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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

_____, Individually and on Behalf of)
All Others Similarly Situated,)
Plaintiff,)

vs.)

CONTEXTLOGIC INC., PIOTR)
SZULCZEWSKI, RAJAT BAHRI, BRETT)
JUST, JULIE BRADLEY, ARI EMANUEL,)
JOE LONSDALE, TANZEEN SYED,)
STEPHANIE TILENIUS, HANS TUNG,)
JACQUELINE RESES, GOLDMAN SACHS)
& CO. LLC, J.P. MORGAN SECURITIES)
LLC, BofA SECURITIES, INC., CITIGROUP)
GLOBAL MARKETS INC., DEUTSCHE)
BANK SECURITIES INC., UBS)
SECURITIES LLC, RBC CAPITAL)
MARKETS, LLC, CREDIT SUISSE)
SECURITIES (USA) LLC, COWEN AND)
COMPANY, LLC, OPPENHEIMER & CO.)
INC., STIFEL, NICOLAUS & COMPANY,)
INCORPORATED, WILLIAM BLAIR &)
COMPANY, L.L.C., ACADEMY)
SECURITIES, INC., LOOP CAPITAL)
MARKETS LLC and R. SEELAUS & CO.,)
LLC,)
Defendants.)

Case No.)
CLASS ACTION)
COMPLAINT FOR VIOLATIONS OF THE)
FEDERAL SECURITIES LAWS)

DEMAND FOR JURY TRIAL

1 Plaintiff _____ (“plaintiff”), individually and on behalf of all others similarly
2 situated, by plaintiff’s undersigned counsel, alleges the following based upon personal knowledge as
3 to plaintiff and plaintiff’s own acts, and upon information and belief as to all other matters based on
4 the investigation conducted by and through plaintiff’s counsel, which included, among other things,
5 a review of U.S. Securities and Exchange Commission (“SEC”) filings by ContextLogic Inc.
6 (“ContextLogic” or the “Company”), as well as media, conference call transcripts and analyst reports
7 about the Company. Plaintiff believes that substantial additional evidentiary support will exist for
8 the allegations set forth herein after a reasonable opportunity for discovery.

9 **SUMMARY OF THE ACTION**

10 1. This is a securities class action on behalf of all purchasers of the common stock of
11 ContextLogic pursuant or traceable to the Registration Statement and Prospectus issued in
12 connection with ContextLogic’s December 16, 2020 initial public stock offering (“IPO”), seeking to
13 pursue remedies under the Securities Act of 1933 (the “1933 Act”), and open-market purchasers of
14 ContextLogic common stock between December 16, 2020 and May 12, 2021, inclusive (the “Class
15 Period”), seeking to pursue remedies under the Securities Act of 1934 (the “1934 Act”). Defendants
16 include ContextLogic, several of its current and former executives and directors, and the investment
17 banking firms that served as underwriters in the IPO.

18 2. Defendant ContextLogic is a San Francisco-based, global mobile ecommerce
19 company that operates the Wish platform that connects its value-conscious user base to merchants.
20 Founded in 2010, Wish is a global e-commerce platform that generates revenue by charging
21 merchants a commission on sales made in its marketplace. The Company also generates fees by
22 offering advertising and logistics services to its merchants. With a large range of beauty, clothing
23 and electronics products sold at wholesale prices, Wish claims to have managed to swiftly garner a
24 user base of 100 million monthly active users (“MAUs”) and 500,000 merchants. Wish targets
25 value-conscious shoppers with incomes below \$75,000 per year. Unlike wealthier shoppers, this
26 group of customers is extremely price sensitive and does not have as much affinity for convenience
27 and branding, so purportedly does not mind buying sometimes off-brand wares from sometimes
28 overseas merchants. Wish gamifies the shopping experience, using features like sweepstakes to keep

1 customers coming back. Its discovery-based shopping experience leverages user-generated content
2 like photos, videos and reviews – as well as what it professes to be “extensive data science
3 capabilities” – to engage and grow its user base.

