

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

WILLIAM D. WALLACE, Individually and On Behalf of All Others Similarly Situated, X  
:

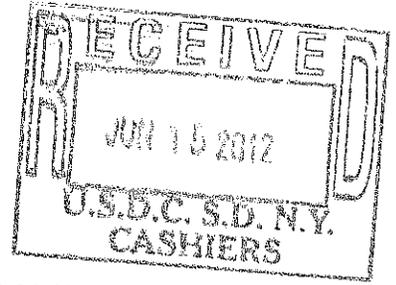
Lead Plaintiff, :

v. :

INTRALINKS HOLDINGS, INC., ANDREW DAMICO and ANTHONY PLESNER, :

Defendants. X

Civil Action No. 11-CV-8861



**CONSOLIDATED CLASS ACTION COMPLAINT**

**TABLE OF CONTENTS**

I. NATURE OF THE ACTION ..... 2

II. THE CLAIMS ASSERTED IN THIS COMPLAINT ..... 10

III. JURISDICTION AND VENUE ..... 11

IV. PARTIES ..... 11

A. THE LEAD PLAINTIFF ..... 11

B. THE EXCHANGE ACT DEFENDANTS..... 12

C. SECURITIES ACT DEFENDANTS..... 15

1. Securities Act Company Defendants ..... 15

2. Underwriter Defendants..... 17

V. CLASS ACTION ALLEGATIONS ..... 18

VI. CONFIDENTIAL WITNESSES ..... 21

VII. EXCHANGE ACT ALLEGATIONS..... 22

A. IntraLinks’ Business Model..... 22

B. IntraLinks Pushes its Corporate Business And Hires a New Executive Vice President to Lead its Sales Efforts..... 23

C. IntraLinks Redefines Its Corporate Business as Enterprise..... 25

D. The FDIC as IntraLinks’ Largest Customer ..... 27

E. IntraLinks’ Accounting System Could Not Track Enterprise Revenue..... 32

F. IntraLinks Goes Public ..... 34

G. IntraLinks Touts its Strong Business Model and Financial Position During the Class Period ..... 35

H. IntraLinks’ Secondary Offering Allows Defendants and Other Insiders to Sell Off Millions of Dollars in IntraLinks Stock ..... 39

I. IntraLinks’ Downplays the Loss of the Company’s Largest Customer..... 41

J.	The Truth About IntraLinks’ FDIC Contracts and IntraLinks’ Declining Enterprise Business Has a Profound Negative Impact On IntraLinks .....	42
K.	Defendants Disclose Growth Problems with Their Enterprise Business.....	44
L.	Post Class Period Developments .....	47
M.	False and Misleading Statements During the Class Period .....	48
1.	February 17, 2011 Form 8-K .....	48
2.	2010 Form 10-K.....	49
3.	April 4, 2011 Registration Statement.....	53
4.	May 11, 2011 Form 8-K and First Quarter 2011 Form 10-Q.....	56
5.	August 10, 2011 Form 8-K and Second Quarter 2011 Form 10-Q .....	60
N.	Materiality of IntraLinks Enterprise Business Disclosures Under SEC and Financial Accounting Standards (“FASB”) Rules .....	64
O.	The Facts Give Rise to a Strong Inference that the Exchange Act Defendants Acted with Scierter.....	65
1.	The Individual Defendants Had the Motive and Opportunity to Withhold IntraLinks’ Problems with its Enterprise Business.....	66
a.	Defendant Damico Had the Motive and Opportunity to Fraudulently Withhold the Problems of IntraLinks’ Enterprise Business .....	67
b.	Defendant Plesner Had the Motive and Opportunity to Fraudulently Withhold the Problems of IntraLinks’ Enterprise Business .....	68
c.	Insider Stock Sales by Defendant Damico and Defendant Plesner During the Class Period Were Highly Unusual in Scope and Timing, and Raise a Strong Inference They Had the Motive and Opportunity to Delay The Disclosure of the Lost FDIC Contracts and Problems with the Company’s Enterprise Business ....	68
VIII.	LOSS CAUSATION.....	70
IX.	APPLICABILITY OF PRESUMPTION OF RELIANCE FRAUD ON THE MARKET DOCTRINE.....	74
X.	NO SAFE HARBOR .....	75

XI.	EXCHANGE ACT CLAIMS .....	76
XII.	SECURITIES ACT ALLEGATIONS .....	82
A.	The Securities Act Defendants Negligently Disregarded the Fact That the FDIC Contract Was Expiring and Would Not Be Renewed.....	83
1.	IntraLinks Redefines Its Corporate Business as Enterprise .....	84
2.	The FDIC as IntraLinks’ Largest Customer .....	84
B.	IntraLinks Portrayed Its Enterprise Business as a Separate Business Segment Representing Its “Largest and Fastest Growing” Market .....	88
C.	The Truth Concerning IntraLinks Enterprise Business and FDIC Contract Expiration Slowly Leaks Into the Marketplace .....	90
D.	SEC Investigates IntraLinks .....	91
E.	False and Misleading Statements in the Secondary Offering Documents .....	93
XIII.	SECURITIES ACT CLAIMS.....	97

The allegations set forth in this Consolidated Class Action Complaint (the “Complaint”) are based on the investigation undertaken by Lead Counsel on behalf of the Plumbers and Pipefitters National Pension Fund (“Lead Plaintiff”). Lead Plaintiff hereby brings this Complaint for violation of the federal securities laws against IntraLinks Holdings, Inc. (“IntraLinks” or the “Company”), J. Andrew Damico (“Damico”), the Company’s Chief Executive Officer (“CEO”), President and director during the relevant Class Period; Anthony Plesner (“Plesner”), the Company’s Chief Financial Officer (“CFO”) and Chief Administrative Officer (“CAO”) during the relevant Class Period; the nine individual signatories to the Company’s April 6, 2011 Secondary Offering (the “Secondary Offering”) and the six investment banks that served as underwriters for the Secondary Offering. Lead Plaintiff’s allegations against Defendants are based on personal knowledge as to their own acts and on information and belief as to all other matters, such information and belief having been informed by the investigation conducted by and under the supervision of their counsel, which included, among other things: (i) review and analysis of IntraLinks’ public filings with the U.S. Securities and Exchange Commission (“SEC”); (ii) review and analysis of industry and IntraLinks analyst reports and other publicly-available materials concerning IntraLinks’ business practices and revenue recognition policies; (iii) review and analysis of other publicly-available information concerning IntraLinks; and (iv) a Freedom of Information Act request submitted to the Federal Deposit Insurance Corporation (“FDIC”) concerning their contracts with IntraLinks and review of documents produced thereunder; (v) interviews with former IntraLinks employees and other persons with knowledge of the matters alleged herein (some of whom have provided information in confidence; these confidential witnesses (“CWs”) will be identified herein by number (CW#1, CW#2, etc.)); (v) analyses of IntraLinks’ executives’ trading in IntraLinks common stock; and

(vi) consultations with experts. Lead Plaintiff believes that substantial additional evidentiary support will exist for its allegations after a reasonable opportunity for discovery. On behalf of itself and the class Lead Plaintiff seeks to represent, Lead Plaintiff alleges as follows:

**I. NATURE OF THE ACTION**

1. Lead Plaintiff brings this federal securities class action on behalf of itself and a proposed class of persons and entities who purchased or acquired IntraLinks common stock during the period February 17, 2011 and November 11, 2011, inclusive (the “Class Period”), including those who purchased IntraLinks common stock pursuant to the Registration Statement governing the Company’s April 6, 2011 Secondary Offering. Lead Plaintiff seeks remedies under the Securities Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”). .

2. More specifically, this action arises from material misrepresentations and omissions by the Exchange Act Defendants, as defined below, concerning improper and aggressive revenue recognition policies employed by IntraLinks and used to conceal the truth regarding the Company’s Enterprise business and the loss of their largest customer which accounted for a substantial portion of its yearly revenue. Later disclosures caused the IntraLinks stock prices to decline, causing injury to Lead Plaintiff and the Class. Further, this action also arises from false and misleading statements made by IntraLinks, the Securities Act Company Defendants and the Underwriter Defendants, as defined below, in the Registration Statement and Prospectus filed in connection with the Company’s Secondary Offering in April 2011 which caused the shares offering in the Secondary Offering to be issued at artificially inflated prices.

3. Since the early 2000’s, cloud-based technology solutions have provided the ability for companies to efficiently, securely and cost-effectively provide sensitive information to

multiple parties at once. IntraLinks offered its customers the ability to create cloud-based virtual data rooms (“VDR”), secure web-based workspaces that can be used to present sensitive information to potential buyers or other entities.

4. Since its founding in 1996, IntraLinks has provided “Software-as-a-Service” (“SaaS”) solutions for “securely managing content.” The Company, historically, concentrated its business on providing VDR services in two areas, mergers and acquisitions (“M&A”) and debt capital markets (“DCM”) to financial services institutions and banks engaged in these transactions. Almost all of IntraLinks sales were short term transactional and subscription contracts lasting three to twelve months. Although IntraLinks maintained a handful of long-term corporate customers, each of those customers used IntraLinks services in a series of short-term transactions that, for the first 10 years of IntraLinks’ business, were classified as either M&A or DCM.

5. However, in August 2010, after two previous attempts at taking the Company public, IntraLinks held its initial public offering (“IPO”) issuing more than 11 million shares at \$13.00 per share to the investing public and in the years leading up to the Company’s IPO and ever since, the Company has been on a blind pursuit of revenue, with no regard for anything else.

6. In 2009, IntraLinks began an aggressive push to expand its customer base outside the banking and financial sector that it had depended on for the past thirteen years. IntraLinks sought to expand its business to corporate entities searching for VDRs to store and host data on long term, company wide projects. As part of this push, IntraLinks hired Robert Mullen (“Mullen”) to lead the Company’s sales effort as Executive Vice President. Mullen was considered by most of his subordinates as ruthless and more interested in revenue than anything else.

7. At the same time as Mullen's hiring, the Company rebranded its corporate sales business, creating a new business segment called Enterprise ("Enterprise"). IntraLinks' Enterprise business was intended to include only those entities who maintained long-term document hosting and storage subscriptions with IntraLinks. However, throughout late 2009 and into 2010, with only modest growth to show by its existing practices, IntraLinks began aggressively pushing its Enterprise business segment in every way possible.

8. On its face, the Company's Enterprise business appeared to flourish with the push for non-banking corporate clients. In 2009, the Enterprise business reported revenue increases of more than 55%, with Enterprise revenue representing 40% of the Company's 2009 revenue, all while the Company's M&A and DCM businesses declined by 22.8% and 17.4%, respectively. However, the reasons behind the purported growth were far more disturbing than any investor could have known.

9. Within the Company, IntraLinks' management, Mullen particularly, began to aggressively favor Enterprise business and in the process change the entire culture of the Company by awarding higher commissions to sales staff for Enterprise business than it did for M&A or DCM business. In fact, Mullen became "abusive" and "rough" with sales teams, pushing them towards corporate clients by, in part, cutting their commissions from other business. In fact, no matter what sales targets the board of directors set, Mullen doubled it making it extremely difficult for any salesman to meet the target.

10. Moreover, to boost the growth of its Enterprise business higher than it was, IntraLinks started taking existing M&A and DCM customers and packaging unrelated services and projects together purely for the purpose of reclassifying existing accounts as Enterprise

business. As a result, on paper, IntraLinks' Enterprise business became the Company's "largest and fastest growing business."

11. More blatantly, IntraLinks classified some business they had done as Enterprise that everyone at the Company knew was transaction and better classified as either DCM or M&A. The biggest example of this was the classification of the Federal Deposit Insurance Corporation ("FDIC"), IntraLinks largest DCM customer that "was considered an Enterprise-type transaction when the actual use, the disposition of failed bank assets, fell under" the M&A and DCM categories.

12. As IntraLinks blindly pursued revenue, the Company allowed its internal controls and accounting policies to fall into disrepair. It was no secret at IntraLinks that the Company's Great Plains accounting software was an "antiquated billing system." In the Company's early years almost all of IntraLinks' business involved the scanning and uploading of hardcopy documents to its electronic system which allowed for billing to be done on a cost-per-page basis. However, as customers moved towards electronic documents, IntraLinks' billing system could not keep up. Out of reluctance to update its accounting system, IntraLinks performed most of its billing activities by hand. When the Company finally updated its accounting systems in 2009, the accounting department realized that the existing system had been overbilling customers by twenty to thirty percent. Rather than completing the changeover to the new system and alerting customers of the billing issues, the Company abandoned the implementation of the new system and told customers nothing. These issues were taken directly to senior management, including Frank Brunetti ("Brunetti"), IntraLinks' Senior Vice President of Product Marketing and the "right hand" of IntraLinks' CEO and CFO, Defendants Damico Plesner.

13. Most egregiously however, IntraLinks' sought to inflate the growth opportunities, size and stability of its Enterprise business by omitting material information regarding the impending expiration of the Company's largest customer, the FDIC, which in 2007-2010, accounted for more than \$13 million in revenue annually, or 7% of IntraLinks' 2010 total revenue. In comparison, during the same time period, IntraLinks' next largest customer contributed only \$3.6 million per year in revenue, less than 2% of IntraLinks 2010 total revenue. More to the point, in 2009 and 2010, FDIC revenue in 2009 and 2010 represented 23.5 and 15.7 percent of IntraLinks' total Enterprise business revenue, respectively. As a result, the FDIC was by far IntraLinks' most substantial and material customer and its revenue stream had the greatest ability to affect IntraLinks' financial results and success.

14. In fact, the FDIC had been a customer of IntraLinks since October 9, 2000 when the FDIC executed a task order RECVR-01-G-0004-0016 calling for the provision of VDR technology for the purposes of marketing the sale of individual banks under the control of the FDIC. The FDIC's Task Order called on IntraLinks to provide VDR for five years with an option to renew periodically for up to an additional five years. On average, the FDIC contract provided between \$200,000 and \$400,000 in annual revenue for IntraLinks through 2006.

15. In 2007, with the credit crunch in full swing, IntraLinks' revenue from its FDIC contract increased dramatically to approximately \$13 million per year. As a result, the FDIC sought to renegotiate its now eight year old contract with IntraLinks. By this time, IntraLinks, which was labeled a market leader by industry analysts, had become one of the most expensive VDR providers. When IntraLinks was first founded, competition in the market was light. But by now, there were multiple firms offering similar products for much more competitive prices.

16. Mullen however refused to renegotiate, instead choosing to “put the screws” to the FDIC in his pursuit of revenue and purported growth, knowing full well that the FDIC’s increase in revenue was a circumstantial situation caused by the increase in bank failures during the credit crunch.

17. Because of this refusal, in 2010 the FDIC distributed a Request for Proposals (“RFP”) to VDR providers seeking new bids for the provision of VDR Services. At the same time, on November 18, 2010, Defendant Plesner, by virtue of his position as IntraLinks CFO, signed a contract extension with the FDIC which made it clear that the FDIC was ending its contract with IntraLinks, and included the stated purpose of exercising the “**final 6-month** option period ...which extends the Task Order final expiration date through June 9, 2011.” Regardless of these events, Defendants negligently or fraudulently failed to disclose this fact to the market. Thus it was clear at least from November 18, 2010, that the FDIC would not be renewing their contract with IntraLinks.

18. Instead of disclosing this information to investors, having now successfully completed its IPO in August 2010 on the back of dramatic revenue growth figures fueled in substantial part by the increase in FDIC business, IntraLinks touted its strong financial results, especially in its “largest and fastest growing” Enterprise business in each of the Company’s Class Period disclosures starting with the Company’s Fourth Quarter 2010 and Full Year 2010 Financial Results Press Release issued on April 17, 2011 and attached as an exhibit to a Form 8-K filed with the SEC on April 17, 2011 (“April 17, 2011 Form 8-K”), and the Company’s Form 10-K for the period ending December 31, 2010 (“2010 Form 10-K”).

19. IntraLinks continued to promote its positive growth and financial strength in its Form S-1 Registration Statement and Prospectus Supplement filed with the SEC in connection

with the Company's Secondary Offering on April 6, 2011 where the Company and selling stockholders, including Defendants Plesner and Damico, sold at least 7.5 million shares of common stock to the public at \$25.50 per share raising more than \$30 million for the Company and more than \$152 million directly for the selling stockholders, which included 100,000 shares from Defendants Damico and Plesner who received \$1,509,700 and \$913,125, in proceeds respectively from the Secondary Offering.

20. Shortly after the Secondary Offering, through a series of disclosures and partial disclosures, the truth began to emerge to the market regarding IntraLinks' Enterprise business.

21. One month after the Secondary Offering, on May 11, 2011, the Company disclosed during their First Quarter 2011 Earnings Conference Call that a single Enterprise customer was decreasing its use of IntraLinks products. But what IntraLinks did not disclose was that the single customer it discussed was in fact IntraLinks' largest customer, the FDIC, and that IntraLinks was aware, or should have been aware, of such a decrease since November 18, 2010 when the final contract extension was executed. IntraLinks also failed to disclose that the FDIC's contract with IntraLinks had expired and that it was unlikely to be renewed or at least there was a substantial risk as to whether it would be renewed.

22. A few months later, on August 10, 2011, Defendant Damico revealed in a Form 8-K filed with the SEC and on an earnings conference call discussing the Company's second quarter 2011 financial results that the Company had received a subpoena from the SEC. Although the Company remained tightlipped about the subpoena's subject matter, there was substantial speculation by individuals on financial website message boards that the subpoena sought information related to IntraLinks' revenue recognition and statements made in connection with its 2010 Form 10-K and Secondary Offering materials. As a result of this disclosure,

IntraLinks common stock share price plunged from \$12.16 to \$6.64, a decline of 45%, for a total *loss of market capitalization of \$296 million.*

23. Not long thereafter, on November 8, 2011, the IntraLinks issued a press release announcing its third quarter 2011 financial results. The press release showed just an 11% increase in Enterprise business, as opposed to a 15% increase in the Second Quarter and a 33% increase in the First Quarter of 2011. The Press Release also stated “we have not yet gained the momentum I would like to see in our Enterprise business.” Further, in the Company’s Third Quarter 2011 Earnings Conference Call, Defendant Damico made clear that the “growth in our Enterprise business fell short of expectations” attributing the shortfall to problems with the Company’s Enterprise business.

24. At the same time, the FDIC issued its own press release disclosing to the public that IntraLinks had officially lost the FDIC’s VDR contract going forward. As a result of these disclosures, IntraLinks common stock share price plunged from \$8.79 to \$4.80 over a two day span, a decline of an additional 45%, or an *additional \$209 million in market capitalization.*

25. The failure of the Exchange Act Defendants, as defined below, to disclose the impending expiration of the FDIC’s contract, as well as the aggressive revenue recognition policies employed by IntraLinks, allowed the Company’s common stock to trade at artificially inflated prices that would not have occurred had this information been made public. Lead Plaintiff hereby brings claims against each of the Exchange Act Defendants named in this action for the losses caused by their misconduct.

26. Further, the failure of the Securities Act Defendants, as defined below to disclose the impending expiration of the FDIC’s contract and the issues with the Enterprise business in the Registration Statement and Prospectus filed in connection with the Company’s Secondary

Offering, allowed the Secondary Offering to be completed at artificially inflated prices that would not have occurred had this information been accurately stated in the Secondary Offering Documents. Lead Plaintiff hereby brings claims against each of the Securities Act Defendants named in this action for the losses caused by their misconduct.

27. Lastly, the failure of the Underwriter Defendants, as defined below, to disclose the impending expiration of the FDIC's contract and the issues with IntraLinks' Enterprise business which would have been uncovered had the Underwriter Defendants conducted the required due diligence in connection with the Secondary Offering, allowed the Secondary Offering to be completed at artificially inflated prices that would not have occurred had this information been accurately stated in the Secondary Offering Documents. Lead Plaintiff hereby brings claims against each of the Underwriter Defendants named in this action for the losses caused by their misconduct.

## **II. THE CLAIMS ASSERTED IN THIS COMPLAINT**

28. This Complaint sets forth claims under Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §§ Sections 78j(b) and 78t(a), Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5) against the Exchange Act Defendants herein, who knowingly or recklessly made material misrepresentations or omissions to investors. The claims arising under Section 10(b) and Rule 10b-5 are based on fraud on the market.

29. This Complaint also sets forth separately certain non-fraud claims under Sections 11, 12 (2) and 15 of the Securities Act of 1933, (15 U.S.C. §§ 77k, 77l(a)(2) and 77o (1933)). Lead Plaintiff's Securities Act claims are not based on any knowing or reckless misconduct on the part of the Securities Act Defendants (defined below), that is, they do not allege fraud, do not sound in fraud and Lead Plaintiff expressly disavows any fraud-related allegation set forth herein. Rather the Securities Act claims are premised on the fact that the Registration Statement

and Prospectus for the Secondary Offering contained untrue statements of material facts or omitted material information required to be stated therein or necessary to make the statements made therein not misleading.

### **III. JURISDICTION AND VENUE**

30. This Court has jurisdiction over the subject matter of the federal securities claims pursuant to 28 U.S.C. §§1331 and 1337, § 27 of the Exchange Act and § 22 of the Securities Act.

31. Venue is proper in the Southern District of New York pursuant to Section 27 of the Exchange Act of 1934, § 22 of the Securities Act and 28 U.S.C. § 1391(b), given that many of the acts and practices complained of herein occurred in this district and the principal defendant resides within the district, having its primary place of business at 150 East 42<sup>nd</sup> Street, 8<sup>th</sup> Floor, New York, New York 10017.

32. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications and the facilities of a national securities exchange.

