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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

KARI LATHE, Individually and on
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

MATTEL, INC., CHRISTOPHER A.
SINCLAIR, RICHARD L. DICKSON,
KEVIN M. FARR and JOSEPH B.
JOHNSON,

Defendants

Case No.

**CLASS ACTION COMPLAINT
FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff Kari Lathe (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), 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,

1 which included, among other things, a review of the Defendants' public documents,
2 conference calls and announcements made by Defendants, United States Securities and
3 Exchange Commission ("SEC") filings, wire and press releases published by and
4 regarding Mattel, Inc. ("Mattel" or the "Company"), analysts' reports and advisories
5 about the Company, and information readily obtainable on the Internet. Plaintiff believes
6 that substantial evidentiary support will exist for the allegations set forth herein after a
7 reasonable opportunity for discovery.
8

9 10 **NATURE OF THE ACTION**

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12 1. This is a federal securities class action on behalf of a class consisting of all
13 persons other than Defendants who purchased or otherwise acquired common shares of
14 Mattel between October 20, 2016 and April 20, 2017, both dates inclusive (the "Class
15 Period"). Plaintiff seeks to recover compensable damages caused by Defendants'
16 violations of the federal securities laws and to pursue remedies under Sections 10(b) and
17 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5
18 promulgated thereunder.
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21 2. Mattel, Inc. designs, manufactures, and markets a broad variety of children's
22 toy products on a worldwide basis. The Company sells its products to retailers and
23 directly to consumers. Mattel's products include branded fashion dolls, infant and
24 preschool products, toy cars, and electrical vehicles.
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1 3. Founded in 1945, the Company is headquartered in El Segundo, California.
2 Mattel's stock trades on the NASDAQ under the ticker symbol "MAT."

3 4. Throughout the Class Period, Defendants made materially false and
4 misleading statements regarding the Company's business, operational and compliance
5 policies. Specifically, Defendants made false and/or misleading statements and/or failed
6 to disclose that: (i) prior to and during the Class Period, Mattel's retail customers were
7 loaded with extremely high levels of unsold Mattel product; (ii) as a result of Mattel's
8 unusually high levels of unsold inventory at its retailers, Mattel was exposed to the
9 heightened risk that it would have to issue its retailers financial concessions (in the form
10 of sales adjustments, discounts and promotions) to remove such excess inventory, as
11 well as the heightened risk that Mattel would experience slower sales growth in future
12 periods; and (iii) as a result of the foregoing, Mattel's public statements were materially
13 false and misleading at all relevant times.
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19 5. On April 20, 2017, post-market, Mattel issued a press release announcing
20 its Q1 2017 financial results for the period ending March 31, 2017.

21 6. For the quarter, the Company reported that, on a year-over-year basis,
22 worldwide net sales and gross margins each declined by more than 15%, and its
23 operating loss increased by more than 158% to \$127.0 million from \$49.1 million.
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26 7. Mattel's Q1 2017 results took securities analysts by surprise and were
27 significantly below Wall Street consensus estimates. In fact, Mattel's 15% net sales
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1 decline during the quarter was twice the 7.8% decline expected by Wall Street analysts
2 and its reported Q1 2017 gross margins were 520 basis points less than expected Wall
3 Street consensus estimates. Moreover, Mattel's revenue decline during Q1 2017 was
4 well above the "mid to high single digit[]" decline propounded by defendant Farr at
5 Mattel's Toy Fair on February 17, 2017, when Q1 2017 was more than half complete.
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7
8 8. Mattel's newly appointed CEO, Margaret H. Georgiadis, commented on the
9 Q1 2017 results, stating, in pertinent part, as follows:

10 *"Our Q1 results were below our expectations due to the retail*
11 *inventory overhang coming out of the holiday period,* but we remain
12 encouraged by strong performance at retail for our key core brands,
13 including Barbie, Hot Wheels and Fisher-Price as well as sustained
14 momentum in high-growth markets like China We are confident
15 we have worked through the majority of this overhang and look
16 forward to a strong launch of Disney's Cars 3 theatrical release in the
17 second quarter. While we have a lot of work to do to successfully
18 position Mattel for the future, we see a clear runway to improving
19 growth and profitability over time."
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21 (Emphasis added.)

22 9. After the issuance of the Q1 2017 earnings release, Mattel held a conference
23 call with securities analysts and investors. During the conference call, defendant Farr
24 stated, in pertinent part, that "[w]hat we didn't expect was *the prolonged impact from*
25 *the retail inventory overhang and the resulting slower pace of reorders by retailers,*
26 *with sales in North America and Europe particularly impacted.*" (Emphasis added.)
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28 10. Upon these revelations, the price of Mattel stock fell nearly 14%, or \$3.42
per share, on heavy trading volume to close at \$21.79 per share on April 21, 2017.

1 11. As a result of Defendants' wrongful acts and omissions, and the precipitous
2 decline in the market value of the Company's common shares, Plaintiff and other Class
3 members have suffered significant losses and damages.
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5 **JURISDICTION AND VENUE**

6 12. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of
7 the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated
8 thereunder by the SEC (17 C.F.R. §240.10b-5).
9

10 13. This Court has jurisdiction over the subject matter of this action under 28
11 U.S.C. §1331 and §27 of the Exchange Act.
12

13 14. Venue is proper in this Judicial District pursuant to §27 of the Exchange
14 Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b). Mattel's principal executive offices are
15 located within this Judicial District.
16

17 15. In connection with the acts, conduct and other wrongs alleged in this
18 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of
19 interstate commerce, including but not limited to, the United States mail, interstate
20 telephone communications and the facilities of the national securities exchange.
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23 **PARTIES**

24 16. Plaintiff, as set forth in the accompanying Certification, purchased common
25 shares of Mattel at artificially inflated prices during the Class Period and was damaged
26 upon the revelation of the alleged corrective disclosure.
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1 17. Defendant Mattel is incorporated in Delaware. The Company's offices are
2 located at 333 Continental Boulevard, El Segundo, California 90245. Mattel's shares
3 trade on the NASDAQ under the ticker symbol "MAT."

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5 18. Defendant Christopher A. Sinclair ("Sinclair") was the Company's Chief
6 Executive Officer ("CEO") and Chairman of its Board of Directors until February 8,
7 2017, when defendant Sinclair resigned from his position as Mattel's CEO and became
8 Executive Chairman of the Company's Board of Directors.

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10 19. Defendant Richard L. Dickson ("Dickson") has served all relevant times as
11 the Company's President and Chief Operating Officer.

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13 20. Defendant Kevin M. Farr ("Farr") has served at all relevant times as the
14 Company's Chief Financial Officer.

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16 21. Defendant Joseph B. Johnson ("Johnson") has served at all relevant times as
17 the Company's Senior Vice President and Corporate Controller.

18
19 22. The defendants referenced above in ¶¶ 18-21 are sometimes referred to
20 herein collectively as the "Individual Defendants."

