2 120. Purportedly in March 2018, the Company discovered the bug in the Google+ API. The
3 Company then conducted a review of the two weeks of available data, determining the Data Breach
4 included the data of 496,951 Google+ users who had shared private profile data with a friend that could
5 have been accessed by as many as 438 third-party applications.
6

7 121. The Company announced October 8, 2018 that it would permanently shut down the
8 consumer functionality of Google+, and disclosed that the Data Breach was caused by a “software glitch”
9 which allowed outside application vendors to access private Google+ profile data from at least 2015 to
10 March 2018.

11 122. In breach of their fiduciary duties, the Individual Defendants knowingly or recklessly
12 permitted or failed to prevent the Data Breach, despite that the user information compromised in the breach
13 was—according to Google—purportedly protected and only shared with express permissions. As a result
14 of the Data Breach, the Individual Defendants exposed user data to third parties without authorization,
15 indicating that the Company had lax or non-existent data and security policies and protocols, and that the
16 Company’s security systems were ultimately inadequate to protect user data.
17

18 123. Users of Google+ can permit third party applications to access their private profile data.
19 The bug in the API permitted third party apps to access personal profile data of other Google+ users within
20 the authorized user’s Google+ circles, or designated groups. The method of access was as follows:
21

- 22 • User A signs up for Google+ and provides personal information including name,
23 date of birth, employer, gender, etc.
- 24 • User A goes into Google+’s privacy setting to make his or her profile data viewable
25 to just a specific circle or certain friends on Google+, including User B.
- 26 • User B signs up for a third-party application that asks User B to log in using his or
27 her Google+ credentials, and User B gives the application permission to access his
28 or her profile information.

- The developer of the application collects User B’s data, but as a result of the bug, the developer also is able to collect the private profile data of User A.

124. The Individual Defendants knowingly or recklessly allowed this vulnerability to persist since at least 2015, fearing public repercussions had it been disclosed. Concomitantly, private data belonging to Google+ users was being leaked to unauthorized third parties.

125. Google’s API logs only keep historical data for 2 weeks, so it is not clear precisely how many users had their information compromised during the years the Data Breach was occurring. The report of nearly 500,000 users being affected only reflects what was determined for a two-week period prior to the discovery of the Data Breach purportedly in March 2018. Since the Data Breach occurred since at least 2015, the total users compromised can be expected to be significantly larger.

126. In response to the bug’s discovery, a memorandum was drafted by the Company’s legal and policy staff and shared with the Company’s senior executives. The memo asserted that disclosing the Data Breach would trigger “immediate regulatory interest” and bring Google “into the spotlight alongside or even instead of Facebook” following the Cambridge Analytica scandal. Further, the memo asserted that disclosing the bug “almost guarantees [Defendant Pichai] will testify before Congress.”

127. The Wall Street Journal later reported that after an internal committee decided that the Data Breach should not be disclosed, Defendant Pichai was briefed on the plan.

128. In breach of their fiduciary duties, the Individual Defendants knowingly or recklessly permitted or failed to prevent the Data Breach. In further breach of their fiduciary duties, they made the following false and misleading statements concerning, *inter alia*, the Data Breach itself.

False and Misleading Statements

2018 Q1 10-Q

129. On April 13, 2018 the Company filed with the SEC its report for the fiscal quarter ended March 31, 2018 on Form 10-Q (the “2018 Q1 10-Q”), which was signed by Defendant Porat.

130. Regarding “Risk Factors,” the 2018 Q1 10-Q stated, in relevant part:

1 Our operations and financial results are subject to various risks and uncertainties, including
2 those described in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for
3 the year ended December 31, 2017, which could adversely affect our business, financial
4 condition, results of operations, cash flows, and the trading price of our common and
5 capital stock. There have been no material changes to our risk factors since our Annual
6 Report on Form 10-K for the year ended December 31, 2017.

7 131. Regarding the Company’s internal controls, the 2018 Q1 10-Q stated, in relevant part:

8 Our management, with the participation of our chief executive officer and chief financial
9 officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to
10 Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Quarterly
11 Report on Form 10-Q.

12 Based on this evaluation, *our chief executive officer and chief financial officer concluded
13 that, as of March 31, 2018, our disclosure controls and procedures are designed at a
14 reasonable assurance level and are effective* to provide reasonable assurance that
15 information we are required to disclose in reports that we file or submit under the Exchange
16 Act is recorded, processed, summarized, and reported within the time periods specified in
17 the SEC’s rules and forms, and that such information is accumulated and communicated to
18 our management, including our chief executive officer and chief financial officer, as
19 appropriate, to allow timely decisions regarding required disclosure.

20 (Emphasis added.)

21 132. Attached to the 2018 Q1 10-Q were certifications pursuant to Rule 13a-14(a) and 15d-14(a)
22 under the Exchange Act and the Sarbanes-Oxley Act of 2002 (“SOX”) signed by Defendants Page and
23 Porat, attesting to the accuracy of the 2018 Q1 10-Q.

24 ***2018 Proxy Statement***

25 133. The Company filed its 2018 Proxy Statement with the SEC on April 27, 2018. Defendants
26 Page, Brin, Schmidt, Doerr, Ferguson, Greene, Hennessy, Mather, Mulally, Pichai, and Shriram solicited
27 the 2018 Proxy Statement filed pursuant to Section 14(a) of the Exchange Act, which contained material
28 misstatements and omissions.¹³

¹³ Plaintiff’s allegations with respect to the misleading statements in the 2018 Proxy Statement are based solely on negligence; they are not based on any allegation of reckless or knowing conduct by or on behalf of the Individual Defendants, and they do not allege, and do not sound in, fraud. Plaintiff specifically disclaims any allegations of, reliance upon any allegation of, or reference to any allegation of fraud, scienter, or recklessness with regard to these allegations and related claims.

1 134. Regarding the “Board’s Role in Risk Oversight,” the 2018 Proxy Statement stated, in
 2 relevant part:

3 *The Board of Directors has responsibility for risk oversight, with regular reviews of*
 4 *certain areas being conducted by the relevant committees of the Board of Directors, and,*
 5 *when appropriate, by the full Board of Directors.* Risk topics covered by the relevant
 6 Board committees are shared with the full Board of Directors. The oversight responsibility
 7 of the Board of Directors and its committees is enabled by management reporting
 8 processes, including an annual company-wide risk assessment, that are designed to provide
 9 visibility to the Board of Directors and its committees about the identification, assessment,
 10 and management of critical risks and management’s risk mitigation strategies. *These areas*
 11 *of focus include strategic, operational, financial and reporting, succession and*
 12 *compensation, compliance, and other risks, such as privacy and cybersecurity.* The Board
 13 of Directors and its committees oversee risks associated with their respective areas of
 14 responsibility, as summarized on page 29 of this proxy statement. Each committee meets
 15 in executive session with key management personnel and representatives of outside
 16 advisors as required.

17 (Emphasis added.)

18 135. The 2018 Proxy Statement then provided a table outlining the risk oversight roles of the
 19 various Board committees, stating, in relevant part:

Board/Committee	Primary Areas of Risk Oversight
Full Board	Strategic, financial, and <i>execution risks and exposures associated with our business strategy</i> , product innovation, and sales roadmap, policy matters, significant litigation and regulatory exposures, <i>and other current matters that may present material risk to our financial performance, operations</i> , infrastructure, plans, prospects <i>or reputation</i> , acquisitions and divestitures.
Audit Committee	<i>Risks and exposures associated with</i> financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, investment guidelines and credit and liquidity matters, our programs and policies relating to legal compliance and strategy, merger and acquisition activities, <i>and our operational infrastructure, particularly</i> reliability, business

continuity, capacity, security, and *data privacy, including cybersecurity*.

(Bold headings in original. Bold & italic emphasis added.)

136. The 2018 Proxy Statement stated, regarding its Code of Conduct that:

We have adopted a code of business conduct and ethics for directors, officers (including our principal executive officer, principal financial officer, and principal accounting officer), and employees, known as the Alphabet Code of Conduct. We have also adopted Corporate Governance Guidelines, which, in conjunction with our certificate of incorporation, bylaws, and charters of the standing committees of our Board of Directors, form the framework for our corporate governance. The Alphabet Code of Conduct and our Corporate Governance Guidelines are available on the Investor Relations section of our website at <https://abc.xyz/investor/>. We will post amendments to the Alphabet Code of Conduct or any waivers of the Alphabet Code of Conduct for directors and executive officers on the same website.

(Emphasis added.)

137. The 2018 Proxy Statement was false and misleading because, despite assertions to the contrary, its Code of Conduct was not followed, as evidenced by the numerous false and misleading statements alleged herein and the insider trading engaged in by four of the Individual Defendants.

138. The Individual Defendants also caused the 2018 Proxy Statement to be false and misleading with regard to executive compensation in that they purported to employ “pay-for-performance” elements, including an “equity awards to align employee and stockholder interests” while failing to disclose that the Company’s share price was artificially inflated as a result of false and misleading statements alleged herein and the repurchases of Company stock.