### **IV. PARTIES**

#### **A. THE LEAD PLAINTIFF**

33. Lead Plaintiff Plumbers and Pipefitters National Pension Fund (“Plumbers and Pipefitters Fund” or “Lead Plaintiff”) is a Taft-Hartley, multiemployer defined benefit pension plan, with its primary place of business being located at 103 Oronoco Street Alexandria, VA 22314. The Plumbers and Pipefitters Fund was established in 1968, and administers benefits for thousands of participants and beneficiaries. Lead Plaintiff has approximately \$5 billion in assets under management. As described on the attached Certification, the Plumbers and Pipefitters purchased shares of IntraLinks’ common stock during the Class Period, including shares

pursuant to the untrue and/or materially misleading Secondary Offering Documents for the Secondary Offering, and was damaged thereby as a result of the violations of the federal securities laws alleged herein.

**B. THE EXCHANGE ACT DEFENDANTS**

34. Defendant IntraLinks is a SaaS company providing solutions for managing business information securely in VDRs. IntraLinks stock trades in an efficient market on the New York Stock Exchange (“NYSE”). IntraLinks’ headquarters are located at 150 East 42<sup>nd</sup> Street, 8<sup>th</sup> Floor, New York, New York 10017.

35. During all relevant times, Defendant J. Andrew Damico (“Damico,” as previously defined) served as President, Chief Executive Officer and a director of IntraLinks. Damico was a signatory on each of the Company’s publicly filed documents during the Class Period and signed certifications pursuant to the Sarbanes Oxley Act of 2002 (“SOX”) attesting to the truthfulness of the Company’s Class Period filings. Damico resigned from his positions at IntraLinks on December 15, 2011.

36. During all relevant times, Defendant Anthony Plesner (“Plesner,” as previously defined) served as Chief Financial Officer and Chief Administrative Officer of IntraLinks. Plesner was a signatory on each of the Company’s publicly filed documents during the Class Period and signed certifications pursuant to SOX attesting to the truthfulness of the Company’s Class Period filings. Plesner resigned from his positions at IntraLinks on May 3, 2012.

37. Defendants Plesner and Damico, with regard to the Exchange Act Allegations set forth below, are collectively referred to as the “Individual Defendants.” IntraLinks, and the Individual Defendants, with regard to the Exchange Act Allegations set forth below are collectively referred to as the “Exchange Act Defendants.”

38. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's business, operations, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, including Frank Brunetti and Robert Mullen, attendance at management, sales and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

39. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of defendants defined above as the Individual Defendants. Each of the Individual Defendants as officers of IntraLinks, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements and financial condition, as alleged herein. The Individual Defendants were both involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware or recklessly disregarded, that the false and misleading statements were being issued regarding the Company and approved or ratified these statements, in violation of the federal securities laws.

40. As officers and controlling persons of a publicly held company whose common stock was and is registered with the SEC pursuant to the Exchange Act, and was and is traded on

the New York Stock Exchange, and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded common stock would be based on truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

41. Defendants Damico and Plesner participated in the drafting, preparation and/or approval of the various public, shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions there from, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with IntraLinks, the Individual Defendants had access to the adverse undisclosed information about IntraLinks' business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about IntraLinks and its business issued or adopted by the Company materially false and misleading.

42. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. The Individual Defendants were both provided with copies of the documents alleged herein to be misleading, including the Registration Statement and 2010 Form 10-K dated

March 23, 2011, prior to or shortly after their issuance and had the ability or opportunity to prevent their issuance or cause them to be corrected. Accordingly, the Individual Defendants are responsible for the accuracy of the public reports and releases detailed herein and are therefore primarily liable for the representations contained therein.

43. Each of the Exchange Act Defendants are liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of IntraLinks common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The Scheme (i) deceived the investing public regarding IntraLinks' business operations and financial health, namely the strength of its Enterprise market; (ii) deceived the investing public regarding IntraLinks' accounting and revenue reporting practices; (iii) enabled the Individual Defendants among other insider shareholders to sell millions of their personally-held IntraLinks common stock to the unsuspecting public; and (iv) caused Lead Plaintiff and other members of the Class to purchase IntraLinks common stock at artificially inflated prices.

## **C. SECURITIES ACT DEFENDANTS**

### **1. Securities Act Company Defendants**

44. Defendant IntraLinks issued 7.5 million shares in the Secondary Offering on April 6, 2011 at an initial price of \$25.50 per share. The Registration Statement, amendments thereto, and the Prospectus for the Secondary Offering (the "Secondary Offering Documents") contained untrue statements of material facts or omitted material information required to be stated therein or necessary to make the statements made therein not misleading.

45. Defendant Patrick J. Wack, Jr. ("Wack") serves as Chairman of the Board of IntraLinks. Wack signed the false and misleading Registration Statement.

46. Defendant Brian J. Conway (“Conway”) serves as a director of IntraLinks. Conway signed the false and misleading Registration Statement.

47. Defendant Peter Gyenes (“Gyenes”) serves as a director of IntraLinks. Gyenes signed the false and misleading Registration Statement. He also sold 83,334 shares of IntraLinks stock in the Secondary Offering.

48. Defendant Thomas Hale (“Hale”) serves as a director of IntraLinks. Hale signed the false and misleading Registration Statement.

49. Defendant Habib Kairouz (“Kairouz”) serves as a director of IntraLinks. Kairouz signed the false and misleading Registration Statement.

50. Defendant Robert C. McBride (“McBride”) serves as a director of IntraLinks. McBride signed the false and misleading Registration Statement.

51. Defendant Harry D. Taylor (“Taylor”) served as a director of IntraLinks until June 2011. Taylor signed the false and misleading Registration Statement.

52. As described above, Defendant Damico served as President, Chief Executive Officer and a director of IntraLinks until he resigned on December 15, 2011. Damico signed the false and misleading Registration Statement. He also sold 62,500 shares of IntraLinks stock in the Secondary Offering.

53. As described above, Defendant Plesner served as Chief Financial Officer and Chief Administrative Officer of IntraLinks at the time of the Secondary Offering. Plesner signed the false and misleading Registration Statement. He also sold 37,500 shares of IntraLinks stock in the Secondary Offering.

54. Together, defendants Wack, Conway, Gyenes, Hale, Kairouz, McBride, Taylor, Damico and Plesner are referred to as the “Securities Act Company Defendants.” Defendant

IntraLinks and the Securities Act Company Defendants who signed the Registration Statement are strictly liable for the false and misleading statements incorporated into the Registration Statement.

## **2. Underwriter Defendants**

55. Defendant Morgan Stanley & Co. Incorporated (“Morgan Stanley”) provides investment banking products and services. Morgan Stanley acted as a lead underwriter for IntraLinks’ Secondary Offering and sold and distributed 2,850,000 shares of IntraLinks common stock to the investing public.

56. Defendant Jefferies & Company, Inc. (“Jefferies”) provides investment banking products and services. Jefferies acted as a lead underwriter for IntraLinks’ Secondary Offering and sold and distributed 900,000 shares of IntraLinks common stock to the investing public.

57. Defendant Lazard Capital Markets LLC (“Lazard”) provides investment banking products and services. Lazard acted as an underwriter for IntraLinks’ Secondary Offering and sold and distributed 600,000 shares of IntraLinks common stock to the investing public.

58. Defendant Credit Suisse Securities (USA) LLC (“Credit Suisse”) operates as an investment bank in the United States. Its business includes securities underwriting, sales and trading, investment banking, private equity, alternative assets, financial advisory services, and asset management. Credit Suisse acted as a lead underwriter for IntraLinks’ Secondary Offering and sold and distributed 825,000 shares of IntraLinks common stock to the investing public.

59. Defendant Deutsche Bank Securities Inc. (“Deutsche Bank”) is the U.S. investment banking and securities arm of Deutsche Bank AG. Deutsche Bank provides investment banking products and services. Deutsche Bank acted as a lead underwriter for IntraLinks’ Secondary Offering and sold and distributed 1,800,000 shares of IntraLinks common stock to the investing public.

60. Defendant Pacific Crest Securities LLC (“Pacific Crest”) provides investment banking products and services. Pacific Crest acted as an underwriter for IntraLinks’ Secondary Offering and sold and distributed 525,000 shares of IntraLinks common stock to the investing public.

61. Together, defendants Morgan Stanley, Jefferies, Lazard, Credit Suisse, Deutsche Bank and Pacific Crest are referred to as the “Underwriter Defendants.”

62. The Underwriter Defendants were paid more than 8.6 million in fees and commissions for services provided for the Secondary Offering.

63. As underwriters, the Underwriter Defendants, collectively and individually, are liable for material omissions and misstatements in the Secondary Offering Documents, unless they can prove that they conducted, prior to the Secondary Offering, a reasonable investigation of the Company to ensure that the statements contained in such documents contained no untrue statements of material facts or omitted material information required to be stated therein or necessary to make the statements made not misleading. Indeed, the Underwriters Defendants’ due diligence investigation was a critical component of the Secondary Offering that was supposed to provide investors with important safeguards and protections. The Underwriter Defendants, however, failed to conduct an adequate due diligence investigation prior to the Secondary Offering. The Underwriter Defendants’ failure to conduct an adequate due diligence investigation was a substantial factor leading to the harm complained of herein.

**V. CLASS ACTION ALLEGATIONS**

64. Lead Plaintiff brings this action on behalf of itself and as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons and entities who purchased or acquired IntraLinks common stock securities during the period between February 17, 2011 and November 11, 2011, inclusive, either in the Secondary Offering,

pursuant and/or traceable to the Registration Statement, or in the open market (the “Class”), and who were damaged thereby. Excluded from the Class are: (a) Defendants; (b) members of the immediate families of the Securities Act and Exchange Act Defendants; (c) the subsidiaries and affiliates of Defendants; (d) any person or entity who is a partner, executive officer, director or controlling person of IntraLinks Holdings, Inc. (including any of their subsidiaries or affiliates) or any other Defendant; (e) any entity in which any Defendant has a controlling interest; (f) Defendants’ directors’ and officers’ liability insurance carriers, and any affiliates or subsidiaries thereof; and (g) the legal representatives, heirs, successors and assigns of any such excluded party.

65. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, IntraLinks common stock was actively traded on the New York Stock Exchange (“NYSE”). In April 2010, the Company raised more than \$191 million in capital from the Secondary Offering, consisting of the issuance of 7.5 million shares of common stock at \$25.50 per share. As of May 1, 2011, the Company had over 53 million shares of common stock issued and outstanding. While the exact number of Class members is unknown to Lead Plaintiff at this time, Lead Plaintiff believes Class members number in the thousands.

66. Lead Plaintiff’s claims are typical of the claims of the members of the Class. Lead Plaintiff and other members of the Class acquired IntraLinks common stock in the Secondary Offering, pursuant to the Registration Statement, and/or in the secondary market, and sustained damages as a result of Defendants’ wrongful conduct complained of herein.

67. Lead Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation. Lead Plaintiff has no interests that are adverse or antagonistic to the Class.

68. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Because the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impracticable for Class members individually to seek redress for the wrongful conduct alleged herein.

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

- (a) Whether the federal securities laws were violated by IntraLinks', the Exchange Act Defendants', the Securities Act Defendants' or the Underwriter Defendants' conduct as alleged herein;
- (b) Whether the Registration Statement for IntraLinks' Secondary Offering contained material misstatements or omitted to state material information;
- (c) Whether the SEC filings, press releases, reports and other public statements disseminated to the investing public during the Class Period contained material misstatements or omitted to state material information;
- (d) Whether and to what the extent the market prices of IntraLinks' common stock was artificially inflated during the Class Period due to the non-disclosures and/or misrepresentations complained of herein;
- (e) Whether, with respect to Lead Plaintiff's claims under the Securities Act, IntraLinks, the Securities Act Defendants and the Underwriter Defendants can sustain their burden of establishing an affirmative defense pursuant to the applicable statute;
- (f) Whether, with respect to Lead Plaintiff's claims under the Exchange Act, the Exchange Act Defendants acted with scienter;
- (g) Whether, with respect to Lead Plaintiff's claims pursuant to Section 15 of the Securities Act and Section 20(a) of the Exchange Act, Defendants named in those claims are controlling persons of the Company;
- (h) Whether reliance may be presumed pursuant to the fraud-on-the-market doctrine; and
- (i) Whether the members of the Class have sustained damages as a result of the misconduct complained of herein, and if so, the proper measure thereof.

70. The names and addresses of those persons and entities who purchased IntraLinks common stock during the Class Period are available from the Company's transfer agent(s) and/or from the Underwriter Defendants. Notice may be provided to such purchasers and/or record owners via first class mail using techniques and a form of notice similar to those customarily used in securities class actions.

**VI. CONFIDENTIAL WITNESSES**

71. CW#1 was a Vice President of Sales at IntraLinks from 2005 until September 2009. CW#1 managed sales representatives on the West Coast and reported to the executive vice president of sales until May 2009. After that, CW#1 reported to the national sales manger, who reported directly to Robert Mullen, the executive vice president who led the IntraLinks sales effort, until CW#1 left in September 2009.

72. CW#2 was a Senior Sales Executive at IntraLinks for the Southwest Region from 2006 until October 2009. He reported to the senior vice president of sales.

73. CW#3 was Director of Product Marketing for International Commerce at IntraLinks from 2008 until he was laid off in December 2010. He reported to the managing director for India.

74. CW#4 was a senior Sales Executive for IntraLinks in the San Francisco Bay area from 2006 until June of 2010. CW#4 reported directly to the vice president of sales for the West Coast.

75. CW#5 was a senior sales executive on the West Coast for IntraLinks from November 2002 until he resigned in February 2010. CW#5 reported to the vice president of sales who reported to the senior vice president of sales.

## **VII. EXCHANGE ACT ALLEGATIONS**

### **A. IntraLinks' Business Model**

76. IntraLinks was incorporated as a private company in the state of Delaware in June of 1996 as IntraLinks, Inc. From its inception, its business was based on providing “solutions for securely managing content, exchanging critical business information and collaborating within and among organizations” by using a cloud based system that allows customers to control, track search and exchange confidential or sensitive information. *See* IntraLinks 2010 Form 10-K, dated March 23, 2011, at 1. In doing so, IntraLinks provided virtual data rooms (“VDR”) to customers in two areas of business, Debt Capital Markets (“DCM”) and Mergers and Acquisitions (“M&A”).

77. In June 2007, by way of a merger, IntraLinks, Inc. became a wholly owned subsidiary of TA Indigo Holding Corporation (“TA Indigo”), a Delaware corporation formed by a TA Associates, Inc., a private equity firm and Rho Capital Partners, Inc. (“Rho Capital”), a venture capital management company. Rho Capital had been, and remained throughout the Class Period, as one of IntraLinks principal investors and largest shareholders, since 2001. In 2010, IntraLinks, Inc./TA Indigo changed its name to IntraLinks Holdings, Inc. (“IntraLinks” or the “Company” as previously defined).

78. IntraLinks' business model was simple. All executive policies, including its revenue recognition practices and accounting policies were established by IntraLinks' corporate headquarters in New York. The Company's sales force was broken down into regional offices. Sales people were compensated largely through commissions received on the contracts or subscriptions they closed.

79. According to CW#1, IntraLinks' sales model was based on short-term, three to twelve month contracts that were either transactional, usually lasting for six months, or

subscription based whereby a customer stored all of a projects content with Enterprise for a set period of time, typically six to twelve months. Subscription contracts were renewable for specified time periods. Through its first six years of business, the Company focused primarily on banks and financial institutions engaged in M&A and DCM transactions. According to CW#2, who sold IntraLinks products for M&A transactions, IntraLinks made most of its money doing M&A contracts and through the loan syndication business, *i.e.*, its DCM business.

80. In a typical M&A transaction, the corporation being acquired paid IntraLinks directly for setting up a VDR. JP Morgan, a client of IntraLinks, referred many of its clients to IntraLinks for M&A transactions. All of IntraLinks' M&A contracts were for six-month terms, and when those expired they could be renewed on a month-to-month basis until the deal was completed.

81. The same was true for DCM transactions. Typically, banks or financial services companies looking to structure and/or administer loan syndications would pay IntraLinks to create a VDR. IntraLinks' DCM contracts were all subscriptions based on short-term contracts that could be renewed after the initial subscription period expired.

82. Before 2010, IntraLinks tried twice to take the Company public. In 2000 and again in 2005 the Company began the steps of going public but was unsuccessful in completing an Initial Public Offering ("IPO").

**B. IntraLinks Pushes its Corporate Business And Hires a New Executive Vice President to Lead its Sales Efforts**

83. However, in 2009, as the Company made its third push to go public, the Company also began a push to seek out larger corporate clients who would use IntraLinks for multiple transactions over the course of a year. At the beginning it was not considered a separate business group. According to CW#1, in 2009, subscription contracts were called "corporate" contracts.

84. As described by CW#2, IntraLinks' interest was getting its customer base away from "being solely with banks." The whole thought was for IntraLinks "to spread more into corporate" and sell secure on-line document management to an entire company, rather than solely to banks involved with M&A or loan syndication deals.

85. IntraLinks' management thus became focused primarily on aggressively growing its corporate business. In November 2009, IntraLinks hired Robert Mullen ("Mullen") as Executive Vice President to lead IntraLinks' sales efforts, especially its corporate sales effort. With the addition of Mullen, the culture throughout the company's sales teams and its headquarters drastically changed and became cut-throat. According to CW#1, Mullen's management style to "play rough." He fired many sales executives and shook up most of the sales teams. CW#2 also said that Mullen, who was based in IntraLinks' New York headquarters was abusive and rough on his subordinates. In an effort to push IntraLinks' sales people towards corporate clients and Enterprise business and away from banking clients, Mullen, in late 2009 and early 2010, started "really cutting commissions on the bank side" because IntraLinks already had established relationships with the banks. Mullen decided he would pay higher for corporate clients since that meant establishing new accounts. CW#3, who was successful at getting corporate business at the time was hired, stated "he was a real piece of work." While having dinner with CW#4 in California shortly after Mullen was hired, Mullen told him, "Let's see if you're around in January."

86. CW#5 said the same thing about Mullen. In 2009, Mullen changed the commission structure so that salespeople "were paid less and less on the lower hanging fruit, [DCM and M&A business]." Further, because of the blind ambition for more and more Enterprise revenue, Mullen created sales targets that "never looked realistic." No matter what

sales target for example the board of directors set for sales people, Mullen doubled it, making it extremely difficult for any sales person to reach the target.

**C. IntraLinks Redefines Its Corporate Business as Enterprise**

87. Around the same time that Mullen was hired, IntraLinks redefined its corporate business as “Enterprise” business. According to CW#4, Enterprise was used to describe different quantities of users, types of use, and type of industry. Whereas M&A contracts used IntraLinks’ services for a period of time, Enterprise business consisted of those customers who used IntraLinks as a repository, renewing its subscription for longer periods of time.

88. In fact, according to CW#1, CW#2 and CW#4, the “Enterprise customer” term was not in the sales lexicon until late 2009. CW#2 never had any agreements for long-term VDR. Thus, before IntraLinks’ push for corporate or Enterprise customers, virtually all of IntraLinks’ business was based on short-term, project or transaction specific subscriptions from financial services customers in its DCM and M&A business segments.

89. According to CW#3, although the customer classification was redefined, the revenue classification systems did not keep up. CW#3 stated that typically, revenue from financial services conducting M&A transactions was classified as M&A revenue and revenue from DCM transactions was classified as DCM revenue. However, with the creation of IntraLinks’ Enterprise business, customers were now crossing over multiple market segments. For instance, an M&A customer may also use IntraLinks for hosting and storage services in another part of their business.

90. However, rather than classify revenue based on the actual type of transaction involved, DCM, M&A or Enterprise (storage and hosting), under the new Enterprise business, for these clients, “different products were bulked as a single contract and grouped together” with both storage and transactional uses included in the Enterprise revenue classification. As a result,

reported revenue from the Company's Enterprise business included revenue from M&A and DCM transactions.

91. CW3# recalled that managers were told by superiors at multiple sales and marketing meetings to change the classifications of accounts and label some of the existing customers as Enterprise customers. Prior to this policy shift, IntraLinks did not have any accounts classified as Enterprise accounts. In fact, as part of the policy change in February or March 2010, the Company paid sales people higher commissions for accounts that were considered Enterprise accounts. Commissions under the new Enterprise classification were also paid based on who brought the account in first.

92. As part of this policy change, sales managers, including CW#3, were told to "group multiple products under a single account relationship," and classify the account as an Enterprise account, even if there was no relationship between the products. As a result, an existing client using several different products in different departments was classified solely as an Enterprise customer for sales and revenue reporting purposes.

93. Thus, IntraLinks "sold different products to the same client and called it an Enterprise client, suggesting a new type of relationship," CW#3 said. Sometimes multiple individual relationships which were existing DCM or M&A customers were grouped together and defined as an Enterprise deal. For instance, if JP Morgan, one of IntraLinks larger customers, used IntraLinks products for both M&A and DCM, JP Morgan would be classified as an Enterprise client.

94. In essence, according to CW#2, IntraLinks used the term Enterprise to describe clients who were "the largest in revenues, so we knew who the most important customers were. It came down to volume." The term Enterprise meant "it was either a particularly large deal or a

cross-departmental relationship.” As a result of these practices and policies, IntraLinks’ Enterprise business was portrayed as growing larger and faster than it really was.

95. According to CW#1, where this whole area of revenue classification “got screwy was the FDIC business.” As described below, by 2007 the FDIC was IntraLinks’ largest customer using IntraLinks in a “series of transactions.” Prior to the creation of the Enterprise business segment, “the FDIC was classified in IntraLinks’ DCM business.” In 2009, CW#1 stated that IntraLinks put together a subscription agreement for the FDIC and although the services offered or the products purchased did not change, the FDIC was reclassified as an Enterprise customer.

