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10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 KAREN GIOLI, derivatively on behalf of
13 THE WALT DISNEY COMPANY,

14 Plaintiff,

15 v.

16 ROBERT A. CHAPEK, CHRISTINE M.
17 MCCARTHY, ROBERT A. IGER,
18 SUSAN E. ARNOLD, SAFRA A.
19 CATZ, AMY L. CHANG, FRANCIS A.
20 DESOUZA, MICHAEL B.G. FROMAN,
21 MARIA ELENA LAGOMASINO,
22 CALVIN R. MCDONALD, MARK G.
23 PARKER, CAROLYN N. EVERSON,
24 KAREEM DANIEL, MARY T.
25 BARRA, and DERICA W. RICE,

26 Defendants,

27 and

28 THE WALT DISNEY COMPANY,

Nominal Defendant.

Case No.

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

DEMAND FOR JURY TRIAL

1

2 Plaintiff Karen Gioli (“Plaintiff”), by and through her undersigned attorneys,
3 brings this Verified Shareholder Derivative Complaint, for the benefit of Nominal
4 Defendant The Walt Disney Company (“Disney” or the “Company”) against
5 defendants Robert A. Chapek (“Chapek”), Christine M. McCarthy (“McCarthy”),
6 Robert A. Iger (“Iger”), Susan E. Arnold (“Arnold”), Safra A. Catz (“Catz”), Amy
7 L. Chang (“Chang”), Francis A. deSouza (“deSouza”), Michael B.G. Froman
8 (“Froman”), Maria Elena Lagomasino (“Lagomasino”), Calvin R. McDonald
9 (“McDonald”), Mark G. Parker (“Parker”), Carolyn N. Everson (“Everson”),
10 Kareem Daniel (“Daniel”), Mary T. Barra (“Barra”), and Derica W. Rice (“Rice”)
11 (collectively, the “Individual Defendants”) for breaches of fiduciary duties, unjust
12 enrichment, waste of corporate assets, and violations of Sections 14(a), 10(b), and
13 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”).

14 Plaintiff’s allegations are based upon personal knowledge as to herself and
15 her own acts, and upon information and belief, based on the investigation of
16 Plaintiff’s counsel, including a review of filings by Disney with the U.S. Securities
17 and Exchange Commission (“SEC”), publicly available filings in lawsuits,
18 including in the related securities fraud class action pending in this District,
19 captioned *Local 272 Labor-Management Pension Fund v. The Walt Disney*
20 *Company, et al.*, No. 2:23-cv-03661-CBM-AS (the “Securities Class Action”),
21 press releases, news reports, analyst reports, industry reports, investor conference
22 transcripts, and other information available in the public record. Plaintiff believes
23 that substantial evidentiary support will exist for the allegations set forth herein after
24 a reasonable opportunity for discovery.

25

NATURE OF THE ACTION

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1. This is a shareholder derivative action that seeks to remedy wrongdoing committed by the Individual Defendants from December 10, 2020 to the present (the “Relevant Period”).

1 2. Since its founding in 1923, Disney has grown into a global giant in the
2 entertainment industry. Disney, along with its various subsidiaries, is engaged in
3 the production and distribution of film and episodic content through a multitude of
4 television networks. Disney boasts various legacy distribution platforms and the
5 Company recently turned to offering Direct-to-Consumer (“DTC”) services through
6 the platforms Disney+, ESPN+, and Hulu.

7 3. On December 10, 2020, during its’ Investor Day event, Disney
8 revealed its plans for its’ DTC offerings through Disney+. Investors were captivated
9 by Disney+ and considered it a serious threat to Netflix’s DTC market dominance.
10 Disney+ had a growing number of subscribers and was developing a wealth of
11 content to consumers. However, these investors did not know that Disney+’s
12 subscriber growth was slowing down, Disney+ had serious subscriber retention
13 problems, and that the Company was aggressively seeking new subscribers without
14 regard to the quality of those subscriptions. This combination of problems resulted
15 in a rapid loss of momentum that adversely affected the financial condition of the
16 entire Company.

17 4. Disney’s aggressive growth strategy failed to account for profitability.
18 Worse yet, The Wall Street Journal reported that Disney was covertly shifting costs
19 and hiding expenses that should have been attributed to Disney+ to create a false
20 image that Disney+ was on track to be profitable. Under these circumstances, it is
21 evident that Disney’s positive statements about the company’s business, operations,
22 and prospects were materially false and/or misleading and/or lacked a reasonable
23 basis.

24 5. These revelations forced Disney to defend itself in the Securities Class
25 Action titled *Local 272 Labor-Management Pension Fund v. The Walt Disney*
26 *Company et al.*, Case No. 2:23-cv-03661, in the United States District Court for the
27 Central District of California (the “Securities Class Action”). The Securities Class
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1 Action alleged that Disney and several of its officers defrauded investors as to the
2 Company's true financial condition and business products.

3 6. Worse yet, throughout the Relevant Period, Disney's Board of
4 Directors (the "Board"), which was comprised of Defendants Barra, Catz, Chang,
5 deSouza, Everson, Froman, Iger, Lagomasino, McDonald, Parker, and Rice (the
6 "Director Defendants"), caused Disney to repurchase \$78.7 million of its own stock
7 at artificially high prices, which caused the company to make an overpayment of
8 more than \$30 million. This occurred while the Director Defendants privately knew
9 that Disney's streaming services were struggling and the Company's stock was
10 artificially inflated.

11 7. Despite their knowledge of the facts and information that had an
12 adverse impact on the Company's business, operations, and outlook, and that the
13 Company's SEC filings did not reflect the adverse facts discussed above, and
14 knowing that Disney stock was trading at an artificially inflated price — several of
15 the Individual Defendants, using their knowledge of facts that are not publicly
16 known, sold significant amounts of their personally held shares of Disney stock.

17 8. The Individual Defendants now face liability to the company for,
18 among other things: (i) affirmatively making, allowing to be made, and/or failing
19 to correct improper statements in SEC filings relating to the Company's business,
20 operations, and prospects; (ii) failing to maintain adequate controls regarding the
21 Company's financial reporting; (iii) trading in the stock of the Company based on
22 their knowledge of the events described herein; and (iv) such other and further
23 actions described herein.
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25 **JURISDICTION AND VENUE**

26 9. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331
27 because Plaintiff's claims raise a federal question under Sections 10(b), 14(a),
28 20(a), and 21D of the Exchange Act (15 U.S.C. §§ 78j, 78n(a), and 78u-4(f)), as

1 well as SEC Rule 10b-5 and Exchange Act Rule 14a-9 (17 C.F.R. §§ 240.10b-5 and
2 240.14a-9).

3 10. This Court has supplemental jurisdiction over Plaintiff’s state law
4 claims pursuant to 28 U.S.C. §1367(a).

5 11. This derivative action is not a collusive action to confer jurisdiction on
6 a court of the United States that it would not otherwise have.

7 12. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1401
8 because the Company is headquartered in this District, a substantial portion of the
9 transactions and wrongs complained of herein occurred in this District, Defendants
10 have received substantial compensation in this District, and Defendants’ actions
11 have had an effect in this District.

12 **PARTIES**

13 13. Plaintiff is a shareholder of Disney. She was a shareholder at the time
14 of the wrongdoing and has continuously held stock in the Company at all times
15 relevant to the wrongdoing by Defendants alleged herein.