4 3. In the Registration Statement and Prospectus used to conduct the IPO (collectively,
5 the “IPO Registration Statement”) and throughout the Class Period, defendants made materially false
6 and misleading statements about the strength of ContextLogic’s business operations and financial
7 prospects by overstating its then-present MAUs and MAU growth trends.

8 4. On December 16, 2020, ContextLogic completed its IPO in which it issued and sold
9 46 million shares of its Class A common stock at \$24 per share, raising more than \$1.1 billion in
10 proceeds. In the IPO Registration Statement, ContextLogic repeatedly claimed to have had 108
11 million MAUs as of September 30, 2020, the end of the last interim quarter prior to its IPO. It stated
12 there that it “define[d] MAUs as the number of unique users that visited the Wish platform, either on
13 [its] mobile app, mobile web, or on a desktop, during the month,” emphasizing the materiality of the
14 metric to investors by stating: “We view the number of MAUs as key driver of revenue growth as
15 well as a key indicator of user engagement and awareness of our brand.”

16 5. Yet when ContextLogic reported its fourth quarter and fiscal year 2020 financial
17 results for the period ended December 31, 2020 (“4Q20” and “FY20”) on March 8, 2021, it
18 disclosed that in reality, by the time of its December 2020 IPO, its MAUs had already “declined 10%
19 YoY during Q4 to 104 million, primarily in some emerging markets outside of Europe and North
20 America where Wish temporarily de-emphasized advertising and customer acquisition as the
21 company worked through logistics challenges it faced earlier in the year.”

22 6. On this news, the market price of ContextLogic common stock declined on March 8,
23 closing down more than 10% at \$15.94 per share on unusually high trading volume of more than 10
24 million shares trading. Yet the market price of ContextLogic common stock remained artificially
25 inflated based on the Company’s statements that day about its continued strong demand and its
26 providing first quarter 2021 (“1Q21”) sales guidance of \$735 to \$750 million, representing year-
27 over-year growth of 67% to 70%.

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1 held Class B common stock that has 20 votes per share compared to the Class A’s 1 vote per share.
2 As of April 30, 2021, the Company had approximately 505 million shares of Class A common stock
3 issued and outstanding and approximately 114 million shares of Class B common stock issued and
4 outstanding.

5 14. Defendant Piotr Szulczewski (“Szulczewski”) was, at all relevant times, the founder
6 and Chief Executive Officer (“CEO”) of ContextLogic and the Chairman of its Board of Directors
7 (the “Board”). Due to his ownership of a substantial portion of the Company’s super-voting rights
8 Class B common stock, defendants concede that “[t]he dual class structure of our common stock has
9 the effect of concentrating voting control with certain stockholders, in particular, our founder, CEO,
10 and Chairperson, Piotr Szulczewski.”

11 15. Defendant Rajat Bahri (“Bahri”) was, at all relevant times, the Chief Financial Officer
12 of ContextLogic.

13 16. Defendant Brett Just (“Just”) was, at all relevant times, the Chief Accounting Officer
14 of ContextLogic.

15 17. Defendants Julie Bradley, Ari Emanuel, Joe Lonsdale, Tanzeen Syed, Stephanie
16 Tilenius and Hans Tung were directors of ContextLogic at the time of the IPO and signed the IPO
17 Registration Statement.

18 18. Defendant Jacqueline Reses was identified as an incoming director in the IPO
19 Registration Statement and was named a member of the Board on December 18, 2020 and was made
20 Chairperson of the Board on May 12, 2021.

21 19. The defendants referenced above in ¶¶14-16 are sometimes referred to herein as the
22 “Officer Defendants.” The defendants referenced above in ¶¶14-18, each of whom signed or
23 authorized the signing of the false and misleading Registration Statement used to conduct the IPO
24 and are liable under the 1933 Act, are collectively referred to herein as the “Individual Defendants.”