96. This practice became widespread at IntraLinks. By grouping products together, regardless of their relationships, IntraLinks was able to push otherwise M&A or DCM business into its Enterprise business reporting segment. In fact, CW#1 stated that “75 percent or more of IntraLinks’ Enterprise business is really for transactions like the FDIC. They are selling very little of general use and they are calling it Enterprise. They’ve mapped all of their subscription business as Enterprise, but they are still M&A [or DCM] deals.” This was corroborated by CW#4’s account as well who knew that IntraLinks classified some business they had done as Enterprise”

#### **D. The FDIC as IntraLinks’ Largest Customer**

97. IntraLinks did have a handful of large clients from early on that maintained long-term subscriptions for repositories or data rooms with IntraLinks. The FDIC used VDR technology to market the sale of individual banks that were in receivership or otherwise under the control of the FDIC and the assets of that bank.

98. Pursuant to a request for proposals (“RFP”) distributed by the FDIC, the FDIC had signed a task order for the provision of VDR services from IntraLinks on October 9, 2000,

with an initial task order effective date of September 1, 2000 (the “Task Order”). That Task Order, according to the FDIC’s terms was for a five year subscription, *with the option at the FDIC’s discretion*, of renewing on a periodic basis for additional time. According to the Company’s own press release announcing the contract:

The FDIC will use digital workspaces - IntraLinks' secure online environments for project and transaction management - to electronically manage the due diligence process for troubled bank franchise sales.

When federally insured banks or savings associations fail, the FDIC attempts to return assets to the private sector immediately. Using digital workspaces, sensitive documents will be securely and instantly deployed to a large group of bidders with trackable results.

“We are proud that our services meet the FDIC's requirements,” said Evan Zebooker, Business Unit Executive for the capital markets at IntraLinks. “We have assured the FDIC that our technology can streamline their projects, and that our comprehensive security will keep their information confidential.”

*IntraLinks Wins Competitive Bid for FDIC Contract*, BUSINESS WIRE, November 1, 2000.

99. Under the Task Order, IntraLinks provided individual VDR workspaces for each failed bank whose assets needed to be sold. According to CW#1, through 2006, the FDIC accounted for \$200,000 to \$400,000 of IntraLinks’ yearly revenue. According to the contract between IntraLinks and the FDIC and CW#1, “the general agreement was they would pay so much cost per page” uploaded and stored. Although not in the accounting department, CW#1 was aware of the details of IntraLinks’ FDIC contract because one of the sales representatives on the FDIC was on CW#1’s sales team and reported to him.

100. During the credit crunch in 2007 and 2008, and throughout the life of the contract, the FDIC Task Order was amended multiple times, most often to extend the effective period for additional time. During the credit crunch, on August 8, 2007, the FDIC renewed the Task Order for a period of 24 months with the stated purpose of “management of marketing of individual banks. One bank per workspace.” Each workspace, corresponding to the sale of a separate

individual bank under the receivership or control of the FDIC was provided a use period limited to just six months per workspace. Each amendment was signed by Defendant Plesner himself or an employee of IntraLinks signing at the direction and with the authority of Defendant Plesner, the Company's CFO.

101. As the credit crunch hit in 2007, and more banks and financial institutions insured by the FDIC failed, the FDIC's business with IntraLinks exploded, resulting in revenue of approximately \$13 million annually. Because of this explosion, the FDIC became IntraLinks' biggest customer. As a result, in early 2010, the FDIC sought to renegotiate its existing Task Order with IntraLinks.

102. By this time, IntraLinks had become one of the most expensive VDR providers in the market. Although Gartner, an independent market research firm, recognized IntraLinks as the market revenue leader in the teaming and social software market, by 2010, there were several firms offering similar cloud-based products at much more competitive prices.

103. According to the FDIC Acquisition Policy Manual 2008 - Acquisition Services Branch, MODULE 3: CONTRACTING METHODS AND TYPES, APM Chapter 3.2 Formal Contracting, the FDIC required that the price of any contract be competitive and reasonable.

3.210(c) Price Evaluation

Price evaluation is always required to assure the validity and reasonableness of an offeror's price proposal. Price evaluation includes a determination of reasonableness and realism of the proposed prices. The preferred method of determining price reasonableness is through effective competition.

104. As a result, the FDIC sought to obtain a price that was fair and more in line with the current market. According to CW#1, in their attempt to renegotiate, the FDIC also pointed out to IntraLinks that "there are only so many banks," and that its increased use of IntraLinks, "would not go on forever."

105. However, according to CW#1, Mullen said there was “absolutely no way” IntraLinks would renegotiate with the FDIC. Mullen’s position was “we’re not changing the terms. We are going to put the screws to them.” In response, the FDIC told IntraLinks, according to CW#1, that they would not be renewing the contract and would instead put the Task Order out for new bids.

106. As a result, in July 2010, the FDIC put out an RFP seeking bids on a new VDR contract. CW#1 recalls seeing the 2010 RFP while employed at an IntraLinks’ competitor in 2010. Thus, it was clearly communicated to IntraLinks that the FDIC’s Task Order would not go on forever.

107. Furthermore, IntraLinks knew that the FDIC’s increased revenue stream “was a blip” caused by a “circumstantial situation” caused by the increase in bank failures during the credit crunch of 2007 through 2009. In line with the FDIC’s 2010 RFP, on November 18, 2010, the Task Order was modified by the FDIC and signed by Defendant Plesner. The modification’s stated purpose was the “exercising of the **final 6-month** option period under Task Order RECVR-01-G-0004-0016, which extends the Task Order final expiration date through June 9, 2011. *See* FDIC Amendment of Solicitation/Modification of Award, Eff. Date Nov. 18, 2010, Req. No. ASBCC-10-04552 (emphasis added).

108. By September 2010, as IntraLinks was reporting record quarterly Enterprise revenue of \$19.7 million, up 59 percent year-over-year, along with a more modest increase in M&A revenue and a decrease in DCM revenue, the FDIC had become IntraLinks’ most substantial customer, responsible for generating in excess of \$13 million in yearly revenue for IntraLinks.

109. According to CW#3, for IntraLinks a contract in the millions of dollars was “exceptional,” which made the FDIC contract unique. Most IntraLinks contracts were “in five digits; if you were lucky, six digits.” According to industry analysts that followed IntraLinks, the FDIC accounted for more than \$13 million of IntraLinks’ revenue annually. *See* IntraLinks Holdings, Credit Suisse Equity Research, May 11, 2011, at 2.

110. At this rate, IntraLinks’ yearly revenue relied in large part on the FDIC Task Order. As shown below, the FDIC accounted for more than 7% of IntraLinks’ 2010 revenue and more than 15% of IntraLinks’ 2010 Enterprise revenue, before its decrease in 2011. By comparison, the next largest client with \$3.6 million in yearly revenue for IntraLinks accounted for less than 2% of the Company’s annual revenue and less than 4% of its Enterprise revenue in 2011.

	2008	2009	2010
<b>Annual Revenue (in million)</b>	143.4	140.69	184.3
<b>% Attributable to FDIC</b>	9.06%	9.24%	7.05%

2010 Form 10-K, Filed March 23, 2011, at 37.

	2009	2010
<b>Annual Enterprise Revenue (in million)</b>	55.35	82.7
<b>% Attributable to FDIC</b>	<b>23.49%</b>	<b>15.7%</b>

2010 Form 10-K, Filed March 23, 2011, at 53.

111. More importantly however, the FDIC share of IntraLinks’ Enterprise revenue, made IntraLinks’ “largest and fastest growing market” highly susceptible to substantial losses if IntraLinks lost the FDIC’s business.

112. The failure of Defendants to disclose the impending expiration of the FDIC’s contract constitutes an omission of a material uncertainty known to management that could be expected to impact future operating results and future financial condition. Regulation S-K states that the management discussion and analysis “shall focus specifically on material events and

uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of (A) matters that would have an impact on future operations and have not had an impact in the past, and (B) matters that have had an impact on reported operations and are not expected to have an impact upon future operations.” [Instructions to paragraph 303(a), item 3]

113. The SEC requirements governing Management’s discussion and analysis of financial condition and results of operations requires that the company “[D]escribe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.” SEC Regulation S-K, §229.303 (Item 303, (a)(3)(i).

**E. IntraLinks’ Accounting System Could Not Track Enterprise Revenue**

114. With business appearing to be growing because of IntraLinks higher prices, expanded customer base and cut-throat culture, IntraLinks’ accounting and revenue recognition systems were falling far behind. According to CW#1, IntraLinks had “a fairly antiquated billing system” called Great Plains accounting software which was built up based on Lotus Notes. The software worked by “look[ing] at the size of the [customer] files and number of users, then went into accounting for billing. It was a mess”

115. With the pricing model at IntraLinks based on a cost per page basis – a system common to M&A business according to CW#1, the Company was not prepared to host documents uploaded in electronic formats. Through the 90’s and early 2000’s, hard copy documents were typically scanned and uploaded which made a cost per page billing system more than adequate. When CW#1 started in 2004, 95 percent of projects were scanned, when [CW#1 left in 2009] maybe 5 percent were scanned.

116. According to CW#1 meanwhile, for years IntraLinks was reluctant to replace its accounting systems. As a result, in order to calculate bills, IntraLinks' accountants "calculated algorithms" to fit the increased use of electronic documents into the existing accounting system. The algorithms used metrics including how many megabytes were equivalent to how many pages. The result was IntraLinks continued to grow but its back-end systems were not built for large strategic deals.

117. Thus, according to CW#1, the accounting system became more manual with some of the accounting work being done by hand. "It was not a very well organized process." The accounting department included fifteen to twenty employees who were tasked with creating the monthly bills to clients. And even though in several quarters during CW#1's employment, salespeople thought the Company was "short on revenue," after the internal accountants performed a "dig into the system," *i.e.*, reconciled the accounts and transactions, they would come up with ten or twenty percent more revenue at the end of the quarter.

118. Finally in the middle of 2009, IntraLinks decided to implement a new accounting software system to better account for the updated method of document hosting. However, in the midst of implementing the new system, according to CW#1, the accounting people discovered that the existing system had been overbilling customers by as much as twenty to thirty percent. This information was taken by employees in the accounting department directly to IntraLinks management. However, the new accounting system which helped uncover this error was not implemented.

119. As CW#1 stated, "the overbilling and software problems; they periodically talked about it when I was there. There were times when customers would ask 'Why did you charge

that?’ In essence, customers were never made aware that they were being overbilled although corrections were occasionally made “to pacify” customers.

120. According to CW#1, IntraLinks management was aware that its revenues were overstated as a result of overbilling. CW#1 and other sales managers spoke to Frank Brunetti, the Senior Vice President of Product Marketing, and according to CW#1, the “right arm” of Damico and Plesner, about the overbilling issue. “He gave us all of these answers that did not make sense” CW#1 recounts.

121. In addition, in conversations between CW#1 and Defendant Plesner himself, Defendant Plesner “would get threatening if you tried to dig too hard” on the overbilling issue. CW#1 “*always looked at IntraLinks as a powder keg waiting to blow up.*”

#### **F. IntraLinks Goes Public**

122. On April 12, 2010, IntraLinks filed a Form S-1 Registration Statement with the SEC disclosing the Company’s intention to offer for public sale 11,000,000 shares of common stock. But, even though Enterprise market had just been created by IntraLinks, CW#3 stated that throughout the first half of 2010, Enterprise sales were always way behind the targeted goals by approximately 20 to 30 percent. As the Company’s first public issuance neared however, CW#2 remarked “it was surprising how much better the numbers were.”

123. As described by CW#3, one of the key requirements for going public for any company is a healthy diversification of revenue. The existence of only two revenue segments at IntraLinks, DCM and M&A were not enough of a diversification, IntraLinks began pushing the strength and stability of the Enterprise business in the Form S-1 and the four Form S-1/A Registration Statement Amendments that were filed on May 21, June 18, July 21 and August 3, 2010. For instance, in IntraLinks August 3, 2010 Form S-1/A, the Company described its business as:

At our founding in 1996, we introduced cloud-based collaboration for the debt capital markets industry and, shortly thereafter, extended our solutions to merger and acquisition transactions. *We have since enhanced our cloud-based platform (our “IntraLinks Platform”) to address the needs of a wider enterprise market, consisting of customers of all sizes across a variety of industries who use our solutions for the secure management and online exchange of information within and among organizations. Today, this enterprise market is our largest and fastest growing market...*

August 3, 2010 Form S-1/A, at 1.

124. As a result of the segregation of Enterprise customers, the Company was able to report much larger revenue growth than it had previously seen:

In the year ended December 31, 2009, revenue from our enterprise, mergers and acquisitions (“M&A”) and debt capital markets (“DCM”) principal markets represented 39%, 36% and 25% of our total revenue, respectively, with revenue from the enterprise market increasing 55% over the year ended December 31, 2008.

*Id.*

125. With its revenue streams seemingly skyrocketing, on August 6, 2010, the Company issued its first public offering of 11,000,000 shares at a price of \$13 per share (the “IPO”), raising more than \$140 million in market capital. However, this was not IntraLinks’ first attempt at going public, in 2000 and again in 2005 the Company had attempted to offer common stock to the public, both of which failed. As a result, the “diversification” of IntraLinks’ revenue through the creation and apparent growth of the Enterprise market as well as an initial stock price lower than the \$14-16 share marketing range that the Company had originally estimated directly led to the successful IPO on IntraLinks’ third IPO attempt.

**G. IntraLinks Touts its Strong Business Model and Financial Position During the Class Period**

126. After going public, and more so throughout the Class Period, IntraLinks falsely touted its financial strength and strong position especially with regard to its Enterprise market. On February 17, 2011, the Company issued a press release announcing its financial results for its

fourth quarter of 2010 and the full year of 2010, flaunting the Company's "strong finish" and its strong position as it entered 2011. As part of that press release, the Company provided several guidance points including estimates of \$52 to \$54 million in revenue for the first quarter of 2011.

127. On March 23, 2011, IntraLinks filed its 2010 Form 10-K with the SEC. In its Form 10-K, signed by Defendants Damico and Defendant Plesner, IntraLinks again touted the Company's strong financial position especially with regard to its Enterprise market. As such, the 2010 Form 10-K stated:

We intend to continue to focus our sales efforts in markets where we have had historical success. We are a leader in providing collaboration solutions for debt capital market transactions and merger and acquisition transactions. ***Today, the Enterprise principal market is our largest and fastest growing market.*** We believe that we have a significant opportunity to increase our market share in these core markets based on the strength of our solutions.

2010 Form 10-K, at 7.

128. For the fiscal year 2010, IntraLinks had seen a 31% increase in total revenue, made up in part by a 49% increase in Enterprise revenue from \$55.4 million in 2009 to \$82.8 million in 2010. The 2010 Form 10-K further included a list of its representative clients, including the FDIC.

A representative list of customers with contracts for our solutions in 2010 include:

<u>Financial Services</u>	<u>Consumer</u>	<u>Energy</u>
Bank of America, N.A.	Anheuser-Busch InBev	ExxonMobil Corporation
General Electric Capital Corporation	Stanley Black & Decker, Inc.	NRG Energy Inc.
JP Morgan Chase Bank, N.A.		
<u>Insurance</u>	<u>Industrial</u>	<u>Legal</u>
Connecticut General Life Insurance Company	Alcoa, Inc.	LinkLaters LLP
Metropolitan Life Insurance Company	The Dow Chemical Company	Skadden, Arps, Slate, Meagher & Flom, LLP
<u>Pharmaceutical</u>	<u>Real Estate</u>	<u>Transportation</u>
Bayer AG	Fairmont Hotels & Resorts, Inc.	General Motors LLC
SmithKline Beecham Corporation	Riviera Holdings Corporation	Ford Motor Company
F. Hoffman-La Roche AG	Tishman Speyer	United Airlines Corporation
<u>Private Equity</u>	<u>Government</u>	<u>Technology</u>
Apollo Management, LP	Federal Deposit Insurance Corporation	International Business Machines Corporation
AXA Investment Managers Private Equity Europe		Unisys Corporation

2010 Form 10-K, at 11.

129. Similarly, as part of its effort to boost the Company's perception as a financially strong and stable company, IntraLinks touted the Company's "revenue visibility" explaining that its business model, including its Enterprise business, gives them a clear view of their future revenue:

We deliver our solutions entirely through a multi-tenant SaaS architecture in which a single instance of our software serves all of our customers. ***Our business model has provided us with a high level of revenue visibility.*** We sell our solutions directly through an enterprise sales team with industry-specific expertise, and indirectly through a customer referral network and channel partners.

2010 Form 10-K, at 41.

130. However, the failure of the Exchange Act Defendants to disclose the actual changes to the FDIC's contract illustrates that the Company's disclosure controls were inadequate to provide reasonable assurance that information requiring disclosure was properly reported.

131. The FDIC issued a press release dated November 7, 2011 stating that it would begin using a new vendor for its VDR instead of IntraLinks. The next day, IntraLinks filed a Form 8-K that omitted disclosure regarding the FDIC change to a new vendor. Instead, the November 8, 2011 Form 8-K stated only that IntraLinks has "not yet gained the momentum I [Defendant Damico] would like to see in our Enterprise business."

132. Yet Item 9A of the IntraLinks 2010 Form 10-K stated that "...our chief executive officer and chief financial officer **concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such**

information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.” (Emphasis added.)

133. In fact both Individual Defendants signed certifications pursuant to Section 302 of SOX attached to the IntraLinks’ 2010 Form 10-K. These certifications, among other things, stated “Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.”

134. Other information indicates that IntraLinks did not have an adequate system of internal controls over financial reporting, particularly regarding revenue recognition.

135. The certifications pursuant to Section 302 of SOX attached to the IntraLinks’ Form 10-K signed by the Individual Defendants further stated “[b]ased on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.” However, CW#1 stated that in 2009 IntraLinks attempted to implement a new accounting system. Due to problems with the new system, CW#1 believes that the new system was never implemented. CW#1 also stated that the previous billing system was antiquated, unorganized and was supported by the use of manual spreadsheets. This system did not accurately record revenue which resulted in overbillings to customers and required manual intervention at the end of a quarter.

## H. IntraLinks' Secondary Offering Allows Defendants and Other Insiders to Sell Off Millions of Dollars in IntraLinks Stock

136. On April 4, 2011, IntraLinks filed a Form S-1/A Registration Statement with the SEC disclosing its intent to issue an additional 7.5 million shares to the public on April 6, 2011. The 7.5 million shares were sold at \$25.50 per share. According to the Prospectus filed on April 6, 2011, IntraLinks was “selling 1,250,000 shares of our common stock and the selling stockholders identified in this prospectus are selling an additional 6,250,000 shares.” Further, the Prospectus, dated April 6, 2011 filed pursuant to the Registration Statement signed by Defendants Damico and Plesner, made clear that the Company would not “receive any of the proceeds from the sale of the shares sold by selling stockholders.”

137. As shown below, the Selling Stockholders included both Damico and Plesner:

Name and Address of Beneficial Owner	Beneficial Ownership Prior to this Offering		Number of Shares Offered	Beneficial Ownership After this Offering			
	Number	Percent		Number (Assuming No Exercise of Over-Allotment)	Percent (Assuming No Exercise of Over-Allotment)	Number (Assuming Full Exercise of Over-Allotment)	Percent (Assuming Full Exercise of Over-Allotment)
<b>Stockholders owning approximately 5% or more</b>							
Entities affiliated with TA Associates, Inc. <sup>(1)</sup>	16,032,412	30.6%	3,678,578	12,353,834	23.0%	11,448,834	21.2%
Entities affiliated with Rho Capital Partners, Inc. <sup>(2)</sup>	10,262,767	19.6%	2,354,755	7,908,012	14.7%	7,908,012	14.7%
<b>Executive Officers and Directors:</b>							
J. Andrew Damico <sup>(3)</sup>	1,110,022	2.1%	62,500	1,047,522	2.0%	1,038,147	1.9%
Anthony Plesner <sup>(4)</sup>	437,310	*	37,500	399,810	*	394,185	*
David G. Curran <sup>(5)</sup>	—	*	—	—	*	—	*
Brian J. Conway <sup>(6)</sup>	16,032,412	30.6%	—	12,353,834	23.0%	11,448,834	21.2%
Peter Gyunas	233,960	*	83,334	150,626	*	138,126	*
Thomas Hule	40,000	*	—	40,000	*	40,000	*
Habib Kairouz <sup>(7)</sup>	10,262,767	19.6%	—	7,908,012	14.7%	7,908,012	14.7%
Robert C. McBride	100,000	*	—	100,000	*	100,000	*
Harry D. Taylor <sup>(8)</sup>	16,032,412	30.6%	—	12,353,834	23.0%	11,448,834	21.2%
Patrick J. Wack, Jr. <sup>(9)</sup>	366,015	*	—	366,015	*	366,015	*
All executive officers and directors as a group (10 persons) <sup>(10)</sup>	28,582,486	54.5%	183,334	22,365,819	41.6%	21,433,318	39.8%
Other Selling Stockholders, Gregory Kaupp	175,000	*	33,333	141,667	*	136,667	*

IntraLinks Holdings, Inc. Prospectus, dated April 6, 2011, at 114.

138. The Secondary Offering raised \$30 million in gross proceeds for the Company and an additional \$152.2 million for the selling shareholders, including Defendants Damico and

Plesner. The Registration Statement and Prospectus for the Secondary Offering made no mention of problems with the Company's Enterprise business revenue or the expiration of its largest customer's Task Order.

