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

ANTON BIELOUSOV, Individually and on
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

GOPRO, INC. and NICHOLAS D.
WOODMAN,

Defendants

Case No. 4:16-CV-06654-CW

**AMENDED CLASS ACTION
COMPLAINT**

CLASS ACTION

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DEFINED TERMS AND GLOSSARY

1		
2		
3	2015 10-K	GoPro, Form 10-K (Feb. 29, 2016)
4	Bates	Defendant, GoPro's ex-president and current director, Anthony Bates
5	Baumer	GoPro's former Chief Technology Officer Stephen Baumer
6	Born	GoPro's head of corporate development Colin Born
7	CEO	Chief Executive Officer
8	CFO	Chief Financial Officer
9	Channel Inventory	The available stock of products with channel partners
10	COO	Chief Operating Officer
11	CTO	Chief Technology Officer
12	Class Period	September 19, 2016 to November 8, 2016, inclusive
13	Class	Subject to certain exclusions, all persons and entities who purchased GoPro common stock during the Class Period
14	Company	GoPro, Inc.
15	CRM	Customers relationship management
16	Customer relationship management	A business strategy that optimizes revenue and profitability while promoting customer satisfaction and loyalty
17	Defendants	Defendants GoPro, Woodman, McGee, and Bates
18	Drone	Any unmanned aircraft or ship that is guided remotely
19	Enterprise resource planning	An integrated suite of business applications/software which integrates areas such as planning, purchasing, inventory, sales, marketing, finance and human resources
20	ERP	Enterprise resource planning
21	Exchange Act	The Securities Exchange Act of 1934
22	GAAP	Generally Accepted Accounting Principles
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1	Gartner Conference Video	Supply Chain Brain, <i>GoPro Retools Supply Chain for Rapid Growth</i> , http://www.supplychainbrain.com/content/videos/2011-videos/gartner-2011/gopro-retools-supply-chain-for-rapid-growth/
2		
3	Generally Accepted Accounting Principles	A common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements
4		
5	GoPro	Defendant GoPro, Inc.
6		
7	HERO5 Black	GoPro's new camera priced at \$399.99
8	HERO5 Session	GoPro's new camera priced at \$299.99
9	Individual Defendants	Defendants Woodman, McGee, and Bates
10	Karma drone	GoPro's new drone and entry into the drone market, priced at 799.99 without a GoPro camera, \$999.99 when bundled with the HERO5 Session, and \$1099.99 when bundled with the HERO5 Black
11		
12	McGee	Defendant, GoPro's current CFO, Brian McGee
13		
14	Netsuite	GoPro's ERP software providing real-time visibility into business performance across its global supply chain, customers, suppliers and inventories, as well as production planning, change control and demand planning
15		
16	Plaintiff	Troy Larkin
17	Prober	Charles Prober, GoPro's COO since January 30, 2017
18	SaaS	Software-as-a-Service
19	SEC	United States Securities and Exchange Commission
20	Sell-in	The sale of goods to retailers prior to public retailing
21	Sell-through	The ratio of inventory on hand to products sold to consumers
22		
23	Sept. 19, 2016 Tr.	GoPro, Analyst and Investor Meeting (Sept. 19, 2016) (transcript on file with Bloomberg, Inc.)
24	Software-as-a-Service	A type of cloud-based computing software
25	SOX	The Sarbanes-Oxley Act of 2002
26		
27	Suiteflow	A feature on Netsuite which is a workflow management tool that helps users
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	customize and automate business processes
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Woodman	Defendant, GoPro's CEO and founder, Nicholas Woodman
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CHRONOLOGY

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1		“#GoProKarma is here” on Twitter (¶73)
2	Oct. 24, 2016	GoPro responds on Twitter to a customer who was unable to secure a Karma drone that the Company had to concentrate their initial inventories of the
3		drone in North America (¶73)
4		Published report notes that GoPro “delayed its shipment date for its new
5		Karma drone to November 28 from October 23 this weekend” (¶76)
6		GoPro’s shares fall \$1.05 per share, or about 7% from the previous Friday’s
7		closing price of \$14.93, to close at \$13.88 (¶77)
8	Oct. 28, 2016	First video-taped crash of the Karma drone is uploaded onto YouTube (the
9		drone’s owner contacted GoPro about this issue) (¶78)
10		Karma drone owner agilevista7555 posts on GoPro’s Community Support
11		Hub regarding the battery defect (¶79)
12	Nov. 3, 2016	GoPro announces that 2016 revenue guidance will be reduced to \$1.25–1.3
13		billion and fourth quarter revenue guidance to \$625 million (+/- \$25 million),
14		attributing the bulk of the issue to the HERO5 supply shortage (¶¶84-85)
15	Nov. 4, 2016	GoPro’s shares fall \$0.78 per share, or over 6.5% from the previous day’s
16		closing price \$11.94, to close at \$11.16 per share (¶86)
17	Nov. 8, 2016	Class Period ends
18		GoPro recalls all 2,500 Karma drones after market close (¶89)
19	Nov. 9, 2016	GoPro’s shares fall \$0.45 per share, or over 4% from the previous day’s
20		closing price of \$10.86, to close at \$10.41 per share (¶90)
21	Nov. 30, 2016	GoPro’s President, Anthony J. Bates, steps down without explanation (¶125)
22	Jan. 5, 2017	CEO Woodman’s interview with TechCrunch during which he says that the
23		Karma recall was due to the battery popping out on occasion (¶68)
24	Jan. 30, 2017	GoPro appoints its first Chief Operating Officer in almost two years (¶126)
25	Feb. 1, 2017	GoPro relaunches Karma, describes the issue underlying recall as related to
26		the latch mechanism that secured the drone’s battery (¶127)

Feb. 2, 2017	GoPro announces that it missed its lowered revenue guidance with revenue of \$1.185 billion for the year and \$540 million for the fourth quarter, and sustained a GAAP loss of \$116 million during 4Q, attributing the miss to the Karma drone (¶¶128-29)
Feb. 3, 2017	GoPro's shares fall \$1.39 per share, or over 12% from the previous day's closing price of \$10.97, to close at \$9.58 per share (¶93)

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1 The allegations in this Amended Class Action Complaint are based on the personal
2 knowledge of Lead Plaintiff Troy Larkin (“**Plaintiff**”)¹ as to Plaintiff’s own acts, and are based upon
3 information and belief as to all other matters alleged herein. Plaintiff’s information and belief is
4 based upon the investigation by Plaintiff’s counsel into the facts and circumstances alleged herein,
5 including: (i) review and analysis of those public filings GoPro, Inc. (“**GoPro**” or the “**Company**”)
6 made with the United States Securities and Exchange Commission (“**SEC**”) referenced herein; (ii)
7 review and analysis of those press releases, analyst reports, public statements, news articles, and
8 other publications referenced herein disseminated by or concerning GoPro and the other **Individual**
9 **Defendants** named herein (together with GoPro, the “**Defendants**”); (iii) review and analysis of
10 those Company conference calls, press conferences, and related statements and materials referenced
11 herein; and (iv) review and analysis of those other documents referenced herein. Many additional
12 facts supporting the allegations are known only to Defendants and/or are within their exclusive
13 custody or control. Plaintiff believes that additional evidentiary support for the allegations will
14 emerge after a reasonable opportunity to conduct discovery.

15 NATURE AND SUMMARY OF THE ACTION

16 1. Subject to certain exclusions, Plaintiff brings this federal class action on behalf of all
17 persons or entities who purchased GoPro common stock at artificially inflated prices between
18 September 19, 2016 and November 8, 2016, inclusive (the “**Class Period**”), and were damaged
19 thereby, seeking to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act
20 of 1934 (the “**Exchange Act**”), and Rule 10b-5 promulgated thereunder.

21 2. GoPro is a consumer electronics company that develops mountable and wearable
22 cameras, drones², and related accessories which GoPro sells primarily through its website, and
23 globally through retailers, and wholesale distributors.

24
25 ¹ All emphases are added and all internal citations and quotations are omitted unless otherwise
noted.

26 ² A drone is “any unmanned aircraft or ship that is guided remotely.” Dictionary.com, *Drone*,
27 <http://www.dictionary.com/browse/drone> (last visited Mar. 12, 2017).

1 3. On September 19, 2016, the start of the Class Period, GoPro unveiled its new flagship
2 cameras, the HERO5 Black (left) and the HERO5 Session (right), pictured below. GoPro stated that
3 the HERO5 cameras would be available on October 2, 2016.



12 4. That same day, GoPro also unveiled its Karma® quadcopter drone, which was
13 GoPro's entry into the drone market, and is pictured below. GoPro stated that the Karma drone
14 would be available on October 23, 2016 at select retailers, globally. The drone was priced at
15 \$799.99 when sold by itself, \$999.99 when bundled with the HERO5 Session, and \$1099.99 when
16 bundled with the HERO5 Black.



1 5. GoPro’s strategy was to leverage these new product launches during the holiday
2 season to grow revenue and return to profitability 2016. The “vast majority” of its 2016 revenue
3 would come from these launches.

4 6. Beginning February 3, 2016, GoPro guided that the Company would bring in \$1.35–
5 1.5 billion in revenue for the year 2016. During a September 19, 2016 call, Brian McGee, GoPro’s
6 Chief Financial Officer, told investors that GoPro remained “on track” to meet that revenue guidance,
7 and that GoPro’s new drone, Karma, would take GoPro to new heights.

8 7. In fact, GoPro was suffering a shortage of Karma drones and HERO5 cameras that
9 would make it impossible to meet its guidance. At that time, GoPro had at most 2,500 drones
10 available to sell during the critical holiday period—meaning the most Karma could generate in
11 revenues was approximately \$2 million. GoPro had led the market to believe that GoPro would need
12 to sell 50,000-150,000 units to meet its guidance. Likewise, GoPro also experienced a supply
13 shortage with its HERO5 line of cameras caused by difficulty with making the camera waterproof.

14 8. The Karma drone was scheduled to launch on October 23, 2016 through select
15 retailers worldwide, and the HERO5 cameras would be available to consumers on October 2, 2016.
16 Yet, on these launch dates, consumers were confronted with the unavailability of these new products
17 and voiced their concerns to GoPro, especially regarding the Karma drone. On the day of the
18 Karma’s launch, Sunday, October 23, 2016, several users posted to GoPro’s customer service
19 website, its Support Hub, and GoPro’s Facebook page lamenting the unavailability of the drone. On
20 October 24, 2016, TheStreet published the results of availability checks conducted by analysts at
21 Longbow Research, noting that the shipment date for the Karma drone was moved from October 23,
22 2016 to November 28, 2016, that the HERO5 camera supply was low, and that retailers received few
23 restocks of the HERO5 cameras since receiving initial shipments on October 2nd.

24 9. As a result, GoPro’s shares fell \$1.05 per share, or about 7% from the previous
25 trading day’s closing price of \$14.93, to close at \$13.88 on Monday, October 24, 2016.

26 10. Shortly thereafter, some of the few customers who managed to secure a Karma drone
27 began reporting that their drones were inexplicably falling out of the sky. This was because GoPro’s
28

1 Karma drone had a significant design defect, which was an ill-fitting battery latch, that resulted in
2 the drones being removed from market during the key holiday period—negating whatever chance
3 GoPro had of being profitable that year.

4 11. Unbeknownst to the market, GoPro had knowledge of the material facts about its
5 product shortages, and the Karma drones' design defect.

6 12. First, GoPro utilized Netsuite, an enterprise resource planning (ERP) cloud-based
7 system which enabled *real-time access* to the Company's inventory throughout its supply chain and
8 distribution channel—or as GoPro's head of corporate development put it, GoPro “know[s] exactly
9 how much product is at the distributors and sitting at our direct customers.” At any time, Defendants
10 could have generated an inventory status report prior to making their false and/or misleading
11 statements during the Class Period, and they would have recognized that the inventory GoPro had on
12 hand and was available through its supply chain rendered it impossible to meet its guidance and
13 customer demand.

14 13. Second, GoPro's past supply chain issues with its HERO4 cameras made Defendants
15 keenly aware of the importance of inventory issues. Specifically, because GoPro had overestimated
16 the demand for its prior camera model, the HERO4, when it first launched, GoPro was stuck with an
17 oversupply of HERO4 cameras that it needed retailers to clear before they could sell HERO5
18 cameras. Having learned that lesson, GoPro tracked product sell-through, the ratio of inventory on
19 hand to products sold to consumers, on a weekly basis.

20 14. Third, with respect to the Karma drone's battery latch defect, GoPro would have been
21 made aware of the obvious battery defect had it adequately tested the drones. GoPro also would
22 have been made aware of its Karma drones crashing, given that it has scoured the internet for videos
23 shot by its products in the past, and did so during the Class Period. On October 28, 2016, five days
24 after the Karma drone launched, a YouTube user named Brian Warholak posted a video of his drone
25 falling out of the sky. Soon thereafter, other Karma users began posting similar videos of their
26 drones falling on YouTube. Moreover, numerous Karma drone customers had posted on GoPro's
27 own support hub regarding their Karma drones' battery problems and unexpected falls, and also
28

1 reported those issues to GoPro’s customer service.

2 15. After the market closed on November 3, 2016, GoPro stunned investors when it
3 released its third quarter revenues, and lowered its 2016 full year guidance to \$1.25–1.3 billion and
4 its fourth quarter revenue guidance to \$625 million (+/- \$25 million). GoPro attributed this revision
5 to “production ramp-up” issues which resulted in a shortage of HERO5 cameras and Karma drones.
6 GoPro attributed the “bulk of the” revenue hit to the HERO5, not Karma. GoPro also explained that
7 its fourth quarter revenues assumed that Karmas would account for slightly less than 10%—or \$60
8 million—of the Company’s revenues.

9 16. As a result, GoPro’s shares fell \$0.78 per share, or over 6.5% from the previous day’s
10 closing price of \$11.94, to close at \$11.16 per share on November 4, 2016.

11 17. Investors were unaware that even GoPro’s lowered guidance was not feasible. With a
12 supply of just 2,500 defective Karma drones, or around \$2 million in drone sales, it would have been
13 impossible to meet the reduced guidance.

14 18. Five days later, after the market closed on November 8, 2016, GoPro announced the
15 recall of its Karma drones, disclosing for the first time that it had only produced and sold 2,500
16 drones, or about \$2 million in revenue. This was a far cry from the ~\$60 million required to meet its
17 lowered revenue guidance, let alone the 50,000-150,000 units of Karma drones the market had been
18 led to expect previously. Although GoPro’s reduced revenue guidance was “no longer feasible[.]”
19 GoPro did not correct or update the guidance it issued five days earlier.

20 19. On news of the recall and confirmation of the paltry supply of 2,500 Karma drones
21 produced by GoPro, GoPro’s shares fell \$0.45 per share, or over 4% from the previous day’s closing
22 price of \$10.86, to close at \$10.41 per share on November 9, 2016.

23 20. Then, on February 2, 2017, GoPro reported its fourth quarter and full year 2016
24 revenues. To the dismay of investors, GoPro missed its lowered guidance, making only \$1.185
25 billion for the year and \$540 million for the fourth quarter. While GoPro had earlier tried to
26 minimize the effect of its Karma drones, the Company finally admitted that the Karma drone was the
27 “*biggest challenge to [its] quarterly revenue[.]*” GoPro, Q4 2016 Earnings Call, at 2 (Feb. 2, 2017)

1 (transcript on file with Bloomberg, Inc.).

2 21. In response, GoPro's shares fell \$1.39 per share, or over 12% from the previous day's
3 closing price of \$10.97, to close at \$9.58 per share on February 3, 2017.

4 22. Unbeknownst to investors during the Class Period, the true facts, *inter alia*, which
5 were known and/or recklessly disregarded by GoPro and its officers, but concealed from the
6 investing public during the Class Period, were the following:

- 7 a) GoPro lacked sufficient supply of Karma drones to meet demand and to make Karma
8 readily available for sale globally on October 23, 2016 because GoPro had at most
9 2500 drones available for sale, as explained in ¶¶48-49, 55, 59, 61-63, 71, 73-76, 80,
10 124;
- 11 b) GoPro lacked sufficient supply of HERO5 cameras to meet demand as explained in
12 ¶¶59,61, 81, 83-84, 131;
- 13 c) GoPro's revenue and profitability guidance were not attainable due to GoPro's
14 limited available supply of Karma drones and HERO 5 cameras as explained in
15 ¶¶71, 81, 84-85, 92, 124;
- 16 d) GoPro was not "on track" to reach its revenue guidance due to GoPro's limited
17 available supply of Karma drones and HERO 5 cameras as explained in ¶¶71, 81,
18 84;
- 19 e) Defendant McGee either did not in fact believe his opinion that GoPro was still on
20 track to meet its revenue guidance because he was aware of GoPro's supply
21 shortages after reviewing GoPro's real time inventory and supply monitoring
22 systems as explained in ¶¶33-47, 55, 59, 61-63, 71, 81-84, or his opinion was
23 misleading because McGee failed to disclose that he did not check GoPro's real-
24 time inventory and supply monitoring systems that would have revealed GoPro's
25 supply shortages prior to rendering his opinion;
- 26 f) GoPro's Karma drone suffered from an obvious design defect as explained in ¶¶67-69,
27 78-80, 127, that caused drones to lose power mid-flight and drop from the sky; and
28

1 g) GoPro failed to conduct adequate quality control testing of its Karma drone that
2 would have detected the design defect in the drone's battery latch as explained in
3 ¶¶48-49, 67-69, 72, 78-80, 127, 137.