16 14. Nominal Defendant Disney is incorporated under the laws of
17 Delaware, and its principal executive offices are located at 500 South Buena Vista
18 Street, Burbank, California, 91521. Disney’s common stock trades on the New
19 York Stock Exchange (“NYSE”) under the symbol “DIS.”

20 15. **Defendant Chapek** served as the Company’s Chief Executive Officer
21 (“CEO”), as a member of the Board, and as a member of the Executive Committee,
22 from February 2020 until his termination on November 20, 2022. Defendant
23 Chapek received \$9,940,392 in total compensation for fiscal year 2023.

24 16. **Defendant McCarthy** served as the Company’s Chief Financial
25 Officer (“CFO”) from 2015 until her resignation in June 2023. Prior to her
26 resignation, Defendant McCarthy held various positions working for the Company
27 for 23 years. Defendant McCarthy received \$20,235,669 in total compensation for
28 fiscal year 2022.

1 17. **Defendant Iger** has served as the Company’s CEO since November
2 2022. Previously, Defendant Iger served as the Company’s CEO from 2005 to 2020.
3 Defendant Iger also served as Chairman of the Board from March 2012 through
4 December 2021 and as Executive Chairman from 2020 to December 31, 2021.
5 Defendant Iger received \$41,114,015 in total compensation for fiscal year 2024.

6 18. **Defendant Arnold** served as a member of the Board from 2007 to
7 2023. Defendant Arnold served as Chairman of the Board from December 31, 2021
8 to April 3, 2023. Prior to her departure, Defendant Arnold served as Chair of both
9 the Executive Committee and the Governance and Nominating Committee.
10 Defendant Arnold received \$298,797 in total compensation for fiscal year 2023.

11 19. **Defendant Catz** served as a member of the Board from 2018 through
12 2024. Defendant Catz was a member of the Audit Committee, sitting as its Chair
13 from 2020 to April 3, 2023. Defendant Catz received \$293,102 in total
14 compensation for fiscal year 2024.

15 20. **Defendant Chang** has served as a member of the Board since 2021
16 and serves as a member of the Nominating & Corporate Governance Committee.
17 Defendant Chang received \$398,677 in total compensation for fiscal year 2024.

18 21. **Defendant deSouza** served as a member of the Board from 2018
19 through 2024, serving on the Audit Committee during that time. Defendant deSouza
20 received \$216,056 in total compensation for fiscal year 2024.

21 22. **Defendant Froman** has served as a member of the Board since 2018.
22 Froman currently serves as the Chair of the Corporate Governance and Nominating
23 Committee and previously served as a member of the Audit Committee. Defendant
24 Froman received \$418,417 in total compensation for fiscal year 2024.

25 23. **Defendant Lagomasino** has served as a member of the Board since
26 2015. Defendant Lagomasino has served as a member of the Governance
27 Committee since at least 2020. Defendant Lagomasino has also served as a member
28

1 of the Compensation Committee since 2016, sitting as its Chair since 2020.
2 Defendant Lagomasino received \$406,883 in total compensation for fiscal year
3 2024.

4 24. **Defendant McDonald** has served as a member of the Board since
5 2021. Defendant McDonald serves as a member of the Audit Committee and served
6 as a member of the Compensation Committee from 2022 to 2024. Defendant
7 McDonald received \$368,866 in total compensation for fiscal year 2024.

8 25. **Defendant Parker** served as a member of the Board from 2016 to
9 2025. Defendant Parker served as a member of the Governance Committee from
10 2018 to 2021 and as a member of the Compensation Committee since 2020.
11 Defendant Parker received \$580,955 in total compensation for fiscal year 2024.

12 26. **Defendant Everson** has served as a member of the Board since 2022.
13 Defendant Everson serves as a member of the Compensation Committee. Defendant
14 Everson received \$384,732 in total compensation for fiscal year 2024.

15 27. **Defendant Daniel** worked at Disney from 2007 to 2022. In October
16 2020, Defendant Daniel was selected by Defendant Chapek to serve as the first and
17 only Chairman of the Disney Media and Entertainment Distribution segment
18 (defined herein). Defendant Daniel was dismissed from Disney in November 2022.

19 28. **Defendant Barra** has served as a member of the Board since 2017.
20 She is a current member of the Compensation Committee. Defendant Barra received
21 \$387,715 in total compensation for fiscal year 2024.

22 29. **Defendant Rice** has served as a member of the Board since 2019.
23 Defendant Rice has served as a member of the Audit Committee since 2022, sitting
24 as Chair since 2023. He also served as a member of the Governance Committee
25 from 2020 to 2021. Defendant Rice received \$418,173 in total compensation for
26 fiscal year 2024.

27 30. **Non-Party Director James P. Gorman (“Gorman”)** has served as a
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1 member of the Board since 2024. Gorman serves as the chairman of Executive
2 Committee. Gorman received \$234,760 in total compensation for fiscal year 2024.

3 31. **Non-Party Director David Jeremy Darroch (“Darroch”)** has
4 served as a member of the Board since 2024. Darroch serves as a member of the
5 Audit Committee. Darroch received \$270,476 in total compensation for fiscal year
6 2024.

7 **FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS**

8 32. At all relevant times, the conduct of the Individual Defendants was
9 governed by well-recognized rules to protect the Company and its shareholders, the
10 members of the public who had invested in Disney.

11 33. Because of their positions as officers and/or directors of the Company
12 and their ability to control its business and corporate affairs, the Individual
13 Defendants owed the Company and its shareholders the fiduciary obligations of
14 good faith, loyalty, and candor and were and are required to use their utmost ability
15 to control and manage the Company in a fair, just, honest, and equitable manner.

16 34. The Individual Defendants were and are required to act in furtherance
17 of the best interests of the Company and its shareholders to benefit all shareholders
18 equally and not in furtherance of their personal interest or benefit.

19 35. Each of the Company’s directors owes to the Company and its
20 shareholders fiduciary duties of care and loyalty, including good faith, oversight,
21 and candor, to exercise good faith and diligence in the administration of the affairs
22 of the Company and in the use and preservation of its property and assets.

23 36. Because of their positions of control and authority as directors and/or
24 officers of the Company, the Individual Defendants were able to and did, directly
25 and/or indirectly, exercise control over the wrongful acts alleged herein.

26 37. To discharge their duties, the Individual Defendants were required to
27 exercise reasonable and prudent supervision over the management, policies,
28 practices, and controls of the Company. By virtue of such duties, the officers and

1 directors of Disney were required to do the following:

2 (a) Ensure that the Company complied with its legal obligations and
3 requirements, including acting only within the scope of its legal authority and
4 disseminating truthful and accurate statements to the SEC and the investing public;

5 (b) Conduct the affairs of the Company in a lawful, efficient, and
6 business-like manner to make it possible for the Company to provide the highest
7 quality performance of its business, to avoid wasting the Company's assets, and to
8 maximize the value of the Company's stock;

9 (c) Properly and accurately inform investors and analysts as to the
10 true financial condition of the Company at any given time, make accurate
11 statements about the Company's financial results and prospects, and ensure that the
12 Company maintained an adequate system of financial controls such that the
13 Company's financial reporting would be true and accurate at all times;

14 (d) Remain informed as to how the Company conducted its
15 operations, and, upon notice of imprudent or unsound conditions or practices, make
16 reasonable inquiry into the nature and cause of such conditions and practices,
17 correct such conditions or practices, and make such disclosures as necessary to
18 comply with federal and state securities laws; and

19 (e) Ensure that the Company was operated in a diligent, honest, and
20 prudent manner in compliance with all applicable federal, state, and local laws,
21 rules, and regulations.