139. The 2018 Proxy Statement also failed to disclose that: (1) a software issue caused the Company to expose the private data of no less than 496,951 users of the Company’s Google+ social network; (2) the Company, with the knowledge of at least one of the Individual Defendants, concealed this data breach for months; (3) the foregoing constituted a violation of the Company’s security and data privacy policies, and may have constituted a violation of one or more consent decrees; (4) upon the disclosure of the foregoing, the Company would be subject to reputational damage and increased regulatory scrutiny; (5) the Company’s security systems were inadequate to protect user data; (6) the

1 Company’s management failed to set an appropriate “tone at the top”; (7) the Company failed to maintain
2 internal controls; and (8) due to the foregoing, Defendants’ statements regarding the Company’s business,
3 operations, and prospects were materially false, misleading, and lacked a reasonable basis in fact at all
4 relevant times.

5 ***Privacy Policy***

6
7 140. Google has adopted and published a privacy policy, the most recent version of which was
8 effective as of May 25, 2018 (the “Privacy Policy”). The Privacy Policy provides, regarding users’ sharing
9 of personal information:

10 **When you share your information**

11 ***Many of our services let you share information with other people, and you have***
12 ***control over how you share.*** For example, you can share videos on YouTube publicly
13 or you can decide to keep your videos private. Remember, when you share information
14 publicly, your content may become accessible through search engines, including
Google Search.

15 (Bold heading in original, bold & italic emphasis added.)

16 141. The Privacy Policy provides, regarding Google’s sharing of users’ personal information,
17 that:

18 ***We do not share your personal information with companies, organizations, or***
19 ***individuals outside of Google except in the following cases:***

20 With your consent

21 We’ll share personal information outside of Google when we have your consent. For
22 example, if you use Google Home to request a ride from a ride-sharing service, we’ll
23 get your permission before sharing your address with that service. ***We’ll ask for your***
explicit consent to share any sensitive personal information.

24 With domain administrators

25 * * *

26 For external processing

27 * * *

28 For legal reasons

1 (Emphasis added.)

2 142. The Privacy Policy further asserts that Google protects users' information by building
3 security into the Company's services. The Privacy Policy states, in relevant part:

4 **We build security into our services to protect your information**

5 *All Google products are built with strong security features that continuously protect*
6 *your information.* The insights we gain from maintaining our services help us detect
7 and automatically block security threats from ever reaching you. And *if we do detect*
8 *something risky that we think you should know about, we'll notify you and help guide*
you through steps to stay better protected.

9 *We work hard to protect you and Google from unauthorized access, alteration,*
10 *disclosure, or destruction of information we hold,* including:

- 11 • We use encryption to keep your data private while in transit
- 12 • We offer a range of security features, like Safe Browsing, Security Checkup, and 2
13 Step Verification to help you protect your account
- 14 • *We review our information collection, storage, and processing practices,*
15 *including physical security measures, to prevent unauthorized access to our*
16 *systems*
- 17 • *We restrict access to personal information to Google employees, contractors, and*
18 *agents who need that information in order to process it.* Anyone with this access
19 is subject to strict contractual confidentiality obligations and may be disciplined or
20 terminated if they fail to meet these obligations.

21 (Bold heading in original, bold & italic emphasis added.)

22 ***2018 Q2 10-Q***

23 143. On July 24, 2018 the Company filed with the SEC its report for the fiscal quarter ended
24 June 30, 2018 on Form 10-Q (the "2018 Q2 10-Q"), which was signed by Defendant Porat.

25 144. Regarding "Risk Factors," the 2018 Q2 10-Q stated, in relevant part:

26 Our operations and financial results are subject to various risks and uncertainties, including
27 those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for
28 the year ended December 31, 2017, which could adversely affect our business, financial
condition, results of operations, cash flows, and the trading price of our common and
capital stock. There have been no material changes to our risk factors since our Annual
Report on Form 10-K for the year ended December 31, 2017.

(Emphasis added.)

1 145. Regarding the Company's internal controls and procedures, the 2018 Q2 10-Q stated, in
2 relevant part:

3 ***Our management, with the participation of our chief executive officer and chief***
4 ***financial officer, evaluated the effectiveness of our disclosure controls and procedures***
5 ***pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by***
this Quarterly Report on Form 10-Q.

6 Based on this evaluation, our ***chief executive officer and chief financial officer concluded***
7 ***that, as of June 30, 2018, our disclosure controls and procedures are designed at a***
8 ***reasonable assurance level and are effective*** to provide reasonable assurance that
9 information we are required to disclose in reports that we file or submit under the Exchange
10 Act is recorded, processed, summarized, and reported within the time periods specified in
11 the SEC's rules and forms, and that such information is accumulated and communicated to
12 our management, including our chief executive officer and chief financial officer, as
13 appropriate, to allow timely decisions regarding required disclosure.

14 (Emphasis added.)

15 146. Attached to the 2018 Q2 10-Q were SOX certifications signed by Defendants Page and
16 Porat, attesting to the accuracy of the 2018 Q2 10-Q.

17 147. The statements in ¶¶ 129-132 and 140-146 were materially false and misleading, and they
18 failed to disclose material facts necessary to make the statements made not false and misleading.
19 Specifically, the Individual Defendants improperly failed to disclose that: (1) a software issue caused the
20 Company to expose the private data of no less than 496,951 users of the Company's Google+ social
21 network; (2) the Company, with the knowledge of at least one of the Individual Defendants, concealed
22 this data breach for months; (3) the foregoing constituted a violation of the Company's security and data
23 privacy policies, and may have constituted a violation of one or more consent decrees; (4) upon the
24 disclosure of the foregoing, the Company would be subject to reputational damage and increased
25 regulatory scrutiny; (5) the Company's security systems were inadequate to protect user data; (6) the
26 Company's management failed to set an appropriate "tone at the top"; (7) the Company failed to maintain
27 internal controls; and (8) due to the foregoing, Defendants' statements regarding the Company's business,
28 operations, and prospects were materially false, misleading, and lacked a reasonable basis in fact at all
relevant times.

The Truth Begins to Emerge

148. The Wall Street Journal published an article on October 8, 2018 revealing that the private data of hundreds of thousands of Google+ users had been exposed, titled “Google Exposed User Data, Feared Repercussions of Disclosing to Public.”

149. The article began by discussing the breach and Google’s response thereto:

Google exposed the private data of hundreds of thousands of users of the Google+ social network and then opted not to disclose the issue this past spring, in part because of fears that doing so would draw regulatory scrutiny and cause reputational damage, according to people briefed on the incident and documents reviewed by The Wall Street Journal.

As part of its response to the incident, the Alphabet Inc. [] unit on Monday announced a sweeping set of data privacy measures that include permanently shutting down all consumer functionality of Google+. The move effectively puts the final nail in the coffin of a product that was launched in 2011 to challenge Facebook Inc. [] and is widely seen as one of Google’s biggest failures.

A software glitch in the social site gave outside developers potential access to private Google+ profile data between 2015 and March 2018, when internal investigators discovered and fixed the issue, according to the documents and people briefed on the incident. *A memo reviewed by the Journal prepared by Google’s legal and policy staff and shared with senior executives warned that disclosing the incident would likely trigger “immediate regulatory interest” and invite comparisons to Facebook’s leak of user information to data firm Cambridge Analytica.*

Chief Executive Sundar Pichai was briefed on the plan not to notify users after an internal committee had reached that decision, the people said.

(Emphasis added.)

150. The article continued, stating:

The closure of Google+ is part of a broader review of privacy practices by Google that has determined the company needs tighter controls on several major products, the people said. In its announcement Monday, the company said it is curtailing the access it gives outside developers to user data on Android smartphones and Gmail.

The episode involving Google+, which hasn’t been previously reported, shows the company’s concerted efforts to avoid public scrutiny of how it handles user information, particularly at a time when regulators and consumer privacy groups are leading a charge to hold tech giants accountable for the vast power they wield over the personal data of billions of people.

The snafu threatens to give Google a black eye on privacy after public assurances that it was less susceptible to data gaffes like those that have befallen Facebook. It may also complicate Google’s attempts to stave off unfavorable regulation in Washington. Mr. Pichai recently agreed to testify before Congress in the coming weeks.

“Whenever user data may have been affected, we go beyond our legal requirements and

1 apply several criteria focused on our users in determining whether to provide notice,” a
2 Google spokesman said in a statement.

3 In weighing whether to disclose the incident, the company considered “whether we could
4 accurately identify the users to inform, whether there was any evidence of misuse, and
5 whether there were any actions a developer or user could take in response,” he said. “None
6 of these thresholds were met here.”