4 JURISDICTION AND VENUE

5 23. This action arises under and pursuant to Sections 10(b) and 20(a) of the Exchange Act,
6 (15 U.S.C. §§ 78j(b), 78t(a)), and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §
7 240.10b-5).

8 24. This Court has jurisdiction over the action pursuant to Section 27 of the Exchange
9 Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

10 25. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. §
11 78aa and 28 U.S.C. § 1391(b), as certain of the acts and conduct complained of herein, including
12 dissemination or omission of materially false and misleading information to the investing public,
13 occurred in this District.

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

18 THE PARTIES

19 A. The Plaintiff

20 27. Lead Plaintiff Troy Larkin purchased GoPro common stock at artificially inflated
21 prices during the Class Period and was damaged thereby when the truth was revealed.

22 B. The Defendants

23 28. Defendant GoPro is a Delaware corporation with its principal executive offices
24 located at 3000 Clearview Way, San Mateo, California 94402. GoPro makes and sells mountable
25 and wearable cameras, drones, and accessories. During the Class Period, GoPro's stock traded on
26 the NASDAQ under the ticker symbol "GPRO."

27 29. Defendant Nicholas Woodman ("**Woodman**") is the Company's founder and was the
28

1 Company's Chief Executive Officer ("CEO") at all relevant times.

2 30. Defendant Brian McGee ("McGee") was at all relevant times the Company's Chief
3 Financial Officer ("CFO").

4 31. Defendant Anthony Bates ("Bates") serves as the Company's director and was the
5 Company's president from June 2013 until November 30, 2016.

6 FACTUAL BACKGROUND

7 A. GoPro, Inc.

8 32. GoPro makes mountable and wearable "capture devices," *i.e.*, cameras, drones, and
9 accessories, which it sells on its website, and through retailers and wholesale distributors. GoPro,
10 Form 10-Q at 6 (Nov. 4, 2016). GoPro's "core" products are its HERO line of cameras. GoPro,
11 Form 10-K, at 6 (Feb. 29, 2016) ("2015 10-K"). The majority of GoPro's sales are made directly to
12 consumers on its own website. *See* Jefferson Graham, USA Today, *GoPro Recalls Karma drone*,
13 <http://www.usatoday.com/story/tech/2016/11/08/gopro-recalls-karma-drone/93503884/> (Nov. 8,
14 2016); 2015 10-K at 8. Approximately half of GoPro's revenue comes from sales made to
15 consumers outside the U.S. *See* 2015 10-K at 5 ("Sales to customers outside the U.S. were more
16 than 50% of our 2015 revenue and have increased from 43% in 2014.").

17 B. GoPro's Real-Time Supply Chain Monitoring System

18 33. Enterprise resource planning ("ERP") is a process by which a company manages and
19 integrates the important parts of its business. Investopedia, *Enterprise Resource Planning – ERP*,
20 <http://www.investopedia.com/terms/e/erp.asp> (last visited Mar. 12, 2017). ERP "integrates areas
21 such as planning, purchasing, inventory, sales, marketing, finance and human resources." *Id.*

22 34. Today, many companies adopt ERP software, which at its most basic level integrates
23 the processes that are essential to running a business, including inventory and order management,
24 accounting, human resources, and customer relationship management ("CRM"). *What is ERP?*
25 NetSuite, <http://www.netsuite.com/portal/resource/articles/erp/what-is-erp.shtml>. CRM is a business
26 strategy that optimizes revenue and profitability while promoting customer satisfaction and loyalty.
27 *Customer Relationship Management (CRM), IT Glossary*, Gartner, <http://www.gartner.com/it->
28

1 glossary/customer-relationship-management-crm/ (last visited Mar. 9, 2017). CRM software
2 provides functionality to companies in sales, marketing, customer service, and digital markets. *Id.*

3 35. The central feature of all ERP systems is a shared database that supports multiple
4 functions that are used by different business units, meaning that employees in different divisions can
5 rely on the same information for their specific needs. *What is ERP?* NetSuite,
6 <http://www.netsuite.com/portal/resource/articles/erp/what-is-erp.shtml>.

7 36. ERP systems today are often Software-as-a-Service (“SaaS”) solutions, meaning that
8 they are owned, delivered, and managed remotely by one or more providers. *Software as a Service*
9 (*SaaS*), *IT Glossary*, Gartner, <http://www.gartner.com/it-glossary/software-as-a-service-saas/>. In
10 other words, they are a type of cloud-based computing. *What is ERP?* NetSuite,
11 <http://www.netsuite.com/portal/resource/articles/erp/what-is-erp.shtml>.

12 37. Cloud-based ERP enables *real-time* reporting and business intelligence,³ which aids
13 executives and staff who seek visibility into their business. *What is ERP?* NetSuite,
14 <http://www.netsuite.com/portal/resource/articles/erp/what-is-erp.shtml> (emphasis in original).

15 38. Among other things, an ERP solution provides a global, *real-time* view of data that
16 can enable companies to address concerns proactively and drive improvements. *Id.*

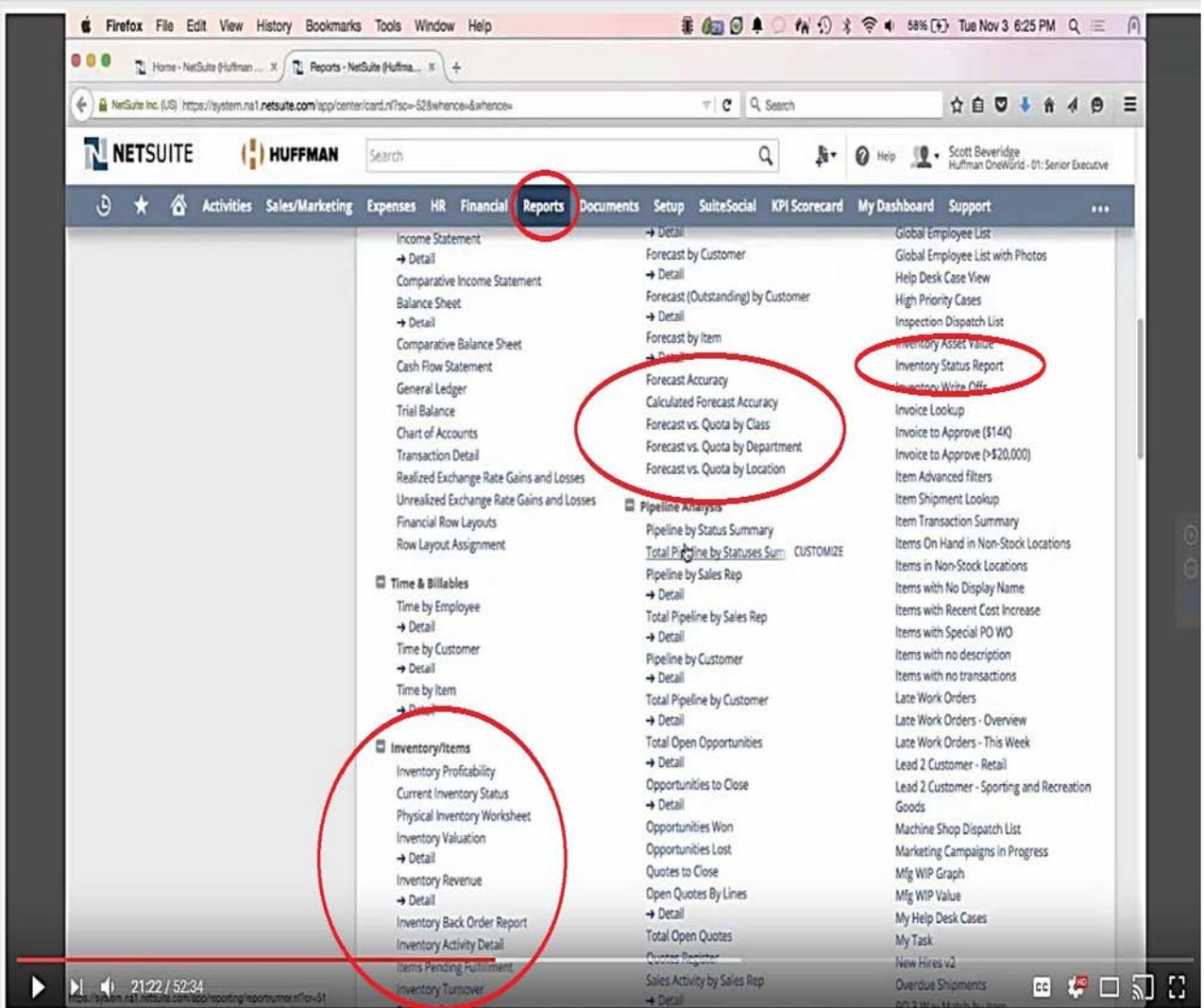
17 39. NetSuite is a cloud-based SaaS that allows a company to integrate its ERP,
18 accounting, CRM, and web capabilities. *Netsuite, Product Overview*, Cloud Taxonomy,
19 <http://cloudtaxonomy.opencrowd.com/taxonomy/software-as-a-service/erp/netsuite/>. Netsuite is
20 owned by Oracle Corp. Press Release, *Oracle Completes Tender Offer for Acquisition of Netsuite*,
21 <https://www.oracle.com/corporate/pressrelease/oracle-tender-offer-netsuite.html> (Nov. 5, 2016).

22 40. Among other things, NetSuite’s ERP provides users with the ability to manage “end-
23 to-end inventory and inbound/outbound logistics in *real-time*.” *Enterprise Resource Planning*

24
25 ³ “Business intelligence is an umbrella term that includes the applications, infrastructure and
26 tools, and best practices that enable access to and analysis of information to improve and optimize
27 decisions and performance.” *Business Intelligence, IT Glossary*, Gartner, <http://www.gartner.com/it-glossary/business-intelligence-bi/>.

1 System, NetSuite, <http://www.netsuite.com/portal/products/erp.shtml> (last visited Mar. 9, 2017).

2 41. As shown below, NetSuite’s ERP also has a “report” function that allows users to
 3 view reports such as “forecast v. quota,” “current inventory status,” “current inventory turnover,”
 4 “inventory revenue,” and “inventory status report[s].” See *Demo: Future-Proof Your Manufacturing*
 5 *Business on NetSuite*, NetSuite, <https://www.youtube.com/watch?v=KXbZCXb4nTY> (created on
 6 Nov. 3, 2015). Netsuite’s ERP system may be used by various members of an organization,
 7 including “senior executives.” *Id.*



26 42. NetSuite also provides “SuiteFlow,” a workflow management tool that helps users
 27
 28

1 customize and automate business processes. *Workflow Engine Suiteflow*, NetSuite,
 2 <http://www.netsuite.com/portal/platform/developer/suiteflow.shtml> (last visited Mar. 9, 2017). One
 3 of SuiteFlow’s key benefits is that it allows a Company to “[i]mprove responsiveness by enabling
 4 continual tracking of various steps in a business process.” *Id.*

5 43. In or around December 2009, GoPro chose NetSuite to be its ERP service provider.
 6 *See Supply Chain Brain, GoPro Retools Supply Chain for Rapid Growth*,
 7 [http://www.supplychainbrain.com/content/videos/2011-videos/gartner-2011/gopro-retools-supply-](http://www.supplychainbrain.com/content/videos/2011-videos/gartner-2011/gopro-retools-supply-chain-for-rapid-growth/)
 8 [chain-for-rapid-growth/](http://www.supplychainbrain.com/content/videos/2011-videos/gartner-2011/gopro-retools-supply-chain-for-rapid-growth/) (“**Gartner Conference Video**”).

9 44. During a June 2011 conference, GoPro’s then-Chief Technology Officer (“CTO”)
 10 Stephen Baumer (“**Baumer**”) explained that the Company decided in or around December 2009 that
 11 it needed a solution to the communication problems it faced with its different vendors and logistics
 12 partners. *Gartner Conference Video*. According to Baumer, GoPro chose NetSuite to bring its
 13 supply chain into holistic view and to add accounting, *full-fledged ERP*, an eCommerce platform,
 14 and *a CRM platform to get a complete view of its product and customers at the same time*. *Id.*

15 45. Baumer explained that when the Company implemented NetSuite, it had only 8
 16 employees. *Id.* Because of its small size, they were able to grow the business around NetSuite. *Id.*
 17 NetSuite enabled GoPro to share and collaborate on its supply chain with suppliers and to give
 18 suppliers limited access to GoPro’s account to view pertinent information. *Id.* Baumer also
 19 mentioned using NetSuite’s “SuiteFlow” feature, and noted that NetSuite’s advanced manufacturing
 20 module, introduced in or around 2010, would give the Company even more visibility and
 21 functionality around materials requirement planning, change control, and demand planning.⁴ *Id.*

22 _____
 23 ⁴ “A materials requirement planning (MRP) information system is a sales forecast-based
 24 system used to schedule raw material deliveries and quantities, given assumptions of machine and
 25 labor units required to fulfill a sales forecast.” *Materials Requirement Planning – MRP*,
 26 Investopedia, <http://www.investopedia.com/terms/m/mrp.asp> (last visited Mar. 9, 2017). Demand
 27 planning is “[t]he development of a forecast that reflects known constraints and any possible
 28 associated impacts that may occur as a result of external events, capacity (either production or
 logistics) or changing priorities.” *Demand Planning & Forecasting*, IGD,
<http://www.igd.com/Research/Supply-chain/Demand-planning--forecasting/> (last updated March
 2011). Change control “is a systematic approach to managing all changes made to a product or

1 Baumer stated that he did not know if GoPro could have grown as quickly as it did (from 8
2 employees in 2009 to about 95 employees in June 2011) without having a solution like NetSuite. *Id.*

3 46. As NetSuite would report in May 2012, GoPro uses “NetSuite to run its ERP, manage
4 a globally distributed supplier network, inventory logistics, accounting and eCommerce in the cloud
5 while having *real-time visibility into business performance across its global supply chain,*
6 *customers, suppliers and inventories, as well as production planning, change control and demand*
7 *planning.”* Press Release, *NetSuite Implementation at GoPro named to top 100 list by Supply &*
8 *Demand Chain Executive Magazine*, [http://www.netsuite.com/portal/press/releases/nlpr05-22-](http://www.netsuite.com/portal/press/releases/nlpr05-22-12.shtml)
9 [12.shtml](http://www.netsuite.com/portal/press/releases/nlpr05-22-12.shtml) (May 21, 2012).

10 47. Based on the LinkedIn profiles of current employees and GoPro’s job postings, the
11 Company continues to use NetSuite’s ERP. *See Uday Shinde, Director at GroPro*, LinkedIn,
12 <https://www.linkedin.com/in/uday-shinde-aa6996> (last visited Mar. 8, 2017) (describing his role at
13 GoPro as the IT Director responsible for ERP applications and integration platforms, and listing
14 “ERP-NetSuite”); *Sreekand Sundarrajan, NetSuite Technology Lead at GoPro*, LinkedIn,
15 <https://www.linkedin.com/in/sreekantsundarrajan> (last visited Mar. 8, 2017) (indicating that he
16 served in this role at GoPro since May 2015); *Madhu Melkote, Sr. Business Systems Analyst at*
17 *GoPro*, LinkedIn, <https://www.linkedin.com/in/madhu-melkote-79b64a6> (last visited Mar. 8, 2017)
18 (indicating that he served in this role at GoPro since July 2016 and that his duties included managing
19 the NetSuite ERP application to support global supply chain for GoPro and “[a]rchitected the
20 [i]ntegration with NetSuite ERP application”); Job Posting, *GoPro, Director of Supply Chain, China*
21 *Operations*, Glassdoor.com (posted on or around February 14, 2017),
22 <https://www.glassdoor.com/job-listing/director-of-supply-chain-china-operations-gopro->
23 [JV_IC1147406_KO0,41_KE42,47.htm?jl=2307893929](https://www.glassdoor.com/job-listing/director-of-supply-chain-china-operations-gopro-JV_IC1147406_KO0,41_KE42,47.htm?jl=2307893929) (last visited Mar. 9, 2017) (seeking applicant

24
25 system. The purpose is to ensure that no unnecessary changes are made, that all changes are
26 documented, that services are not unnecessarily disrupted and that resources are used efficiently.”
27 TechTarget, *Definition: change control*,
28 <http://searchdisasterrecovery.techtarget.com/definition/change-control> (last visited Mar. 10, 2017).

1 with knowledge of NetSuite); Job Posting, *GoPro, North America Fulfillment Manager*,
 2 Glassdoor.com (posted on Mar. 9, 2017), [https://www.glassdoor.com/job-listing/director-of-supply-](https://www.glassdoor.com/job-listing/director-of-supply-chain-china-operations-gopro-JV_IC1147406_KO0,41_KE42,47.htm?jl=2307893929)
 3 [chain-china-operations-gopro-JV_IC1147406_KO0,41_KE42,47.htm?jl=2307893929](https://www.glassdoor.com/job-listing/director-of-supply-chain-china-operations-gopro-JV_IC1147406_KO0,41_KE42,47.htm?jl=2307893929) (seeking
 4 applicant with experience with NetSuite); Job Posting, *GoPro, Senior Supply Chain Planner*,
 5 GoPro.com (last visited Mar. 1, 2017) (seeking applicant with knowledge of NetSuite).