21
22 23. Because of the Individual Defendants' positions with the Company, they
23 had access to the adverse undisclosed information about the Company's business,
24 operations, operational trends, financial statements, markets and present and future
25 business prospects via access to internal corporate documents (including the Company's
26 operating plans, budgets and forecasts and reports of actual operations compared
27

1 thereto), conversations and connections with other corporate officers and employees,
2 attendance at management and Board of Directors meetings and committees thereof, and
3 via reports and other information provided to them in connection therewith.
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5 24. Each of the defendants is liable as a participant in a fraudulent scheme and
6 course of business that operated as a fraud or deceit on purchasers of Mattel securities by
7 disseminating materially false and misleading statements and/or concealing material
8 adverse facts. The scheme: (i) deceived the investing public regarding Mattel's business,
9 operations, management and the intrinsic value of Mattel securities; and (ii) caused
10 plaintiff and other members of the Class to purchase Mattel securities at artificially
11 inflated prices.
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14 **SUBSTANTIVE ALLEGATIONS**

15 **Background**

16 25. Mattel designs, manufactures, and markets a range of toy products
17 worldwide. Mattel's portfolio of brands and products (referred to collectively herein as
18 "products") are currently grouped by the Company into the following four major brand
19 categories:
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23 *Mattel Girls & Boys Brands* – including Barbie® fashion dolls and
24 accessories ("Barbie"), Monster High®, Ever After High®, Polly
25 Pocket®, and DC Super Hero Girls™ (collectively "Other Girls"), Hot
26 Wheels® and Matchbox® vehicles and play sets (collectively
"Wheels"), and CARS®, DC Comics®, WWE® Wrestling,
Minecraft®, Max Steel®, BOOMco.®, Toy Story®, and games and
puzzles (collectively "Entertainment").

27 *Fisher-Price Brands* – including Fisher-Price®, Little People®,
28 BabyGear™, Laugh & Learn®, and Imaginext® (collectively "Core

1 Fisher-Price”), Thomas & Friends®, Dora the Explorer®, Mickey
2 Mouse® Clubhouse, and Disney Jake and the Never Land Pirates®
(collectively “Fisher-Price Friends”), and Power Wheels®.

3 *American Girl Brands* – including Truly Me®, Girl of the Year®,
4 BeForever®, Bitty Baby®, and WellieWishers™. American Girl®
5 Brands products are sold directly to consumers via its catalog, website,
6 and proprietary retail stores, as well as sold directly to certain retailers.

7 *Construction and Arts & Crafts Brands* – including MEGA BLOKS®
8 and RoseArt®.

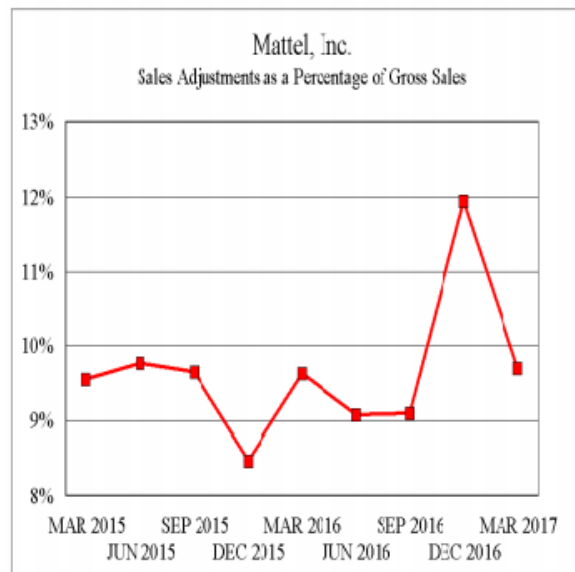
9 26. The majority of Mattel’s products are sold to a relatively small retail
10 customer base, with direct sales to retailers in the United States and Canada accounting
11 for approximately one-half of Mattel’s gross revenue. During the fiscal year ended
12 December 31, 2016, Mattel’s three largest customers, Wal-Mart Stores, Inc., Toys “R”
13 Us, Inc. and Target Corporation, collectively accounted for approximately 39% of its net
14 revenue, and its ten largest customers accounted for approximately 49% of its total net
15 sales. In addition, the Company’s business is highly seasonal in nature, with the majority
16 of its retail sales occurring during the September through December timeframe.

17 27. In the years just prior to the Class Period, Mattel underperformed its peers.
18 As an illustration, during 2013, Mattel generated an operating profit margin of 18%, or
19 300 basis points better than its closest peer, Hasbro, Inc. (“Hasbro”). Just two years later,
20 however, Mattel’s 2015 operating profit margin declined by nearly 50% to 9.5%. This
21 decline in the Company’s operating profit margin largely resulted from deteriorating
22 sales and gross margins, as well as higher promotional spending levels, as Mattel’s
23 products failed to resonate with consumers.
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1 28. Defendants Sinclair and Dickson took control of the Company's
2 management in the spring of 2015 and embarked on an effort to turn the Company's
3 business around.
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5 29. As detailed herein, at the start of the Class Period, Mattel announced its
6 financial results for the quarter ended September 30, 2016 ("Q3 2016"). For Q3 2016,
7 Mattel reported gross sales of \$1.98 billion, in line with the prior-year period, and
8 operating income of \$317.4 million, approximately 6% better than the comparable prior-
9 year period.
10

11 30. Unbeknownst to investors, Mattel's favorable Q3 2016 results were the
12 result of the Company's loading up its retail customers with excess product in advance
13 of the 2016 holiday selling season. Thereafter, during the 2016 fourth quarter ("Q4
14 2016"), Mattel was forced to issue large amounts of so-called "sales adjustments,"
15 including trade discounts and other allowances, and boost promotional spending to help
16 retailers clear bloated levels of Mattel inventory. These sales adjustments had a material
17 adverse effect on the Company's operating results during Q4 2016. Indeed, the
18 magnitude of the sales adjustments issued by Mattel during Q4 2016 is illustrated in the
19 following chart:
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31. When defendants announced the Company's 2016 year-end results, they disclosed that Mattel's year-over-year worldwide net sales (gross sales after sales adjustments) for Q4 2016 *declined by 8%*, its gross margins *declined by 14%* and its operating income *declined by 11%* due to extraordinary sales adjustments and promotional costs incurred by the Company during Q4 2016 to help clear the known, but undisclosed, massive pre-existing build-up of Mattel inventory in its retail channel. Indeed, at the end of the Class Period, Steven Totzke, Mattel's Executive Vice President and Chief Commercial Officer, publicly stated that he receives "live feedback" on the state of Mattel's inventory level, thereby acknowledging that defendants knew of the level of Mattel's products in the retail channel prior to and during the Class Period.