7 151. Regarding the Company’s discovery of the data breach, the article stated, in relevant part:

8 *In March of this year, Google discovered that Google+ also permitted developers to
9 retrieve the data of some users who never intended to share it publicly, according to the
10 memo and two people briefed on the matter. Because of a bug in the API, developers
11 could collect the profile data of their users’ friends even if that data was explicitly marked
12 nonpublic in Google’s privacy settings, the people said.*

13 *During a two-week period in late March, Google ran tests to determine the impact of the
14 bug, one of the people said. It found 496,951 users who had shared private profile data
15 with a friend could have had that data accessed by an outside developer, the person said.
16 Some of the individuals whose data was exposed to potential misuse included paying users
17 of G Suite, a set of productivity tools including Google Docs and Drive, the person said. G
18 Suite customers include businesses, schools and governments.*

19 Because the company kept a limited set of activity logs, it was unable to determine which
20 users were affected and what types of data may potentially have been improperly collected,
21 the two people briefed on the matter said. *The bug existed since 2015, and it is unclear
22 whether a larger number of users may have been affected over that time.*

23 Google believes up to 438 applications had access to the unauthorized Google+ data, the
24 people said. Strobe investigators, after testing some of the apps and checking to see if any
25 of the developers had previous complaints against them, determined none of the developers
26 looked suspicious, the people said. *The company’s ability to determine what was done
27 with the data was limited because the company doesn’t have “audit rights” over its
28 developers, the memo said. The company didn’t call or visit with any of the developers,
the people said.*

(Emphasis added.)

152. Regarding the Company’s disclosure of the breach, the article stated, in relevant part:

29 The question of whether to notify users went before Google’s Privacy and Data Protection
30 Office, a council of top product executives who oversee key decisions relating to privacy,
31 the people said.

32 Internal lawyers advised that Google wasn’t legally required to disclose the incident to the
33 public, the people said. Because the company didn’t know what developers may have what
34 data, the group also didn’t believe notifying users would give any actionable benefit to the
35 end users, the people said.

36 The memo from legal and policy staff wasn’t a factor in the decision, said a person familiar
37 with the process, but reflected internal disagreements over how to handle the matter.

38 *The document shows Google officials felt that disclosure could have serious
ramifications.* Revealing the incident would likely result “in us coming into the spotlight

1 alongside or even instead of Facebook despite having stayed under the radar throughout
2 the Cambridge Analytica scandal,” the memo said. It “almost guarantees Sundar will testify
before Congress.”

3 (Emphasis added.)

4 153. The data breach was reported by numerous other news outlets on October 8, 2018,
5 including Fox News, Business Insider, CBS News, The New York Times, and The New York Post.

6 154. Also on October 8, 2018, Alphabet issued a blog post announcing that it would be shutting
7 down Google+ by the end of August 2019. Regarding the data breach, the blog post stated, in relevant
8 part:

9 [W]e discovered a bug in one of the Google+ People APIs:

10 * * *

- 11 • The bug meant that apps also had access to Profile fields that were shared with the
12 user, but not marked as public.
- 13 • This data is limited to static, optional Google+ Profile fields including name, email
14 address, occupation, gender and age. (See the full list on our developer site.)
15 It **does not** include **any other data** you may have posted or connected to Google+
or any other service, like Google+ posts, messages, Google account data, phone
16 numbers or G Suite content.
- 17 • *We discovered and immediately patched this bug in March 2018.* We believe it
18 occurred after launch as a result of the API’s interaction with a subsequent
Google+ code change.
- 19 • We made Google+ with privacy in mind and therefore keep this API’s log data for
20 only two weeks. That means *we cannot confirm which users were impacted by
this bug. However, we ran a detailed analysis over the two weeks prior to
21 patching the bug, and from that analysis, the Profiles of up to 500,000 Google+
accounts were potentially affected.* Our analysis showed that up to 438
22 applications may have used this API. . . .

23 (Bold emphasis in original, bold & italic emphasis added.)

24 155. On this news, the price per share of Alphabet’s Class A stock declined over two trading
25 days from a close of \$1,167.83 per share on October 5, 2018 to close at \$1,145.17 per share on October
26 9, 2018 -- a drop of 1.9%, or \$22.66. The price per share of Alphabet’s Class C stock declined over two
27
28

1 trading days from a close of \$1,157.35 per share on October 5, 2018 to close at \$1,138.82 per share on
2 October 9, 2018 -- a drop of 1.6%, or \$18.53.

3 156. On or about October 9, 2018, the Data Protection Commissioner of Ireland announced that
4 an information request to Google to establish the facts surrounding the data breach and determine if any
5 further action is required.

6 157. On October 10, 2018, the Google+ data breach was addressed by several members of the
7 U.S. Senate. During a congressional hearing, Senator Richard Blumenthal announced that he would be
8 calling on the FTC to investigate the Company as a result of the data breach. Senator Blumenthal, joined
9 by Senators Tom Udall and Ed Markey, sent a letter to the FTC that day, enjoining the agency to conduct
10 an investigation into “whether the Google+ incident constitutes a breach of the company’s consent decree
11 or other commitments, and more broadly whether Google has engaged in deceptive acts and practices with
12 respect to privacy.” The letter highlighted that Google was under a consent decree in connection with a
13 settlement arising from the operation of another social media platform, Google Buzz, stating, in relevant
14 part:
15
16

17 The FTC has already put Google on notice, twice. In March 2011, *Google agreed to a*
18 *proposed settlement containing a consent decree after the FTC found that the company*
19 *used deceptive tactics and violated its own privacy promises to consumers when it*
20 *launched its first social network product, Google Buzz, in 2010. Under the settlement,*
21 *Google was barred from misrepresenting the privacy of personal information or the*
22 *extent to which consumers may exercise control over the collection, use, or disclosure of*
23 *covered information. The FTC also required Google to establish a “comprehensive*
24 *privacy program* that is reasonably designed to: (1) address privacy risks related to the
25 development and management of new and existing products and services for consumers,
26 and (2) protect the privacy and confidentiality of covered information.” Included in this
27 program was the “regular testing or monitoring of the effectiveness of those privacy
28 controls and procedures,” which would be audited by an independent third-party
professional. Google is one of the rare companies that has violated a[n] FTC consent
decree, leading to a record fine for its circumvention of privacy protections in the web
browser Safari.

(Emphasis added, footnotes omitted.)

158. On this news, the price per share of Alphabet’s Class A stock fell, closing at \$1,092.16 per
share on October 10, 2018 -- a drop of 4.6%, or \$53.01, from their closing price on October 9, 2018. The

1 price per share of Alphabet's Class C stock also fell, closing at \$1,081.22 per share on October 10, 2018
2 -- a drop of 5%, or \$57.60, from their closing price on October 9, 2018.

3 159. On October 11, 2018, Senators John Thune, Jerry Moran and Roger Wicker sent a letter to
4 Google seeking and explanation for the Company's delay in reporting the data breach. The letter sought
5 disclosure of the internal memo referenced by The Wall Street Journal that had recommended against
6 disclosing the data breach. The letter further asked if the Google+ vulnerability had been disclosed to any
7 federal agencies, and queried whether there were "similar incidents which have not been publicly
8 disclosed?"

9
10 160. On October 24, 2018 Senators Amy Klobuchar and Catherine Cortez Masto wrote to
11 Defendant Pichai, inquiring about the Company's failure to disclose the data breach for six months, and
12 noting that the data breach raises "serious concerns" regarding the Company's compliance with its 2011
13 consent decree with the FTC. The letter and its contents were reported by Business Insider on the same
14 day.

15
16 161. On this news, the price per share of Alphabet's Class A stock fell, closing at \$1,057.12 per
17 share on October 24, 2018 -- a drop of 5.2%, or \$57.79 from their closing price on October 23, 2018. The
18 price per share of Alphabet's Class C stock also fell, closing at \$1,050.71 per share on October 24, 2018
19 -- a drop of 5%, or \$52.98, from their closing price on October 23, 2018.

20
21 162. On November 2, 2018, the New York Times reported that Google's top Washington
22 lobbyist, Susan Molinari, would be stepping down.

23 163. On December 11, 2018, *Zacks Equity Research* published a report stating that Alphabet's
24 "Google division will now expedite the procedure needed to shut down the consumer version of its social
25 network Google+." Moreover, the report noted that Google had "identified a second significant security
26 breach this year." The report stated, in relevant part:

27
28 **Alphabet Inc.**'s [] Google division will now expedite the procedure needed to shut down
the consumer version of its social network Google+.

1 The company now plans to shut its social media service in April, four months ahead of
2 schedule. The reason behind the same is the bitter truth that Google has identified a second
3 significant security breach this year.

4 This security flaw could have exposed profile information such as names, email addresses,
5 jobs and age, risking the personal information of approximately 52.5 million Google+
6 users.

7 * * *

8 Reportedly, all Google+ APIs will be shut down in 90 days. However, the enterprise
9 version of Google+, aimed at businesses and other organizations, will still remain on focus.

10 The new breach may put Google in regulatory scrutiny as well as damage its reputation.
11 However, it goes without saying that the lack of a tight data security system has made
12 important information vulnerable to hackers.

13 **REPURCHASES DURING THE RELEVANT PERIOD**

14 164. During the period in which the Company made false and misleading statements and
15 omissions, the Individual Defendants caused the Company to initiate repurchases of its common stock at
16 artificially inflated prices that substantially damaged the Company. In total, the Company spent an
17 aggregate amount of approximately \$4.3 million to repurchase 3,750 shares of its own Class C capital
18 stock from April 2018 through September 2018.

