

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

HOUSTON MUNICIPAL EMPLOYEES
PENSION SYSTEM, Individually and On Behalf
of All Others Similarly Situated,

Plaintiff,

v.

CONAGRA BRANDS, INC., SEAN M.
CONNOLLY, and DAVID S. MARBERGER

Defendants.

Case No. _____

CLASS ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff Houston Municipal Employees Pension System (“Plaintiff”) alleges upon personal knowledge as to allegations specifically pertaining to Plaintiff and, as to all other matters, upon the investigation of counsel, which included, without limitation: (a) review and analysis of public filings made by Conagra Brands, Inc. (“Conagra” or the “Company”) and other related parties and non-parties with the United States Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and other publications disseminated by certain of the Defendants and other related non-parties; (c) review of news articles, shareholder communications, conference calls and postings on Conagra’s website concerning the Company’s public statements; and (d) review of other publicly available information concerning Conagra and the Individual Defendants (as defined below).

I. NATURE OF THE ACTION

1. This is a federal securities class action against Conagra and certain of its officers for violations of the federal securities laws. Plaintiff brings this action on behalf of all persons or entities that purchased or otherwise acquired Conagra common stock from June 27, 2018 through

December 19, 2018, inclusive (the “Class Period”), including legacy Pinnacle Foods, Inc. (“Pinnacle”) common stock holders who received Conagra common stock in exchange for their Pinnacle shares on October 26, 2018 upon completion of Conagra’s acquisition of Pinnacle, seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”). The Exchange Act claims allege that defendants engaged in a fraudulent scheme to artificially inflate the Company’s stock price.

2. Conagra manufactures and markets packaged foods for retail consumers, restaurants and institutions. The Company has a portfolio of well-known food brands including Reddi-wip, Hunt’s, Healthy Choice, Slim Jim and Orville Redenbacher’s. Conagra is based in Chicago, Illinois.

3. In January 2013, Conagra acquired Ralcorp Holdings, Inc., a manufacturer of private branded food, for \$6.8 billion including debt. After trying and failing to address executional shortfalls and customer service issues, Conagra divested its Private Brands business in February 2016 to TreeHouse Foods for \$2.7 billion, recognizing a substantial loss.

4. Less than two years later, Conagra was again acquiring another large publicly traded food service company. On June 27, 2018, Conagra announced the acquisition of Pinnacle, in a cash and stock transaction valued at approximately \$10.9 billion (the “Transaction”).

5. Pursuant to the terms of the Transaction, Conagra was to pay approximately \$5.1 billion in cash and issue approximately 77.45 million Company shares out of the Company’s treasury to former holders of Pinnacle common stock. Upon closing of the Transaction, Pinnacle common stock holders would receive \$43.11 in cash and 0.6494 shares of Conagra common stock in exchange for each share of Pinnacle held. The implied consideration price for each share of Pinnacle was valued at \$68.00 per share.

6. The issuance of Conagra common stock in connection with the Transaction was registered under the Securities Act of 1933 (the “Securities Act”) pursuant to the Company’s registration statement on Form S-4, which included a prospectus and proxy statement declared effective by the SEC on September 17, 2018. In accompanying proxy statement, Pinnacle urged investors who held Pinnacle common stock as of September 4, 2018 to vote “FOR” the Transaction at the special meeting of Pinnacle shareholders to be held on October 23, 2018.

7. At the time of the Transaction and throughout the Class Period, Conagra represented the merger as a combination of two “growing portfolios” and “a no brainer of a deal” that would enhance Conagra’s multi-year transformation plan and expand its presence and capabilities in its most strategic categories, including frozen foods and snacks. Conagra highlighted their due diligence of the deal, the similar cultures and work ethics of the two companies, and the tremendous synergies of the deal. Specifically, defendants represented that the Company was acquiring “a portfolio of complementary, leading brands” as “the Pinnacle team has done an absolutely phenomenal job driving innovation and growth here, and that meant a lot to us.” In addition, defendants represented that the Company had a “proven track record of executing strategic transactions” and “will be able to implement a smooth integration process,” as “we’ve been very clear-eyed from the beginning” of the Transaction.

8. On October 23, 2018, Pinnacle common stock holders of record as of September 4, 2018 voted 99.87% in favor of the Transaction.