22 (f) The Individual Defendants knowingly violated their obligations
23 as directors and/or officers of the Company, acting without good faith and
24 consciously disregarding their duties to the Company and its shareholders despite
25 their knowledge of the risk of serious injury to the Company.

26 (g) Because of their positions of control and authority, the
27 Individual Defendants were able to exercise control over the wrongful acts
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1 complained of herein, as well as the contents of the various public statements issued
2 by Disney.

3 **DISNEY’S STANDARDS OF BUSINESS CONDUCT**

4 38. Disney has adopted a Code of Business Conduct and Ethics for
5 Directors (the “Code”), which states that the Board “promotes ethical behavior” and
6 that every director must “represent the interests of the shareholders of The Walt
7 Disney Company.” The Code is “mandatory and applies to all Directors, who are
8 accountable for compliance with the Code.”

9 39. In a section titled “Conflicts of Interest” the Code states:

10 Directors must avoid conflicts of interest. A conflict of interest occurs
11 when an individual’s private interest interferes in any way with the
12 interests of the company or any of its subsidiary and affiliated
13 companies (collectively, the “Company”). A conflict of interest may
14 also arise when a Director, or a member of his or her immediate
15 family[] receives improper personal benefits as a result of his or her
16 position in the Company. Directors should also be mindful of, and seek
17 to avoid, conduct which could reasonably be construed as creating an
18 appearance of a conflict of interest.

19
20 40. In the section titled “Use of Corporate Information, Opportunities and
21 Assets” the Code states:

22 Directors may not compete with the Company, or use opportunities
23 that are discovered through the use of Company property, Company
24 information or Company position, for their personal benefit or the
25 benefit of persons or entities outside the Company. No Director may
26 improperly use or waste any Company asset.
27
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1 41. In the section titled "Confidentiality" the Code states that "no Director
2 shall use Confidential Information for his or her own personal benefit."
3 "Confidential Information" is defined in part as "all non-public information
4 entrusted to or obtained by a Director by reason of his or her position as a Director
5 of the Company."

6 **DISNEY'S CORPORATE GOVERNANCE GUIDELINES**

7 42. The Board has also adopted Corporate Governance Guidelines (the
8 "Guidelines") which state that: "Each Director shall at all times represent the
9 interests of the shareholders of the Company."

10 43. In the section titled "Functions of the Board of Directors" the
11 Guidelines state that it is the "responsibility of the Board [] to supervise and direct
12 management of the Company in the interest of and for the benefit of the Company's
13 shareholders."

14 44. In the section titled "Board Conduct and Review" the Guidelines state:

15 Members of the Board shall act at all times in accordance with the
16 requirements of the Company's Code of Business Conduct and Ethics
17 for Directors. This obligation shall at all times include, without
18 limitation, strict adherence to the Company's policies with respect to
19 conflicts of interest, confidentiality, protection of the Company's
20 assets, ethical conduct in all business dealings and respect for and
21 compliance with applicable law.
22

23 **DISNEY'S AUDIT COMMITTEE CHARTER**

24 45. The Audit Committee Charter (the "Audit Charter") places additional
25 duties and responsibilities upon the members of the Board's Audit Committee,
26 which consisted of Catz, deSouza, and Rice during the Relevant Period. The Audit
27 Charter states:
28

1 The responsibilities of the Board of Directors (the “Board”) of The
2 Walt Disney Company (the “Company”) include oversight of the
3 Company’s systems of internal control, preparation and presentation
4 of financial reports and compliance with applicable laws, regulations
5 and Company policies. Through this Charter, the Board delegates
6 certain responsibilities to the Audit Committee (the “Committee”) to
7 assist the Board in the fulfillment of its duties to the Company and its
8 shareholders.

9
10 46. The Audit Charter specifically states that the “Committee shall be
11 given the resources and assistance necessary to discharge its responsibilities,
12 including appropriate funding” and “unrestricted access to Company personnel and
13 documents and the Company’s independent auditors.”

14 47. Pursuant to the Audit Charter, the overarching duties of oversight that
15 the Audit Committee is tasked with include oversight of “the integrity of the
16 Company’s financial statements,” “the adequacy of the Company’s system of
17 internal controls,” the “Company’s compliance with legal and regulatory
18 requirements,” and “to prepare the audit committee report as required by the
19 Securities and Exchange Commission [] to be included in the Company’s annual
20 proxy statement.”

21 48. The Audit Charter tasks the Audit Committee with the following
22 responsibilities:

23 (a) Financial Reporting. The Audit Committee shall monitor the
24 preparation by management of the Company’s quarterly and annual
25 external financial reports. In carrying out this responsibility, the Audit
26 Committee shall:

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- Review with management the significant financial reporting issues, judgments and estimates used in developing the financial reports, including analyses of the effects of alternative GAAP methods on the financial statements.
- Review the accounting and reporting treatment of significant transactions outside the Company’s ordinary operations.
- Review with management and the Company’s independent auditors significant changes to the Company’s accounting principles or their application as reflected in the financial reports.
- Review with management and the Company’s independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- Meet periodically with the Company’s independent auditors (in private, as appropriate) (a) to review their reasoning in accepting or questioning significant decisions made by management in preparing the financial reports; (b) to review any audit problems or difficulties and management’s response; (c) to review any outstanding disagreements with management that would cause them to issue a non-standard report on the Company’s financial statements; (d) to examine the appropriateness of the Company’s accounting principles (including the quality, not just

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the acceptability, of accounting principles) and the clarity of disclosure practices used or proposed; (e) to determine if any restrictions have been placed by management on the scope of their audit; and (f) to discuss any other matters the Committee deems appropriate.

- Review earnings press releases, as well as financial information and earnings guidance provided to analysts, rating agencies and others, and discuss their appropriateness with management and the Company’s independent auditors, paying particular attention to any use of “proforma” or “adjusted” non-GAAP information.
- Review draft quarterly and annual financial statements and discuss their appropriateness with management and the Company’s independent auditors, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (“PCAOB”) and the SEC.
- Consider whether it will recommend to the Board that the Company’s audited financial statements be included in the Company’s Annual Report on Form 10-K; and

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- Prepare the audit committee report required by Item 407(d)(3)(i) of Regulation S-K for inclusion in the proxy statement of the Company related to its annual meeting of security holders.

(c) Internal Control. The Audit Committee shall have responsibility for overseeing that management has implemented an effective system of internal control that helps promote the reliability of financial and operating information and compliance with applicable laws, regulations and Company policies, including those related to risk management, ethics and conflicts of interest. In carrying out this responsibility, the Audit Committee shall:

- Inquire of management, management auditors and the Company’s independent auditors concerning any deficiencies in the Company’s policies and procedures that could adversely affect the adequacy of internal controls and the financial reporting process and review any special audit steps adopted in light of any material control deficiencies and the timeliness and reasonableness of proposed corrective actions.
- Review significant management audit findings and recommendations, and management’s responses thereto.
- Meet periodically with management auditors in private session (without the participation of management or the independent auditors).
- Review the Company’s policies and practices with respect to risk assessment and risk management.

- 1 • Review the Company’s policies and practices related to
- 2 compliance with laws, ethical conduct and conflicts of interest.
- 3 • Review significant cases of conflicts of interest, misconduct or
- 4 fraud.
- 5 • Review significant issues between the Company and regulatory
- 6 agencies.

