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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

\_\_\_\_\_, Individually and On  
Behalf of All Others Similarly Situated,  
  
Plaintiff,  
  
v.  
  
PAYPAL HOLDINGS, INC., DANIEL H.  
SCHULMAN, and JOHN D. RAINEY,  
  
Defendants.

Case No.  
  
CLASS ACTION  
  
COMPLAINT FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS  
  
DEMAND FOR JURY TRIAL

Plaintiff \_\_\_\_\_ (“Plaintiff”), individually and on behalf of all others  
similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against  
Defendants, alleges the following based upon personal knowledge as to Plaintiff and  
Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*,  
the investigation conducted by and through Plaintiff’s attorneys, which included, among  
other things, a review of the Defendants’ public documents, conference calls and  
announcements made by Defendants, United States (“U.S.”) Securities and Exchange  
Commission (“SEC”) filings, wire and press releases published by and regarding PayPal  
Holdings, Inc. (“PayPal” or the “Company”), analysts’ reports and advisories about the  
Company, and information readily obtainable on the Internet. Plaintiff believes that substantial  
additional evidentiary support will exist for the allegations set forth herein 1

1 after a reasonable opportunity for discovery.

2 **NATURE OF THE ACTION**

3 1. This is a federal securities class action on behalf of a class consisting of all persons  
4 and entities other than Defendants that purchased or otherwise acquired PayPal securities between  
5 February 9, 2017 and July 28, 2021, both dates inclusive (the “Class Period”), seeking to recover  
6 damages caused by Defendants’ violations of the federal securities laws and to pursue remedies  
7 under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and  
8 Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.  
9

10 2. PayPal operates as a technology platform and digital payments company that  
11 enables digital and mobile payments on behalf of consumers and merchants worldwide. The  
12 Company’s services include, among others, PayPal Credit and certain debit card services. PayPal  
13 Credit is an open end (revolving) credit card account that provides a reusable credit line built into  
14 a consumer’s account with PayPal.  
15

16 3. In 2015, PayPal settled regulatory claims with the Consumer Financial Protection  
17 Bureau (“CFPB”) arising from certain of its business practices related to PayPal Credit between  
18 2011 and 2015. Following this incident, the Company repeatedly asserted that it was remediating  
19 issues with its PayPal Credit business practices in accordance with its 2015 settlement with the  
20 CFPB.  
21

22 4. Throughout the Class Period, Defendants made materially false and misleading  
23 statements regarding the Company’s business, operations, and compliance policies. Specifically,  
24 Defendants made false and/or misleading statements and/or failed to disclose that: (i) PayPal had  
25 deficient disclosure controls and procedures; (ii) as a result, PayPal’s business practices with  
26 respect to PayPal Credit remained non-compliant with applicable laws and/or regulations; (iii)  
27 PayPal’s practices regarding payment of interchange rates related to its debit cards were likewise  
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1 non-compliant with applicable laws and/or regulations; (iv) accordingly, PayPal's revenues  
2 derived from its PayPal Credit and debit card practices were in part the subject of improper conduct  
3 and thus unsustainable; (v) all the foregoing subjected the Company to an increased risk of  
4 regulatory investigation and enforcement; and (vi) as a result, the Company's public statements  
5 were materially false and misleading at all relevant times.

6  
7 5. On July 29, 2021, PayPal filed a quarterly report on Form 10-Q with the SEC,  
8 reporting the Company's financial and operating results for the second quarter of 2021. In its  
9 quarterly report, PayPal disclosed investigations by the SEC and the CFPB. Specifically, PayPal  
10 disclosed receipt of a Civil Investigative Demand ("CID") from the CFPB related "to the  
11 marketing and use of PayPal Credit in connection with certain merchants that provide educational  
12 services"; and that the Company has "responded to subpoenas and requests for information  
13 received from the [SEC] relating to whether the interchange rates paid to the bank that issues debit  
14 cards bearing our licensed brands were consistent with Regulation II of the Board of Governors of  
15 the Federal Reserve System, and to the reporting of marketing fees earned from the Company's  
16 branded card program."

