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12 *and Patrick Browder*

13 **UNITED STATES DISTRICT COURT**
14 **NORTHERN DISTRICT OF CALIFORNIA**
15 **OAKLAND DIVISION**

16 In re ROCKET FUEL, INC. SECURITIES
LITIGATION

Case No. 4:14-CV-03998-PJH

17 **CONSOLIDATED CLASS ACTION**

18 **CONSOLIDATED CLASS ACTION**
19 **COMPLAINT FOR VIOLATIONS OF THE**
FEDERAL SECURITIES LAWS

20 **DEMAND FOR JURY TRIAL**

21 This Document Relates To:
ALL ACTIONS

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1 “The buyers [like Rocket Fuel] are willing to
2 be defrauded because it looks good on paper.”

3 Vivek Shah – Chairman,
4 Interactive Advertising Bureau¹
5 February 2014

6 I. PRELIMINARY STATEMENT

7 1. Oklahoma Firefighters Pension and Retirement System, Browder Capital, LLC, and
8 Patrick Browder (collectively, “Lead Plaintiffs”) allege the following upon personal knowledge
9 with respect to themselves and, with respect to all other matters, the investigation of Lead Counsel.
10 Lead Counsels’ investigation included review and analysis of, *inter alia*: (a) regulatory filings made
11 by Rocket Fuel Inc. (“Rocket Fuel” or the “Company”) with the United States Securities and
12 Exchange Commission (“SEC”); (b) press releases and media reports issued and disseminated by
13 the Company; (c) analyst and media reports concerning Rocket Fuel; (d) interviews with former
14 Rocket Fuel employees; and (d) other publicly-available information.

15 2. This is a putative class action for violations of the federal securities laws. Lead
16 Plaintiffs bring this action on behalf of purchasers of Rocket Fuel’s common stock between
17 September 20, 2013 and August 5, 2014, inclusive (the “Class Period”), who were damaged by the
18 conduct asserted herein (the “Class”).

19 3. Lead Plaintiffs assert claims pursuant to Sections 10(b), 20(a) and 20A of the
20 Securities Exchange Act of 1934 (the “Exchange Act”) and SEC Rule 10b-5 promulgated
21 thereunder. Lead Plaintiffs’ Exchange Act claims arise out of a fraudulent or deliberately reckless
22 course of business conduct. The defendants under the Exchange Act are Rocket Fuel, and the
23 Insider Defendants as defined in ¶ 34 (the “Exchange Act Defendants”).

24 4. Throughout the Class Period, the Exchange Act Defendants recklessly touted the
25 Company’s technological prowess, unequivocally assuring both investors and customers that
26 Rocket Fuel’s proprietary technology filtered “40 billion impressions a day” and could “identify
27 and eliminate *all*” ad fraud and bot traffic and to “block bad sites and pages before we *ever serve a*

28 ¹ The Interactive Advertising Bureau (“IAB”) is comprised of more than 600 leading media and
technology companies that are responsible for selling 86% of online advertising in the United
States.

1 *single ad* on them.” Due in part to such misrepresentations, the Exchange Act Defendants secured
2 trading prices of the Company’s common stock as high as \$71.89 during the Class Period, allowing
3 Company executives to reap approximately \$175 million by selling their Rocket Fuel shares at
4 artificially inflated prices. Having recklessly turned a blind eye to the fact that its fraud detection
5 capabilities were far more limited than represented for most of the Class Period, by June 25, 2014,
6 Rocket Fuel finally acknowledged its limitations, quietly changing its representations that its
7 “powerful technology . . . is able to identify and eliminate *all* threats before serving a single ad”
8 and “block bad sites and pages *before a single ad is ever served on them,*” with less definitive
9 language, stating that “Rocket Fuel is able to identify and eliminate threats before serving a single
10 ad” and that its “three layers of defense proactively block[] bad sites and pages. . . .” By the end
11 of the Class Period, not only did Rocket Fuel stop touting its fraud detection abilities, but also added
12 a new “bot traffic” risk disclosure in its SEC filings.

13 5. Throughout the Class Period, each of the Exchange Act Defendants recklessly
14 disregarded or turned a blind eye toward the facts that: (i) the statements and omissions alleged
15 throughout herein were materially false and misleading; (ii) such statements would adversely affect
16 the integrity of the market for Rocket Fuel securities; and (iii) such statements would deceive
17 investors into purchasing Rocket Fuel securities at artificially inflated prices, including at prices as
18 high as \$61 per share in the Company’s January 31, 2014 Secondary Offering.

19 6. Separately, Lead Plaintiffs assert claims pursuant to Sections 11(a), 12(a)(2), and 15
20 of the Securities Act of 1933 (the “Securities Act”) for materially untrue statements and omissions
21 in the: (i) Registration Statement on Form S-1/A that Rocket Fuel filed with the SEC on or about
22 September 18, 2013 (the “2013 Registration Statement”) and the Prospectus on Form 424(b)(4)
23 that Rocket Fuel filed with the SEC on or about September 20, 2013 (the “2013 Prospectus”) in
24 connection with Company’s initial public offering (“IPO”);² and (ii) the Registration Statement on
25 Form S-1/A that Rocket Fuel filed with the SEC on or about January 27, 2014 (the “2014
26 Registration Statement”) and the Prospectus on Form 424(b)(4) that Rocket Fuel filed with the SEC

27 ² The 2013 Registration Statement and the 2013 Prospectus are hereinafter collectively referred to
28 as the “IPO Materials.”

1 on or about January 31, 2014 (the “2014 Prospectus”) in connection with the Company’s Secondary
2 Offering.³

3 7. The Securities Act claims are not based on any allegation of deliberate or intentional
4 misconduct and Lead Plaintiffs specifically disclaim any reference to or reliance upon the fraud
5 allegations for such claims. The defendants for the Securities Act claims are Rocket Fuel, the
6 Insider Defendants as defined in ¶ 34, the Director Defendants as defined in ¶ 48, and the
7 Underwriters for the Company’s IPO and Secondary Offering (the “Securities Act Defendants”).

8 8. Each of the Securities Act Defendants made materially untrue statements and
9 omissions in the IPO Materials and the Secondary Offering Materials by negligently failing to state
10 other required material facts in order to make the statements therein not misleading. The omissions
11 and representations within the IPO Materials and Secondary Offering Materials relate to Rocket
12 Fuel's technological abilities and its material impact on revenues and on customers.

13 **II. NATURE OF THE ACTION**

14 9. Rocket Fuel provides a programmatic media-buying platform to purportedly
15 improve marketing return on investment in digital media across web, mobile, video, and social
16 channels. The Company purports to provide advertising solutions that transform digital media buys
17 into self-optimizing engines to exceed advertising goals from awareness to sales. The Company’s
18 artificial intelligence (“AI”) system autonomously buys ad spots, or impressions, one at a time, on
19 advertising exchanges to create portfolios of impressions designed to optimize the goals of its
20 advertisers, such as increased sales, heightened brand awareness and decreased cost per customer
21 acquisition.⁴ In simpler terms, Rocket Fuel engages in programmatic buying at high frequency and
22 at massive scale to enable its customers to maximize advertising opportunities on the internet.

23 10. Advertisers expect that online content is viewed by human audiences who have the
24 potential to buy a product or service. The interactive advertising industry, however, is plagued by
25 robotic traffic (“bot traffic” or “fraudulent traffic”) which bad actors use to profit from fake,

26 ³ The 2014 Registration Statement and the 2014 Prospectus are hereinafter collectively referred to
as the “Secondary Offering Materials.”

27 ⁴ An impression in the context of online advertising is a measure of the number of times an ad is
28 seen. Cost-per-impression is the cost or expense incurred for marketing potential customers who
view the advertisement(s).

1 nonhuman traffic. Bot traffic is driven by code, not humans, so it lacks the ability to generate real
2 conversions or purchases. Bots don't buy and wear Levi's. At their most sophisticated, bots can
3 mimic the behavior of online consumers, clicking from one site to the next, pausing at ads, watching
4 videos, and even putting items in online shopping carts. The activity generated by bots dilutes the
5 value and quality of legitimate publisher ad inventory, otherwise known as inventory quality. Ad
6 fraud is predicted to cost marketers as much as \$11 billion in 2014, a 22% increase over 2013.

7 11. Advertising consultancy Medialink estimates that as much as 25% of online ad
8 revenue is wasted on fraud, and piracy audience-research firm comScore found that 36% of online
9 ad impressions, or views, are generated by nonhumans. A *Wall Street Journal* article in March
10 2014 entitled "A 'Crisis' in Online Ads: One-Third of Traffic Is Bogus" reported how, while
11 "[b]illions of dollars are flowing into online advertising . . . marketers also are confronting an
12 uncomfortable reality: rampant fraud. . . . Vivek Shah, the chairman of the Interactive Advertising
13 Bureau, said at the group's annual conference last month [February 2014] that Internet advertising
14 was facing a 'crisis.'"

15 12. The Exchange Act Defendants were either deliberately reckless in not knowing or
16 turned a blind eye to the fact that the Company was unable to adequately identify and eliminate ad
17 fraud and bot traffic in Rocket Fuel's advertising campaigns. In order to successfully consummate
18 two public offerings, however, they unequivocally assured investors and customers alike that
19 Rocket Fuel's proprietary technology could "identify and eliminate *all*" such threats. Prior to and
20 continuing throughout the Class Period, for instance, the Exchange Act Defendants represented that
21 Rocket Fuel's proprietary artificial intelligence ("AI") and big data technology gave it a
22 competitive advantage that delivered "compelling results" for its customers, including the ability
23 to "block bad sites and pages before we *ever* serve a *single ad* on them."⁵ This was untrue.

24 13. Similarly, during the Class Period, the Company represented that it had the
25 indisputable ability to "undermine fraudulent practices and make sure con artists *always* leave
26 empty handed. Using the same powerful technology that optimizes our clients' campaigns, Rocket
27 Fuel is able to identify and eliminate *all* threats before serving a single ad." Indeed, Company

28 ⁵ All emphasis added unless otherwise noted.

1 executives represented that, having “done studies internally,” Rocket Fuel regularly discards “over
2 40 percent of the opportunities we have to bid on ad space . . . because they don’t pass our quality
3 filters. . . .” As alleged below, these and similar representations were materially misleading at the
4 time of publication. Indeed, the Exchange Act Defendants were at least deliberately reckless in not
5 knowing that their ability to combat and eliminate ad fraud was inadequate and was jeopardizing
6 their financial performance, in turn causing Rocket Fuel’s customers to leave the Company. The
7 Exchange Act Defendants were also turning a blind eye to the number of advertising clients seeking
8 to go “in-house” prior to the IPO in order to broker their own advertising campaigns or to build
9 platforms similar to Rocket Fuel’s platform.

10 14. Throughout the Class Period, the Exchange Act Defendants not only overstated their
11 ability to combat ad fraud but they understated the gravity of the problem. The Exchange Act
12 Defendants, for instance, described a May 2014 *Financial Times* article about Rocket’s Fuel’s fraud
13 traffic exposure (*see* ¶ 110, *infra*) as “sensational headlines on top of non-news.” Then, just a few
14 weeks before the end of the Class Period, Rocket Fuel quietly abandoned its prior Class Period
15 representation that: (i) its “powerful technology . . . is able to identify and eliminate *all* threats
16 before serving a single ad;” and (ii) that its “three layers of defense that block bad sites and pages
17 *before a single ad is ever served on them.*” Instead, the Company employed far less unequivocal
18 language, stating that “Rocket Fuel is able to identify and eliminate threats before serving a single
19 ad” and that its “three layers of defense proactively block[] bad sites and pages. . . .”

20 15. As a partial result of these and other misrepresentations, the price of the Company’s
21 common stock opened for trading on September 20, 2013 at nearly \$60 per share – or more than
22 double the Company’s IPO price of \$29.00 per share – and reached a trading high of \$71.89 during
23 the Class Period.

24 16. The artificial boost in Rocket Fuel’s share price was short-lived. On August 5,
25 2014, Rocket Fuel drastically lowered its full-year 2014 revenue guidance primarily due to what it
26 admitted was customer concern about inventory quality resulting from the Company’s inability to
27 identify and eliminate fraudulent ad traffic. On a same-day conference call, Rocket Fuel CEO
28 George John represented that, somehow suddenly, “[a]cross *all* channels, we’ve seen increased

1 advertiser and agency interest in the quality of ad space and audiences they buy with increased
2 concerns around bot traffic and viewability.” In truth, as the *Wall Street Journal* reported on
3 August 12, 2014, the “online ad industry has been well aware of its fraud problem for years. . . .”

4 17. Following the Company’s August 5, 2014 announcement, the Company’s share
5 price fell approximately 30% from \$24.75 to \$17.05 on August 6, 2014 in a single day on unusually
6 high trading volume of over six million shares traded, damaging investors as depicted in the chart
7 below:



17 18. Before Rocket Fuel’s negative August 5, 2014 disclosures, however, the Company’s
18 highest-ranking insiders and early investors had cashed out in the Secondary Offering in February
19 2014 for **\$175 million**, at prices as high as \$61 per share. The timing was not coincidental as the
20 Company was deliberately reckless or turned a blind eye to the fact that it would not be able to
21 meet financial expectations. Worse yet, the Company’s insiders sought and obtained an early
22 release from the IPO lock-up of their shares. Rather than wait 180 days per the lock-up agreement
23 which would have ended on March 18, 2014, the Exchange Act Defendants sold their shares in
24 early February 2014 and pocketed approximately \$35 million more than they would have been able
25 to but for the early release from the lock-up. The Company’s insiders therefore timed the Secondary
26 Offering to enable themselves to cash out prior to announcing the Company’s poor Q1 2014
27 financial results. Lead Plaintiffs and the Class were not as fortunate. At present, Rocket Fuel’s
28

1 share price languishes at approximately \$10 per share,⁶ while the Company's year-to-date
2 performance is down approximately 85%.

3 **III. JURISDICTION AND VENUE**

4 19. The claims asserted herein arise under Sections 11, 12(a)(2) and 15 of the Securities
5 Act, 15 U.S.C. § 77k, § 77l, and § 77o, and Sections 10(b), 20(a), and 20(A) of the Exchange Act,
6 15 U.S.C. § 78j(b), § 78t(a) and § 78t-1, and the rules and regulations promulgated thereunder,
7 including Rule 10b-5, 17 C.F.R. § 240.10b-5.

8 20. This Court has jurisdiction over the subject matter of this action pursuant to
9 28 U.S.C. § 1331, Section 22 of the Securities Act, 15 U.S.C. § 77v, and Section 27 of the Exchange
10 Act, 15 U.S.C. § 78aa, because this is a civil action arising under the laws of the United States.

11 21. Venue is proper in this District pursuant to Section 22 of the Securities Act,
12 15 U.S.C. § 77v, Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1391. Many
13 of the false and misleading statements were made in or issued from this District, and Rocket Fuel's
14 principal executive offices are located in this District.

15 22. In connection with the acts, conduct, and other wrongs alleged in this Consolidated
16 Class Action Complaint, Defendants, directly and indirectly, used the means and instrumentalities
17 of interstate commerce, including the mails, telephone communications, and the facilities of
18 national securities exchanges.

19 **IV. PARTIES**

20 **A. Lead Plaintiffs**

21 23. Lead Plaintiff Oklahoma Firefighters Pension and Retirement System ("OKFPRS"),
22 as set forth in the certification filed previously on November 3, 2014, and as incorporated by
23 reference herein, purchased Rocket Fuel common stock during the Class Period and has been

24
25 ⁶ On February 19, 2015, the Company reported its Q4 2014 and Full Year 2014 financial results;
26 after reporting widening losses for the quarter, the Company's share price fell another 27% to close
27 at \$10.82 per share. For the first time, Rocket Fuel's Q4 2014 press release further revealed that
28 the Company was no longer willing to give full year guidance due to "the limited visibility inherent
in our rapidly growing and changing industry, Rocket Fuel is only providing specific financial
guidance for the first quarter of 2015." However, the same "rapidly growing and changing
industry" that Defendants used to tout the Company during the Class Period did not stop the
Exchange Act Defendants from providing misleading full year guidance up to that point.

1 damaged thereby. OKFPRS was established in 1981 to provide pension benefits to over 20,000
2 firefighters and their beneficiaries, and manages over \$2.1 billion in assets. OKFPRS purchased
3 Rocket Fuel common stock on the day of the IPO. OKFPRS purchased Rocket Fuel common stock
4 in the Company’s Secondary Offering, and contemporaneously with the sale of common stock by
5 the Insider Defendants in the Secondary Offering. OKFPRS lost over \$314,000 from its purchases
6 of Rocket Fuel common stock during the Class Period.

7 24. Lead Plaintiff Browder Capital, LLC (“Browder Capital”), as set forth in the
8 certification filed previously on November 3, 2014, and as incorporated by reference herein,
9 purchased Rocket Fuel common stock during the Class period and has been damaged thereby.
10 Browder Capital is a boutique investment management company based in Fort Worth, Texas,
11 specializing in a subset of portfolio management. Browder Capital purchased shares of Rocket
12 Fuel common stock contemporaneously with the sale of common stock by the Insider Defendants
13 in the Secondary Offering. Browder Capital lost over \$275,000 from its purchases of Rocket Fuel
14 common stock during the Class Period.

15 25. Lead Plaintiff Patrick Browder (“Mr. Browder”), as set forth in the certification filed
16 previously on November 3, 2014, and as incorporated by reference herein, purchased Rocket Fuel
17 common stock during the Class period and has been damaged thereby. Mr. Browder is the President
18 and Chief Compliance Officer of Browder Capital and maintains complete authority over the
19 investment strategies and decisions for Browder Capital. Mr. Browder lost over \$651,000 from
20 purchases of Rocket Fuel common stock during the Class Period.

21 **B. Company Defendant**

22 26. Defendant Rocket Fuel describes itself as a leading provider of artificial intelligence
23 advertising solutions that transform digital media buys into self-optimizing engines that learn and
24 adapt in real time to exceed advertising goals from awareness to sales. The Company purports to
25 deliver a leading programmatic media-buying platform at Big Data scale. It has customers in North
26 America, Europe, and Japan that have used Rocket Fuel to run digital advertising campaigns
27 globally.

28

1 27. The Company’s Corporate Headquarters are located at 1900 Seaport Blvd.,
2 Redwood City, California 94063.

3 28. On September 20, 2013, the Company filed a Prospectus pursuant to Rule 424(b)(4)
4 with the SEC for an initial public offering of the common stock of Rocket Fuel to sell 4,000,000
5 shares of common stock. The initial public offering price was \$29 per share.

6 29. Rocket Fuel’s shares began trading on the NASDAQ Global Select Market under
7 the symbol “FUEL” on September 20, 2013.

8 30. On January 31, 2014, the Company filed a Prospectus pursuant to Rule 424(b)(4)
9 with the SEC for a Secondary Offering of the common stock of Rocket Fuel to sell 5,000,000 shares
10 of common stock. The Secondary Offering price was \$61.00 per share.