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8 **THE GOVERNANCE AND NOMINATING COMMITTEE CHARTER**

9 49. The Nominating and Governance Committee Charter (the

10 “Governance Charter”) imposes additional duties and responsibilities on the

11 members of the Governance Committee, which included Arnold, Chang, Froman,

12 Lagomasino, and Parker during the Relevant Period. Among the duties imposed by

13 the Governance Charter, is the duty to “[m]onitor the implementation and operation

14 of the Company’s Corporate Governance Guidelines.” This includes reviewing

15 “from time to time, as the Committee deems appropriate, the adequacy of the

16 Corporate Governance Guidelines in light of broadly accepted practices of

17 corporate governance, emerging governance issues and market and regulatory

18 expectations, and to advise and make recommendations to the Board with respect

19 to appropriate modifications.”

20 **CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION**

21 50. In committing the wrongful acts alleged herein, the Individual

22 Defendants have pursued, or joined in the pursuit of, a common course of conduct

23 and have acted in concert with and conspired with one another in furtherance of

24 their common plan or design. In addition to the wrongful conduct alleged herein

25 giving rise to primary liability, the Individual Defendants further aided and abetted

26 and/or assisted each other in breaching their respective duties.

27 51. During all times relevant hereto, the Individual Defendants,

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1 collectively and individually, initiated a course of conduct that was designed to and
2 did, among other things, deceive the investing public including stockholders of
3 Disney. In furtherance of this plan, conspiracy, and course of conduct, the
4 Individual Defendants, collectively and individually, took the actions set forth
5 herein.

6 52. The Individual Defendants engaged in a conspiracy, common
7 enterprise, and/or common course of conduct. During this time, the Individual
8 Defendants caused and/or allowed the improper conduct described herein.

9 53. The purpose and effect of the Individual Defendants' conspiracy,
10 common enterprise, and/or common course of conduct was, among other things, to
11 disguise the Individual Defendants' violations of state and federal law, breaches of
12 fiduciary duty, waste of corporate assets, unjust enrichment, and to conceal adverse
13 information concerning the Company's business, operations, and future prospects.

14 54. The Individual Defendants accomplished their conspiracy, common
15 enterprise, and/or common course of conduct by causing the Company to
16 purposefully or recklessly engage in the improper conduct described herein.
17 Because the Individual Defendants' actions occurred under the authority of the
18 Board, each Individual Defendant was a direct, necessary, and substantial
19 participant in the conspiracy, common enterprise, and/or common course of conduct
20 complained of herein.

21 55. Each Individual Defendant aided and abetted and rendered substantial
22 assistance in the wrongs complained of herein. In taking such actions to
23 substantially assist the commission of the wrongdoing complained of herein, each
24 Individual Defendant acted with knowledge of the primary wrongdoing,
25 substantially assisted in the accomplishment of that wrongdoing, and was aware of
26 his or her overall contribution to and furtherance of the wrongdoing.

27 **SUBSTANTIVE ALLEGATIONS**

28 **I. Background**

1 56. In February 2020, Disney announced that Defendant Iger would step
2 down as CEO, and be replaced by Defendant Chapek, who had worked under Iger
3 for over ten years. Defendant Iger then assumed the role of Executive Chairman
4 until December 31, 2021, in which he continued to direct Disney’s creative
5 endeavors and lead the Board.

6 57. Soon after, Disney faced a significant challenge. In March 2020, just
7 one month after Defendant Chapek assumed the role of CEO, many countries
8 entered lockdowns in attempts to contain the COVID-19 pandemic.

9 58. These lockdowns negatively affected Disney’s businesses as it was
10 forced to shutter its theme parks, resorts, and cruise lines. The lockdowns also
11 forced Disney to completely pause movie distribution and productions, and its live
12 programming television networks were halted — primarily, because sporting events
13 were cancelled in response to the pandemic. As a result of these difficulties, in May
14 2020, Disney announced that it was suspending its dividends. In August 2020,
15 Disney reported its first quarterly loss in 19 years. In November 2020, Disney
16 reported its first annual loss in over 40 years.

17 59. Although most of Disney’s businesses suffered considerable
18 challenges because of the COVID-19 pandemic — the Company’s new streaming
19 service, Disney+, saw a significant increase in subscriptions.

20 60. Disney+ was launched in the United States in November 2019. Disney
21 initially provided an estimate that by the end of fiscal year 2024, Disney+ would
22 have between 60 million to 90 million paid subscribers. However, the COVID-19
23 lockdowns led to a significant increase in the number of people staying at home —
24 which led to a dramatic increase in paid subscriptions for Disney+ and other
25 streaming services.

26 61. In October 2020, Chapek consolidated Disney’s operations into only
27 two reporting segments: (1) Disney Media and Entertainment Distribution
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1 (“DMED”) and (2) Disney Parks, Experiences, and Products (“DPEP”). Prior to
2 Chapek’s reforms, Disney was organized into four reporting segments: (1) Media
3 Networks; (2) Parks, Experiences, and Products; (3) Studio Entertainment; and (4)
4 Direct-to-Consumer & International. Disney’s change in structure marked a
5 significant departure from Disney’s historical reporting structure and created
6 considerable internal controversy, since the change took power away from creative
7 content-focused executives and instead was granted into a new reporting group
8 piloting DMED.

9 62. The DMED segment included Disney+ and operated under the
10 direction of Defendant Chapek and Defendant Daniel, and with knowledge of
11 Defendant McCarthy. DMED became responsible for monetizing all Disney
12 content globally. In addition, the DMED segment also was responsible for
13 distribution and advertising sales, as well as overseeing the operations of Disney’s
14 streaming services. Notably, both Chapek and Daniel were authorized to decide
15 which platform Disney’s content would be released on. This strategic
16 reorganization was intended to accelerate Disney’s new DTC strategy.

17 63. On October 12, 2020, during an interview on CNBC, Defendant
18 Chapek explained that Disney’s reorganization is meant to “accelerate our transition
19 to a real direct-to-consumer priority company.” He continued: “We believe that
20 we’ve got the opportunity to build upon the success of Disney+, which by almost
21 any measure has been far and above anybody’s expectations and really use this to
22 catalyze our growth and increase shareholder wealth.”

23 64. Also on October 12, 2020, Disney issued a press release announcing
24 the restructuring and explained that Disney’s centralization would capitalize on the
25 success of Disney+ and stated, in relevant part:

26 Under the new structure, Disney’s world-class creative engines will
27 focus on developing and producing original content for the Company’s
28

1 streaming services, as well as for legacy platforms, while distribution
2 and commercialization activities will be centralized into a single,
3 global Media and Entertainment Distribution organization. The new
4 Media and Entertainment Distribution group will be responsible for all
5 monetization of content—both distribution and ad sales—and will
6 oversee operations of the Company’s streaming services. It will also
7 have sole P&L accountability for Disney’s media and entertainment
8 businesses.

9 65. The press release also contained the following statement from
10 Defendant Chapek, who stated in relevant part:

11 “Given the incredible success of Disney+ and our plans to accelerate
12 our direct-to-consumer business, we are strategically positioning our
13 Company to more effectively support our growth strategy and increase
14 shareholder value,” Mr. Chapek said. “Managing content creation
15 distinct from distribution will allow us to be more effective and nimble
16 in making the content consumers want most, delivered in the way they
17 prefer to consume it. Our creative teams will concentrate on what they
18 do best—making world-class, franchise-based content—while our
19 newly centralized global distribution team will focus on delivering and
20 monetizing that content in the most optimal way across all platforms,
21 including Disney+, Hulu, ESPN+ and the coming Star international
22 streaming service.”