17  
18 6. On this news, PayPal's stock price fell \$18.81 per share, or 6.23%, to close at  
19 \$283.17 per share on July 29, 2021.

20  
21 7. As a result of Defendants' wrongful acts and omissions, and the precipitous decline  
22 in the market value of the Company's securities, Plaintiff and other Class members have suffered  
23 significant losses and damages.

#### 24 **JURISDICTION AND VENUE**

25 8. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of  
26 the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the  
27 SEC (17 C.F.R. § 240.10b-5).  
28





1 added services. Transaction revenues include net fees charged to merchants and consumers on a  
2 transaction basis primarily based on the volume of activity, or Total Payments Volume, completed  
3 on the Company's Payments Platform, which itself is comprised of various services, including  
4 PayPal Credit. Revenues from other value-added services, on the other hand, include net revenues  
5 derived primarily from revenue earned through partnerships, referral fees, subscription fees,  
6 gateway fees, and other services PayPal provides to its merchants and consumers, including  
7 revenues from interest and fees earned on the Company's PayPal Credit loans receivable portfolio,  
8 and interest earned on certain assets underlying customer balances.

10 21. In May 2015, PayPal entered into a Stipulated Final Judgment and Consent Order  
11 (the "Consent Order") with the CFPB, settling regulatory claims arising from PayPal Credit  
12 practices between 2011 and 2015. The Consent Order obligated PayPal to pay \$15 million in  
13 redress to consumers and a \$10 million civil monetary penalty. The Consent Order also required  
14 PayPal to make various changes to PayPal Credit disclosures and related business practices.  
15 Following this incident, the Company repeatedly asserted that it was remediating issues with its  
16 PayPal Credit business practices in accordance with the Consent Order.

18 **Materially False and Misleading Statements Issued During the Class Period**

19 22. The Class Period begins on February 9, 2017, the day after PayPal filed an annual  
20 report on Form 10-K with the SEC, reporting the Company's financial and operating results for  
21 the quarter and year ended December 31, 2016 (the "2016 10-K"). The 2016 10-K reported  
22 transaction revenues of \$9.49 billion and revenues from other value-added services of \$1.352  
23 billion for total net revenues of \$10.842 billion for 2016.

25 23. With respect to PayPal's disclosure controls and procedures, the 2016 10-K  
26 represented that, "[b]ased on the evaluation of our disclosure controls and procedures (as defined  
27 in the Rules 13a-15(e) and 15d-15(e) under the [Exchange Act]), [the Individual Defendants] have  
28

1 concluded that as of December 31, 2016, the end of the period covered by this report, our disclosure  
2 controls and procedures were effective.”

3 24. Additionally, the 2016 10-K purported to advise investors of PayPal’s regulatory  
4 obligations and attendant risks, while simultaneously assuring investors of PayPal’s “compliant  
5 solutions” to addressing those risks. Specifically, the 2016 10-K stated, in relevant part:  
6

7 We operate globally and in a rapidly evolving regulatory environment characterized  
8 by a heightened regulatory focus on all aspects of the payments industry. That focus  
9 continues to become even more heightened as regulators on a global basis focus on  
10 such important issues as [*inter alia*] . . . consumer protection . . . . Non-compliance  
11 with laws and regulations, increased penalties and enforcement actions related to  
12 non-compliance, changes in laws and regulations or their interpretation, and the  
enactment of new laws and regulations applicable to us could have a material  
adverse impact on our business, results of operations and financial condition.  
***Therefore, we monitor these areas closely to design compliant solutions for our  
customers who depend on us.***

13 (Emphasis added.)