32. On January 25, 2017, when Mattel announced its Q4 2016 and year-end results, defendants, as detailed herein, disclosed adverse facts associated with the

1 Company's inventory and the price of Mattel stock fell approximately 18%, or \$5.57 per
2 share, on heavy trading volume to close at \$25.99 per share.

3 33. Defendants, however, continued to mislead the market by downplaying the
4 significance of the amount of retail inventory existing at the end of Q4 2016. Defendants
5 misleadingly characterized the remaining retail inventory at the end of Q4 2016 as being
6 "moderately," i.e., not extremely or excessively, elevated, and told investors that such
7 inventory was within in "a manageable range." Indeed, defendant Sinclair told investors
8 that Mattel had just a "little bit of inventory in some pockets" to work through.
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11 34. After the market closed on April 20, 2017, Mattel announced its operating
12 results for the 2017 fiscal first quarter, the period ended March 31, 2017 ("Q1 2017").
13 The Q1 2017 results were significantly less than Wall Street securities analysts'
14 consensus estimates due to a "retail inventory overhang coming out of the holiday
15 period." In fact, Mattel's newly appointed CEO, Margaret Georgiadis ("Georgiadis"),
16 who succeeded defendant Sinclair, noted that retail inventory levels during Q1 2017
17 were such that they had a "prolonged impact" on customer reorders.
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21 35. In response to these revelations, the price of Mattel stock fell approximately
22 **14%**, or \$3.42 per share, on heavy trading volume to close at \$21.79 per share on April
23 21, 2017.
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25 36. Indeed, at the beginning of the Class Period, securities analysts tried to
26 gauge the extent to which Mattel's retail channel was supplied with inventory by
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1 questioning defendants about product shipments to retailers and retailer point-of-sale
2 (“POS”) data, as a comparison of these metrics would help investors discern whether
3 Mattel inventory in its retail channel was increasing, decreasing or remaining constant.
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5 37. In response to such inquires, defendants falsely represented that Mattel’s
6 shipments to retailers and retailer POS data were balanced, or “aligned,” which created
7 the illusion that Mattel’s inventory in the retail channel was not increasing.
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9 38. In truth, however, retailers were bloated with Mattel’s products, as
10 shipments of the Company’s goods to retailers far exceeded retailer POS data. Unable to
11 gauge the extent to which retailers were supplied with inventory, investors could not
12 discern the true risk that Mattel would have to issue its customers sales adjustments or
13 other financial concessions to help them clear bloated inventory levels, or the extent to
14 which such inventory levels would adversely affect the Company’s future sales growth.
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17 **Materially False and Misleading Statements Issued During the Class Period**
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19 39. The Class Period begins on October 20, 2016, a day after Mattel issued a
20 press release entitled “Matter Reports Third Quarter 2016 Financial Results and Declares
21 Quarterly Dividend,” announcing the Company’s financial and operating results for the
22 quarter ended September 30, 2016 (the “Q3 2016 10-Q”). For the quarter, Mattel
23 reported that its worldwide net sales were up 2% year- over-year, on a constant currency
24 basis, and its operating income had increased 5.5% over the comparable prior-year
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1 period. Defendant Sinclair commented on Mattel’s Q3 2016 financial results and Q4
2 2016 outlook, stating, in pertinent part, as follows:

3 “In the third quarter, *we continued to make solid progress against*
4 *our strategic priorities*, and we are pleased with our momentum as we
5 head into the holiday season Our core brands continue to show
6 improved strength and vibrancy, contributing to very encouraging and
7 broad-based top-line momentum. And we continued to manage costs
8 effectively, while making important investments in brand building,
commercial excellence and emerging market expansion. Overall, our
strategies are generating good progress on many fronts, and while we
still have a critical fourth quarter to execute, *we remain broadly on*
track to deliver on our full-year outlook.”

9 (Emphasis added.)

10 40. On the same day, Mattel held a conference call with analysts and investors
11 to discuss Mattel’s Q3 2016 operating results. During the conference call, defendant
12 Sinclair suggested normal inventory levels existed in the Company’s retail channel,
13 announcing that “consumer takeaway [was] aligning nicely with shipping,” and stated, in
14 pertinent part, as follows:
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17 So let me begin by saying that in the quarter, we continued to make
18 some very good progress across all of our strategic priorities. *We were*
19 *especially encouraged by the momentum of our top line where our*
20 *positive consumer takeaway [sales] is aligning nicely with [Mattel’s]*
21 *shipping*. This increases our confidence as we get set for the holiday
season and as we look to deliver on our challenging 2016 topline
objectives.

22 (Emphasis added.)

23 41. During the conference call, defendant Dickson then reinforced the notion
24 that inventory in the retail channel was at ordinary levels by stating that Mattel’s gross
25 sales, i.e., customer product shipments, were “aligned” with retail POS data, stating, in
26 pertinent part, as follows:
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1 As you know, *POS is the true barometer of a brand's success*
2 with shipping ultimately aligning to it over time. And our turnaround
3 efforts focusing on consumer demand creation and better global
4 commercial alignment are clearly gaining traction.

5 Excluding the impact of Disney Princess, global POS continues to
6 be up mid-single digits for the quarter and year to date with solid
7 results across the majority of our brands. *And gross sales, excluding
8 Disney Princess, are aligned to POS* with sales in constant currency
9 up low double digits for the quarter and up high-single digits year to
10 date.

11 (Emphasis added.)

12 42. Similarly, during the conference call, defendant Farr stated that product
13 shipping during Q3 2016 was “better aligned” with positive retail POS, helping to
14 position the Company to execute and deliver its financial objectives during Q4 2016,
15 stating, in pertinent part, as follows:

16 Thank you, Richard, and good afternoon, everyone. Overall, our third-
17 quarter results met expectations with *shipping better aligned with
18 positive POS*, which positions us well to execute the fourth quarter and
19 deliver our challenging top-line objectives for the year. We continue to
20 focus on managing the P&L, leveraging sales and POS momentum,
21 and cost savings initiatives to help offset continued ForEx headwinds
22 and short-term mix challenges.

23 (Emphasis added.)

24 43. Concerning Mattel’s outlook, defendant Farr stated that “we don’t see any
25 significant changes to our full-year 2016 outlook,” noting, in pertinent part, as follows:

26 Looking ahead as Chris said, as we enter the fourth quarter, *we
27 don’t see any significant changes to our full-year 2016 outlook*. We
28 have a lot of work to do to execute the fourth quarter and our focus
remains on delivering operating profit by balancing our top-line and
managing the middle of the P&L. As expected, the unfavorable impact
of ForEx did lessen in the third quarter, which we believe will
continue.

And given our third-quarter results, our revenue outlook has not
changed. We’ve gained confidence with our results to date and believe
we are well positioned to meet our challenging 2016 revenue objective
of relatively flat net sales in constant currency.