9. On October 26, 2018, the Company announced the completion of the Transaction. Pursuant to the terms of the Transaction, Pinnacle common stock holders received \$43.11 in cash and 0.6494 shares of Conagra common stock in exchange for each Pinnacle share held.

10. Unbeknownst to shareholders, however, Conagra and its management were aware or recklessly disregarded that the Transaction would not result in anywhere near the sort of benefits that defendants had publicly represented. Just a few weeks after the closing of the merger, on December 20, 2018, Conagra stunned the market by releasing its third quarter 2018 results, as well as an update on the performance of the newly merged company, which revealed that Pinnacle's performance had been much worse than defendants had previously represented. In addition, defendants revealed that Pinnacle's three leading brands had "suffered sales and distribution losses" in 2018, and accounted "for the vast majority of Pinnacle's current challenges" due to self-inflicted subpar innovation and executional missteps.

11. As a result of the disclosure, on December 20, 2018, Conagra's stock price fell \$4.81 per share to \$24.28, or nearly 17%, wiping out over \$2.3 billion in Conagra's market capitalization. On the next trading day, Conagra's stock declined an additional \$2.13 per share or 8.8%. In fact, in three trading sessions, Conagra stock declined \$8.13 or 30%, to close at \$20.96 on December 24, 2018.

12. As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common stock, Plaintiff and the other Class members have suffered significant losses and damages.

II. JURISDICTION AND VENUE

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

14. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, Section 27 of the Exchange Act (15 U.S.C. § 78aa).

15. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b), Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District, as Conagra is headquartered in this district.

III. CLASS ACTION ALLEGATIONS

16. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons and entities who purchased or otherwise acquired Conagra common stock from June 27, 2018 through December 19, 2018, as well as on behalf of legacy Pinnacle common stock holders who received Conagra common stock in exchange for their Pinnacle shares on October 26, 2018 upon completion of Conagra's acquisition of Pinnacle (the "Class"). Excluded from the Class are Defendants, as defined herein, members of the immediate family of each of the Individual Defendants, any subsidiary or affiliate of Conagra and the directors, officers and employees of the Company or its subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

17. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Throughout the Class Period, Conagra's common stock was actively traded on the New York Stock Exchange ("NYSE") (an open and efficient market) under the symbol "CAG." Millions of Conagra shares were traded publicly during the Class Period on the NYSE. As of November 25, 2018, Conagra had 485.6 million shares of common stock outstanding. Record owners and the other members of the Class

may be identified from records maintained by Conagra and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

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

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

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

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

(b) whether Defendants participated in and pursued the common course of conduct complained of herein;

(c) whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, finances, and prospects of Conagra;

(d) whether statements made by Defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the business, finances, value, performance and prospects of Conagra;

(e) whether the market price of Conagra common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and

(f) the extent to which the members of the Class have sustained damages and the proper measure of damages.

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

IV. PARTIES

22. Plaintiff Houston Municipal Employees Pension System, as set forth in the accompanying certification, incorporated by reference herein, purchased Conagra common stock during the Class Period, and suffered damages as a result of the federal securities law violations and the false and/or misleading statements and/or material omissions alleged herein.

23. Defendant Conagra is incorporated in Delaware, and the Company's principal executive offices are located in Chicago, Illinois. Conagra common stock trades on the New York Stock Exchange ("NYSE") under the symbol "CAG."

24. Defendant Sean Connolly ("Connolly") has served at all relevant times as the Company's Chief Executive Officer and President.

25. Defendant David Marberger ("Marberger") has served at all relevant times as the Company's Chief Financial Officer ("CFO") and Executive Vice President.

26. Defendants Connolly and Marberger are referred to as the “Individual Defendants.”

27. Conagra and the Individual Defendants are referred to as “Defendants.”

28. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Conagra, were privy to confidential, proprietary and material adverse nonpublic information concerning Conagra, its operations, finances, financial condition and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or board of directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

29. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were “controlling persons” within the meaning of §20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Conagra’s business.

30. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and presentations to securities analysts and through them, to the investing public. The Individual Defendants were provided with copies of the Company’s reports and publicly disseminated

documents alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

31. As senior executive officers and/or directors and as controlling persons of a publicly traded company whose securities were, and are, registered with the SEC pursuant to the Exchange Act, and were traded on the NYSE and governed by the federal securities laws, the Individual Defendants had a duty to disseminate promptly accurate and truthful information with respect to Conagra's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings, and present and future business prospects, to correct any previously issued statements that had become materially misleading or untrue, so the market price of Conagra's common stock would be based on truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

32. The Individual Defendants are liable as participants in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Conagra's publicly traded common stock by disseminating materially false and misleading statements and/or concealing material adverse facts.