19 165. As the Company stock was actually only worth \$1,020.08 per share, the price at closing on
20 October 29, 2018, the Company overpaid approximately \$426,312 in total for these repurchases.

21 166. According to the Company's 2018 Q2 10-Q, in the quarter ended June 30, 2018, the
22 Individual Defendants caused the Company to repurchase 1,908 shares of its own common stock at an
23 average price per share of approximately \$1,075.05, for a total cost to the Company of approximately \$2.1
24 million.¹⁴

25
26
27 ¹⁴ Upon information and belief, some, if not all, of the 698 Class C shares repurchased in April 2018 were
28 repurchased after the Relevant Period began on April 23, 2018.

1 167. Due to the artificial inflation of the Company's stock price caused by misrepresentations
2 alleged to have been made by the Individual Defendants, the Company paid on average \$54.97 more than
3 the actual worth of each share during the quarter ended June 30, 2018. Thus, the total over payment by
4 the Company for repurchases of its own stock during the quarter ended June 30, 2018 was approximately
5 \$104,883.

6
7 168. According to the Company's Form 10-Q filed with the SEC on October 26, 2018, in the
8 quarter ended September 30, 2018, the Individual Defendants caused the Company to repurchase 1,842
9 shares of its own common stock at an average price per share of approximately \$1,194.58, for a total cost
10 to the Company of approximately \$2.2 million.

11 169. Due to the artificial inflation of the Company's stock price caused by misrepresentations
12 alleged to have been made by the Individual Defendants, the Company paid on average \$174.50 more
13 than the actual worth of each share during the quarter ended September 30, 2018. Thus, the total over
14 payment by the Company for repurchases of its own stock during the quarter ended September 30, 2018
15 was approximately \$321,429.

16
17 170. In total, the Company overpaid an aggregate amount of approximately \$426,312 for
18 repurchases of its own stock during the period of time in which the Company made false and misleading
19 statements and omissions.

DAMAGES TO ALPHABET

20
21
22 171. As a direct and proximate result of the Individual Defendants' conduct, Alphabet has lost
23 and will continue to lose and expend many millions of dollars.

24 172. Such expenditures include, but are not limited to, legal fees associated with the Securities
25 Class Actions filed against the Company and its CEO, its CFO, its subsidiary Google's CEO, and any
26 internal investigations, and amounts paid to outside lawyers, accountants, and investigators in connection
27 thereto.
28

1 173. Such expenditures include, but are not limited to, legal fees associated with the California
2 Class Action filed against the Company and its subsidiary Google, and any internal investigations, and
3 amounts paid to outside lawyers, accountants, and investigators in connection thereto.

4 174. Such losses include, but are not limited to, approximately \$426,311 that the Company
5 overpaid, at the direction of the Individual Defendants, for its repurchases of its own stock at artificially
6 inflated prices.

7 175. Such expenses caused by the Data Breach include, but are not limited to, costs to
8 investigate the Data Breach, provide identity protection services, including credit monitoring, to impacted
9 customers; costs to increase call center staffing; and payments for legal and other professional services
10 and to resolve litigation.

11 176. Such expenditures include, but are not limited to, any fines and legal fees that may arise
12 should the Company's conduct be found to violate any consent decree, including, but not limited to, the
13 2011 consent decree with the FTC.

14 177. Additionally, these expenditures include, but are not limited to, handsome compensation
15 and benefits paid to the Individual Defendants who breached their fiduciary duties to the Company.

16 178. As a direct and proximate result of the Individual Defendants' conduct, Alphabet has also
17 suffered and will continue to suffer a loss of reputation and goodwill, and a "liar's discount" that will
18 plague the Company's stock in the future due to the Company's and their misrepresentations and the
19 Individual Defendants' breaches of fiduciary duties, waste of corporate assets, and unjust enrichment.

20
21
22
23 **DERIVATIVE ALLEGATIONS**

24 179. Plaintiff brings this action derivatively and for the benefit of Alphabet to redress injuries
25 suffered, and to be suffered, as a result of the Individual Defendants' breaches of their fiduciary duties as
26 directors and/or officers of Alphabet, unjust enrichment, waste of corporate assets, violations of Sections
27 14(a), 10(b), and 20(a) of the Exchange Act, as well as the aiding and abetting thereof.

1 180. Alphabet is named solely as a nominal party in this action. This is not a collusive action to
2 confer jurisdiction on this Court that it would not otherwise have.

3 181. Plaintiff is, and has been at all relevant times, a shareholder of Alphabet. Plaintiff will
4 adequately and fairly represent the interests of Alphabet in enforcing and prosecuting its rights, and, to
5 that end, has retained competent counsel, experienced in derivative litigation, to enforce and prosecute
6 this action.
7

8 **DEMAND FUTILITY ALLEGATIONS**

9 182. Plaintiff incorporates by reference and re-alleges each and every allegation stated above as
10 if fully set forth herein.

11 183. A pre-suit demand on the Board of Alphabet is futile and, therefore, excused. At the time
12 of filing of this action, the Board consists of the following eleven Individual Defendants: Defendants Page,
13 Brin, Schmidt, Pichai, Doerr, Ferguson, Greene, Hennessy, Mather, Mulally, and Shriram. Plaintiff needs
14 only to allege demand futility as to six of the eleven Directors who are on the Board at the time this action
15 is commenced.
16

17 184. Demand is excused as to all of the Directors because each one of them faces, individually
18 and collectively, a substantial likelihood of liability as a result of the scheme they engaged in knowingly
19 or recklessly to make and/or cause the Company to make false and misleading statements and omissions
20 of material facts, while four of them engaged in insider sales based on material non-public information,
21 netting proceeds of approximately \$136 million, while, at the same time, they caused the Company to
22 repurchase its own stock at artificially inflated prices, which renders them unable to impartially investigate
23 the charges and decide whether to pursue action against themselves and the other perpetrators of the
24 scheme.
25

26 185. In complete abdication of their fiduciary duties, the Directors either knowingly or
27 recklessly participated in making and/or causing the Company to make the materially false and misleading
28

1 statements alleged herein. The fraudulent scheme was intended to make the Company appear more
2 profitable and attractive to investors. As a result of the foregoing, the Directors breached their fiduciary
3 duties, face a substantial likelihood of liability, are not disinterested, and demand upon them is futile, and
4 thus excused.

5
6 186. Defendants Page, Brin, Schmidt, Doerr, Hennessy, Mather, Mulally, and Shriram were all
7 on the Board in 2011 when Google entered into a consent decree with the FTC following the FTC's
8 determination that Google had engaged in deceptive tactics and violated privacy promises to consumers
9 in connection with Google Buzz. These Defendants were also on the Board in 2012 when Google was
10 fined for violating the consent decree by circumventing privacy protections in another firm's web browser.
11 Thus, Defendants Page, Brin, Schmidt, Doerr, Hennessy, Mather, Mulally, and Shriram were aware of the
12 importance of privacy protections, especially in the social networking space.

13
14 187. Additional reasons that demand on Defendant Page is futile follow. Defendant Page is one
15 of the Company's founders and has served as a Company Director since 1998. He has been Alphabet's
16 CEO since 2015, and was the CEO of Google from 2011 to 2015. Thus, as the Company admits, Defendant
17 Page is a non-independent Director. As a Company founder, long-time director, and CEO of Alphabet, he
18 conducted little, if any, oversight of the Company's engagement in the scheme to make false and
19 misleading statements, consciously disregarded his duties to monitor such controls over reporting and
20 engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Defendant
21 Page also solicited the 2018 Proxy Statement, which contained material misrepresentations and omissions,
22 as alleged above. Defendant Page is also a defendant in the Securities Class Actions. Thus, for these
23 reasons, Defendant Page breached his fiduciary duties, faces a substantial likelihood of liability, is not
24 independent or disinterested, and thus demand upon him is futile and, therefore, excused.

25
26 188. Additional reasons that demand on Defendant Pichai is futile follow. Defendant Pichai has
27 served as a Company Director since 2017 and has served as Google's CEO since 2015. Thus, as the
28

1 Company admits, Defendant Pichai is a non-independent director. He receives handsome compensation,
2 including over \$1.3 million in 2017 and over \$199.7 million in 2016. His insider transactions before the
3 fraud was exposed, which yielded approximately \$110.4 million in proceeds, demonstrate his motive in
4 facilitating and participating in the fraud. As a trusted Company director, and CEO of Google, he
5 conducted little, if any, oversight of the Company's engagement in the scheme to make false and
6 misleading statements, consciously disregarded his duties to monitor such controls over reporting and
7 engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Defendant
8 Pichai bears personal responsibility for the Company's delay in disclosing the data breach—as reported
9 by The Wall Street Journal, Defendant Pichai was briefed on the Company's decision not to disclose the
10 data breach after the decision was made by a committee. Defendant Pichai also solicited the 2018 Proxy
11 Statement, which contained material misrepresentations and omissions, as alleged above. Defendant
12 Pichai is also a defendant in one of the Securities Class Actions. For these reasons, too, Defendant Pichai
13 breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested,
14 and thus demand upon him is futile and, therefore, excused.