11 **C. Insider Defendants**

12 31. At all relevant times, Defendant George H. John (“John”) was the Company’s Chief
13 Executive Officer (“CEO”) and Chairman of the Board of Directors. He is a co-founder of Rocket
14 Fuel and signed the IPO Materials, the Secondary Offering Materials, and Annual Reports on Form
15 10-K that Rocket Fuel filed with the SEC, and made false representations to investors and analysts
16 on conference calls as alleged herein. During the Class Period, on the basis of inside, non-public
17 material information, John sold 307,877 shares during the Secondary Offering at artificially inflated
18 prices, for gross proceeds of approximately \$17.9 million, or more than nine times his total 2013
19 annual compensation of \$1.9 million. Defendant John was unable to sell more than the shares he
20 sold in the Secondary Offering due to a lock-up agreement with the Underwriter Defendants. John
21 did not purchase any Rocket Fuel shares on the open market at any point during the Class Period.
22 Because of his senior position with the Company, John possessed the power and authority to control
23 the contents of the Company’s press releases, investor and media presentations, and all filings
24 Rocket Fuel made with the SEC during the Class Period.

25 32. At all relevant times, Defendant Richard Frankel (“Frankel”) was the Company’s
26 President and member of the Board of Directors. He is a co-founder of Rocket Fuel and signed the
27 IPO Materials, the Secondary Offering Materials, and Annual Reports on Form 10-K that Rocket
28 Fuel filed with the SEC, and made false representations to investors and analysts on conference

1 calls as alleged herein. During the Class Period, on the basis of inside, non-public material
2 information, Frankel sold 254,323 shares during the Secondary Offering at artificially inflated
3 prices, for gross proceeds of approximately \$14.8 million, or close to 10 times more than his total
4 2013 annual compensation of \$1.5 million. Defendant Frankel was unable to sell more than the
5 shares he sold in the Secondary Offering due to a lock-up agreement with the Underwriter
6 Defendants. Frankel did not purchase any Rocket Fuel shares on the open market at any point
7 during the Class Period. Because of his senior position with the Company, Frankel possessed the
8 power and authority to control the contents of the Company's press releases, investor and media
9 presentations, and all filings Rocket Fuel made with the SEC during the Class Period.

10 33. At all relevant times, Defendant J. Peter Bardwick ("Bardwick") was the Company's
11 Chief Financial Officer ("CFO"). In September 2013, Bardwick managed Rocket Fuel's IPO, and
12 in January 2014, he managed the Company's Secondary Offering. In addition, Defendant Bardwick
13 signed the Company's Class Period press releases on Form 8-K and Quarterly Reports on Form 10-
14 Q with the SEC. Bardwick also signed the IPO Materials and Secondary Offering Materials. On
15 or about September 8, 2014, the Company announced that Defendant Bardwick intended to resign
16 from the Company, just three business days after the first-filed complaint was filed in this matter
17 on September 3, 2014. Bardwick served as CFO until September 30, 2014. During the Class
18 Period, on the basis of inside, non-public material information, Defendant Bardwick sold 17,500
19 shares during the Secondary Offering at artificially inflated prices, for gross proceeds of
20 approximately \$1 million. Bardwick was unable to sell more than the shares he sold in the
21 Secondary Offering due to a lock-up agreement with the Underwriter Defendants. Defendant
22 Bardwick did not purchase any Rocket Fuel shares on the open market at any time during the Class
23 Period. Because of his senior position with the Company, Bardwick possessed the power and
24 authority to control the contents of the Company's press releases, investor and media presentations,
25 and all filings Rocket Fuel made with the SEC during the Class Period.

26 34. The defendants listed in ¶¶ 31-33 are collectively referred to herein as the "Insider
27 Defendants."
28

1 35. Because of the Insider Defendants' positions within the Company, they each had
2 access to the adverse undisclosed information about Rocket Fuel's business, operations, and
3 practices through access to internal corporate documents, conversations, and contact with other
4 corporate officers and employees, attendance at meetings, and through reports and other
5 information provided to them.

6 36. Each of the Insider Defendants, by virtue of their high-level position, was directly
7 involved in the day-to-day operations of Rocket Fuel at the highest levels and was privy to
8 confidential information concerning the Company, its business, operations, and practices, including
9 the misstatements alleged herein. This included the Company's regular meetings to discuss the
10 Company's operations and performance, including the Company's inventory quality and customer
11 sales.

12 37. Their positions of control and authority as officers or directors enabled the Insider
13 Defendants to control the contents of SEC filings, press releases, presentations to securities
14 analysts, and other public statements made to Rocket Fuel shareholders during the Class Period.
15 Accordingly, each of the Insider Defendants bears responsibility for the accuracy of the public
16 reports and press releases detailed herein, and is therefore primarily liable for the
17 misrepresentations and omissions contained therein.

18 38. During the Class Period, each of the Insider Defendants substantially participated in
19 the creation of and had exclusive authority and control over the content of Rocket Fuel's false and
20 misleading statements and how they were communicated to investors. The Insider Defendants also
21 engaged in conduct in furtherance of a fraudulent scheme and course of business and were involved
22 in the preparation and dissemination of Rocket Fuel's misleading statements, all of which made it
23 necessary or inevitable that material misrepresentations and the false results of Defendants' scheme
24 would be communicated to, and mislead, investors.

25 39. The Insider Defendants were obliged to refrain from falsifying Rocket Fuel's books
26 and were prohibited from using the instrumentalities of interstate commerce or the mails to:
27 (i) employ any device, scheme, or artifice to defraud; (ii) make any untrue statement of a material
28 fact or omit to state a material fact necessary in order to make the statements made, in light of the

1 circumstances under which they were made, not misleading; or (iii) engage in any act, practice, or
2 course of business which operates or would operate as a fraud upon any person. The Insider
3 Defendants' conduct violated the Exchange Act and SEC regulations promulgated thereunder in
4 connection with the purchase or sale of Rocket Fuel's securities.

5 40. Each of the Insider Defendants is liable as a participant in a fraudulent scheme and
6 course of business whose primary purpose and effect was to operate as a fraud and deceit on
7 purchases of Rocket Fuel securities by disseminating materially false and misleading statements
8 and/or concealing material adverse facts about Rocket Fuel's operations. The Insider Defendants'
9 scheme deceived the investing public regarding Rocket Fuel's operations and the intrinsic value of
10 Rocket Fuel's securities, and caused Lead Plaintiffs and other members of the Class to be damaged
11 as a result of their purchases of Rocket Fuel securities at artificially inflated prices.

12 41. The Company's press releases and SEC filings were group-published documents,
13 representing the collective actions of the Company management. The Insider Defendants were
14 involved in drafting, producing, reviewing, and/or disseminating the false and misleading
15 statements and information alleged herein, were aware, or recklessly disregarded, with respect to
16 the statements at issue for the Exchange Act claims, that false and misleading statements were being
17 issued regarding the Company, and approved or ratified these statements, in violation of the federal
18 securities laws.

19 **D. Director Defendants**

20 42. At all relevant times, Susan L. Bostrom ("Bostrom") was a Director of Rocket Fuel.
21 Bostrom signed the 2013 and 2014 Registration Statements. None of the claims against Bostrom
22 include allegations of fraud or scienter. Because of her senior position with the Company, she
23 possessed the power and authority to control the contents of the Company's Registration
24 Statements.

25 43. At all relevant times, Ronald E.F. Codd ("Codd") was a Director of Rocket Fuel.
26 Codd signed the 2013 and 2014 Registration Statements. None of the claims against Codd include
27 allegations of fraud or scienter. Because of his senior position with the Company, he possessed the
28 power and authority to control the contents of the Company's Registration Statements.

1 44. At all relevant times, William Ericson (“Ericson”) was a Director of Rocket Fuel.
2 Ericson signed the 2013 and 2014 Registration Statements. None of the claims against Ericson
3 include allegations of fraud or scienter. Because of his senior position with the Company, he
4 possessed the power and authority to control the contents of the Company’s Registration
5 Statements.

6 45. At all relevant times, John Gardner (“Gardner”) was a Director of Rocket Fuel.
7 Gardner signed the 2013 and 2014 Registration Statements. None of the claims against Gardner
8 include allegations of fraud or scienter. Because of his senior position with the Company, he
9 possessed the power and authority to control the contents of the Company’s Registration
10 Statements.

11 46. At all relevant times, Clark Kokich (“Kokich”) was a Director of Rocket Fuel.
12 Kokich signed the 2013 and 2014 Registration Statements. None of the claims against Kokich
13 include allegations of fraud or scienter. Because of his senior position with the Company, he
14 possessed the power and authority to control the contents of the Company’s Registration
15 Statements.

16 47. At all relevant times, Monte Zweben (“Zweben”) was a Director of Rocket Fuel.
17 Zweben signed the 2013 and 2014 Registration Statements. None of the claims against Zweben
18 include allegations of fraud or scienter. Because of his senior position with the Company, he
19 possessed the power and authority to control the contents of the Company’s Registration
20 Statements.

21 48. The defendants listed in ¶¶ 42-47 are referred hereinafter as the “Director
22 Defendants.” The Director Defendants are not alleged to have engaged in any fraudulent conduct
23 and are liable exclusively under the non-fraud provisions of Section 11 of the Securities Act.

24 **E. Underwriter Defendants**

25 49. Defendant Credit Suisse Securities (USA) LLC (“Credit Suisse”) operates as an
26 investment bank in the United States. Its businesses include securities underwriting, sales, and
27 trading, investment banking, private equity, alternative assets, financial advisory services,
28 investment research, and asset management. It is located at 11 Madison Avenue, New York, New

1 York 10010. Credit Suisse served as a lead underwriter for Rocket Fuel’s IPO and Secondary
2 Offering, and is liable under the Securities Act in connection therewith. Lead Plaintiffs do not
3 allege any fraudulent conduct by Credit Suisse.

4 50. Defendant Citigroup Global Markets Inc. (“Citigroup”) provides investment
5 banking and financial advisory services. The firm offers equity and debt financing, asset
6 transaction, private equity, underwriting, institutional sales and trading, and mergers and
7 acquisitions advisory services. Citigroup is located at 390-388 Greenwich Street, New York, New
8 York 10013-2396. Citigroup served as a lead underwriter of Rocket Fuel’s IPO and Secondary
9 Offering, and is liable under the Securities Act in connection therewith. Lead Plaintiffs do not
10 allege any fraudulent conduct by Citigroup.

11 51. Defendant Needham & Company, LLC (“Needham”) is an investment banking and
12 asset management firm focused on growth companies and their investors. Needham’s principal
13 activities involve assisting clients with public and private financings, mergers, acquisitions, and
14 divestures, equity research, institutional sales and trading, and asset management. It is located at
15 445 Park Avenue, New York, New York 10022. Needham served as an underwriter of Rocket
16 Fuel’s IPO and Secondary Offering, and is liable under the Securities Act in connection therewith.
17 Lead Plaintiffs do not allege any fraudulent conduct by Needham.

18 52. Defendant Oppenheimer & Co., Inc. (“Oppenheimer”) is an investment bank and
19 full-service investment firm providing financial services and advice to high net worth investors,
20 individuals, business, and institutions. It is located at 85 Broad Street, New York, New York 10004.
21 Oppenheimer served as an underwriter of Rocket Fuel’s IPO and Secondary Offering, and is liable
22 under the Securities Act in connection therewith. Lead Plaintiffs do not allege any fraudulent
23 conduct by Oppenheimer.

24 53. Defendant Piper Jaffray & Co. (“Piper Jaffray”) is an investment bank and asset
25 management firm. Piper Jaffray focuses on mergers and acquisitions, financial restructuring, public
26 offerings, public finance, institutional brokerage, investment management, and securities research.
27 It is located at 800 Nicollet Mall, Suite 1000, Minneapolis, Minnesota 55402. Piper Jaffray served
28

1 as an underwriter of Rocket Fuel’s IPO and Secondary Offering, and is liable under the Securities
2 Act in connection therewith. Lead Plaintiffs do not allege any fraudulent conduct by Piper Jaffray.

3 54. Defendant BMO Capital Markets Corp. (“BMO”) is a financial services provider.
4 BMO offers investment and corporate banking, advisory services, treasury and market risk
5 management, institutional investing, and research. It is located at 3 Times Square, New York, New
6 York 10036. BMO served as an underwriter of Rocket Fuel’s IPO and Secondary Offering, and is
7 liable under the Securities Act in connection therewith. Lead Plaintiffs do not allege any fraudulent
8 conduct by BMO.

9 55. Defendant LUMA Securities (“LUMA”) is an investment bank that provides
10 strategic advice to digital media companies. It is located at 101 Fifth Avenue, Suite 900, New
11 York, New York 10003. LUMA served as an underwriter of Rocket Fuel’s IPO, and is liable under
12 the Securities Act in connection therewith. Lead Plaintiffs do not allege any fraudulent conduct by
13 LUMA.

14 56. Defendant Goldman, Sachs & Co. (“Goldman Sachs”) is a global investment
15 banking, securities, and investment management firm. Goldman Sachs provides a wide range of
16 financial services to a substantial and diversified client base that includes corporations, financial
17 institutions, governments, and high-net-worth individuals. It is located at 200 West Street, New
18 York, New York 10282. Goldman Sachs served as an underwriter of Rocket Fuel’s Secondary
19 Offering, and is liable under the Securities Act in connection therewith. Lead Plaintiffs do not
20 allege any fraudulent conduct by Goldman Sachs.

21 57. For the IPO, Credit Suisse and Citigroup acted as joint book-runners. Needham,
22 Oppenheimer, Piper Jaffray, BMO, and LUMA acted as co-managers for the IPO. The underwriters
23 named herein were given a 30-day option to purchase up to 600,000 additional shares of common
24 stock at the IPO price from certain existing stockholders of Rocket Fuel to cover over-allotments.
25 The underwriters named herein purchased all 600,000 additional shares.

26 58. For the Secondary Offering, Credit Suisse and Citigroup acted as joint book-runners.
27 Goldman Sachs, Needham, Oppenheimer, Piper Jaffray, and BMO acted as co-managers for the
28 Secondary Offering. The underwriters named herein were given a 30-day option to purchase up to

1 750,000 additional shares of common stock at the Secondary Offering price from certain selling
2 stockholders of Rocket Fuel. The underwriters named herein did not purchase the additional shares.

3 59. The defendants listed in ¶¶ 49-56 are referred to herein as the “Underwriter
4 Defendants.”

5 60. For the Secondary Offering, Rocket Fuel and the Underwriter Defendants
6 (excluding LUMA) offered, solicited, promoted, and/or sold Rocket Fuel’s common stock to Lead
7 Plaintiffs by the use of means or instrumentalities of interstate commerce by means of defective
8 Secondary Offering Materials for their own financial gain. By means of the defective Secondary
9 Offering Materials created and disseminated by Rocket Fuel and the Underwriter Defendants,
10 excluding LUMA, in connection with Rocket Fuel’s Secondary Offering, Rocket Fuel and the
11 Underwriter Defendants, excluding LUMA, assisted in the offering of shares of Rocket Fuel stock
12 to Lead Plaintiffs and other members of the Class.

13 61. The Underwriter Defendants are not alleged to have engaged in any fraudulent
14 conduct and are liable exclusively under the non-fraud provisions of Sections 11 and 12(a)(2) of
15 the Securities Act.

16 **V. TECHNICAL BACKGROUND**

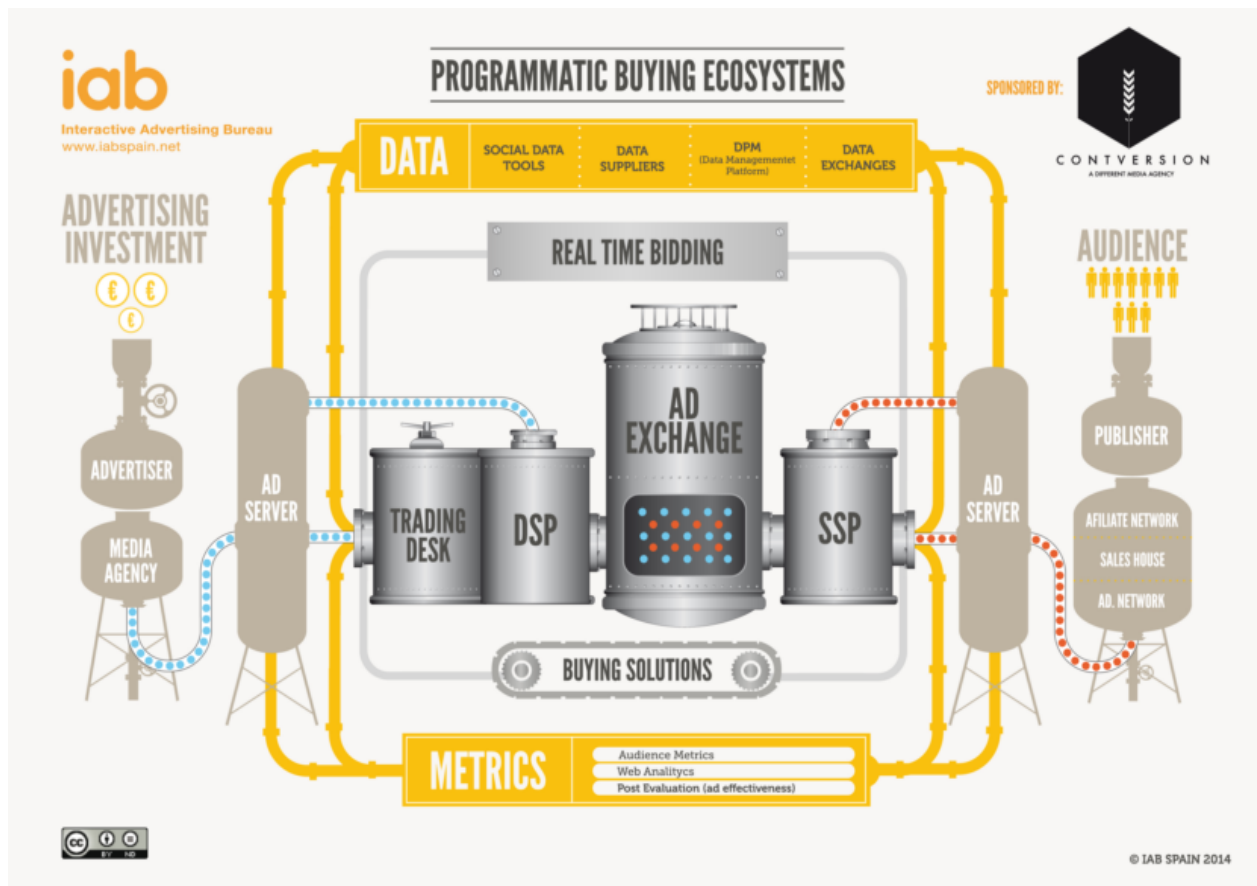
17 **A. The Programmatic Ad Buying Platform**

18 62. Online advertising is a multi-billion dollar industry. According to the IAB, in 2013
19 alone, internet advertising revenues totaled \$42.8 billion, a 17% increase over the \$36.57 billion in
20 revenues in 2012.⁷

21 63. Most companies do not purchase online advertising directly. Instead, companies
22 utilize digital buying groups, such as Rocket Fuel, to negotiate pricing for advertisement space and
23 to develop platforms for the purpose of buying and distributing digital media to consumers.

24
25
26
27
28 ⁷ See http://www.iab.net/media/file/IAB_Internet_Advertising_Revenue_Report_FY_2013.pdf
(last visited February 27, 2015).