6 **C. GoPro Tracks Consumers' Feedback On Their Products**

7 48. In addition to monitoring its supply chain, GoPro also “engag[es] with customers . . .
 8 to introduce meaningful and empowering new features that expand the versatility and performance
 9 of [its] products.” 2015 10-K at 7. One of the ways GoPro monitors the usage of its products is
 10 through user-provided videos. GoPro “scours” the internet, including Youtube, for videos captured
 11 via the Company’s devices. *See CBS News, 60 Minutes, GoPro’s Video Revolution*,
 12 <http://www.cbsnews.com/news/gopros-video-revolution/> (Nov. 10, 2013); *Reddit, Hey Reddit . . .*
 13 *howzit?! Nick Woodman. Founder/CEO of GoPro, AMA!* (Oct. 6, 2016). GoPro then selects videos
 14 for its “GoPro Awards[,]” which it posts on its website and Youtube page. *See GoPro, GoPro*
 15 *Awards: Official Selections*,
 16 <https://www.youtube.com/playlist?list=PLSSPBo7OVZSsljGMHtOnWm8HXdUGl2Xt> (last
 17 updated Feb. 8, 2017).

18 49. Additionally, GoPro’s website serves as a hub for its “community” of users. *See*
 19 *GoPro Support Hub*, <https://community.gopro.com/> (last visited Mar. 10, 2017). On its support hub,
 20 GoPro’s customers can post questions, as well as share and find solutions and stories regarding their
 21 GoPro devices. *GoPro Support Hub, Getting Started*, [https://community.gopro.com/t5/Getting-](https://community.gopro.com/t5/Getting-Started/ct-p/GettingStarted)
 22 [Started/ct-p/GettingStarted](https://community.gopro.com/t5/Getting-Started/ct-p/GettingStarted) (last visited Mar. 10, 2017).

23 **D. GoPro’s History Of Supply Chain Issues With Its Prior Flagship Camera –**
 24 **the HERO4**

25 50. On July 12, 2015, the HERO4 Session, GoPro’s new camera and key new product
 26 offering for 2015, went on sale. Press Release, *GoPro Launches HERO4 Session: The Smallest,*
 27 *Lightest and Most Convenient GoPro, Yet*, <https://gopro.com/news/gopro-launches-hero4-session->
 28

1 the-smallest-lightest-and-most-convenient-gopro-yet (Jul. 6, 2015).

2 51. When GoPro released the HERO4 Session camera, it produced more cameras than the
3 market wanted. See Travis Houim, The Motley Fool, *Mission Impossible: GoPro Going Blind Into*
4 *Building Out Karma Inventory*, [https://www.fool.com/investing/2016/10/27/mission-impossible-](https://www.fool.com/investing/2016/10/27/mission-impossible-gopro-going-blind-into-building.aspx)
5 [gopro-going-blind-into-building.aspx](https://www.fool.com/investing/2016/10/27/mission-impossible-gopro-going-blind-into-building.aspx) (Oct. 27, 2016). This resulted in a \$21 million impact to
6 revenue from price reductions on the HERO4 Session, \$40 million from price protection charges for
7 the camera in the fourth quarter of 2015, and a \$57 million write down of excess purchase order
8 commitments, excess inventory, and obsolete tooling. *Id.*

9 52. On October 28, 2015, GoPro announced that it was aware of weak initial sell-
10 through—*i.e.*, “the amount or percentage of a product that is sold to consumers relative to the total
11 quantity available in stores” (Merriam-Webster, Definition of Sell-Through, <https://www.merriam->
12 [webster.com/dictionary/sell%E2%80%93through](https://www.merriam-webster.com/dictionary/sell%E2%80%93through) (last visited Mar. 14, 2017))— of the HERO4
13 Session in late July 2015. GoPro, Q3 2015 Earnings Call, at 2 (Oct. 28, 2015) (transcript on file
14 with Bloomberg, Inc.). Hero4 Session channel inventory⁵ exceeded the Company’s target levels.
15 Tiernan Ray, *GoPro: At Saturation, Hard for ‘Hero 5’ to be a hero, Says Longbow*, Tech Trader
16 Daily, Barrons (June 14, 2016), [http://blogs.barrons.com/techtraderdaily/2016/06/14/gopro-at-](http://blogs.barrons.com/techtraderdaily/2016/06/14/gopro-at-saturation-hard-for-hero-5-to-be-a-hero-says-longbow/)
17 [saturation-hard-for-hero-5-to-be-a-hero-says-longbow/](http://blogs.barrons.com/techtraderdaily/2016/06/14/gopro-at-saturation-hard-for-hero-5-to-be-a-hero-says-longbow/).

18 53. Due to overproduction, GoPro’s retail channel was so full of its HERO4 line of
19 cameras that GoPro spent the first three quarters of 2016 waiting for retailers to sell-through what
20 they had already bought from GoPro. See GoPro, Q3 2016 Earnings Call, at 4 (Nov. 3, 2016)
21 (transcript on file with Bloomberg, Inc.). As Woodman characterized it, 2016 was to serve as “a bit
22 of a correction year for [GoPro] because [in 2015 GoPro] introduced too many products at confusing
23 price points.” Bloomberg, *GoPro CEO: 2016 Was a Bit of a Correction Year for Us*,

24
25 ⁵ Channel inventory refers to “[t]he available stock of [] products with [] channel partners[.]”
26 SAP, *Channel Inventory*, [http://help-](http://help-legacy.sap.com/saphelp_crm60/helpdata/en/66/690552f219104b86f7e6365b3f8e6f/content.htm)
27 [legacy.sap.com/saphelp_crm60/helpdata/en/66/690552f219104b86f7e6365b3f8e6f/content.htm](http://help-legacy.sap.com/saphelp_crm60/helpdata/en/66/690552f219104b86f7e6365b3f8e6f/content.htm) (last
28 visited Mar. 13, 2017).

1 [https://www.bloomberg.com/news/videos/2016-10-03/gopro-ceo-2016-was-a-bit-of-a-correction-](https://www.bloomberg.com/news/videos/2016-10-03/gopro-ceo-2016-was-a-bit-of-a-correction-year-for-us)
2 [year-for-us](https://www.bloomberg.com/news/videos/2016-10-03/gopro-ceo-2016-was-a-bit-of-a-correction-year-for-us) (Oct. 3, 2016).

3
4 **E. GoPro Prepares The Market For The Launch Of Its HERO5 Camera Line and Its Karma Drone**

5 54. In 2016, the Company had set its eyes on the consumer drone market (2015 10-K at
6 9), and also prepared to launch its all-new line of HERO5 cameras by the holiday season (GoPro,
7 Form 10-Q, at 22 (July 29, 2016)).

8 55. GoPro planned to enter the drone market with the launch of the Karma. GoPro
9 initially told investors that Karma would hit “store shelves in the first half of 2016.” GoPro, Q4
10 2015 Earnings Call, at 4 (Feb. 3, 2016) (transcript on file with Bloomberg, Inc.). During GoPro’s
11 Feb. 3, 2016 conference call, President Bates noted that the Company created a registration page on
12 its website in November 2015 “*where more than 100,000 consumers have already registered to*
13 *receive updates about Karma.*” *Id* at 4.

14 56. On February 3, 2016, GoPro issued its 2016 full-year revenue guidance, stating that
15 GoPro expected revenue of approximately \$1.35 to \$1.5 billion. Press Release, *GoPro Announces*
16 *Fourth Quarter and Full Year 2015 Results*, [http://investor.gopro.com/press-releases/press-release-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Fourth-Quarter-and-Full-Year-2015-Results/default.aspx)
17 [details/2016/GoPro-Announces-Fourth-Quarter-and-Full-Year-2015-Results/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Fourth-Quarter-and-Full-Year-2015-Results/default.aspx) (Feb. 3,
18 2016).

19 57. On May 5, 2016, Woodman told investors that Karma’s launch would be *delayed* to
20 the holiday season of 2016. GoPro, Q1 2016 Earnings Call, at 3 (May 5, 2016) (transcript on file
21 with Bloomberg, Inc.). Woodman assured investors that “Karma includes revolutionary features that
22 differentiate[d] [it] from other drones. Features that make it much more than a drone and deliver the
23 versatility, value and performance that consumers expect from GoPro. To give ourselves more time
24 to fine-tune these features, we have made the difficult decision to push Karma’s launch to the
25 holidays.” *Id*. Notwithstanding the Karma drone’s delay, GoPro maintained its revenue guidance
26 (*id.* at 6)—“contemplate[ing] a *tremendous* level of success for both the Karma drone and the new
27
28

1 HERO cameras.” Wedbush, *The Delay of GoPro’s Drone Leads to Bad Karma for Investors*, at 2
2 (May 6, 2016).

3 58. On July 27, 2016, GoPro announced its second quarter 2016 results. Press Release,
4 *GoPro Announces Second Quarter 2016 Results*, [http://investor.gopro.com/press-releases/press-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Second-Quarter-2016-Results/default.aspx)
5 [release-details/2016/GoPro-Announces-Second-Quarter-2016-Results/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Second-Quarter-2016-Results/default.aspx) (July 27, 2016).
6 GoPro maintained its revenue guidance of \$1.35 to \$1.5 billion. *Id.*

7 59. That same day, GoPro held a conference call with investors. During that call, McGee
8 answered an analyst’s question regarding GoPro’s channel inventory stating, “I think we’ve done a
9 great job in channel inventory. . . . The existing products continue to sell out in the summer months
10 and ***then be ready for a heck of a launch in the second half.***” GoPro, Q2 2016 Earnings Call, at 11
11 (July 27, 2016) (transcript on file with Bloomberg, Inc.). With respect to GoPro’s upcoming Karma
12 and HERO5 launch, Woodman responded to an analyst’s question regarding retail space and
13 GoPro’s launch strategy, stating:

14 * * *

15 ***[W]hat I can say is that we have shared Karma with some of our key retailers***
16 ***and we’ve shared our other new products with some of our key retailers and the***
17 ***reception has been fantastic.*** . . . And another point to note on is that this year
18 we’re doing a much better job of communicating with our retailers globally to
19 prepare together as a team for new product launches and to maximize the
20 marketing opportunities around those launches. And that’s something that we’ve
21 never really done a terrific job of before because strategically we held our new
22 products much more closer to the vest and kept it secret from our retailers up until
23 just before launch. ***And we realized last year that we needed to be a much better***
24 ***partner with our retailers and get ahead of it earlier so that we could plan big***
25 ***launches with them.*** And that’s something that I’m very proud of that we’ve
26 changed our approach to channel marketing. And we expect it to bear fruit this
27 second half.

28 * * *

23 *Id.* at 12.

24 60. Woodman based his personal enthusiasm on his ownership of the Karma, stating, “***I***
25 ***have been using Karma extensively and it’s so much more than a drone.***” *Id.* at 2.

61. McGee also noted that for the second half of 2016, GoPro would “manage both sell-in⁶ and sell-through each quarter to be as close as they can be even with our product launches. So we don’t get too far ahead or behind ourselves and *we manage both our inventories and the inventories of the channel.*” *Id.* at 6. Bates also assured investors that GoPro was “*closely tracking [inventory] and making sure that [it] can ramp into our second half plans*” and that GoPro “*fe[lt] really good about [its] inventory right now.*” *Id.* at 11.

62. Then, at the August 9, 2016 Pacific Crest Global Technology Leadership Forum, Colin Born (“**Born**”), GoPro’s Head of Corporate Development, stated to investors with respect to Karma’s potential customer base, “[*o]ur view is that the consumer drone market is half a million to a million maybe. . . . Those of us around GoPro who have been using Karma over the last month, and who are drone enthusiasts, we’re bubbling.*” GoPro, Pacific Crest Global Technology Leadership Forum, at 5 (Aug. 9, 2016) (transcript on file with Bloomberg, Inc.).

63. During the call, Born also highlighted the fact that “over the last 18 months, I think [GoPro] [has] done a really good job of expanding our visibility into the channel and *knowing exactly how much product is at the distributors and sitting at our direct customers.*” *Id.* at 6.

F. GoPro Unveils Its New HERO5 Cameras And Karma Drone

64. On September 19, 2016, GoPro unveiled the HERO5 Session, and the HERO5 Black, and the Karma drone. Press Release, GoPro, Now an End-to-Storytelling Solution with Cloud-Connected HERO5 Cameras, GoPro Plus Subscription Service; Quik Editing Apps, <http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Now-an-End-to-End-Storytelling-Solution-with-Cloud-Connected-HERO5-Cameras-GoPro-Plus-Subscription-Service-Quik-Editing-Apps/default.aspx> (Sept. 19, 2016).

65. GoPro’s press release that announced the unveiling of these products listed their

⁶ Sell-in is defined as “[t]he sale of goods to retail traders prior to public retailing.” Oxford Dictionary, *Definition of sell-in*, <https://en.oxforddictionaries.com/definition/us/sell-in> (last visited Mar. 13, 2017).

1 respective prices and the dates on which they would become available for sale. The HERO5 Session
2 and HERO5 Black cameras were priced at \$299.99 and \$399.99 respectively and were listed as
3 being available on October 2, 2016. *Id.* The Karma was priced at \$799.99 without a GoPro camera,
4 \$999.99 when bundled with the HERO5 Session, and \$1099.99 when bundled with the HERO5
5 Black. *Id.* The Karma was listed as being available on October 23, 2016. *Id.*

6 66. These products were expected to produce “the vast majority of [GoPro’s] full-year
7 revenue occurring in the second half of the year.” GoPro, Q1 2016, at 6 (May 5, 2016) (transcript on
8 file with Bloomberg, Inc.).

9 **G. Karma’s Battery Latch Design Defect**

10 67. Karma had an advertised flight time of “about 18 minutes[,]” which was low in light
11 of the more common “25 minutes” on models which appeared on Bestbuy’s website. Robert W.
12 Stone, Cowen and Company, *New Products Look Good, But Consumer Reaction and Financial*
13 *Impact TBD* (Sept. 20, 2016).

14 68. Notwithstanding its shorter than average advertised flight time, the Karma drone had
15 a material design defect, “inherent in [Karma’s] design[,]” that dangerously reduced even that
16 modest flight time. *See Cobos v. Ray-GoWagner, Inc.*, 1994 U.S. App. LEXIS 792, at *4 (9th Cir.
17 1994). The drone’s battery latch had a design flaw such that the “batteries disconnected during
18 flight resulting in a loss of power.” GoPro, Q4 2016 Earnings Call, at 2 (Feb. 2, 2017) (transcript on
19 file with Bloomberg, Inc.). The battery “clearly” did not fit without forcing it in. *See Ex. A*, Robert
20 Lawrence, *GoPro Karma Battery Fit Issue – It Doesn’t Fit!*, available at
21 <https://www.youtube.com/watch?v=4Mds8wKRLe0> (Nov. 8, 2016). This caused the drone’s battery,
22 as Woodman had put it, to “pop out on occasions.” Video, Techcrunch.com, *Real Talk From*
23 *GoPro’s Nick Woodman*, [https://techcrunch.com/video/real-talk-from-gopros-nick-](https://techcrunch.com/video/real-talk-from-gopros-nick-woodman/586e977f1c689938f93e63ce/)
24 [woodman/586e977f1c689938f93e63ce/](https://techcrunch.com/video/real-talk-from-gopros-nick-woodman/586e977f1c689938f93e63ce/) (Jan. 5, 2017). This defect was hazardous and caused
25 drones to fall out of the sky without warning mid-flight. *See, e.g.*, Brian Warholak, *GoPro Karma*
26 *Hard Crash*, <https://www.youtube.com/watch?v=i4nRalvmBhA> (Oct. 28, 2016).

27 69. As investors and Karma drone purchasers would later discover, the only solution for
28

1 this defect was to recall the drones and “*redesign[] [the] latch[.]*” GoPro, Q4 2014 Earnings Call, at
2 2 (Feb. 2, 2017) (transcript on file with Bloomberg, Inc.).

3
4 **H. GoPro Reassures Investors Regarding Revenue Guidance Despite
Insufficient Supply Of Karma drones**

5 70. On September 19, 2016, GoPro held a conference call with investors to discuss the
6 new product launch. During the call, Woodman had stated that HERO5 cameras would be
7 “distributed through all GoPro retailers globally[.]” while the Karma would be “*distributed through*
8 *select retailers around the world[.]*” GoPro, Analyst and Investor Meeting, at 2 (Sept. 19, 2016)
9 (transcript on file with Bloomberg, Inc.) (“**Sept. 19, 2016 Tr.**”). McGee also stated that GoPro was
10 “*on track*” to meet its revenue guidance of \$1.35 to \$1.5 billion. *Id.* at 4.