17 189. Additional reasons that demand on Defendant Brin is futile follow. Defendant Brin is one
18 of the Company's founders, has served as a Company director since 1998, and is the President of Alphabet.
19 Thus, as the Company admits, he is a non-independent director. As a Company founder, long-time director
20 and Alphabet's President, he conducted little, if any, oversight of the Company's engagement in the
21 scheme to make false and misleading statements, consciously disregarded his duties to monitor such
22 controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect
23 corporate assets. Defendant Brin solicited the 2018 Proxy Statement, which contained material
24 misrepresentations and omissions, as alleged above. Thus, for these reasons, Defendant Brin breached his
25 fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus
26 demand upon him is futile and, therefore, excused.

1 190. Additional reasons that demand on Defendant Schmidt is futile follow. Defendant Schmidt
2 has been a Company director since 2001, as Google’s CEO from 2001 to 2011, as Alphabet’s Executive
3 Chair from 2015 to January 2018, and currently serves as a technical advisor to the Company. Thus, as
4 the Company admits, he is a non-independent director. He receives handsome compensation, including
5 over \$4.7 million in 2017 and over \$4.3 million in 2016. As a trusted Company director and technical
6 advisor, he conducted little, if any, oversight of the Company’s engagement in the scheme to make false
7 and misleading statements, consciously disregarded his duties to monitor such controls over reporting and
8 engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Defendant
9 Schmidt also solicited the 2018 Proxy Statement, which contained material misrepresentations and
10 omissions, as alleged above. Further, as stated by Defendant Schmidt on January 20, 2011 conference call,
11 Defendants Schmidt, Brin and Page are “best friends” in addition to being longtime colleagues. For these
12 reasons, too, Defendant Schmidt breached his fiduciary duties, faces a substantial likelihood of liability,
13 is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

14
15
16 191. Additional reasons that demand on Defendant Doerr is futile follow. Defendant Doerr has
17 been a Company director since 1999. An early investor, Defendant Doerr has been assisting with the
18 management of Google since at least 1999, when he provided the Company with a collaborative goal-
19 setting process known as Objectives and Key Results. He receives handsome compensation, including
20 \$430,567 in 2017. His insider transactions before the fraud was exposed, which yielded approximately
21 \$24.5 million in proceeds, demonstrate his motive in facilitating and participating in the fraud. As a long-
22 time Company director, he conducted little, if any, oversight of the Company’s engagement in the scheme
23 to make false and misleading statements, consciously disregarded his duties to monitor such controls over
24 reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate
25 assets. Defendant Doerr also solicited the 2018 Proxy Statement, which contained material
26 misrepresentations and omissions, as alleged above. Defendant Doerr has been a General Partner of
27
28

1 Kleiner Perkins since 1980. Between January 1, 2017 and March 31, 2018, Google invested or committed
2 to invest approximately \$128.6 million in companies that Kleiner Perkins held a 10% or greater interest
3 in. According to the 2018 Proxy Statement, Defendant Doerr “is a managing director/member of the
4 managing members of those funds,” and as a result of these substantial investments, Defendant Doerr is
5 beholden to the Company. Thus, for these reasons, Defendant Doerr breached his fiduciary duties, faces
6 a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile
7 and, therefore, excused.
8

9 192. Additional reasons that demand on Defendant Hennessy is futile follow. Defendant
10 Hennessy has served as a Company director since 2004, and as Alphabet’s Chairman of the Board since
11 January 2018. He receives handsome compensation, including \$430,567 in 2017. His insider transactions
12 before the fraud was exposed, which yielded approximately \$905,216 in proceeds, demonstrate his motive
13 in facilitating and participating in the fraud. As the Company’s Chairman, he conducted little, if any,
14 oversight of the Company’s engagement in the scheme to make false and misleading statements,
15 consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme,
16 and consciously disregarded his duties to protect corporate assets. Defendant Hennessy also solicited the
17 2018 Proxy Statement, which contained material misrepresentations and omissions, as alleged above.
18 Thus, for these reasons, Defendant Hennessy breached his fiduciary duties, faces a substantial likelihood
19 of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.
20

21 193. Additional reasons that demand on Defendant Mather is futile follow. Defendant Mather
22 has been a Company director since 2005, and is Chair of the Audit Committee. She receives handsome
23 compensation, including \$455,567 in 2017. Her insider transactions before the fraud was exposed, which
24 yielded approximately \$196,965 in proceeds, demonstrate her motive in facilitating and participating in
25 the fraud. As a trusted Company director and Chair of the Audit Committee, she conducted little, if any,
26 oversight of the Company’s engagement in the scheme to make false and misleading statements,
27
28

1 consciously disregarded her duties to monitor such controls over reporting and engagement in the scheme,
2 and consciously disregarded her duties to protect corporate assets. Defendant Mather also solicited the
3 2018 Proxy Statement, which contained material misrepresentations and omissions, as alleged above. For
4 these reasons, too, Defendant Mather breached her fiduciary duties, faces a substantial likelihood of
5 liability, is not independent or disinterested, and thus demand upon her is futile and, therefore, excused.
6

7 194. Additional reasons that demand on Defendant Greene is futile follow. Defendant Greene
8 has been a Company director since 2012, and as Senior Vice President and CEO of Google Cloud since
9 2015. Thus, as the Company admits, she is a non-independent director. She receives handsome
10 compensation, including \$674,177 in 2017. As a trusted Company director, she conducted little, if any,
11 oversight of the Company's engagement in the scheme to make false and misleading statements,
12 consciously disregarded her duties to monitor such controls over reporting and engagement in the scheme,
13 and consciously disregarded her duties to protect corporate assets. Defendant Greene also solicited the
14 2018 Proxy Statement, which contained material misrepresentations and omissions, as alleged above. For
15 these reasons, too, Defendant Greene breached her fiduciary duties, faces a substantial likelihood of
16 liability, is not independent or disinterested, and thus demand upon her is futile and, therefore, excused.
17

18 195. Additional reasons that demand on Defendant Ferguson is futile follow. Defendant
19 Ferguson has served as a Company director since 2016, and is a member of the Audit Committee. He
20 receives handsome compensation, including \$410,708 in 2017. As a trusted Company director and
21 member of the Audit Committee, he conducted little, if any, oversight of the Company's engagement in
22 the scheme to make false and misleading statements, consciously disregarded his duties to monitor such
23 controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect
24 corporate assets. Defendant Ferguson also solicited the 2018 Proxy Statement, which contained material
25 misrepresentations and omissions, as alleged above. Thus, for these reasons, Defendant Ferguson
26
27
28

1 breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested,
2 and thus demand upon him is futile and, therefore, excused.

3 196. Additional reasons that demand on Defendant Mulally is futile follow. Defendant Mulally
4 has served as a Company director since 2006 and is a member of the Audit Committee. He receives
5 handsome compensation, including \$430,567 in 2017. As a long-time Company director and member of
6 the Audit Committee, he conducted little, if any, oversight of the Company's engagement in the scheme
7 to make false and misleading statements, consciously disregarded his duties to monitor such controls over
8 reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate
9 assets. Defendant Mulally also solicited the 2018 Proxy Statement, which contained material
10 misrepresentations and omissions, as alleged above. Thus, for these reasons, Defendant Mulally breached
11 his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus
12 demand upon him is futile and, therefore, excused.

13
14
15 197. Additional reasons that demand on Defendant Shriram is futile follow. Defendant Shriram
16 has served as a Company director since 1998. He receives handsome compensation, including \$430,567
17 in 2017. As a long-time Company director, he conducted little, if any, oversight of the Company's
18 engagement in the scheme to make false and misleading statements, consciously disregarded his duties to
19 monitor such controls over reporting and engagement in the scheme, and consciously disregarded his
20 duties to protect corporate assets. Defendant Shriram also solicited the 2018 Proxy Statement, which
21 contained material misrepresentations and omissions, as alleged above. Defendant Shriram was one of the
22 Company's earliest investors and has assisted the Company since its earliest days, counseling Defendants
23 Brin and Page weekly, assisting them with incorporating Google, and helping to establish a licensing
24 agreement with Stanford University. As a trustee of Stanford University since 2009, which has benefitted
25 from millions of dollars of donations from the Company, Defendant Shriram is unable to evaluate a
26 demand with independence, as granting a demand may jeopardize this continued source of funding for
27
28

1 Stanford University. Thus, for these reasons, Defendant Shriram breached his fiduciary duties, faces a
2 substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile
3 and, therefore, excused.

4 198. Additional reasons that demand on the Board is futile follow.

5
6 199. Demand in this case is excused because the Directors, all of whom are named as defendants
7 in this action, and two of whom are defendants in at least one of the Securities Class Actions, control the
8 Company and are beholden to each other. The Directors have longstanding business and personal
9 relationships with each other and the Individual Defendants that preclude them from acting independently
10 and in the best interests of the Company and the shareholders. These conflicts of interest precluded the
11 Directors from adequately monitoring the Company's operations and internal controls and calling into
12 question the Individual Defendants' conduct. Thus, any demand on the Directors would be futile.