V. SUBSTANTIVE ALLEGATIONS

A. Background

33. Conagra, which is incorporated in Delaware and headquartered in Chicago, Illinois, is a branded consumer packaged goods food company that operates in many sectors of the food industry, with a focus on the sale of branded, private branded, and value-added consumer food, as well as foodservice items and ingredients.

34. On May 4, 2018, prior to announcing the acquisition of Pinnacle on June 27, 2018, Conagra made an unsolicited non-binding proposal to acquire 100% of Pinnacle. Soon after the unsolicited non-binding proposal, on May 15, 2018, Conagra signed a confidentiality agreement with Pinnacle. As part of Conagra's due diligence process, on May 30, 2018, Pinnacle provided Conagra access to Pinnacle's electronic data room.

B. Defendants' Materially False and Misleading Statements

35. On June 27, 2018, before the market opened, Conagra issued a press release, announcing the acquisition of Pinnacle in a cash and stock transaction, valued at approximately \$10.9 billion. In the press release, the Company represented that the combination of Pinnacle and Conagra would have the following "Compelling Strategic and Financial Benefits":

Complementary Portfolio of Iconic Brands: The combined company will have a portfolio of leading, iconic brands within attractive domains such as frozen & refrigerated meals and snacks & sweet treats.

- **Enhanced Ability to Capitalize on Trends in Frozen Foods:** The combination will bring together complementary portfolios in the large, growing and on-trend frozen foods category, positioning the combined company to accelerate innovation and benefit from long-term tailwinds.
- **Compelling Growth Profile:** Conagra Brands and Pinnacle Foods are two of the fastest-growing companies in the consumer packaged foods industry by consumption, and Conagra Brands expects continued momentum based on the enhanced scale and new opportunities to partner with customers that the transaction will provide.
- **EPS Accretive:** On a percentage basis, Conagra Brands expects the transaction to be low single-digit accretive to adjusted EPS in the fiscal year ended May 2020 and high single-digit accretive to adjusted EPS in the fiscal year ended May 2022.
- **Significant Synergy Opportunities:** Conagra Brands expects to achieve approximately \$215 million in annual run-rate cost synergies by the end of fiscal year 2022, with one-time cash costs to achieve the synergies estimated at approximately \$355 million, inclusive of expected capital expenditures of approximately \$150 million.

- **Financing Maintains Solid Investment Grade Credit Rating and Dividend Rate:** The transaction is expected to be financed by Conagra Brands equity issued to Pinnacle Foods shareholders, new transaction debt and incremental cash proceeds from a public equity offering and/or divestitures.
- **Proven Integration Capabilities:** In recent years, Conagra Brands has established a proven track record of executing strategic transactions. The two organizations share complementary portfolios, supply chains, and results-oriented cultures, which are expected to facilitate integration.

36. The Company further represented in the press release, in relevant part, the following:

The transaction will enhance Conagra Brands' multi-year transformation plan and expand its presence and capabilities in its most strategic categories, including frozen foods and snacks. With annual net sales in excess of \$3 billion, Pinnacle Foods' portfolio of frozen, refrigerated and shelf-stable products includes such well-known brands as Birds Eye, Duncan Hines, Earth Balance, EVOL, Erin's, Gardein, Glutino, Hawaiian Kettle Style Potato Chips, Hungry-Man, Log Cabin, Tim's Cascade Snacks, Udi's, Vlasic and Wish-Bone, among others. Based on both companies' latest fiscal year results, pro forma net sales would have been approximately \$11 billion.

37. In the press release, Defendant Connolly represented that the "addition of Pinnacle Foods' leading brands in the attractive frozen foods and snacks categories will create a tremendous opportunity for us to further leverage our proven innovation approach, brand-building capabilities, and deep customer relationships. With greater scale across leading, iconic brands, an unwavering focus on driving profitable growth, and a strong balance sheet and cash flow, we are creating a tremendous platform to drive meaningful shareholder value."