1 At the same time, *we will work hard to achieve a full-year gross*
2 *margin of about 48.5%*. This continues to be an important area of
3 focus as we still face ForEx and mix headwinds but we do expect to be
4 in the range of this target. *It means that we need to achieve a fourth-*
5 *quarter gross margin rate around 51%, which is a challenge, but*
6 *well within the ranges we have achieved in the past. The sequential*
7 *improvement in gross margin is supported by incremental volume,*
8 *improved mix from stronger trends in our girls properties* with
9 American Girl, Barbie, and DC Superhero Girls, a smaller Disney
10 Princess impact, and by incremental flow-through from our supply
11 chain and other cost savings initiatives.

12 (Emphasis added.)

13 44. During the conference call's Q&A session, defendant Farr reiterated
14 defendants' confidence in Mattel's ability to achieve its 2016 gross margin objective of
15 48.5%. The following exchange, in pertinent part, transpired:

16 [Felicia Hendrix – Barclays Capital – Analyst:] Okay, thank you.
17 *So just sticking on the topic of gross margins*, and Kevin, you kind of
18 gave color and we could have backed into what you need to be for the
19 fourth quarter and you kind of highlighted that it's challenging. But
20 just given all of the inputs, the puts and takes to get to that number *for*
21 *the fourth quarter* taking into consideration there's challenging [sic], I
22 was just wondering how comfortable are you with your full-year gross
23 margin outlook, like what could go wrong[?].

24 [Defendant Farr:] Yes, I think with regard to we don't control
25 things like ForEx [sic], and there's a lot of moving pieces like mix but
26 when we look at it *we feel pretty confident with regard to the 48.5%*
27 *target*, and we're working hard to achieve that and it's difficult to
28 predict but we are working on a lot of the moving pieces including
ForEx, mix, and incremental revenues, and we also expect to improve
mix from our girls properties, American Girl, Barbie, and Disney or
DC Superheroes. There is going to be a smaller impact from Disney
Princess, and then we do see incremental flow through from our
supply chain and other cost savings initiatives.

(Emphasis added.)

45. On October 27, 2016, Mattel filed with the SEC its Form 10-Q for the
quarter ended September 30, 2016 (the "Q3 Form 10-Q"), which was signed by
defendant Johnson. The Q3 Form 10-Q falsely represented that "[t]here have been no

1 material changes to the risk factors disclosed under Part I, Item 1A ‘Risk Factors’ in
2 Mattel’s 2015 Annual Report on Form 10-K.” This representation was materially false
3 and misleading as the Q3 Form 10-Q failed to disclose the heightened financial risk
4 associated with bloated retailer inventory levels, including the risk that Mattel may have
5 to incur incremental costs to clear such inventory and the extent to which such inventory
6 levels would adversely impact Mattel’s future sales growth.
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9 46. In the Q3 Form 10-Q, the Company stated, in relevant part:

10 As of September 30, 2016, Mattel’s disclosure controls and
11 procedures were evaluated, with the participation of Mattel’s principal
12 executive officer and principal financial officer, to assess whether they
13 are effective in providing reasonable assurance that information
14 required to be disclosed by Mattel in the reports that it files or submits
15 under the Securities Exchange Act of 1934 is accumulated and
16 communicated to management, including its principal executive
17 officer and principal financial officer, as appropriate, to allow timely
18 decisions regarding required disclosure and to provide reasonable
19 assurance that such information is recorded, processed, summarized,
20 and reported within the time periods specified in Securities and
21 Exchange Commission rules and forms. The scope of Mattel’s
22 assessment of the effectiveness of its disclosure controls and
23 procedures does not include any disclosure controls and procedures of
24 Fuhu or Sproutling, which were acquired in January 2016, that are also
25 part of Fuhu and Sproutling’s internal controls over financial
26 reporting. This exclusion is in accordance with the SEC’s general
27 guidance that a recently acquired business may be omitted from the
28 scope of the assessment in the year of acquisition. Based on this
evaluation, Christopher A. Sinclair, Mattel’s principal executive
officer, and Kevin M. Farr, Mattel’s principal financial officer,
concluded that these disclosure controls and procedures were effective
as of September 30, 2016.

23 47. The Q3 Form 10-Q contained signed certifications pursuant to the
24 Sarbanes-Oxley Act of 2002 (“SOX”) by Defendants Sinclair and Farr, stating that the
25 financial information contained in the Q3 Form 10-Q was accurate and disclosed any
26 material changes to the Company’s internal control over financial reporting.
27
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1 48. On November 3, 2016, defendants held Mattel’s 2016 Analyst Day with
2 investors and securities analysts (“Analyst Day”). During the Analyst Day, defendant
3 Sinclair expressed confidence in the Company’s ability to drive “sustainable profitable
4 growth,” in part, due to its improving and growing shipping performance and retailer
5 POS, stating, in pertinent part, as follows:
6

7 ***[T]oday’s Mattel is confident, aligned and focused on driving***
8 ***sustainable profitable growth*** and on building value for our
9 shareholders.

10 From our efforts to transform this company, ***a new foundation has***
11 ***been set.*** And I think it’s fair to say that ***Mattel’s strategy*** to reenergize
12 its creative culture and to align its global commercial organization
around refocused brand management and revitalized strategic
partnerships ***is working. And it’s showing up in our results.***

13 ***Our POS and shipping are significantly improved and growing.***
14 Our core brands are building strength. Our Toy Box is accelerating led
15 by a vibrant slate of entertainment properties. We’re increasing our
space, merchandising and support with many of our key retail and
online customers.

16 We’re also driving excellent growth in big emerging markets like
17 China and Russia. And we’ve significantly improved our cost
structure.

18 And finally, we’re effectively managing our P&L and balance
19 sheet as we reinvest in growth, compensate for significant headwinds
20 and foreign exchange [and] the loss of Disney Princess and support our
dividend. Because of this momentum and of the foundation that we’re
21 building, ***I can say with a degree of confidence that we’re poised for***
much more improved growth and a better outlook in ‘17 and beyond.

22 ***Over the balance of this morning, I hope that we can impart***
23 ***some of that same sense of confidence in all of you.***

24 (Emphasis added.)

25 49. Defendant Sinclair later highlighted the power of Mattel’s brand portfolio to
26 offset any revenue lost from the 2015 expiration of the Company’s global rights to
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1 produce and sell toys based on Disney Princess® characters, stating, in pertinent part, as
2 follows:

3 Consider the fact that despite the loss of Disney Princess, *we're*
4 *clearly on track to fully offset that shortfall by the end of this year.*
5 To put that in perspective, that's essentially like creating a top 10 toy
6 company in just one year's time. A true testament to the power and
7 diversity of our brand portfolio and of our ability to execute effectively
8 as a company.

7 (Emphasis added.)

8 50. In addition, defendant Dickson stated that Mattel's relationships with its
9 retail partners were creating "great in-store executions," as validated by "positive and
10 improving POS results," stating, in pertinent part, as follows:

12 We have made significant strides in our relationships with our retail
13 partners, which are not only resulting in increased shelf space but also
14 allowing us to create great in-store executions.