13
14 200. For example:

15 (a) Defendants Page and Brin met at Stanford University in 1995. They co-founded
16 Google in 1998.

17 (b) Defendant Doerr has been a General Partner of Kleiner Perkins Caufield & Byers
18 ("Kleiner Perkins") since 1980. In addition to having served on the Board for nearly 20 years, Defendant
19 Doerr was one of the Company's earliest investors. He met Defendants Page and Brin through his
20 association with Kleiner Perkins, when Defendants Page and Brin were seeking funding for Google.
21 Google has made tens of millions of dollars in investments in private companies in which Kleiner Perkins
22 has invested. In 2007, Google purchased Peakstream, Inc. from \$20.3 million, 24.5% of which was
23 received by Kleiner Perkins as part owner of Peakstream, Inc. The Company continues to invest millions
24 in companies in which Kleiner Perkins holds a substantial ownership stake, as alleged above.
25
26
27
28

1 (c) Defendant Hennessy has invested money with Kleiner Perkins, and received 10,556
2 shares of Google stock after Google's initial public offering as part of an earlier investment that Defendant
3 Hennessy made in a Kleiner Perkins fund.

4 (d) Defendant Schmidt held various positions at Sun Microsystems between 1983 and
5 1997. Kleiner Perkins was an early investor in Sun Microsystems.

6 (e) Netscape Communications Corp. ("Netscape") was founded in 1994, with
7 Defendant Shriram as its Vice President. Kleiner Perkins purchased around 25% of Netscape's equity in
8 1994 for approximately \$4 million. In 2006, Defendants Shriram and Doerr traveled to India together to
9 invest in Indian companies and meet entrepreneurs and leaders of the business and political communities.
10

11 (f) Defendant Shriram serves on Stanford University's board of trustees, and
12 Defendant Hennessey is the former President of Stanford University. Since stepping down as Stanford's
13 President, Defendant Hennessey became the inaugural Shriram Family Director of the Knight-Hennessey
14 Scholars Program, a position he still holds. Defendants Page and Brin are both alumni of Stanford
15 University, and the Company has donated millions to Stanford University, including a \$2 million pledge
16 in 2006 to Stanford Law School's Center for Internet and Society. Commentators have suggested that
17 Stanford should not have accepted the donation because it is too narrowly tailor to fit Google's corporate
18 interest in pushing for less-restrictive copyright laws.

19 Such personal and professional connections prevent Defendants Page, Brin, Doerr, Schmidt, Shriram and
20 Hennessey from evaluating a demand with independence, especially in light of the substantial likelihood
21 of liability faced by Defendant Page in the Securities Class Actions. Therefore, demand is to Defendants
22 Page, Brin, Doerr, Schmidt, Shriram and Hennessey is futile, and, therefore, excused.
23

24 201. Defendants Page, Brin, and Schmidt currently do, and throughout the Relevant Period did,
25 dominate the Company and its Board by virtue of their combined shareholdings of the Company's stock.
26 As of March 29, 2018, these Defendants controlled 56.6% of Alphabet's total shareholder voting power,
27
28

1 as follows: Defendant Page, 25.9%; Defendant Brin, 25.1%; and Defendant Schmidt, 5.6%. In a Form S-
2 1 filed with the SEC on April 29, 2004, it was revealed that Defendants Page, Brin, and Schmidt “operate
3 the company collectively and . . . consult extensively with each other before significant decisions are
4 made.” As Defendant Page faces a substantial likelihood of liability in the Securities Class Actions, his
5 ability, along with long-time business associates Defendants Brin and Schmidt, to control all of the
6 decisions of the Company, including the election of directors, prevents the remaining directors, especially
7 Defendants Pichai and Greene--whose primary source of employment is through the Company and its
8 subsidiaries--from evaluating a demand with independence. Therefore, demand is futile as to all of the
9 Directors, and is excused.

11 202. Defendants Schmidt, Page, Brin, and Shriram are all parties to transactions with the
12 Company involving aircraft. In 2017, the Company reimbursed Defendant Schmidt over \$1.3 million for
13 the use of aircraft owned by Defendant Schmidt by the Company’s executive officers for business
14 purposes. Defendants Schmidt, Page, Brin, and Shriram, through their affiliated entities, also use Moffett
15 Airfield, which the Company has leased, for their personal aircraft. The Company charged Defendants
16 Schmidt, Page, Brin, and Shriram approximately \$1,720,820 in 2017 for their use of Moffatt Airfield.
17 LTA Research & Exploration LLC, owned by an entity affiliated with Defendant Brin, has also leased a
18 portion of hangar space at Moffett Airfield, at a cost of \$423,000 for the period from January 1, 2017 to
19 March 31, 2018. Further, Defendants Page, Brin and Schmidt each own a one-third interest in BCH San
20 Jose LLC (“BCH”). The Company has entered into a license to use a portion of BCH’s hangar space to
21 hold its corporate aircraft, and the Company paid BCH \$513,971 in 2017. In addition to those reasons
22 named above, as a result of these transactions, demand is futile as to Defendants Schmidt, Page, Brin, and
23 Shriram because they lack independence as a result of these contracts and transactions.

26 203. Defendant Page and the wife of Defendant Schmidt are members of the X Prize Foundation
27 Board of Trustees. Alphabet provided the X Prize foundation with a \$3.62 million sponsorship in 2017.
28

1 Thus, demand is futile as to Defendants Page and Schmidt because they lack independence as a result of
2 this sponsorship, and therefore, demand as to them is excused.

3 204. Additionally, each one of the Directors, individually and collectively, faces a substantial
4 likelihood of liability as a result of their intentional or reckless approval of the unnecessary and harmful
5 repurchases that caused the Company to overpay by over \$426,311 for its own common stock during the
6 period in which the false and misleading statements were made. The Directors, as alleged herein, were
7 aware or should have been aware of the misinformation being spread by the Company, and yet they
8 approved the repurchases. Thus, the Directors breached their fiduciary duties, face a substantial likelihood
9 of liability, are not disinterested, and demand upon them is futile, and thus excused.

10
11 205. Defendants Mather, Ferguson, and Mulally (the “Audit Committee Defendants”) served on
12 the Company’s Audit Committee during the Relevant Period. Pursuant to the Audit Committee Charter,
13 the Audit Committee Defendants’ main responsibility was to oversee the Company’s “financial reporting
14 process (including Alphabet’s disclosure controls and procedures and system of internal controls).”
15 Further, as noted in the 2018 Proxy Statement, the Audit Committee is responsible for oversight of the
16 Company’s operational infrastructure, including data privacy and cybersecurity. Based on these
17 responsibilities, Audit Committee Defendants permitted and/or caused the Company to issue false and
18 misleading statements as alleged herein, operate with inadequate internal controls, and allowed Google+
19 users’ private data to be leaked. As a result of the Audit Committee’s failures of management and
20 oversight, the Audit Committee Defendants face a substantial likelihood of liability for their breach of
21 fiduciary duties and any demand upon them is futile.

22
23 206. In violation of the Code of Conduct, the Directors conducted little, if any, oversight of the
24 Company’s engagement in the Individual Defendants’ scheme to issue materially false and misleading
25 statements to the public and to facilitate and disguise the Individual Defendants’ violations of law,
26 including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of
27
28

1 Sections 14(a), 10(b), and 20(a) of the Exchange Act. In further violation of the Code of Conduct, four of
2 the Directors engaged in insider sales of Alphabet stock during the Relevant Period, failed to maintain the
3 accuracy of Company records and reports, comply with laws and regulations, conduct business in an
4 honest and ethical manner, and properly report violations of the Code of Conduct. Thus, the Directors face
5 a substantial likelihood of liability and demand is futile as to them.

6
7 207. Alphabet has been and will continue to be exposed to significant losses due to the
8 wrongdoing complained of herein, yet the Directors have not filed any lawsuits against themselves or
9 others who were responsible for that wrongful conduct to attempt to recover for Alphabet any part of the
10 damages Alphabet suffered and will continue to suffer thereby. Thus, any demand upon the Directors
11 would be futile.

12
13 208. The Individual Defendants' conduct described herein and summarized above could not
14 have been the product of legitimate business judgment as it was based on bad faith and intentional,
15 reckless, or disloyal misconduct. Thus, none of the Directors can claim exculpation from their violations
16 of duty pursuant to the Company's charter (to the extent such a provision exists). As a majority of the
17 Directors face a substantial likelihood of liability, they are self-interested in the transactions challenged
18 herein and cannot be presumed to be capable of exercising independent and disinterested judgment about
19 whether to pursue this action on behalf of the shareholders of the Company. Accordingly, demand is
20 excused as being futile.

21
22 209. The acts complained of herein constitute violations of fiduciary duties owed by Alphabet's
23 officers and directors, and these acts are incapable of ratification.