38. During the conference call discussing the Transaction on June 27, 2018, Defendant Connolly represented that the Company was acquiring "a portfolio of complementary, leading brands" as "the Pinnacle team has done an absolutely phenomenal job driving innovation and growth here, and that meant a lot to us." He also represented that "the cultures of Conagra and Pinnacle are highly complementary and that our organizations are a natural fit. Much like

Conagra, Pinnacle shares our focus on innovation and on maintaining a lean and efficient operating structure and close ties with customers.”

39. Defendant Connolly further represented that the Company had “a strong leadership team and proven capabilities driving brand building and innovation, we’re confident in our ability to successfully integrate this acquisition and to build continued momentum and deliver meaningful shareholder value,” and as the Company had a “proven track record of executing strategic transactions, we will be able to implement a smooth integration process.”

40. Discussing Duncan Hines, one of Pinnacle’s leading brands, Defendant Connolly represented, “if you look at the fantastic innovation that’s come out of the Pinnacle team on Duncan Hines in the last year or so, it’s really demonstrating that Duncan Hines operates well as a sweet treat” and “we think there is real innovation opportunity still ahead there, and it fits squarely with what we do in sweet treats.”

41. On the M&A conference call, Ken Goldman, an analyst from JP Morgan asked, “Hoping to get some color on why the synergies aren’t a little bit higher than the typical 7%-ish rate in food. Just wondering why the supply chain synergies in frozen are not as high as maybe we expected. Is it that Pinnacle’s SG&A is already very low and efficient, or maybe is there - I’m hoping, maybe there’s just some conservatism in there?”

42. In response, Defendant Connolly’s represented, “So we’ve got 7% synergies here, which we are highly confident in, we’ve scrubbed every opportunity and we feel very good we can deliver this number . . . The numbers we’ve got in here we feel very good about. And, obviously, it’s kind of like how we approach margins in general. We always look to over-deliver, but this is the number that we believe is correct. And it’s about on par with what we’ve seen elsewhere in the industry.”

43. On September 4, 2018, at the Barclays Global Consumer Staples Conference, Defendant Connolly represented that Pinnacle's Birds Eye was "an absolutely terrific business. It's been a juggernaut, and it's incremental to what we do. And by the way, we think it opens up opportunities for us to apply some of our brands in that space . . ." Defendant Connolly further represented the deal as "a no brainer":

With respect to Pinnacle, *this is as much of a no brainer of a deal as I think you're going to see*. I don't know that you'll see any large deal that looks this much like a bolt-on as Pinnacle does. This is a company that is very similar in their core to what we do in our core, the more types of businesses and very similarly culturally. Lots of things we like about the portfolio, we like the margin structure on some of the grocery businesses. We like the growth prospects in frozen. But obviously, the thing we like most about it comes back to our unshakeable belief that frozen is a space that has call it 10 years or more of runway. And when you look at Pinnacle's portfolio versus our portfolio, what you see are terrific assets that are not redundant to what we do, they're additive and incremental to what we do.

44. Barclays Analyst Andrew Lazar ("Lazar") also asked specifically about Pinnacle's fundamentals and the Company's due diligence in the acquisition: "I think there's some that think that, because Pinnacle 'settled' for a \$68 price, which was below what I think many of the investment community might have expected, that there must be something wrong with Pinnacle's fundamentals so that the outlook is somehow compromised. It did not seem that way as you just mentioned to us based on the second quarter results for Pinnacle, but again, love your thoughts on this more broadly, and then maybe pivoting into sort of *the due diligence done on the deal and what that told you and how you got comfortable with their internal projections*." In response, Defendant Connolly assured investors that the Company had done a thorough due diligence on Pinnacle, and was completely "clear-eyed" when it came to the benefits of the Transaction.

Yeah. I think the way to think about this is we've been looking at this for a while. And we know food businesses. We've been spending our whole career in the food industry. So, we've been very clear-eyed from the beginning as to what the synergy prospects were with this company and what we believed were the true perpetual growth rates that were tangible for this company going forward. And we use those assumptions to arrive at a valuation that we thought was fair and reasonable.

45. In response to concerns about weakness of Pinnacle scanner data, Defendant Connolly represented, "I wouldn't worry too much around a lack of focus around deal dynamics because one of the things that you've seen with Pinnacle is this is a true performance-oriented team."