23
24 **II. False and Misleading Statements Issued by the Individual**
25 **Defendants During the Relevant Period**

26 66. On December 10, 2020, Disney held its 2020 Investor Day event to
27 provide shareholders with an update on the Company’s business operations,
28 structural reorganization, DTC initiatives, and published a related slide presentation

1 on Disney’s official website. Defendants Chapek, McCarthy, and Daniel delivered
2 scripted portions of the presentation, and Defendants Chapek and McCarthy also
3 participated in an analyst Q&A session.

4 67. During this presentation, Defendant Chapek stated that the Company
5 had already surpassed its preliminary subscriber projections for Disney+, stating, in
6 relevant part:

7
8 Disney+ has exceeded our wildest expectations with 86.8 million
9 subscribers as of December 2. That’s quite an achievement!

10 This success has bolstered our confidence in our continued
11 acceleration towards a DTC-first business model. And more
12 importantly, it’s launched The Walt Disney Company into a new era
13 of delivering consumers truly exceptional entertainment build around
14 our world-renowned brands and franchises.

15 68. Defendant Chapek also explained how the new DMED unit would
16 distribute Disney’s content onto the platform most beneficial to consumers, stating,
17 in relevant part:

18
19 Our unique access to an incredible number of consumer touch points
20 across our businesses gives us a clear advantage. Based on insights
21 gained from this wealth of data, our distribution and
22 commercialization team is able to better inform our creatives of
23 consumer preferences. And the creative teams are empowered to make
24 the high-quality branded entertainment they believe will resonate with
25 audiences.

26
27 This new organization also gives us maximum flexibility in
28 determining when and on which platform content will be available.

1 And this is especially important now given consumers' rapidly
2 changing consumption behaviors and the prolonged uncertainty due to
3 the pandemic.

4 As circumstances change, we will continue to consider these and other
5 critical factors when determining what steps we may take to most
6 effectively distribute our programming. Our goal is always to serve
7 consumers in the best way possible.

8
9 69. During the same presentation, Defendant Daniel touted how the
10 consumer data gathered by Disney would help the Company maximize audience
11 engagement and commercial impact, stating, in relevant part:

12 As a company, we were set up to achieve success in an increasingly
13 dynamic environment. And as Bob mentioned, consumer behavior
14 really does drive our decision-making. While we have always valued
15 the data gained through our numerous consumer touch points, the rapid
16 growth of our portfolio of DTC services provides us with an even
17 greater opportunity to understand their preferences. And we are using
18 these insights to help determine how to optimally engage with our
19 audiences. In fact, our team uses all of the information available to us
20 when determining how best to allocate our creative content budgets
21 across all platforms, with the goal to maximize both audience
22 engagement and commercial impact. And we share this budgetary
23 framework and critical insights with our creative partners as part of a
24 truly collaborative planning process that delivers high-quality branded
25 entertainment to achieve our established growth objectives for all of
26 our platforms, from direct-to-consumer to linear networks to theatrical
27 exhibition.

28

1 This exchange of information is a key pillar to our organization's
2 overall strategy, which also relies on the increased flexibility provided
3 by our mix of distribution options, including, in no particular order,
4 releasing content through traditional windows, such as theaters and
5 linear networks before it is made available on our direct-to-consumer
6 services, particularly recognizing the actual exhibition's ability to help
7 establish major franchises that are at the heart of our Disney flywheel;
8 providing our accretive output simultaneously, day and date on both
9 traditional and DTC platforms, in concert with our premier access
10 commercialization strategy for the DTC component; and exclusively
11 distributing our content on our streaming services, providing a
12 constant flow of new titles for subscriber acquisition and to minimize
13 churn.

14 Of course, regardless of where it originates, all of our films and
15 episodic series will inevitably end up as part of our incredibly rich and
16 increasingly robust library of content on our DTC platforms.

17 Since streaming has quickly become a preferred method of
18 consumption, we are prioritizing our DTC platforms, both in terms of
19 how we distribute our content and also through an increased
20 investment in our original programming for Disney+, Hulu, ESPN+
21 and the upcoming Star-branded international general entertainment
22 offering.

23 * * *

24 One of the primary benefits of our new organizational structure is our
25 ability to quickly reevaluate and adjust our plans in light of changes in
26 the marketplace, and we will continue to shift and optimize our mix of
27
28

1 window theatrical, day-and-date and DTC exclusive offerings
2 according to what is best for the consumer and our business.

3
4 70. During the presentation, Defendant McCarthy provided profitability
5 and subscriber guidance for Disney+ (and related foreign streaming services such
6 as Disney+ Hotstar, a subscription video on demand streaming service owned by
7 Disney that operates in India), reiterating that by the end of Disney's fiscal year
8 2024, Disney+ would have 230 to 260 million subscribers. In relevant part,
9 Defendant McCarthy stated:

10 Today, I'm going to provide guidance across our services for fiscal
11 2024 to be consistent with the time frame we guided to at our last
12 Investor Day. Let me start with Disney+ which, as you heard earlier
13 today, had 86.8 million total paid subscribers as of December 2,
14 approximately 30% of which were Disney+ Hotstar subscribers.

15 * * *

16 If you recall, last year, we said that we expected Disney+ to have
17 between 60 million and 90 million subscribers by the end of fiscal
18 2024. But as you know, our subscriber growth to date is well ahead of
19 our original expectations. And we have an incredible and growing slate
20 of high-quality content that will capture a broader global audience and
21 further fuel Disney+, making it what we believe is an even more
22 compelling product.

23 These factors, along with the addition of our Star general entertainment
24 offering in various markets and the growth of Disney+ Hotstar, give
25 us an even greater optimism about our future. And they enable us to
26 significantly increase our subscriber guidance.

1 We now expect that by the end of fiscal 2024, we will have *between*
2 *230 million and 260 million total paid Disney+ subscribers globally*
3 *compared to the 60 million to 90 million we shared last year.* I'll note
4 that our prior outlook did not anticipate the launch of Disney+ Hotstar,
5 which we now expect could be between 30% and 40% of our
6 subscriber base by the end of fiscal 2024.

7 * * *

8 Given the value of growing our subscriber base, as you've seen today,
9 we plan to reinvest revenue generated from our better-than-expected
10 subscriber growth back into content investment. Thus we continue to
11 expect Disney+ to achieve profitability in fiscal 2024. Again, I'll note
12 that this guidance includes Disney+, Star, Star+ and Disney+ Hotstar.

13
14 71. The presentation slides published with the 2020 Investor Day
15 presentation echoed the Company's projections that, by the end of fiscal year 2024,
16 Disney+ would be profitable and would boast a subscriber base ranging from 230
17 million to 260 million paid global users. The materials further represented that, of
18 this subscriber base, 30-40% would be attributed to Disney+ Hotstar. Notably, these
19 figures signified a nearly threefold increase in comparison to previous forecasts,
20 without any reduction in the anticipated profitability for this business segment.