24
25 210. The Directors may also be protected against personal liability for their acts of
26 mismanagement and breaches of fiduciary duty alleged herein by directors' and officers' liability
27 insurance if they caused the Company to purchase it for their protection with corporate funds, i.e., monies
28 belonging to the stockholders of Alphabet. If there is a directors' and officers' liability insurance policy

1 covering the Directors, it may contain provisions that eliminate coverage for any action brought directly
2 by the Company against the Directors, known as, *inter alia*, the “insured-versus-insured exclusion.” As a
3 result, if the Directors were to sue themselves or certain of the officers of Alphabet, there would be no
4 directors’ and officers’ insurance protection. Accordingly, the Directors cannot be expected to bring such
5 a suit. On the other hand, if the suit is brought derivatively, as this action is brought, such insurance
6 coverage, if such an insurance policy exists, will provide a basis for the Company to effectuate a recovery.
7 Thus, demand on the Directors is futile and, therefore, excused.
8

9 211. If there is no directors’ and officers’ liability insurance, then the Directors will not cause
10 Alphabet to sue the Individual Defendants named herein, since, if they did, they would face a large
11 uninsured individual liability. Accordingly, demand is futile in that event, as well.

12 212. Thus, for all of the reasons set forth above, all of the Directors, and, if not all of them, at
13 least six of the Directors, cannot consider a demand with disinterestedness and independence.
14 Consequently, a demand upon the Board is excused as futile.
15

16 **FIRST CLAIM**

17 **Against Individual Defendants for Violations of** 18 **Section 14(a) of the Exchange Act**

19 213. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above,
20 as though fully set forth herein.

21 214. The Section 14(a) Exchange Act claims alleged herein are based solely on negligence.
22 They are not based on any allegation of reckless or knowing conduct by or on behalf of the Individual
23 Defendants. The Section 14(a) claims alleged herein do not allege and do not sound in fraud. Plaintiff
24 specifically disclaims any allegations of, reliance upon any allegation of, or reference to any allegation of
25 fraud, scienter, or recklessness with regard to these nonfraud claims.
26

27 215. Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a)(1), provides that “[i]t shall be
28 unlawful for any person, by use of the mails or by any means or instrumentality of interstate commerce or

1 of any facility of a national securities exchange or otherwise, in contravention of such rules and regulations
2 as the [SEC] may prescribe as necessary or appropriate in the public interest or for the protection of
3 investors, to solicit or to permit the use of his name to solicit any proxy or consent or authorization in
4 respect of any security (other than an exempted security) registered pursuant to section 12 of this title [15
5 U.S.C. § 78I].”

6
7 216. Rule 14a-9, promulgated pursuant to § 14(a) of the Exchange Act, provides that no proxy
8 statement shall contain “any statement which, at the time and in the light of the circumstances under which
9 it is made, is false or misleading with respect to any material fact, or which omits to state any material fact
10 necessary in order to make the statements therein not false or misleading.” 17 C.F.R. §240.14a-9.

11 217. Under the direction and watch of the Directors, the 2018 Proxy Statement failed to disclose
12 that: (1) a software issue caused the Company to expose the private data of no less than 496,951 users of
13 the Company’s Google+ social network; (2) the Company, with the knowledge of at least one of the
14 Individual Defendants, concealed this data breach for months; (3) the foregoing constituted a violation of
15 the Company’s security and data privacy policies, and may have constituted a violation of one or more
16 consent decrees; (4) upon the disclosure of the foregoing, the Company would be subject to reputational
17 damage and increased regulatory scrutiny; (5) the Company’s security systems were inadequate to protect
18 user data; (6) the Company’s management failed to set an appropriate “tone at the top”; (7) the Company
19 failed to maintain internal controls; and (8) due to the foregoing, Defendants’ statements regarding the
20 Company’s business, operations, and prospects were materially false, misleading, and lacked a reasonable
21 basis in fact at all relevant times.

22
23
24 218. The Individual Defendants also caused the 2018 Proxy Statement to be false and
25 misleading with regard to executive compensation in that they purported to employ “pay-for-
26 performance” elements while failing to disclose that the Company’s share price was being artificially
27
28

1 inflated by the false and misleading statements made by the Individual Defendants as alleged herein, and
2 therefore any compensation based on the Company's performance was artificially inflated.

3 219. The 2018 Proxy Statement also made reference to the Company's Code of Conduct. The
4 Code of Conduct required the Company and Individual Defendants to abide by relevant laws and statutes,
5 make accurate and non-misleading public disclosures, and not engage in insider trading. By issuing false
6 and misleading statements to the investing public and insider trading, the Individual Defendants violated
7 the Code of Conduct. The 2018 Proxy Statement failed to disclose these violations and also failed to
8 disclose that the terms of the Code of Conduct were being violated.

9
10 220. In the exercise of reasonable care, the Individual Defendants should have known that by
11 misrepresenting or failing to disclose the foregoing material facts, the statements contained in the 2018
12 Proxy Statement were materially false and misleading. The misrepresentations and omissions were
13 material to Plaintiff in voting on the matters set forth for shareholder determination in the 2018 Proxy
14 Statement, including but not limited to, election of directors, ratification of an independent auditor, and
15 the approval of officer compensation.

16
17 221. The false and misleading elements of the 2018 Proxy Statement led to the re-election of
18 Defendants Page, Brin, Schmidt, Doerr, Ferguson, Greene, Hennessy, Mather, Mulally, Shriram, and
19 Pichai. which allowed them to continue breaching their fiduciary duties to Alphabet.

20
21 222. The Company was damaged as a result of the Individual Defendants' material
22 misrepresentations and omissions in the 2018 Proxy Statement.

23 223. Plaintiff, on behalf of Alphabet, has no adequate remedy at law.

24 **SECOND CLAIM**

25 **Against Individual Defendants for**
26 **Violations of Section 10(b) and Rule 10b-5 of the Exchange Act**

27 224. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above,
28 as though fully set forth herein.

1 225. The Individual Defendants participated in a scheme to defraud with the purpose and effect
2 of defrauding Alphabet. Not only is Alphabet now defending claims that it violated Section 10(b) of the
3 Exchange Act and Rule 10b-5 promulgated thereunder, the Company itself is also a victim of the unlawful
4 scheme perpetrated upon Alphabet by the Individual Defendants. With the price of its common stock
5 trading at artificially-inflated prices due to the Individual Defendants' misconduct, the Individual
6 Defendants caused the Company to repurchase millions of dollars of its own shares at artificially-inflated
7 prices, damaging Alphabet.
8

9 226. During the Relevant Period, the Individual Defendants also individually and in concert,
10 directly and indirectly, by the use and means of instrumentalities of interstate commerce and/or of the
11 mails, engaged and participated in a continuous course of conduct designed to falsify the Company's
12 public statements made in conference calls, and periodic and current reports filed with the SEC.
13

14 227. The Individual Defendants employed devices, schemes and artifices to defraud while in
15 possession of adverse, material, non-public information and engaged in acts, practices and a course of
16 conduct that included the making of, or participation in the making of, untrue and/or misleading statements
17 of material facts and/or omitting to state material facts necessary in order to make the statements made
18 about Alphabet not misleading.
19

20 228. The Individual Defendants, as top executives and directors of the Company, are liable as
21 direct participants in the wrongs complained of herein. Through their positions of control and authority as
22 directors and officers of the Company, the Individual Defendants were able to and did control the conduct
23 complained of herein and the content of the public statements disseminated by Alphabet. The Individual
24 Defendants acted with scienter during the Relevant Period, in that they either had actual knowledge of the
25 schemes and the misrepresentations and/or omissions of material facts set forth herein, or acted with
26 reckless disregard for the truth in that they failed to ascertain and to disclose the true facts, even though
27 such facts were available to them. The Individual Defendants were the top executives of the Company, or
28

1 received direct briefings from them, and were therefore directly responsible for the schemes set forth
2 herein and for the false and misleading statements and/or omissions disseminated to the public through
3 press releases, conference calls, and filings with the SEC.

4 229. In addition to each of the Individual Defendants approving the issuance of the Company's
5 false and misleading statements while they were serving as a senior executive and/or director of the
6 Company, the Individual Defendants made and/or signed the Company's Form 10-Ks and 10-Qs filed
7 with the SEC during the Relevant Period.
8

9 230. By virtue of the foregoing, the Individual Defendants have violated § 10(b) of the Exchange
10 Act, and Rule 10b-5 promulgated thereunder.

11 231. Plaintiff, on behalf of Alphabet, has no adequate remedy at law.

12 **THIRD CLAIM**

13 **Against the Individual Defendants for**
14 **Violations of Section 20(a) of the Exchange Act**

15 232. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above,
16 as though fully set forth herein.

17 233. The Individual Defendants, by virtue of their positions with Alphabet and their specific
18 acts, were, at the time of the wrongs alleged herein, controlling persons of Alphabet and each of its officers
19 and directors who made the false and misleading statements alleged herein within the meaning of § 20 (a)
20 of the Exchange Act. The Individual Defendants had the power and influence and exercised the same to
21 cause Alphabet to engage in the illegal conduct and practices complained of herein.
22

23 234. Plaintiff, on behalf of Alphabet, has no adequate remedy at law.
24
25
26
27
28

FOURTH CLAIM

Against the Individual Defendants for Breach of Fiduciary Duties

1
2
3 235. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above,
4 as though fully set forth herein.