11 71. GoPro was not in fact “on track” to meet its revenue guidance at that time. GoPro
12 neglected to mention that, at most, the Company had only 2,500 Karma drones in supply, or
13 approximately \$2 million worth of drones instead of the 50,000-150,000 units GoPro had led the
14 market to believe it would sell—a deficit which rendered it unable to meet its \$1.35-1.5 billion
15 guidance. *See* PiperJaffray, *It Appears A “Karma Christmas” is Canceled with GoPro’s Latest*
16 *Recall* (Nov. 8, 2016); Wedbush, *GoPro Unveils New HERO5s and Karma Drone* (Sept. 20, 2016).
17 To put this number in perspective, the day after the Karma was unveiled, Wedbush published an
18 analyst report in which it estimated that revenue attributable to Karma for the fiscal year 2016
19 (meaning drones sold between October 23 and December 31, 2016), would *be \$96 million*,
20 reflecting an estimate of *150,000 units sold* during that two month period at a wholesale price of
21 \$640 per unit. *See* Wedbush, *GoPro Unveils New HERO5s and Karma Drone* (Sept. 20, 2016); *see*
22 *also* GoPro, Q4 2015 Earnings Call, at 4 (Feb. 3, 2016) (transcript on file with Bloomberg, Inc.)
23 (Bates stating that “more than 100,000 consumers . . . registered to receive updates about Karma[.]”).
24 To add more perspective, there are only 1,416 Best Buy (who was Karma’s only initial retailer)
25 stores in the United States—meaning that, on average, each individual Best Buy would have one or
26 two available assuming all drones were shipped to Best Buy. *See* Brian Sozzi, *The Street, Best Buy*
27 *Is Very Quietly Shrinking*, <https://www.thestreet.com/story/13472535/1/best-buy-is-very-quietly->
28

1 shrinking.html (Feb. 25, 2016); Press Release, *GoPro Announces Karma Recall and Refund*
2 *Program*, [http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx)
3 [Karma-Recall-and-Refund-Program/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx) (Nov. 8, 2016). GoPro’s management had access
4 to these facts in real-time because GoPro utilized Netsuite, which for the reasons set forth above in
5 ¶¶33-47, would have alerted GoPro and its management to the production ramp-up issues.

6 72. On October 3, 2016, in an interview with Bloomberg West, Woodman affirmed that
7 GoPro was ready to make Karma “*available on October 23rd[.]*” Bloomberg, *GoPro CEO Nick*
8 *Woodman on ‘Bloomberg West’*, <https://www.youtube.com/watch?v=yCF1ojGgXSY> (Oct. 3, 2016).
9 During that same interview, Woodman mocked competitor DJI’s drone, stating, “as we talked before
10 the show, you had a DJI and *you crashed it on one of your first flights right? And you’ve never*
11 *returned to flying a drone since.*” *Id.*

12 73. On October 23, 2016, GoPro posted a picture of its drone on twitter with the caption,
13 “*#GoProKarma is here.*” GoPro, Twitter.com,
14 https://twitter.com/GoPro?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor (Oct.
15 23, 2016). User ChadGriffiths replied to GoPro’s tweet (*i.e.*, Twitter post), “You keep saying
16 ‘here[.]’ I don’t think that means what you think it means.” *Id.* GoPro tweeted back,
17 “Unfortunately with the high demand for Karma, we had to concentrate initial inventories in
18 N.America- stay tuned!” In fact, due to a material shortage of drones, Karma drone buyers were told
19 that the drone would not ship until November 28, 2016.

20 74. Indeed, GoPro was aware of Karma shortages prior to the launch date. Just four days
21 *before* the Karma’s October 23rd launch, hopeful GoPro customer rapidridge66855 asked on the
22 GoPro Support Hub when the Karma drone would be available in the United Kingdom. GoPro
23 Support Hub, Karma, *Where Can I Buy One in the UK?* (Oct. 14, 2016). GoPro Community
24 Manager Jeff responded on October 19, 2016 that “[d]ue to what we anticipate will be higher than
25 expected demand, the October 23 Karma launch will [be] a US launch only. The Karma will be
26 available internationally soon[.]” reversing GoPro’s prior statement that Karma’s launch would be
27 through select retailers globally (*Id.*; ¶70), cutting off approximately 50% of the Karma drone’s
28

1 potential consumer base (*see* 2015 10-K at 5).

2 75. On October 23, 2016, the day of the drone’s launch, several consumers posted to
3 GoPro’s Facebook page, complaining of Karma’s unavailability. One customer complained, “Wow
4 after waiting since the announcement we can’t buy it on the release date? Well we can but won’t
5 have it for a few more weeks looks like it’s time to start looking at different drones[.]” Facebook,
6 *GoPro Karma is Here*,
7 [https://www.facebook.com/gopro/photos/a.383457956918.165320.50043151918/101541993396469](https://www.facebook.com/gopro/photos/a.383457956918.165320.50043151918/10154199339646919/?type=3&theater)
8 [19/?type=3&theater](https://www.facebook.com/gopro/photos/a.383457956918.165320.50043151918/10154199339646919/?type=3&theater) (Oct. 23, 2016). Another posted, “I love how GoPro keeps pushing this drone
9 and advertising it like you can actually buy the damn thing. No, you can’t. It’s been advertised to
10 release today for a month. . . . So, quit saying it’s available and keep misleading everyone.” *Id.* A
11 GoPro consumer and stockholder posted, “I am a Consumer and stockholder, selling stock first thing
12 in the morning. So much has been riding on this launch and the stock will be crashing! At sometime
13 you just have to cut your loss and move on. I’ve been waiting for Karma for a year now.. [sic] This
14 is absolutely unacceptable!!” *Id.*

15 76. Then, one day after the Karma’s launch, the website DroneFlyer noted that “Karma is
16 not available in many configurations—even on a backorder basis,” and that GoPro claimed
17 November 28, 2016 as a ship date for Karma. Craig Issod, DroneFlyers.com, *GoPro Karma Drone*
18 *– Instant Karma, Bad Karma or Good Karma?* (Oct. 24, 2016); *see also* Leo Sun, *Did GoPro Inc’s*
19 *Karma Get Delayed Again?* The Motley Fool (Oct. 27, 2016) (speculating about whether the drone
20 was facing overwhelming demand or production and supply chain issues in light of reports that
21 initial shipment dates for the drone were being pushed back to November 2016); PiperJaffray, *It*
22 *Appears A “Karma Christmas” Is Canceled With GoPro’s Latest Recall*, (Nov. 8, 2016) (noting that
23 on October 25th, just two days after Karma’s launch, GoPro’s website indicated that the drone was
24 “coming soon” and that its ship date was expected to be “on or before November 28.”). TheStreet
25 also published a report noting that the Company “delayed its shipment date for its new Karma drone
26 to November 28 from October 23 this weekend.” TheStreet, *GoPro (GPRO) Stock Slides, Longbow*
27 *Bearish*, <https://www.thestreet.com/story/13864243/1/gopro-gpro-stock-slides-longbow-bearish.html>

1 (Oct. 24, 2016).

2 77. The market's suspicions regarding the Karma drone's unavailability and low supply
3 affected GoPro's stock price, and on this news GoPro's shares fell \$1.05 per share, or about 7% from
4 the previous Friday's closing price of \$14.93, to close at \$13.88 on Monday, October 24, 2016.

5 78. The few customers who managed to secure one of GoPro's 2,500 drones soon began
6 reporting problems with their drones that caused the drones to drop like a rock mid-flight. On
7 October 28, 2016, five days after the Karma drone's product launch, Youtube.com user Brian
8 Warholak uploaded a video of his Karma drone crashing *two minutes into flight*, and contacted
9 GoPro regarding this issue. <https://www.youtube.com/watch?v=i4nRalvmBhA>. Soon thereafter,
10 other videos were uploaded on Youtube by Karma owners experiencing similar issues. *See, e.g.,*
11 Michael Carter, *Gopro karma crash- RECALLED* (Nov. 6, 2016); Drone Tech, *GoPro Karma Crash*
12 *Drone Compilation – This is Why GoPro's Recalling Karma Drone*,
13 <https://www.youtube.com/watch?v=Kr63Ja0jZ04&t=5s> (Nov. 10, 2016). Youtube.com user Robert
14 Lawrence posted a video showing that the "battery clearly does not fit[,]" and that "[t]he amount of
15 force needed is *well beyond what is comfortable*." Ex. A, Robert Lawrence, *GoPro Karma Battery*
16 *Fit Issue – It Doesn't Fit!*, available at <https://www.youtube.com/watch?v=4Mds8wKRLe0> (Nov. 8,
17 2016).

18 79. Other users posted directly on GoPro's support hub regarding Karma's defects. On
19 October 28, 2016, user agilevista7555 started a thread on GoPro's Support Hub titled "My new
20 Karma battery has a defect." [https://community.gopro.com/t5/Karma/My-new-Karma-battery-has-a-](https://community.gopro.com/t5/Karma/My-new-Karma-battery-has-a-defect/m-p/18853#M1330)
21 [defect/m-p/18853#M1330](https://community.gopro.com/t5/Karma/My-new-Karma-battery-has-a-defect/m-p/18853#M1330). Specifically, a problem with the battery's latch kept the battery "from
22 going all the way into the Karma." *Id.* User agilevista7555 had contacted GoPro's customer service
23 regarding the issue, and was asked to and supplied GoPro pictures and videos of his drone's defect.
24 *Id.* On November 6, 2016, user nickk10 started a thread on GoPro's Support Hub titled
25 "WARNING: GoPro Karma Falls Out Of The Sky[,]" describing his and "at least two" others'
26 experiences with Karma inexplicably falling out of the sky despite being fully charged.
27 <https://community.gopro.com/t5/Karma/WARNING-GoPro-Karma-Falls-Out-Of-The-Sky/td->
28

1 p/20086. GoPro’s Community Manager, Jeff Terrell, who posted under the moniker
2 “jefft[,]” responded that GoPro “investigate[s] every issue separately to try to find out what
3 happened[.]” *Id.* User nickk10 also contacted GoPro’s customer support regarding his drone falling
4 mid-flight. *Id.*

5 80. It was not until the Company announced the recall of the drone on November 8, 2016
6 that investors learned just how short GoPro’s Karma supply was. GoPro had produced and sold just
7 **2,500** drones only selling them through GoPro’s website and Best Buy. *See* Press Release, *GoPro*
8 *Announces Karma Recall and Refund Program*, [http://investor.gopro.com/press-releases/press-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx)
9 [release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx) (Nov. 8,
10 2016).

11 **I. GoPro Reassures Investors Regarding Revenue Guidance Despite**
12 **Insufficient Supply Of HERO5s**

13 81. GoPro also had significant production issues with its HERO5 cameras, caused by its
14 waterproof design (*see* Selina Wang, Bloomberg, *Can This Man Save GoPro* (Mar. 8, 2017)), which
15 impacted its revenues for the second half of 2016. *See* GoPro, Q3 2016 Earnings Call, at 6 (Nov. 3,
16 2016) (transcript on file with Bloomberg, Inc.). GoPro’s management had access to these facts in
17 real-time, because GoPro utilized Netsuite, which for the reasons set forth above in ¶¶33-47, would
18 have alerted GoPro and its management to the production ramp-up issues.

19 82. Despite the shortage, on September 19, 2016, McGee stated that GoPro was “*on track*”
20 to meet its revenue guidance of \$1.35 to \$1.5 billion. Sept. 19, 2016 Tr. at 4. Then, on October 3,
21 2016, Woodman affirmed that GoPro would perform to expectations in the third and fourth quarters,
22 stating that GoPro’s HERO5 sales were going to result in a “*very nice post-holiday up-tick*” for
23 GoPro fans and investors. Video, CNBC, *GoPro CEO: New cameras, drone, cloud upload make for*
24 *a strong Q4*, [http://www.cnbc.com/2016/10/03/gopro-ceo-new-cameras-drone-cloud-upload-make-](http://www.cnbc.com/2016/10/03/gopro-ceo-new-cameras-drone-cloud-upload-make-for-a-strong-q4.html)
25 [for-a-strong-q4.html](http://www.cnbc.com/2016/10/03/gopro-ceo-new-cameras-drone-cloud-upload-make-for-a-strong-q4.html) (Oct. 3, 2016).

26 83. Just three weeks after the HERO5’s October 2nd launch, TheStreet reported that
27 availability checks of HERO5 products indicated that supply was low, and that retailers received few
28

1 restocks of the cameras since receiving initial shipments on October 2nd. The Street, *GoPro*
2 (*GPRO*) *Stock Slides, Longbow Bearish*, [https://www.thestreet.com/story/13864243/1/gopro-gpro-](https://www.thestreet.com/story/13864243/1/gopro-gpro-stock-slides-longbow-bearish.html)
3 [stock-slides-longbow-bearish.html](https://www.thestreet.com/story/13864243/1/gopro-gpro-stock-slides-longbow-bearish.html) (Oct. 24, 2016).

4
5 **J. GoPro Reveals Production Issues For HERO5 While Concealing Karma's
Production Deficit**

6 84. Then, on November 3, 2016 after the market closed, GoPro lowered its revenue
7 guidance from \$1.35–1.5 billion, to \$1.25–1.3 billion, and guided \$625 million in revenue, plus or
8 minus \$25 million, for the fourth quarter of 2016. Press Release, *GoPro Announces Third Quarter*
9 *2016 Results*, [http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Third-Quarter-2016-Results/default.aspx)
10 [Third-Quarter-2016-Results/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Third-Quarter-2016-Results/default.aspx) (Nov. 3, 2016). Bates blamed production ramp-up issues
11 with its HERO5 cameras and Karma which resulted in a shortage of those products, but placed the
12 “bulk” of the revenue miss on the HERO5 line. GoPro, Q3 2016 Earnings Call; at 6 (Nov. 3, 2016)
13 (transcript on file with Bloomberg, Inc.). McGee also stated to investors that Karma, GoPro's
14 quadcopter drone, would represent slightly “less than 10%” of GoPro's fourth quarter revenue. *Id.* at
15 9. No mention was made of Karma's crashing incidents. *Id.*

16 85. After being informed of the new \$625 million fourth quarter revenue guidance, and
17 that Karma drone sales would account for less than 10% of that revenue, analysts estimated that
18 Karmas would need to account for just under \$60 million in revenue that quarter. *See* Paul Coster,
19 JP Morgan, *3Q16 Results: Another Reset* (Nov. 4, 2016). At the very least, GoPro would need to
20 sell around 50,000-75,000 units to bring in that much money (at the price of \$1099.99, 50,000
21 drones would net around \$54 million). *See* PiperJaffray, *It Appears A “Karma Christmas” is*
22 *Canceled with GoPro's Latest Recall* (Nov. 8, 2016). Investors were unaware that the 10% revenue
23 for GoPro's fourth quarter could not possibly be attained from 2,500 drones which GoPro had on
24 hand. *See* ¶¶71, 80, 124.

25 86. On this news, GoPro's shares fell \$0.78 per share, or over 6.5% from the previous
26 day's closing price of \$11.94, to close at \$11.16 per share on November 4, 2016.

27 87. The day after, on November 4, 2016, GoPro also filed a Form 10-Q for the third
28

1 quarter of 2016 which updated its risk factors to include new language italicized below:

2 * * *

3 To remain competitive and stimulate consumer demand, we must manage
 4 frequent product introductions and transitions. The success of new product
 5 introductions depends on a number of factors including, but not limited to, timely
 6 and successful research and development, pricing, market and consumer
 7 acceptance, the effective forecasting and management of product demand,
 8 purchase commitments and inventory levels, *the availability of products in
 9 appropriate quantities to meet anticipated demand*, the management of
 10 manufacturing and supply costs, *the management of risks associated with new
 11 product production ramp-up issues*, and the risk that new products may have
 12 quality or other defects in the early stages of introduction. In addition, the
 13 introduction or announcement of new products or product enhancements may
 14 shorten the life cycle of our existing products or reduce demand for our current
 15 products, thereby offsetting any benefits of successful product introductions and
 16 potentially lead to challenges in managing inventory of existing products. Failure
 17 to complete product transitions effectively or in a timely manner could harm our
 18 brand and lead to, among other things, lower revenue and excess inventory, *or a
 19 deficit of inventory*.

20 * * *

21 GoPro, Form 10-Q, at 31 (Nov. 4, 2016).

22 **K. GoPro Recalls 2,500 Karma Drones Due To Battery Latch Design Defect**

23 88. Woodman claimed that the Karma's battery life enabled a "*flight time [of] 18
 24 minutes.*" Sept. 19, 2016 Tr. at 6. This was not, however, the case, given the Karma's design defect.
 25 See ¶¶67-69.

26 89. On November 8, 2016 after the market closed, GoPro announced that it was recalling
 27 all 2,500 of its Karma drones because they would lose power mid-flight. Press Release, *GoPro
 28 Announces Karma Recall and Refund Program*, [http://investor.gopro.com/press-releases/press-
 release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx) (Nov. 8,
 2016).

90. On this news, GoPro's shares fell \$0.45 per share, or over 4% from the previous day's
 closing price of \$10.86, to close at \$10.41 per share on November 9, 2016.