15 *Our positive and improving POS results are proof that this is*
16 *working. And we're taking in-store execution to a whole other level*
17 *with our new American Girl shop within a shop here at Toys "R" Us*
18 *and we'll look to use that model to build the bigger presence with our*
19 *other brands in the near future.*

18 (Emphasis added.)

19 51. Defendant Farr also made materially false and misleading statements about
20 the Company's operations. First, defendant Farr stated that, based, in part, on "strategic
21 pricing" and other initiatives, Mattel was on track to deliver an approximate 48.5% gross
22 margin for 2016, stating, in pertinent part, as follows:

24 And as expected, gross margin was down in the third quarter
25 primarily due to currency and mix, but these headwinds are being
26 partially offset by significant cost savings, and while we expect foreign
27 exchange to continue to lessen in the fourth quarter as it did in the
28 third and mix to improve slightly.

1 ***In the fourth quarter, we continue to rely on strategic pricing,***
2 ***cost savings and supply chain initiatives to partially offset the impact***
3 ***of forex and mix. Despite these headwinds, we remain on track to***
4 ***deliver a gross margin of about 48.5% for the full year.***

5 (Emphasis added.)

6 52. Defendant Farr then stated defendants expected to see improvements in the
7 Company's 2017 gross margins, as Mattel "grow[s] significantly in 2017," stating, in
8 pertinent part, as follows:

9 However, we do plan on seeing year-over-year improvement in
10 gross margin percentages despite potential challenges with mix.

11 We expect gross margins to improve in 2017 versus 2016 due to
12 improved scale relative to our fixed supply chain cost base as we grow
13 significantly in 2017, a stronger performance by our girls portfolio
14 driven by Barbie, American Girl, and DC Superhero Girls, and
15 improving margin structure for MEGA, as we invest in manufacturing
16 and gain scale. And the opportunity to strategically price our portfolio
17 particularly in international markets where currencies have weakened
18 significantly over the past couple of years.

19 53. In addition, defendant Farr stressed that efficiencies in sales adjustments,
20 i.e., trade discounts and other allowances, inventory management and advertising
21 spending would improve operating margins, stating, in pertinent part, as follows:

22 Turning to our P&L levers to improve operating margins for 2017,
23 we should continue to be efficient in our sales adjustments, which we
24 are targeting to be in our historical range of 9% to 9.5%. With growing
25 revenues, we'll be building out a better retail fulfillment strategy to
26 optimize retail inventory positions and our owned inventory positions.

27 Better demand planning and sourcing systems would help ensure
28 that the right inventory is in the right place at the right time, which
29 should improve the efficiency of our sales adjustments. And we expect
30 foreign exchange to be less of a headwind in 2017, but our path to get
31 back to gross margins of around 50% will likely extend beyond 2017.

32 ***

33 ***Like sales adjustments, we should continue to be efficient in our***
34 ***advertising*** and look to target spending on the lower end of our
35 historical range of 11% to 13%.

1 As I mentioned, we have a very strong entertainment lineup in
2 2017 so we'll not need to spend as much on advertising those licenses
3 compared to our owned I.P.

4 (Emphasis added.)

5 54. During the Analyst Day Q&A session, defendant Dickson issued positive
6 statements about Q4 2016 and retail POS data for the Company's all important Barbie
7 brand, stating, in pertinent part, as follows:

8 [Unidentified Audience Member:] Can you comment on Barbie
9 POS trends in the fourth quarter so far?

10 [Defendant Dickson:] Well, *so far so good. We've been quite*
11 *pleased with Barbie's trend throughout the year* for those tracking
12 along which is a good group to say that to. . . . [T]he U.S. started out, I
13 think, with a lot more momentum than the rest of the world as we
14 indicated the rest of the world was catching up to all the marketing
15 plans and some of the rollouts of the specific new refreshed product
16 and as we've seen the rest of the world get traction overall, *now we're*
17 *really quite pleased with Barbie's POS performance.*

18 We are heading into what was, last year, a very good POS here for
19 Barbie and so we are lapping and planning to lap a pretty aggressive
20 POS season. That being said, as you see and feel, *we've got*
21 *momentum behind the brand.* We've got renewed purpose around
22 how we market the brand and how we speak to the brand, not only to
23 consumers, but we've got retailer confidence, we've got increased
24 shelf space.

25 We've implemented, if you will, media strategies surgically around
26 the balance between traditional TV and digital.

27 (Emphasis added.)

28 55. On January 25, 2017, Mattel issued a press release announcing its Q4 2016
and year-end financial results for the period ending December 31, 2016.

56. For Q4 2016, the Company reported that, on a year-over-basis, worldwide
net sales *declined by 8%* to \$1.83 billion, gross margins *declined by 14%* to 47.0% and
operating income *declined by 11%* to \$262.6 million. (Emphasis added.)

1 57. Later that day, Mattel held a conference call with analysts and investors
2 (“Q4 conference call”) to discuss Mattel’s Q4 2016 and year-end financial results.
3 During the Q4 conference call, defendant Sinclair stated that Mattel’s gross margins
4 were “significantly impacted by elevated sales adjustments and by heavier discounting,”
5 which, in turn, had adversely impacted the cash generated by Mattel’s operations.
6 Defendants also acknowledged that high levels of sales adjustments and discounting
7 were necessary to liquidate excess inventory in the retail channel.
8

9
10 58. In response to these revelations, the price of Mattel stock fell approximately
11 18%, or \$5.57 per share, on heavy trading volume to close at \$25.99 per share on
12 January 26, 2017.
13

14
15 59. Defendants, however, continued to mislead investors. First, defendant
16 Sinclair misleadingly attributed the Company’s worse than expected Q4 2016 operating
17 performance to “industry-wide challenges,” including a significant slowdown in the U.S.
18 toy category for the holiday period, stating in the press release, in pertinent part, as
19 follows:
20

21 “Our results were negatively impacted by a number of
22 industrywide challenges, including a significant U.S. toy category
23 slowdown in the holiday period, and increased forex headwinds
24 And while our sales at retail remained strong, the slowdown triggered
25 elevated retail promotional activity and decreased shipping, all of
26 which had a significant impact on our gross margin.” . . .

27 “Even against this difficult backdrop, our core brands continued to
28 show solid growth, and our performance in key emerging markets like
China was equally strong. And, importantly, we offset a substantial
revenue gap from the loss of the Disney Princess license. Looking
forward, we remain broadly optimistic about Mattel’s performance in
2017 and beyond. Our core brands are strong and growing, we have a

1 solid lineup of entertainment properties in the pipeline, and we are
 2 forging valuable relationships with key retail partners throughout the
 3 world.”