64. The below diagram describes the typical programmatic ad buying process:⁸



65. “[T]he basic concept of programmatic is pretty straightforward – using software and algorithms to buy and publish online advertising according to customized parameters.”⁹

66. Advertisement space is generally sold through an “advertising exchange,” which “is just a big pool of ad impressions. Publishers tip their ad impressions into the pool hoping someone will buy them.”¹⁰

67. Digital buying groups then engage in “programmatic” ad buying, using “software to purchase digital advertising, as opposed to the traditional process that involves R[equest] F[or] P[roposal]s, human negotiations and manual insertion orders. It’s using machines to buy ads, basically.”¹¹ This real-time bidding is a type of programmatic ad buying which refers to the

⁸ See <http://www.reduxmedia.com/advertisers-blog/the-programmatic-ecosystem/> (last visited February 27, 2015).

⁹ See *id.*

¹⁰ See <http://digiday.com/platforms/what-is-an-ad-exchange/> (last visited February 27, 2015).

¹¹ See <http://digiday.com/platforms/what-is-programmatic-advertising/> (last visited February 27, 2015).

1 purchase of ads through real-time auctions. Programmatic software also allows advertisers to buy
2 guaranteed ad impressions in advance from specific publisher sites. Buyers “pick which
3 impressions they wish to purchase,” the decisions of which “are often made in real time based on
4 information such as the previous behavior of the user an ad is being served to, time of day, device
5 type, ad position and more.”¹² Programmatic buying makes “the ad buying system more efficient,
6 and therefore cheaper, by removing humans from the process wherever possible.”¹³

7 68. Defendant John describes the above process as “similar to programmatic stock
8 trading insofar as buying happens as the result of a computational proxy bidding on behalf of human
9 masters.”¹⁴ With relation to Rocket Fuel, John’s description of “programmatic buying” is as
10 follows:

11 [T]he application of artificial intelligence and big data to:

- 12 • Bid on an advertising inventory source (e.g. a 300x250 IAB standard ad
13 offered by Yahoo!, a 30 second pre-roll video on YouTube.com, a Facebook
ad)
- 14 • Through an advertising exchange
- 15 • In real time
- 16 • For the opportunity to:
 - 17 ○ show one specific ad
 - 18 ○ to one anonymous consumer
 - in one context
 - on one device¹⁵

19 69. In 2014 alone, companies spent about \$9.3 billion in programmatic ad buying.¹⁶
20 Programmatic ad buying, however, while efficient, is subject to increased risk, depending on the
21 ad exchange and marketplace in which a digital buying group purchases digital ads. Specifically,
22 “less expensive” marketplaces do not:
23

24 ¹² See <http://digiday.com/platforms/what-is-an-ad-exchange/>.

25 ¹³ See <http://digiday.com/platforms/what-is-programmatic-advertising/>.

26 ¹⁴ See <http://adexchanger.com/online-advertising/define-programmatic-buying/#rocketfuel> (last
visited February 27, 2015).

27 ¹⁵ See *id.*

28 ¹⁶ See <http://blogs.wsj.com/cmo/2014/09/29/programmatic-ad-buying-to-reach-21-billion/> (last
visited February 27, 2015).

1 [O]ffer guarantees against non-viewable, mislabeled, non-brand-safe, fraudulent or
2 otherwise low-quality impressions. Low-quality ads can be a significant risk on
3 exchanges that sell large volumes of low-priced inventory. So the buyer has the
power to cho[ose] exactly what they buy, and they can [get] great deals on valuable
impressions; but it's also up to them to beware of bad sellers. (Just like shopping
on Craigslist.)¹⁷

4 70. However, there is incentive by digital buying companies such as Rocket Fuel to buy
5 from less expensive marketplaces. As Thomas Servatius of IPONWEB points out, that is because,
6 “when an advertiser buys traffic on a fraud site, it usually comes very cheap – much cheaper than
7 human built sites [thus opening the opportunity for arbitrage from third-party players and media
8 agencies] – and it has good click through rates. So if you have fraud in your advertising mix, what
9 you see as an advertiser is that for a small amount of money, you get a good number of clicks.”¹⁸
10 According to Marco Bertozzi of AOD, the entire industry is incentivized to prioritize lower CPMs,
11 and thus poorer quality inventory, instead of quality content, where prices are higher. “[E]ducating
12 marketers on the importance of paying more for quality inventory will need to happen because the
13 buy and the sell side are chasing K[ey] P[erformance] I[ndicator]s determined by said client who
14 may be calling for lower CPMs versus quality interactions.”¹⁹

15 **B. Advertising Fraud**

16 71. Digital advertising fraud is a serious, widespread problem. In March 2012, an
17 internet security company reported that 51% of online traffic was non-human bot traffic. In
18 February 2013, an article by *AdWeek* entitled “The Bots Are Taking Over” reported that bot traffic
19 cost marketers between \$1 billion and \$2 billion in display advertising in the fourth quarter of 2012
20 alone. An October 2013 report by *AdWeek* entitled “The Amount of Questionable Online Traffic
21 Will Blow Your Mind” reported that “the online ad industry is facing a swelling crisis, one defined
22 by fake traffic, bogus publishers and invisible Web visitors. . . .” According to estimates by the
23 IAB, about 36% of all Web traffic is considered fake, the product of computers hijacked by viruses
24 and programmed to visit sites.

25 _____
26 ¹⁷ See <http://www.marketingmag.ca/advantage/ad-vantage-glossary-defining-rtb-111231> (last
visited February 27, 2015).

27 ¹⁸ See [https://www.exchangewire.com/blog/2014/08/11/ats-london-panel-preview-click-fraud-
28 detection-and-prevention/](https://www.exchangewire.com/blog/2014/08/11/ats-london-panel-preview-click-fraud-detection-and-prevention/) (last visited February 27, 2015).

¹⁹ *Id.*

1 72. Fake traffic from bots generate false page view impressions which generate
2 advertising dollars for website owners. The scheme works because advertisers only pay for their
3 ads to appear on a site, and not specifically to be seen by real people. In turn, the legitimate ad
4 industry is itself dependent on bot-like technology. As most such ads are bought programmatically,
5 or via software like Rocket Fuel's, ads are automatically placed in bulk at tremendous speeds on
6 sites that fit a media campaign. Because "robots" are buying ads generated by other "robots"
7 visiting sites, the buying bots are unable to distinguish the phony bots from legitimate human
8 traffic.

9 73. As evidence of its purported ability to detect and eliminate purchases of bad
10 inventory for its customers, Rocket Fuel claims to regularly discard up to 40% of all inventory.
11 However, in order to achieve its revenue and growth guidance, Rocket Fuel must screen
12 approximately 500 billion ad impressions each month. As investors eventually learned, Rocket
13 Fuel cannot achieve effective filtering rates at that volume, but remains dependent on such volume
14 to generate the type of revenue growth it has promised its shareholders.

15 74. Internet-security experts have stated that tens of thousands of phony websites exist
16 on the internet fueled by "botnets," or zombie armies of hijacked personal computers that are
17 controlled from unknown locations around the world. Simply, the sites take advantage of the fact
18 that advertisers pay to be seen, which creates an incentive for, according to a September 30, 2013
19 *Wall Street Journal* report, "fraudsters to erect sites with phony traffic, collecting payments—often
20 through middlemen and sometimes directly from advertisers. . . ."

21 75. Ultimately, if fraudulent traffic goes undetected, advertisers end up paying a
22 material portion of their campaign dollars to fraudsters who deliver specious ad impressions that
23 are not viewed by humans. In April 2014, a representative of Kellogg Co. described the problem
24 as follows: "[i]f we are paying any [cost-per-thousand rate] for an impression, it should be an
25 impression. Imagine you buy a dozen donuts, and you open the box and there's one donut. I want
26 to understand what I am getting for the money."²⁰ Specific examples of monetizing fraud include:

27 ²⁰ See [http://www.adweek.com/news/technology/kellogg-data-exec-says-digital-ad-fraud-](http://www.adweek.com/news/technology/kellogg-data-exec-says-digital-ad-fraud-unacceptable-156704)
28 [unacceptable-156704](http://www.adweek.com/news/technology/kellogg-data-exec-says-digital-ad-fraud-unacceptable-156704) (last visited February 27, 2015).

1 (i) false impressions – programs imitate legitimate users by repeatedly loading a page or ad for the
2 purpose of generating higher fees in CPM²¹ advertising. Advertisers paying for media on a CPM
3 basis are paying for this fraudulent inventory; (ii) false clicks – programmatic clicking and unusual
4 click activity, which is both deceptive, as it skews actual results, and detrimental to the bottom line
5 in ads purchased on a CPC basis;²² and (iii) false attribution – stealing credit for sales within a CPA
6 or CPV campaign,²³ despite the fact that the ad impressions were not real and/or not in view. The
7 theft causes dollars to be funneled away from legitimate channels towards fraudulent ones that have
8 placed the most/latest cookies before a consumer purchase or conversion.

9 76. Below are, among others, various ad fraud techniques discovered by web security
10 experts that demonstrate the depth of the sophistication of those engaging in ad fraud:

- 11 • Computer Malware: Thousands of PCs infected with malware (also known as
12 bot slaves) work in conjunction with a bot master to perform smart fraud online.
13 The bot master decides which sites the slave accesses and which ads it views
and clicks so its actions appear to be random and to come from the computer of
a “real person.”
- 14 • Retargeting Fraud: This bot can mimic a human’s intentions, such as an interest
15 in a specific brand of car. Ads targeted to a particular niche result in a higher
16 CPM than untargeted ads. These bots deceive advertisers into believing they are
receiving valuable, targeted clicks.
- 17 • Ad Stacking: This is the practice of placing multiple ads on top of each other in
18 a single ad placement. Even though the “stacked” ads are invisible to the person
visiting the page, they are often reported as viewable to the advertiser, so the
fraudster gets paid.
- 19 • Toolbars: While browser toolbars have legitimate uses, bad actors distribute
20 branded toolbars as part of software bundles that are often installed without the
21 user’s knowledge. They hijack the user’s browser, reset the default search
engine, and enable a platform for serving ads. The new default search engine
22 will usually mimic a well-known search engine and can be extremely difficult
to uninstall.

23 77. On July 23, 2014, *Digiday* ran a story called “Ad Fraud has a Chicken Little
24 Problem” that specifically featured and revealed Rocket Fuel’s struggles with ad fraud:

25 In May [2014], online security company Telemetry examined a sample of 365,000
26 impressions of a Mercedes Benz campaign sold by Rocket Fuel and found that 57

27 ²¹ “CPM” means “cost per mille” or “cost per impression”.

28 ²² “CPC” means “cost per click”.

²³ “CPA” means “cost per action” and “CPV” means “cost per view”.

1 percent of them were from bots. While Telemetry didn't argue that Rocket Fuel
2 intentionally sold fraudulent impressions, it still reflected poorly on Rocket Fuel,
which is a public company that has worked with clients like Toshiba and Buick.

3 78. In turn, the study by ad fraud detection company Telemetry was covered by the
4 *Financial Times* in a May 26, 2014 report (*see* ¶ 110, *infra*) that first disclosed how Rocket Fuel's
5 Mercedes-Benz ad campaign had "raise[d] questions about Rocket Fuel's assertions on its website
6 that it 'makes sure the 'bad actors'' always leave empty-handed.'"

7 79. Then, on August 5, 2014, the last day of the Class Period, Rocket Fuel's shares
8 plunged in after-hours trading after the Company issued guidance that was far below analysts' and
9 the Company's own estimates for third quarter and full year of 2014 due to customer concerns
10 about poor inventory quality due to ad fraud. These concerns, however, were not new within the
11 Company and had been negatively impacting the Company's revenue growth and operations
12 throughout the Class Period.

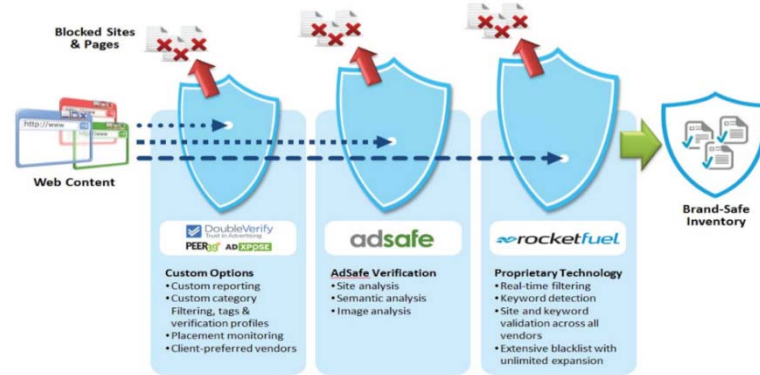
13 **C. Rocket Fuel Grossly Misrepresents Its Capacity To Detect And Combat Ad**
14 **Fraud**

15 80. Rather than disclose Rocket Fuel's limited ability to detect and eliminate ad fraud
16 while purchasing billions of impressions each day, Rocket Fuel represented that its proprietary
17 technology differentiated it from other ad tech companies that were less likely to identify and
18 eliminate bot traffic. As early as August 9, 2011, and continuing throughout almost the entirety of
19 the Class Period, the Company represented that:

20 [W]e're proud to announce the details on how our Real-Time Brand Safety Shield
21 provides the *highest levels of brand assurance* to our clients.

22 At Rocket Fuel we take a proactive approach, with three layers of defense that block
23 bad sites and pages *before we ever serve a single ad on them*. By building additional
24 levels of safety and security right into our platform and processes, we ensure our
25 technology delivers both ROI [return on investment] and *peace of mind for brands*.
26
27
28

Three layers of defense to block bad sites & pages before a single ad is served



81. Rocket Fuel understood the importance of fraud detection to its customers and investors. In its IPO Materials, Rocket Fuel’s purported “risk disclosures” represented that “[i]f we fail to detect fraud or serve our advertisers’ advertisements on undesirable websites, our reputation will suffer, which would harm our brand and reputation and negatively impact our business, financial condition and results of operations.” However, there was no indication in the IPO Materials that Rocket Fuel had any concern with advertising fraud, instead indicating that the Company used “proprietary technology to detect click fraud and block inventory.”

82. On September 20, 2013, the first day of the Class Period, and the debut of trading for Rocket Fuel’s common stock, the Company’s share price spiked 93% from \$29.00 to close at \$56.10 as a result of the IPO roadshow indicating the Rocket Fuel’s technology would “block bad sites and pages *before we ever serve a single ad on them*” and the materially misleading statements and omissions found in the IPO Materials.

83. In early November 2013, and continuing through most of the Class Period, Rocket Fuel further represented that its “powerful Advertising That Learns® technology uses real-time data points to recognize these bad actors and block them at the source”²⁴ and that the Company “is able to identify and eliminate *all* threats before serving a single ad.”²⁵ To the extent shareholders were aware of the pervasiveness of ad fraud, such statements reassured investors that Rocket Fuel’s

²⁴ See <http://rocketfuel.com/blog/rocket-fuel-brand-safety-series-incentivized-traffic> (last visited February 27, 2015).

²⁵ See <http://rocketfuel.com/blog/rocket-fuel-brand-safety-series-suspicious-activity> (last visited February 27, 2015).

1 proprietary technology differentiated it from other companies who could not identify and eliminate
2 such threats.

3 84. On November 13, 2013, the Company filed its quarterly report for the quarter ending
4 September 30, 2013, in which the Company reiterated its “record revenue” and “strong growth.”
5 In response to these announcements, the Company’s stock price rose from \$51.01 on November
6 13, 2013 to close at \$54.89 the following day, November 14, 2013.

7 85. Based on these numbers and Rocket Fuel’s representations, analysts from such firms
8 as Piper Jaffray “believe[d] that FUEL remains the best play on the accelerating shift of traditional
9 online display advertising dollars to algorithmically purchased advertising.” Evercore Group
10 L.L.C. (“Evercore”) saw “customers growing from 840 this year to nearly 5,000 by 2018.”

11 86. Rocket Fuel continued to represent that its technology differentiated it from other
12 ad tech companies that were less likely to identify and eliminate bot traffic. At the NASDAQ OMX
13 Investor Program held on or about December 4, 2013, Bardwick represented:

14 We are looking today at 38 billion impressions a day, opportunities to buy
15 impressions. Typically, the first step is we filter those. ***We're very good about --***
16 ***we have proprietary technology about filtering for bots. We also filter for quality.***
Obviously, we work with big-name advertisers who are very concerned about the
quality of where their advertising goes.

17 87. During the same program, in response to the question “How big a problem are bots
18 in your industry? Are you able to quantify that? I mean, how do you convince your advertisers
19 that your product solution--,” Bardwick responded that “[i]t’s a problem,” but that Rocket Fuel had
20 “proprietary technology” that “filter[ed] out bots.” Bardwick further noted that, though it is a “bit
21 of a cat-and-mouse game,” he believed “the advertisers and then certain players ***like us will***
22 ***continue to stay ahead*** of the people who are trying to make a quick buck.”

23 88. Nonetheless, Company executives were either deliberately reckless in not knowing
24 or were turning a blind eye to the fact that the Company was facing problems with inventory quality,
25 its ability to combat ad fraud, and the adverse impact on its sales. Such problems caused
26 advertisement companies and clients to opt out of Rocket Fuel’s services and create similar services
27 in-house. In turn, these defections were negatively impacting the Company’s financial
28

1 performance. However, this was only partially revealed in May 2014 with the First Quarter 2014
2 financial results.

3 89. Even though Company executives were either deliberately reckless in not knowing
4 or were turning a blind eye to the fact that Rocket Fuel was having issues with its inventory quality
5 and with customer sales, on January 22, 2014, Rocket Fuel released a press release announcing its
6 “Preliminary Fourth Quarter 2013 Financial Results and Initial 2014 Guidance.” In it, Rocket Fuel
7 provided initial guidance for the first quarter in the range of \$73 million to \$76 million and revenue
8 in the range of \$420 million to \$435 million for FY 2014.

9 90. Shares of the Company’s common stock continued to trade at levels artificially
10 inflated by Defendants’ unreasonably aggressive guidance and, but for that guidance, the
11 Company’s share price would have fallen even further than it did on January 23, 2014.
12 Unbeknownst to investors, Defendants’ aggressive fiscal 2014 revenue guidance was designed to
13 inflate and maintain Rocket Fuel’s high stock price in order to enable insiders to sell close to
14 \$175 million worth of privately held shares in the Secondary Offering that was unexpectedly
15 announced in a same-day press release and filed with the SEC on Form 8-K.

16 91. On January 27, 2014, the Company filed a Registration Statement on Form S-1/A
17 with the SEC relating to its proposed Secondary Offering *via* a Prospectus that was filed with the
18 SEC pursuant to Rule 424(b)(4) on January 31, 2014. The aggregate net proceeds received by the
19 Company from the Secondary Offering for the sale of 2 million shares of common stock totaled
20 approximately \$115.4 million, after deducting underwriters’ discounts and commissions and
21 offering expenses. The Secondary Offering Materials failed to disclose the challenges Rocket Fuel
22 faced or the true risks posed by the impact of digital ad fraud and bot traffic on the Company’s
23 operations and financial performance, including the loss of its customers, and instead presented
24 similar representations as in the IPO Materials. Selling insiders and stockholders received
25 approximately \$175 million from the sale of their 3 million shares of common stock.