139. Moreover, the Secondary Offering repeated each and every statement from the 2010 Form 10-K described herein that touted the strength of IntraLinks' revenue streams and the Enterprise business. All the while, IntraLinks knew but did not disclose that the FDIC's contract had expired and was subject to a renewed RFP.

140. The Amendment No. 1 to Form S-1 filed April 4, 2011 omitted disclosures regarding the significance of the FDIC contract and its limited life. As previously noted, such disclosure is necessary for a potential investor to understand the future revenue stream of the company. This Amendment touted the growth of the Enterprise line of business stating "We believe our revenue growth going forward will be driven by the following key trends: expanded geographic and industry focus to establish a wider distribution of our services, ongoing investment in our platform to ensure we continue to meet customer needs, and increased focus on providing the types of services that generate repeat business and expand our subscription base...Additionally, we believe the Enterprise principal market represents a significant long-term expansion opportunity and we plan to continue to invest in resources dedicated to serving this market." April 4, 2011 S-1/A, at 52.

141. The May 11, 2011 conference call disclosed the reduced usage of "this large Enterprise customer" but failed to disclose the impact on future revenues as a result of that customer not continuing. It was not until the First Quarter 2012 Form 10-Q which reflected a downturn in Enterprise revenue now that the FDIC had been completely removed from IntraLinks' revenue stream. The First Quarter 2012 Form 10-Q disclosed that the decrease in

Enterprise revenue is due to the “reduced level of utilization by one significant Enterprise customer.” Thus, the loss of this customer, the FDIC, during the Class Period, was material to IntraLinks’ results as it reversed the growth trend in Enterprise revenue.

**I. IntraLinks’ Downplays the Loss of the Company’s Largest Customer**

142. However, just one month after the Secondary Offering, and weeks after the close of the first quarter 2011, on May 11, 2011, the Company released its first quarter 2011 financial results and finally disclosed a small kernel of truth regarding the reality of IntraLinks’ financial health. In the Company’s May 11, 2011 Form 8-K, because of slowing revenue in the Enterprise market, the Company updated its business outlook reducing the Company’s Full Year 2011 income projection to \$17 to \$19 million from \$21 to \$23 million. On the same day, during a conference call discussing the Company’s first quarter 2011 results, Defendants revealed that a large Enterprise customer was dramatically reducing its use of IntraLinks’ products going forward and that the Company was reducing its earnings expectations as a result. In that conference call, Defendant Damico stated:

However, the short-term growth of our Enterprise business faces a headwind as a result of single Enterprise customer whose IntraLinks usage will significantly decrease over the remainder of the year. The use of IntraLinks in [sic] counter-cyclical and revolves around the management and exchange of distressed and non-performing assets.

Because of the improving economy, there will be fewer distressed asset situations going forward, and therefore, we expect that our revenue run-rate with this customer will be reduced by approximately \$2 million per quarter against our prior expectations. Importantly, we do not see the situation being replicated to the same degree in any other customer.

May 11, 2011 IntraLinks Conference Call Transcript, at 2.

143. Not long after the May 11 disclosure, analysts had confirmed that the “single customer” mentioned by Defendant Damico was in fact IntraLinks largest customer, the FDIC. This information was not disputed by the Company. During the Second Quarter 2011 Earnings

Conference Call, Defendant Plesner had the following exchange with Brendan Barnicle, an analyst with Pacific Crest Securities:

**Barnicle:** Thanks so much guys. I wanted to follow-up on the Enterprise business at 15%. And obviously, that's down sequentially. And I wanted to just see how much of that is related to the FDIC downturn?

**Plesner:** So we guided last quarter, Brendan, that the Enterprise business would be down quarter-over-quarter from Q1 on the back of a drop in revenues by our largest Enterprise customer. We did see a drop in revenue, a little bit less than we anticipated. We told you that we had used the most conservative case of numbers for that client; and so Enterprise came in there or thereabouts in line with our expectations and the numbers we guided to last quarter.

Second Quarter 2011 Earnings Conference Call Transcript, at 5.

144. However, the May 11 disclosure failed to disclose that the single Enterprise customer mentioned accounted for more than \$13 million per year in revenue which translated into *7% of IntraLinks' total yearly revenue in 2010*. In fact, the "next largest customer in the [IntraLinks] customer base is approximately \$3.6 million in annual revenues." *See* Craig-Hallum Capital Analyst Report, August 10, 2011, at 2.

**J. The Truth About IntraLinks' FDIC Contracts and IntraLinks' Declining Enterprise Business Has a Profound Negative Impact On IntraLinks**

145. Defendant Damico's partial disclosure on May 11 failed to disclose the full truth regarding the decrease in not just a "single Enterprise customer" but in fact IntraLinks' largest Enterprise customer. More importantly, the FDIC's "decrease in usage" was not a decrease in usage at all but an expiration of the FDIC Task Order and thus, the loss of all future contracts from the FDIC.

146. In reality, as described above, IntraLinks management was on notice long before May 11, 2011 that the FDIC Task Order was expiring and that the Company could not count on the FDIC's \$13 million per year in revenue going forward.

147. As described above, in 2009, the FDIC, as a result of their dramatic increase in business with IntraLinks caused by the mass failure of FDIC-insured banks, sought to renegotiate

their contract with IntraLinks. More interested in the FDIC revenue than keeping the FDIC as a customer, IntraLinks refused, prompting the FDIC to issue a new RFP in 2010 seeking bids from VDR providers which was seen by CW#1 while employed with an IntraLinks competitor in 2010.

148. Then, in line with IntraLinks' refusal to renegotiate the FDIC contract, on November 18, 2010, Defendant Plesner executed a modification to their existing FDIC Task Order for the purpose of "exercising the *final 6-month* option period under Task Order RECVR-01-G-0004-0016, which extends the Task Order final expiration date through June 9, 2011. *See* FDIC Amendment of Solicitation/Modification of Award, Eff. Date Nov. 18, 2010, Req. No. ASBCC-10-04552 (emphasis added).

149. CW#1 stated, with regard to whether or not IntraLinks executives were aware of the potential to lose the FDIC account, IntraLinks knew the FDIC business was "a blip, a circumstantial situation." In fact, CW#1 was present for several sales meetings where the loss of the FDIC was frequently discussed with management, long before the Class Period or his departure from IntraLinks.

150. In the end, it was not the Company that finally disclosed that its largest customer, the FDIC, had terminated its contract for IntraLinks' services. Instead, the truth about the Company's FDIC contract was disclosed by the FDIC itself on November 7, 2011 when the FDIC, in a Financial Institutional Letter ("FIL") stated that:

The Federal Deposit Insurance Corporation (FDIC) is changing the virtual data room (VDR) used to market failing financial institutions. Beginning in November 2011, the FDIC will begin using the RR Donnelley VDR known as Venue instead of IntraLinks for all new projects. IntraLinks will host projects initiated before November 2011 until they are resolved.

151. As a result, Defendants were aware, or recklessly disregarded the truth about the loss of their largest customer and the true growth rate of its Enterprise business.

**K. Defendants Disclose Growth Problems with Their Enterprise Business**

152. On August 10, 2011, IntraLinks issued a press release announcing its financial results for the second quarter of 2011, ended June 30, 2011. In the press release, the Company reported revenue and earnings in line with previously issued guidance, but reduced its outlook for the third quarter of 2011. In doing so, IntraLinks provided no explanation for the decrease in its third quarter outlook.

153. Also on August 10, 2011, in a separate Form 8-K filed with the SEC and during a conference call with investors and analysts, IntraLinks revealed that the Company had received a subpoena from the SEC “requesting certain documents related to the Company’s business from January 1, 2011 through the present.”

154. Defendants remained tight-lipped regarding the subject of the SEC subpoenas and the reduced guidance. However, analyst reports and investor message boards told a different story. In an analyst report published by Craig-Hallum Capital Group, Inc (“Craig-Hallum”) on November 9, 2011, analyst Jeff Van Rhee stated:

The company previously filed an 8-K on 8/9/11 outlining the fact that the company had “received a subpoena from the US SEC requesting certain documents related to the Company’s business from January 1, 2011, through present.” Management noted the process was ongoing and that they would not be providing any additional details at this time.

In sum, this quarter brought more questions than answers and results in us reducing our forward estimated materially. Further, the SEC suit remains an overhang, with management providing no additional color on its purpose or focus. Given the considerable risks around enterprise churn and growth prospects, weak guidance, limited transparency on sales churn/legal inquiries/FY’12 outlook/etc. and the macro risks to the other business segments (M&A, DCM), we remain on the sidelines with a Hold rating and are reducing our price target to \$10.

155. In another report, a Deutsche Bank analyst stated:

The company has not provided any additional commentary on the SEC investigation. We do know that they filed their 2Q11 10Q on time, which means the investigation is likely centered on the April secondary offering. Even with the Enterprise segment turnaround hampering overall growth, the stock continues to trade at discount levels and will likely stay there until the SEC issue is resolved. Deutsche Bank, IntraLinks Downgrading to Hold due to growth uncertainty, November 9, 2011 at 1.

156. In message board after the August 10, 2011 disclosure, many investors surmised that the subpoena was related to revenue recognition practices employed by IntraLinks and statements made in the Company's 2010 Form 10-K and Secondary Offering Materials.

157. According to an August 12, 2011 post on IntraLinks' Yahoo Finance webpage under the subject line "Sales in many cases are 'imaginary'" one writer wrote:

Sales in many cases are "imaginary", and will eventually have to be written off. Their financial statements will need to be rewritten, it will just take a little longer...the under-writers will be the last to admit or find out the truth... SEC was informed by shorts sellers about these "imaginary sales" and this is the reason for the subpoena.... more subpoenas will hit this scam company...

[http://messages.finance.yahoo.com/Stocks\\_%28A\\_to\\_Z%29/Stocks\\_I/threadview?m=tm&bn=111006&tof=87&rt=2&frt=2&dir=f&ri=458&n=kAoHypP7CD\\_cjmhH35S94Q--](http://messages.finance.yahoo.com/Stocks_%28A_to_Z%29/Stocks_I/threadview?m=tm&bn=111006&tof=87&rt=2&frt=2&dir=f&ri=458&n=kAoHypP7CD_cjmhH35S94Q--)  
(last visited June 14, 2012)

158. In another post on the same day, another poster corroborated the allegations described above regarding the reclassification of revenue.

This company was riding a wave of M&A activity and posting shady revenue numbers. I do doubt the integrity of revenues. IL has also had approximately 90% sales staff turnover in the past year, had to fire its VP of Sales in December after compiling a long list of complaints, and is misleading investors in how it is diversifying its business to "Enterprise" - most of this is simply subscription agreements (vs. short-term transaction agreements) for the same financial use cases. They're saying in their last earning that \$83M of the \$184M was Enterprise - no way! It's mostly M&A. If you're buying a niche cloud player, all good. If you're buying the diversification story, so sorry

[http://messages.finance.yahoo.com/Stocks\\_%28A\\_to\\_Z%29/Stocks\\_I/threadview?m=tm&bn=111006&tof=86&rt=2&frt=2&dir=b&ri=456&n=ukLa0SCaeQw2NYwuC9ZfIQ--](http://messages.finance.yahoo.com/Stocks_%28A_to_Z%29/Stocks_I/threadview?m=tm&bn=111006&tof=86&rt=2&frt=2&dir=b&ri=456&n=ukLa0SCaeQw2NYwuC9ZfIQ--)  
(last visited June 14, 2012)

159. Although, the Company, to date, still has not provided any further explanation, or disclosed a resolution, of the SEC subpoena, on November 8, 2011 in a press release announcing the Company's financial results for the third quarter of 2011, the Company finally admitted to problems in its Enterprise business that hampered both second quarter and full year 2011 results. For the period, IntraLinks reported total revenue of just \$54.8 million, well below the Company's prior guidance and analysts' expectations. The Company explained:

“Our business as a whole performed well in the third quarter. We continued to gain share in the M&A market, and we are well underway with providing differentiated solutions for our DCM customers,” said Andrew Damico, IntraLinks' President and CEO. **“We have not yet gained the momentum I would like to see in our Enterprise business; however, I am confident that our continuing investments in sales, customer service and marketing will allow us to achieve greater momentum going forward.”**

November 8, 2011, IntraLinks Form 8-K, at 1.

160. During the Company's earnings conference call, Defendant Damico further stated:

Growth in our Enterprise business fell short of expectations. I am not satisfied with our momentum in this part of our business. Let me address where our challenges have been and what we're doing to improve our long term growth in the Enterprise business.

**First our Enterprise sales force is not yet where it needs to be in terms of quantity, composition and tenure...**

Another challenge has been that our message has historically addressed the needs of the specific use case for the business user and not the wider needs of enterprise IT.

IntraLinks Third Quarter 2011 Earnings Conference Call, Nov. 8, 2011, at 3.

161. Throughout the Class Period, IntraLinks was well aware of its problems and “lack of momentum” in its Enterprise business as well as its problems with its sales force caused by Mullen. Yet, instead of disclosing the truth regarding these issues to investors, the Company employed aggressive revenue recognition policies to hide the truth from investors, in part by

aggressively classifying transactional M&A or DCM clients as Enterprise customers and by not disclosing that the decrease in an Enterprise revenue was in fact the loss of the Company's largest Enterprise client because of the Company's refusal to renegotiate the existing contract.

162. A November 9, 2011 Deutsche Bank analyst report explained:

**Growth uncertainty as Enterprise segment rebuilds**

We have become much more uncertain about the timing of the Enterprise segment growth turnaround. As we've pointed out in the past, renewal rates tell the story, and in 3Q total renewal rate of 91% was the lowest we've seen for the company. Typically, the company has been able to cross-sell new use cases to project-based enterprise clients, but because of the sales force disruptions, they weren't able to recapture those clients. Additionally, we were a bit disappointed that the large enterprise client that has been reducing usage has switched new projects to a competitor's product...However, we do not see Enterprise returning to positive y/y growth until 2013.

Deutsche Bank, IntraLinks Downgrading to Hold due to growth uncertainty, November 9, 2011 at 4.

163. However, the Company never disclosed, as described above, the issues with their revenue recognition systems or that it was overbilling customers by twenty or thirty percent.

**L. Post Class Period Developments**

164. Following the end of the Class Period both Defendants Damico and Plesner left the Company. On December 15, 2011, just one month after the close of the Class Period, IntraLinks filed a Form 8-K with the SEC disclosing that Defendant Damico would be resigning from the Company. Less than six months later, on May 9, 2012, in a Form 8-K filed with the SEC, IntraLinks disclosed that on May 3, 2012 Defendant Plesner informed the Company that he too was resigning. The resignations of both Damico and Plesner shortly after the disclosure of the true nature of IntraLinks' Enterprise business and the loss of the FDIC contracts are highly suspect and contribute to an inference of fraud.

165. Furthermore, on February 27, 2012, IntraLinks filed their 2011 Form 10-K which disclosed annual revenue of 213.5 million, lower than their offered guidance throughout the Class Period.

**M. False and Misleading Statements During the Class Period**

**1. February 17, 2011 Form 8-K**

166. In the February 17, 2011 Form 8-K and press release announcing their fourth quarter and full year 2010 financial results, Defendant Damico attributed the Company's growth in 2010 to its Enterprise business.

The company's momentum and profitability during 2010 was driven by significant growth in our Enterprise and Mergers and Acquisitions business. IntraLinks Announces Fourth Quarter and Full Year 2010 Results, Feb. 17, 2011, at 1.

167. Defendant Plesner added that the Company's capital structure was stable and poised to create a profitable and successful company:

We believe that IntraLinks has the market opportunity, leadership position and infrastructure to build a large and highly profitable company, as reflected by our 2011 guidance.

*Id.*

168. As part of that 2011 guidance, the Exchange Act Defendants projected a 20% increase in total revenue in 2011, backed largely by the growth of their Enterprise business.

***Based on information available as of February 17, 2011***, IntraLinks is providing guidance for the first quarter 2011 and full year 2011 as follows:

**First Quarter 2011**

Revenue: \$52 million to \$54 million  
GAAP operating income: \$0.5 million to \$2.5 million  
Non-GAAP operating income: \$10 million to \$11.5 million  
Non-GAAP adjusted EBITDA: \$15 million to \$16.5 million  
GAAP net (loss) income per share: (\$0.01) to \$0.01  
Non-GAAP net income per share: \$0.09 to \$0.11

**Full Year 2011**

Revenue: \$215 million to \$225 million

GAAP operating income: \$21 million to \$23 million  
Non-GAAP operating income: \$52 million to \$58 million  
Non-GAAP adjusted EBITDA: \$73 million to \$78 million  
GAAP net income per share: \$0.12 to \$0.14  
Non-GAAP net income per share: \$0.50 to \$0.57

*Id.* at 3.

169. As set forth in ¶¶ 97-113, above, in light of the Company's knowledge of the impending loss of its largest customer and the dependence of its struggling Enterprise business on that client, the above-referenced statements from the February 17, 2011 8-K and press release materially misstated and omitted to state material facts required therein or necessary to make the statements contained therein not misleading, at all times throughout the Class Period.

## 2. 2010 Form 10-K

170. IntraLinks 2010 Form 10-K, filed with the SEC on March 23, 2011, described IntraLinks as a rapidly growing company that enjoyed strong demand for its products and a large and stable customer base from three specific market segments. More particularly, the 2010 Form 10-K provided, in relevant part:

At our founding in 1996, we introduced cloud-based collaboration for the debt capital markets industry and, shortly thereafter, extended our solutions to merger and acquisition transactions. *Today, we service enterprises and governmental agencies in over 60 countries across a variety of industries, including financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology, use our solutions for the secure management and online exchange of information within and among organizations.*

\* \* \*

In the year ended December 31, 2010, we had over 4,700 customers across 34 industries use the IntraLinks Platform. Since our inception, customers have used the IntraLinks Platform to enable collaboration among more than 1,000,000 end-users and approximately 195,000 organizations worldwide. We operate the business in one reportable segment, as management makes operating decisions and assesses performance based on one single operating unit. However, we also track our revenues by three principal markets: enterprise ("Enterprise"), mergers and acquisitions ("M&A") and debt capital markets ("DCM").

2010 Form 10-K, at 1.

171. With respect to IntraLinks' purported visibility into its revenue stream, the 2010 Form 10-K further provided in relevant part:

We deliver our solutions entirely through a cloud-based model where they are available on-demand over the Internet using a multi-tenant SaaS architecture in which a single instance of our software serves all of our customers. Our business model has provided us with a high level of revenue visibility. We sell our solutions directly through an enterprise sales team with industry specific expertise, and indirectly through a customer referral network and channel partners. In 2010, we generated \$184.3 million in revenue, of which approximately 35% was derived from sales across 60 countries outside of the United States. We have generated positive cash flow from operations on an annual basis since 2003, including \$35.6 million in 2010.

Id. at 2.

172. Regarding IntraLinks' existing customer base and customer relationships, the 2010 Form 10-K further provided in relevant part:

In the year ended December 31, 2010, we had approximately 4,700 customers across 34 industries. Since inception, over 1,000,000 end users, including professionals at more than 800 of the Fortune 1,000 companies, have used our solutions. In 2010, approximately 35% of our revenue was generated from sales across 60 countries outside the United States. We believe our customers have a high level of satisfaction, as evidenced by the 104% renewal rate, on a per-customer absolute dollar commitment basis, for our subscription contracts during the year ended December 31, 2010. No customer represented more than 10% of our revenue in 2008, 2009 or 2010.

\* \* \*

*A leading global bank with assets over \$2 trillion has been a customer of ours for 13 years and has deployed our solutions across numerous departments. The bank began using our solutions for its debt capital markets transactions to accelerate loan syndication and loan servicing. The bank then expanded its use of our solutions to standardize on our IntraLinks Platform for merger and acquisition advisory services.*

Most recently, the bank adopted IntraLinks Courier for its global investment bank to exchange confidential information internally and externally and to reduce the risks and costs of traditional courier services. Other departments within the bank using our services include Restructuring, Securitization, Real Estate Portfolio management, Asset Finance, Lease Finance, Commercial Lending and Servicing and Fund Reporting. By standardizing on the IntraLinks Platform, the bank has been able to save time and money and

increase security and audit-ability thereby reducing risk and improving compliance across departments.

2010 Form 10-K, at 10-12.

173. In addition, the Company touted the strength of its Enterprise market in the 2010 Form 10-K, even though its Enterprise business was fairly new to the Company as described in ¶¶83-96, above, which provided:

We have since enhanced our cloud-based platform (our “IntraLinks Platform”) to address the needs of a wider enterprise market, consisting of customers of all sizes across a variety of industries who use our solutions for the secure management and online exchange of information within and among organizations. ***Today, this enterprise market is our largest and fastest growing market*** and includes organizations in the financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology sectors, as well as government agencies.

*Id.* at 41.

174. The Company also touted the strength of its Enterprise market as a source of its growth strategy in the 2010 Form 10-K which stated in relevant part:

Our goal is to be the leading global provider of cloud-based solutions for critical information management, exchange and collaboration. The following are key elements of our strategy:

- ***Increase our market share in the principal markets that we target:*** We intend to continue to focus our sales efforts in markets where we have had historical success. We are a leader in providing collaboration solutions for debt capital market transactions and merger and acquisition transactions. ***Today, the Enterprise principal market is our largest and fastest growing market. We believe that we have a significant opportunity to increase our market share in these core markets based on the strength of our solutions.***
- ***Further penetrate our existing customer base and cross-sell our solutions:*** Our strategy is to leverage initial deployments with customers that may address a specific business process to expand within an enterprise through our offering of cross-departmental solutions. Many of our customers currently use our solutions only for industry-specific business processes, such as clinical trials, or for functional business processes, such as mergers and acquisitions due diligence. We believe we have a significant opportunity to sell our broader cross-departmental solutions, including vendor sourcing and procurement, real estate management, litigation management, audit management, licensing and joint partnership and alliance *management*, to our

existing customer base. In addition, we plan to continue to identify new business processes that can be transformed via our cloud-based solutions.