14 25. With specific respect to PayPal’s remediation efforts following the Company’s  
15 2015 Consent Order with the CFPB, the 2016 10-K stated, in relevant part, that “[w]e continue to  
16 cooperate and engage with the CFPB and work to ensure compliance with the Consent Order,”  
17 which “required PayPal to make various changes to PayPal Credit disclosures and related business  
18 practices.”  
19

20 26. The 2016 10-K also downplayed regulations and related issues regarding PayPal’s  
21 interchange rates, particularly as they related to U.S. debit card practices. For example, the 2016  
22 10-K advised, *inter alia*, that “in some jurisdictions, governments have required Visa and  
23 MasterCard”—companies with which the Company has strategic partnerships—“to reduce  
24 interchange fees, or have opened investigations as to whether Visa’s or MasterCard’s interchange  
25 fees and practices violate antitrust law”; that, “[i]n the U.S., the Federal Reserve Board issued a  
26 final rule capping debit card interchange fees at significantly lower rates than Visa or MasterCard  
27 previously charged”; and that “[w]e and our payment card processors have implemented specific  
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1 business processes for merchants to comply with payment card network operating rules for  
2 providing services to merchants.”

3 27. Appended as exhibits to the 2016 10-K were signed certifications pursuant to the  
4 Sarbanes-Oxley Act of 2002 (“SOX”), wherein the Individual Defendants certified that the 2016  
5 10-K “fully complies with the requirements of Section 13(a) or Section 15(d) of the [Exchange  
6 Act], as amended[,]” and that “[t]he information contained in such report fairly presents, in all  
7 material respects, the financial condition and results of operations of PayPal[.]”

8 28. On February 7, 2018, PayPal filed an annual report on Form 10-K with the SEC,  
9 reporting the Company’s financial and operating results for the quarter and year ended December  
10 31, 2017 (the “2017 10-K”). The 2017 10-K reported transaction revenues of \$11.402 billion and  
11 revenues from other value-added services of \$1.692 billion for total net revenues of \$13.094 billion  
12 for 2017.

13 29. Additionally, the 2017 10-K contained substantively the same statements as  
14 referenced in ¶¶ 23-26, *supra*, asserting the effectiveness of PayPal’s disclosure controls and  
15 procedures; purporting to advise investors on PayPal’s regulatory obligations, attendant risks, and  
16 “compliant solutions” to addressing those risks; describing PayPal’s remediation efforts following  
17 its 2015 Consent Order with the CFPB for its PayPal Credit practices; and downplaying regulations  
18 and related issues regarding PayPal’s interchange rates.

19 30. Appended as exhibits to the 2017 10-K were substantively the same SOX  
20 certifications as referenced in ¶ 27, *supra*, signed by the Individual Defendants.

21 31. On February 7, 2019, PayPal filed an annual report on Form 10-K with the SEC,  
22 reporting the Company’s financial and operating results for the quarter and year ended December  
23 31, 2018 (the “2018 10-K”). The 2018 10-K reported transaction revenues of \$13.709 billion and  
24



1 revenues from other value-added services of \$1.742 billion for total net revenues of \$15.451 billion  
2 for 2018.

3 32. Additionally, the 2018 10-K contained substantively the same statements as  
4 referenced in ¶¶ 23-26, *supra*, asserting the effectiveness of PayPal’s disclosure controls and  
5 procedures; purporting to advise investors on PayPal’s regulatory obligations, attendant risks, and  
6 “compliant solutions” to addressing those risks; describing PayPal’s remediation efforts following  
7 its 2015 Consent Order with the CFPB for its PayPal Credit practices; and downplaying regulations  
8 and related issues regarding PayPal’s interchange rates.

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10 33. Appended as exhibits to the 2018 10-K were substantively the same SOX  
11 certifications as referenced in ¶ 27, *supra*, signed by the Individual Defendants.

12 34. On February 6, 2020, PayPal filed an annual report on Form 10-K with the SEC,  
13 reporting the Company’s financial and operating results for the quarter and year ended December  
14 31, 2019 (the “2019 10-K”). The 2019 10-K reported transaction revenues of \$16.099 billion and  
15 revenues from other value-added services of \$1.673 billion for total net revenues of \$17.772 billion  
16 for 2019.