91. After the recall, GoPro did not update its revenue guidance. During a call with
 analysts on November 30, 2016, McGee was asked about the impact of Karma on GoPro's numbers,

1 to which McGee responded, “[there] [w]asn’t quite frankly that many of that [Karma] that were out
2 in the market.” GoPro, Nasdaq Investor Program, at 3 (Nov. 30, 2016) (transcript on file with
3 Bloomberg, Inc.).

4
5 **L. GoPro Reveals Extent of Karma’s Impact On Fourth Quarter Revenue**

6 92. It was not until February 2, 2017, when GoPro revealed its fourth quarter and 2016
7 revenue, that investors were informed of the true impact of the Karma drone’s supply deficit on
8 GoPro’s revenue. GoPro recorded \$540.6 million in revenue for the fourth quarter of 2016 instead
9 of the minimum \$600 million it had guided for the quarter, and experienced a GAAP loss of
10 approximately \$116 million for that period. *See* GoPro, Press Release, *GoPro Announces Fourth*
11 *Quarter and Fully Year 2016 Results* (Feb. 2, 2017). During an earnings call that day, Woodman
12 revealed that the Karma was GoPro’s “***biggest challenge to [its] quarterly revenue[.]***” GoPro, Q4
13 2016 Earnings Call, at 2 (Feb. 2, 2017) (transcript on file with Bloomberg, Inc.). The Company also
14 missed its full year 2016 guidance, recording \$1.185 billion in revenue instead of the minimum
15 \$1.25 billion it had guided for the year. *Id.*

16 93. As a result of this news, GoPro’s shares fell \$1.39 per share, or over 12% from the
17 previous day’s closing price of \$10.97, to close at \$9.58 per share on February 3, 2017.

18 **FALSE AND MISLEADING CLASS PERIOD STATEMENTS⁷**

19
20 **A. Statements About The Karma Drone’s And The HERO5 Cameras’
Availability And Expected Revenue**

21 94. The Class Period starts on September 19, 2016 when GoPro unveiled its new products,
22 the HERO5 Black, HERO5 Session, and the Karma drone. In the press release announcing the
23 products, GoPro stated in relevant part:

24 ***Karma will be available October 23rd in the following bundles:*** [1] Karma

25
26 ⁷ Although many statements by the Defendants are listed in this section, the statements
27 being challenged as false and/or misleading are those statements that are ***bolded, italicized, and***
28 in some instances ***underlined*** for emphasis.

1 without a GoPro camera for \$799.99 MSRP; [2] Karma bundled with HERO5
2 Black for \$1099.99 MSRP; [and] [3] Karma bundled with HERO5 Session
3 for \$999.99 MSRP (available in early 2017)

4 95. The statement in ¶94 above was false and/or misleading when made because the
5 Company knowingly or recklessly disregarded the following material facts that the Company failed
6 to disclose:

- 7 a) GoPro lacked sufficient supply of Karma drones to make Karma readily available for
8 sale on October 23, 2016 because GoPro had at most 2500 drones available for sale,
9 as explained in ¶¶48-49, 55, 59, 61-63, 71, 73-76, 80, 124.

10 96. On the same day, the Company held a conference call with investors about the new
11 products—the HERO5 cameras and the Karma drone—which it had unveiled, during which McGee
12 stated in relevant part:

13 * * *

14 [Jason S. Mitchell, analyst at Bank of America]: Just had a quick question, so
15 could you compare what your expectations for kind of this generation's product
16 margins versus last given the lower price point of the HERO5 Black? And then
17 on the GoPro Plus service, do you expect that to be a free service to consumers or
18 possibly charged for like heavy users that store a lot of video?

19 [Brian McGee]: Thanks. This is Brian McGee. Yeah, on the margin, we've done
20 an incredibly good job building cameras for 14 years. I think we've learnt how to
21 do that exceptionally well. And again, these are no exceptions. As we gave
22 guidance on our July 27 conference call, we guided the second half to be 40%
23 margin plus or minus 1 percentage point, we're still tracking to that. ***In addition,***
24 ***we talked about our revenue guidance for 2016, its \$1.35 billion to \$1.5 billion.***
25 ***We believe we're still on track to make that as well. In addition, we're still***
26 ***tracking to make money in the fourth quarter on a GAAP and non-GAAP basis.***

27 * * *

28 97. The statements in ¶96 above were false and/or misleading when made because the
Company and McGee knowingly or recklessly disregarded the following material facts that they
failed to disclose:

- a) GoPro was not “on track” to reach its revenue guidance due to GoPro's limited
available supply of Karma drones and HERO5 cameras as explained in ¶¶71, 81,
84-85, 92, 124; and

1 b) Defendant McGee either did not in fact believe his opinion that GoPro was still on
2 track to meet its revenue Guidance because he was aware of GoPro's supply
3 shortages after reviewing GoPro's real time inventory and supply monitoring systems
4 as explained in ¶¶33-47, 55, 59, 61-63, 71, 81-84, or his opinion was misleading
5 because McGee failed to disclose that he did not check GoPro's real-time inventory
6 and supply monitoring systems that would have revealed GoPro's supply shortages
7 prior to rendering his opinion.

8 98. During the call, Woodman answered an analyst's question regarding distribution of
9 the HERO5 cameras and Karma, stating:

10 * * *

11 [Will V. Power, Analyst at Baird]: I know you announced the timing for October
12 for the Karma and the HERO5 Black and HERO5 Session. Are those going to be
13 broadly across all your existing distribution channels out of the gate, both
14 domestically and internationally? And where does Karma sit on distribution, is
15 that going to be in most of your channels, is that going to be in select channels,
16 and what does that mean for the opportunity?

17 [Woodman]: Sure. If I understood you correctly, HERO5 cameras will be
18 distributed through all GoPro retailers globally. ***And Karma is initially going to
19 be distributed through select retailers around the world, and then rolling out
20 from there.***

21 * * *

22 99. The statement in ¶98 above was false and/or misleading when made because the
23 Company and Woodman knowingly or recklessly disregarded the following material facts that they
24 failed to disclose:

25 a) GoPro lacked sufficient supply of Karma drones to meet demand and to make Karma
26 drones available for sale ***globally*** on October 23, 2016 as explained in ¶¶48-49, 55, 59,
27 61-63, 71, 73-76, 80, 124.

28 100. During that same call, GoPro advised investors to look at the Risk Factors section of
its 2015 Form 10-K filed with the SEC on February 29, 2016 and signed by Defendants Woodman,
McGee, and Bates. The 2015 Form 10-K states, in relevant part:

* * *

1
2 *To remain competitive and stimulate consumer demand, we must manage*
3 *frequent product introductions and transactions. The success of new product*
4 *introductions depends on a number of factors including, but not limited to,*
5 *timely and successful research and development, pricing, market and consumer*
6 *acceptance, the effective forecasting and management of product demand,*
7 *purchase commitments and inventory levels, the management of manufacturing*
8 *and supply costs, and the risk that new products may have quality or other*
9 *defects in the early stages of introduction. In addition, the introduction or*
10 *announcement of new products or product enhancements may shorten the life*
11 *cycle of our existing products or reduce demand for our current products,*
12 *thereby offsetting any benefits of successful product introductions and*
13 *potentially lead to challenges in managing inventory of existing products.*
14 *Failure to complete product transitions effectively or in a timely manner could*
15 *harm our brand and lead to, among other things, lower revenue and excess*
16 *inventory.*

* * *

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101. The statements in ¶100 above were false and/or misleading when made because Defendants knowingly or recklessly disregarded the following material facts that Defendants failed to disclose:

- a) GoPro omitted the following then-known and present material risks attending GoPro's new product launches of Karma drones and HERO5 cameras: "the availability of products in appropriate quantities to meet anticipated demand," "the management of risks associated with new product production ramp-up issues," and that failure to complete product transitions effectively or in a timely manner could lead to "a deficit of inventory" (¶87, 148).

102. Then, on October 3, 2016, the day after HERO5 cameras were available for purchase, Woodman was interviewed by CNBC, and stated in relevant part:

* * *

[Question]: How long before we're seeing the products of these cameras out there? . . . Is that one quarter, is that two, or are we looking at, say, February after the holiday season?

[Woodman]: *I think it's going to be [an] exciting fourth quarter for GoPro, for all of our fans, and investors, as we see our customers adopt GoPro's new easy story-telling solutions. . . . I think after Christmas, we can expect a very nice post-holiday up-tick in the amount of stories being sold, shared[.]*

* * *

1
2 103. The statement in ¶102 above was false and/or misleading when made because the
3 Company and Woodman knowingly or recklessly disregarded the following material facts that they
4 failed to disclose:

- 5 a) GoPro lacked sufficient supply of HERO5 cameras to meet demand as explained in
6 ¶¶59,61, 81, 83-84, 131; and
7 b) GoPro lacked sufficient supply of Karma drones to meet demand as explained in
8 ¶¶48-49, 55, 59, 61-63, 71, 73-76, 80, 124.

9 104. On October 3, 2016, Woodman was also interviewed by Brad Stone at Bloomberg
10 West, and stated in relevant part:

11 [Brad Stone]: Right, that's your drone, and how big of a part of the business do you
12 expect that to be?

13 [Woodman]: Karma will be 799, *available October 23rd*. And that is going to be a
14 phenomenal contributor to the overall GoPro ecosystem.

15 105. The statement in ¶104 above was false and/or misleading when made because the
16 Company and Woodman knowingly or recklessly disregarded the following material facts that the
17 they failed to disclose:

- 18 a) GoPro lacked sufficient supply of Karma drones to make Karma readily available for
19 sale on October 23, 2016 because GoPro had at most 2500 drones available for sale,
20 as explained in ¶¶48-49, 55, 59, 61-63, 71, 73-76, 80, 124.

21 106. On October 23, 2016, GoPro posted the following on its Twitter account,
22 “*#GoProKarma is here.*”

23 107. The statement in ¶106 above was false and/or misleading when made because the
24 Company knowingly or recklessly disregarded the following material facts that the Company failed
25 to disclose:

1 a) GoPro lacked sufficient supply of Karma drones to meet demand and had at most
2 2500 drones available for sale as explained in ¶¶48-49, 55, 59, 61-63, 71, 73-76,
3 80, 124.

4 108. After the stock market closed on November 3, 2016, GoPro issued a press release
5 announcing its 2016 third quarter results. *GoPro lowered its 2016 revenue guidance from \$1.35–*
6 *1.5 billion to “between \$1.25 billion and \$1.3 billion,” and announced fourth quarter revenue*
7 *guidance of “\$625 million +/- \$25 million.”* Press Release, *GoPro Announces Third Quarter 2016*
8 *Results*, [http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Third-Quarter-2016-Results/default.aspx)
9 [Third-Quarter-2016-Results/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Third-Quarter-2016-Results/default.aspx) (Nov. 3, 2016).

10 109. GoPro management hosted a conference call later that day to discuss the Company’s
11 financial results. During the call, Woodman, McGee, and Bates discussed the reasons underlying the
12 dismal results:

13 * * *

14 [Woodman]: As good as these products are and as impactful as we expect them to
15 be, unfortunately we experienced production issues that resulted in lower than
16 expected launch volumes for HERO5 Black and Karma. While our teams worked
17 tirelessly to solve the problems; we expect the situation to have a negative impact
18 on results for the second half of the year. As a consequence of our compromised
19 production ramp, we were unable to fully restock channels, which have been
20 cleared of legacy products during the third quarter. And furthermore, we
21 anticipate difficulty catching up to meet forecasted demand during the fourth
22 quarter. As a result, third quarter revenue was up only 9% sequentially to \$240
23 million. We shipped slightly over 1 million cameras in the quarter and we are
24 lowering our 2016 revenue expectations. *Despite the anticipated difficulty in*
25 *meeting fourth quarter demand, we expect to be profitable for the quarter.*

26 * * *

27 [McGee]: During the third quarter, we continued to focus on clearing channel
28 inventory of our HERO4 product in preparation for the October 2 global launch of
our HERO5 cameras. We estimate HERO4 channel inventory decreased
sequentially by over 70%. We estimate third quarter unit sell-through slightly
exceeded sell-in, making this the fourth consecutive quarter where sell-through
exceeded sell-in. During September, we globally shipped several hundred
thousand units of our HERO5 cameras. More units of HERO5 cameras were
shipped in September 2016 than the units of HERO4 cameras that were shipped
during the launch of those products in September 2014. Additionally, HERO5
was distributed more broadly versus the HERO4 launch. Regarding camera mix
for the third quarter, our \$399 and above cameras accounted for more than 50% of
the units in revenue. Demand reflected a strong preference for our flagship

1 HERO5 Black camera, and demand for our HERO5 Session camera was in line
with our expectations.

2 * * *

3 [Paul Coster, Analyst at JP Morgan]: Nick, can you provide us a little bit of color
4 around the production issues and did they affect both the camera and the drone
and if, so why? And then, my second question is the profit profile next year, will
5 it be do you think a little bit more similar to 2015 where the profit was more
front-end loaded than we saw last year? Thank you.

6 [Bates]: I'm sorry Paul, it's Tony. We were somehow on mute. Let me just pick
7 up your first part, which was the production issues. *Yes, we did have an issue on*
8 *both the HERO5 and Karma, but bulk of the issue has really been around the*
9 *H5 line, in particular H5 Black and fundamentally we found an issue very late.*
As we mentioned, demand is very strong and we are really essentially playing,
10 once we address the issue, which we did very quickly with the team and then
started to get a full ramp back up, we just can't catch up to the forecasted demand
and that's what you see reflected. *But there was a slight issue on both, but really*
11 *the big issue has been on the H5.*

12 * * *

13 [Brad Erickson, Analyst at Pacific Crest]: Just in terms of the Q4 revenue
composition, I guess, between action cameras and drones, it would seem like a
14 fair assumption relative to the 2017 outlook as the unit growth would potentially
be as high as mid-teens or maybe a little bit higher than that. Is that kind of the
correct way to think about it? And then with the balance of the revenue coming
15 from drones, or am I off there?

16 [McGee]: Hey, Brad. This is Brian. I think in the prepared remarks, I think we
said bulk of the Q4 revenue would be cameras in terms of units, and then quads.
17 So quad, on a percentage basis would be less than 10% for the quarter, if that
helps.

18 * * *

19 110. The statements in ¶¶108-109 above were false and/or misleading when made because
20 the Company, Woodman, and Bates knowingly or recklessly disregarded the following material facts
21 that they failed to disclose:

- 22 a) GoPro lacked sufficient supply of Karma drones to meet demand and had at most
23 2500 drones available for sale as explained in ¶¶48-49, 55, 59, 61-63, 71, 73-76, 80,
24 124;
- 25 b) GoPro's revenue and profitability guidance were not attainable due to GoPro's
26 limited available supply of Karma drones as explained in ¶¶71, 84-85, 92, 124; and
27

1 c) GoPro was aware of reports of Karma crashes that put it on alert of a design defect as
2 explained in ¶¶48-49, 67-69, 78-80, 127.

3 111. On November 4, 2016, GoPro filed a Form 10-Q for the third quarter of 2016 with the
4 SEC, and signed by Woodman and McGee, which stated in relevant part:

5 Third quarter 2016 and recent highlights. We began shipping our all-new cloud
6 connected HERO5 Black and HERO5 Session cameras into our global channel in
7 late September 2016, which became available beginning October 2, 2016 at select
8 stores, online retailers and at GoPro.com. Our HERO5 cameras can auto-upload
9 photos and videos to GoPro Plus, a new cloud-based subscription service that
10 enables consumers to easily access, edit and share content. In addition, GoPro
11 Plus offers a range of additional premium benefits. GoPro Plus launched in the
12 United States on October 2, 2016 and is expected to be available in international
13 markets in the first quarter of 2017. Complementing our new HERO5 cameras
14 and GoPro Plus, we also released new versions of our Quik mobile and desktop
15 applications, which are offered at no charge. *We began shipping our Karma
16 drone and accessories after quarter-end, which became available online
17 beginning October 23, 2016 and now available at major U.S. retailers.*

18 112. The statement(s) in ¶111 above were false and/or misleading when made because the
19 Company, Woodman, and McGee knowingly or recklessly disregarded the following material facts
20 that they failed to disclose:

- 21 a) GoPro lacked sufficient supply of Karma drones to make Karma readily available for
22 sale on October 23, 2016 because GoPro had at most 2500 drones available for sale,
23 as explained in ¶¶48-49, 55, 59, 61-63, 71, 73-76, 80, 124; and
- 24 b) GoPro lacked sufficient supply of Karma drones to meet demand and had at most
25 2500 drones available for sale as explained in ¶¶48-49, 55, 59, 61-63, 71, 73-76, 80,
26 124.

27 113. At no point during the Class Period did Defendants correct or update the
28 aforementioned false or misleading statements listed in ¶¶94-111.

B. Statements About The Karma Drone's Capabilities

114. On September 19, 2016, during the conference call discussing the launch of the
HERO5 and Karma, Woodman stated that “[f]or Karma, flight time is 18 minutes, and for HERO5
Black and HERO5 Session, battery times are significantly improved from previous HERO models,

1 we're just getting more efficient with – our hardware development systems are more efficient and
2 we're really excited for the experience that customers are going to have.”