46. On September 27, 2018, defendants reported financial results for the Company's first quarter fiscal year 2019. Later in the day, the Company conducted a conference call to discuss the financial results for the first quarter fiscal year 2019. During the conference call, Defendant Connolly represented that, based on the Company's "proven approach to innovation and brand building" it was "well positioned to accelerate the next wave of change with the addition of Pinnacle Foods" and "to enhance [Pinnacle's] portfolio of leading brands."

47. The above statements in paragraphs 35-46 were materially false and/or misleading and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose material information concerning Conagra's acquisition of Pinnacle, including that: (i) the Company inadequately performed proper due diligence in connection with the acquisition of Pinnacle; (ii) the performance of Pinnacle's three leading brands were deteriorating not due to intensified competition, but due to self-inflicted subpar innovation and executional missteps; (iii) Pinnacle's business was performing so poorly that it had resorted to pushing promotional deals to retailers in an effort to boost sales; and (iv) as

a result of the foregoing, Defendant's public statements were materially false and/or misleading and/or lacked a reasonable basis when made.

C. The Truth Is Revealed

48. On December 20, 2018, less than two months after the Transaction was closed, Conagra issued a press release announcing financial results for the second quarter of fiscal year 2019 that ended on November 25, 2018. The financial results included the impact of 31 days of Pinnacle ownership. For the 31 days after the closing, net sales for the Pinnacle segment totaled \$259 million which "were below expectations due to weak performance across a range of significant brands." In addition, on a conference call during the day, Defendant Connolly further disclosed that there had been a "deterioration in the legacy Pinnacle business over the course of the calendar year 2018" as "growth stalled" for Pinnacle's three leading brands, Birds Eye, Duncan Hines, and Wish-Bone, and consequently, they "suffered sales and distribution losses." Defendant Connolly further admitted that these three leading brands accounted "for the vast majority of Pinnacle's current challenges" as "innovation was insufficient to sustain growth, primarily because it was subpar in its execution." Specifically, Defendant Connolly revealed that "Pinnacle overextended new items in the same demand pools, favored high margins over high-quality and highly competitive products and missed some major consumer trends," causing "missed steps [that] ultimately undermined brand strength and pricing power." Defendant Connolly concluded that "the challenges that the Pinnacle businesses face have been largely self-inflicted due to subpar innovation and executional missteps" and he did not "expect a material improvement in Pinnacle's underlying trends until the second half of Conagra's fiscal 2020."

49. As a result, sales in the Pinnacle portfolio for calendar year 2018 would be "roughly \$3 billion, which is about \$160 million or 5% below Pinnacle's target." Significantly, Defendant Connolly admitted that the results for the Pinnacle segment were "highly

disappointing” for the second half of 2018 because historically, “Pinnacle’s gross margin performance was lower in the front half of the calendar year than the back half.” For fiscal 2019, Conagra estimated, for the seven month period that Pinnacle would be combined with Conagra, the Pinnacle segment’s “net sales will be down mid-single digits for our fiscal year 2019 versus the same period a year ago. This equates to \$1.7 billion to \$1.75 billion in Pinnacles net sales for the 7-month period” because of “negative consumption trends in the Pinnacle business, along with an estimated \$30 million of negative net sales impact from our post-decision to exit some low [return on investment year-end] price promotions.”

50. While Defendant Connolly described these promotional deals as “highly inefficient” in which Pinnacle was “chasing volume over value,” an article in The Wall Street Journal commented, “That appears to be a nice way of saying they pushed excess inventory to retailers prior to the deal that was ultimately difficult to sell.”

51. Immediately, analysts doubted Defendants’ explanations for the shortfall in the Pinnacle segment, and questioned whether Conagra performed proper due diligence prior to closing the Transaction. Indeed, an analyst from JPMorgan asked on the conference call, “why Pinnacle’s performance worsened so suddenly” and whether “the due diligence could have been better” because “this feels like a really big surprise to most of us, something that maybe could have been a little bit avoided.” In response to these comments, Defendant Connolly admitted that Conagra failed to thoroughly review Pinnacle’s businesses and brands during the due diligence process, “[T]here’s only so much you can see in a public company diligence . . . Pinnacle is not a brand. It’s a diverse company of brands. And so there were obviously businesses that were often businesses that were down, we were smack dab in the middle of diligence.”