25 20. Defendants Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, BofA
26 Securities, Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., UBS Securities LLC,
27 RBC Capital Markets, LLC, Credit Suisse Securities (USA) LLC, Cowen and Company, LLC,
28 Oppenheimer & Co. Inc., Stifel, Nicolaus & Company, Incorporated, William Blair & Company,

1 L.L.C., Academy Securities, Inc., Loop Capital Markets LLC and R. Seelaus & Co., LLC, each
2 investment banking firms that acted as underwriters of the IPO, helping to draft and disseminate the
3 offering documents, are collectively referred to herein as the “Underwriter Defendants.” Pursuant to
4 the 1933 Act, the Underwriter Defendants are liable for the false and misleading statements in the
5 Registration Statement as follows:

6 (a) The Underwriter Defendants are investment banking houses which specialize,
7 *inter alia*, in underwriting public offerings of securities. They served as the underwriters of the IPO
8 and shared more than \$52.4 million in fees collectively. The Underwriter Defendants determined
9 that in return for their share of the IPO proceeds, they were willing to merchandize ContextLogic
10 stock in the IPO. The Underwriter Defendants arranged a multi-city roadshow prior to the IPO
11 during which they, and the Officer Defendants, met with potential investors and presented highly
12 favorable information about the Company, its operations and its financial prospects.

14 (b) The Underwriter Defendants also demanded and obtained an agreement from
15 ContextLogic that ContextLogic would indemnify and hold the Underwriter Defendants harmless
16 from any liability under the federal securities laws. They also made certain that ContextLogic had
17 purchased millions of dollars in directors’ and officers’ liability insurance.

19 (c) Representatives of the Underwriter Defendants also assisted ContextLogic and
20 the Individual Defendants in planning the IPO, and purportedly conducted an adequate and
21 reasonable investigation into the business and operations of ContextLogic, an undertaking known as
22 a “due diligence” investigation. The due diligence investigation was required of the Underwriter
23 Defendants in order to engage in the IPO. During the course of their “due diligence,” the
24 Underwriter Defendants had continual access to confidential corporate information concerning
25 ContextLogic’s operations and financial prospects.

27 (d) In addition to availing themselves of virtually unbridled access to internal
28 corporate documents, agents of the Underwriter Defendants met with ContextLogic’s lawyers,