3 115. The statement in ¶114 above was false and/or misleading when made because the
4 Company and Woodman knowingly or recklessly disregarded the following material facts that they
5 failed to disclose:

- 6 a) GoPro's Karma drone suffered from an obvious design defect as explained in ¶¶67-69,
7 78-80, 127, that caused drones to lose power mid-flight and crash; and
8 b) GoPro failed to conduct adequate quality control testing of its Karma drone's 18
9 minute flight time that would have detected the design defect in the drone's battery
10 latch as explained in ¶¶48-49, 67-69, 72, 78-80, 127, 137.

11 116. Beginning on September 19, 2016, and throughout the Class Period, GoPro's website,
12 GoPro.com, began displaying the following statement regarding the Karma drone, “More than a
13 drone. *Capture amazingly smooth footage in the air*, handheld or mounted to your favorite gear.”

14 117. The statement in ¶116 above was false and/or misleading when made because the
15 Company knowingly or recklessly disregarded the following material facts that the Company failed
16 to disclose:

- 17 a) GoPro's Karma drone suffered from an obvious design defect as explained in ¶¶67-69,
18 78-80, 127, that caused drones to lose power mid-flight and crash; and
19 b) GoPro failed to conduct adequate quality control testing of its Karma drone's ability
20 to capture aerial footage that would have detected the design defect in the drone's
21 battery latch as explained in ¶¶48-49, 67-69, 72, 78-80, 127, 137.

22 118. On October 3, 2016, Woodman was interviewed by Brad Stone at Bloomberg West,
23 and stated in relevant part, “[o]ur *customers can now fly their Go Pros*, and capture incredible, both
24 aerial and handheld footage, cause Karma is more than a drone.”

25 119. The statement in ¶118 above was false and/or misleading when made because the
26 Company and Woodman knowingly or recklessly disregarded the following material facts that they
27 failed to disclose:

- 1 a) GoPro’s Karma drone suffered from an obvious design defect as explained in ¶¶67-69,
2 78-80, 127, that caused drones to lose power mid-flight and crash; and
3 b) GoPro failed to conduct adequate quality control testing of its Karma drone’s ability
4 to fly and capture aerial footage that would have detected the design defect in the
5 drone’s battery latch as explained in ¶¶48-49, 67-69, 72, 78-80, 127, 137.

6 120. At no point during the Class Period did Defendants correct or update the
7 aforementioned false or misleading statements listed in ¶¶114-118.

8 POST CLASS PERIOD STATEMENTS AND EVENTS

9 121. After market close on November 8, 2016, GoPro announced the recall of
10 “approximately 2,500 Karma drones purchased by consumers since October 23[, 2016].” Press
11 Release, *GoPro Announces Karma Recall and Refund Program*, [http://investor.gopro.com/press-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx)
12 [releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx)
13 [Program/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Karma-Recall-and-Refund-Program/default.aspx) (Nov. 8, 2016). GoPro attributed the recall to “Karma units los[ing] power
14 during operation.” *Id.*

15 122. On this news, GoPro’s shares fell \$0.45 per share, or over 4% from the previous day’s
16 closing price of \$10.86, to close at \$10.41 per share on November 9, 2016.

17 123. The market was shocked by how few drones were actually sold and produced by
18 GoPro. Analysts at PiperJaffray noted:

19 We remain [Underweight] shares of GPRO following this evening’s news release
20 outlining the recall of 2,500 Karma drones purchased since October 23rd. ***This is***
21 ***not only a surprise to us, but another ding on management’s credibility having***
22 ***just announced both the HERO5 and Karma drone at full production.*** The
23 news release cited a power failure during flight as the cause of the recall. Having
24 connected with management tonight, we believe the recall was to mitigate any
potential safety issues. In the interim, GPRO is providing a full refund to
customers. ***Not only were we surprised by the modest level of initial units sold,***
but we believe it is a possibility that Karma will not be available for the key
holiday season. We believe there could be further downside to our already Street
low Q4 estimate of \$545M.

25 PiperJaffray, *It Appears A “Karma Christmas” is Canceled with GoPro’s Latest Recall*, at 1 (Nov. 8,
26 2016); see also Steve Symington, The Motley Fool, *This Small Recall Is Terrible Karma for GoPro*,

1 <https://www.fool.com/investing/2016/11/09/this-small-recall-is-terrible-karma-for-gopro.aspx> (Nov.
2 9, 2016) (“You read that right: Those 2,500 recalled drones represent *all* Karma units sold by GoPro
3 since the new quadcopter became available at retailers last month. It’s an underwhelming figure
4 considering many investors had hoped Karma would help GoPro quickly secure a formidable slice of
5 the fast-growing, multi-billion dollar consumer drone market.”).

6 124. Given the fact that GoPro stated that slightly less than 10% of its revenue would be
7 derived from Karma sales during the November 3, 2016 conference call (¶84), analysts had expected
8 that GoPro would need to sell “50-75k Karma units” (around \$60 million assuming a price point of
9 \$799.99 for 75,000 units or around \$80 million at the \$1099.99 price point for 75,000 units if the
10 Karma is bundled with the HERO5 black (¶¶64-65)) to meet “the implied Q4 guidance of \$625
11 [million][,]” a far cry from the 2,500 Karma drones purchased by consumers since launch (which,
12 even assuming each drone was purchased at the highest priced \$1099.99 bundle, would result in
13 revenues of \$2.7 million). See PiperJaffray, *It Appears A “Karma Christmas” is Canceled with*
14 *GoPro’s Latest Recall* (Nov. 8, 2016). Despite the fact that GoPro’s guidance was “no longer []
15 feasible” after its recall (PiperJaffray, *It Appears A “Karma Christmas” is Canceled with GoPro’s*
16 *Latest Recall* (Nov. 8, 2016)), GoPro did not adjust its guidance.

17 125. On November 30, 2016, GoPro filed a Form 8-K with the SEC stating that Bates
18 would step down from his position as GoPro’s president, effective December 31, 2016. GoPro,
19 Form 8-K (Nov. 30, 2016).

20 126. On January 30, 2017, after leaving the position vacant for almost two years (Selina
21 Wang, Bloomberg, *Can This Man Save GoPro* (Mar. 8, 2017)), GoPro appointed Charles Prober
22 (“**Prober**”) to the position of Chief Operating Officer (“**COO**”). GoPro, Form 8-K (Jan. 30, 2017)

23 127. On February 1, 2017, GoPro reintroduced the Karma drone, and explained that the
24 redesigned battery latch corrected Karma’s power loss issues. GoPro, *Karma Is Back*,
25 <https://gopro.com/news/GoPro-Karma-Is-Back> (Feb. 1, 2017).

26 128. Then, after market close on February 2, 2017, GoPro announced its fourth quarter and
27 full year 2016 results. Despite previous guidance stating that GoPro would be profitable in the
28

1 fourth quarter, “GoPro experienced a GAAP⁸ *loss of \$116 million, or \$0.82 loss per diluted share,*
 2 *in the fourth quarter of 2016,* . . . [but] was profitable on a non-GAAP basis with income of \$42
 3 million.” Press Release, *GoPro Announces Fourth Quarter and Full Year 2016 Results*,
 4 [http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Fourth-](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Fourth-Quarter-and-Full-Year-2016-Results/default.aspx)
 5 [Quarter-and-Full-Year-2016-Results/default.aspx](http://investor.gopro.com/press-releases/press-release-details/2016/GoPro-Announces-Fourth-Quarter-and-Full-Year-2016-Results/default.aspx) (Feb. 2, 2017). GoPro missed its fourth quarter
 6 guidance of \$625 million, bringing in only \$540 million. GoPro also recorded \$1.185 billion in total
 7 revenue for 2016, falling well below its previously lowered guidance of \$1.2 to \$1.3 billion. *Id.*

8 129. GoPro held a conference call with analysts that day discussing the dismal results.

9 GoPro elaborated on its fourth quarter and year results:

10 * * *

11 [Woodman]: In our November call, we detailed how our teams overcame initial
 12 HERO5 Black manufacturing issues and quickly ramped production. However,
 13 the initial scarcity had a knock-on effect, resulting in retailers canceling marketing
 14 support for the HERO5 Black launch. While the impact of less marketing is hard
 15 to quantify, we believe we missed an important opportunity to capture perishable
 16 demand during the holiday. Despite it all, we sold through an estimated two
 17 million cameras in the quarter. ***The biggest challenge to our quarterly revenue***
was related to our drone, Karma, which we withdrew from the market in
 18 November following a small number of cases where batteries disconnected during
 19 flight resulting in a loss of power. We identified the issue is related to the latch
 20 that secured the drone's battery. A redesigned latch has been incorporated into the
 21 updated Karma drone solving the issue.

We guided that Karma would account for slightly less than 10% of our Q4
revenue. Karma is now back on the market. Yesterday we announced that
 Karma is on sale at gopro.com select retailers in the U.S. in limited quantities
 while we ramp production. We plan to make Karma available in international
 markets this spring.

21 * * *

22 130. On this news, GoPro’s shares fell \$1.39 per share, or over 12% from the previous
 23 day’s closing price of \$10.97, to close at \$9.58 per share on February 3, 2017.

24
 25 ⁸ GAAP is an acronym for “Generally Accepted Accounting Principles” which are “a common
 26 set of accounting principles, standards and procedures that companies must follow when they
 27 compile their financial statements.” Investopedia.com, *Generally Accepted Accounting Principles –*
GAAP, <http://www.investopedia.com/terms/g/gaap.asp> (last visited March 14, 2017).

1 fourth quarter and revised fiscal year 2016 guidance if, *inter alia*, on November 3, 2016 it
2 anticipated that slightly less than 10% of its \$625 million (+/- \$25 million)—approximately \$60
3 million—of its fourth quarter 2016 revenue would come from drone sales. *See* ¶¶85, 124.
4 Accordingly, GoPro was aware of, or was deliberately reckless in disregarding, its HERO5 and
5 Karma production deficit, and their impact on GoPro’s revenues.

6 135. Second, GoPro was well aware of the demand for its HERO5 cameras and Karma
7 drones. Woodman boasted that GoPro had “communicat[ed] with [GoPro’s] retailers globally to
8 prepare together as a team for new product launches and to maximize the marketing opportunities
9 around those launches[.]” GoPro, Q2 2016 Earnings Call, at 11 (July 27, 2016) (transcript on file
10 with Bloomberg, Inc.). Woodman stated that GoPro monitored “sell-through, the best reflection of
11 consumer demand,” as a factor in determining its outlook on its holiday product launches. *Id.* at 2.
12 Indeed, as noted by CFO Jack Lazar shortly before McGee took his place, GoPro “track[ed] this
13 stuff on a weekly basis.” GoPro, Q3 2015 Earnings Call, at 12 (Oct. 28, 2015) (transcript on file
14 with Bloomberg, Inc.). Given the previous problems with the HERO4 Session, it is highly likely
15 that tracking sell-through continued after Lazar’s departure. In order to calculate sell-through, the
16 ratio of inventory on hand to products sold to the consumer, GoPro ***would necessarily need to know***
17 ***the inventory on hand***. *See* Merriam-Webster, Definition of Sell-Through, [https://www.merriam-](https://www.merriam-webster.com/dictionary/sell%E2%80%93through)
18 [webster.com/dictionary/sell%E2%80%93through](https://www.merriam-webster.com/dictionary/sell%E2%80%93through) (last visited Mar. 14, 2017). Indeed, Born had
19 stated that GoPro knew “***exactly how much product [was] at the distributors and sitting at [its]***
20 ***direct customers***.” ¶63. Accordingly, in tracking sell-through for the HERO5 cameras and Karma,
21 GoPro must have had access to inventory levels of those products, or was deliberately reckless in not
22 knowing those products’ inventory deficits.

23 136. Third, GoPro and the Individual Defendants would have had access to and awareness
24 of the fact that Karma’s battery latch contained a design defect, which would cause the drones to
25 lose power mid-flight. Woodman had access to his very own Karma drone which he stated he used
26 “extensively[.]” GoPro, Q2 2016 Earnings Call, at 11 (July 27, 2016) (transcript on file with
27 Bloomberg, Inc.). Accordingly, Defendants would have had access to, or deliberately disregarded,
28

1 the fact that the Karma drone’s battery “*clearly [did] not fit*” into the drone, *see* Ex. A, and that
 2 adequate testing would have flagged this defect before videos of the Karma drone were ever
 3 uploaded onto YouTube. Brian Warholak, *GoPro Karma Hard Crash*,
 4 <https://www.youtube.com/watch?v=i4nRalvmBhA> (Oct. 28, 2016); *see also* Ben Popper, The Verge,
 5 *Why GoPro’s Karma drone came crashing down*,
 6 <http://www.theverge.com/2016/11/11/13597902/gopro-karma-drone-recall-crash-battery-fail> (Nov.
 7 11, 2016) (“Discussions with drone industry experts and sources familiar with the process of
 8 engineering and designing the Karma drone, show that the company should have been prepared for
 9 exactly this kind of incident.”).

10 137. Additionally, the Company was likely aware of the experience of other drone
 11 companies—“[t]he web is littered with forum posts, Facebook rants, and YouTube videos from
 12 angry customers who bought drones from DJI, Yuneec Parrot, and 3D Robotics over the past three
 13 years, *only to have them fall out of the sky*.” Ben Popper, The Verge, *Why GoPro’s Karma drone*
 14 *came crashing down*, [http://www.theverge.com/2016/11/11/13597902/gopro-karma-drone-recall-](http://www.theverge.com/2016/11/11/13597902/gopro-karma-drone-recall-crash-battery-fail)
 15 [crash-battery-fail](http://www.theverge.com/2016/11/11/13597902/gopro-karma-drone-recall-crash-battery-fail) (Nov. 11, 2016). GoPro was aware that these companies constituted “significant
 16 competition” to its new drone. 2015 10-K at 9. Woodman also acknowledged in a Reddit “Ask Me
 17 Anything!” that GoPro “scours the internet to discover cool GoPro videos” and noted that it was
 18 “one of the most satisfying parts of working at GoPro[.]” Reddit, *Hey Reddit . . . howzit?! Nick*
 19 *Woodman. Founder/CEO of GoPro, AMA!*,
 20 https://www.reddit.com/r/IAMA/comments/566c8j/hey_reddithowzit_nick_woodman_founderceo_o
 21 [f_gopro/](https://www.reddit.com/r/IAMA/comments/566c8j/hey_reddithowzit_nick_woodman_founderceo_o) (Oct. 6, 2016). Accordingly, Defendants would have had access to, or deliberately
 22 disregarded, Brian Warholak’s October 28, 2016 video showing the Karma drone crash 2 minutes
 23 into flight, and other videos like it. ¶¶48-49, 78. Additionally, by consulting their own support
 24 website, or these users’ calls to GoPro’s customer service, Defendants would have been made aware
 25 of the battery defect, or recklessly disregarded this fact. ¶¶48-49, 79.

26 C. Core Operations

27 138. Because the fraud alleged herein relates to the core business of GoPro, knowledge of
 28

1 the facts underlying the fraud may be imputed to the Individual Defendants. *See Reese v. Malone*,
2 747 F.3d 557 (9th Cir. 2014).

3 139. GoPro acknowledged in its 2015 Form 10-K that the Company's "core" products
4 were the "HERO line of capture devices." 2015 Form 10-K at 6. In January 2016, GoPro
5 announced its decision to end-of-life its entry level HERO, HERO+, and HERO+LCD products,
6 2015 Form 10-K at 6, and would stop selling them in April, Q4 2015 Earnings Call at 2 (Feb. 3,
7 2016) (transcript on file with Bloomberg, Inc.). As of February 29, 2016, GoPro discontinued all
8 products introduced prior to 2014. 2015 Form 10-K at 6. At the time the HERO5 line of cameras
9 and the Karma drone were unveiled in September 2016, GoPro had simplified its product line to
10 include only the HERO4 Session, HERO4 Silver, and HERO4 Black cameras, in addition to mounts
11 and accessories for its cameras. 2015 Form 10-K at 6. With a slimmed-down product offering,
12 GoPro had a lot riding on the successful introduction of the HERO5 line and Karma drone.

13 140. The Individual Defendants discussed the significance of the sales of the HERO5 and
14 Karma drones on its bottom line numerous times before and during the Class Period. Despite the
15 announcement of the first delay of the Karma drone on May 5, 2016, McGee stated on an earnings
16 call that day that "the vast majority of [GoPro's] full-year revenue" would be "occurring in the
17 second half of [2016]," when GoPro planned to launch those new products. GoPro, Q1 2016
18 Earnings Call, at 6 (May 5, 2016) (transcript on file with Bloomberg, Inc.). About two months later,
19 Woodman stated, "HERO5 and Karma will contribute to the largest introduction of products in our
20 history, all in time for what we believe will be GoPro's most exciting fourth quarter, ever – a quarter
21 where we expect to return to profitability." GoPro, Press Release, *GoPro Announces Second*
22 *Quarter 2016 Results* (July 27, 2016). In its second quarter 2016 Form 10-Q, GoPro stated that
23 "[w]e expect revenue to grow consecutively in each of the third and fourth quarters, as compared to
24 the second quarter of 2016, based on our current expectations for [the HERO5 and Karma] product
25 launches." GoPro, Form 10-Q, at 22 (July 29, 2016).