52. Lazar from Barclays commented during the conference call that the situation “seems far more severe” since “it certainly sounded to [analysts] that you thought maybe initially that some of that Pinnacle margin opportunity could be delivered upon under Conagra’s ownership.” In response to Lazar’s comments, Defendant Connolly admitted that because Conagra had “coveted this portfolio for a while,” it had “concluded the acquisition would deliver high, single digit EPS accretion” when it was evaluating Pinnacle. However, due to the near year end weaknesses of the three leading Pinnacle brands, the EPS’s “starting point is lower,” but Conagra expects “to get right back to the same place at EPS by 2022.” In other words, Conagra’s “original EPS accretion guidance for this transaction” will not accrue until fiscal year 2022.

53. Immediately following the conference call, analysts continued to question whether Conagra performed proper due diligence in the Transaction. Indeed, in an article published by MarketWatch, an analyst was quoted commenting that the call “suggested lax due diligence performed during the Pinnacle transaction, with improvement needed for Pinnacle’s Birds Eye, Duncan Hines and Wish-Bone brands.”

54. Similarly, on December 20, 2018, JPMorgan published an analyst report where it concluded “that CAG management should have performed better due diligence on” Pinnacle. JPMorgan noted that “the lack of visibility CAG recently had into [Pinnacle’s] pending distribution losses is what (we think rightfully) irks many observers today.” Indeed, according to JPMorgan, Conagra must have “had industry sources (customers, e.g.) that could have set off warning flares months ago.” Consequently, Conagra’s failure to do proper due diligence was leaving “some investors spooked and unwilling to look at CAG for a while,” and “the erosion of Pinnacle’s business was so big (and happened so fast)” that sophisticated market participants

pointedly stated that they “cannot recall a CEO so deeply criticizing the decisions made within a business acquired only two months prior.”

55. On December 21, 2018, an analyst from RBC Capital Markets (“RBC”) wrote in an analyst report that Conagra just disclosed “a litany of previously-unknown execution issues in the acquired Pinnacle business.” Indeed, given that “many viewed Pinnacle as the vanguard of innovation and execution within US Food, we were surprised to hear that its franchise BirdsEye brand now faces high-single-digit distribution losses along with accelerating double-digit sales declines from the Duncan Hines and Wish-Bone brands.”

56. Similarly, an analyst from Barclays commented in a note that “we did give ourselves a black eye on this call” as “some of these observations could have been ascertained beforehand given CAG and PF’s overlapping categories.”

57. As a result of the disclosures and analyst reports, Conagra stock fell \$4.81 or 16.5% on December 20, 2018, and declined an additional \$2.13 or 8.8% on the next trading day. In fact, Conagra stock declined \$8.13 or 30% in three trading sessions, to close at \$20.96 on December 24, 2018.

VI. UNDISCLOSED ADVERSE FACTS

58. The market for Conagra common stock was an open, well-developed and efficient market at all relevant times. As a result of these materially false and misleading statements and failures to disclose described herein, Conagra common stock traded at artificially inflated prices during the Class Period. Plaintiff and the other members of the Class purchased or otherwise acquired Conagra common stock relying upon the integrity of the market price of the Company’s securities and market information relating to Conagra, and have been damaged thereby.

59. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Conagra common stock, by publicly issuing false and misleading

statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse non-public information and misrepresented the truth about the Company, as well as its business, accounting, financial operations and prospects, as alleged herein.

60. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and the other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and misleading statements about Conagra's financial well-being and prospects.

61. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements made during the Class Period resulted in Plaintiff and the other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

VII. LOSS CAUSATION

62. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Conagra common stock and operated as a fraud or deceit on Class Period purchasers of Conagra common stock by failing to disclose to investors that the Company's financial results were materially misleading and misrepresented material information. When Defendants' misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Conagra common stock fell precipitously as the prior inflation came out of the Company's stock price.

As a result of their purchases of Conagra common stock during the Class Period, Plaintiff and the other Class members suffered economic loss.

63. By failing to disclose the true state of the Company's financial statements, investors were not aware of the true state of the Company's financial status. Therefore, Defendants presented a misleading picture of Conagra's business practices and procedures. Thus, instead of truthfully disclosing during the Class Period the true state of the Company's business, Defendants caused Conagra to conceal the truth.

64. Defendants' false and misleading statements had the intended effect and caused Conagra's common stock to trade at artificially inflated levels throughout the Class Period. The stock price drop discussed herein caused real economic loss to investors who purchased the Company's securities during the Class Period.