17  
18 35. Additionally, the 2019 10-K contained substantively the same statements as  
19 referenced in ¶¶ 23-26, *supra*, asserting the effectiveness of PayPal’s disclosure controls and  
20 procedures; purporting to advise investors on PayPal’s regulatory obligations, attendant risks, and  
21 “compliant solutions” to addressing those risks; describing PayPal’s remediation efforts following  
22 its 2015 Consent Order with the CFPB for its PayPal Credit practices; and downplaying regulations  
23 and related issues regarding PayPal’s interchange rates.

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25 36. Appended as exhibits to the 2019 10-K were substantively the same SOX  
26 certifications as referenced in ¶ 27, *supra*, signed by the Individual Defendants.

1           37.     On February 5, 2021, PayPal filed an annual report on Form 10-K with the SEC,  
2 reporting the Company’s financial and operating results for the quarter and year ended December  
3 31, 2020 (the “2020 10-K”). The 2020 10-K reported transaction revenues of \$19.918 billion and  
4 revenues from other value-added services of \$1.536 billion for total net revenues of \$21.454 billion  
5 for 2020.

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7           38.     Additionally, the 2020 10-K contained substantively the same statements as  
8 referenced in ¶¶ 23-24 and 26, *supra*, asserting the effectiveness of PayPal’s disclosure controls  
9 and procedures; purporting to advise investors on PayPal’s regulatory obligations, attendant risks,  
10 and “compliant solutions” to addressing those risks; and downplaying regulations and related  
11 issues regarding PayPal’s interchange rates.

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13           39.     Appended as exhibits to the 2020 10-K were substantively the same SOX  
14 certifications as referenced in ¶ 27, *supra*, signed by the Individual Defendants.

15           40.     The statements referenced in ¶¶ 22-39 were materially false and misleading because  
16 Defendants made false and/or misleading statements, as well as failed to disclose material adverse  
17 facts about the Company’s business, operations, and compliance policies. Specifically,  
18 Defendants made false and/or misleading statements and/or failed to disclose that: (i) PayPal had  
19 deficient disclosure controls and procedures; (ii) as a result, PayPal’s business practices with  
20 respect to PayPal Credit remained non-compliant with applicable laws and/or regulations; (iii)  
21 PayPal’s practices regarding payment of interchange rates related to its debit cards were likewise  
22 non-compliant with applicable laws and/or regulations; (iv) accordingly, PayPal’s revenues  
23 derived from its PayPal Credit and debit card practices were in part the subject of improper conduct  
24 and thus unsustainable; (v) all the foregoing subjected the Company to an increased risk of  
25 regulatory investigation and enforcement; and (vi) as a result, the Company’s public statements  
26 were materially false and misleading at all relevant times.  
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1 **The Truth Emerges**

2 41. On July 29, 2021, PayPal filed a quarterly report on Form 10-Q with the SEC,  
3 reporting the Company’s financial and operating results for the second quarter of 2021. That  
4 quarterly report disclosed investigations by the SEC and the CFPB into the Company’s PayPal  
5 Credit and debit card practices, stating, in relevant part:  
6

7 We have received a CID from the CFPB related to the marketing and use of PayPal  
8 Credit in connection with certain merchants that provide educational services. The  
9 CID requests the production of documents, written reports, and answers to written  
10 questions. We are cooperating with the CFPB in connection with this CID.

11 We have responded to subpoenas and requests for information received from the  
12 [SEC] Enforcement Division . . . relating to whether the interchange rates paid to  
13 the bank that issues debit cards bearing our licensed brands were consistent with  
14 Regulation II of the Board of Governors of the Federal Reserve System, and to the  
15 reporting of marketing fees earned from the Company’s branded card program. We  
16 are cooperating with the SEC in connection with this investigation.

17 42. On this news, PayPal’s stock price fell \$18.81 per share, or 6.23%, to close at  
18 \$283.17 per share on July 29, 2021.

19 43. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline  
20 in the market value of the Company’s securities, Plaintiff and other Class members have suffered  
21 significant losses and damages.

22 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

23 44. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil  
24 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise  
25 acquired PayPal securities during the Class Period (the “Class”); and were damaged upon the  
26 revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein,  
27 the officers and directors of the Company, at all relevant times, members of their immediate  
28 families and their legal representatives, heirs, successors or assigns and any entity in which  
Defendants have or had a controlling interest.