4 60. As illustrated in the following chart, however, defendant Sinclair’s
 5 “industry-wide” pretext for Mattel’s Q4 2016 performance is belied by the 2016 fourth
 6 quarter financial results reported by Hasbro, Mattel’s closest peer:

Mattel Inc. and Hasbro Inc.		
Reported Key Financial Metrics		
2016 Fourth Quarter		
	Mattel	Hasbro
Net Sales	-8.27%	11.23%
Gross Profit	-14.16%	8.13%
Operating Income	-10.71%	-1.35%

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 13 61. Significantly, defendants continued to mislead the market by downplaying
 14 the continuing risks associated with Mattel’s existing retail inventory levels at the end of
 15 Q4 2016.

16
 17 62. On the Q4 conference call, defendants characterized retail inventory levels
 18 as being “moderately,” i.e., not extremely or excessively, elevated, and explained that
 19 such inventory was within “a manageable range.”

20
 21 63. During the Q&A session, defendants were questioned about the financial
 22 impact of the lingering excess inventory on Mattel’s operating performance in the short
 23 run, which defendants Sinclair and Farr misleadingly downplayed, stating that the
 24 inventory levels were at a “balancing point” and that excess inventory would be
 25 “quickly” eliminated. The following exchange, in pertinent part, transpired:
 26
 27
 28

1 [Greg Badishkanian – Citi – Analyst:] So, do you think you’ll end
2 Q1 with normalized inventory levels? And then, how much do you
3 think the accelerated sales adjustments in Q1, how much will that
4 impact Q1, if at all? And if you think that will continue into second
5 quarter, assuming you have too high inventories entering into the
6 second quarter? So, when will this kind of discontinue, in terms of the
7 promotions, discounts, et cetera?

8 [Defendant Sinclair:] Greg, I think *I would expect we’d be in*
9 *pretty decent shape on inventory as we get through the first quarter,*
10 *and it’s really in pockets. So, this is not a horrendous issue at this*
11 *point.*

12 But as far as the allowances and discounting, I think we expect that
13 to kind of be back to normalized levels at this point. And remember, a
14 lot of that is actually being used not for pure discounting; it was to
15 help accelerate some shipments. And so, I think that’s sort of reached
16 sort of a balance point with the major retailers. And I’d say most of
17 them are fairly comfortable with where they’re at right now, and the
18 exit POS certainly helped everybody.

19 [Defendant Farr:] And I’d just like to add on. Sales were below
20 expectations, but our owned inventory is of good quality. We’ve got
21 mostly good brand POS momentum exiting the year. *And we’ll work*
22 *through the extra inventory quickly*, and I don’t think we have to
23 discount it.

24 (Emphasis added.)

25 64. Defendant Farr noted further that “the moderately high level of year-end
26 retail inventories will likely reduce our revenues in the first quarter and have less than a
27 2% impact for the full year of 2017.” When a securities analyst sought additional
28 clarification on this comment, defendant Sinclair deceptively stated, in pertinent part,
29 that “we do have to work off a little bit of inventory in some pockets”:

30 [Tim Conder – Wells Fargo Securities – Analyst:] Just to follow on
31 a little bit on the prior question here. I think you had said previously
32 regarding 2017 top line outlook – and granted, Chris, what you just
33 said, that the base bar has been lowered here – but I think previously
34 you had said somewhere up between mid- and high-single digits. And
35 then, Kevin, in your comment you said you see 2017 being impacted
36 less than 2% for a full year.

1 So, was that reference point up mid- to high-single digits for year-
2 over-year growth and now you're saying that range comes off less than
3 2%? Is that the proper way we should hear what you're saying?

4 [Defendant Sinclair:] I think that's probably a fair way to look at it,
5 Tim. We're still confident that we're somewhere in the mid to the up-
6 middle range of growth. ***But we do have to work off a little bit of
7 inventory in some pockets.*** That's probably more of a first quarter
8 issue, but obviously it affects full year.

9 (Emphasis added.)

10 65. On January 30, 2017, Moody's put Mattel's credit on review for downgrade
11 citing discounting at retail that contributed to narrowed profit margins and lower cash
12 flow.

13 66. On February 17, 2017, Mattel held its Toy Fair conference call with
14 securities analysts and investors. During the conference call, defendant Farr falsely and
15 misleadingly stated that "[w]e expect first quarter revenues to be done [sic] [down] mid
16 to high single digits as a result of the elevated retail inventory at year-end 2016," and
17 that first quarter gross margin would also be down "moderately" due to the foreign
18 exchange headwinds and some targeted inventory cleanup.

19 67. Also during the Toy Fair presentation, Steven Totzke, Mattel's Executive
20 Vice President and Chief Commercial Officer, represented to investors that he receives
21 "live feedback" on the state of Mattel's inventory, stating, in pertinent part, "I get a lot of
22 ***live feedback*** on the state of our space, and our product placement and ***our inventory***
23 ***levels.***"

24 68. On February 21, 2017, Mattel held the Q&A session of the Toy Fair
25 conference call with securities analysts and investors. During the conference call,
26
27
28

1 defendant Sinclair acknowledged that Mattel loaded up the retail channel in advance of
2 Q4 2016 based upon “a pretty positive set of plans” for the quarter and later engaged in
3 “discounting to support shipping and tried to move product off of retail,” stating, in
4 pertinent part as follows:
5

6 Let me begin by sort of once again saying that, clearly, we had a
7 difficult fourth quarter and we are disappointed with the results, which
8 we found to be more difficult than anticipated. Essentially, *what we
9 had done is we had built a pretty positive set of plans for the fourth
quarter based on the assumption that we would maintain the strong
momentum we had in POS leading into the fourth quarter.*

10 ***

11 *We obviously got into discounting to support shipping and tried
12 to move product off of retail.* At the same time that that was occurring,
13 we faced another fairly big headwind, which was some of our
14 international currencies. Particularly, the euro and the Mexican peso
15 deteriorated fairly significant starting in November after the US
election. So we kind of faced a perfect storm, if you will. We had two
things coming together. And obviously, the fourth quarter was not
what we anticipated.

16 But I said again on Friday, look, we own the results. We think we
17 made the right decisions at the time to try to get our shipments in and
18 try to get product moving at retail. But clearly, it cost us financially.
So net, not where we expected to be or wanted to be in the quarter.

19 (Emphasis added.)

20 69. Then, in response to an analyst’s question on the state of the Company’s
21 business in Europe, defendant Sinclair falsely and misleadingly represented that in
22 Europe, Mattel was “in reasonably good shape” and “fairly healthy in terms of
23 inventory.” The following exchange, in pertinent part, transpired:
24

25 [Linda Bolton Weiser - B. Riley & Co. – Analyst:] Thank you. So
26 when you reported the fourth-quarter results, there was a lot of
27 discussion around the significant increase in sales adjustments in North
28 America. But when you really look at the results, the adjustment in
North America was only about 2%, but it was actually quite a bit
larger in Europe and Latin America. So, *could you give us a little bit*

1 *of state of the union kind of on those regional markets* and how you
2 ended the year and also, on a longer-term basis, where you think the
opportunities are and how you are competitively in those markets?