26 92. Analysts and shareholders were unaware that Rocket Fuel was encountering issues
27 with inventory quality and that the insiders were cashing out due to the negative impact caused by
28 the inventory quality. Indeed, as Stephen Ju of Credit Suisse indicated in his February 6, 2014

1 analyst report, “FUEL shares have pulled back ~20% since pricing its secondary on 30 January.
2 Rocket Fuel is still the same company as it was last week. . . . Our long-term thesis remains
3 unchanged – FUEL is positioned to continue to gain share in a secular growth segment (RTB)
4 within online marketing. . . .” Piper Jaffray indicated in its February 6, 2014 analyst report, the
5 only risks seen for Rocket Fuel’s price target included “competition, stalled shift to RTB platforms
6 for display, and inability of Rocket Fuel to successfully purchase media on open markets.” And
7 while it had concerns that “the company’s industry-high take-rate will begin to be questioned by
8 advertisers,” Evercore nonetheless noted that it “may be underestimating their value proposition to
9 agencies and advertisers.” Nothing indicated that Rocket Fuel was having issues with ad fraud or
10 that companies were opting to move in-house.

11 **D. The Insider Defendants Consummate the Secondary Offering Right Before**
12 **the Company’s Share Price Begins its Precipitous Decline**

13 93. The IPO Materials provided that directors, executive officers, and other insiders
14 agreed not to offer or sell their common stock “without the permission of the representatives of the
15 underwriters for 180 days from the date of the initial public offering.” The lock-up agreements was
16 supposed to end on March 18, 2014. The Registration Statement stated that, “[i]n connection with
17 our initial public offering, we, all of our directors and executive officers and substantially all of our
18 stockholders agreed, subject to certain customary exceptions, not to offer, sell or agree to sell,
19 directly or indirectly, any shares of common stock without the permission of the representatives of
20 the underwriters for a period of *180 days from the date of our initial public offering.*” However,
21 by January 27, 2014, the Company’s insiders had sought and obtained an early release from the
22 lock-up. The 2014 Registration Statement provided that “[t]he representatives of the underwriters
23 intend to release the lock-up restrictions with respect to 3,000,000 shares to be sold by the selling
24 stockholders in this offering, which include certain of our employees, officers and directors or their
25 affiliated entities.” The Company was therefore able to announce the Secondary Offering on
26 January 27, 2014 – weeks before the agreed to lock up expiration of March 18, 2014. During that
27 period, the Company’s share price fell nearly 20% generating a \$35 million windfall profit for the
28 Company’s insiders.

| Defendant | Shares Sold | Proceeds |
|-----------|-------------|-----------------|
| John | 307,877 | \$17,936,914.02 |
| Frankel | 254,323 | \$14,816,857.98 |
| Bardwick | 17,500 | \$1,019,550.00 |

94. Other insiders, including the Director Defendants and other Company executives, sold shares in the Secondary Offering also based upon the early release granted by the representatives of the underwriters. For instance, Insider Abhinav Gupta, a co-founder of the Company and its Vice President of Engineering, sold 186,855 shares and made close to \$11 million from his sales in the Secondary Offering. Dominic Trigg, the Company’s Vice President and Managing Director, Europe, sold 9,115 shares of his Rocket Fuel stock in the Secondary Offering for proceeds of \$531,039.90. Nikolai Rochnik, Rocket Fuel’s Vice President of Operations, sold 10,300 shares in the Secondary Offering for proceeds of \$600,026.50.

95. At the time of the stock sales described above, the Insider Defendants were either aware or deliberately reckless in not knowing that the Company’s issues with customer sales and inventory quality was negatively impacting the Rocket Fuel’s financial performance. Following the Secondary Offering, Rocket Fuel’s trajectory almost immediately headed south. A few days after the Secondary Offering, Vivek Shah, the then-new Chair of the IAB, stated in early February 2014 that online traffic fraud had “reached *crisis proportions*” and that ad fraud has “been a *dirty secret* we’ve [been] willing to keep.” A report appearing on *AdWeek* on February 9, 2014 captured his comments, in part, as follows:

Vivek Shah was named the new chairman of the Interactive Advertising Bureau tonight. And he started his tenure by immediately taking the industry to task for letting bad traffic perpetuate—taking particular aim at digital media buyers.

During a blunt keynote address at the IAB Annual Meeting, Shah said of the online ad business: “It seems to me that we have taken a perfect product and by our own actions have made it imperfect. Let’s start with traffic fraud. We have reached crisis proportions.”

Not mincing words, prior to his speech Shah said that the online ad world has been too quick to blame rogue bot operators and shady publishers for all the bogus traffic flowing on the Web. He called out ad buyers in particular.

“We need to stop the devaluing of digital media,” he told *Adweek*. “The buyers are willing to be defrauded because it looks good on paper.”

* * *

1 “It’s been a dirty secret we’ve [been] willing to keep. Bogus impressions won’t
2 infect the system if you don’t buy them. . . . You don’t go after drug dealers. You
go after people taking the drugs.”

3 96. Nonetheless, on February 20, 2014, in addition to announcing its Fourth Quarter
4 2013 results, Rocket Fuel reiterated the same first quarter and full year of 2014 outlook that it
5 announced on January 22, 2014. In the same press release, Bardwick represented that Rocket Fuel’s
6 “robust revenue growth and continued focus on operational efficiency puts us on a strong trajectory
7 for 2014.”

8 97. The same day, the Company hosted a conference call with analysts following its
9 earnings announcement for its Fourth Quarter 2013, where John continued to represent that the
10 Company’s “AI and big data platform is a competitive advantage enabling us to transform
11 advertising and gain market share.” Bardwick further reiterated the Company’s 2014 financial
12 guidance. In response to the February 20, 2014 announcement and conference call, the Company’s
13 share price increased from \$52.77 to close at \$53.96 the following day, February 21, 2014.

14 98. Analyst Daniel Salmon of BMO Capital Markets demonstrated in his analyst report
15 of March 3, 2014 that the investing public believed the Company’s seemingly “superior” abilities:

16 Rocket Fuel will keep investing its high take-rate into technology R&D in order to
17 maintain superior ROI performance and revenue growth. *Management has one of*
18 *the highest degrees of confidence in its technology advantage that we’ve*
19 *encountered in the ad tech space, and Rocket Fuel’s track record backs this up.*
20 The continued focus on artificial intelligence remains unique among all vendors
we’ve encountered and management believes this removes more human decision
making versus other demand-side platforms. The company then reinvests this
superior performance in both R&D and sales/support services for its clients.

21 99. On March 11, 2014, at the Piper Jaffray Technology, Media and
22 Telecommunications Conference, in response to a question concerning bots, Bardwick stated that
23 Rocket Fuel was “very proud of the fact that we invest significantly in bot-filtering technology.”
24 Importantly, Bardwick stated that Rocket Fuel has “*a lot of proprietary technology that we have*
25 *implemented. We actually filter initially about a third of the 40 billion impressions a day that we*
26 *see.* Some of it is bot; some of it is brand-related. But over time, I think that that kind of traffic
27 will become a lesser issue because advertisers are getting smarter.”

1 100. In responding to a question about why companies switch to Rocket Fuel, Bardwick
2 stated that “[i]t’s because they put \$1 million into the Rocket Fuel box, and they sell more goods
3 and services for that \$1 million. . . . *We have 40 billion opportunities to buy ad impressions a*
4 *day. We actually value each one of those and determine what we want -- if we want to bid on --*
5 The machines determine . . . what we want to bid on them, and then the machines learn. . . .”

6 101. Bardwick also reaffirmed Rocket Fuel’s First Quarter 2014 guidance and Full Year
7 2014 guidance. And, throughout this period, Rocket Fuel continued to assert that its technology
8 would “block bad sites and pages *before we ever serve a single ad on them*”.

9 102. However, in an April 25, 2014 article called “Rocket Fuel Stock Hits All-Time Low
10 in Wake of Insider Trades,” online publication *AdExchanger* highlighted how:

11 Rocket Fuel’s stock closed at \$31.04 Friday, near its lowest point since the ad tech
12 company went public six months ago. The sell-off comes after a group of more than
13 seven investors and senior executives cashed out to the tune of more than \$150
14 million, as reported by *InsiderTradingWire*. Those transactions, which earned more
15 than \$14 million each for the company’s top two executives, CEO George John and
16 President Richard Frankel, took place between February 3 and February 7.

17 * * *

15 Wall Street can get jittery when insiders sell large stock volumes, although in Rocket
16 Fuel’s particular case it’s not clear whether the stock’s latest tumble is due to more
17 insiders dumping smaller volumes of equity or (worse for Rocket Fuel) external
investor fears that the insider trades signal *a lack of faith from senior management*.

18 103. On May 8, 2014, Rocket Fuel announced its financial results for the first quarter
19 ended March 31, 2014. The Company reported a first quarter loss of \$0.18 per share, which was a
20 higher loss than Wall Street consensus estimates, and reported revenue of \$74.4 million, which was
21 lower than consensus estimates of \$76.2 million, though in line with the Company’s January 22,
22 2014 and February 20, 2014 guidance. The Company also provided a lower-than-expected revenue
23 outlook for the second quarter of 2014 (forecast revenue of \$88 - \$92 million versus consensus of
24 \$101.8 million), but reconfirmed its prior guidance for fiscal year of 2014 of \$420-\$435 million
25 and adjusted EBITDA of \$3.0 million to \$6.0 million. Importantly, according to an analysis by
26 *Zacks* published May 12, 2014, the “considerable improvement in loss per share was attributable
27 to a secondary public issue, which resulted in the number of shares increasing from 8,298 in the
28 year-ago quarter to 34,033 shares in the reported quarter.”

1 104. On May 8, 2014, the Company hosted a conference call with analysts following its
2 First Quarter 2014 earnings announcement, in which John represented that “Our artificial
3 intelligence technology platform continues to drive superior results for our customers and produces
4 leading margins for our business” and in which Bardwick reaffirmed the Company’s financial
5 guidance for 2014. The Company did attribute its lower-than-expected second quarter revenue
6 guidance, in part, to competitive pressures, including customers moving towards in-house
7 advertising solutions, and competition with advertising agencies with internal trading desks.

8 105. None of the comments and representations made by Defendants John and Bardwick
9 during the May 8, 2014 conference call with analysts indicated that the lower customer sales were
10 due to the quality of Rocket Fuel’s inventory or due to the Company’s inability to detect and block
11 ad fraud. However, these statements partially revealed the issues the Company was then having
12 with customers becoming increasingly concerned about bot traffic without revealing the full extent
13 of the Company’s then existing problem.

14 106. Shares of the Company’s common stock continued to trade at levels artificially
15 inflated by these statements. While the Company’s share price did not increase, the artificial
16 inflation in the Company’s common stock continued to be maintained by Defendants’ prior
17 materially false and misleading statements and omissions. Moreover, although the Company
18 reiterated its Full Year 2014 guidance with its May 8, 2014 announcement, Defendant John later
19 unwittingly acknowledged during a conference call on August 5, 2014 that “industry buzz this
20 *summer* around bot traffic and low-quality ad space on digital exchanges [] has led some agency
21 media buyers to begin questioning exchange-based buying generally.”

22 107. On May 9, 2014, the Company’s shares fell 21% from \$27.81 to 21.83 in response
23 to this news. Despite the drop in the price of the Company’s common stock, the fact that the
24 Company had reiterated its aggressive 2014 full year guidance maintained the artificial inflation in
25 the Company’s stock price. Following the Company’s disappointing earnings, Goldman Sachs
26 downgraded Rocket Fuel to “neutral” from “buy” and cut its price target to \$25 from \$69, citing a
27 reduction in average customer spending.

28

1 108. At the May 14, 2014 SunTrust Robinson Humphrey Internet & Digital Media
2 Conference, in which Bardwick was asked “how Rocket Fuel is differentiating [from competitors
3 concerning online advertising fraud] and providing a cleaner experience for advertisers,” Bardwick
4 continued representing that the Company’s technology was “the best . . . in the industry around
5 filtering the impressions that we buy on behalf of advertisers,” again stating that “we have said
6 publically that of the 40 billion impressions we see per day -- and that number is growing very
7 quickly by the way -- *we filter about a third of them off the top for quality reasons*, which would
8 include potentially fraud-related reasons.”

9 109. In response to a question concerning the Company’s falling stock price, Bardwick
10 feigned not understanding how “95% growth in Q1 . . . square[d] the circle of how we’re performing
11 with the stock”:

12 And this feels like -- you know there are companies that are doing extremely well.
13 I wouldn't say we're one of the. We've been hit pretty hard. *So it's pretty hard for*
14 *me to understand what's got to do with Rocket Fuel and what's got to do with the*
market as a whole.

15 * * *

16 Absolutely. You know things are easy when they're easy, right? The foundation of
17 the Company is providing long-term value to advertisers, which will provide long-
18 term value to investors. None of that has changed. The stock price reflects the
19 market today. *Over time it will reflect what I believe will be our continuing very*
20 *high growth rates, our continuing ability to satisfy advertisers in a way that others*
can't. And that will work out over time. So when one goes public, you think it's
for the long term. And on weeks like this you just make sure that the employees
know that, communicate that clearly to investors. And most importantly you keep
advertisers happy, you keep your customers happy, a things work out.

21 **E. The Financial Times Publishes The Telemetry Report**

22 110. On May 26, 2014, the *Financial Times* ran a story on Rocket Fuel reporting that:

23 Part of a recent Mercedes-Benz online advertising campaign was viewed more often
24 by automated computer programmes than by human beings, according to documents
seen by the Financial Times.

25 The ads were inadvertently placed on to fraudulent websites by Rocket Fuel, a
26 Nasdaq-listed ad technology company that went public last September with a market
capitalisation of nearly \$1bn.

27
28

1 ***The incident will intensify concerns about the prevalence of fraud in the fast-***
2 ***growing online advertising market***, which expanded 15 per cent last year to
3 \$120bn.

4 In Mercedes-Benz's case, the suspicious traffic was discovered in an investigation
5 for the German carmaker by Telemetry, a UK company that specialises in detecting
6 ad fraud.

7 In a sample of 365,000 ad impressions brokered by Rocket Fuel over three weeks,
8 Telemetry found that ***57 per cent were "viewed" by automated computer programs***
9 ***rather than real people***.

10 Mercedes said that over the whole of its campaign, the proportion of questionable
11 impressions was less than 6 per cent, and that ***Rocket Fuel 'refunded us for the***
12 ***suspect impressions'***. The carmaker added that it and its US advertising agency,
13 Merkle & Partners, which is part of Omnicom Group, have continued to work with
14 Rocket Fuel.

15 There is no suggestion that Rocket Fuel, which acts as an intermediary between
16 advertisers and online publishers, was aware that it was delivering its client's ads to
17 fraudsters. The company buys ad inventory via ad exchanges, which are in turn
18 plugged in to thousands of publishers.

19 ***However the findings raise questions about Rocket Fuel's assertions on its website***
20 ***that it 'makes sure the 'bad actors' always leave empty-handed'***.²⁶

21 Rocket Fuel played down Telemetry's report, saying it was not sure that the figures
22 were '100 per cent correct'. It said the findings came from a small sample and did
23 not represent the type of traffic that normally passes through its systems.

24 To identify and block suspicious activity, Rocket Fuel uses a combination of its own
25 technology and partnerships with third parties such as Double Verify and Integral
26 Ad Science.

27 Rocket Fuel said that in February, it identified and rejected 500bn bid requests from
28 online publishers because of inventory quality concerns.

29 Fraudsters are coming up with increasingly sophisticated ways to deceive online
30 advertisers, using software that mimics the behaviour of a real person browsing the
31 web.

32 Telemetry detected the bots by identifying anomalies in traffic to the ads. Virtually
33 all of the suspect traffic came from five small internet service providers. And the
34 computers "viewing" the ads used Linux, an operating system rarely used on
35 desktops, though they attempted to disguise this by simulating popular web
36 browsers that only work on Windows or Macs.

37 Telemetry said it had traced the ownership of the bot network to two people in the
38 UK, who directed the bots to websites they owned, thereby making money from the
39 ad sales. The websites have since disappeared.

26 See <http://rocketfuel.com/blog/rocket-fuel-brand-safety-series-suspicious-activity>.

1 111. In response, on May 27, 2014, Rocket Fuel criticized the *Financial Times* for what
2 it described as sensational headlines masquerading as fact. Specifically, in Rocket Fuel’s online
3 “Response to the Financial Times,” Rocket Fuel noted that “[b]ots are a real problem” but less so
4 than “*sensational headlines* on top of non-news,” and that the Company was able to “make good”
5 the volumes of the fraudulent impressions that were detected by repaying Mercedes. In response
6 to Rocket Fuel’s defense, Telemetry strongly suggested that Rocket Fuel had been unable to even
7 identify – let alone eliminate – ad fraud in its media campaigns:²⁷

8 If an ad tech platform such as Rocket Fuel were unable to detect the fraudulent
9 impressions before we identified them *then what does that mean for campaigns*
10 *that sit outside the sample that Telemetry analyzed?*

11 * * *

12 For clarity, there is no suggestion that Rocket Fuel sold fraudulent impressions
13 willingly or knowingly *but what our investigations continue to highlight is the*
14 *extent to which ad tech platforms themselves claim to be ‘brand safe’ and immune*
15 *to the articulate and unrelenting vehicles and instruments of online advertising*
16 *fraud.* To what extent are they actually able to detect and therefore protect against
17 this and how they can best help advertisers.

18 112. Nonetheless, Defendants Bardwick and John continued to tout the Company’s
19 financial and technological performance at the May 28, 2014 Raymond James Internet/Software
20 Crossover Conference. Bardwick noted that “we’ve gotten bigger, and, again, we’re guiding to
21 \$420 million to \$435 million for this year,” and further, “because we’re remarkably good at
22 managing large amounts of data and then utilizing that to create ROI, it’s a real advantage for us.”
23 And, in a July 2, 2014 interview with Cory Johnson of Bloomberg News, John continued touting
24 Rocket Fuel’s bot-catching capabilities:

25 JOHNSON: What percentage of - speaking of testing, what percentage of your ads
26 do you think are viewed by bots?

27 JOHN: So *we’ve done studies internally.* We have a science team that’s sort of our
28 bot squad that tries to figure out what traffic is real and what’s not. For viewers, if
you’re a publisher, you may be kind of motivated to artificially inflate your traffic
on your website to drive more money. And if advertisers and their parents aren’t
smart enough, they’ll accidentally buy some of this bot traffic thinking it’s real
people. So with Rocket Fuel we throw away –

JOHNSON: Or they do it intentionally.

²⁷ See <http://www.telemetry.com/responses.html> (last visited February 27, 2015).

1 JOHN: Well, maybe. And *so at Rocket Fuel we throw over 40 percent of the*
2 *opportunities we have to bid on ad space. We just throw it away because they*
3 *don't pass our quality filters where either we think it's a bot or - or unsafe*
4 *inventory, not a good website that a quality brand would want to see their ad on.*
So it's pretty massive the amount of kind of stuff out there that you wouldn't really
want to run a quality brand's ad on.