1           45.     The members of the Class are so numerous that joinder of all members is  
2 impracticable. Throughout the Class Period, PayPal securities were actively traded on the  
3 NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can  
4 be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or  
5 thousands of members in the proposed Class. Record owners and other members of the Class may  
6 be identified from records maintained by PayPal or its transfer agent and may be notified of the  
7 pendency of this action by mail, using the form of notice similar to that customarily used in  
8 securities class actions.

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

14           47.     Plaintiff will fairly and adequately protect the interests of the members of the Class  
15 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has  
16 no interests antagonistic to or in conflict with those of the Class.

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

- 21           • whether the federal securities laws were violated by Defendants' acts as alleged  
22            herein;
- 23           • whether statements made by Defendants to the investing public during the Class  
24            Period misrepresented material facts about the business, operations and  
25            management of PayPal;
- 26           • whether the Individual Defendants caused PayPal to issue false and misleading  
27            financial statements during the Class Period;
- 28           • whether Defendants acted knowingly or recklessly in issuing false and misleading  
            financial statements;

- 1           • whether the prices of PayPal securities during the Class Period were artificially  
2           inflated because of the Defendants' conduct complained of herein; and
- 3           • whether the members of the Class have sustained damages and, if so, what is the  
4           proper measure of damages.

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

10          50. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-  
11          on-the-market doctrine in that:

- 12           • Defendants made public misrepresentations or failed to disclose material facts  
13           during the Class Period;
- 14           • the omissions and misrepresentations were material;
- 15           • PayPal securities are traded in an efficient market;
- 16           • the Company's shares were liquid and traded with moderate to heavy volume  
17           during the Class Period;
- 18           • the Company traded on the NASDAQ and was covered by multiple analysts;
- 19           • the misrepresentations and omissions alleged would tend to induce a reasonable  
20           investor to misjudge the value of the Company's securities; and
- 21           • Plaintiff and members of the Class purchased, acquired and/or sold PayPal  
22           securities between the time the Defendants failed to disclose or misrepresented  
23           material facts and the time the true facts were disclosed, without knowledge of  
24           the omitted or misrepresented facts.

25          51. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a  
26          presumption of reliance upon the integrity of the market.

27          52. Alternatively, Plaintiff and the members of the Class are entitled to the presumption  
28          of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v.*

1 *United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in  
2 their Class Period statements in violation of a duty to disclose such information, as detailed above.

3  
4 **COUNT I**

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

7 53. Plaintiff repeats and re-alleges each and every allegation contained above as if fully  
8 set forth herein.

9 54. This Count is asserted against Defendants and is based upon Section 10(b) of the  
10 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

11 55. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and  
12 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,  
13 practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other  
14 members of the Class; made various untrue statements of material facts and omitted to state  
15 material facts necessary in order to make the statements made, in light of the circumstances under  
16 which they were made, not misleading; and employed devices, schemes and artifices to defraud in  
17 connection with the purchase and sale of securities. Such scheme was intended to, and, throughout  
18 the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members,  
19 as alleged herein; (ii) artificially inflate and maintain the market price of PayPal securities; and  
20 (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire PayPal  
21 securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan  
22 and course of conduct, Defendants, and each of them, took the actions set forth herein.

23 56. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the  
24 Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly  
25 and annual reports, SEC filings, press releases and other statements and documents described  
26 above, including statements made to securities analysts and the media that were designed to  
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1 influence the market for PayPal securities. Such reports, filings, releases and statements were  
2 materially false and misleading in that they failed to disclose material adverse information and  
3 misrepresented the truth about PayPal's finances and business prospects.

4 57. By virtue of their positions at PayPal, Defendants had actual knowledge of the  
5 materially false and misleading statements and material omissions alleged herein and intended  
6 thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants  
7 acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose  
8 such facts as would reveal the materially false and misleading nature of the statements made,  
9 although such facts were readily available to Defendants. Said acts and omissions of Defendants  
10 were committed willfully or with reckless disregard for the truth. In addition, each Defendant  
11 knew or recklessly disregarded that material facts were being misrepresented or omitted as  
12 described above.