\* \* \*

- *Broaden our sales channels to expand into new geographies:* We can offer significant value to organizations of any size and in any location that need to exchange critical information in a secure and auditable environment. Working with our global direct sales force, partners and referral network, we plan to expand our offerings to new geographies that are currently underpenetrated and represent a significant opportunity.

\* \* \*

- *Further leverage our global user community:* We have a global user community of over 1,000,000 professionals that have used our solutions over the past 13 years. We are able to *leverage* this user community in unique ways, such as to facilitate searches based on users' expertise or capabilities across our entire user directory. This would enable users to network with each other and locate customers, suppliers, advisors and employees across the globe that can help them address

*Id.* at 7.

175. Attached to the 2010 Form 10-K were certifications signed by both Defendants Plesner and Damico which both stated in part:

I, Anthony Plesner, certify that / I, J. Andrew Damico, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2010 of IntraLinks Holdings, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

176. As set forth in ¶¶ 97-113, 142-51, above, in light of the loss of the Company's largest customer and a struggling Enterprise business, the above-referenced statements from the 2010 Form 10-K were materially misstated and omitted to state material facts required therein or necessary to make the statements contained therein not misleading, at all times throughout the Class Period.

177. Pursuant to SOX, Defendant Plesner and Damico certified the 2010 Form 10-K, stating that the "information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of IntraLinks" and that the "report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report" in the form set forth in ¶ 175 above. As set forth in ¶¶ 87-163, above, these certifications were materially misstated and omitted to state material facts required therein or necessary to make the statements contained therein not misleading, at all times throughout the Class Period.

### 3. April 4, 2011 Registration Statement

178. The Registration Statement described IntraLinks as a rapidly growing company that enjoyed strong demand for its products and a large and stable customer base. More particularly, the Registration Statement provided, in relevant part:

At our founding in 1996, we introduced cloud-based collaboration for the debt capital markets industry and, shortly thereafter, extended our solutions to merger and acquisition transactions. *We have since enhanced our IntraLinks Platform to address the needs of a wider enterprise market consisting of customers of all sizes across a variety of industries that use our solutions for the secure management and online exchange of information within and among organizations. Today, this enterprise market is our largest and fastest growing market and includes organizations in the financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology sectors, as well as government agencies.* Across all of our principal

markets we help transform a wide range of slow, expensive and information intensive tasks into streamlined, efficient and real-time business processes. In the year ended December 31, 2010, over 4,700 customers across 60 countries used the IntraLinks Platform. Since inception customers have used the IntraLinks Platform to enable collaboration among more than 1,000,000 end-users and approximately 195,000 organizations worldwide.

April 4, 2011 S-1/A, at 36.

179. With respect to IntraLinks' purported visibility into its revenue stream, the

Registration Statement further provided in relevant part:

We deliver our solutions entirely through a cloud-based model where they are available on-demand over the Internet using a multi-tenant SaaS architecture in which a single instance of our software serves all of our customers. ***Our business model has provided us with a high level of revenue visibility.*** We sell our solutions directly through an enterprise sales team with industry-specific expertise, and indirectly through a customer referral network and channel partners. In 2010, we generated \$184.3 million in revenue, of which approximately 35% was derived from sales across 60 countries outside of the United States. We have generated positive cash flow from operations on an annual basis since 2003, including \$35.6 million in 2010.

*Id.*

180. Regarding IntraLinks' existing customer base and customer relationships, the

Registration Statement further provided in relevant part:

In the year ended December 31, 2010, we had approximately 4,700 customers across 34 industries. Since inception, over 1,000,000 end users, including professionals at more than 800 of the *Fortune 1,000 companies*, have used our solutions. *In 2010, approximately 35% of our revenue was generated from sales across 60 countries outside the United States. We believe our customers have a high level of satisfaction, as evidenced by the 104% renewal rate, on a per-customer absolute dollar commitment basis, for our subscription contracts during the year ended December 31, 2010. No customer represented more than 10% of our revenue in 2008, 2009 or 2010.*

\* \* \*

*A leading global bank with assets over \$2 trillion has been a customer of ours for 13 years and has deployed our solutions across numerous departments. The bank began using our solutions for its debt capital markets transactions to accelerate loan syndication and loan servicing. The bank then expanded its use of our solutions to standardize on our IntraLinks Platform for merger and acquisition advisory services.*

*Most recently, the bank adopted IntraLinks Courier for its global investment bank to exchange confidential information internally and externally and to*

reduce the risks and costs of traditional courier services. Other departments within the bank using our services include Restructuring, Securitization, Real Estate Portfolio management, Asset Finance, Lease Finance, Commercial Lending and Servicing and Fund Reporting. By standardizing on the IntraLinks Platform, the bank has been able to save time and money and increase security and audit-ability thereby reducing risk and improving compliance across departments.

*Id.* at 78-80.

181. In addition, the Company touted the strength of its Enterprise market in the Registration Statement, which provided:

We have since enhanced our cloud-based platform (our “IntraLinks Platform”) to address the needs of a wider enterprise market, consisting of customers of all sizes across a variety of industries who use our solutions for the secure management and online exchange of information within and among organizations. ***Today, this enterprise market is our largest and fastest growing market*** and includes organizations in the financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology sectors, as well as government agencies.

*Id.* at 36.

182. The Company also touted the strength of its Enterprise market as a source of its growth strategy. As such, the Registration Statement provided in relevant part:

Our goal is to be the leading global provider of cloud-based solutions for critical information management, exchange and collaboration. The following are key elements of our strategy:

- *Increase our market share in the principal markets that we target:* We intend to continue to focus our sales efforts in markets where we have had historical success. We are a leader in providing collaboration solutions for debt capital market transactions and merger and acquisition transactions. ***Today, the Enterprise principal market is our largest and fastest growing market. We believe that we have a significant opportunity to increase our market share in these core markets based on the strength of our solutions.***
- *Further penetrate our existing customer base and cross-sell our solutions:* Our strategy is to leverage initial deployments with customers that may address a specific business process to expand within an enterprise through our offering of cross-departmental solutions. Many of our customers currently use our solutions only for industry-specific business processes, such as clinical trials, or for functional business processes, such as mergers and acquisitions due diligence. We believe we have a significant opportunity to sell our broader cross-departmental solutions, including vendor sourcing and procurement, real estate management, litigation management, audit management, licensing and joint partnership and alliance *management*, to our

existing customer base. In addition, we plan to continue to identify new business processes that can be transformed via our cloud-based solutions.

\* \* \*

- *Broaden our sales channels to expand into new geographies:* We can offer significant value to organizations of any size and in any location that need to exchange critical information in a secure and auditable environment. Working with our global direct sales force, partners and referral network, we plan to expand our offerings to new geographies that are currently underpenetrated and represent a significant opportunity.

\* \* \*

- *Further leverage our global user community:* We have a global user community of over 1,000,000 professionals that have used our solutions over the past 13 years. We are able to leverage this user community in unique ways, such as to facilitate searches based on users' expertise or capabilities across our entire user directory. This would enable users to network with each other and locate customers, suppliers, advisors and employees across the globe that can help them address specific business needs.

*Id.* at 75.

183. As set forth in ¶¶ 87-163, above, in light of the loss of the Company's largest customer and a struggling Enterprise business, the above-referenced statements from the Registration Statement, signed by both Defendant Plesner and Defendant Damico were materially misstated and omitted to state material facts required therein or necessary to make the statements contained therein not misleading, at all times throughout the Class Period.

#### **4. May 11, 2011 Form 8-K and First Quarter 2011 Form 10-Q**

184. Again, the May 11, 2011 First Quarter 2011 financial results press release and Form 8-K filed with the SEC, signed by Plesner, described IntraLinks as a growing company that enjoyed strong demand for its products and a large and stable customer base. More particularly, the May 11, 2011 press release and Form 8-K provided, in relevant part:

“The company's first quarter results were consistent with our expectations, driven by our leadership position in each of our three principal markets – Enterprise, M&A and DCM,” said Andrew Damico, IntraLinks' President and CEO. “We remain confident about IntraLinks' outlook. We continue to see strong market demand, have strengthened our sales leadership and will continue to expand our sales teams.”

“As we look ahead to the remainder of 2011, we expect to see a combination of growth, profitability and cash flow that is a standout in the Software-as-a-Service

sector,” said Anthony Plesner, IntraLinks’ CFO. “We will also continue to invest in products and people to grow our leadership position and capitalize on our multi-billion dollar market opportunity that remains highly underpenetrated.” IntraLinks Announces First Quarter 2011 Results, May 11, 2011, at 1.

185. The May 11, 2011 Form 8-K and press release further provided guidance for the second quarter 2011 and full year 2011:

***Based on information available as of May 11, 2011***, IntraLinks is providing guidance for the second quarter 2011 and full year 2011 as follows:

**Second Quarter 2011**

Revenue: \$51 million to \$53 million  
GAAP operating income: \$0.5 million to \$2.5 million  
Non-GAAP operating income: \$10 million to \$11.5 million  
Non-GAAP adjusted EBITDA: \$15 million to \$16.5 million  
GAAP net (loss) income per share: (\$0.01) to \$0.01  
Non-GAAP net income per share: \$0.09 to \$0.11

**Full Year 2011**

Revenue: \$215 million to \$225 million  
GAAP operating income: \$17 million to \$19 million  
Non-GAAP operating income: \$52 million to \$58 million  
Non-GAAP adjusted EBITDA: \$73 million to \$78 million  
GAAP net income per share: \$0.06 to \$0.08  
Non-GAAP net income per share: \$0.50 to \$0.57

*Id.* at 2.

186. Following the May 11, 2011 Press Release, the Company’s First Quarter 2011 Earnings Call disclosed only a small fraction of the truth regarding its struggling Enterprise business customer base. Moreover, in this partial disclosure, Defendant Damico falsely portrayed the drop in business as cyclical and not a permanent decrease as was truly the case. As such, Defendant Damico stated in part:

However, *the short-term growth of our Enterprise business faces a headwind as a result of single Enterprise customer whose IntraLinks usage will significantly decrease over the remainder of the year.* The use of IntraLinks in [sic] counter-cyclical and revolves around the management and exchange of distressed and non-performing assets.

Because of the improving economy, there will be fewer distressed asset situations going forward, and therefore, we expect that our revenue run-rate with this customer will be reduced by approximately \$2 million per quarter against our prior expectations. Importantly, we do not see the situation being replicated to the same degree in any other customer.

IntraLinks First Quarter 2011 Earnings Conference Call Transcript, at 2.

187. At the same time, Damico quickly spun this partial disclosure by reassuring investors that this customer decrease did not change IntraLinks' competitive landscape even though the Exchange Act Defendants were well aware that, as described in 97-113 above, the FDIC was not satisfied with the cost of IntraLinks and that as a result of IntraLinks' refusal to renegotiate their contract, they had executed their final extension and had put the VDR contract out on the market for competitive bids:

We haven't seen any fundamental changes whatsoever in the competitive landscape, in the sales process, in our pricing, in the competitive landscape, so we don't see any fundamental changes to what we shared with you in the last earnings call.

IntraLinks First Quarter 2011 Earnings Conference Call Transcript, at 3.

188. Additionally, even with this part truth-part omission, IntraLinks' First Quarter 2011 Form 10-Q filed with the SEC continued to tout the strength and stability of the Company's revenue streams:

Today, this enterprise market is our largest and fastest growing market and includes organizations in the financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology sectors, as well as government agencies. Across all of our principal markets, we help transform a wide range of slow, expensive and information-intensive tasks into streamlined, efficient and real-time business processes. In the year ended December 31, 2010, over 4,700 customers across 60 countries used the IntraLinks Platform. Since inception customers have used the IntraLinks Platform to enable collaboration among more than 1,000,000 end-users and approximately 195,000 organizations worldwide.

First Quarter 2011 Form 10-Q, at 18

189. The First Quarter 2011 Form 10-Q further touted the Company's ability to clearly see view its revenue.

We deliver our solutions entirely through a multi-tenant SaaS architecture in which a single instance of our software serves all of our customers. Our business model has provided us with a high level of revenue visibility. We sell our solutions directly through an enterprise sales team with industry-specific expertise, and indirectly through a customer referral network and channel partners. During the three months ended March 31,2011, we generated \$52.4 million in revenue, of which approximately 38.0% was derived from international sales across 59 countries.

First Quarter 2011 Form 10-Q, at 18

190. Most importantly, the First Quarter 2011 Form 10-Q touted the strength and growth of the Company's Enterprise business.

Enterprise principal market continues to be our largest principal market, representing 45.9% of total revenues. ***The increase in Enterprise revenue for the three month period, as compared to the prior year period, was primarily driven by an increased customer base, larger contract values for new customers (compared to historic levels), as well as higher exchange utilization and renewal levels for existing customers. This activity reflects the wider adoption of our services across customers' organizations. We attribute this growth to our increased investment in Enterprise-related product development initiatives, additional sales headcount and marketing resources dedicated to this market, as well as improved global market conditions.*** We believe our revenue growth going forward will be driven by the following key trends: expanded geographic and industry focus to establish a wider distribution of our services, ongoing investment in our platform to ensure we continue to meet customer needs, and increased focus on providing the types of services that generate repeat business and expand our subscription base. We believe that the resources invested in our platform, as well as our operational infrastructure, will allow us to better serve larger clients on a global basis. Additionally, we believe the Enterprise principal market represents a significant long-term expansion opportunity and we plan to continue to invest in resources dedicated to serving this market.

First Quarter 2011 Form 10-Q, at 22.

191. Attached to the First Quarter 2011 Form 10-Q were certifications signed by both Defendants Plesner and Damico which both stated in part:

I, Anthony Plesner, certify that / I, J. Andrew Damico, certify that:

1. I have reviewed this Quarterly Report of IntraLinks Holdings, Inc.;

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

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

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

192. As set forth in ¶¶ 87-163 above, in light of the loss, and not just slow down, of the Company's largest customer and a struggling Enterprise business, the above-referenced statements from the May 11, 2011 Form 8-K and press release, the First Quarter 2011 Earnings Conference Call and First Quarter 2011 Form 10-Q, all authored, signed or made by both Defendant Plesner and Defendant Damico were materially misstated and omitted to state material facts required therein or necessary to make the statements contained therein not misleading, at all times throughout the Class Period.

193. Further, as set forth in ¶¶ 87-163 above, the certifications signed by Defendants Damico and Plesner were materially misstated and omitted to state material facts required therein or necessary to make the statements contained therein not misleading, at all times throughout the Class Period.

**5. August 10, 2011 Form 8-K and Second Quarter 2011 Form 10-Q**

194. The August 10, 2011 Second Quarter 2011 financial results press release and Form 8-K filed with the SEC, also described IntraLinks as a growing company that enjoyed

strong demand for its products and a large and stable customer base. Particularly, the August 10, 2011 press release and Form 8-K provided, in relevant part:

“Our second quarter results reflect a combination of solid growth, profitability and cash flow,” said Anthony Plesner, IntraLinks’ CFO. “As we look to the second half of the year, we will continue to invest in products and people to grow our business and capitalize on the multi-billion dollar market opportunity in front of our company.”

IntraLinks Announces Second Quarter 2011 Results, August 11, 2011, at 1.

195. The August 11, 2011 Form 8-K and press release further provided guidance for the third quarter 2011 and full year 2011:

*Based on information available as of August 10, 2011*, IntraLinks is providing guidance for the second quarter 2011 and full year 2011 as follows:

**Third Quarter 2011**

Revenue: \$54 million to \$56 million  
GAAP operating income: \$2.5 million to \$4.0 million  
Non-GAAP operating income: \$12 million to \$13.5 million  
Non-GAAP adjusted EBITDA: \$17.5 million to \$19 million  
GAAP net income per share: \$0.00 to \$0.02  
Non-GAAP net income per share: \$0.11 to \$0.13

**Full Year 2011**

Revenue: \$215 million to \$225 million  
GAAP operating income: \$17 million to \$19 million  
Non-GAAP operating income: \$52 million to \$58 million  
Non-GAAP adjusted EBITDA: \$73 million to \$78 million  
GAAP net income per share: \$0.06 to \$0.08  
Non-GAAP net income per share: \$0.50 to \$0.57

*Id.* at 2.

196. Additionally IntraLinks’ Second Quarter 2011 Form 10-Q filed with the SEC continued to tout the strength and stability of the Company’s revenue streams:

Today, this enterprise market is our largest and fastest growing market and includes organizations in the financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology sectors, as well as government agencies. Across all of our principal markets, we help transform a wide range of slow, expensive and information-intensive tasks into

streamlined, efficient and real-time business processes. In the year ended December 31, 2010, over 4,700 customers across 60 countries used the IntraLinks Platform. Since inception customers have used the IntraLinks Platform to enable collaboration among more than 1,000,000 end-users and approximately 195,000 organizations worldwide.

Second Quarter 2011 Form 10-Q, at 20

197. The Second Quarter 2011 Form 10-Q further touted the Company's ability to clearly see view its revenue.

We deliver our solutions entirely through a multi-tenant SaaS architecture in which a single instance of our software serves all of our customers. Our business model has provided us with a high level of revenue visibility. We sell our solutions directly through an enterprise sales team with industry-specific expertise, and indirectly through a customer referral network and channel partners. During the six months ended June 30, 2011, we generated \$105.7 million in revenue, of which approximately 40% was derived from international sales across 61 countries.

Second Quarter 2011 Form 10-Q, at 20

198. Most importantly, the Second Quarter 2011 Form 10-Q touted the strength and growth of the Company's Enterprise business.

*Enterprise* – The results for the three months ended June 30, 2011 reflect an increase in Enterprise revenue of \$2.9 million or 14.5%, as compared to the three months ended June 30, 2010. ***The increase in Enterprise revenue for the three month period, as compared to the prior year period, was primarily driven by an increased customer base, and higher exchange utilization. This activity reflects the wider adoption of our services across customers' organizations.*** We attribute this growth to our increased investment in Enterprise-related product development initiatives, additional sales head count and marketing resources dedicated to this market given recent market events. We believe our revenue growth going forward will be driven by the following key trends: expanded geographic and industry focus to establish a wider distribution of our services, ongoing investment in our platform to ensure we continue to meet customer needs, and increased focus on providing the types of services that generate repeat business and expand our subscription base. We believe that the resources invested in our platform, as well as our operational infrastructure, will allow us to better serve larger clients on a global basis. Additionally, we believe the Enterprise principal market represents a significant long-term expansion opportunity and we plan to continue to invest in resources dedicated to serving this market.

Second Quarter 2011 Form 10-Q, at 25.

199. Attached to the Second Quarter 2011 Form 10-Q were certifications signed by both Defendants Plesner and Damico which both stated in part:

I, Anthony Plesner, certify that / I, J. Andrew Damico, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2011 of IntraLinks Holdings, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

200. As set forth in ¶¶ 87-163 above, in light of the impending loss of the Company’s largest Enterprise customer and the aggressive revenue recognition policies employed by IntraLinks, and not simply the “wider adoption” of the IntraLinks’ products, the above-referenced statements from the August 10, 2011 Form 8-K and press release and the 2Q 2011 10-Q, all authored, signed or made by both Defendant Plesner and Defendant Damico were materially misstated and omitted to state material facts required therein or necessary to make the statements contained therein not misleading, at all times throughout the Class Period.

201. Pursuant to SOX, Defendant Plesner certified the Second Quarter 2011 Form 10-Q, stating that the “information contained in the Report fairly presents, in all material respects,

the financial condition and results of operations of IntraLinks” and that the “report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report” in the form set forth in ¶ 199 above. As set forth in ¶¶ 87-96, 114-21 above, this certification was materially misstated and omitted to state material facts required therein or necessary to make the statements contained therein not misleading, at all times throughout the Class Period.

**N. Materiality of IntraLinks Enterprise Business Disclosures Under SEC and Financial Accounting Standards (“FASB”) Rules**

202. As described herein, IntraLinks identified Enterprise revenue as a growth area by the company and as such it was represented by management to be material to the future profitability of the entity.

203. The concept of qualitative materiality for individual items of information is also specifically addressed by the SEC. SEC Staff Accounting Bulletin 114 (“SAB 114”), Topic 1, M.1 states “[A] misstatement of the revenue and operating profit of a relatively small segment that is **represented by management to be important to the future profitability of the entity is more likely to be material to investors** than a misstatement in a segment that management has not identified as especially important.” (Emphasis added.)

204. Materiality is also addressed in the accounting literature. In the FASB Concepts Statement 2, Qualitative Characteristics of Accounting Information (“FASB CON 2”), the FASB discussed the concept of materiality: “[T]he omission or misstatement of an item in a financial report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying on the report would have been changed or influenced by the inclusion or correction of the item.”

205. SAB 114 states that financial management must consider both “quantitative” and “qualitative” factors in assessing an item’s materiality. Quantitative factors alone are not sufficient to measure materiality. According to FASB CON 2 “[T]he predominate view is that materiality judgments can properly be made only by those who have all the facts. The Board’s present position is that no general standards of materiality could be formulated to take into account all the considerations that enter into an experienced human judgment.”