5 113. But, demonstrating that the Company knew or were deliberately reckless in not
6 knowing that its fraud detection capabilities were far more limited than represented, by June 25,
7 2014, just a *few weeks* before the end of the Class Period, Rocket Fuel quietly abandoned its Class
8 Period mantra that its “powerful technology . . . is able to identify and eliminate *all* threats before
9 serving a single ad,” and that its “three layers of defense that block bad sites and pages *before a*
10 *single ad is ever served on them.*” Instead, the Company employed far less deliberately reckless
11 language, stating that “Rocket Fuel is able to identify and eliminate threats before serving a single
12 ad” and that its “three layers of defense proactively block[] bad sites and pages. . . .”

13 114. On June 17, 2014, in a letter from the SEC concerning Rocket Fuel’s 10-K, the SEC
14 sought additional information from Rocket Fuel regarding the consequences for delivering
15 advertising spots or impressions that did not satisfy the campaign parameters specified by its
16 customers. On July 1, 2014, Rocket Fuel responded in a filing to the SEC that:

17 [T]he Company will have failed to deliver according to the terms of the IO [insertion
18 order]. The form IO includes remedies for failure to deliver according to the
19 specifications of the IO. However, those remedies are not defined as exclusive
20 remedies in the standard terms and conditions, so if the Company was in breach of
21 the IO terms and conditions, the advertiser could seek additional remedies. For
22 example, the advertiser may refuse to pay the contractually stated price in the IO for
23 the delivered impressions. The Company may also lose the business of that
24 advertiser.

22 F. The Class Period Ends

23 115. On August 5, 2014, after the close of trading, Rocket Fuel announced that it
24 expected 2014 revenue of \$403 million to \$427 million, down sharply from its recently-reiterated
25 forecast of \$420 million to \$435 million. The same day, the *Wall Street Journal* reported that
26 “Rocket Fuel Inc. lowered its full-year revenue guidance for the year, pointing to *customer*
27 *concerns about inventory quality.* . . .” During a same-day conference call with investors, John
28 suggested that concerns about fraudulent traffic was “a phenomena in our industry that hasn’t been

1 well understood,” and claimed that the Company was “*surprised* by the strength of trends impacting
2 our bookings in June [2014], and we now feel our full-year guidance should take into account
3 slightly lower sales productivity based on the following three factors.” One of those trends was
4 “bot traffic and low-quality ad space on digital exchanges.”

5 116. The following day, on August 6, 2014, the Company’s shares fell from \$24.75 to
6 \$17.05 – a decline of approximately 30%. Analysts were skeptical that Defendants had been caught
7 by surprise by the impact of bot traffic on the Company’s operations and financial performance and
8 outlook. Credit Suisse analyst Stephen Ju, for instance, asked “in regards to the industry concern
9 around bot traffic, because it seems like the lack of ROI [return on investment] from bot-driven
10 traffic should *already be well reflected in the price*. So can you add some additional color on the
11 advertising concerns here?” In response, a \$18 million-wealthier John effectively conceded the
12 analyst’s skepticism even as he tried to misleadingly characterize the ad tech industry’s
13 longstanding bot traffic issue as a “new thing”:

14 [F]rom the customer perspectives, it’s I think a phenomena in our industry that
15 hasn’t been well understood I think by a lot of advertisers. I think agencies have
16 understood, but maybe hadn’t really filtered all the way down to advertisers yet. So
17 it’s going through a brief period of time here where it’s the *new thing* to be confused
18 about and try to understand. *But you’re right*, ultimately, that it’s only a piece of a
19 puzzle and if you’re still able to generate better ROI [return on investment], *you*
20 *would think you would only do that if you weren’t (technical difficulty) robots*
21 *since they don’t buy things*.

22 117. Similarly, at the August 11, 2014 Pacific Crest Global Technology Leadership
23 Forum, a \$14 million-wealthier Frankel misleadingly characterized the bot traffic issue as “short-
24 term”:

25 Yes. *Bots and fraud on the Internet are a very short-term situation*. It's not a
26 problem that is unique to Rocket Fuel; far from it. It's affecting the entire industry.

27 And so we've actually invested quite a bit at Rocket Fuel to weed out robot
28 impressions so that we only actually show our clients' ads to actual human beings.
Not everyone in the industry has invested as much as we have, and *some of our*
technology, actually, is especially well suited to identifying nonhuman behavior
quelching it.

But like I said, *I think this is a relatively short-term situation*. We've been through
a few cycles in this way already in digital. Search went through a phase of there
being a lot of worry, and the big search players figured out how to effectively combat

1 the fraud that was going on in their sector. And then folks stopped talking about it
2 and went on to the next problem. I think that's what we are going to see here.

3 *So I see it as a short-term issue.* There will always be bad actors who are looking
4 to take advantage of marketplaces, but as the marketplace matures and grows up, we
5 are going to have a fairly consistent response to it. And I think the marketers will
6 get comfortable. Fundamentally -- the fundamentals of marketplaces are going to
7 drive -- are going to keep driving growth in this sector, and fundamentals of
8 marketplaces are really, really simple.

9 Rocket Fuel is a marketplace actor, and the marketplace is multiple buyers for each
10 seller. So the sellers like that; the buyers like that; the marketers who get the value
11 out of it like that. So that marketplace dynamic is very, very hard to stop. And
12 companies like Rocket Fuel are investing in making sure that the bad actors are kept
13 to a minimum so that the good actors -- and that's most of the folks in the space --
14 can have their businesses.

15 118. However, on August 15, 2014, Rocket Fuel issued a press release contradicting its
16 own CEO and President, representing that “[a]dvertising fraud is *not a new problem*” and that
17 “Rocket Fuel has *addressed for years.*”²⁸

18 119. As alleged herein, while publicly touting Rocket Fuel’s prospects and performance
19 before and during the Class Period, internally, Defendants were reckless in not knowing or turned
20 a blind eye to the fact that the Company’s current and future financial performance was in jeopardy
21 due to the Company’s inability to adequately combat ad fraud. Rather than disclose the depth and
22 pervasiveness of Rocket Fuel’s bot traffic challenges to its shareholders, Defendants provided
23 bullish full year 2014 guidance in the fourth quarter of 2013 and the first quarter of 2014, and
24 throughout the second quarter of 2014, only to drastically revise that full year 2014 guidance a short
25 time later with the release of the Company’s second quarter financials of 2014.

26 120. After the Class Period, Rocket Fuel filed its Quarterly Report with the SEC on Form
27 10-Q on August 14, 2014. Therein, and for the first time ever in its purported “risk disclosures,”
28 the Company finally warned investors about what it had known from the first day of the Class
29 Period – namely that if it served advertisers’ advertisements on undesirable websites or failed to
30 detect fraud “*including bot traffic,*” the Company’s reputation and business operations would
31 suffer. And, finally underscoring the severity of the ad fraud issue, on August 15, 2014, Rocket

²⁸ See <http://www.marketwatch.com/story/media-alert-rocket-fuel-expert-shares-best-practices-to-combat-digital-advertising-fraud-with-the-bbc-2014-08-15> (last visited February 27, 2015).

1 Fuel issued a press release titled “Media Alert: Rocket Fuel Expert Shares Best Practices to Combat
2 Digital Advertising Fraud With the BBC,” in which it finally warned investors that: “[a]ccording
3 to the Interactive Advertising Bureau, advertising fraud could cost advertisers \$11 billion dollars
4 alone this year and 25-50% of digital spend could be wasted on ads that are never viewed by
5 humans.” Too little, too late for shareholders who suffered significant damages as a result of
6 Defendants’ materially false and misleading representations and omissions.

7 121. As for the glossy chart that Rocket Fuel used its road-show presentations referred to
8 in ¶ 80 above, the Company still utilizes the chart.²⁹ However, as of June 25, 2014, instead of
9 overstating its abilities by stating that Rocket Fuel’s technology “block bad sites and pages *before*
10 *we ever serve a single ad on them,*” the Company now downplays its abilities stating:

11 Protecting our clients’ brands is of the utmost important to us. Rocket Fuel
12 recognizes that the variety of available brand-protection solutions have different
13 strengths, methods of categorizing content, and securing brand safety. *None of*
them are perfect.

14 VI. PLAINTIFF’S EXCHANGE ACT CLAIMS ARE ACTIONABLE

15 122. Defendants’ Class Period misrepresentations concerning the Company’s then
16 financial and business condition, including its forecasted financial and business condition as alleged
17 herein, were each materially false and misleading when made because Defendants were either
18 deliberately reckless in not knowing and disclosing, or turned blind eye to the fact, that: (i) a large
19 percentage of the ads Rocket Fuel brokered were being “viewed” by automated fraudulent
20 computer programs, rather than real people, such that the Company’s operations and financial
21 performance were in jeopardy; (ii) throughout the Class Period, Rocket Fuel’s revenue growth was
22 negatively impacted due to its inability to identify and eliminate bot traffic for its customers;
23 (iii) throughout the Class Period, Rocket Fuel’s revenue growth was negatively impacted due to
24 customers deciding to opt out of utilizing Rocket Fuel’s services and bringing similar services in-
25 house; and (iv) the Secondary Offering was designed to enable Company insiders to unload their
26

27
28 ²⁹ See <http://rocketfuel.com/solution/details/products-and-services/security#Brand-Safety-Shield>
(last visited February 4, 2015).

1 shares at artificially inflated prices. For all the foregoing reasons, Rocket Fuel’s Class Period
2 statements as alleged below were materially false and misleading when made.

3 **A. IPO Materials**

4 123. On September 20, 2013, Rocket Fuel filed a Prospectus with the SEC pursuant to
5 Rule 424(b)(4). The 2013 Prospectus advised readers that, “For further information with respect
6 to us or our common stock, we refer you to the [2013] registration statement. . . .” As evidence
7 that Rocket Fuel understood the importance of fraud detection, the 2013 Prospectus further
8 represented in its purported “risk disclosures” that: “[i]f we fail to detect fraud or serve our
9 advertisers’ advertisements on undesirable websites, our reputation will suffer, which would harm
10 our brand and reputation and negatively impact our business, financial condition and results of
11 operations.” In truth, the Company knew that this was not merely a hypothetical risk and was
12 already happening. An accurate risk disclosure would have warned investors that “when” and “as”
13 the Company failed to detect fraud, Rocket Fuel’s business and financial condition would continue
14 to worsen.

15 124. Moreover, while the Company’s 2013 Prospectus also represented that Rocket Fuel
16 “use[d] proprietary technology to detect click fraud and block inventory that we know or suspect
17 to be fraudulent, including ‘tool bar’ inventory, which is inventory that appears within an
18 application . . .,” the Company failed to disclose anywhere in the 2013 Prospectus the effects from
19 “bot traffic” that was already negatively impacting the Company. Indeed, it was not until after the
20 Class Period in a Quarterly Report filed with the SEC on Form 10-Q on August 14, 2014 that
21 Defendants finally specifically warned investors for the first time about “bot traffic” in its SEC
22 filings. *See* ¶ 120, *supra*. To the contrary, before quieting revising its representation on or about
23 June 25, 2014, the Company assured investors that the Company could “block bad sites and pages
24 ***before we ever serve a single ad on them.***”

25 125. In the section of the 2013 Prospectus indicating the Company’s “solution” to various
26 challenges faced by advertisers in marketing to consumers. There, the Company misrepresented
27 that the Company’s “real-time optimization engine delivers digital advertising campaigns that are
28 effective and efficient” and that by “[l]everaging the massive amounts of inventory available

1 through real-time advertising exchanges, our solution enables advertisers to efficiently connect with
2 large audiences while it maintains a focus on results-driven optimization.”

3 126. The statements outlined in ¶¶ 123-126 were materially false and misleading because
4 the Company and Insider Defendants, with deliberate recklessness in not knowing and disclosing,
5 or turned a blind eye to the fact, that: (i) that the Company’s proprietary technology was unable to
6 adequately or effectively detect and eliminate digital ad fraud, including bot traffic, which in turn
7 was negatively impacting Rocket Fuel’s operations and financial performance; (ii) that attempting
8 to traffic 500 billion ad impressions per month made it a virtual certainty that the Company would
9 fail to detect ad fraud at levels acceptable to its customers; and (iii) a material percentage of the ads
10 Rocket Fuel brokered were being “viewed” by automated fraudulent computer programs, rather
11 than real people. In addition, the Company and the Insider Defendants, with reckless disregard or
12 with a blind eye towards the truth, failed to disclose information about the impact of bot traffic in
13 a manner that would have warned investors that the Company’s current and future financial
14 performance was in jeopardy.

15 **B. Third Quarter 2013**

16 127. On November 6, 2013, the day before Rocket Fuel issued its press release
17 concerning the Company’s Third Quarter 2013 financials, Rocket Fuel posted on its website that
18 its “powerful Advertising That Learns® technology uses real-time data points to recognize these
19 bad actors and block them at the source.” Specifically, the Company misrepresented that “Rocket
20 Fuel undermines fraudulent practices and makes sure con artists always leave empty handed. Using
21 the same powerful technology that optimizes our clients’ campaigns, Rocket Fuel is able to identify
22 and eliminate *all* threats before serving a single ad.”

23 128. On November 7, 2013, the Company issued a press release that it filed with the SEC
24 on Form 8-K that stated, “Rocket Fuel Reports Record Revenue in Third Quarter 2013.” In it, John
25 represented that “Rocket Fuel continued its strong growth during the third quarter, as revenue grew
26 132% to \$62.5 million.” On November 13, 2013, Defendants filed with the SEC the Company’s
27 quarterly report for the Third Quarter ending September 30, 2013 on Form 10-Q, which was signed
28 by Bardwick. The Company’s Quarterly Report reiterated the Company’s third quarter and full

1 year of 2013 performance. In addition, in the purported “risk disclosures” of the Quarterly Report,
2 the Company made the same representation as in ¶ 123 above.

3 129. The statements outlined in ¶¶ 127-128 were materially false and misleading because
4 the Company and Insider Defendants, with deliberate recklessness in not knowing and disclosing,
5 or turned a blind eye to the fact, that: (i) that the Company’s inability to adequately detect and
6 eliminate digital ad fraud, including bot traffic, was negatively impacting Rocket Fuel’s operations
7 and financial performance; (ii) that attempting to traffic 500 billion ad impressions per month made
8 it a virtual certainty that the Company would fail to detect ad fraud at levels acceptable to its
9 customers; (iii) a material percentage of the ads Rocket Fuel brokered were being “viewed” by
10 automated fraudulent computer programs, rather than real people; and (iv) Rocket Fuel’s revenue
11 growth was negatively impacted due to customers deciding to opt out of utilizing Rocket Fuel’s
12 services and bringing similar services in-house. In addition, the Company and the Insider
13 Defendants, with reckless disregard or with a blind eye towards the truth, failed to disclose
14 information about the impact of bot traffic in a manner that would have warned investors that the
15 Company’s current and future financial performance was in jeopardy.

16 **C. December 4, 2013 Investor Conference**

17 130. Rocket Fuel continued to represent that its technology differentiated it from other
18 ad tech companies that were less likely to identify and eliminate bot traffic. At the NASDAQ OMX
19 Investor Program held on December 4, 2013, Defendant Bardwick represented:

20 We are looking today at 38 billion impressions a day, opportunities to buy
21 impressions. Typically, the first step is we filter those. *We're very good about --*
22 *we have proprietary technology about filtering for bots. We also filter for quality.*
Obviously, we work with big-name advertisers who are very concerned about the
quality of where their advertising goes.

23 131. In response to the question “[h]ow big a problem are bots in your industry? Are you
24 able to quantify that? I mean, how do you convince your advertisers that your product solution--,”
25 Defendant Bardwick responded by comparing the ad tech space to the mortgage industry, stating
26 “[a]ny industry where there's a lot of money to be made, be it mortgage market, unfortunately, or
27 even digital advertising, unfortunately, it can attract fast operators, if you will.” He then added
28 that:

1 We have proprietary technology. We work very hard to filter out bots, and there are
2 two reasons for that. First this team -- we've been through this before. We want to
3 be doing this 10 years from now and with a much larger company, and being the
good guys in the industry is the way to make that happen. The other thing, of course,
is just it makes customers happy and it produces the best economic return.

4 I think there will always be a bit of a cat-and-mouse game as there are, say, in
5 security issues. But as the advertisers get smarter and smarter – and they are getting
6 smarter every day -- whether they're aware that they're filtering it out or not, if
they're buying bot traffic, they will migrate away from companies that deliver that
to them, because ultimately it has no value.

7 So, again, I think there'll be a cat-and-mouse game, but I think *the advertisers and*
8 *then certain players like us will continue to stay ahead of the people who are trying*
to make a quick buck.

9 132. The highlighted statements referenced in ¶¶ 130-131 were materially false and
10 misleading because the Company and Insider Defendants, with deliberate recklessness in not
11 knowing and disclosing, or turned a blind eye to the fact, that: (i) that the Company's inability to
12 adequately detect and eliminate digital ad fraud, including bot traffic, was already negatively
13 impacting Rocket Fuel's operations and financial performance; (ii) that attempting to traffic 500
14 billion ad impressions per month made it a virtual certainty that the Company would fail to detect
15 ad fraud at levels acceptable to its customers; and (iii) a material percentage of the ads Rocket Fuel
16 brokered were being "viewed" by automated fraudulent computer programs, rather than real people.
17 In addition, the Company and the Insider Defendants, with reckless disregard or with a blind eye
18 towards the truth, failed to disclose information about the impact of bot traffic in a manner that
19 would have warned investors that the Company's current and future financial performance was in
20 jeopardy.

21 **D. Fourth Quarter 2013 And Fiscal Year 2013**

22 133. On January 22, 2014, Rocket Fuel released a press release that was later filed with
23 the SEC on Form 8-K on January 23, 2014 announcing its "Preliminary Fourth Quarter 2013
24 Financial Results and Initial 2014 Guidance." On February 20, 2014, in addition to announcing its
25 Fourth Quarter 2013 results, Rocket Fuel reiterated its January 22, 2014 guidance for the first
26 quarter and full year of 2014 outlook.

27 134. On February 20, 2014, the Company hosted a conference call with analysts
28 following its fourth quarter 2013 earnings announcement, where John continued to represent that

1 the Company’s “AI and big data platform is a competitive advantage enabling us to transform
2 advertising and gain market share.”

3 135. On February 28, 2014, Rocket Fuel filed its Annual Report for 2013 on Form 10-K
4 with the SEC, which was signed by John and Bardwick. The Company’s 2013 Annual Report
5 provided the same materially misleading “risk disclosure” alleged in ¶ 123 above. The Company’s
6 2013 Annual Report on Form 10-K also made similar representations in the “Our Solution” section
7 as alleged in ¶ 125 above.

8 136. The statements outlined in ¶¶ 133-135 were materially false and misleading because
9 the Company and Insider Defendants, with deliberate recklessness in not knowing and disclosing,
10 or turned a blind eye to the fact, that: (i) that the Company’s inability to adequately detect and
11 eliminate digital ad fraud, including bot traffic, was already negatively impacting Rocket Fuel’s
12 operations and financial performance; (ii) that attempting to traffic 500 billion ad impressions per
13 month made it a virtual certainty that the Company would fail to detect ad fraud at levels acceptable
14 to its customers; (iii) a material percentage of the ads Rocket Fuel brokered were being “viewed”
15 by automated fraudulent computer programs, rather than real people; and (iv) Rocket Fuel’s
16 revenue growth was negatively impacted due to customers deciding to opt out of utilizing Rocket
17 Fuel’s services and bringing similar services in-house. In addition, the Company and the Insider
18 Defendants, with reckless disregard or with a blind eye towards the truth, failed to disclose
19 information about the impact of bot traffic in a manner that would have warned investors that the
20 Company’s current and future financial performance was in jeopardy.