26 141. Reporters and analysts also stressed the importance of the Karma drone and HERO5
27 line of cameras on GoPro's financial prospects. *See Ryan Mac, Can A Shiny New Drone And*
28

1 *Revamped Cameras Rescue GoPro?* Forbes, (Sept. 19, 2016),
 2 [https://www.forbes.com/sites/ryanmac/2016/09/19/are-a-shiny-drone-and-revamped-cameras-](https://www.forbes.com/sites/ryanmac/2016/09/19/are-a-shiny-drone-and-revamped-cameras-enough-to-rescue-gopro/#10e36bbe45a2)
 3 [enough-to-rescue-gopro/#10e36bbe45a2](https://www.forbes.com/sites/ryanmac/2016/09/19/are-a-shiny-drone-and-revamped-cameras-enough-to-rescue-gopro/#10e36bbe45a2) (last visited Mar. 12, 2017) (GoPro’s “new devices include
 4 a much-anticipated drone, GoPro’s first major product outside its core video-capturing devices,
 5 whose success—or failure—will weigh heavily on the company’s future”); *GoPro Delivers Q2*
 6 *Upside Primarily from ASPs, but Focus Remains on the HERO5s and Karma as GoPro Seeks to*
 7 *Rebound in 2016 . . .*, at 2, Wedbush (July 28, 2016) (“After the disappointing launch of the HERO4
 8 Session in July 2015 and a lack of new product launches directly ahead of the holidays last year,
 9 successful launches of the HERO5s and Karma are pivotal in restoring investor confidence in the
 10 company.”); *GoPro Exceeds Low Expectations – 2H Depends on New Product Reception . . .*, at 1,
 11 Dougherty & Company LLC (July 27, 2016) (“ . . . what’s really going to drive revenue higher and
 12 meet expectations in the [second half of 2016] is a product refresh and/or new products.”); *The*
 13 *Delay of GoPro’s Drone Leads to Bad Karma for Investors . . .*, at 1, Wedbush (May 6, 2016) (“The
 14 delay of the Karma launch by roughly six months means that losses are likely to continue for at least
 15 another quarter . . . it is unlikely that GoPro will return to profitability until the HERO5 cameras
 16 launch[.]”).

17 142. Citing the negative impact to its revenue that resulted from its failure to accurately
 18 assess demand for the HERO4 Session in 2015, GoPro stated that a failure “to effectively manage
 19 new product introductions and transitions in the future, including our next generation capture devices,
 20 drones and content-management software solutions, our revenue and profitability will be materially
 21 affected.” 2015 Form 10-K at 12 (Feb. 29, 2016).

22 143. Central to GoPro’s ability to effectively manage new product introductions and
 23 transactions, such as the HERO5 line of cameras and the Karma drones in 2016, was its ability to
 24 monitor supply chain issues. As GoPro stated in the risk factors to its 2015 Form 10-K, GoPro is
 25 “**increasingly dependent on information systems** to operate our e-commerce website, process
 26 transactions, respond to consumer inquiries, **manage our supply chain and inventory**, ship goods on
 27 a timely basis, maintain cost-efficient operations, and complete timely **and accurate financial**
 28

1 *reporting.*” 2015 Form 10-K at 17; *see also* GoPro, Form 10-Q, at 20 (July 29, 2016) (incorporating
2 by reference the 2015 Form 10-K risk factors); GoPro, Form 10-Q, at 30 (Nov. 4, 2016) (same). As
3 stated above, the Company relied on SaaS-based NetSuite, which gave GoPro and its senior
4 executives the ability to monitor its supply chain and inventory in real-time. *See* ¶¶33-47. As
5 former Chief Technology Officer Baumer stated, implementing NetSuite’s ERP system enabled the
6 Company to grow rapidly from 2009-2011. *See* ¶45. Given that the Company grew significantly
7 thereafter, NetSuite’s ERP undoubtedly became even more essential. Indeed, GoPro noted in its
8 2015 Form 10-K that it was particularly “heavily reliant on SaaS enterprise resource planning
9 systems to conduct our order and inventory management, e-commerce and financial transactions and
10 reporting.” 2015 Form 10-K a 17; *see also* GoPro, Form 10-Q, at 20 (July 29, 2016) (incorporating
11 by reference the 2015 Form 10-K risk factors); GoPro, Form 10-Q, at 30 (Nov. 4, 2016) (same).

12 144. GoPro sought to ease the market’s concerns after the HERO4 session supply debacle
13 in advance of the launch of the HERO5 line and Karma drones, repeatedly assuring investors that the
14 Company was keeping a watchful eye on its supply chain and inventory. The Individual Defendants
15 and other senior executives clearly had access to information about the Company’s inventory
16 because they discussed it in detail before and during the Class Period. *See Reese*, 747 F.3d at 572
17 (“It is unclear what further facts [P]laintiffs would need to plead to create a stronger inference that
18 Defendants had access to information they discussed publicly.”); *see also In re Amgen Inc. Sec.*
19 *Litig.*, 2014 U.S. Dist. LEXIS 183034, at *40-42 (C.D. Cal. Aug. 4, 2014) (finding the fact that a
20 defendant discussed and answered questions about the study data added to the strong inference of
21 scienter that he had access to that data). For example, former CFO Lazar stated in October 2015 that
22 GoPro tracked sell-through, the ratio of inventory on hand to products sold to consumers, on a
23 “weekly basis.” ¶135. In July 2016, Woodman noted that the Company monitored “sell-through” to
24 determine its outlook on its holiday product launches. ¶135. Bates also assured investors that the
25 Company was “closely tracking” inventory, and McGee noted his belief that GoPro has “done a
26 great job in channel inventory,” and told investors to be “ready for a heck of a launch in the second
27 half” after “existing products continue to sell out in the summer months.” ¶¶59, 61. Just two
28

1 months before the October launch of the HERO5 line and Karma drones, Head of Corporate
2 Development Born discussed the Company's expanded visibility into its inventory channel and
3 knowledge of "exactly how much product is at the distributors and sitting at our direct customers."

4 ¶63.

5 145. Therefore, the Individual Defendants, as senior level executives and/or directors were
6 in such positions at the Company to access all material, non-public information concerning the status
7 of GoPro's HERO5 and Karma drone-related inventory and availability for sale and their impact on
8 GoPro's revenue guidance on a real-time basis.

9 **D. GoPro Is Liable Pursuant To The Collective Scierter Theory**

10 146. Under the collective scierter theory, the cumulative knowledge of all of a company's
11 agents will be imputed to the corporation where "a company's public statements were so important
12 and so dramatically false that they would create a strong inference that at
13 least *some* corporate officials knew of the falsity upon publication." *Glazer Capital Mgmt., LP v.*
14 *Magistri*, 549 F.3d 736, 744 (9th Cir. 2008) (emphasis in original). As explained below, the
15 collective scierter doctrine applies here.

16 147. When GoPro first unveiled Karma, analysts estimated that GoPro would need to sell
17 50,000-150,000 drones to meet GoPro's higher \$1.35-1.5 billion revenue guidance. ¶71. Then on
18 November 3rd, GoPro stated that slightly less than 10% of its reduced revenue guidance of \$625
19 million (+/- \$25 million) for the fourth quarter of 2016 would be derived from sales of the Karma
20 drone (approximately \$60 million). *See* ¶784-85. Even at GoPro's reduced guidance, GoPro would
21 have had to sell approximately 50,000 to 75,000 Karma drones during the fourth quarter of 2016
22 (*i.e.*, from the October 23rd launch of the drone to December 31, 2016) to meet its revenue
23 guidance. *See* ¶85. By November 8, 2016, however, it was revealed that GoPro had only produced
24 and sold 2,500 Karma drones--**47,500 fewer drones than the minimum it needed to sell to meet its**
25 **November 3rd guidance.** *See* ¶89. When the Company announced on February 2, 2017 that it had
26 missed its 2016 fourth quarter and year guidance, and that the drone was the "biggest challenge to
27 [its] quarterly revenue," GoPro's stock dropped precipitously—plunging 12% on February 3 from
28

1 the previous day's closing price. *See* ¶¶92, 129-130. The deficit in the Company's supply of Karma
2 drones was so large and of such importance to the Company that it rendered GoPro's statements
3 about its revenue guidance "so dramatically false that they create a strong inference that at
4 least *some* corporate officials knew of the falsity upon publication." *Glazer*, 549 F.3d at 744
5 (citing *Makor Issues & Rights, Ltd. v. Tellabs Inc.*, 513 F.3d 702, 710 (7th Cir. 2008), which
6 provides the following example of a circumstance in which it would be appropriate to apply the
7 collective scienter doctrine: if General Motors announced that it had sold one million SUVs in 2006,
8 but the actual number of SUVs sold was zero, "[t]here would be a strong inference of corporate
9 scienter, since so dramatic an announcement would have been approved by corporate officials
10 sufficiently knowledgeable about the company to know that the announcement was false.").

11 **E. GoPro Changed Its Risk Factors In Acknowledgement Its Production**
12 **Problems**

13 148. On November 4, 2016, GoPro filed a Form 10-Q for the period ending September 30,
14 2016 (the third quarter of 2016), in which it updated its risk factors to include the following
15 additional language about factors that can affect the success of new product introductions: "*the*
16 *availability of products in appropriate quantities to meet anticipated demand;*" and "*the*
17 *management of risks associated with new product production ramp-up issues.*" Form 10-Q, at 31
18 (Nov. 4, 2016). It also added "*a deficit of inventory*" to the list of risks that could occur if the
19 Company fails to complete product transitions effectively or timely. *Id.* *See* ¶87. This update
20 confirms that the Company knew about the HERO5 cameras' and Karma drones' supply problems
21 before they were revealed for several reasons. First, the timing of the update is suspect considering
22 that GoPro did not makes similar updates to its risk factors after failing to make appropriate
23 quantities of its HERO4 Session camera to meet demand (*i.e.*, produced more HERO4 Sessions than
24 the market wanted) in 2015; as well, the update was made after October 23, 2016 when GoPro was
25 already aware of its HERO5 and Karma shortages. *See* ¶¶50-53, 84, 87, 89, 100. Second, based on
26 earlier analysts' statements, the Company's Karma drone registration page, and the revised fourth
27 quarter guidance issued on November 3, 2016, the anticipated demand for the Karma drone alone
28

1 was somewhere between 50,000-150,000 units in 2016. *See* ¶¶55, 71, 85. As *only four days later* it
 2 was revealed that only 2,500 drones had been produced and sold thus far, *see* ¶89, and that numerous
 3 reports had surfaced that those who wanted to purchase the drone could not find them for sale, *see*
 4 ¶¶74-77, it is highly unlikely that the Company updated this risk factor on November 4th without
 5 realizing that it lacked sufficient supply to meet the anticipated demand for the Karma drone; rather
 6 the update was in response to that problem. Third, the fact that the updated risk factors appear in the
 7 November 4, 2016 Form 10-Q, which applies to the three month period ending September 30, 2016,
 8 suggests that the Company was aware of these supply problems as of September 30. Otherwise, they
 9 could have waited to update their risk factors until they filed their annual report for 2016, which
 10 would encompass the period from October 1–December 31, 2016, during which time the HERO5
 11 and Karma drones became available and the supply problems were eventually disclosed to the
 12 market.

13 **F. SOX Certifications**

14 149. Defendants Woodman and McGee signed certifications pursuant to the Sarbanes-
 15 Oxley Act of 2002 (“SOX”) that they filed with the SEC in connection with the filing of GoPro’s
 16 November 4, 2016 Form 10-Q quarterly report for the quarter ended September 30, 2016. They
 17 certified that the quarterly report “fully complies with the requirements of Section 13(a) and 15(d) of
 18 the Securities Exchange Act of 1934” and that the information contained therein “fairly presents, in
 19 all material respects, the financial condition and results of operations of GoPro, Inc. for the periods
 20 presented [t]herein.” *Id.* at Ex. 32.01. Woodman and McGee each further certified that they each
 21 “reviewed this quarterly report” and:

22 * * *

23 2. Based on my knowledge, this report does not contain any untrue statement of a
 24 material fact or omit to state a material fact necessary to make the statements
 25 made, in light of the circumstances under which such statements were made, not
 misleading with respect to the period covered by this report;

26 3. Based on my knowledge, the financial statements, and other financial
 27 information included in this report, fairly present in all material respects the
 financial condition, results of operations and cash flows of the registrant as of,
 and for, the periods presented in this report;

* * *

1
2 *Id.* at Exs. 31-01 (Woodman’s certification), 31.02 (McGee’s certification). These statements add to
3 the inference that that those Defendants acted with scienter.
4

5 CLASS ACTION ALLEGATIONS

6 150. Plaintiff brings this action pursuant to Rule 23(a) and 23(b)(3) of the Federal Rules of
7 Civil Procedure on behalf of themselves and all persons and entities who purchased GoPro common
8 stock between September 19, 2016 and November 8, 2016, inclusive, and were damaged thereby,
9 seeking to pursue remedies under the Exchange Act.

10 151. Excluded from the Class are the Defendants named herein, members of their
11 immediate families, any firm, trust, partnership, corporation, officer, director or other individual or
12 entity in which a Defendant has a controlling interest or which is related to or affiliated with any of
13 the Defendants, and the legal representatives, heirs, successors-in-interest or assigns of such
14 excluded persons.

15 152. The members of the Class are so numerous that joinder of all members is
16 impracticable. During the Class Period, GoPro common stock was actively traded on the NASDAQ
17 GM, which is an efficient market. While the exact number of Class members cannot be determined
18 at this early stage, Plaintiff believes that thousands of people held GoPro common stock during the
19 Class Period. Record owners and other members of the Class may be identified from records
20 maintained by GoPro or its transfer agent and may be notified of the pendency of this action by mail,
21 using a form of notice similar to that customarily used in securities class actions.

22 153. Plaintiff’s claims are typical of the claims of the other members of the Class because
23 Plaintiff and all members of the Class were similarly affected by Defendants’ unlawful conduct as
24 complained of herein.

25 154. Plaintiff will fairly and adequately protect the interests of the Class and has retained
26 counsel competent and experienced in class action and securities litigation. Plaintiff has no interests
27 that are contrary to or in conflict with those of the Class.
28

1 155. Common questions of law and fact exist as to all members of the Class, and
2 predominate over any questions solely affecting individual members of the Class. The questions of
3 law and fact common to the Class include, inter alia:

4 a) Whether the federal securities laws were violated by Defendants' acts as
5 alleged herein;

6 b) Whether Defendants' publicly disseminated statements made during the
7 Class Period contained untrue statements of material fact and/or omitted to state material
8 facts necessary in order to make the statements made, in light of the circumstances under
9 which they were made, not misleading;

10 c) Whether and to what extent Defendants' material untrue statements and/or
11 omissions of material fact caused the market price of GoPro's common stock to be
12 artificially inflated during the Class Period;

13 d) Whether Defendants acted with the requisite level of scienter in omitting
14 and/or misrepresenting material facts;

15 e) Whether the Individual Defendants were controlling persons of GoPro;

16 f) Whether reliance may be presumed pursuant to the *Affiliated Ute*
17 presumption or fraud-on-the-market doctrine; and

18 g) Whether the Class members have sustained damages, and if so, the proper
19 measure of damages.

20 156. Plaintiff knows of no difficulty that will be encountered in the management of this
21 action that would preclude its maintenance as a class action.

22 157. A class action is superior to all other available methods for the fair and efficient
23 adjudication of this action because, among other things, joinder of all members of the Class is
24 impracticable. In addition, since the damages suffered by individual members of the Class may be
25 relatively small, the expense and burden of individual litigation would make it nearly impossible for
26 members of the Class to bring individual actions.

LOSS CAUSATION

1
2 158. During the Class Period, as detailed herein, Defendants engaged in a scheme to
3 deceive the market and a course of conduct that artificially inflated GoPro's stock price and operated
4 as a fraud or deceit on Class Period purchasers of GoPro stock by misrepresenting the Company's
5 business and prospects. During the Class Period, Defendants misled investors regarding GoPro's
6 HERO5 and Karma drone availability and inventory deficit in its supply (¶¶94, 98, 102, 104, 106,
7 108-09, 111), the feasibility of GoPro's revenue and profitability guidance (¶¶96, 108-09), the
8 Karma drone's capabilities, product testing, and its design defect (¶¶109, 114, 116, 118), and the
9 risks the Company faced (¶100). As a result of their purchases of GoPro common stock during the
10 Class Period at artificially inflated prices, Plaintiff and other Class members suffered damages as the
11 true facts and GoPro's fraud were revealed.

12 159. The respective Defendants' wrongful conduct, as alleged herein, directly and
13 proximately caused the damages suffered by Plaintiff and the Class.

14 160. Defendants' false and misleading statements and omissions in their SEC filings and
15 other public statements during the Class Period directly and proximately caused losses to Plaintiff
16 and the Class. On the strength of these false and misleading statements, the Company's stock price
17 was artificially inflated to a Class Period high of \$17.68 per share on October 5, 2016. Those
18 misrepresentations and omissions that were not immediately followed by an upward movement in
19 the Company's stock price served to maintain the share price at artificially inflated levels by
20 maintaining and supporting a false positive perception of GoPro's business, operations, performance,
21 and prospects. The allegations herein suffice under both a corrective disclosure and a
22 materialization of the risk theory of loss causation.