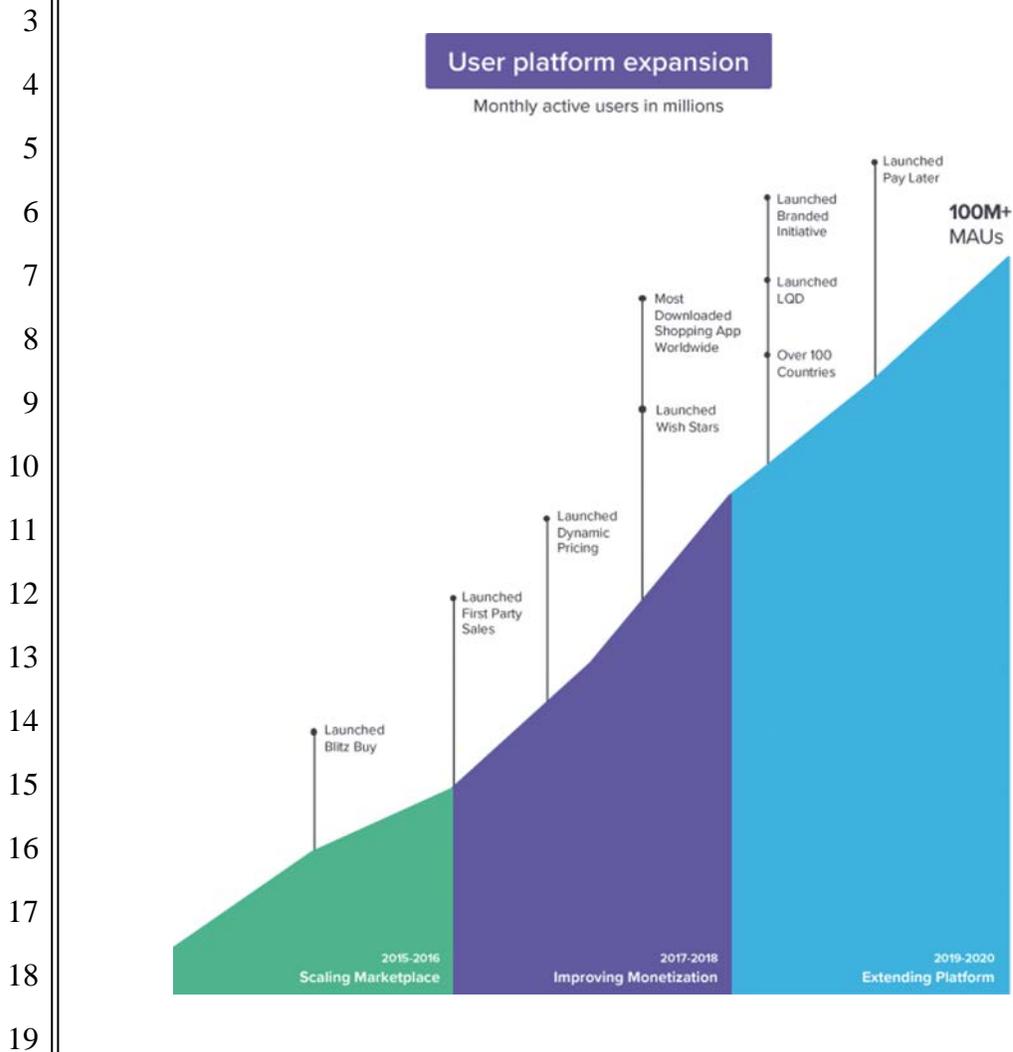
1 management, and top executives and engaged in “drafting sessions” between at least August 2020
2 and December 2020. During these sessions, understandings were reached as to: (i) the strategy to
3 best accomplish the IPO; (ii) the terms of the IPO, including the price at which ContextLogic stock
4 would be sold; (iii) the language to be used in the Registration Statement; (iv) what disclosures about
5 ContextLogic would be made in the Registration Statement; and (v) what responses would be made
6 to the SEC in connection with its review of the Registration Statement. As a result of those constant
7 contacts and communications between the Underwriter Defendants’ representatives and
8 ContextLogic management and top executives, the Underwriter Defendants were negligent in not
9 knowing of ContextLogic’s existing problems as detailed herein.

11 (e) The Underwriter Defendants caused the Registration Statement to be filed
12 with the SEC and declared effective in connection with offers and sales thereof, including to plaintiff
13 and the Class (defined herein).

15 **BACKGROUND**

16 21. Unlike Amazon, which is largely U.S.-based, the cross-border e-commerce
17 ContextLogic is attempting to provide presents logistics challenges and shortcomings in payments
18 infrastructure. For example, U.S. and European customers face significant challenges when
19 returning a product to a China-based merchant. The process is likely be long and complicated.
20 Language can also pose a challenge, despite translation tools being available. Clearly, the same
21 process is much easier where the merchant is a local seller. While ContextLogic’s customers are
22 generally willing to trade convenience for affordability, many shoppers are not. Moreover, for
23 ContextLogic to win a sizable market share in worldwide e-commerce, it will have to fight off well-
24 entrenched incumbents like Amazon, Target and Wal-Mart – and that is just in the United States.
25 These factors rendered ContextLogic’s statements about its MAU growth trends very material to
26 investors.

1 ContextLogic emphasized the importance of its MAU growth as one of its “Key Milestones,”
2 graphically highlighting that growth in the IPO Registration Statement:



20 26. The statements referenced above in ¶¶23-25 were each materially false and
21 misleading because they failed to disclose and misrepresented the following adverse facts that
22 existed at the time of the IPO:

23 (a) that ContextLogic’s 4Q20 MAUs had declined materially and were not then
24 growing; and

25 (b) that as a result of the foregoing, defendants materially overstated the
26 Company’s business metrics and financial prospects.