21 **E. Secondary Offering Materials**

22 137. On January 22, 2014, in addition to releasing a press release that was later filed with
23 the SEC on Form 8-K on January 23, 2014 announcing its “Preliminary Fourth Quarter 2013
24 Financial Results and Initial 2014 Guidance,” Rocket Fuel also announced its Secondary Offering.
25 Rocket Fuel thereafter, on January 27, 2014, filed a Registration Statement on Form S-1/A with the
26 SEC relating to its proposed Secondary Offering *via* a Prospectus that was filed with the SEC
27 pursuant to Rule 424(b)(4) on January 31, 2014.

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1 138. The 2014 Registration Statement and 2014 Prospectus contained the same
2 misleading “risk disclosure” alleged in ¶ 123 above. And, in the section of the 2014 Prospectus
3 and 2014 Registration Statement entitled “Our Solution,” Rocket Fuel made similar representations
4 as alleged in ¶ 125 above.

5 139. The statements outlined in ¶ 138 were materially false and misleading because the
6 Company and Insider Defendants, with deliberate recklessness in not knowing and disclosing, or
7 turned a blind eye to the fact, that: (i) that the Company’s inability to adequately or effectively
8 detect and eliminate digital ad fraud, including bot traffic, was already negatively impacting Rocket
9 Fuel’s operations and financial performance; (ii) that attempting to traffic 500 billion ad
10 impressions per month made it a virtual certainty that the Company would fail to detect ad fraud at
11 levels acceptable to its customers; (iii) a material percentage of the ads Rocket Fuel brokered were
12 being “viewed” by automated fraudulent computer programs, rather than real people; and
13 (iv) Rocket Fuel’s revenue growth was negatively impacted due to customers deciding to opt out
14 of utilizing Rocket Fuel’s services and bringing similar services in-house. In addition, the
15 Company and the Insider Defendants, with reckless disregard or with a blind eye towards the truth,
16 failed to disclose information about the impact of bot traffic in a manner that would have warned
17 investors that the Company’s current and future financial performance was in jeopardy.

18 **F. March 11, 2014 Conference**

19 140. On March 11, 2014, at the Piper Jaffray Technology, Media and
20 Telecommunications Conference, in response to a question concerning bots, Bardwick stated:

21 Question is bots within the online advertising industry. Unfortunately, any industry
22 in which there is significant transactional volume can attract bad actors. They have
23 been attracted from time to time in online advertising. With respect to bots, first we
24 are very proud of the fact that we invest significantly in bot-filtering technology, in
part because we want to be -- because as management teams, we want to be the best
partners for our customers and also because bot traffic does not drive economic
results for our advertisers.

25 *We have a lot of proprietary technology that we have implemented. We actually*
26 *filter initially about a third of the 40 billion impressions a day that we see. Some*
27 *of it is bot; some of it is brand-related.* But over time, I think that that kind of traffic
28 will become a lesser issue because advertisers are getting smarter. We talked about
the tailwind of our TV, of programmatic. Another tailwind in our industry is CMOs,
chief marketing officers focused on ROI. And if you're generating clicks from bots,
there's no subsequent economic event. And so, we see campaigns moving away

1 from CPC or cost per click to selling goods and services, and we think that's good
2 for us and good for the industry.

3 141. The highlighted statements outlined in ¶ 140 were materially false and misleading
4 because the Company and Insider Defendants, with deliberate recklessness in not knowing and
5 disclosing, or turned a blind eye to the fact, that: (i) that the Company's inability to adequately
6 detect and eliminate digital ad fraud, including bot traffic, was already negatively impacting Rocket
7 Fuel's operations and financial performance; (ii) that attempting to traffic 500 billion ad
8 impressions per month made it a virtual certainty that the Company would fail to detect ad fraud at
9 levels acceptable to its customers; (iii) a material percentage of the ads Rocket Fuel brokered were
10 being "viewed" by automated fraudulent computer programs, rather than real people; and
11 (iv) Rocket Fuel's revenue growth was negatively impacted due to customers deciding to opt out
12 of utilizing Rocket Fuel's services and bringing similar services in-house. In addition, the
13 Company and the Insider Defendants, with reckless disregard or with a blind eye towards the truth,
14 failed to disclose information about the impact of bot traffic in a manner that would have warned
15 investors that the Company's current and future financial performance was in jeopardy.

16 **G. First Quarter 2014**

17 142. On May 8, 2014, Rocket Fuel announced its financial results for the first quarter
18 ended March 31, 2014. The Company reported a first quarter loss of \$0.18 per share, which was a
19 higher loss than Wall Street consensus estimates, and reported revenue of \$74.4 million, which was
20 lower than consensus estimates of \$76.2 million, though in line with the Company's January 22,
21 2014 and February 20, 2014 guidance. The Company also provided a lower-than-expected revenue
22 outlook for the second quarter of 2014 (forecast revenue of \$88 - \$92 million versus consensus of
23 \$101.8 million), but reconfirmed its prior guidance for fiscal year of 2014 of \$420-\$435 million
24 and adjusted EBITDA of \$3.0 million to \$6.0 million.

25 143. On May 15, 2014, Defendants filed the Company's Quarterly Report for the first
26 quarter of 2014 on Form 10-Q with the SEC, which was signed by Bardwick and which included
27 the same materially misleading "risk disclosure" statements alleged in ¶ 123 above.
28

1 144. The statements outlined in ¶¶ 142-143 were materially false and misleading because
2 the Company and Insider Defendants, with deliberate recklessness in not knowing and disclosing,
3 or turned a blind eye to the fact, that: (i) that the Company’s inability to adequately detect and
4 eliminate digital ad fraud, including bot traffic, was already negatively impacting Rocket Fuel’s
5 operations and financial performance; (ii) that attempting to traffic 500 billion ad impressions per
6 month made it a virtual certainty that the Company would fail to detect ad fraud at levels acceptable
7 to its customers; (iii) a material percentage of the ads Rocket Fuel brokered were being “viewed”
8 by automated fraudulent computer programs, rather than real people; and (iv) throughout the Class
9 Period, Rocket Fuel’s revenue growth was negatively impacted due to customers deciding to opt
10 out of utilizing Rocket Fuel’s services and bringing similar services in-house. In addition, the
11 Company and the Insider Defendants, with reckless disregard or with a blind eye towards the truth,
12 failed to disclose information about the impact of bot traffic in a manner that would have warned
13 investors that the Company’s current and future financial performance was in jeopardy.

14 **H. May 14, 2014 Conference**

15 145. At the May 14, 2014 SunTrust Robinson Humphrey Internet & Digital Media
16 Conference, Bardwick was asked the question “how Rocket Fuel is differentiating [from
17 competitors concerning online advertising fraud] and providing a cleaner experience for
18 advertisers,” Bardwick continued representing that the Company’s technology was “the best”:

19 I firmly believe that we do, if not the best, one of the best jobs in the industry around
20 filtering the impressions that we buy on behalf of our advertisers. We do that
21 because it's the right thing to do and we do that because it achieves economic value
22 for our advertisers. Delivering clicks, if they're fraudulent clicks, that is bot clicks
23 or otherwise, there's no economic value there and our revenue retention will not be
24 driven by no economic value. We want to deliver economic value. ***So our approach
25 is -- and we've got some proprietary things we do that we don't detail in public,
26 that we do in order to make sure that we're delivering quality results to the
27 advertisers.***

24 ***And we have said publically that of the 40 billion impressions we see per day --
25 and that number is growing very quickly by the way -- we filter about a third of
26 them off the top for quality reasons, which would include potentially fraud-related
27 reasons.***

28 146. The highlighted statements outlined in ¶ 145 were materially false and misleading
because the Company and Insider Defendants, with deliberate recklessness in not knowing and

1 disclosing, or turning a blind eye to the fact, that: (i) that the Company’s inability to adequately
2 detect and eliminate digital ad fraud, including bot traffic, was already negatively impacting Rocket
3 Fuel’s operations and financial performance; (ii) that attempting to traffic 500 billion ad
4 impressions per month made it a virtual certainty that the Company would fail to detect ad fraud at
5 levels acceptable to its customers; (iii) a material percentage of the ads Rocket Fuel brokered were
6 being “viewed” by automated fraudulent computer programs, rather than real people; and
7 (iv) Rocket Fuel’s revenue growth was negatively impacted due to customers deciding to opt out
8 of utilizing Rocket Fuel’s services and bringing similar services in-house. In addition, the
9 Company and the Insider Defendants, with reckless disregard or with a blind eye towards the truth,
10 failed to disclose information about the impact of bot traffic in a manner that would have warned
11 investors that the Company’s current and future financial performance was in jeopardy.

12 **VII. THE COMPLAINT’S SECURITIES ACT CLAIMS ARE ACTIONABLE**

13 147. Lead Plaintiffs’ Securities Act claims are premised on the material omissions
14 contained in Rocket Fuel’s IPO Materials and the Secondary Offering Materials. Lead Plaintiffs’
15 Securities Act claims are based on strict liability and negligence and are brought on behalf of
16 investors who purchased or otherwise acquired Rocket Fuel common stock pursuant to or traceable
17 to the offering materials issued in connection with the IPO or the Secondary Offering.

18 148. Rocket Fuel’s IPO Materials and Secondary Offering Materials were required to
19 contain certain information pursuant to the Securities Act and Regulation S-K, 17 C.F.R. Part 229,
20 including but not limited to existing trends or uncertainties reasonably expected to have a material
21 unfavorable impact on revenues. Notwithstanding, at the time Rocket Fuel’s IPO Materials and
22 Secondary Offering Materials became effective, the Securities Act Defendants failed to disclose
23 material information concerning the Company’s issues with ad fraud.

24 **A. The IPO Materials**

25 149. Rocket Fuel’s IPO Materials contained statements of material fact and omitted to
26 state other material facts required to be stated in order to make statements therein not misleading.
27 The omissions and representations within the IPO Materials relate to Rocket Fuel’s ability to detect
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1 fraud and its material impact on revenues, and the knowledge that its customers were opting out of
2 utilizing Rocket Fuel’s services and bringing similar services in-house.

3 150. Rocket Fuel filed a Registration Statement on Form S-1/A with the SEC on or about
4 September 18, 2013 in connection with its IPO. The 2013 Registration Statement was signed by
5 the Insider Defendants and the Director Defendants. The 2013 Registration Statement’s risk
6 disclosures as set forth in ¶ 123 above were materially false and misleading for the same reasons
7 set forth in ¶ 126 above.

8 151. In the section of the 2013 Registration Statement concerning the Company’s
9 “solution” to various challenges faced by advertisers in marketing to consumers, the Company
10 represented:

11 **Our Solution**

12 Driven by our disruptive AI technology, *our real-time optimization engine delivers*
13 *digital advertising campaigns that are effective and efficient*, and are easy for us
14 to set up and manage. We apply our AI-driven proprietary predictive modeling and
15 automated decision-making technology, together with Big Data and our
16 computational infrastructure, to create a new class of technology specifically
17 designed for powerful programmatic buying on real-time advertising exchanges.
18 The key benefits of our solution for advertisers include:

16 * * *

17 • *Scalable. Leveraging the massive amounts of inventory available through real-*
18 *time advertising exchanges, our solution enables advertisers to efficiently connect*
with large audiences while it maintains a focus on results-driven optimization.

19 152. The highlighted statements outlined in ¶ 152 were materially misleading because
20 Defendants failed to disclose: (i) that the Company was unable to adequately or effectively detect
21 and eliminate digital ad fraud, including bot traffic, which was negatively impacting Rocket Fuel’s
22 operations and financial performance; (ii) that attempting to traffic 500 billion ad impressions per
23 month made it a virtual certainty that the Company would fail to detect ad fraud at levels acceptable
24 to its customers; and (iii) a material percentage of the ads Rocket Fuel brokered were being
25 “viewed” by automated fraudulent computer programs, rather than real people. In addition,
26 Defendants failed to disclose information about the impact of bot traffic in a manner that would
27 have warned investors that the Company’s current and future financial performance was in
28 jeopardy.

1 153. In the purported “risk disclosures” section of the 2013 Registration Statement,
2 Rocket Fuel further presented:

3 ***We do not have long-term commitments from our advertisers, and we may not be***
4 ***able to retain advertisers or attract new advertisers that provide us with revenue***
5 ***that is comparable to the revenue generated by any advertisers we may lose.***

6 154. The statement outlined in ¶ 153 above, while technically true, was materially
7 misleading because Rocket Fuel omitted to disclose that its customers (and prospective customers)
8 were already opting out of utilizing Rocket Fuel’s services and bringing similar services in-house.
9 The 2013 Registration Statement should have disclosed the impact caused by the loss of customers
10 to the Company in accordance with Item 303 of Regulation S-K, 17 C.F.R. Part 229, but failed to
11 do so.

12 155. In the section of the 2013 Registration Statement entitled “Challenges Faced by
13 Digital Advertisers,” Rocket Fuel represented that advertisers faced challenges, including:

14 • *Achieving measurable results.* Increasingly, advertisers seek to measure the results
15 of their campaigns and expect tangible and quantifiable business results, such as
16 heightened brand awareness and increased sales.

17 • *Addressing the rapidly changing and highly-fragmented consumer environment.*
18 Consumers' digital-media habits are evolving, with consumers accessing and
19 consuming content across many different Internet-connected devices, resulting in
20 highly-fragmented audiences. As a result, advertisers are demanding the ability to
21 adjust their advertising spending in real time to reach and influence their prospective
22 consumers.

23 • *Navigating industry complexity.* The rapid growth of the digital advertising
24 industry has created a highly complex environment for advertisers, with multiple
25 channels, technologies and solutions offered by industry participants.

26 • *Leveraging complex data.* Many large advertisers have already made significant
27 investments in data and are struggling with the challenge of how to most effectively
28 make use of the sheer volume of data available to them to gain valuable timely
insights.

29 • *Operating in real time.* The massive volume and real-time creation of data
generally precludes effective human review, analysis, optimization and
implementation of advertising campaigns, making it difficult and time consuming
for existing providers of digital advertising solutions to make strategic adjustments
in their campaigns.

30 156. The statements outlined in ¶ 155 above, while perhaps technically true, were
31 materially misleading because Defendants failed to disclose the challenges faced or the true risks
32 and negative trends posed by the impact of digital ad fraud and bot traffic on the Company's

1 operations and financial performance. The 2013 Registration Statement should have disclosed the
2 challenge and impact caused by digital ad fraud and bot traffic to the Company in accordance with
3 Item 303 of Regulation S-K, 17 C.F.R. Part 229, but failed to do so.

4 157. On September 20, 2013, Rocket Fuel filed the Prospectus with the SEC in
5 connection with the IPO. The 2013 Prospectus was filed pursuant to the 2013 Registration
6 Statement, which was signed by the Insider Defendants and the Director Defendants. The 2013
7 Prospectus further advised readers that, “For further information with respect to us or our common
8 stock, we refer you to the [2013] registration statement....”

9 158. The Company agreed to sell to the following Underwriter Defendants, for whom
10 Credit Suisse and Citigroup acted as joint book-running managers and representatives, and the
11 underwriters severally agreed to purchase the following respective number of shares of Rocket Fuel
12 common stock:

| Underwriter | Number of Shares |
|--------------------|-------------------------|
| Credit Suisse | 1,280,000 |
| Citigroup | 1,280,000 |
| Needham | 360,000 |
| Oppenheimer | 360,000 |
| Piper Jaffray | 360,000 |
| BMO | 240,000 |
| LUMA | 120,000 |
| Total | 4,000,000 |

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19 159. The sections in the 2013 Prospectus entitled “risk disclosures,” “Challenges Faced
20 by Digital Advertisers,” and “Risks Affecting Us” similarly tracked the representations made in the
21 2013 Registration Statement in ¶¶ 150, 151, 153, and 155 above. Given the Company’s assurances
22 that Rocket Fuel could “detect and eliminate” ad fraud and bot traffic, the statements herein were
23 materially misleading. Rocket Fuel should have but failed to disclose the challenges faced or the
24 true risks and negative trends posed by the impact of digital ad fraud and bot traffic on the
25 Company's operations and financial performance. The 2013 Prospectus should have disclosed the
26 impact of digital ad fraud and bot traffic in accordance with Item 303 of Regulation S-K, 17 C.F.R.
27 Part 229, but failed to do so.
28

1 160. The statements outlined in ¶ 159 above was also materially misleading because
2 Rocket Fuel omitted to disclose that its customers (and prospective customers) were already opting
3 out of utilizing Rocket Fuel’s services and bringing similar services in-house. The 2013 Prospectus
4 should have disclosed the impact caused by the loss of customers to the Company in accordance
5 with Item 303 of Regulation S-K, 17 C.F.R. Part 229, but failed to do so.

6 **B. The Secondary Offering Materials**

7 161. Rocket Fuel’s Secondary Offering Materials contained statements of material fact
8 and omitted to state other material facts required to be stated in order to make statements therein
9 not misleading. The omissions and representations within the Secondary Offering Materials relate
10 to Rocket Fuel’s ability to detect fraud and its material impact on revenues, and the knowledge that
11 consumers were opting out of utilizing Rocket Fuel’s services and bringing similar services in-
12 house.

13 162. Rocket Fuel filed a Registration Statement on Forms S-1/A with the SEC on or about
14 January 27, 2014 in connection with its Secondary Offering. The 2014 Registration Statement was
15 signed by the Insider Defendants and the Director Defendants.

16 163. The 2014 Registration Statement filed on Form S-1/A with the SEC’s purported
17 “risk disclosures” were materially false and misleading for the same reasons set forth in ¶¶ 123,
18 126, and 150 above.

19 164. The sections in the 2014 Registration Statement entitled “Our Solution” and
20 “Challenges Faced by Digital Advertisers” similarly tracked the representations made in the 2013
21 Registration Statement in ¶¶ 151 and 155 above.

22 165. The statements outlined in ¶¶ 163-164 were materially misleading because Rocket
23 Fuel should have but failed to disclose the challenges faced or the true risks and negative trends
24 posed by the impact of digital ad fraud and bot traffic on the Company’s operations and financial
25 performance. The 2014 Registration Statement should have disclosed the impact of digital ad fraud
26 and bot traffic in accordance with Item 303 of Regulation S-K, 17 C.F.R. Part 229, but failed to do
27 so.

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1 166. In the purported “risk disclosures” section of the 2014 Registration Statement,
2 Rocket Fuel further presented:

3 *We do not have long-term commitments from our advertisers, and we may not be*
4 *able to retain advertisers or attract new advertisers that provide us with revenue*
that is comparable to the revenue generated by any advertisers we may lose.

5 167. The statement outlined in ¶ 166 above, while technically true, was materially
6 misleading because Rocket Fuel omitted to disclose that consumers were already opting out of
7 utilizing Rocket Fuel’s services and bringing similar services in-house. The 2014 Registration
8 Statement should have disclosed the impact caused by the loss of its customers to the Company in
9 accordance with Item 303 of Regulation S-K, 17 C.F.R. Part 229, but failed to do so.