21 72. In response to an analyst question during the Q&A portion of the
22 presentation, Defendant Chapek explained how the decision was made to determine
23 when and on which platform(s) Disney's content would be distributed, stating in
24 relevant part:

25
26 To me, it's really about over – of the 100 titles that we announced
27 today, 80% of them are going first to Disney+, which I think says
28 something about our pivot over to Disney+. But at the same time, we

1 had \$13 billion of box office last year. And that's obviously not
2 something to sneeze at. And we know as The Walt Disney Company
3 who've got this plethora of franchises that we just showed you today,
4 that we build those franchises through the theatrical exhibition window
5 and we did \$13 billion back in '19. So for us, it's about balance. And
6 it's about following the consumer as they make that transition.

7 And so part of why we did the reorganization that we did is to ensure
8 that we've got an organization that's flexible to read all the cues,
9 whether it's the cessation of COVID or it's changing consumer
10 behavior so that we can very nimbly make decisions as we go forward.
11 And that 80% direct-to-consumer is not just Disney+, obviously, but
12 that includes Hulu and Star as well.

13
14 73. On February 11, 2021, Disney published a press release announcing
15 its first quarter 2021 financial results. On an earnings call held the same day,
16 Defendant McCarthy confirmed that there was no need to revise the 2024 Disney+
17 subscriber guidance as the Company was expected to reach profitability, stating in
18 relevant part:

19 We said at our Investor Day, which wasn't too long ago, that we
20 expected to reach profitability in fiscal 2024. We're not going to
21 change that at this point, although we are very pleased with the results
22 that we just announced. But we are also, given the value of growing
23 our sub base, we are continuing to invest in high- quality content. *We*
24 *believe that content is the single biggest driver to not only acquiring*
25 *subs, but retaining them.*

26
27 74. On May 13, 2021, Disney issued a press release announcing its second
28 quarter 2021 financial results. Therein, the Company announced that it had 103.6

1 million subscribers as of April 3, 2021, which represented a 200% increase over its,
2 previous subscriber count of 33.5 million on March 28, 2020.

3 75. During a related earnings call held that same day, Defendant Chapek
4 reiterated the Company's position regarding reaching 230 million to 260 million
5 subscribers by 2024:

6 We are uniquely positioned with the most compelling brands and
7 franchises in entertainment, and we continue to deliver the high-
8 quality, one-of-a-kind content that consumers want. That's clearly
9 reflected in the success of Disney+ which amassed nearly 104 million
10 paid subscribers as of the end of the second fiscal quarter. We are on
11 track to achieve our guidance of 230 million to 260 million subscribers
12 by the end of fiscal 2024.

13 76. During the same call, Defendant McCarthy also stated, "[a]s
14 [Defendant Chapek] mentioned earlier, we remain right on track to reach our fiscal
15 2024 guidance of 230 million to 260 million subs[cribers], powered by the addition
16 of 30 million paid Disney+ subs[cribers] in the first half of the year."

17 77. The Individual Defendants made these representations despite
18 knowing that initial subscriber numbers for Disney+ had been boosted temporarily
19 and unsustainably by a low launch price, as well as a series of short term, low-cost
20 promotions, to a near-captive audience of consumers who were homebound due to
21 COVID-19 restrictions.

22 78. In truth, during the Relevant Period, Disney+ was never on track to
23 achieve the 2024 profitability and subscriber figures provided to investors and such
24 estimates lacked a reasonable basis in fact. To conceal these adverse facts, the
25 Individual Defendants engaged in a fraudulent scheme designed to: (1) hide the
26 extent of Disney+ losses; (2) make the growth trajectory of Disney+ subscribers
27

28

1 appear sustainable; and (3) make the 2024 Disney+ targets appear achievable when
2 they were not.

3 79. Specifically, the Individual Defendants used the newly created DMED
4 division to inappropriately shift costs out of the Disney+ platform and onto legacy
5 platforms, like the Disney Channel. As part of a scheme to make Disney+'s
6 financial performance appear more successful than it was, the Individual
7 Defendants caused the Company to air certain shows that were supposed to be
8 Disney+ originals on the Disney Channel. By doing so, a significant portion of the
9 marketing and production costs of the shows were shifted away from Disney+ and
10 on to the legacy platforms. Despite this cost-shifting scheme, the Individual
11 Defendants repeatedly represented during the Relevant Period that platform
12 distribution decisions were made based on different reasons, such as customer
13 preferences and what was best for the business commercially.

14 80. Following a series of disclosures — including that Disney's DTC
15 segment suffered an operating loss of \$1.47 billion for the fiscal year 2022 and a
16 decrease in its average revenue per Disney+ subscriber — investors learned that
17 Disney failed to disclose that: (1) Disney+ was experiencing decelerating subscriber
18 growth, losses, and cost overruns; (2) Disney executives were concealing the true
19 costs incurred in connection with the Disney+ segment by debuting content
20 intended for Disney+ on its legacy distribution channels, and later making them
21 available on Disney+'s content library—thereby improperly shifting production
22 costs away from Disney+ and into the legacy distributors; (3) DMED's motive to
23 conceal the complete costs of constructing Disney+'s content library led them to
24 make platform distribution decisions based on factors other than consumer
25 preference and behavior; (4) the 2024 Disney+ global subscriber and profitability
26 targets were not achievable, Disney was not on track to achieve those targets, and
27 the Individual Defendants lacked a reasonable basis to set such targets; and (5)

28

1 Disney failed to maintain internal controls. In short, the Individual Defendants
2 materially misrepresented the actual performance of Disney+, the sustainability of
3 Disney+'s growth trend, the profitability of Disney+, and the likelihood that Disney
4 could achieve its 2024 Disney+ subscriber and profitability targets.

5 **III. The Truth Begins to Emerge and the Individual Defendants**
6 **Double Down on Their False and Misleading Statements**

7 81. On August 12, 2021, during Disney's Third Quarter 2021 earnings
8 call, Defendant Chapek stated that the Disney+ price increases were having no
9 effect on subscriber churn, stating: "We're really pleased with churn. We've taken
10 some price increases over the past few quarters. And what you're seeing is that
11 churn has declined. . . So the fact that churn is low, our engagement is so high, our
12 retention is so high."

13 82. On September 21, 2021, the Company and Defendant Chapek gave a
14 virtual presentation at the Goldman Sachs Communacopia Conference. During this
15 presentation, Defendant Chapek acknowledged that Disney+ subscriber growth
16 slowed in the fourth quarter of the fiscal year ending on October 2, 2021, stating:
17 "In Q4, I think what you can expect to see is that our global paid subs will increase
18 by low single digit millions of subscribers versus Q3. But importantly, our core
19 market sub growth will continue both domestically and internationally in Q4, but
20 we hit some headwinds." Defendant Chapek went on to reaffirm the Company's
21 2024 goals for Disney+ subscriptions, stating, "[w]e're very confident about our
22 long-term sub growth as we always have been."

23 83. This new information concerning the number of global paid Disney+
24 subscribers failed to meet the market's expectations. On September 21, 2021,
25 CNBC reported the disappointing news from the conference, stating in relevant
26 part:

27 Disney expects to add "low single-digit millions" of streaming
28 subscribers in the fourth quarter, Chapek said. Disney shares ended the

1 session down 4.1% after Chapek’s comments at the virtual Goldman
2 Sachs Communacopia Conference.

3 Chapek said “mobilizing partners” in Latin America to push Disney’s
4 new Star+ streaming service, the Covid-related suspension of the India
5 Premier League – whose games air on Disney’s Hotstar – and
6 production delays from the delta variant have all hurt subscriber
7 numbers in the fourth quarter.