65. The decline in the price of Conagra's common stock after the truth came to light was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Conagra's common stock price decline negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss suffered by Plaintiff and the other Class members was a direct result of the Defendants' fraudulent scheme to artificially inflate the prices of Conagra's common stock and the subsequent decline in the value of Conagra's common stock when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

VIII. SCIENTER ALLEGATIONS

66. As alleged herein, the Individual Defendants acted with scienter in that the Individual Defendants knew that the public documents and statements issued or disseminated in

the name of the Company during the Class Period were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

67. As set forth herein, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding Conagra, their control over, receipt and/or modification of Conagra's allegedly materially misleading statements and omissions, and/or their positions with the Company which made them privy to confidential information concerning Conagra, participated in the fraudulent scheme alleged herein.

IX. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE MARKET DOCTRINE

68. At all relevant times, the market for Conagra's common stock was an efficient market for the following reasons, among others:

(a) Conagra's common stock met the requirements for listing, and were listed and actively traded on the NYSE, a highly efficient market;

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

(c) Conagra's common stock was followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace; and

(d) Conagra regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.

69. As a result of the foregoing, the market for Conagra's common stock promptly digested current information regarding Conagra from all publicly available sources and reflected such information in Conagra's stock price. Under these circumstances, all purchasers of Conagra's common stock during the Class Period suffered similar injury through their purchase of Conagra's common stock at artificially inflated prices and a presumption of reliance applies.

70. A Class-wide presumption of reliance is also appropriate in this action under the U.S. Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because Plaintiff's fraud claims are grounded in Defendants' omissions of material fact of which there is a duty to disclose. As this action involves Defendants' failure to disclose material adverse information regarding Conagra's business practices, financial results and condition, and the Company's internal controls—information that Defendants were obligated to disclose during the Class Period but did not—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered such information important in the making of investment decisions.

X. NO SAFE HARBOR

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

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

COUNT I

Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

73. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein. This claim is asserted against all Defendants.

74. During the Class Period, Conagra and the Individual Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and the other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Conagra common stock; and (iii) cause Plaintiff and the other members of the Class to purchase Conagra common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

75. These Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Conagra common stock in violation of §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. Defendants are sued as primary

participants in the wrongful and illegal conduct charged herein. The Individual Defendants are also sued herein as controlling persons of Conagra, as alleged herein.

76. Conagra and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, performance, operations and future prospects of Conagra as specified herein. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Conagra's value and performance and substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts, and omitting to state material facts necessary in order to make the statements made about Conagra and its business, operations and future prospects, in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Conagra's common stock during the Class Period.

77. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's operational and financial projections and/or reports; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other, and

were advised of and had access to other members of the Company's management team, internal reports, and other data and information about the Company's financial condition and performance at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

78. These Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly, and for the purpose and effect of concealing Conagra's operating condition, business practices and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by their misstatements of the Company's financial condition and performance throughout the Class Period, the Individual Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were severely reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

79. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Conagra common stock was artificially inflated during the Class Period. In ignorance of the fact that the market price of Conagra shares was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by these Defendants

during the Class Period, Plaintiff and the other members of the Class acquired Conagra common stock during the Class Period at artificially inflated high prices and were damaged thereby.

80. At the time of said misrepresentations and omissions, Plaintiff and the other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known of the true performance, business practices, future prospects and intrinsic value of Conagra, which were not disclosed by Defendants, Plaintiff and the other members of the Class would not have purchased or otherwise acquired Conagra common stock during the Class Period, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

81. By virtue of the foregoing, Conagra and the Individual Defendants each violated §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

82. As a direct and proximate result of the Individual Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

COUNT II

Violation of Section 20(a) of the Exchange Act Against The Individual Defendants

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

84. The Individual Defendants were and acted as controlling persons of Conagra within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions with the Company, participation in and/or awareness of the Company's operations and/or intimate knowledge of the Company's actual performance, the Individual

Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Each of the Individual Defendants was provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued, and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

85. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

86. As set forth above, Conagra and the Individual Defendants each violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

XI. PRAYER FOR RELIEF

WHEREFORE, Plaintiff, individually and on behalf of the Class, prays for judgment as follows:

(a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;

(b) Awarding Plaintiff and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;

(c) Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and

(d) Awarding such other relief as this Court deems appropriate.

XII. JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: April 15, 2019

Respectfully submitted,

/s/ Carol V. Gilden

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