10 168. On January 31, 2014, Rocket Fuel filed the Prospectus in connection with the
11 Company’s Secondary Offering. The January 2014 Prospectus was filed pursuant to the January
12 2014 Registration Statement, which were signed by the Insider Defendants and the Director
13 Defendants.

14 169. The Company agreed to sell to the following Underwriter Defendants, for whom
15 Credit Suisse and Citigroup acted as joint book-running managers and representatives, and the
16 underwriters severally agreed to purchase the following respective number of shares of Rocket Fuel
17 common stock:

| Underwriter | Number of Shares |
|--------------------|-------------------------|
| Credit Suisse | 1,500,000 |
| Citigroup | 1,500,000 |
| Goldman Sachs | 1,000,000 |
| Needham | 250,000 |
| Oppenheimer | 250,000 |
| Piper Jaffray | 250,000 |
| BMO | 250,000 |
| Total | 5,000,000 |

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24 170. The sections in the 2014 Prospectus entitled “risk disclosures,” “Our Solution,” and
25 “Challenges Faced by Digital Advertisers” similarly tracked the representations made in the 2013
26 Registration Statement in ¶¶ 163-164, and 166 above. Given the Company's assurances that Rocket
27 Fuel could "detect and eliminate" ad fraud and bot traffic, the statements herein were materially
28 misleading. Rocket Fuel should have but failed to disclose the challenges faced or the true risks

1 and negative trends posed by the impact of digital ad fraud and bot traffic on the Company's
2 operations and financial performance. The 2014 Prospectus should have disclosed the impact of
3 digital ad fraud and bot traffic in accordance with Item 303 of Regulation S-K, 17 C.F.R. Part 229,
4 but failed to do so.

5 171. The statement outlined in ¶ 170 above was also materially misleading because
6 Rocket Fuel omitted to disclose that its customers (and prospective customers) were already opting
7 out of utilizing Rocket Fuel's services and bringing similar services in-house. The 2014 Prospectus
8 should have disclosed the impact caused by the loss of customers to the Company in accordance
9 with Item 303 of Regulation S-K, 17 C.F.R. Part 229, but failed to do so.

10 **VIII. LOSS CAUSATION/ECONOMIC LOSS**

11 172. The economic loss, *i.e.*, damages suffered by Lead Plaintiffs and other members of
12 the Class, was a direct result of Defendants' fraudulent scheme to artificially inflate the price of
13 Rocket Fuel's securities and the subsequent significant decline in the value of the Company's
14 securities when Defendants' prior misstatements and other fraudulent conduct was revealed. At all
15 relevant times, the material misrepresentations and omissions alleged in this Complaint directly or
16 proximately caused or were a substantial contributing cause of the damages sustained by Lead
17 Plaintiffs and other members of the Class. As described herein, during the Class Period, the Insider
18 Defendants made or caused to be made a series of materially false or misleading statements about
19 Rocket Fuel's business, prospects, and operations.

20 173. Rocket Fuel's misstatements concerning its technological abilities, including that
21 Rocket Fuel's technology would "block bad sites and pages *before we ever serve a single ad on*
22 *them*" had the cause and effect of creating an unrealistically positive assessment of Rocket Fuel's
23 operations, causing the Company's securities to be overvalued and artificially inflated. Because of
24 these misstatements, Rocket Fuel's September 20, 2013 IPO share price spiked 93% from \$29.00
25 to close at \$56.10 as a result of the materially false and misleading statements and omissions.

26 174. Defendants' additional statements concerning the Company's business and
27 prospects, including its strong growth and the "proprietary technology about filtering for bots"
28 further effected an artificial inflation of the Company's stock prices. These material misstatements

1 and omissions had the cause and effect of creating in the market an unrealistically positive
2 assessment of Rocket Fuel and its business, prospects, and operations, thus causing the Company's
3 securities to be overvalued and artificially inflated at all relevant times. Defendants' materially
4 false and misleading statements during the Class Period caused Lead Plaintiffs and other members
5 of the Class to purchase the Company's securities at artificially inflated prices, thus causing the
6 damages complained of herein.

7 175. Defendants were deliberately reckless in not knowing or turned a blind eye towards
8 the facts that the Company was facing problems with inventory quality, its ability to combat ad
9 fraud, and the adverse impact on its sales. Nonetheless, Defendants recklessly and falsely released
10 statements providing false information to investors. Thus, shares of the Company's common stock
11 continued to trade at levels artificially inflated by Defendants' unreasonably aggressive guidance
12 and, but for that guidance, the Company's share price would have fallen even further than it did on
13 January 23, 2014. Instead, Defendants' aggressive fiscal 2014 revenue guidance was designed to
14 inflate and maintain Rocket Fuel's high stock price in order to enable insiders to sell over
15 \$175 million of privately held shares in the Secondary Offering.

16 **A. May 8, 2014 Partial Corrective Disclosure**

17 176. On May 8, 2014, Rocket Fuel announced its financial results for the first quarter
18 ended March 31, 2014. For the first quarter, the Company reported revenues of \$74.4 million and
19 an adjusted EBITDA of a loss of \$3.7 million. The Company disappointed the market with its
20 second quarter forecast. For the Second Quarter 2014, the Company forecasted revenues in the
21 range of \$88.0 million to \$92.0 million, which, at the midpoint, was 12% below the market
22 consensus of \$101.8 million. Adjusted EBITDA for the second quarter was forecasted to be in the
23 range of a loss of \$6.0 million to a loss of \$4.5 million, compared to Street expectations for positive
24 \$0.2 million. Despite the lower-than-expected second quarter revenue projections, Rocket Fuel
25 reiterated its full-year 2014 revenue guidance (of \$420-\$435 million) and adjusted EBITDA
26 guidance (of \$3.0-\$6.0 million), stating "we expect revenue growth in the latter half of the year to
27 increase slightly from our expected Q2 growth rate due to a number of factors, including the impact
28 of recent sales hiring and expanded offerings that enhance our current product suite."

1 177. The next trading day, May 9, 2014, the Company’s stock price dropped 21.5% or
2 \$5.98 (from a close of \$27.81 on May 8, 2014 to a close of \$21.83 on May 9, 2014). Trading
3 volume was over 9 million shares which was the largest daily trading volume during the Class
4 Period. Rocket Fuel’s trading volume on May 9, 2014 was over 14 times greater than its average
5 daily trading volume during the Class Period, which was approximately 641,000 shares per day,
6 and exceeded the trading volume on the day of its IPO, September 20, 2013, which was 5.57 million
7 shares.

8 178. News commentary attributed the Company’s stock price drop, which began after
9 market close on May 8, 2014, to Rocket Fuel’s disappointing Second Quarter 2014 revenue
10 forecast. In its conference call following its earnings release, the Company attributed its lower-
11 than-expected second quarter revenue guidance, in part, to competitive pressures, including
12 customers moving towards in-house advertising solutions, and competition with advertising
13 agencies with internal trading desks, partially revealing that “[w]e also see some customers and
14 agencies wanting to bring advertising technology in-house. They feel it is strategic for them to
15 understand and develop direct expertise on how to manage the customer data and how to use it to
16 drive a well targeted digital campaign. . . . Across the board, customers asked for more insights
17 and access to data to understand the performance we are driving, and the audiences we’re reaching
18 for them.” These statements partially revealed the issues the Company was then having with
19 customers becoming increasingly concerned about bot traffic without revealing the full extent of
20 the Company’s then existing problem. However, the artificial inflation in the Company’s common
21 stock continued to be maintained by Defendants’ prior materially false and misleading statements
22 and omissions.

23 179. In response to the Company’s disappointing second quarter guidance on May 8,
24 2014, several analysts downgraded their ratings and lowered their earnings estimates for the
25 Company, citing concerns over competitive pressures. Evercore stated that the Company’s May 8
26 disclosures were the “first signs of headwinds” noting an industry shift towards “Software as a
27 Service” solutions, and lowered its earnings estimate and price target for the Company. Piper
28

1 Jaffray reduced its 2014 and 2015 revenue expectations for the Company, stating that “investors
2 will likely look at the company’s numbers with skepticism.”

3 180. Throughout the remainder of the Class Period, Defendants continued touting the
4 Company’s technological abilities, including at various conferences. The effect of Defendants’
5 misstatements and material omissions kept the Company’s common stock prices artificially
6 inflated.

7 **B. August 5, 2014 Class Period Ending Corrective Disclosure**

8 181. On August 5, 2014, after the close of trading, Rocket Fuel announced its financial
9 results for Second Quarter 2014, and sharply reduced its Full Year 2014 revenue and earnings
10 guidance. The same day, the *Wall Street Journal* reported that “Rocket Fuel Inc. lowered its full-
11 year revenue guidance for the year, pointing to *customer concerns about inventory quality*. . . .”
12 During a same-day conference call with investors, John suggested that concerns about fraudulent
13 traffic was “a phenomena in our industry that hasn’t been well understood,” and tried to claim that
14 the Company was “*surprised* by the strength of trends impacting our bookings in June [2014], and
15 we now feel our full-year guidance should take into account slightly lower sales productivity based
16 on the following three factors.” One of those trends was “bot traffic and low-quality ad space on
17 digital exchanges.”

18 182. The Company’s second quarter financial results were slightly better than expected.
19 However, the Company reduced its 2014 revenue guidance by approximately 8% to a range of
20 \$385–\$405 million (excluding expected revenue from newly announced acquisition of [x+1]),
21 down from the previously forecasted range of \$420–\$435 million. The Company’s projected
22 revenue growth for the second half of 2014 was reduced to 55% year over year, compared to
23 previous guidance of 74%. Adjusted EBITDA was lowered to a loss in the range of \$8.0 million
24 to \$5.0 million on a standalone basis, down from a projected profit in the range of \$3.0 million to
25 \$6.0 million. The Company also disclosed its intent to acquire [x+1], a provider of programmatic
26 marketing and data management solutions, in a cash and stock transaction with an enterprise value
27 of approximately \$230 million.

28

1 183. The following day, on August 6, 2014, the Company’s shares fell from \$24.75 to
2 \$17.05 – a decline of approximately 30%. Analysts were skeptical that Defendants had been caught
3 by surprise by the impact of bot traffic on the Company’s operations, financial performance and
4 outlook. Piper Jaffray stated that the Company’s 2014 guidance was “disappointing” and adjusted
5 its model significantly downward to reflect “slower growth rates for the core. . . .” Oppenheimer
6 lowered its price target for the Company to \$31 from \$44 in response to the Company’s reduced
7 guidance. There was also unusually high trading volume on August 6, 2014, with total trading
8 volume of over six million shares. Rocket Fuel’s trading volume on August 6, 2014 was over nine
9 times greater than its average daily trading volume during the Class Period, which was
10 approximately 641,000 shares per day, and exceeded the total trading volume on the day of its IPO,
11 September 20, 2013, which was 5.57 million shares.

12 184. Regarding its reduced revenue guidance, the Company stated that “advertiser
13 commitments in the latter part of the second quarter for future advertising campaigns were lower
14 than previous internal forecasts.” The Company attributed the drop in advertiser commitments to
15 “a number of expanding trends, including:” (i) “tighter control of client spend by the agencies’
16 internal trading desks;” (ii) “a shift toward direct licensing by advertisers;” and (iii) “recent
17 customer concerns about inventory quality on exchanges that impact the entire industry.” The
18 Company added that “industry buzz this summer around bot traffic and low-quality ad space on
19 digital exchanges, which has led some agency media buyers to begin questioning exchange-based
20 buying generally.”

21 185. August 5, 2014 was the first time the Company admitted that concerns over bot
22 traffic and low quality ad space was negatively affecting its ability to sell its products to advertisers
23 and ad agencies, and, in turn, its revenue projections. This disclosure was corrective of Lead
24 Plaintiffs’ allegations that Defendants either were deliberately reckless in not knowing about or
25 turning a blind eye to the fact that the Company was unable to adequately eliminate ad fraud and
26 bot traffic in its advertising campaigns, while nevertheless assuring investors and others that their
27 proprietary technology could “identify and eliminate all” such threats. This disclosure informed
28 the market that, contrary to the alleged misrepresentations made during the Class Period, advertiser

1 and agency concerns regarding ad fraud had been negatively impacting the Company's revenue
2 growth and operations.

3 186. The other factors cited by the Company as contributing to its reduction in Full Year
4 2014 revenue guidance (*i.e.*, the marketability of Rocket Fuel's products to advertising agencies
5 with internal trading desks, and an advertiser/agency shift towards managing ad campaigns in-
6 house), was not new news to the market. These are the same competitive pressures cited by the
7 Company in its first quarter earnings release (*see* ¶ 178 above). Nonetheless, these factors, due to
8 Defendants' undisclosed failure to "eliminate" bot traffic, contributed to the Company's negative
9 financial performance.

10 187. The decline in the price of Rocket Fuel stock on May 9, 2014 and on August 6, 2014,
11 following its first-quarter and second-quarter earnings releases, respectively, was immediate and
12 significant. There was extraordinarily heavy trading volume on both of these days. The May 9,
13 2014 and August 6, 2014 declines in Rocket Fuel's stock prices were clearly in response to the
14 Company's unanticipated reductions in revenue and earnings guidance, due to Defendants'
15 undisclosed failure to "eliminate all" bot traffic. There was no other negative confounding firm-
16 specific information released that day.

17 **IX. INAPPLICABILITY OF SAFE HARBOR**

18 188. The statutory safe harbor provided for forward-looking statements under certain
19 circumstances does not apply to any of the allegedly false statements pleaded in this Complaint.
20 Many of the specific statements pleaded herein were not identified as and were not "forward-
21 looking statements" when made. To the extent there were any forward-looking statements, there
22 were no meaningful cautionary statements identifying important factors that could cause actual
23 results to differ materially from those in the purportedly forward-looking statements.

24 189. Alternatively, to the extent that the statutory safe harbor does apply to any forward-
25 looking statements pleaded herein, the Company and Insider Defendants are liable for those false
26 forward-looking statements because at the time each of those forward-looking statements was
27 made, the particular speaker knew that the particular forward-looking statement was false, and/or
28

1 the forward-looking statement was authorized and/or approved by an executive officer of Rocket
2 Fuel who knew that those statements were false when made.

3 **X. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE**
4 **MARKET DOCTRINE**

5 190. At all relevant times, the market for Rocket Fuel's common stock was an efficient
6 market for the following reasons, among others:

7 a. Rocket Fuel's common stock met the requirements for listing on, and was
8 listed and actively traded on, the NASDAQ, a highly efficient and automated market;

9 b. As a regulated issuer, Rocket Fuel filed periodic reports with the SEC and
10 the NASDAQ;

11 c. Rocket Fuel regularly communicated with public investors via established
12 market communication mechanisms, including through regular disseminations of press releases on
13 the national circuits of major newswire services and through other wide-ranging public disclosures,
14 such as communications with the financial press and other similar reporting services; and

15 d. Rocket Fuel was followed by numerous securities analysts employed by
16 major brokerage firms who wrote reports that were distributed to the sales force and certain
17 customers of their respective brokerage firms. Each of these reports was publicly available and
18 entered the public marketplace.

19 191. As a result of the foregoing, the market for Rocket Fuel's securities promptly
20 digested current information regarding Rocket Fuel from all publicly available sources and
21 reflected such information in the prices of the stock. Under these circumstances, all purchasers of
22 Rocket Fuel's securities during the Class Period suffered similar injury through their purchase of
23 Rocket Fuel's securities at artificially inflated prices, and the *Basic* and *Affiliated Use* presumptions
24 of reliance apply.

25 **XI. CLASS ACTION ALLEGATIONS**

26 192. Lead Plaintiffs bring this action as a class action pursuant to Rule 23 of the Federal
27 Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Rocket
28

1 Fuel's publicly traded securities during the Class Period, and were damaged by the conduct asserted
2 herein. Defendants are excluded from the Class.

3 193. The members of the Class are so numerous that joinder of all members is
4 impracticable. The disposition of their claims in a class action will provide substantial benefits to
5 the parties and the Court. Rocket Fuel has over 35 million shares of stock outstanding, owned by
6 hundreds if not thousands of persons.

7 194. There is a well-defined community of interest in the questions of law and fact
8 involved in this case. Questions of law and fact common to the members of the Class that
9 predominate over questions that may affect individual Class members include:

- 10 a. whether Defendants violated the federal securities laws;
11 b. whether Defendants omitted and/or misrepresented material facts;
12 c. whether Defendants' statements omitted material facts necessary to make
13 the statements made, in light of the circumstances under which they were made, not misleading;
14 d. whether, with respect to the Exchange Act claims, the Company or Insider
15 Defendants with deliberate recklessness disregarded or turned a blind eye toward the fact that their
16 statements were false and misleading;
17 e. whether the prices of Rocket Fuel publicly traded securities were artificially
18 inflated; and
19 f. the extent of damage sustained by Class members and the appropriate
20 measure of damages.

21 195. Lead Plaintiffs' claims are typical of those of the Class because Lead Plaintiffs and
22 the Class sustained damages from Defendants' wrongful conduct.

23 196. Lead Plaintiffs will adequately protect the interests of the Class and have retained
24 counsel who are experienced in class action securities litigation. Lead Plaintiffs have no interests
25 that conflict with those of the Class.

26 197. A class action is superior to other available methods for the fair and efficient
27 adjudication of this controversy. Lead Plaintiffs know of no difficult to be encountered in the
28 management of this action that would preclude its maintenance as a class action.

1 **XII. CLAIMS FOR RELIEF**

2 **COUNT I**
3 **For Violations of Section 10(b) of the Exchange Act and Rule 10b-5**
4 **(Against Rocket Fuel and the Insider Defendants)**

5 198. Lead Plaintiffs repeat and reallege each and every allegation contained above as if
6 fully set forth herein.

7 199. During the Class Period, Rocket Fuel and the Insider Defendants participated in the
8 preparation of and/or disseminated or approved the false statements specified above, which they
9 deliberately disregarded as or turned a blind eye to being misleading in that they contained
10 misrepresentations and failed to disclose material facts necessary in order to make the statements
11 made, in light of the circumstances under which they were made, not misleading.

12 200. Rocket Fuel and the Insider Defendants violated Section 10(b) of the Exchange Act,
13 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, in that they made untrue statements of
14 material facts or omitted to state material facts necessary in order to make the statements made, in
15 light of the circumstances under which they were made, not misleading.

16 201. Rocket Fuel and the Insider Defendants, individually and together, directly and
17 indirectly, by the use, means, or instrumentalities of interstate commerce and/or the mails, engaged
18 and participated in a continuous course of conduct to conceal the truth and/or adverse material
19 information about the business, operations, and future prospects of Rocket Fuel as specified herein.

20 202. Rocket Fuel and the Insider Defendants had actual knowledge of the
21 misrepresentations and omissions of material fact set forth herein, or recklessly disregarded or
22 turned a blind eye toward the true facts that were available to them. Defendants' engaged in
23 misconduct with at least reckless disregard for the truth, and for the purpose and effect of concealing
24 Rocket Fuel's true financial condition from the investing public and supporting the artificially
25 inflated price of Rocket Fuel's securities.