3 [Defendant Sinclair:] I'll take a shot at that one, Linda. Your
4 assessments are completely accurate. The issues started here in North
5 America with a slowdown, and that's where we sort of first responded.
But it was almost simultaneous. We saw the same trends in Europe,
and even Latin America showed some softening as well as Australia.

6 I'd say we were probably better positioned here in the US, frankly,
7 as we got into trying to get product into the stores and discounting,
8 than we were in Europe. Europe, because Disney Princess was a much
9 bigger factor, frankly, we probably had less in our arsenal (technical
10 difficulty) work with. So I think we scrambled across the board. It was
11 a combination of Europe, North America, and parts of Latin America
12 where the sales get elevated discounting.

13 *On balance, though, I think we came out in Europe in*
14 *reasonably good shape. Our trends were good. Our business there is*
15 *fairly healthy in terms of inventory.*

16 (Emphasis added.)

17 70. On February 23, 2017, Mattel filed with the SEC its Form 10-K for the year
18 ended December 31, 2016 (the "Form 10-K"), which was signed by defendants Sinclair,
19 Farr and Johnson. The Form 10-K contained false and misleading disclosures regarding
20 risk factors and disclosure control procedures, as well as defendant Farr's certification
21 thereon.

22 71. The statements referenced in ¶¶ 39-54, 59, 61-64, 69 and 70 were materially
23 false and misleading because defendants made false and/or misleading statements, as
24 well as failed to disclose material adverse facts about the Company's business,
25 operational and compliance policies. Specifically, defendants made false and/or
26 misleading statements and/or failed to disclose that: (i) prior to and during the Class
27 Period, Mattel's retail customers were loaded with extremely high levels of unsold
28

1 Mattel product; (ii) as a result of Mattel's unusually high levels of unsold inventory at its
2 retailers, Mattel was exposed to the heightened risk that it would have to issue its
3 retailers financial concessions (in the form of sales adjustments, discounts and
4 promotions) to remove such excess inventory, as well as the heightened risk that Mattel
5 would experience slower sales growth in future periods; and (iii) as a result of the
6 foregoing, Mattel's public statements were materially false and misleading at all relevant
7 times.
8
9

10 The Truth Emerges

11
12 72. On April 20, 2017, post-market, Mattel issued a press release announcing
13 its Q1 2017 financial results, the period ending March 31, 2017.

14
15 73. For the quarter, the Company reported that, on a year-over-year basis,
16 worldwide net sales and gross margins each declined by more than 15%, and its
17 operating loss increased by more than 158% to \$127.0 million from \$49.1 million.

18
19 74. Mattel's Q1 2017 results took securities analysts by surprise and were
20 significantly below Wall Street consensus estimates. In fact, Mattel's 15% net sales
21 decline during the quarter was twice the 7.8% decline expected by Wall Street analysts
22 and its reported Q1 2017 gross margins were 520 basis points less than expected Wall
23 Street consensus estimates. Moreover, Mattel's revenue decline during Q1 2017 was
24 well above the "mid to high single digit[]" decline propounded by defendant Farr at
25 Mattel's Toy Fair on February 17, 2017, when Q1 2017 was more than half complete.
26
27
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1 75. Mattel’s newly appointed CEO, Georgiadis, commented on the Q1 2017
2 results, stating, in pertinent part, as follows:

3 *“Our Q1 results were below our expectations due to the retail*
4 *inventory overhang coming out of the holiday period*, but we remain
5 encouraged by strong performance at retail for our key core brands,
6 including Barbie, Hot Wheels and Fisher-Price as well as sustained
7 momentum in high-growth markets like China We are confident
8 we have worked through the majority of this overhang and look
9 forward to a strong launch of Disney’s Cars 3 theatrical release in the
10 second quarter. While we have a lot of work to do to successfully
11 position Mattel for the future, we see a clear runway to improving
12 growth and profitability over time.”

13 (Emphasis added.)

14 76. After the issuance of the Q1 2017 earnings release, Mattel held a conference
15 call with securities analysts and investors. During the conference call, defendant Farr
16 stated, in pertinent part, that “[w]hat we didn’t expect was *the prolonged impact from*
17 *the retail inventory overhang and the resulting slower pace of reorders by retailers,*
18 *with sales in North America and Europe particularly impacted.*” (Emphasis added.)

19 77. Upon these revelations, the price of Mattel stock fell nearly 14%, or \$3.42
20 per share, on heavy trading volume to close at \$21.79 per share on April 21, 2017.

21 78. As a result of Defendants’ wrongful acts and omissions, and the precipitous
22 decline in the market value of the Company’s common shares, Plaintiff and other Class
23 members have suffered significant losses and damages.

24 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

25 79. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
26 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or
27
28

1 otherwise acquired Mattel common shares traded on the NASDAQ during the Class
2 Period (the “Class”); and were damaged upon the revelation of the alleged corrective
3 disclosures. Excluded from the Class are Defendants herein, the officers and directors of
4 the Company, at all relevant times, members of their immediate families and their legal
5 representatives, heirs, successors or assigns and any entity in which Defendants have or
6 had a controlling interest.
7

8
9 80. The members of the Class are so numerous that joinder of all members is
10 impracticable. Throughout the Class Period, Mattel common shares were actively traded
11 on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at
12 this time and can be ascertained only through appropriate discovery, Plaintiff believes
13 that there are hundreds or thousands of members in the proposed Class. Record owners
14 and other members of the Class may be identified from records maintained by Mattel or
15 its transfer agent and may be notified of the pendency of this action by mail, using the
16 form of notice similar to that customarily used in securities class actions.
17
18

19
20 81. Plaintiff’s claims are typical of the claims of the members of the Class as all
21 members of the Class are similarly affected by Defendants’ wrongful conduct in
22 violation of federal law that is complained of herein.
23

24 82. Plaintiff will fairly and adequately protect the interests of the members of
25 the Class and has retained counsel competent and experienced in class and securities
26 litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.
27
28

1 83. 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.

3 Among the questions of law and fact common to the Class are:
4

- 5 • whether the federal securities laws were violated by Defendants' acts
6 as alleged herein;
- 7 • whether statements made by Defendants to the investing public
8 during the Class Period misrepresented material facts about the
9 financial condition, business, operations, and management of Mattel;
- 10 • whether Defendants caused Mattel to issue false and misleading
11 financial statements during the Class Period;
- 12 • whether Defendants acted knowingly or recklessly in issuing false
13 and misleading financial statements;
- 14 • whether the prices of Mattel securities during the Class Period were
15 artificially inflated because of Defendants' conduct complained of
16 herein; and
- 17 • whether the members of the Class have sustained damages and, if so,
18 what is the proper measure of damages.