**O. The Facts Give Rise to a Strong Inference that the Exchange Act Defendants Acted with Scienter**

206. The facts set forth above, viewed collectively, give rise to a strong inference that the Exchange Act Defendants acted knowingly, or at least recklessly, when they concealed from the market the material negative news that IntraLinks’ contracts with the FDIC had expired and that IntraLinks faced a major risk of losing its largest customer which would materially and substantially hurt IntraLinks’ financial results.

207. As set forth herein, Exchange Act Defendants Damico and Plesner were involved in every step of the Company’s executive policies. This included the creation of the Enterprise business, the hiring of Mullen as head of Sales, the execution of the “final extension” of the FDIC contract in November 2010 and the decision in 2010 not to renegotiate the FDIC contract. Based on interviews with former IntraLinks’ employees conducted in the investigation by counsel for Lead Plaintiff, the Exchange Act Defendants knew or recklessly disregarded the fact that the FDIC contract was expiring and as a result of their refusal to renegotiate the price, which was already one of the most expensive in the market, led to the FDIC signing the final extension of the existing contract in order to provide the FDIC with time to issue a new RFP and select a new VDR provider, which it finally did and disclosed to the market on November 7, 2011. Further, by virtue of their positions as CFO and CEO, Defendants Damico and Plesner were

aware of the issues with the existing accounting system and the practices employed by Mullen to reclassify existing DCM and M&A accounts as Enterprise business. The following facts, among the others set forth above, further give rise to a strong inference of scienter by the Exchange Act

Defendants:

- IntraLinks knew that because it didn't renegotiate the existing FDIC contract, that the FDIC was going to seek bids on a new VDR contract.
- Plesner and Damico, as individuals present at board of directors and/or sales meetings, knew that its head of sales, Rob Mullen, was reducing commissions for M&A and DCM sales and doubling sales targets for Enterprise business.
- IntraLinks knew that the antiquated accounting systems employed by the accounting and billing department was overbilling customers by twenty to thirty percent as was told to Frank Brunetti, Damico and Plesner's "right hand."
- Plesner and Damico, as CEO and CFO, were directly involved with, or were aware of the decision to reclassify existing DCM and M&A customers as Enterprise customers starting 2009 and 2010
- Plesner and Damico, as CEO and CFO, were directly involved with, or were aware, of the decision to reclassify the FDIC's DCM business as Enterprise business.
- Plesner and Damico were directly involved in monitoring the periodic revenue and financial reports that were created
- Plesner was responsible for executing the FDIC contract that created the "final extension period" until the FDIC could distribute a new RFP and select a new VDR provider.

**1. The Individual Defendants Had the Motive and Opportunity to Withhold IntraLinks' Problems with its Enterprise Business**

208. In addition to the foregoing facts, all of which support a strong inference of scienter on the part of the Individual Defendants, the Individual Defendants also had the motive and opportunity to withhold IntraLinks' Enterprise business problems. The Individual Defendants each acted with scienter in that, as set forth herein, each knew or recklessly disregarded that IntraLinks' public statements about the FDIC contracts and the Enterprise business issued during the Class Period were materially false and misleading. These Defendants were the senior management of the Company, and thus at all times were the individuals with principal responsibility for ensuring that the Company's statements were accurate and truthful.

**a. Defendant Damico Had the Motive and Opportunity to Fraudulently Withhold the Problems of IntraLinks' Enterprise Business**

209. At all times relevant to this Complaint, Defendant Damico served as President, CEO and a director of IntraLinks. According to the Company's public filings and press releases, IntraLinks' overall corporate strategy was the responsibility of Defendant Damico. Damico had been with the Company since 2001 serving as Chief Operating Officer from December 2006 to August 2007 and before that, Executive Vice President of Sales and Marketing. IntraLinks' corporate strategy during the Class Period was directed by Defendant Damico, and that strategy included the hiring of Robert Mullen as head of sales, the abandonment of the implementation of the new accounting software that detected the twenty to thirty percent overbilling that was occurring because of the antiquated billing system in place and the ultimate decision to refuse to renegotiate the FDIC contract leading to the final extension of the FDIC contract and the new RFP which resulted in IntraLinks losing the FDIC contract totally. Defendant Damico was also responsible for the material misstatements and omissions regarding the Company's problems with its Enterprise business.

210. As of the start of the Class Period, Defendant Damico's base salary was \$375,000 per year and from his 2010 compensation alone had recently had 115,211 shares of IntraLinks common stock vest for a total realized value of \$2,155,598. At the time of the Secondary Offering, Defendant Damico owned more than 1.1 million shares of IntraLinks' stock, or 2.1% of the total outstanding shares.

211. Defendant Damico therefore had a direct and significant personal pecuniary interest in the success of Schering's common stock, which provided a motive for him to withhold news of the Company's Enterprise business problems and the expiration of the FDIC contract.

**b. Defendant Plesner Had the Motive and Opportunity to Fraudulently Withhold the Problems of IntraLinks' Enterprise Business**

212. At all times relevant to this Complaint, Defendant Plesner served as Chief Financial Officer and Chief Administrative Officer of IntraLinks. Defendant Plesner had direct reporting responsibility for the sales and accounting performance of the Company's Enterprise business and during all three quarterly earnings report conference calls during the Class Period, Defendant Plesner discussed the sales figures and operating results of IntraLinks. IntraLinks' strategy to inflate the price of its common stock during the Class Period was based principally on the false and/or misleading revenue results of the Enterprise business as well as the material delay and omission in disclosure of the guaranteed expiration of the FDIC contract in order to misrepresent the financial strength of the Company, all of which Defendant Plesner was responsible for.

213. As of the beginning of the Class Period, Defendant Plesner's base salary was \$260,800. But from just his 2010 compensation alone, 35,143 shares of IntraLinks stock vested for a total realized value of \$657,526 in addition to the stock Defendant Plesner already owned. At the time of the Secondary Offering, Defendant Plesner owned 437,310 shares of IntraLinks stock. Plesner therefore had a direct and significant personal pecuniary interest in the success of IntraLinks' common stock.

**c. Insider Stock Sales by Defendant Damico and Defendant Plesner During the Class Period Were Highly Unusual in Scope and Timing, and Raise a Strong Inference They Had the Motive and Opportunity to Delay The Disclosure of the Lost FDIC Contracts and Problems with the Company's Enterprise Business**

214. Starting in March and continuing through April, 2011, just one month before the Company disclosed to the public that "a single Enterprise customer whose IntraLinks usage" would decrease over the year, Defendants Damico and Plesner sold 145,875 and 218,125 shares

of IntraLinks common stock, respectively which resulted in proceeds of \$4,000,905 and \$6,011,189, respectively. Both sold common stock in the open market at a time when the price of IntraLinks stock had been inflated by the Company's, and their own, failure to disclose the Company's problems with its Enterprise business and the impending loss of its largest customer. Defendants Damico and Plesner's sales were highly unusual in scope and timing and represented a concrete and personal benefit to them which resulted from the non-disclosure of the problems with IntraLinks' Enterprise business results at a time when facts raise a strong inference that they knew or recklessly disregarded those negative results.

215. In sum, IntraLinks' insiders, including Defendants Damico and Plesner made good use of their insider knowledge concerning the Company's Enterprise business problems.

The following chart identifies the insider sales of IntraLinks' stock:

<b>Insider Last Name</b>	<b>Transaction Date</b>	<b>Shares</b>	<b>Avg. Price</b>	<b>Proceeds</b>
J. Andrew Damico	3/7/2011	6,100	\$28.5918	\$174,409.98
	3/7/2011	1,700	\$29.3341	\$49,867.97
	3/28/2011	21,100	\$27.2385	\$574,732.35
	3/28/2011	1,000	\$26.9750	\$26,975.00
	4/4/2011	200	\$27.6100	\$5,522.00
	4/7/2011	19,800	\$28.0626	\$555,639.48
	4/7/2011	100	\$28.6600	\$2,866.00
	4/12/2011	71,875	\$25.5000	\$1,832,812.50
	4/20/2011	22,000	\$31.0353	\$682,776.60
	4/20/2011	3,000	\$31.7677	\$95,303.10
Anthony Plesner	3/28/2011	90,664	\$27.2386	\$2,469,560.43
	3/29/2011	5,789	\$27.0272	\$156,460.46
	4/4/2011	11,111	\$27.5394	\$305,990.27
	4/7/2011	17,436	\$27.5000	\$479,490.00
	4/12/2011	43,125	\$25.5000	\$1,099,687.50
	4/20/2011	50,000	\$30.0000	\$1,500,000.00
Patrick J. Wack, Jr.	3/28/2011	69,160	\$27.1585	\$1,878,281.86
	3/29/2011	34,504	\$27.0321	\$932,715.58
	3/30/2011	45,436	\$26.5171	\$1,204,830.96
	3/30/2011	900	\$27.4611	\$24,714.99

	4/1/2011	25,000	\$26.9791	\$674,477.50
	7/1/2011	25,000	\$17.3530	\$433,825.00
Brian J. Conway	4/12/2011	9,902	\$24.3500	\$241,113.70
Peter Gyenes	4/12/2011	95,334	\$25.5000	\$2,431,017.00
Habib Kairouz	4/12/2011	2,354,755	\$25.5000	\$60,046,252.50
<b>Total:</b>		<b>3,024,991</b>		<b>\$77,879,322.73</b>

216. Even analysts covering IntraLinks were skeptical of the Exchange Act Defendants' insider selling. As Jeff Van Rhee, an analyst for Craig-Hallum Capital Group stated:

Whether justified or not, the substantial insider sales in April are bound to raise red flags among investors. The company completed an 8.4 million share secondary offering on April 7 at 25.50 per share. Following the offering, insiders included CEO Andrew Damico and CFO Tony Plesner sold more stock on April 7 and April 20. On the call management noted that they first got wind of the anticipated \$2 million/qtr drop in enterprise revenues 2 weeks after the close of the quarter.

#### **VIII. LOSS CAUSATION**

217. During the Class Period, as detailed herein, the Exchange Act Defendants engaged in a course of conduct that artificially inflated the price of IntraLinks stock price. As a result, Lead Plaintiff and members of the Class purchased IntraLinks stock at artificially-inflated prices and were damaged when the artificial inflation gradually dissipated when a series of partial corrective disclosures entered the market concerning the overly aggressive accounting practices of the Exchange Act Defendants and the loss of the Company's largest customer.

218. On February 17, 2011, the Company issued a press release announcing that its "Fourth Quarter [2010] Results Exceed Expectations Across All Key Metrics; 2010 Revenue Grows by 31%." Particularly, the February 17, 2011 press release reported \$82.8 million in Enterprise revenue compared to \$55.4 million in 2009, an increase of nearly 50%. More importantly, the press release stated "Based on information available as of February 17, 2011,

IntraLinks is providing the guidance for the first quarter 2011 and full year 2011.” As part of the Company’s 2011 guidance, IntraLinks projected its revenue to be between \$215 million and \$225 million, a would-be increase of 16 to 22 percent. However, as of the February 17, 2011 press release -- in fact, as early as November 18, 2010 when IntraLinks signed the FDIC contract modification calling for the “final extension period” and around the same time that the FDIC distributed its new VDR RFP, the Exchange Act Defendants were aware or were reckless in not knowing that IntraLinks’ largest customer, its largest Enterprise customer, would not be renewing its contract with IntraLinks. Importantly, this news was not disseminated to the market. Instead, the Exchange Act Defendants falsely portrayed the coming year 2011 as business as usual. The Company’s stock price closed at \$27.93 per share on the following day, February 18, 2010, on volume of 2,287,700 shares, far greater than the average volume of roughly 319,000 shares during the thirty prior trading days.

219. Two months later, on April 6, 2011, IntraLinks issued its Secondary Offering, which was funded by shares sold by, among other shareholders, Defendants Plesner and Damico. The Registration Statement and Prospectus for the Secondary Offering made no mention of problems in the Company’s Enterprise business revenue or the expiration of its largest customer’s contract. Nor did the Registration Statement and Prospectus disclose the FDIC’s RFP, which IntraLinks was unlikely to win. This news was not disseminated to the market. Although issued at \$25.50 per share, trading on the day of the Secondary Offering closed at a stock price of \$28.47 per share, on extraordinarily heavy volume of 6,873,000 shares.

220. On May 11, 2011, just twenty-three trading days after the Secondary Offering, with IntraLinks’ stock price closing at \$29.99 per share the day before, IntraLinks’ filed a Form 8-K announcing its first quarter 2011 financial results. Although again announcing a 33% year-

over-year increase in Enterprise revenue, later that same day during an earnings conference call to discuss its first quarter 2011 financial results, Defendant Damico disclosed that “our Enterprise business faces a headwind as a result of [a] single Enterprise customer whose IntraLinks usage will significantly decrease over the remainder of the year.” However, Defendant Damico did not disclose that the “single Enterprise customer” he was talking about, was in fact the Company’s largest Enterprise customer and that this would have significant effects on its revenue throughout 2011. Following the May 11 partial disclosure, the Company’s common stock price dropped in a statistically-significant amount by approximately 33% from a closing price of \$29.99 per share on May 10, 2011, to close at \$20.22 per share on May 11, 2011, on volume of 11,487,300 shares, nearly ten times IntraLinks’ average volume during the thirty prior trading days. This disclosure, alone, *wiped out more than \$524 million in market capitalization*.

221. On August 10, 2011, more news leaked into the market concerning IntraLinks’ suspicious business practices. For example, as discussed in ¶¶ 22, 152-58, above, the Company filed a form 8-K with the SEC disclosing that the Company had received a subpoena from the SEC requesting certain documents related to the Company’s business covering the entire first half of 2011. During IntraLinks’ earnings conference call to discuss its Second Quarter 2011 financial results, IntraLinks again failed to disclose any problems with its Enterprise business, touting instead, as described in ¶¶ 193-97, above, the demand and 12-month backlog of its Enterprise business. Although remaining tight-lipped about its substance, Defendants Damico and Plesner again disclosed the receipt of the SEC Subpoena asking IntraLinks to produce documents related to the Company’s business. In response to the August disclosures, IntraLinks’ stock price dropped in a statistically-significant amount from a closing price of \$12.16 on August

9, 2011, to close at \$6.64 on August 10, 2011, marking a single-day decline of 45% on volume of 8,569,800 shares. This decline wiped out an addition \$296 million in market capitalization.

222. On November 7, 2011, as discussed in ¶ 149, above, the FDIC issued a Financial Institution Letter disclosing that as a result of an RFP process, the FDIC was no longer using IntraLinks' for its VDR technology needs going forward. Instead the FDIC would be using IntraLinks' competitor RR Donnelley.

223. On the back of this news, on November 8, 2011, IntraLinks' released its third quarter 2011 financial results to the market. Along with reporting growth far lower than the stated expectations in its Enterprise business over the third quarter, Defendant Damico also stated “[w]e have not yet gained the momentum I would like to see in our Enterprise business.” After the close of the market, as discussed in ¶¶ 158-59 above, during IntraLinks' earnings conference call, Defendant Damico elaborated, saying “[g]rowth in our Enterprise business fell short of expectations. I am not satisfied with our momentum in this part of our business. Let me address where our challenges have been and what we're doing to improve our long term growth in the Enterprise business. First our sales force is not yet where it needs to be in terms of quantity, composition and tenure...Another challenge has been that our messaging has historically addressed the needs of the specific user for the business user [DCM and M&A transactions] and not the wider needs of enterprise IT.” Over the next two days of trading, the Company's stock price declined in a statistically-significant amount from a closing price of \$8.79 per share on November 8, 2011, to \$4.80 per share on November 10, 2011, on trading volume of 6,362,600 and 4,958,600 shares on November 9 and 10, 2011, respectively. Again, the decline cost IntraLinks more *than \$209 million in market capitalization*.

224. In sum, as news leaked into the market concerning the truth about IntraLinks' financial condition and its Enterprise business, the Company's stock price fell by more than 83%, causing a loss of more than \$1 billion in market capitalization from its height of \$1.408 billion in March 2011 to \$404.14 million at the close of the Class Period.

225. As set forth above, each of these stock price declines was caused by the disclosure of previously concealed information relating to the material misstatements and omissions alleged herein.

226. Had Lead Plaintiff and the Class known of the material adverse information alleged herein, they would not have purchased IntraLinks common stock at artificially inflated prices and they proximately suffered losses as the previously-withheld information was revealed to the market. Since the end of the Class Period, the price of IntraLinks stock has not traded above the \$4 to \$7 range.

**IX. APPLICABILITY OF PRESUMPTION OF RELIANCE FRAUD ON THE MARKET DOCTRINE**

227. At all relevant times, the market for IntraLinks' common stock was an efficient market for the following reasons, among others:

i. IntraLinks common stock met the requirements for listing and was listed and actively traded on the NYSE, a highly efficient and automated market;

ii. As a regulated issuer, IntraLinks filed periodic public reports with the SEC and the NYSE;

iii. IntraLinks regularly communicated with public investors via established market communications mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through the other wide-ranging public

disclosures, such as communications with the financial press and other similar reporting services; and

iv. IntraLinks was followed by several securities analysts employed by major brokerage firms who wrote the reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

228. As a result of the foregoing, the market for IntraLinks common stock promptly digested current information regarding IntraLinks from all publicly available sources and reflected such information in IntraLinks stock price. Under these circumstances, all purchasers of IntraLinks common stock during the Class Period suffered similar injury through their purchase of IntraLinks common stock at artificially inflated prices and a presumption of reliance applies to Lead Plaintiff's Exchange Act Claims.

**X. NO SAFE HARBOR**

229. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified specifically as "forward-looking statements" when made, and at most included a general disclaimer in other portions of the same document that "some of our discussion this morning will contain forward-looking statements" or the report "contains forward-looking statements based on our management's belief and assumptions and on information currently available to our management." To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory

safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false purportedly forward-looking statements because at the time each of those purportedly forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of IntraLinks who knew that those statements were false when made.

**XI. EXCHANGE ACT CLAIMS**

**FIRST CAUSE OF ACTION**

**For Violation of § 10(b) of the Exchange Act and Rule 10b-5 of the Securities and Exchange Commission  
(Against the Exchange Act Defendants)**

230. Lead Plaintiff repeats and re-alleges each and every allegation set forth above as if fully set forth herein.

231. This Count is asserted on behalf of all members of the Class against the Exchange Act Defendants for violations of § 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

232. During the Class Period, the Exchange Act Defendants disseminated or approved the false statements specified herein, among others, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

233. These Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 in that they: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made,

in light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Lead Plaintiff and others similarly situated in connection with their purchases of IntraLinks common stock during the Class Period. As detailed herein, the misrepresentations contained in, or the material facts omitted from, those statements included, but were not limited to, the Company's publicly reported revenue figures, Enterprise business revenue, and Enterprise business growth, at each reporting period during the Class Period, statements of compliance with SOX in preparing IntraLinks quarterly and annual reports, and statements of the adequacy of IntraLinks' internal controls over revenue reporting and IntraLinks' Enterprise business customer base including omitted statements regarding the FDIC as an IntraLinks customer who had not renewed their subscriptions.

234. These Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct that operated as a fraud and deceit upon Lead Plaintiff and the Class; made various untrue and/or misleading statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; made the above statements intentionally or with a severely reckless disregard for the truth; and employed devices and artifices to defraud in connection with the purchase and sale of IntraLinks common stock, which were intended to, and did: (a) deceive the investing public, including Lead Plaintiff and the Class, regarding, among other things, IntraLinks' artificially inflated statements of Enterprise revenue, and the Company's failure to disclose the expiration and non-renewal of their largest Enterprise customer's subscription contract; (b) artificially inflate and maintain the market price

of IntraLinks common stock; and (c) cause Lead Plaintiff and other members of the Class to purchase IntraLinks common stock at artificially inflated prices and suffer losses when the true facts became known.

235. Defendant IntraLinks is liable for all materially false and misleading statements made during the Class Period, as alleged above, including the false and misleading statements in:

- a. IntraLinks April 3, 2011 Form S-1 Registration Statement filed in connection with IntraLinks' April 6, 2011 Secondary Offering;
- b. IntraLinks April 6, 2011 Form 424(b)5 Prospectus;
- c. IntraLinks 2010 Form 10-K;
- d. IntraLinks First Quarter 2011 Form 10-Q;
- e. IntraLinks' Second Quarter 2011 Form 10-Q;

236. IntraLinks is further liable for the false and misleading statements made in additional press releases, website postings, newspaper articles and during conference calls with investors and analysts, as alleged above, as the maker of such statements and under the principle of *respondeat superior*.

237. Defendants Damico and Plesner are liable for the false and misleading statements they made, as set forth above, including:

- a. Defendant Damico's false statements during the February 17, 2011 conference call, the May 11, 2011 Conference Call and the August 11, 2011 Earnings Conference Calls and the other statements for which he was responsible, including those made in the Company's Forms 10-K, S-1 and 10-Q, press releases, website postings, newspaper articles, and during and in connection with conference calls and meetings with investors and/or analysts from February 17, 2011 through November 11, 2011; and
- b. Defendant Plesner's false statements made during the February 17, 2011 conference call, the May 11, 2011 Conference Call and the August 11, 2011 Earnings Conference Calls, and the other statements for which he was directly responsible, including those made in the Company's Forms 10-K, S-1 and 10-Q, press releases, website postings, newspaper articles, and during and in connection

with conference calls and meetings with investors and/or analysts from February 17, 2011 through November 11, 2011.

238. Defendants' Damico and Plesner benefited from making these false and misleading statements. Damico and Plesner benefited from insider stock sales of personally held or controlled IntraLinks stock at artificially inflated stock prices – Damico's proceeds during the Class Period were \$4,000,904.98; Plesner's proceeds were \$6,011,188.66. In addition, Damico and Plesner received substantial financial incentives during the Class Period as a result of IntraLinks' artificially inflated Enterprise performance, including but not limited to the proceeds received from the sale of their own IntraLinks stock in the Secondary Offering.