13 58. Information showing that Defendants acted knowingly or with reckless disregard  
14 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers  
15 and/or directors of PayPal, the Individual Defendants had knowledge of the details of PayPal's  
16 internal affairs.

17 59. The Individual Defendants are liable both directly and indirectly for the wrongs  
18 complained of herein. Because of their positions of control and authority, the Individual  
19 Defendants were able to and did, directly or indirectly, control the content of the statements of  
20 PayPal. As officers and/or directors of a publicly-held company, the Individual Defendants had a  
21 duty to disseminate timely, accurate, and truthful information with respect to PayPal's businesses,  
22 operations, future financial condition and future prospects. As a result of the dissemination of the  
23 aforementioned false and misleading reports, releases and public statements, the market price of  
24 PayPal securities was artificially inflated throughout the Class Period. In ignorance of the adverse  
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1 facts concerning PayPal's business and financial condition which were concealed by Defendants,  
2 Plaintiff and the other members of the Class purchased or otherwise acquired PayPal securities at  
3 artificially inflated prices and relied upon the price of the securities, the integrity of the market for  
4 the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

5  
6 60. During the Class Period, PayPal securities were traded on an active and efficient  
7 market. Plaintiff and the other members of the Class, relying on the materially false and misleading  
8 statements described herein, which the Defendants made, issued or caused to be disseminated, or  
9 relying upon the integrity of the market, purchased or otherwise acquired shares of PayPal  
10 securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the  
11 other members of the Class known the truth, they would not have purchased or otherwise acquired  
12 said securities, or would not have purchased or otherwise acquired them at the inflated prices that  
13 were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true  
14 value of PayPal securities was substantially lower than the prices paid by Plaintiff and the other  
15 members of the Class. The market price of PayPal securities declined sharply upon public  
16 disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

17  
18 61. By reason of the conduct alleged herein, Defendants knowingly or recklessly,  
19 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5  
20 promulgated thereunder.

21  
22 62. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the  
23 other members of the Class suffered damages in connection with their respective purchases,  
24 acquisitions and sales of the Company's securities during the Class Period, upon the disclosure  
25 that the Company had been disseminating misrepresented financial statements to the investing  
26 public.



**COUNT II**

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

63. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

64. During the Class Period, the Individual Defendants participated in the operation and management of PayPal, and conducted and participated, directly and indirectly, in the conduct of PayPal's business affairs. Because of their senior positions, they knew the adverse non-public information about PayPal's misstatement of income and expenses and false financial statements.

65. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to PayPal's financial condition and results of operations, and to correct promptly any public statements issued by PayPal which had become materially false or misleading.

66. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which PayPal disseminated in the marketplace during the Class Period concerning PayPal's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause PayPal to engage in the wrongful acts complained of herein. The Individual Defendants, therefore, were "controlling persons" of PayPal within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of PayPal securities.

67. Each of the Individual Defendants, therefore, acted as a controlling person of PayPal. By reason of their senior management positions and/or being directors of PayPal, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, PayPal to engage in the unlawful acts and conduct complained of herein. Each of the Individual

1 Defendants exercised control over the general operations of PayPal and possessed the power to  
2 control the specific activities which comprise the primary violations about which Plaintiff and the  
3 other members of the Class complain.

4 68. By reason of the above conduct, the Individual Defendants are liable pursuant to  
5 Section 20(a) of the Exchange Act for the violations committed by PayPal.  
6

7 **PRAYER FOR RELIEF**

8 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

9 A. Determining that the instant action may be maintained as a class action under Rule  
10 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

11 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason  
12 of the acts and transactions alleged herein;

13 C. Awarding Plaintiff and the other members of the Class prejudgment and post-  
14 judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

15 D. Awarding such other and further relief as this Court may deem just and proper.  
16

17 **DEMAND FOR TRIAL BY JURY**

18 Plaintiff hereby demands a trial by jury.  
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