19 84. A class action is superior to all other available methods for the fair and
20 efficient adjudication of this controversy since joinder of all members is impracticable.
21 Furthermore, as the damages suffered by individual Class members may be relatively
22 small, the expense and burden of individual litigation make it impossible for members of
23 the Class to individually redress the wrongs done to them. There will be no difficulty in
24 the management of this action as a class action.
25
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1 85. Plaintiff will rely, in part, upon the presumption of reliance established by
2 the fraud-on-the-market doctrine in that:

- 3 • Defendants made public misrepresentations or failed to disclose
4 material facts during the Class Period;
- 5 • the omissions and misrepresentations were material;
- 6 • Mattel common shares are traded in efficient markets;
- 7 • the Company's shares were liquid and traded with moderate to heavy
8 volume during the Class Period;
- 9 • the Company traded on the NASDAQ, and was covered by multiple
10 analysts;
- 11 • the misrepresentations and omissions alleged would tend to induce a
12 reasonable investor to misjudge the value of the Company's common
13 shares; and
- 14 • Plaintiff and members of the Class purchased and/or sold Mattel
15 common shares between the time the Defendants failed to disclose or
16 misrepresented material facts and the time the true facts were
17 disclosed, without knowledge of the omitted or misrepresented facts.
18

19 86. Based upon the foregoing, Plaintiff and the members of the Class are
20 entitled to a presumption of reliance upon the integrity of the market.
21

22 87. Alternatively, Plaintiff and the members of the Class are entitled to the
23 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*
24 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants
25 omitted material information in their Class Period statements in violation of a duty to
26 disclose such information, as detailed above.
27
28

COUNT I

**Violation of Section 10(b) of The Exchange Act and Rule 10b-5
Against All Defendants**

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4 88. Plaintiff repeats and realleges each and every allegation contained above as
5 if fully set forth herein.
6

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

11 90. During the Class Period, Mattel and the Individual Defendants, individually
12 and in concert, directly or indirectly, disseminated or approved the false statements
13 specified above, which they knew or deliberately disregarded were misleading in that
14 they contained misrepresentations and failed to disclose material facts necessary in order
15 to make the statements made, in light of the circumstances under which they were made,
16 not misleading.
17
18

19 91. Mattel and the Individual Defendants violated §10(b) of the 1934 Act and
20 Rule 10b-5 in that they:
21

- 22 • employed devices, schemes and artifices to defraud;
- 23 • made untrue statements of material facts or omitted to state material
24 facts necessary in order to make the statements made, in light of the
25 circumstances under which they were made, not misleading; or
- 26 • engaged in acts, practices and a course of business that operated as a
27 fraud or deceit upon plaintiff and others similarly situated in
28 connection with their purchases of Mattel common shares during the
Class Period.

1 92. Mattel and the Individual Defendants acted with scienter in that they knew
2 that the public documents and statements issued or disseminated in the name of Mattel
3 were materially false and misleading; knew that such statements or documents would be
4 issued or disseminated to the investing public; and knowingly and substantially
5 participated, or acquiesced in the issuance or dissemination of such statements or
6 documents as primary violations of the securities laws. These Defendants by virtue of
7 their receipt of information reflecting the true facts of Mattel, their control over, and/or
8 receipt and/or modification of Mattel allegedly materially misleading statements, and/or
9 their associations with the Company which made them privy to confidential proprietary
10 information concerning Mattel, participated in the fraudulent scheme alleged herein.
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14 93. Individual Defendants, who are the senior officers and/or directors of the
15 Company, had actual knowledge of the material omissions and/or the falsity of the
16 material statements set forth above, and intended to deceive Plaintiff and the other
17 members of the Class, or, in the alternative, acted with reckless disregard for the truth
18 when they failed to ascertain and disclose the true facts in the statements made by them
19 or other Mattel personnel to members of the investing public, including Plaintiff and the
20 Class.
21
22
23

24 94. As a result of the foregoing, the market price of Mattel common shares was
25 artificially inflated during the Class Period. In ignorance of the falsity of Mattel's and
26 the Individual Defendants' statements, Plaintiff and the other members of the Class
27
28

1 relied on the statements described above and/or the integrity of the market price of
2 Mattel common shares during the Class Period in purchasing Mattel common shares at
3 prices that were artificially inflated as a result of Mattel's and the Individual Defendants'
4 false and misleading statements.
5

6 95. Had Plaintiff and the other members of the Class been aware that the market
7 price of Mattel common shares had been artificially and falsely inflated by Mattel's and
8 the Individual Defendants' misleading statements and by the material adverse
9 information which Mattel's and the Individual Defendants did not disclose, they would
10 not have purchased Mattel's common shares at the artificially inflated prices that they
11 did, or at all.
12
13

14 96. As a result of the wrongful conduct alleged herein, Plaintiff and other
15 members of the Class have suffered damages in an amount to be established at trial.
16

17 97. By reason of the foregoing, Mattel and the Individual Defendants have
18 violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are
19 liable to the plaintiff and the other members of the Class for substantial damages which
20 they suffered in connection with their purchase of Mattel common shares during the
21 Class Period.
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COUNT II

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

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4 98. Plaintiff repeats and realleges each and every allegation contained in the
5 foregoing paragraphs as if fully set forth herein.
6

7 99. During the Class Period, the Individual Defendants participated in the
8 operation and management of Mattel, and conducted and participated, directly and
9 indirectly, in the conduct of Mattel's business affairs. Because of their senior positions,
10 they knew the adverse non-public information regarding the Company's inadequate
11 internal safeguards in data security protocols.
12
13

14 100. As officers and/or directors of a publicly owned company, the Individual
15 Defendants had a duty to disseminate accurate and truthful information with respect to
16 Mattel's financial condition and results of operations, and to correct promptly any public
17 statements issued by Mattel which had become materially false or misleading.
18

19 101. Because of their positions of control and authority as senior officers, the
20 Individual Defendants were able to, and did, control the contents of the various reports,
21 press releases and public filings which Mattel disseminated in the marketplace during the
22 Class Period. Throughout the Class Period, the Individual Defendants exercised their
23 power and authority to cause Mattel to engage in the wrongful acts complained of herein.
24
25 The Individual Defendants therefore, were "controlling persons" of Mattel within the
26 meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the
27
28

1 unlawful conduct alleged which artificially inflated the market price of Mattel common
2 shares.

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

6 **PRAYER FOR RELIEF**

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

9 A. Determining that the instant action may be maintained as a class action
10 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
11 Class representative;
12

13 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class
14 by reason of the acts and transactions alleged herein;
15

16 C. Awarding Plaintiff and the other members of the Class prejudgment and
17 post- judgment interest, as well as their reasonable attorneys' fees, expert fees and other
18 costs; and
19

20 D. Awarding such other and further relief as this Court may deem just and
21 proper.
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DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: July 6, 2017

Respectfully submitted,

POMERANTZ LLP

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