239. As described above, the Exchange Act Defendants acted with scienter throughout the Class Period, in that they either had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose the true facts, even though such facts were available to them. Specifically, these Defendants knew or recklessly disregarded that, the Class Period, IntraLinks was engaging in a scheme to conceal the fact that the FDIC was the Company's largest customer accounting for more than 15% of the Enterprise business' 2010 revenue and that the FDIC, as a result of IntraLinks' refusal to renegotiate its contract had allowed its contract to expire and distributed an RFP seeking a new VDR provider, as described more fully above. Defendants further knew or recklessly disregarded that, during the Class Period, IntraLinks was engaging in a scheme to conceal the true financial strength and revenue of its Enterprise business, as described more fully above.

240. The above allegations, as well as the allegations pertaining to the overall scope and breadth of the fraud at IntraLinks, which resulted in continuous and material overstatements of the Company's most important financial metrics, and posed a material threat to the

Company's ability to grow or be profitable as a company because of the substantial dependence on its Enterprise business, establish a strong inference that Defendants IntraLinks, Damico and Plesner acted with scienter in making the materially false and misleading statements set forth above during the Class Period.

241. Lead Plaintiff and the Class have suffered damages in that, in direct reliance on the integrity of the market, they paid artificially inflated prices for IntraLinks common stock, which inflation was removed from the stock when the true facts became known. Lead Plaintiff and the Class would not have purchased IntraLinks common stock at the prices they paid, or at all, if they had been aware that the market price had been artificially and falsely inflated by these Exchange Act Defendants' misleading statements.

242. As a direct and proximate result of the Exchange Act Defendants' wrongful conduct, Lead Plaintiff and the other members of the Class suffered damages attributable to the fraud alleged herein in connection with their purchases of IntraLinks common stock during the Class Period.

## **SECOND CAUSE OF ACTION**

### **For Violations of § 20 of the Exchange Act (Against Defendants Damico and Plesner)**

243. Lead Plaintiff repeats and re-alleges each and every allegation set forth above as if fully set forth herein.

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

245. During their tenures as officers and/or directors of IntraLinks, each of these Defendants was a controlling person of the Company within the meaning of Section 20(a) of the

Exchange Act. By reason of their positions of control and authority as officers and/or directors of IntraLinks, these Defendants had the power and authority to direct the management and activities of the Company and its employees, and to cause the Company to engage in the wrongful conduct complained of herein. These Defendants were able to and did control, directly and indirectly, the content of the public statements made by IntraLinks during the Class Period, thereby causing the dissemination of the false and misleading statements and omissions of material facts as alleged herein.

246. In their capacities as senior corporate officers of the Company, and as more fully described above, Defendants Damico and Plesner had direct involvement in the day-to-day operations of the Company, in reviewing and managing its regulatory and legal compliance, and in its accounting and reporting functions. Defendants Damico and Plesner signed the Company's SEC filings during the Class Period, and were directly involved in providing false information and certifying and/or approving the false statements disseminated by IntraLinks during the Class Period. As a result of the foregoing, Defendants Damico and Plesner, as a group and individually, were controlling persons of IntraLinks within the meaning of Section 20(a) of the Exchange Act.

247. As set forth above, IntraLinks violated Section 10(b) of the Exchange Act by its acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of IntraLinks and as a result of their own aforementioned conduct, Defendants Damico and Plesner are liable pursuant to Section 20(a) of the Exchange Act, jointly and severally with, and to the same extent as the Company is liable under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, to Lead Plaintiff and the other members of the Class who purchased or otherwise acquired IntraLinks common stock. Moreover, as detailed above, during

the respective times these Defendants served as officers and/or directors of IntraLinks, each of these Defendants was culpable for the material misstatements and omissions made by IntraLinks, including such misstatements as the Company's inflated Enterprise revenue and omissions concerning the expiration of the FDIC's contract with IntraLinks, as set forth above.

248. As a direct and proximate result of the Exchange Act Defendants' conduct, Lead Plaintiff and the other members of the Class suffered damages in connection with their purchase or acquisition of IntraLinks common stock.

## **XII. SECURITIES ACT ALLEGATIONS**

249. In the allegations and claims set forth in this part of the Complaint, Lead Plaintiff asserts a series of strict liability and negligence claims based on the Securities Act on behalf of the Class. Lead Plaintiff's Securities Act claims are not based on any allegations of knowing or reckless misconduct on behalf of any of the Defendants. Lead Plaintiff's Securities Act claims do not allege, and do not sound in, fraud, and Lead Plaintiff specifically disclaims any reference to or reliance upon allegations of fraud in these non-fraud claims under the Securities Act.

250. Lead Plaintiff's Securities Act allegations are asserted on behalf of all persons or entities who purchased IntraLinks common stock pursuant to the Company's false and misleading Registration Statement and Prospectus issued in connection with the Secondary Offering, seeking to pursue remedies under the Securities Act.

251. On April 4, 2011, IntraLinks commenced the Secondary Offering by filing with the SEC on Form S-1/A Registration statement. ON April 6, 2011, IntraLinks then filed a Prospectus for the Secondary Offering (the Registration Statement and Prospectus are collectively referred to as the "Secondary Offering Documents" as defined above). As set forth in the Registration Statement, the Company was "selling 1,250,000 shares of our common stock

and the selling stockholders identified in this prospectus are selling an additional 6,250,000 shares.”

252. As stated in the Prospectus, the Selling Stockholders included:

Name and Address of Beneficial Owner	Beneficial Ownership Prior to this Offering		Number of Shares Offered	Beneficial Ownership After this Offering			
	Number	Percent		Number (Assuming No Exercise of Over-Allotment)	Percent (Assuming No Exercise of Over-Allotment)	Number (Assuming Full Exercise of Over-Allotment)	Percent (Assuming Full Exercise of Over-Allotment)
<b>Stockholders owning approximately 5% or more</b>							
Entities affiliated with TA Associates, Inc. <sup>(1)</sup>	16,032,412	30.6%	3,678,578	12,353,834	23.0%	11,448,834	21.2%
Entities affiliated with Rho Capital Partners, Inc. <sup>(2)</sup>	10,262,767	19.6%	2,354,755	7,908,012	14.7%	7,908,012	14.7%
<b>Executive Officers and Directors:</b>							
J. Andrew Damico <sup>(3)</sup>	1,110,022	2.1%	62,500	1,047,522	2.0%	1,038,147	1.9%
Anthony Plesnar <sup>(4)</sup>	437,310	*	37,500	399,810	*	394,185	*
David G. Curran <sup>(5)</sup>	—	*	—	—	*	—	*
Brian J. Conway <sup>(6)</sup>	16,032,412	30.6%	—	12,353,834	23.0%	11,448,834	21.2%
Peter Gyznas	233,960	*	83,334	150,626	*	138,126	*
Thomas Hale	40,000	*	—	40,000	*	40,000	*
Habib Kairouz <sup>(7)</sup>	10,262,767	19.6%	—	7,908,012	14.7%	7,908,012	14.7%
Robert C. McBride	100,000	*	—	100,000	*	100,000	*
Harry D. Taylor <sup>(8)</sup>	16,032,412	30.6%	—	12,353,834	23.0%	11,448,834	21.2%
Patrick J. Wack, Jr. <sup>(9)</sup>	366,015	*	—	366,015	*	366,015	*
All executive officers and directors as a group (10 persons) <sup>(10)</sup>	28,582,486	54.5%	183,334	22,365,819	41.6%	21,433,318	39.8%
Other Selling Stockholders, Gregory Kauspp	175,000	*	33,333	141,667	*	136,667	*

Prospectus, at 114.

253. However, in addition to the false and misleading statements and omissions set forth in the Company’s annual and quarterly filings with the SEC, which were incorporated by reference into the Registration Statement, the Registration Statement also negligently made false and misleading statements and omitted other facts necessary to make the statements made not misleading.

**A. The Securities Act Defendants Negligently Disregarded the Fact That the FDIC Contract Was Expiring and Would Not Be Renewed**

254. In 2009, after two unsuccessful attempts at an IPO and a year before attempting for a third time, IntraLinks began a push to seek out larger corporate clients who would use

IntraLinks for multiple transactions over the course of a year. According to CW#2, IntraLinks' interest was getting its customer base away from "being solely with banks." The whole thought was for IntraLinks "to spread more into corporate" and sell secure on-line document management to an entire company.

255. IntraLinks' management thus became focused primarily on growing its corporate business. In November 2009, IntraLinks hired Mullen as Executive Vice President to lead IntraLinks' sales group. In an effort to push IntraLinks' sales people towards corporate clients and Enterprise business and away from banking clients, Mullen, in late 2009 and early 2010, started "really cutting commissions on the bank side" because IntraLinks already had established relationships with the banks.

### **1. IntraLinks Redefines Its Corporate Business as Enterprise**

256. Around the same time that Mullen was hired, IntraLinks redefined its corporate business as "Enterprise" business. According to CW#4, Enterprise was used to describe different quantities of users, types of use, and type of industry. Whereas M&A contracts used IntraLinks' services for a period of time, Enterprise business were those customers who used IntraLinks as a repository, renewing its subscription on a recurring basis.

257. As described below, by 2007 the FDIC was IntraLinks' largest customer using IntraLinks in a "series of transactions." Prior to the creation of the Enterprise business segment, "the FDIC was classified in IntraLinks' DCM business." In 2009, CW#1 explained that IntraLinks put together a subscription agreement for the FDIC and although the services offered or the products purchased did not change, the FDIC was reclassified as an Enterprise customer.

### **2. The FDIC as IntraLinks' Largest Customer**

258. IntraLinks did have a handful of large clients from its earlier years that maintained long-term subscriptions for repositories or data rooms with IntraLinks. The Federal

Deposit Insurance Corporation (“FDIC”) used VDR technology to market the sale of individual banks that were in receivership or otherwise under the control of the FDIC and the assets of that bank.

259. IntraLinks’ original contract with the FDIC was awarded to the Company in October 2000. Pursuant to a request for proposals (“RFP”) and competitive bid process by the FDIC in accordance with FDIC’s Acquisition Policy, IntraLinks had signed a task order for the provision of VDR services to the FDIC on October 9, 2000, with an initial task order effective date of September 1, 2000 (the “Task Order”). That Task Order, according to the FDIC’s terms was for a five year subscription, with the option at the FDIC’s discretion, of renewing on a periodic basis. According to the Company’s own press release announcing the contract:

The FDIC will use digital workspaces - IntraLinks' secure online environments for project and transaction management - to electronically manage the due diligence process for troubled bank franchise sales.

When federally insured banks or savings associations fail, the FDIC attempts to return assets to the private sector immediately. Using digital workspaces, sensitive documents will be securely and instantly deployed to a large group of bidders with trackable results.

“We are proud that our services meet the FDIC's requirements,” said Evan Zebooker, Business Unit Executive for the capital markets at IntraLinks. “We have assured the FDIC that our technology can streamline their projects, and that our comprehensive security will keep their information confidential.”

IntraLinks Wins Competitive Bid for FDIC Contract, Business Wire, November 1, 2000.

260. Throughout the earlier years of the Task Order, IntraLinks’ revenue from the FDIC was no more substantial than any other client of IntraLinks. According to CW#1, through 2006, the FDIC accounted for \$200,000 to \$400,000 of IntraLinks’ yearly revenue. According to the contract between IntraLinks and the FDIC and CW#1, “the general agreement was they would pay so much cost per page” uploaded and stored. Although not in the accounting

department, CW#1 was aware of the details of IntraLinks' FDIC contract because one of the sales representatives on the FDIC was on CW#1's sales team and reported to him.

261. As the credit crunch hit in 2007, and more banks and financial institutions insured by the FDIC failed, the FDIC's business with IntraLinks exploded, resulting in revenue of approximately \$13 million annually. Because of this explosion, the FDIC became IntraLinks' biggest customer. As a result, in early 2010, the FDIC sought to renegotiate its existing Task Order with IntraLinks.

262. By this time, IntraLinks had become one of the most expensive VDR providers in the market. Although Gartner, an independent market research firm, recognized IntraLinks as the market revenue leader in the teaming and social software market, by 2010, there were several firms offering similar cloud-based products at much more competitive prices.

263. According to the FDIC Acquisition Policy Manual - Acquisition Services Branch, MODULE 3: CONTRACTING METHODS AND TYPES, APM Chapter 3.2 Formal Contracting, the FDIC required that the price of any contract be competitive and reasonable.

3.210(c) Price Evaluation

Price evaluation is always required to assure the validity and reasonableness of an offeror's price proposal. Price evaluation includes a determination of reasonableness and realism of the proposed prices. The preferred method of determining price reasonableness is through effective competition.

264. As a result, the FDIC sought to obtain a new price that was fair and more in line with the current market. According to CW#1, in their attempt to renegotiate, the FDIC also pointed out to IntraLinks that "there are only so many banks," and that its increased use of IntraLinks, "would not go on forever."

265. However, according to CW#1, IntraLinks refused to renegotiate the existing contract. As a result, the FDIC told IntraLinks, according to CW#1, that they would not be

renewing the contract and would instead put the Task Order out for a new round of competitive bids much like was done in 2000 when the original FDIC contract was assigned to IntraLinks.

266. As a result, in mid 2010, the FDIC put out an RFP seeking bids on a new VDR contract. CW#1 recalls seeing the 2010 RFP while employed at an IntraLinks' competitor in 2010.

267. In line with the FDIC's 2010 RFP, on November 18, 2010, the Task Order was modified for the last time. The modification's stated purpose was the "exercising of the **final 6-month** option period under Task Order RECVR-01-G-0004-0016, which extends the Task Order final expiration date through June 9, 2011." *See* FDIC Amendment of Solicitation/Modification of Award, Eff. Date Nov. 18, 2010, Req. No. ASBCC-10-04552 (emphasis added).

268. By September 2010, with IntraLinks' \$13 million in annual revenue, IntraLinks was reporting record quarterly Enterprise revenue of \$19.7 million, up 59 percent year-over-year.

269. As shown below, FDIC accounted for more than 7% of IntraLinks' 2010 revenue and more than 15% of IntraLinks' 2010 Enterprise revenue, before its drop off in 2011 as it searched for a new VDR provider. By comparison, the next largest client with \$3.6 million in yearly revenue for IntraLinks accounted for less than 2% of the Company's annual revenue and less than 4% of its Enterprise revenue in 2011.

	2008	2009	2010
<b>Annual Revenue (in million)</b>	143.4	140.69	184.3
<b>% Attributable to FDIC</b>	9.06%	9.24%	7.05%

2010 Form 10-K, Filed March 23, 2011, at 37.

	2009	2010
<b>Annual Enterprise Revenue (in million)</b>	55.35	82.7
<b>% Attributable to FDIC</b>	<b>23.49%</b>	<b>15.7%</b>

2010 Form 10-K, Filed March 23, 2011, at 53.

270. More importantly however, the FDIC share of IntraLinks' Enterprise revenue, made IntraLinks' "largest and fastest growing market" highly susceptible to substantial losses if (and when) IntraLinks lost the FDIC's business.

271. The failure of Defendants to disclose the impending expiration of the FDIC's contract constitutes an omission of a material uncertainty known to management that could be expected to impact future operating results and future financial condition. Regulation S-K states that the management discussion and analysis "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of (A) matters that would have an impact on future operations and have not had an impact in the past, and (B) matters that have had an impact on reported operations and are not expected to have an impact upon future operations." [Instructions to paragraph 303(a), item 3]

272. The SEC requirements governing Management's discussion and analysis of financial condition and results of operations requires that the company "[D]escribe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations." [Regulation S-K, §229.303 (Item 303, (a)(3)(i)).

**B. IntraLinks Portrayed Its Enterprise Business as a Separate Business Segment Representing Its "Largest and Fastest Growing" Market**

273. Contrary to IntraLinks' dependence on the FDIC for Enterprise revenue, the Secondary Offering Documents touted the strength and growth potential of the Company's Enterprise Business and portrayed the Enterprise business as the core of the entire company's growth plan with a substantial customer base.

At our founding in 1996, we introduced cloud-based collaboration for the debt capital markets industry and, shortly thereafter, extended our solutions to merger and acquisition transactions. *We have since enhanced our cloud-based platform (our “IntraLinks Platform”) to address the needs of a wider enterprise market, consisting of customers of all sizes across a variety of industries who use our solutions for the secure management and online exchange of information within and among organizations. Today, this enterprise market is our largest and fastest growing market.*

April 4, 2011 S-1/A, at 36 (emphasis added).

### **Our Growth Strategy**

Our goal is to be the leading global provider of cloud-based solutions for critical information management, exchange and collaboration. *The following are key elements of our strategy:*

- Increase our market share in the principal markets that we target: We intend to continue to focus our sales efforts in markets where we have had historical success. We are a leader in providing collaboration solutions for debt capital market transactions and merger and acquisition transactions. *Today, the Enterprise principal market is our largest and fastest growing market.* We believe that we have a significant opportunity to increase our market share in these core markets based on the strength of our solutions.
- *Further penetrate our existing customer base and cross-sell our solutions: Our strategy is to leverage initial deployments with customers that may address a specific business process to expand within an enterprise* through our offering of cross departmental solutions.

*Id.* at 75 (emphasis added).

274. Thus, on the face of the Secondary Offering Documents it was clear that IntraLinks valued its Enterprise business much more than its older and more established DCM and M&A businesses; portraying the Enterprise business to investors as the future of IntraLinks’ growth and success.

275. As a result, IntraLinks should have known that potential for any material change to the Company’s Enterprise business would be material information to investors. As evidenced by the precipitous stock price decline on May 11, 2011, as discussed below, the truth regarding

IntraLinks' largest Enterprise client representing 15.7% of 2010 Enterprise revenue was material to investors.

**C. The Truth Concerning IntraLinks Enterprise Business and FDIC Contract Expiration Slowly Leaks Into the Marketplace**

276. Just one month after the Secondary Offering however, on May 11, 2011, the Company released its First Quarter 2011 financial results and began to disclose the truth regarding IntraLinks' business with the FDIC. In the Company's May 11, 2011 Form 8-K, because of slowing revenue in the Enterprise market, the Company updated its business outlook reducing the Company's Full Year 2011 income projection to \$17 to \$19 million from \$21 to \$23 million. On the same day, during a conference call discussing the Company's first quarter 2011 results, Defendants revealed that a large Enterprise customer was dramatically reducing its use of IntraLinks' products going forward and that the Company was reducing its earnings expectations as a result. In that conference call, Defendant Damico stated:

However, the short-term growth of our Enterprise business faces a headwind as a result of single Enterprise customer whose IntraLinks usage will significantly decrease over the remainder of the year. The use of IntraLinks in [sic] counter-cyclical and revolves around the management and exchange of distressed and non-performing assets.

Because of the improving economy, there will be fewer distressed asset situations going forward, and therefore, we expect that our revenue run-rate with this customer will be reduced by approximately \$2 million per quarter against our prior expectations. Importantly, we do not see the situation being replicated to the same degree in any other customer.

May 11, 2011 IntraLinks Conference Call Transcript, at 2.

277. Not long after the May 11 disclosure, analysts had confirmed that the "single customer" mentioned by Defendant Damico was in fact IntraLinks largest customer, the FDIC. This information was not disputed by the Company. During the Second Quarter 2011 Earnings Conference Call, Defendant Plesner had the following exchange with Brendan Barnicle, an analyst with Pacific Crest Securities:

**Barnicle:** Thanks so much guys. I wanted to follow-up on the Enterprise business at 15%. And obviously, that's down sequentially. And I wanted to just see how much of that is related to the FDIC downturn?

**Plesner:** So we guided last quarter, Brendan, that the Enterprise business would be down quarter-over-quarter from Q1 on the back of a drop in revenues by our largest Enterprise customer. We did see a drop in revenue, a little bit less than we anticipated. We told you that we had used the most conservative case of numbers for that client; and so Enterprise came in there or thereabouts in light with our expectations and the numbers we guided to last quarter.

Second Quarter 2011 Earnings Conference Call Transcript, at 5.

278. Defendant Damico's partial disclosure on May 11 only began to disclose the truth that was omitted from the Secondary Offering Documents regarding the decrease in not just a "single Enterprise customer" but in fact IntraLinks' largest Enterprise customer. More importantly, the FDIC's "decrease in usage" was not a decrease in usage at all but an expiration of the FDIC Task Order and thus, the loss of all future contracts from the FDIC.

279. Further, Defendant Damico's May 11 disclosure omitted entirely any reference to the Company's refusal to renegotiate the FDIC's contract, that the FDIC had distributed an RFP for VDR providers, or that IntraLinks had already signed on November 18, 2010 a modification to their existing FDIC Task Order for the purpose of "exercising the *final 6-month* option period."

280. The truth was finally disclosed by the FDIC itself on November 7, 2011 when the FDIC, in an FIL press release stated that:

The Federal Deposit Insurance Corporation (FDIC) is changing the virtual data room (VDR) used to market failing financial institutions. Beginning in November 2011, the FDIC will begin using the RR Donnelley VDR known as Venue instead of IntraLinks for all new projects. IntraLinks will host projects initiated before November 2011 until they are resolved.

#### **D. SEC Investigates IntraLinks**

281. However, the Securities Act Defendants' negligence in failing to disclose the loss of the FDIC on or before the Secondary Offering did not go unnoticed. On August 10, 2011, in a

Form 8-K filed with the SEC and during the Company's Second Quarter 2011 Earnings Conference Call, IntraLinks revealed that the Company had received a subpoena from the SEC "requesting certain documents related to the Company's business from January 1, 2011 through the present."