8 “We are going to see a little bit more noise than maybe the Street
9 projects quarter to quarter,” Chapek said. “The resurgence of Covid
10 and delta did impact some of our productions.”

11 Chapek’s forecast is significantly lower than some analyst estimates.
12 Deutsche Bank analyst Bryan Kraft had projected Disney+ net adds of
13 about 13 million in the quarter.

14 Global production delays will be “very short term,” Chapek said. But
15 he acknowledged there won’t be as much new programming in the
16 fourth quarter “than we might have expected,” which will affect
17 subscriber growth.

18 Disney has projected 230 million to 260 million Disney+ subscribers
19 by 2024. Disney said in August it had 116 million Disney+ subscribers.
20 Chapek cautioned investors that quarter-to-quarter growth “is not
21 linear” and some choppiness is expected. Still, he remained confident
22 in Disney’s long-term growth outlook.

23
24 84. On this news, Disney’s common stock fell \$7.44 per share, or more
25 than 4%, closing at \$171.17 per share on September 21, 2021.

26 85. On November 10, 2021, Disney issued a press release announcing its
27 fourth quarter and full year 2021 financial results, which missed expectations of
28 119.6 million subscribers, \$18.78 billion in revenues, and adjusted earnings per

1 share of 49 cents. Instead, the Company only added 2.1 million customers during
2 the quarter, revenue of \$18.53 billion, and adjusted earnings per share of 37 cents.

3 86. Despite these revelations, the price of Disney common stock remained
4 artificially inflated because of the failure of the Individual Defendants to disclose
5 the whole truth. In addition, the Individual Defendants continued to make materially
6 false and misleading statements which continued to artificially inflate the price of
7 Disney common stock. For instance, during the related earnings call held after the
8 market closed that same day, Defendant Chapek downplayed the issue related to
9 subscriber numbers and once again stood by Disney's 2024 guidance, stating:

10 I want to reiterate that we remain focused on managing our DTC
11 business for the long term, not quarter-to-quarter, and we're confident
12 we are on the right trajectory to achieve the guidance that we provided
13 at last year's Investor Day, reaching between 230 million and 260
14 million paid Disney+ subscribers globally by the end of fiscal year
15 2024, and with Disney+ achieving profitability that same year.

16
17 87. Defendant McCarthy also reiterated Disney+'s profitability and 2024
18 subscriber guidance:

19 As [Defendant Chapek] mentioned, we are increasing our overall long-
20 term content expense for Disney+, and we are all well positioned to
21 achieve the 30 million to 260 million by fiscal 2024 that we laid out at
22 last year's Investor's Day. And we also remain confident in our
23 expectation that Disney+ will achieve profitability in fiscal 2024.

24
25 88. On this news, the company's stock fell \$12.34 per share, or more than
26 7%, on November 11, 2021, on abnormally high trading volume.

27 89. On February 9, 2022, Disney issued a press release announcing its
28 fourth quarter and full year 2021 financial results. During the related earnings call,

1 Defendant Chapek reported that “11.8 million Disney+ subscribers” were added in
2 the first quarter of 2022 and stated:

3 As I’ve said before, we continue to manage our services for the long-
4 term, and maintain confidence in our guidance of 230-260 million total
5 paid Disney+ subscribers globally by the end of Fiscal 2024.
6

7 90. Defendant McCarthy likewise stated, “[we] ended the quarter with
8 nearly 130 million global paid Disney+ subscribers, reflecting over 11 million net
9 additions from Q4.”

10 91. On May 11, 2022, Disney released its Fiscal Q2 2022 Form 10-Q with
11 the SEC. During the related earnings call, Defendant Chapek told investors that
12 Disney ended the quarter with an additional “7.9 million Disney+ subscribers,
13 keeping us on track to reach 230 million to 260 million Disney+ subscribers by
14 fiscal ’24.”

15 92. During the call, Defendant McCarthy stated: “[w]e ended the quarter
16 with nearly 138 million global paid Disney+ subscribers, reflecting close to 8
17 million net additions from Q1.” Disney’s Fiscal Q2 2022 10-Q also reported that
18 there were 137.7 million paid Disney+ subscribers as of Fiscal Q2 2022.

19 93. On August 9, 2022, Disney released its Fiscal Q3 2022 Form 10-Q
20 with the SEC, along with a press release announcing its third quarter 2022 financial
21 results. On August 10, 2022, during the related earnings call, Defendant McCarthy
22 lowered the Company’s 2024 guidance for Disney+.

23 Finally, before we move to Q&A, I want to spend some time sharing a
24 few updates on our fiscal 2024 guidance for Disney+. We are
25 providing more detail on subscriber targets by separating our guidance
26 into 2 categories: core Disney+ and Disney+ Hotstar. Excluding the
27 impact of any significant future macro headwinds, our core Disney+
28

1 subscriber target range is 135 million to 165 million by the end of fiscal
2 2024, largely consistent with previously provided guidance that non-
3 Hotstar Disney+ subscribers in 2024 would approximate 60% to 70%
4 of the expected 230 million to 260 million total subscriber base.

5 We are, however, updating subscriber guidance for Disney+ Hotstar to
6 up to 80 million subscribers by the end of fiscal 2024. We intend to
7 refine this target over time as subscriber visibility in India will be
8 clearer once the ICC and BCCI cricket rights sales processes are
9 completed. As you may know, we recently made the disciplined
10 decision to not proceed with the Indian Premier League digital rights,
11 and we'll evaluate these rights with that same discipline.

12 94. Despite lowering the guidance, Defendant McCarthy maintained the
13 Company's position that Disney+ would achieve profitability by 2024, stating:
14

15 As we sit here today, we remain confident that Disney+ will achieve
16 profitability in fiscal 2024 and look forward to several upcoming
17 catalysts, including reaching a steady state of tentpole original content
18 releases, delivery of premium general entertainment and international
19 local originals and the upcoming launch of our ad-supported tier,
20 alongside the new pricing structure announced earlier today.

21 95. On November 8, 2022, Disney issued a press release announcing its
22 fourth quarter and full year 2022 financial results. Therein, Defendant Chapek was
23 quoted as stating:
24

25 Our fourth quarter saw strong subscription growth with the addition of
26 14.6 million total subscriptions, including 12.1 million Disney+
27 subscribers. The rapid growth of Disney+ in just three years since
28 launch is a direct result of our strategic decision to invest heavily in

1 creating incredible content and rolling out the service internationally,
2 and we expect our DTC operating losses to narrow going forward and
3 that Disney+ will still achieve profitability in fiscal 2024, assuming we
4 do not see a meaningful shift in the economic climate. By realigning
5 our costs and realizing the benefits of price increases and our Disney+
6 ad supported tier coming December 8, we believe we will be on the
7 path to achieve a profitable streaming business that will drive
8 continued growth and generate shareholder value long into the future.
9 And as we embark on Disney's second century in 2023, I am filled
10 with optimism that this iconic company's best days still lie ahead.

11
12 96. The Company's revenue for the fourth quarter of 2022 grew only 9%
13 to \$20.15 billion, which was below analyst estimates of \$21.36 billion; sales were
14 only \$20.1 billion, which was short of analysts' projections by one billion; and
15 earnings of \$.30 per share were below the average analyst estimate of about \$0.51.
16 Likewise, Disney's DTC segment reported an operating loss of about \$1.5 billion
17 compared to a \$630 million loss in the same quarter in 2021. Revenue in the DTC
18 segment only increased by 8% to \$4.9 billion.

