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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 COUNTY OF SAN FRANCISCO

12 In re KING DIGITAL ENTERTAINMENT plc)  
13 SHAREHOLDER LITIGATION )

Lead Case No. CGC-15-544770

) CLASS ACTION

14 This Document Relates To: )

) CLASS REPRESENTATIVES' AMENDED  
) SUPPLEMENTAL SUBMISSION  
) REGARDING CLASS REPRESENTATIVES'  
16 ALL ACTIONS. ) MOTION FOR PRELIMINARY APPROVAL  
OF CLASS ACTION SETTLEMENT

17 Assigned for All Purposes to the  
18 Honorable Curtis E.A. Karnow

19 Date: Submitted Matter  
20 Time: Submitted Matter  
21 Dept: 304  
Date Action Filed: 03/17/15

ELECTRONICALLY  
**FILED**  
*Superior Court of California,  
County of San Francisco*  
**01/26/2017**  
**Clerk of the Court**  
BY:VANESSA WU  
Deputy Clerk

1 **I. INTRODUCTION**

2 In response to the Court’s November 17, 2016 Tentative Ruling on Motion for Preliminary  
3 Approval of Class Action Settlement, the Class Representatives respectfully submit this Amended  
4 Supplemental Submission addressing their position on the merits of the action and the recoverable  
5 damages available. This Amended Supplemental Submission highlights the strengths of Class  
6 Representatives’ case as well as the very real and certain risks faced if litigation continued. This  
7 submission is meant to be read in conjunction with the King Defendants’ Supplemental Submission  
8 Regarding Plaintiffs’ Motion for Preliminary Approval of Settlement (“Defendants’ Supplementary  
9 Submission”) which highlights the King Defendants’ positions on the merits of the action and the  
10 potential damages available.

11 This Litigation alleges violations of §§11 and 15 of the Securities Act of 1933 (the “Securities  
12 Act”), on behalf of a certified class of all investors who purchased King Digital Entertainment plc  
13 (“King” or the “Company”) ordinary shares from March 26, 2014 to September 22, 2014, and who sold  
14 their shares at a loss.<sup>1</sup> Class Representatives alleged that the Registration Statement and Prospectus for  
15 King’s IPO (collectively, the “Offering Documents”) contained false and misleading statements and  
16 omitted material facts concerning the mobile gaming Company’s business. Among other things, Class  
17 Representatives alleged that: (1) total bookings attributable to Candy Crush Saga (“Candy Crush”) –  
18 King’s most popular game – had dropped from 78% of the Company’s overall bookings to 67% of  
19 overall bookings, and other King games were not making up for the decrease in Candy Crush bookings;  
20 (2) the number of King’s “monthly paying users” (“MUPs”) – the key metric that investors were using  
21 to value the Company – had significantly declined; and (3) that King was engaging in unlawful  
22 practices related to deleted “lives” for the accounts of Candy Crush users of Facebook. As set forth in  
23 more detail herein, Class Representatives believe that, if this action were to proceed to summary

24 \_\_\_\_\_  
25 <sup>1</sup> Defendants in this action include King, King’s Chief Financial Officer (“CFO”) Hope Cochran,  
26 King Directors Robert S. Cohn and E. Stanton McKee, Jr., and the investment banks that served as  
27 underwriters for the IPO. The “Underwriter Defendants” are J.P.Morgan Securities LLC, Credit Suisse  
28 Securities (USA) LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc.,  
Deutsche Bank Securities Inc., RBC Capital Markets, LLC, BMO Capital Markets Corp., Cowen and  
Company, LLC, Pacific Crest Securities LLC, Piper Jaffray & Co., Stifel, Nicolaus & Company,  
Incorporated, Wedbush Securities Inc., and Raine Securities LLC.

1 judgment and trial, they would be successful establishing Defendants' liability for significant damages  
2 in this Litigation. Class Representatives and their counsel, however, were aware of the significant risks  
3 involved in continuing litigation through summary judgment motion(s), trial, and probable post-trial  
4 motion(s) and appeal(s).