282. Defendants remained tight-lipped regarding the subject of the SEC subpoenas and the reduced guidance. However, analyst reports told a different story. In an analyst report published by Deutsche Bank Securities on November 9, 2011, one analyst stated:

The company has not provided any additional commentary on the SEC investigation. We do know that they filed their 2Q11 10Q on time, which means the investigation is likely centered on the April secondary offering. Even with the Enterprise segment turnaround hampering overall growth, the stock continues to trade at discount levels and will likely stay there until the SEC issue is resolved. Deutsche Bank, IntraLinks Downgrading to Hold due to growth uncertainty, November 9, 2011 at 1.

283. Although, the Company, to date, still has not provided any further explanation, or disclosed a resolution, of the SEC subpoena, on November 8, 2011 in a press release announcing the Company's financial results for the third quarter of 2011, the Company finally admitted to problems in its Enterprise business that hampered both Fourth Quarter and Full Year 2011 results. For the period, IntraLinks reported total revenue of just \$54.8 million, well below the Company's prior guidance and analysts' expectations. The Company explained:

"Our business as a whole performed well in the third quarter. We continued to gain share in the M&A market, and we are well underway with providing differentiated solutions for our DCM customers," said Andrew Damico, IntraLinks' President and CEO. **"We have not yet gained the momentum I would like to see in our Enterprise business; however, I am confident that our continuing investments in sales, customer service and marketing will allow us to achieve greater momentum going forward."** November 8, 2011, IntraLinks Form 8-K, at 1.

284. During the Company's Earnings Conference Call, CEO Damico further stated:

Growth in our Enterprise business fell short of expectations. I am not satisfied with our momentum in this part of our business. Let me address where our challenges have been and what we're doing to improve our long term growth in the Enterprise business.

**First our Enterprise sales force is not yet where it needs to be in terms of quantity, composition and tenure...**

Another challenge has been that our message has historically addressed the needs of the specific use case for the business user and not the wider needs of enterprise IT.

IntraLinks Third Quarter 2011 Earnings Conference Call, Nov. 8, 2011, at 3.

285. Thus, the Secondary Offering Documents negligently misstated or omitted information regarding the loss of IntraLinks' largest Enterprise customer and problems in a business segment that had made up more than 40 percent of the Company's total revenue in the previous year.

**E. False and Misleading Statements in the Secondary Offering Documents**

286. Due to defendants' positive, albeit false, statements, they were able to successfully complete the Secondary Offering. Propelled by defendants' false and misleading statements, IntraLinks' stock closed as high as \$31.76 per share on April 29, 2011.

287. The Registration Statement described IntraLinks as a rapidly growing company that enjoyed strong demand for its products and a large and stable customer base, especially with regard to its "enhanced" platform for Enterprise customers. More particularly, the Registration Statement provided, in relevant part:

At our founding in 1996, we introduced cloud-based collaboration for the debt capital markets industry and, shortly thereafter, extended our solutions to merger and acquisition transactions. *We have since enhanced our IntraLinks Platform to address the needs of a wider enterprise market consisting of customers of all sizes across a variety of industries that use our solutions for the secure management and online exchange of information within and among organizations. Today, this enterprise market is our largest and fastest growing market and includes organizations in the financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology sectors, as well as government agencies.* Across all of our principal

markets we help transform a wide range of slow, expensive and information intensive tasks into streamlined, efficient and real-time business processes. In the year ended December 31, 2010, over 4,700 customers across 60 countries used the IntraLinks Platform. Since inception customers have used the IntraLinks Platform to enable collaboration among more than 1,000,000 end-users and approximately 195,000 organizations worldwide.

288. **Omitted Information:** As described herein, Defendants false and misleading statements failed to disclose that the Company's Enterprise business depended on one customer that represented 15% of the business segment's revenue and that customer had, after IntraLinks' refused to renegotiate its contract, already begun searching for a new VDR provider with more reasonable pricing to replace IntraLinks' Task Order.

289. Regarding IntraLinks' existing customer base and customer relationships, the Registration Statement further provided in relevant part:

*In the year ended December 31, 2010, we had approximately 4,700 customers across 34 industries. Since inception, over 1,000,000 end users, including professionals at more than 800 of the Fortune 1,000 companies, have used our solutions. In 2010, approximately 35% of our revenue was generated from sales across 60 countries outside the United States. We believe our customers have a high level of satisfaction, as evidenced by the 104% renewal rate, on a per-customer absolute dollar commitment basis, for our subscription contracts during the year ended December 31, 2010. No customer represented more than 10% of our revenue in 2008, 2009 or 2010.*

\* \* \*

*A leading global bank with assets over \$2 trillion has been a customer of ours for 13 years and has deployed our solutions across numerous departments. The bank began using our solutions for its debt capital markets transactions to accelerate loan syndication and loan servicing. The bank then expanded its use of our solutions to standardize on our IntraLinks Platform for merger and acquisition advisory services.*

*Most recently, the bank adopted IntraLinks Courier for its global investment bank to exchange confidential information internally and externally and to reduce the risks and costs of traditional courier services. Other departments within the bank using our services include Restructuring, Securitization, Real Estate Portfolio management, Asset Finance, Lease Finance, Commercial Lending and Servicing and Fund Reporting. By standardizing on the IntraLinks Platform, the bank has been able to save time and money and*

increase security and audit-ability thereby reducing risk and improving compliance across departments.

290. **Omitted Information:** As described herein, Defendants false and misleading statements failed to disclose that the Company's Enterprise business depended on one customer that accounted for \$13 million of its annual revenue and 15% of the Enterprise segment's revenue and that customer had, after IntraLinks' refused to renegotiate the FDIC's contract, already begun searching for a new VDR provider with more reasonable pricing to replace IntraLinks' Task Order.

291. Most importantly, the Company touted the strength of its Enterprise market in the Registration Statement, which provided:

We have since enhanced our cloud-based platform (our "IntraLinks Platform") to address the needs of a wider enterprise market, consisting of customers of all sizes across a variety of industries who use our solutions for the secure management and online exchange of information within and among organizations. **Today, this enterprise market is our largest and fastest growing market** and includes organizations in the financial services, pharmaceutical, biotechnology, consumer, energy, industrial, legal, insurance, real estate and technology sectors, as well as government agencies.

292. The Company also touted the strength of its Enterprise market as a source of its growth strategy. As such, the Registration Statement provided in relevant part:

Our goal is to be the leading global provider of cloud-based solutions for critical information management, exchange and collaboration. The following are key elements of our strategy:

- **Increase our market share in the principal markets that we target:** We intend to continue to focus our sales efforts in markets where we have had historical success. We are a leader in providing collaboration solutions for debt capital market transactions and merger and acquisition transactions. **Today, the Enterprise principal market is our largest and fastest growing market. We believe that we have a significant opportunity to increase our market share in these core markets based on the strength of our solutions.**
- **Further penetrate our existing customer base and cross-sell our solutions:** Our strategy is to leverage initial deployments with customers that may

address a specific business process to expand within an enterprise through our offering of cross-departmental solutions. Many of our customers currently use our solutions only for industry-specific business processes, such as clinical trials, or for functional business processes, such as mergers and acquisitions due diligence. We believe we have a significant opportunity to sell our broader cross-departmental solutions, including vendor sourcing and procurement, real estate management, litigation management, audit management, licensing and joint partnership and alliance *management*, to our existing customer base. In addition, we plan to continue to identify new business processes that can be transformed via our cloud-based solutions.

\* \* \*

- *Broaden our sales channels to expand into new geographies:* We can offer significant value to organizations of any size and in any location that need to exchange critical information in a secure and auditable environment. Working with our global direct sales force, partners and referral network, we plan to expand our offerings to new geographies that are currently underpenetrated and represent a significant opportunity.

\* \* \*

- *Further leverage our global user community:* We have a global user community of over 1,000,000 professionals that have used our solutions over the past 13 years. We are able to leverage this user community in unique ways, such as to facilitate searches based on users' expertise or capabilities across our entire user directory. This would enable users to network with each other and locate customers, suppliers, advisors and employees across the globe that can help them address specific business needs.

293. ***Omitted Information:*** As described herein, Defendants false and misleading statements failed to disclose that the Company's Enterprise business was not as strong or growing as fast as it was being portrayed and that, without the FDIC – IntraLinks' most substantial revenue stream, the Enterprise business' growth would have been substantially smaller as was eventually disclosed in the May 11, 2011 and November 8, 2011 disclosures. These statements further omitted that the growth of IntraLinks' Enterprise business would be hampered in the coming months and years as the FDIC's Task Order expired and no new FDIC business flowed to IntraLinks.

**XIII. SECURITIES ACT CLAIMS**

**FIRST CAUSE OF ACTION**

**For Violation of § 11 of the Securities Act  
(Against IntraLinks, the Securities Act Company Defendants and the Underwriter  
Defendants)**

294. Lead Plaintiff repeats and re-alleges each and every allegation of ¶¶ 1-32,44-71,249-293 as if fully set forth herein. Lead Plaintiff specifically excludes any allegations sounding in fraud.

295. Pursuant to Regulation S-K, 17 C.F.R. § 229, IntraLinks was required to include in its Registration Statement and Prospectus, *inter alia*, “a discussion of the most significant factors that make the offering speculative or risky.” *See* 17 C.F.R. § 229.503. In particular, the Company was required to “[e]xplain how the risk affects the issuer or the securities being offered.” *Id.*

296. Defendant IntraLinks, as issuer of its shares in the Secondary Offering, is strictly liable to the investors who purchased IntraLinks common stock in the Secondary Offering pursuant to the Secondary Offering Documents for the material misstatements and omissions in the Registration Statement and Prospectus. IntraLinks owed to the purchasers and holders of the shares obtained pursuant to the Secondary Offering Documents the duty to make a reasonable and diligent investigation of the statements contained there to ensure that such statements were true and correct, and that there were no omissions of material facts required to be stated in order to make the statements contained therein not misleading.

297. The Underwriter Defendants acted as underwriters for the Secondary Offering. The Underwriter Defendants are strictly liable to the purchasers and holders of the shares purchased pursuant to the Secondary Offering for the misstatements and omissions in the

Registration Statement and Prospectus. The Underwriter Defendants owed to investors who purchased IntraLinks common stock in the Secondary Offering pursuant to the Secondary Offering Documents the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement and Prospectus to ensure that such statements were true and correct, and that there were no omissions of material facts required to be stated in order to make the statements contained therein not misleading.

298. The Individual Defendants as signatories of the Registration Statement, directors and/or officers of IntraLinks, and controlling persons of IntraLinks, are strictly liable to and owed to the investors who purchased IntraLinks common stock in the Secondary Offering pursuant to the Secondary Offering Documents the duty to make a reasonable and diligent investigation of the statements contained therein to ensure that such statements were true and correct, and that there were no omissions of material facts required to be stated in order to make the statements contained therein not misleading.

299. The Underwriter Defendants acted as underwriters for the IPO. As such, the Underwriter Defendants were responsible for the contents of the Secondary Offering Documents and they are strictly liable to and owed to the investors who purchased IntraLinks common stock in the Secondary Offering pursuant to the Secondary Offering Documents the duty to make a reasonable and diligent investigation of the statements contained therein to ensure that such statements were true and correct, and that there were no omissions of material facts required to be stated in order to make the statements contained therein not misleading.

300. None of the Defendants, IntraLinks, the Securities Act Company Defendants or the Underwriter Defendants, conducted an adequate investigation or otherwise possessed any reasonable ground to support the challenged statements contained in the Registration Statement

and Prospectus as true or that there were no omissions of material facts necessary to make the challenged statements made therein not misleading.

301. Had Defendants, IntraLinks, the Securities Act Company Defendants or the Underwriter Defendants, exercised reasonable care, they would have known of the material misstatements and omissions contained in or omitted from the Registration Statement and Prospectus as set forth herein. As such, defendants are liable to the Class.

302. Defendants, IntraLinks, the Securities Act Company Defendants and the Underwriter Defendants, issued and disseminated, caused to be issued and disseminated, and participated in the issuance and dissemination of material misstatements to the investing public which were contained in the Secondary Offering Documents, which misrepresented or failed to disclose, *inter alia*, the facts set forth above. By reason of the conduct herein alleged, each defendant violated and/or controlled a person who violated Section 11 of the Securities Act.

303. As a direct and proximate result of Defendants' acts and omissions in violation of the Securities Act, the market price of IntraLinks' shares sold in the Secondary Offering was artificially inflated, and Lead Plaintiff and the Class suffered substantial damage in connection with their ownership of IntraLinks' shares purchased pursuant to the Registration Statement and Prospectus.

304. At the times they obtained their shares of IntraLinks stock, Lead Plaintiff and members of the Class did so without knowledge of the facts concerning the misstatements or omissions alleged herein.

305. This action was brought within one year after discovery of the untrue statements and omissions in and from the Registration Statement which should have been made through the

exercise of reasonable diligence, and within three years of the effective date of the Registration Statement.

306. By virtue of the foregoing, Lead Plaintiff and the Class are entitled to damages under Section 11 as measured by the provisions of Section 11(e), from all defendants, and each of them, jointly and severally.

## **SECOND CAUSE OF ACTION**

### **For Violation of § 12(a)(2) of the Securities Act (Against IntraLinks, the Securities Act Company Defendants and the Underwriter Defendants)**

307. Lead Plaintiff repeats and re-alleges each and every allegation of ¶¶ 1-32, 44-71, 249-306 as if fully set forth herein. Lead Plaintiff specifically excludes any allegations sounding in fraud.

308. This Count is brought pursuant to Section 12(a)(2) of the Securities Act on behalf of Lead Plaintiff and the Class, against all defendants.

309. IntraLinks, the Securities Act Company Defendants and the Underwriter Defendants were sellers, offerors and/or solicitors of purchasers of the shares offered pursuant to the Secondary Offering Documents.

310. The Secondary Offering Documents contained untrue statements of material facts, omitted to state other material facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. The Securities Act Company Defendants' actions of solicitation included participating in the preparation of the untruthful and/or materially misleading Registration Statement and Prospectus and for Defendants Gyenes, Plesner and Damico, selling their own shares in the Secondary Offering.

311. IntraLinks, the Securities Act Company Defendants and the Underwriter Defendants owed to the purchasers of IntraLinks shares in the Secondary Offering, including

Lead Plaintiff and other members of the Class, the duty to conduct a reasonable and diligent investigation of the statements contained in the Secondary Offering Documents, including the Registration Statement and Prospectus, to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Had IntraLinks, the Securities Act Company Defendants and the Underwriter Defendants conducted a reasonable and diligent investigation, they would have known of the misstatements and omissions contained in the Secondary Offering Documents as set forth above.

312. Lead Plaintiff and other members of the Class purchased or otherwise acquired IntraLinks shares pursuant to the defective Secondary Offering Documents. Lead Plaintiff did not know, or in the exercise of reasonable diligence could not have known, of the untruths and material omissions contained in the Secondary Offering Documents.

313. Lead Plaintiff, individually and representatively, each hereby offer to tender to IntraLinks, the Securities Act Company Defendants or the Underwriter Defendants those shares which Lead Plaintiff and other Class members continue to own, on behalf of all members of the Class who continue to own such shares, in return for the consideration paid for those shares together with interest thereon. Class members who have sold their IntraLinks shares are entitled to rescissory damages.

314. By reason of the conduct alleged herein, IntraLinks, the Securities Act Company Defendants and the Underwriter Defendants have violated Section 12(a)(2) of the Securities Act. Accordingly, Lead Plaintiff and members of the Class who hold IntraLinks' shares purchased in the Secondary Offering have the right to rescind and recover the consideration paid for their MF Global shares, and hereby elect to rescind and tender their Secondary Offering shares to

defendants sued herein. Lead Plaintiff and Class members who have sold their IntraLinks shares are entitled to rescissory damages.

315. This action was brought within three years from the time that the shares upon which this Count is brought were sold to the public, and within one year from the time when Lead Plaintiff discovered or reasonably could have discovered the facts upon which this Count is based.

**THIRD CAUSE OF ACTION**

**For Violation of § 15 of the Securities Act  
(Against the Securities Act Company Defendants)**

316. Lead Plaintiff repeats and re-alleges each and every allegation of ¶¶ 1-32, 44-71, 249-315 as if fully set forth herein.

317. This count is asserted against Securities Act Company Defendants and is based upon their liability under Section 15 of the Securities Act for the Company's primary violations of Section 11 of the Securities Act.

318. The Securities Act Company Defendants, by virtue of their offices, directorships and specific acts were each, at the time of the IPO as set forth herein, controlling persons of IntraLinks within the meaning of Section 15 of the Securities Act. The Securities Act Company Defendants had the power and influence and exercised the same to cause IntraLinks to engage in the acts described herein which give rise to defendant IntraLinks' liability under Section 11 of the Securities Act as alleged herein.

319. By virtue of the conduct alleged herein, the Securities Act Company Defendants are each liable for the aforesaid wrongful conduct and are liable to Lead Plaintiff and the Class for damages suffered.

**PRAYER FOR RELIEF**

WHEREFORE, Lead Plaintiff prays for relief and judgment, as follows:

- A. Determining that this action is a proper class action and certifying Lead Plaintiff as a Class representative;
- B. Awarding compensatory damages in favor of Lead Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding Lead Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;
- D. Awarding rescission or a rescissory measure of damages; and
- E. Such equitable/injunctive or other relief as deemed appropriate by the Court.

**JURY DEMAND**

Plaintiff demands a trial by jury.

Dated: June 15, 2012

Respectfully submitted,

COHEN MILSTEIN SELLERS  
& TOLL PLLC



Kenneth M. Rehns (KR-9822)  
88 Pine Street, 14th Floor  
New York, New York 10005  
Telephone: (212) 838-7797  
Facsimile: (212) 838-7745

Carol V. Gilden (pro hac vice)  
190 South LaSalle Street  
Suite 1705  
Chicago, IL 60603  
Telephone: (312) 357-0370  
Facsimile: (312) 357-0369

Steven J. Toll  
Daniel S. Sommers  
1100 New York Ave NW  
Suite 500 West  
Washington, DC 20005  
Telephone: (202) 408-4600  
Facsimile: (202) 408-4699

-and-

O'DONOGHUE & O'DONOGHUE LLP  
James R. O'Connell  
Mark W. Kunst  
4748 Wisconsin Avenue, N.W.  
Washington, D.C. 20016  
Telephone: (202) 362-0041  
Facsimile: (202) 362-2640

*Attorneys for Lead Plaintiff and the  
Proposed Class*

**CERTIFICATE OF SERVICE**

I, Kenneth M Rehns, counsel for Lead Plaintiff, hereby certify that on June 15, 2012, I filed an original of the foregoing by hand with the Clerk of the Court and delivered a copy to all parties named herein and/or counsel of record in the within action by hand or first-class mail.

  
Kenneth M. Rehns

**CERTIFICATION OF SECURITIES CLASS ACTION  
PURSUANT TO THE FEDERAL SECURITIES LAWS**

I, Robert H. Cooke, hereby certify that the following is true and correct to the best of my knowledge, information, and belief:

1. I am the Director of Contributions and Pensions for the Plumbers and Pipefitters National Pension Fund (“Plumbers National Pension Fund”).

2. I have reviewed the Class Action Complaint (the “Complaint”) which was filed in this matter. I authorize the filing of this Certification on behalf of the Plumbers National Pension Fund.

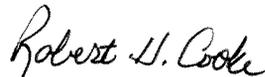
3. The Plumbers National Pension Fund is willing to serve as a representative party on behalf of the Class (as defined in the Complaint), including providing testimony at deposition and trial, if necessary.

4. During the Class Period (as defined in the Complaint), the Plumbers National Pension Fund purchased and/or sold the securities that are the subject of the Complaint as set forth on the attached Schedule A.

5. The Plumbers National Pension Fund did not engage in the foregoing transactions at the direction of counsel or in order to participate in any private action arising under the Securities Act of 1933 (the “Securities Act”) or the Securities Exchange Act of 1934 (the “Exchange Act”).

6. The Plumbers National Pension Fund has sought to serve or served as a representative party on behalf of a class in the following private action(s) arising under the Securities Act or the Exchange Act filed during the three-year period preceding the date of my signing this Certification: *Frank v. Dana Corp.*, Civ. No. 05-7393 (N.D. Ohio); *Wozniak v. Align Technology Inc et al*, 09-cv-03671-MMC (N.D. Cal.); *Norfolk County Retirement System v. American Superconductor Corp. et al*, 11-cv-10849-WGY (D. Mass.); *Richman v. Goldman Sachs Group, Inc.*, Civ. No. 10-3461 (S.D.N.Y.).

I declare under penalty of perjury that the foregoing is true and correct. Executed this 3<sup>rd</sup> day of February, 2012.



\_\_\_\_\_  
Robert H. Cooke  
Director of Contributions and Pensions  
Plumbers & Pipefitters National Pension Fund

## SCHEDULE A

## National Pension Fund's Transactions in IntraLinks Holdings, Inc Common Stock

Trade Date	Transaction Type	No. of Shares	Share Price (\$)
4/6/2011	BUY	25,400	\$25.50
4/6/2011	BUY	1,000	\$25.50
4/6/2011	BUY	103,200	\$25.50
4/7/2011	BUY	89,800	\$28.02
6/29/2011	SALE	-9,900	\$17.49
7/15/2011	SALE	-5,400	\$17.20
7/15/2011	SALE	-13,100	\$17.31
7/18/2011	SALE	-6,000	\$17.11
7/18/2011	SALE	-900	\$17.12
9/23/2011	SALE	-20,300	\$7.92
11/10/2011	SALE	-114,300	\$4.76