27 27. Pursuant to Item 303 of Regulation S-K [17 C.F.R. §229.303], and the SEC’s related
28 interpretive releases thereto, including any known trends, issuers are required to disclose events or

1 uncertainties that have had or are reasonably likely to cause the registrant's financial information not
2 to be indicative of future operating results. At the time of the IPO, ContextLogic's 4Q20 MAUs had
3 declined and the Company was no longer experiencing MAU growth. The adverse events and
4 uncertainties associated with these facts were reasonably likely to have a material impact on
5 ContextLogic's profitability, and, therefore, were required to be disclosed in the Registration
6 Statement.

7 28. The IPO was successful for the Company and the underwriters. All 46 million shares
8 of ContextLogic common stock were sold to the public at \$24 per share in the IPO, raising more than
9 \$1.1 billion in gross proceeds for ContextLogic.

10 **COUNT I**

11 **For Violation of §11 of the 1933 Act**
12 **Against All Defendants**

13 29. Plaintiff incorporates ¶¶1-28 by reference.

14 30. This Count is brought pursuant to §11 of the 1933 Act, 15 U.S.C. §77k, on behalf of
15 the Class, against all defendants.

16 31. The IPO Registration Statement was inaccurate and misleading, contained untrue
17 statements of material facts, omitted to state other facts necessary in order to make the statements
18 made not misleading, and omitted to state material facts required to be stated therein.

19 32. ContextLogic is the registrant for the IPO. The defendants named in this Count were
20 responsible for the contents and dissemination of the Registration Statement.

21 33. As issuer of the shares, ContextLogic is strictly liable to plaintiff and the Class for
22 any misstatements and omissions.

23 34. None of the defendants named in this Count made a reasonable investigation or
24 possessed reasonable grounds for the belief that the statements contained in the Registration
25 Statement were true and without omissions of any material facts and were not misleading.

26 35. By reason of the conduct herein alleged, each defendant named in this Count violated,
27 and/or controlled a person who violated, §11 of the 1933 Act.

1 36. Plaintiff acquired ContextLogic shares traceable to the Registration Statements for the
2 IPO.

3 37. Plaintiff and the Class have sustained damages. The value of ContextLogic common
4 stock has declined substantially subsequent to and due to these defendants' violations.

5 38. At the time of their purchases of ContextLogic shares, plaintiff and other members of
6 the Class were without knowledge of the facts concerning the wrongful conduct alleged herein. Less
7 than one year has elapsed from the time that plaintiff discovered or reasonably could have
8 discovered the facts upon which this Complaint is based to the time that plaintiff filed this
9 Complaint. Less than three years elapsed between the time that the securities upon which this Count
10 is brought were offered to the public and the time plaintiff filed this Complaint.

11 **COUNT II**

12 **For Violation of §15 of the 1933 Act Against ContextLogic**
13 **and the Individual Defendants**

14 39. Plaintiff incorporates ¶¶1-38 by reference.

15 40. This Count is brought pursuant to §15 of the 1933 Act against ContextLogic and the
16 Individual Defendants.

17 41. The Individual Defendants named in this Count were each control persons of
18 ContextLogic at the time of the IPO by virtue of their positions as directors and/or senior officers of
19 ContextLogic. The Individual Defendants named in this Count each had a series of direct and/or
20 indirect business and/or personal relationships with other directors and/or officers and/or major
21 shareholders of ContextLogic. ContextLogic controlled the Individual Defendants named in this
22 Count and all of ContextLogic's employees.