5 **II. CLASS REPRESENTATIVES BELIEVE THAT THEY COULD MEET**  
6 **THEIR BURDEN TO ESTABLISH A *PRIMA FACIE* CASE OF LIABILITY**  
7 **AGAINST DEFENDANTS UNDER THE SECURITIES ACT, BUT THERE IS**  
8 **RISK THAT A JURY WOULD ACCEPT DEFENDANTS' ATTEMPTS TO**  
9 **ESTABLISH AFFIRMATIVE DEFENSES OR TO REBUT EVIDENCE OF**  
10 **MATERIALITY OR DAMAGES**

11 Class Representatives briefly summarize their position on liability and damages below.

12 **A. Summary of Class Representatives' Claims**

13 In order to establish a *prima facie* case for liability under the Securities Act, Class  
14 Representatives needed to demonstrate the existence of an untrue statement or an omitted fact required  
15 to be stated or necessary to make a statement not misleading. *See, e.g.*, 15 U.S.C. §77k(a); *In re Daou*  
16 *Sys., Inc. Sec. Litig.*, 411 F.3d 1006, 1027 (9th Cir. 2005). Class Representatives believe that King's  
17 internal documents support their allegations. In addition, Class Representatives believe that it would be  
18 difficult for a jury to accept that the Company's executives could justify the IPO price for King when  
19 just 18 months later, King was worth significantly less when Activision acquired it. In other words, it  
20 might have been difficult for a jury to accept that King was suddenly a different company than what it  
21 was represented to be, not long after the IPO. On the other hand, Class Representatives acknowledge  
22 that Defendants would assert that internal documents relied upon by Class Representatives did not  
23 demonstrate existing facts as of the IPO that made any statement misleading or false, and internal  
24 events were changing right up to the moment of the IPO. In addition, the parties had widely diverging  
25 views of damages and a battle of the experts would ensue at trial over whether Defendants could  
26 establish negative causation, *i.e.*, that the drops in King's stock price did not relate to the alleged  
27 omitted material facts.  
28

1                   **1. Class Representatives Allege that Material Facts Were Omitted**  
2                   **from the Offering Documents Concerning the Decline in Candy**  
3                   **Crush Bookings and Other Key Metrics Prior to the IPO**

4                   Class Representatives allege that Defendants knew but failed to disclose material facts  
5 concerning the decline in Candy Crush bookings prior to the IPO. Class Representatives believe that  
6 documents and evidence uncovered during discovery would support these allegations were the case to  
7 proceed to summary judgment motions and trial. Class Representatives further believe that  
8 documentary evidence also showed existing material facts concerning the Company's inability to  
9 diversify. Although Class Representatives believe internal documents at King portended they would be  
10 able to demonstrate material omissions regarding Candy Crush bookings and diversification as of the  
11 IPO, they also acknowledge that Defendants would point to healthy bookings from titles other than  
12 Candy Crush after the IPO in an attempt to show that there was reason to believe that King could  
13 diversify away from Candy Crush.

14                   Class Representative further allege, and believe that documentary evidence supports, that MUPs  
15 (the critical percentage of King's paying users) had dropped materially at the time of the IPO. Class  
16 Representatives acknowledge, however, that internal documents near-contemporaneous with the IPO  
17 refer to King's operating metrics as of February 2014, and that there would be significant controversy  
18 over the timing of King's internal figures as of the IPO, but believe that through deposition testimony  
19 they would be able to further establish the existence of the decline in MUPs was knowable or known as  
20 of the IPO. On the other hand, Defendants would assert that King's internally-reported MUPs were in  
21 flux and as of the IPO could have been increasing or not precisely known.

22                   **2. Evidence Supporting the Complaint's Deleted Lives Allegations**  
23                   **Was Mixed and These Claims Likely Would Have Been Dropped**  
24                   **at Trial**

25                   Class Representatives alleged that the Offering Documents omitted facts and made  
26 misrepresentations concerning technical issues and bugs that users experienced on King's Facebook  
27 platform. King represented that its technology provided players with the ability to move seamlessly  
28 between the Facebook platform and other platforms, and users' ability to play King games on Facebook  
represented a competitive advantage, thus allowing for increased customer engagement and retention.  
Class Representatives alleged, however, that King did not allow players to "switch seamlessly" between

1 the Facebook platform and other platforms due to ongoing technical problems of which the Company  
2 and Facebook were long aware. These facts, Class Representatives alleged, had a materially negative  
3 affect on King's ability to retain users and these technical problems were revealed when King's  
4 customers filed a class action lawsuit against King for violations of state consumer protection laws.  
5 While there was some evidentiary support showing that there were technical glitches with the Facebook  
6 platform, the evidence also showed that these glitches long pre-dated the IPO and did not have a  
7 material impact on King or its financial results. Accordingly, if this case had proceeded to trial, Class  
8 Representatives would have likely dropped the Facebook platform claims from the case and thus have  
9 not have focused on those claims for this filing.