23 161. GoPro's stock dropped three relevant times. These drops and their accompanying
24 disclosures satisfy the corrective disclosure theory either alone or when coupled with other
25 statements because they revealed some aspect of the fraud to the market and consequently removed a
26 portion of the artificial inflation in the price of GoPro's stock and directly and proximately caused
27 Plaintiff's and the other Class members to suffer damages. The first drop occurred on October 24,
28

1 2016, after various reports by analysts and customers surfaced that supplies of HERO5 cameras and
2 Karma drones were insufficient to meet demand (¶¶73-76), correcting misrepresentations concerning
3 the sufficiency of GoPro's HERO5 and Karma drone supply and the Karma drone's global
4 availability on October 23, 2016 (¶¶94, 96, 98, 102, 104, 106), causing GoPro stock to decline \$1.05
5 per share to close at \$13.88 per share on Monday, October 24, 2016, a 7% decline from the previous
6 trading day's closing price (¶77).

7 162. The second drop occurred on November 4, 2016, after GoPro announced after market
8 close on November 3rd that it lowered its fourth quarter and 2016 full year revenue guidance and
9 updated its risk factors, correcting misrepresentations concerning (i) the sufficiency of GoPro's
10 HERO5 and Karma drone supply (¶¶84, 102, 106); (ii) the Karma drone's global availability on
11 October 23, 2016 (¶¶94, 98, 104); (iii) the feasibility of GoPro's revenue and profitability guidance
12 (¶¶96, 108, 109); and (iv) the risks the Company faced (¶¶87, 100). On this news, GoPro stock
13 declined \$0.78 per share to close at \$11.16 per share on November 4, 2016, a 6.5% decline from the
14 previous day's closing price (¶86).

15 163. The third drop occurred on November 8, 2016, after GoPro announced the recall of its
16 Karma drones, disclosing for the first time that it had only produced and sold 2,500 of them,
17 correcting misrepresentations concerning (i) the sufficiency of GoPro's Karma drone supply (¶¶89,
18 102, 106, 108, 109, 111); (ii) the Karma drone's global availability on October 23, 2016 (¶¶89, 94,
19 98, 104, 111); (iii) the feasibility of GoPro's revenue and profitability guidance (¶¶89, 96, 108, 109,
20 123-24); (iv) the Karma drone's capabilities and its design defect (¶¶89, 109, 114, 116, 118); and (v)
21 the risks the Company faced (¶¶87, 100). On this news, GoPro stock declined \$0.45 per share to
22 close at \$10.14 per share on November 9, 2016, a 4% decline from the previous day's closing price
23 (¶90).

24 164. A subsequent disclosure on February 2, 2017 confirmed the foregoing
25 misrepresentations. *Lloyd v. CVB Fin. Corp.*, 811 F.3d 1200, 1210 (9th Cir. 2016) (finding
26 subsequent press release that company mischaracterized loans confirmed investors' suspicions
27 regarding subpoena announced one month prior constituted corrective disclosure). On that day,
28

1 GoPro reported that it missed its lowered fourth quarter and full year 2016 revenue guidance and
2 admitted that the Karma drone was the “biggest challenge to [its] quarterly revenue” (¶¶128-29),
3 correcting misrepresentations concerning (i) the sufficiency of GoPro’s Karma drone supply (¶¶102,
4 106, 108, 109, 111); (ii) the Karma drone’s global availability on October 23, 2016 (¶¶94, 98, 104,
5 111); (iii) the feasibility of GoPro’s revenue and profitability guidance (¶¶96, 108, 109); (iv) the
6 Karma drone’s capabilities and its design defect (¶¶109, 114, 116, 118); and (v) the risks the
7 Company faced (¶100). In response, GoPro’s stock declined \$1.39 per share to close at \$9.58 per
8 share on February 3, 2017, a 12% decline from the previous day’s closing price (¶130).

9 165. The aforementioned disclosures suffice under the materialization of the risk theory of
10 loss causation as well because Defendants’ false and misleading statements and omissions in their
11 SEC filings and other public statements during the Class Period concealed the risks underlying the
12 HERO5 cameras’ and Karma drone’s availability and inventory deficit in its supply chain (¶¶94, 98,
13 102, 104, 106, 108, 109, 111), the feasibility of GoPro’s revenue and profitability guidance (¶¶96,
14 108, 109), the Karma drone’s capabilities and its design defect (¶¶109, 114, 116, 118), and the risks
15 the Company faced in introducing the HERO5 camera and Karma drone (¶100), which would have
16 spared all or some of Plaintiff’s loss as a result of the disclosure that (i) GoPro lacked sufficient
17 supply of Karma drones to meet demand and to make Karma readily available for sale globally on
18 October 23, 2016 because GoPro had at most 2,500 drones available for sale, as explained in ¶¶48-
19 49, 55, 59, 61-63, 71, 73-76, 80, 124; (ii) GoPro lacked sufficient supply of HERO5 cameras to
20 meet demand as explained in ¶¶59-61, 81, 83-84, 131; (iii) GoPro’s revenue and profitability
21 guidance were not attainable due to GoPro’s limited available supply of Karma drones and HERO5
22 cameras as explained in ¶¶71, 81, 84-85, 92, 124; (iv) GoPro was not “on track” to reach its revenue
23 guidance due to GoPro’s limited available supply of Karma drones and HERO5 cameras as
24 explained in ¶¶71, 81, 84; (v) GoPro omitted then-known and present material risks attending
25 GoPro’s new product launches of Karma drones and HERO5 cameras as explained in ¶¶87, 148; (vi)
26 GoPro’s Karma drone suffered from an obvious design defect as explained in ¶¶67-69, 78-80, 127,
27 that caused drones to lose power mid-flight and drop from the sky; and (vii) GoPro failed to conduct
28

1 adequate quality control testing of its Karma drone's ability to fly and capture aerial footage that
2 would have detected the design defect as explained in ¶¶48-49, 67-69, 72, 78-80, 127, 137.

3 166. Until shortly before Plaintiff filed this Complaint, he was unaware of the facts alleged
4 herein and could not have reasonably discovered the alleged misrepresentations and omission by the
5 exercise of reasonable diligence.

6 **CONTROL PERSON LIABILITY**

7 167. The Individual Defendants, because of their positions with GoPro, possessed the
8 power and authority to control the contents of GoPro's reports to the SEC, press releases, and
9 presentations to securities analysts, money and portfolio managers, and institutional investors. Each
10 of the Individual Defendants had a duty to (1) promptly disseminate complete, accurate, and truthful
11 information with respect to the Company's inventory deficit and its impact on GoPro's revenues, the
12 Karma drone's design defect, the risks the Company faced, and the Company's financial statements
13 and operations; (2) correct any previously issued statements that were materially misleading or
14 untrue when made so that the market could accurately price the Company's securities based upon
15 truthful, accurate, and complete information; and (3) update any previously-issued forward-looking
16 statements that became materially misleading or untrue so that the market could accurately price the
17 Company's securities based upon truthful, accurate, and complete information. Each of the
18 Individual Defendants was provided with copies of the Company's reports and press releases alleged
19 herein to be false or misleading prior to, or shortly after, their issuance and had the ability and
20 opportunity to prevent their issuance or cause them to be corrected. Because of their positions and
21 access to material non-public information available to them, each of the Individual Defendants knew
22 that the adverse facts and omissions specified herein had not been disclosed to, and were being
23 concealed from, the public, and that the positive representations and omissions which were being
24 made were then materially false and/or misleading.

25 **THE FRAUD ON THE MARKET PRESUMPTION**

26 168. At all relevant times, the market for GoPro's common stock was an efficient market
27 for the following reasons, among others:

- 1 a. GoPro's common stock was listed and actively traded on the NASDAQ
2 (symbol GPRO), a highly efficient market;
- 3 b. As a registered and regulated issuer of securities, GoPro filed periodic
4 reports with the SEC, in addition to the frequent voluntary dissemination of
5 information;
- 6 c. GoPro regularly communicated with public investors through established
7 market communication mechanisms, including through regular dissemination of
8 press releases on the national circuits of major newswire services and through
9 other wide-ranging public disclosures such as communications with the financial
10 press and other similar reporting services;
- 11 d. The market reacted to public information disseminated by GoPro;
- 12 e. Approximately 18 analysts followed GoPro's business and wrote reports
13 which were publicly available and affected the public marketplace;
- 14 f. The material misrepresentation and omissions alleged herein would tend
15 to induce a reasonable investor to overvalue GoPro's stock; and
- 16 g. Without knowledge of the misrepresented or omitted facts, Plaintiff and
17 other members of the Class purchased GoPro common stock between the time
18 that the Defendants made the material misrepresentations and omissions the time
19 that the truth was revealed, during which time the price of GoPro common stock
20 was artificially inflated by Defendants' misrepresentations and omissions.

21 169. As a result of the above, the market for GoPro securities promptly digested current
22 information with respect to the Company from all publicly available sources and reflected such
23 information in the securities' prices. The historical daily trading prices and volumes of GoPro
24 securities are incorporated herein by reference. Under these circumstances, all those who purchased
25 GoPro common stock during the Class Period suffered similar injuries through their purchases of
26 common stock at prices which were artificially inflated by Defendants' misrepresentations and
27 omissions. Thus, a presumption of reliance applies.

1 **THE AFFILIATED UTE PRESUMPTION**

2 170. At all relevant times, Plaintiff and the Class reasonably relied upon Defendants to
3 disclose material information as required by law and in the Company’s SEC filings. Plaintiff and the
4 Class would not have purchased GoPro common stock at artificially inflated prices if Defendants
5 had disclosed all material information as required. Thus, to the extent Defendants wrongfully failed
6 to disclose material facts and information concerning the circumstances surrounding GoPro’s new
7 product production issues and Karma’s design defect, or otherwise omitted material facts and
8 information, Plaintiff and the Class are presumed to rely on Defendants’ omissions as established by
9 the Supreme Court in *Affiliated Ute Citizens v. U.S.*, 406 U.S. 128 (1972).

10 **NO STATUTORY SAFE HARBOR**

11 171. The safe harbor provisions for forward-looking statements under the Private
12 Securities Litigation Reform Act of 1995 are applicable only under certain circumstances that do not
13 apply to any of the materially false and misleading statements and omissions alleged in this
14 Complaint.

15 172. First, many of the identified false and misleading statements and omissions herein are
16 not forward-looking statements, but instead are statements of current or historic fact, or are
17 actionable in context because they omit then-existing material facts.

18 173. Second, many of the identified false and misleading statements herein were not
19 identified as forward-looking statements.

20 174. Third, to the extent there were any forward-looking statements that were identified as
21 such at the time made, there were no meaningfully cautionary statements identifying important
22 factors that could cause actual results to differ materially from those in the purportedly forward-
23 looking statements, such as, *inter alia*, the availability of products in appropriate quantities to meet
24 anticipated demand, the management of risks associated with new product production ramp-up, or
25 that failure to complete product transitions effectively or in a timely manner could result in an
26 inventory deficit. Such statements were also not accompanied by cautionary language that was
27 meaningful because any such warnings or “risk” factors contained in, or incorporated by reference in,
28

1 the relevant press release, SEC filings, earnings class, or other public statement described herein
2 were general, “boilerplate” statements of risk that would affect any consumer electronics company,
3 and misleadingly contained no factual disclosure of any of the specific details concerning the
4 GoPro’s Karma and HERO5 inventory shortage and unavailability, Karma’s design defect, or similar
5 important factors that would give investors adequate notice of such risks.

6 175. Fourth, to the extent there were any forward-looking statements, Defendants are
7 liable for those false and misleading forward-looking statements because at the time each of those
8 forward-looking statements was made, the particular speaker knew that the particular forward-
9 looking statement was false, or, by reason of what the speaker failed to note, was materially false
10 and/or misleading, and/or that each such statement was authorized and/or approved by a director
11 and/or executive officer of GoPro who actually knew that each such statement was false or
12 misleading when made.

13 CAUSES OF ACTION

14 COUNT I

15 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Against All Defendants**

16 176. Plaintiff re-alleges each allegation above as if fully set forth herein.

17 177. This Count is brought under Section 10(b) of the Exchange Act (15 U.S.C. § 78j(b)),
18 and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5), against all Defendants.

19 178. During the Class Period, Defendants violated Section 10(b) of the Exchange Act and
20 Rule 10b-5(b) promulgated thereunder by making the false and misleading statements specified
21 herein, including the statements in SEC filings, presentations, press release, conference calls, and
22 analyst reports concerning GoPro’s Karma drones’ and HERO5 cameras’ unavailability and supply,
23 GoPro’s revenue guidance, the Karma drone’s defect, and the risks faced by the Company, whose
24 truth they knowingly or recklessly disregarded when they failed to disclose material facts necessary
25 to make the statements made, in light of the circumstances under which they were made, not false or
26 misleading.

1 179. Defendants, individually and in concert, directly and indirectly, by the use, means, or
2 instrumentalities of interstate commerce and/or the mails, engaged and participated in a continuous
3 course of conduct to conceal non-public, adverse material information about GoPro's Karma drones'
4 and HERO5 cameras' unavailability and supply, GoPro's revenue guidance, the Karma drone's
5 defect, the risks faced by the Company, and the Company's operations and financial condition as
6 reflected in the misrepresentations and omissions set forth above.

7 180. Defendants each had actual knowledge of the misrepresentations and omissions of
8 material facts set forth herein, or acted with reckless disregard for the truth by failing to ascertain
9 and to disclose such facts even though such facts were available to them, or deliberately refrained
10 from taking steps necessary to discover whether the material facts were false or misleading.

11 181. As a result of Defendants' dissemination of materially false and misleading
12 information and their failure to disclose material facts, Plaintiff and the Class Members were misled
13 into believing that the Company's statements and other disclosures were true, accurate, and complete.

14 182. GoPro is liable for the acts of the Individual Defendants and other Company agents
15 and personnel referenced herein under the doctrine of *respondeat superior*, as those persons were
16 acting as the officers, directors, and/or agents of GoPro in taking the actions alleged herein.

17 183. Plaintiff and Class Members purchased GoPro common stock, without knowing that
18 Defendants had misstated or omitted material facts about the Company's operations and financial
19 performance or prospects. In so doing, Plaintiff and Class members relied directly or indirectly on
20 false and misleading statements made by Defendants, and/or an absence of material adverse
21 information that was known to Defendants or recklessly disregarded by them but not disclosed in
22 Defendants' public statements. Plaintiff and Class Members were damaged as a result of their
23 reliance on the Defendants' false and/or misleading statements and misrepresentations and omissions
24 of material facts.

25 184. At the time of each of the Defendants' false statements, misrepresentations and
26 omissions, Plaintiff and Class members were unaware of their falsity and believed them to be true.

1 Plaintiff and the Class would not otherwise have purchased GoPro common stock at the prevailing
2 prices had they known the truth about the matters discussed above.

3 185. Plaintiff is filing this action within two years after discovery of the facts constituting
4 the violation, including facts establishing scienter and other elements of Plaintiff's claims, and
5 within five years after the violations with respect to Plaintiff's investments.

6 186. By virtue of the foregoing, the Defendants have violated §10(b) of the Exchange Act
7 and Rule 10b-5 promulgated thereunder.

8 187. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the
9 Class have suffered damages in connection with their purchases or acquisitions of GoPro common
10 stock.

11 **COUNT II**

12 **For Violations of Section 20(a) of the Exchange Act Against the Individual Defendants**

13 188. Plaintiff re-alleges each allegation above as if fully set forth herein.

14 189. This Count is asserted against the Individual Defendants for violations of Section
15 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), on behalf of all members of the Class.

16 190. As set forth in Count I, GoPro committed a primary violation of Section 10(b) of the
17 Exchange Act by knowingly and/or recklessly disseminating materially false and misleading
18 statements and/or omissions throughout the Class Period concerning the GoPro's Karma drones' and
19 HERO5 cameras' unavailability and supply, GoPro's revenue guidance, the Karma drone's defect,
20 and the risks facing the Company.

21 191. Each of the Individual Defendants, by reason of their status as senior executive
22 officers and/or directors of GoPro, directly or indirectly, controlled the conduct of the Company's
23 business and its representations to Plaintiff and the Class, within the meaning of § 20(a) of the
24 Exchange Act. The Individual Defendants directly or indirectly controlled the content of the
25 Company's SEC statements and press releases related to Plaintiff's and the Class's investments in
26 GoPro common stock within the meaning of § 20(a) of the Exchange Act. Therefore, the Individual
27 Defendants are jointly and severally liable for the Company's fraud, as alleged herein.

1 Defendants' wrongdoing, in an amount to be determined at trial, including pre-judgment and post-
2 judgment interest, as allowed by law;

3 E. Awarding such other and further relief as this Court may deem just and proper.

4 **JURY TRIAL DEMAND**

5 Plaintiff hereby demands a trial by jury on all triable claims.

6 Dated: March 14, 2017

7 Respectfully submitted,

8 By: /s/ Richard W. Gonnello
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