23 **FALSE AND MISLEADING CLASS PERIOD STATEMENTS**

24 42. The Class Period starts on December 16, 2020, the first day ContextLogic common
25 stock traded publicly. The IPO Registration Statement used to market the IPO opened characterizing
26 ContextLogic's Wish as "one of the largest and *fastest growing* global ecommerce platforms,
27 connecting more than 100 million [MAUs] in over 100 countries to over 500,000 merchants offering
28 approximately 150 million items." Describing what it characterized as one of the "key metrics" that

1 “measure[d] performance” and “identif[ied] trends affecting [its] business,” MAU growth, the IPO
2 Registration Statement emphasized that Wish’s MAUs had grown exponentially from just 21 million
3 at the end of fiscal 2015, to 30 million by the end of fiscal 2016, to 49 million by the end of fiscal
4 2017, to 73 million by the end of fiscal 2018, to 90 million by the end of fiscal 2019, and had grown
5 from 81 million at the end of September 2019 to 108 million by the end of September 2020. Indeed,
6 the IPO Registration Statement stated repeatedly that Wish had 108 million MAUs at the end of
7 September 2020.

8 43. The true facts, which were known by defendants throughout the Class Period but
9 were not disclosed to the investing public were as follows:

10 (a) that ContextLogic’s 4Q20 MAUs had declined materially and were not then
11 growing; and

12 (b) that as a result of the foregoing, defendants materially overstated the
13 Company’s business metrics and financial prospects.

14 44. When ContextLogic reported its 4Q20 and FY20 financial results for the period
15 ended December 31, 2020 on March 8, 2021, it disclosed that in reality, by the time of its December
16 2020 IPO, its MAUs had already “declined 10% YoY during Q4 to 104 million, primarily in some
17 emerging markets outside of Europe and North America where Wish temporarily de-emphasized
18 advertising and customer acquisition as the company worked through logistics challenges it faced
19 earlier in the year.”

20 45. On this news, the market price of ContextLogic common stock declined, closing
21 down on March 8 more than 10% at \$15.94 per share on unusually high trading volume of more than
22 10 million shares trading. Yet the market price of ContextLogic common stock remained artificially
23 inflated based on the Company’s statements that day about its continued strong demand and its
24 providing 1Q21 sales guidance of \$735 to \$750 million, representing year-over-year growth of 67%
25 to 70%.

26 46. Then on May 12, 2020, when ContextLogic announced 1Q21 financial results for the
27 interim period ended March 31, 2021, it disclosed that its MAUs had declined another 7% to just 101
28 million. The Company’s forward sales guidance also fell short, with its 2Q21 revenue guidance of

1 just \$715 million to \$730 million coming in significantly less than the \$759 million the market had
2 been led to expect and far less than the guidance of \$735 to \$750 million provided for 1Q21.

3 47. On this news, the market price of ContextLogic common stock declined \$3.36 per
4 share, or 29%, to close at \$8.11 per share on May 13, 2021, on even more unusually high trading
5 volume of more than 42 million shares trading, or more than 7 times the average daily volume over
6 the preceding 10 trading days.

7 **APPLICATION OF PRESUMPTION OF RELIANCE:**
8 **FRAUD ON THE MARKET**

9 48. Plaintiff and the Class are entitled to a presumption of reliance under *Affiliated Ute*
10 *Citizens v. United States*, 406 U.S. 128 (1972), because the claims asserted herein against defendants
11 are predicated in large part upon omissions of material fact for which there was a duty to disclose.

12 49. Plaintiff will also rely upon the presumption of reliance established by the fraud on
13 the market doctrine in that, among other things:

14 (a) defendants made public misrepresentations or failed to disclose material facts
15 during the Class Period;

16 (b) the omissions and misrepresentations were material;

17 (c) ContextLogic common stock traded in an efficient market;

18 (d) the misrepresentations alleged would tend to induce a reasonable investor to
19 misjudge the value of ContextLogic common stock; and

20 (e) plaintiff and other members of the Class purchased ContextLogic common
21 stock between the time defendants misrepresented or failed to disclose material facts and the time the
22 true facts were disclosed, without knowledge of the misrepresented or omitted facts.