26 203. Rocket Fuel and the Insider Defendants had motive and opportunity to perpetrate
27 the fraudulent scheme and course of business described herein. The Insider Defendants were the
28 most senior officers of Rocket Fuel, issued statements and press releases on behalf of the Company,

1 and each made false statements concerning the Company's abilities and had the opportunity to
2 commit fraud alleged.

3 204. Rocket Fuel and the Insider Defendants were motivated to inflate the price of Rocket
4 Fuel securities in order to sell shares of Rocket Fuel securities at inflated prices.

5 205. Lead Plaintiffs and the Class have suffered damages in that, in reliance on the
6 integrity of the market, they paid artificially inflated prices for Rocket Fuel's publicly traded
7 securities. Lead Plaintiffs and the Class would not have purchased Rocket Fuel's publicly traded
8 securities at the prices they paid, or at all, had they been aware that the market prices for Rocket
9 Fuel's securities had been artificially inflated by Rocket Fuel and the Insider Defendants' materially
10 false and misleading statements.

11 **COUNT II**
12 **For Violations Of Section 20(a) Of The Exchange Act**
13 **(Against The Insider Defendants)**

14 206. Lead Plaintiffs repeat and reallege each and every allegation contained above as if
15 fully set forth herein.

16 207. During the Class Period, the Insider Defendants acted as controlling persons of
17 Rocket Fuel within the meaning of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a). By
18 reason of their high-level positions with the Company, participation in, and/or awareness of the
19 Company's operations, direct involvement in the day-to-day operations of the Company, and/or
20 intimate knowledge of the Company's actual performance, the Insider Defendants had the power
21 to influence and control and did influence and control, directly or indirectly, the decision-making
22 of the Company, including the content and dissemination of the materially false and misleading
23 statements alleged herein.

24 208. By reason of such conduct, the Insider Defendants are liable pursuant to Section
25 20(a) of the Exchange Act.

26 **COUNT III**
27 **Violation of Section 20A of the Exchange Act**
28 **(Against The Insider Defendants)**

29 209. Lead Plaintiffs repeat and reallege each and every allegation contained above as if
30 fully set forth herein.

1 210. This claim is brought pursuant to Section 20A of the Exchange Act, 15 U.S.C. § 78t-
2 1, against the Insider Defendants on behalf of all members of the Class damaged by the Section
3 20A insider trading during the Class Period.

4 211. The Insider Defendants were in possession of material, non-public information
5 about Rocket Fuel. As alleged above, the Insider Defendants took advantage of the material non-
6 public information regarding the First Quarter 2014 sales and Secondary Offering to make millions
7 of dollars in insider trading profits during the Class Period. These transactions were made while
8 the Insider Defendants possessed material non-public information.

9 212. The Insider Defendants' transactions in Rocket Fuel common stock were made
10 contemporaneously with Lead Plaintiffs' and Class members' purchases of Rocket Fuel common
11 stock during the Class Period. For instance, on January 31, 2014, the date the Secondary Offering
12 became effective, Lead Plaintiff OKFPRS purchased 5,300 shares of Rocket Fuel common stock
13 at \$61.00/share in connection with the Secondary Offering. Lead Plaintiff Browder Capital
14 purchased approximately 4,800 shares of Rocket Fuel common stock between January 31, 2014
15 and February 5, 2014, for between \$52.18/share and \$58.57/share. The Insider Defendants sold
16 approximately 579,700 shares of common stock on February 5, 2014 in connection with the
17 Secondary Offering.

18 213. All members of the Class who purchased shares of Rocket Fuel common stock in
19 connection with the Secondary Offering and contemporaneously with sales by the Insider
20 Defendants (i) have suffered damages because, in reliance on the integrity of the market, they paid
21 artificially inflated prices as a result of the violations of the Section 10(b) and 20(a) of the Exchange
22 Act as alleged herein; and (ii) would not have purchased the securities at the prices they paid, or at
23 all, if they had been aware that the market prices had been artificially inflated by Defendants' false
24 and misleading statements and omissions. At the time of the purchases of the common stock, the
25 fair and true market value of the securities was substantially less than the price paid by these Class
26 members.

27
28

COUNT IV
Violation of Section 11 of the Securities Act
in Connection with the IPO
(Against All Defendants except Goldman Sachs)

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2
3 214. Lead Plaintiffs repeat and reallege ¶¶ 1-11, 19-79, 147-189, and 192-197 above as
4 if fully set forth herein. For purposes of this Count, Lead Plaintiffs expressly exclude and disclaim
5 any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as
6 this Count is based solely on claims of strict liability or negligence under the Securities Act.

7 215. This Count is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. §77k,
8 on behalf of all persons who received or otherwise acquired Rocket Fuel common stock pursuant
9 to or traceable to the IPO against Rocket Fuel, the Insider Defendants, the Director Defendants, and
10 the Underwriter Defendants except Goldman Sachs.

11 216. The IPO Materials contained statements of material facts and omitted to state other
12 facts necessary to make the statements made not misleading. The facts misstated and omitted would
13 have been material to a reasonable person reviewing the IPO Materials. Defendants' liability under
14 this Count is predicated on the participation of each Defendant in conducting the Offering pursuant
15 to the IPO Materials that contained statements and omissions of material fact.

16 217. Rocket Fuel is the registrant and, as such, is strictly liable to Lead Plaintiffs and the
17 Class for statements and omissions contained in the IPO Materials.

18 218. Each of the Insider Defendants and the Director Defendants named in this Count is
19 liable pursuant to Sections 11(a)(1) and 11(a)(2), 15 U.S.C. §§ 77k(a)(1) and (2), as they each
20 signed or authorized the signing of one or both of the IPO Materials. Each of them was either an
21 executive officer or director for the Company at the time the IPO became effective. By virtue of
22 signing one or more of the IPO Materials, they issued, caused to be issued and participated in the
23 issuance of the IPO Materials which contained statements of material fact, omitted to state other
24 facts necessary to make the statements not misleading, and omitted to state material facts required
25 to be stated therein. These Defendants failed to conduct a reasonable investigation of the statements
26 in one or more of the IPO Materials and did not possess reasonable grounds for believing that the
27 statements contained therein were true and not materially misstated.

28

1 219. The Underwriter Defendants named herein issued, caused to be issued, and
2 participated in the issuance of the materially misleading IPO Materials. The Underwriter
3 Defendants named herein acted as “underwriters” for the IPO and are liable pursuant to 15 U.S.C.
4 § 77k(a)(5).

5 220. None of the Defendants named herein possessed reasonable grounds for the belief
6 that the statements and omissions contained in the IPO Materials were true and without omissions
7 of any material facts.

8 221. By reason of the conduct herein alleged, the Defendants named herein violated or
9 controlled a person who violated Section 11 of the Securities Act.

10 222. Lead Plaintiffs purchased or otherwise acquired Rocket Fuel stock pursuant to or
11 traceable to the IPO Materials and were damaged thereby. Lead Plaintiff OKFPRS bought Rocket
12 Fuel stock on the day of the IPO.

13 223. Lead Plaintiffs and the Class have sustained damages. Lead Plaintiffs and the other
14 members of the Class likewise did not know, or in the exercise of reasonable diligence could not
15 have known, of the omissions of material facts in the IPO Materials when they purchased or
16 acquired shares of Rocket Fuel’s common stock.

17 224. Less than one year has elapsed from the time Lead Plaintiffs discovered or
18 reasonably could have discovered the facts upon which this Complaint is based and the time the
19 action was filed. Less than three years elapsed since the stock upon which this Count is brought
20 was bona fide offered to Lead Plaintiffs and the Class.

21 **COUNT V**
22 **Violation of Section 11 of the Securities Act**
23 **in Connection with the Secondary Offering**
(Against All Defendants except LUMA)

24 225. Lead Plaintiffs repeat and re-allege ¶¶ 1-11, 19-79, 147-189, 192-197, and 214-224
25 above as if fully set forth herein. For purposes of this Count, Lead Plaintiffs expressly exclude and
26 disclaim any allegation that could be construed as alleging fraud or intentional or reckless
27 misconduct, as this Count is based solely on claims of strict liability or negligence under the
28

1 Securities Act. This Count is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k,
2 on behalf of the Class.

3 226. This Count is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k,
4 on behalf of all persons who received or otherwise acquired Rocket Fuel common stock pursuant
5 to or traceable to the Secondary Offering against Rocket Fuel, the Insider Defendants, the Director
6 Defendants, and the Underwriter Defendants except LUMA.

7 227. The Secondary Offering Materials contained statements of material facts and
8 omitted to state other facts necessary to make the statements made not misleading. The facts
9 misstated and omitted would have been material to a reasonable person reviewing the Secondary
10 Offering Materials. Defendants' liability under this Count is predicated on the participation of each
11 Defendant in conducting the Offering pursuant to the Secondary Offering Materials that contained
12 statements and omissions of material fact.

13 228. Rocket Fuel is the registrant and, as such, is strictly liable to Lead Plaintiffs and the
14 Class for statements and omissions contained in the Secondary Offering Materials.

15 229. Each of the Insider Defendants and the Director Defendants named in this Count is
16 liable pursuant to Sections 11(a)(1) and 11(a)(2), 15 U.S.C. §§ 77k(a)(1) and (2), as they each
17 signed or authorized the signing of one or both of the Secondary Offering Materials. Each of them
18 was either an executive officer or director for the Company at the time the Secondary Offering
19 became effective. By virtue of signing one or more of the Secondary Offering Materials, they
20 issued, caused to be issued and participated in the issuance of the Secondary Offering Materials
21 which contained statements of material fact, omitted to state other facts necessary to make the
22 statements not misleading, and omitted to state material facts required to be stated therein. These
23 Defendants failed to conduct a reasonable investigation of the statements in one or more of the
24 Secondary Offering Materials and did not possess reasonable grounds for believing that the
25 statements contained therein were true and not materially misstated.

26 230. The Underwriter Defendants named herein issued, caused to be issued, and
27 participated in the issuance of the materially misleading Secondary Offering Materials. The
28

1 Underwriter Defendants named herein acted as “underwriters” for the Secondary Offering and are
2 liable pursuant to 15 U.S.C. § 77k(a)(5).

3 231. None of the Defendants named herein possessed reasonable grounds for the belief
4 that the statements and omissions contained in the Secondary Offering Materials were true and
5 without omissions of any material facts.

6 232. By reason of the conduct herein alleged, the Defendants named herein violated or
7 controlled a person who violated Section 11 of the Securities Act.

8 233. Lead Plaintiffs purchased or otherwise acquired Rocket Fuel stock pursuant to or
9 traceable to the Secondary Offering Materials and were damaged thereby. Lead Plaintiff OKFPRS
10 bought from Defendant Citigroup in the Secondary Offering.

11 234. Lead Plaintiffs and the Class have sustained damages. Lead Plaintiffs and the other
12 members of the Class likewise did not know, or in the exercise of reasonable diligence could not
13 have known, of the statements of material fact or omissions of material facts in the Secondary
14 Offering Materials when they purchased or acquired shares of Rocket Fuel’s common stock.

15 235. Less than one year has elapsed from the time Lead Plaintiffs discovered or
16 reasonably could have discovered the facts upon which this Complaint is based and the time the
17 action was filed. Less than three years elapsed since the stock upon which this Count is brought
18 was bona fide offered to Lead Plaintiffs and the Class.

19 **COUNT VI**
20 **Violation of Section 12(a)(2) of the Securities Act**
21 **in Connection with the Secondary Offering**
(Against Rocket Fuel and the Underwriter Defendants except LUMA)

22 236. Lead Plaintiffs repeat and reallege ¶¶ 1-11, 19-79, 147-189, 192-197, and 214-235
23 above as if fully set forth herein. For purposes of this Count, Lead Plaintiffs expressly exclude and
24 disclaim any allegation that could be construed as alleging fraud or intentional or reckless
25 misconduct, as this Count is based solely on claims of strict liability and/or negligence under the
26 Securities Act.

27 237. This Count is brought pursuant to Section 12(a)(2) of the Securities Act, 15 U.S.C.
28 § 77l(a)(2), by Lead Plaintiffs and other members of the Class who purchased or otherwise acquired

1 common stock in the Secondary Offering against Rocket Fuel and the Underwriter Defendants,
2 except LUMA Securities. The Secondary Offering Materials contained statements of material fact
3 and omitted to disclose material facts, as detailed above. The facts misstated and omitted would
4 have been material to a reasonable person reviewing the Secondary Offering Materials.

5 238. Rocket Fuel is the registrant for the Secondary Offering. As the issuer of the shares,
6 Rocket Fuel is strictly liable to Lead Plaintiffs and members of the Class for the material omissions
7 alleged herein.

8 239. The Underwriter Defendants named herein offered or sold Rocket Fuel common
9 stock by the use of means and instruments of transportation or communication in interstate
10 commerce or the mails.

11 240. The Underwriter Defendants named herein offered or sold Rocket Fuel common
12 stock by means of a prospectus or oral communication.

13 241. The underwriting discounts and commissions for Rocket Fuel's Secondary Offering
14 was \$2.745 per share. The Underwriter Defendants named herein received a fee of at least
15 \$13.7 million.

16 242. As set forth in the 2014 Prospectus, "[the Company] agreed to sell to the
17 underwriters named below, for whom Credit Suisse Securities (USA) LLC and Citigroup Global
18 Markets Inc. are acting as representatives" shares of Rocket Fuel common stock. "The
19 underwriting agreement provides that the underwriters are obligated to purchase all the shares of
20 common stock in this offering" and the "underwriters [will] offer the shares of [Rocket Fuel]
21 common stock initially at the public offering price on the cover page of this prospectus. . . ."

22 243. In the Secondary Offering, Rocket Fuel and the Insider Defendants and the Director
23 Defendants passed title to the Secondary Offering shares to the Underwriter Defendants named
24 herein. The Underwriter Defendants named herein then sold shares of Rocket Fuel common stock
25 in the Secondary Offering and passed title to members of the Class.

26 244. In the Secondary Offering, Citigroup sold and passed title to 5,300 shares of Rocket
27 Fuel common stock to Lead Plaintiff OKFPRS. Similarly, the other Underwriter Defendants named
28 herein passed title to members of the Class.

1 245. Rocket Fuel and the Underwriter Defendants named herein owed Lead Plaintiffs
2 and the other members of the Class who acquired Rocket Fuel stock pursuant to the Secondary
3 Offering Materials the duty to make a reasonable and diligent investigation of the statements
4 contained in the Secondary Offering Materials to ensure that such statements were true and that
5 there were no omissions to state a material fact required to be stated in order to make the statements
6 contained therein not misleading.

7 246. Rocket Fuel and the Underwriter Defendants named herein did not make a
8 reasonable and diligent investigation of the statements contained in the Secondary Offering
9 Materials and did not possess reasonable grounds for believing that the Secondary Offering
10 Materials did not contain an untrue statement of material fact or omit to state a material fact required
11 to be stated therein or necessary to make the statements therein not misleading. Rocket Fuel and
12 the Underwriter Defendants named herein, in the exercise of reasonable care, should have known
13 of the statements and omissions contained in the Secondary Offering Materials as set forth above
14 and/or should have updated investors regarding material information about the Secondary Offering.

15 247. Lead Plaintiffs purchased or otherwise acquired Rocket Fuel securities pursuant to
16 the defective Secondary Offering Materials. Lead Plaintiffs did not know, nor in the exercise of
17 reasonable diligence could have known, of the omissions contained in the Secondary Offering
18 Materials at the times Lead Plaintiffs acquired Rocket Fuel stock during the Class Period. As a
19 direct and proximate result of such violations, Lead Plaintiffs and the other Class members
20 sustained substantial damages.

21 248. Less than one year has elapsed from the time Lead Plaintiffs discovered or
22 reasonably could have discovered the facts upon which this Complaint is based and the time the
23 action was filed. Less than three years elapsed since the stock upon which this Count is brought
24 was bona fide offered to Lead Plaintiffs and the Class.

25 **COUNT VII**
26 **Violations of Section 15 of the Securities Act**
(Against the Insider Defendants and Director Defendants)

27 249. Lead Plaintiffs repeat and reallege ¶¶ 1-11, 19-79, 147-189, 192-197, and 214-248
28 above as if fully set forth herein. For the purposes of this Count, Lead Plaintiffs expressly exclude

1 and disclaim any allegation that could be construed as alleging fraud or intentional or reckless
2 misconduct, as this Court is based solely on claims of strict liability and/or negligence under the
3 Securities Act. This Count is brought pursuant to Section 15 of the Securities Act against the
4 Insider Defendants and the Director Defendants.

5 250. At all relevant times, the Insider Defendants and Director Defendants were
6 controlling persons of the Company within the meaning of Section 15 of the Securities Act,
7 15 U.S.C. § 77o. Each of the Insider Defendants served as an executive officer of Rocket Fuel
8 prior to and at the time of the offerings. Each of the Director Defendants influenced corporate
9 policy. At all relevant times, each of these Defendants had the power, influence and control over
10 the operation and management of the Company and the conduct alleged herein. Each conducted
11 and participated, directly and indirectly, in the conduct of Rocket Fuel's business affairs. As
12 officers and directors of a publicly owned company, the Insider Defendants and the Director
13 Defendants had a duty to disseminate accurate and truthful information with respect to Rocket
14 Fuel's financial condition and results of operations. Because of their positions and authority as
15 officers of Rocket Fuel, the Insider Defendants and the Director Defendants were able to, and did,
16 control the contents of the IPO Materials, which contained materially false and misleading
17 information.

18 251. Each of the Insider Defendants and Director Defendants was a participant in the
19 violation of Section 11 of the Securities Act alleged in Count IV above, based on having signed the
20 IPO Materials.

21 252. Each of the Insider Defendants and Director Defendants was a participant in the
22 violation of Section 11 of the Securities Act alleged in Count V above, based on having signed the
23 Secondary Offering Materials.

24 253. By reason of the aforementioned conduct, each of the Insider Defendants and
25 Director Defendants is liable under Section 15 of the Securities Act, jointly and severally with, and
26 to the same extent as the Company is liable under Section 11 of the Securities Act, to Lead Plaintiffs
27 and the other members of the Class who purchased securities in the offerings or traceable to the
28 offerings. As a direct and proximate result of the conduct of these defendants, Lead Plaintiffs and

1 other members of the Class suffered damages in connection with their purchase or acquisition of
2 Rocket Fuel common stock.

3 254. Less than one year has elapsed from the time Lead Plaintiffs discovered or
4 reasonably could have discovered the facts upon which this Complaint is based and the time the
5 action was filed. Less than three years elapsed since the stock upon which this Count is brought
6 was bona fide offered to Lead Plaintiffs and the Class.

7 **XIII. PRAYER FOR RELIEF**

8 WHEREFORE, Lead Plaintiffs pray for relief and judgment, as follows:

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

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

14 C. Awarding Lead Plaintiffs and the Class pre-judgment and post-judgment interest, as
15 well as reasonable attorneys' fees, expert witness fees and other costs; and

16 D. Awarding such other equitable/injunctive or further relief as this Court may deem
17 just and proper.

18 **XIV. JURY DEMAND**

19 Lead Plaintiffs hereby demand a trial by jury in this action for all issues so triable.

20 DATED: February 27, 2015

Respectfully submitted,

21 **KAPLAN FOX & KILSHEIMER LLP**

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