10 **B. Trial Represented a Large Degree of Risk, Not Just Regarding Liability,**  
11 **but Also Concerning Defendants' Negative Causation Defense and**  
12 **Damages**

13 Even if the results for Class Representatives at trial were positive and they met their burden of  
14 proof and persuasion on liability, a very large variation of possibilities existed with respect to the  
15 ultimate outcome on damages. Even with the most competent experts in these fields, there could be no  
16 guarantee that the Class Representatives would prevail on liability *and* garner their maximum expected  
17 damages. As shown in Defendants' Supplemental Submission, Defendants' expert would likely present  
18 opinions designed to establish the affirmative defense of negative causation and mitigate or entirely  
19 eliminate damages. Regardless of the merits, a jury's impression of a party's expert is an unknown  
20 factor which would present a substantial risk at trial.

21 In the best case scenario for Class Representatives and the Class here, we believed that we could  
22 establish damages of approximately \$160 million. *See* Declaration of Bjorn I. Steinholt, CFA. To be  
23 clear, this assumes: Class Representatives' success in establishing liability; Class Representatives'  
24 success in submitting the complete opinions of Class Representatives' damages expert at trial; Class  
25 Representatives' absolute success in persuading the jury on the amount of damages; and, success by  
26 Class Representatives in rebutting all affirmative defenses. On the other hand, if Defendants were  
27 entirely successful in their negative causation defense, the damages would be zero. In a middle-ground  
28 scenario where Defendants are successful in their negative causation defense, but Class Representatives  
are successful in rebutting that defense as concerns the days in which King's stock responded to the first

1 revelations of negative information in May 2014, the damages, as shown by Defendants' expert in their  
2 Supplemental Submission, could be approximately \$53 million, assuming Class Representatives'  
3 success in submitting the complete opinions of Class Representatives' damages expert at trial and Class  
4 Representatives' success in persuading the jury on the amount of damages as concerns the stock drop in  
5 May 2014. Thus, the settlement result might be measured as a percentage of the maximum recoverable  
6 damages we expected (\$160 million), and it is certainly fair, reasonable and adequate on that basis  
7 alone. When viewed as a percentage of a moderate result that is not out of reason, \$53 million, it  
8 should become clear that the recovery here is exceptionally positive for the Class.

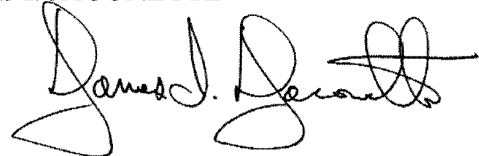
9 **III. CONCLUSION**

10 As set forth above, Class Representatives firmly believe they have a strong case as to the merits  
11 of liability and as to damages. Given the risk and cost of proceeding to summary judgment and trial,  
12 however, Class Representatives respectfully submit that the proposed settlement is in the best interests  
13 of the Class, and should be approved.

14 DATED: January 26, 2017

Respectfully submitted,

15 ROBBINS GELLER RUDMAN  
16 & DOWD LLP  
17 JAMES I. JACONETTE



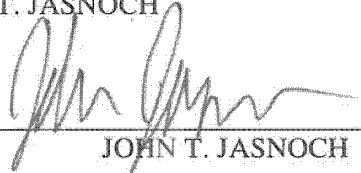
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**DECLARATION OF SERVICE BY MAIL & EMAIL**

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and a resident of the County of San Diego, over the age of 18 years, and not a party to or interested party in the within action; that declarant’s business address is 655 West Broadway, Suite 1900, San Diego, California 92101.

2. That on January 26, 2017, declarant served the CLASS REPRESENTATIVES’ AMENDED SUPPLEMENTAL SUBMISSION REGARDING CLASS REPRESENTATIVES’ MOTION FOR PRELIMINARY APPROVAL OF CLASS ACTION SETTLEMENT by depositing a true copy thereof in a United States mailbox at San Diego, California in a sealed envelope with postage thereon fully prepaid and addressed to the parties listed on the attached Service List.

3. That there is a regular communication by mail between the place of mailing and the places so addressed.

4. Also, on January 26, 2017, declarant served the CLASS REPRESENTATIVES’ AMENDED SUPPLEMENTAL SUBMISSION REGARDING CLASS REPRESENTATIVES’ MOTION FOR PRELIMINARY APPROVAL OF CLASS ACTION SETTLEMENT via electronic mail on all parties listed on the attached Service List.

I declare under penalty of perjury that the foregoing is true and correct. Executed on January 26, 2017, at San Diego, California.

  
\_\_\_\_\_  
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KING DIGITAL

Service List - 1/26/2017 (15-0032)

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