23 50. At all relevant times, the market for ContextLogic common stock was efficient for the
24 following reasons, among others:

25 (a) as a regulated issuer, ContextLogic filed periodic public reports with the SEC;
26 and

27 (b) ContextLogic regularly communicated with public investors via established
28 market communication mechanisms, including through the regular dissemination of press releases on

1 major news wire services and through other wide-ranging public disclosures, such as
2 communications with the financial press, securities analysts, and other similar reporting services.

3 **LOSS CAUSATION/ECONOMIC LOSS**

4 51. During the Class Period, as detailed herein, defendants made false and misleading
5 statements and engaged in a scheme to deceive the market and a course of conduct that artificially
6 inflated the price of ContextLogic common stock and operated as a fraud or deceit on Class Period
7 purchasers of ContextLogic common stock. As defendants' misrepresentations and fraudulent
8 conduct became apparent to the market, the price of ContextLogic common stock fell precipitously,
9 as the prior artificial inflation came out of the price of the stock. As a result of their purchases of
10 ContextLogic common stock during the Class Period, plaintiff and other members of the Class
11 suffered economic loss, *i.e.*, damages, under the federal securities laws.

12 **COUNT III**

13 **For Violation of §10(b) of the 1934 Act and Rule 10b-5**
14 **Against ContextLogic and the Officer Defendants**

15 52. Plaintiff incorporates ¶¶1-51 by reference.

16 53. During the Class Period, ContextLogic and the Officer Defendants disseminated or
17 approved the false statements specified above, which they knew or deliberately disregarded were
18 misleading in that they contained misrepresentations and failed to disclose material facts necessary
19 in order to make the statements made, in light of the circumstances under which they were made, not
20 misleading.

21 54. The defendants named in this Count violated §10(b) of the 1934 Act and Rule 10b-5
22 in that they: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of
23 material facts or omitted to state material facts necessary in order to make the statements made, in
24 light of the circumstances under which they were made, not misleading; or (c) engaged in acts,
25 practices, and a course of business that operated as a fraud or deceit upon plaintiff and others
26 similarly situated in connection with their purchases of ContextLogic common stock during the
27 Class Period.

1 can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds of
2 members in the proposed Class. Record owners and other members of the Class may be identified
3 from records maintained by ContextLogic or its transfer agent and may be notified of the pendency
4 of this action by mail, using the form of notice similar to that customarily used in securities class
5 actions.

6 61. Plaintiff's claims are typical of the claims of the members of the Class as all members
7 of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is
8 complained of herein.

9 62. Plaintiff will fairly and adequately protect the interests of the members of the Class
10 and has retained counsel competent and experienced in class and securities litigation.

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

14 (c) whether defendants violated the 1933 Act and the 1934 Act;

15 (d) whether statements made by defendants to the investing public omitted and/or
16 misrepresented material facts about the business and operations of ContextLogic;

17 (e) whether – as to the 1934 Act claims *only* – defendants knew or deliberately
18 disregarded that their statements were false and misleading;

19 (f) whether – as to the 1934 Act claims *only* – the price of ContextLogic common
20 stock was artificially inflated; and

21 (g) to what extent the members of the Class have sustained damages and the
22 proper measure of damages.
23

24 64. A class action is superior to all other available methods for the fair and efficient
25 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
26 damages suffered by individual Class members may be relatively small, the expense and burden of
27

1 individual litigation make it impossible for members of the Class to individually redress the wrongs
2 done to them. There will be no difficulty in the management of this action as a class action.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, plaintiff prays for relief and judgment as follows:

5 A. Determining that this action is a proper class action, designating plaintiff as Lead
6 Plaintiff and certifying plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil
7 Procedure and plaintiff's counsel as Lead Counsel;

8 B. Awarding compensatory damages in favor of plaintiff and the other Class members
9 against all defendants, jointly and severally, for all damages sustained as a result of defendants'
10 wrongdoing, in an amount to be proven at trial, including interest thereon;

11 C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this
12 action, including counsel fees and expert fees; and

13 D. Awarding such equitable/injunctive or other relief as deemed appropriate by the
14 Court.

15 **JURY DEMAND**

16 Plaintiff demands a trial by jury.
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