5
6 236. Each Individual Defendant owed to the Company the duty to exercise candor, good faith,
7 and loyalty in the management and administration of Alphabet’s business and affairs.

8 237. Each of the Individual Defendants violated and breached his or her fiduciary duties of
9 candor, good faith, loyalty, reasonable inquiry, oversight, and supervision.

10 238. The Individual Defendants’ conduct set forth herein was due to their intentional or reckless
11 breach of the fiduciary duties they owed to the Company, as alleged herein. The Individual Defendants
12 intentionally or recklessly breached or disregarded their fiduciary duties to protect the rights and interests
13 of Alphabet.

14
15 239. In breach of their fiduciary duties, the Individual Defendants knowingly or recklessly
16 permitted or failed to prevent the Data Breach.

17 240. In further breach of their fiduciary duties owed to Alphabet, the Individual Defendants
18 willfully or recklessly made and/or caused the Company to make false and misleading statements that
19 failed to disclose that: (1) a software issue caused the Company to expose the private data of no less than
20 496,951 users of the Company’s Google+ social network; (2) the Company, with the knowledge of at least
21 one of the Individual Defendants, concealed this data breach for months; (3) the foregoing constituted a
22 violation of the Company’s security and data privacy policies, and may have constituted a violation of one
23 or more consent decrees; (4) upon the disclosure of the foregoing, the Company would be subject to
24 reputational damage and increased regulatory scrutiny; (5) the Company’s security systems were
25 inadequate to protect user data; (6) the Company’s management failed to set an appropriate “tone at the
26 top”; (7) the Company failed to maintain internal controls; and (8) due to the foregoing, Defendants’
27
28

1 statements regarding the Company's business, operations, and prospects were materially false, misleading,
2 and lacked a reasonable basis in fact at all relevant times.

3 241. The Individual Defendants also failed to correct and/or caused the Company to fail to
4 correct the false and/or misleading statements and/or omissions of material fact, rendering them personally
5 liable to the Company for breaching their fiduciary duties.

6 242. In breach of their fiduciary duties, four of the Individual Defendants engaged in lucrative
7 insider sales while the price of the Company's common stock was artificially inflated due to the false and
8 misleading statements of material fact discussed herein. Moreover, while the price of the Company's stock
9 was artificially inflated, the Individual Defendants, in further breach of their fiduciary duties, caused the
10 Company to engage in repurchasing approximately \$4.3 million worth of Company stock at artificially
11 inflated prices.

12 243. Also in breach of their fiduciary duties, the Individual Defendants failed to maintain
13 internal controls.

14 244. The Individual Defendants had actual or constructive knowledge that the Company issued
15 materially false and misleading statements, and they failed to correct the Company's public statements
16 and representations. The Individual Defendants had actual knowledge of the misrepresentations and
17 omissions of material facts set forth herein, or acted with reckless disregard for the truth, in that they failed
18 to ascertain and to disclose such facts, even though such facts were available to them. Such material
19 misrepresentations and omissions were committed knowingly or recklessly and for the purpose and effect
20 of artificially inflating the price of Alphabet's securities, and disguising insider transactions.

21 245. The Individual Defendants had actual or constructive knowledge that they had caused the
22 Company to improperly engage in the fraudulent schemes set forth herein and to fail to maintain internal
23 controls. The Individual Defendants had actual knowledge that the Company was engaging in the
24 fraudulent schemes set forth herein, and that internal controls were not adequately maintained, or acted
25
26
27
28

1 with reckless disregard for the truth, in that they caused the Company to improperly engage in the
2 fraudulent schemes and to fail to maintain adequate internal controls, even though such facts were
3 available to them. Such improper conduct was committed knowingly or recklessly and for the purpose
4 and effect of artificially inflating the price of Alphabet's securities, and engaging in insider transactions.
5 The Individual Defendants, in good faith, should have taken appropriate action to correct the schemes
6 alleged herein and to prevent them from continuing to occur.
7

8 246. These actions were not a good-faith exercise of prudent business judgment to protect and
9 promote the Company's corporate interests.

10 247. As a direct and proximate result of the Individual Defendants' breaches of their fiduciary
11 obligations, Alphabet has sustained and continues to sustain significant damages. As a result of the
12 misconduct alleged herein, the Individual Defendants are liable to the Company.
13

14 248. Plaintiff on behalf of Alphabet has no adequate remedy at law.

15 **FIFTH CLAIM**

16 **Against Individual Defendants for Unjust Enrichment**

17 249. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above,
18 as though fully set forth herein.

19 250. By their wrongful acts, violations of law, and false and misleading statements and
20 omissions of material fact that they made and/or caused to be made, the Individual Defendants were
21 unjustly enriched at the expense of, and to the detriment of, Alphabet.
22

23 251. The Individual Defendants, based on improper conduct, received bonuses, stock options,
24 or similar compensation from Alphabet that was tied to the performance or artificially inflated valuation
25 of Alphabet, or received compensation that was unjust in light of the Individual Defendants' bad faith
26 conduct.
27
28

1 252. Plaintiff, as a shareholder and a representative of Alphabet, seeks restitution from the
2 Individual Defendants and seeks an order from this Court disgorging all profits, including from insider
3 transactions, benefits, and other compensation, including any performance-based or valuation-based
4 compensation, obtained by the Individual Defendants due to their wrongful conduct and breach of their
5 fiduciary and contractual duties.

6
7 253. Plaintiff on behalf of Alphabet has no adequate remedy at law.

8 **SIXTH CLAIM**

9 **Against Individual Defendants for Waste of Corporate Assets**

10 254. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above,
11 as though fully set forth herein.

12 255. As a result of the foregoing, the Company will incur many millions of dollars of legal
13 liability and/or costs to defend unlawful actions, to engage in internal investigations, and to lose financing
14 from investors and business from future customers who no longer trust the Company and its products.

15 256. In addition, the Individual Defendants caused the Company to repurchase shares of its own
16 common stock at artificially inflated prices, thereby wasting the Company’s assets.

17 257. As a result of the waste of corporate assets, the Individual Defendants are each liable to the
18 Company.

19 258. Plaintiff, on behalf of Alphabet, has no adequate remedy at law.

20 **PRAAYER FOR RELIEF**

21
22
23 FOR THESE REASONS, Plaintiff demands judgment in the Company’s favor against all
24 Individual Defendants as follows:

25 (a) Declaring that Plaintiff may maintain this action on behalf of Alphabet, and that
26 Plaintiff is an adequate representative of the Company;

27 (b) Declaring that the Individual Defendants have breached and/or aided and abetted
28

1 the breach of their fiduciary duties to Alphabet;

2 (c) Determining and awarding to Alphabet the damages sustained by it as a result of
3 the violations set forth above from each of the Individual Defendants, jointly and severally, together with
4 pre-judgment and post-judgment interest thereon;

5 (d) Directing Alphabet and the Individual Defendants to take all necessary actions to
6 reform and improve its corporate governance and internal procedures to comply with applicable laws and
7 to protect Alphabet and its shareholders from a repeat of the damaging events described herein, including,
8 but not limited to, putting forward for shareholder vote the following resolutions for amendments to the
9 Company's Bylaws or Certificate of Incorporation and the following actions as may be necessary to ensure
10 proper corporate governance policies:
11

12 1. a proposal to strengthen the Board's supervision of operations and develop and
13 implement procedures for greater shareholder input into the policies and guidelines of the
14 board;

15 2. a provision to permit the shareholders of Alphabet to nominate at least six
16 candidates for election to the Board; and

17 3. a proposal to ensure the establishment of effective oversight of compliance with
18 applicable laws, rules, and regulations.

19 (e) Awarding Alphabet restitution from Individual Defendants, and each of them;

20 (f) Awarding Plaintiff the costs and disbursements of this action, including reasonable
21 attorneys' and experts' fees, costs, and expenses; and
22

23 (g) Granting such other and further relief as the Court may deem just and proper.
24

25 **JURY TRIAL DEMANDED**

26 Plaintiff hereby demands a trial by jury.
27
28

1 Dated: January 18, 2019

Respectfully submitted,

2 **THE ROSEN LAW FIRM, P.A.**

3
4 By: /s/Laurence M. Rosen
5 Laurence M. Rosen, Esq. (SBN 219683)
6 355 S. Grand Avenue, Suite 2450
7 Los Angeles, CA 90071
8 Telephone: (213) 785-2610
9 Facsimile: (213) 226-4684
10 Email: lrosen@rosenlegal.com

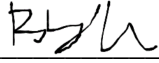
11 *Counsel for Plaintiff*

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

VERIFICATION

I, Victor Bao am the plaintiff in the within action. I have read the foregoing complaint and know the contents thereof. The allegations of the complaint are true of my personal knowledge, except as to the matters therein stated to be alleged on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this _th day of January 2019.
1/17/2019

DocuSigned by:

392C114BCE77429
Victor Bao