19 97. Disney also reported a decline in its average revenue per Disney+
20 subscribers, since more customers subscribed through a discounted bundle with the
21 Company's other services. Indeed, about 40% of domestic subscribers were
22 subscribed through the discounted bundle offering — confirming that Disney relied
23 on short-term promotional efforts to boost subscriber growth at the cost of the
24 platform's long-term profitability.

25 98. On this news, Disney's stock fell \$13.15 per share, or more than 13%,
26 on an unusually high volume of shares traded.

27 99. Less than two weeks later, and only five months after the Board had
28 voted to extend Defendant Chapek's employment contract, on November 20, 2022,

1 the Board announced that it had terminated Defendant Chapek and replaced him
2 with Defendant Iger as CEO.

3 100. Defendant Daniel was terminated less than 24 hours later.

4 101. On November 21, 2022, *The Wall Street Journal* issued a report titled
5 *Walt Disney CFO, Others Brought Concerns to Board Over Bob Chapek* (the “Wall
6 Street Report”). The Wall Street Report disclosed several issues that ultimately led
7 to Defendant Chapek’s dismissal, whose position at the Company had reportedly
8 “been shaky for months.”

9 102. Significantly, the Wall Street Report also disclosed a cost-shifting
10 scheme employed by the Individual Defendants that was designed to hide certain
11 expenses that should have been attributed to Disney+, so that the streaming service
12 would appear closer to profitability than it actually was. According to the Wall
13 Street Report, the Individual Defendants were not merely aware of this strategy but
14 intentionally employed it to deceive investors — with Defendant McCarthy
15 reportedly expressing concern about its propriety. The report stated, in relevant part:

16
17 The trouble came to a head Nov. 8, when Mr. Chapek hosted a
18 conference call with analysts after Disney’s weaker-than-expected
19 quarterly report. Disney had just reported a loss of \$1.47 billion in its
20 streaming business, more than twice the loss reported in the prior-year
21 quarter and had underperformed analysts’ expectations in revenue and
22 income. Profit margins at the theme parks—Disney’s best-performing
23 division over the past year—were shrinking, the company said, and the
24 streaming segment’s goal of profitability by September 2024 could be
25 in danger if the economy worsened. Despite the gloomy report, Mr.
26 Chapek’s tone on the call was upbeat and his outlook positive. “We
27 believe we are on a path to profitable streaming business that generates
28 shareholder value long into the future,” he said.

1 * * *

2 Ms. McCarthy, the CFO, told board members that she wasn't happy
3 with the way Mr. Chapek had communicated with investors during the
4 conference call, people familiar with the matter said. * * * Mr. Iger
5 had long expressed displeasure with the organizational structure Mr.
6 Chapek put in place to handle content distribution, according to people
7 familiar with the matter. Shortly after taking the reins of the
8 entertainment giant, Mr. Chapek had restructured the company's
9 television and film operations and created a distribution arm to
10 determine the best platform for any given content, whether that is a
11 streaming service, a TV network or movie theaters. As part of that
12 change, content executives no longer had control over their budgets.
13 Mr. Chapek said at the time that the moves were a recognition of
14 changing consumer habits and were meant to give priority to its
15 streaming-video services. Mr. Iger has told people close to him that he
16 didn't think the new regime made sense, said the people, adding that it
17 took away freedom from the creative side of the business.

18 * * *

19 But the streaming division, which Mr. Chapek has said he expected to
20 be profitable by the company's 2024 fiscal year, has lost more than
21 \$8.5 billion since Disney+ was launched and has posted bigger
22 operating losses in each of the past four quarters. Under Mr. Chapek,
23 Disney has increased its content spending dramatically—to around
24 \$30 billion this year alone.

25 Like many of its rivals, Disney is now trying to shift from a growth
26 oriented streaming strategy to profitability, but is doing so in a difficult
27 economic environment and an intensely competitive market. Disney is
28

1 moving some shows that were supposed to be Disney+ originals and
2 air them first on other networks including the Disney Channel, people
3 familiar with the matter said. By doing so, the costs of production and
4 marketing of the shows—which included mystery show “The
5 Mysterious Benedict Society” and medical drama “Doogie
6 Kameāloha, M.D.”—would be shifted away from the streaming
7 service, making its financial performance look better, they said. Ms.
8 McCarthy was concerned about this strategy, the people said.

9
10 103. Other news outlets similarly reported that Defendant Chapek was
11 “cooking the books, engaging in a series of deceptive accounting practices, in an
12 effort to hide actual losses the company was seeing related to its signature streaming
13 service” and that “he disguised Disney+’s losses by moving budgets for its original
14 shows.”

15 **IV. The Truth Emerges**

16 104. On February 8, 2023, Disney issued a press release announcing its first
17 quarter financial results for 2023. The Company reported that Disney+ lost 2.4
18 million subscribers and that the DTC business segment reported an increase in
19 operating loss from \$0.5 billion to \$1.1 billion, which reflected higher programming
20 and production costs.

21 105. On a conference call that same day, Defendant Iger announced that a
22 broad restructuring plan would be employed with the goal of putting the Company’s
23 streaming business on a path to profitability and growth, stating, in relevant part:

24 In 2019, Disney+ launched, with nearly 500 films and 7,500 episodes
25 of television from across the world of Disney. Three years later, its
26 meteoric rise is considered one of the most successful results in the
27 history of the media business.

28

1 Now it's time for another transformation, one that rationalizes our
2 enviable streaming business and puts it on a path to sustained growth
3 and profitability while also reducing expenses to improve margins and
4 returns and better positioning us to weather future disruption,
5 increased competition and global economic challenges. We must also
6 return creativity to the center of the company, increase accountability,
7 improve results and ensure the quality of our content and experiences.

8
9 106. Defendant Iger emphasized that to restore Disney's success, creative
10 power had to be returned to the Company's creative executives, and those
11 executives should have the power to make their own distribution decisions. This is
12 a reversal from Defendant Chapek's decision to take away power from the creative
13 executives as part of his October 2020 restructuring plan. Defendant Iger stated:

14 Our company is fueled by storytelling and creativity. And virtually
15 every dollar we earn, every transaction, every interaction with our
16 consumers emanates from something creative. I've always believed
17 that the best way to spur great creativity is to make sure that people
18 who are managing the creative process feel empowered. Therefore, our
19 new structure is aimed at returning greater authority to our creative
20 leaders and making them accountable for how their content performs
21 financially. Our former structure severed that link, and it must be
22 restored. Moving forward, our creative teams will determine what
23 content we're making, how it is distributed and monetized and how it
24 gets marketed.

25
26 107. Defendant Iger also announced that the Company would be
27 reorganized into three core business segments to allow creative executives to
28 maximize revenue and growth, stating, in relevant part:

1 Managing costs, maximizing revenue and driving growth from the
2 content being produced will be their responsibility.

3 Under our strategic reorganization, there will be three core business
4 segments...Disney Entertainment, ESPN and Disney Parks,
5 Experiences and Products.

6 * * *

7 These organizational changes will be implemented immediately, and
8 we will begin reporting under the new business structure by the end of
9 the fiscal year.

10 This reorganization will result in a more cost-effective, coordinated
11 and streamlined approach to our operations. And we are committed to
12 running our businesses more efficiently, especially in a challenging
13 economic environment.

14 108. Defendant Iger further indicated that Disney would be cutting \$5.5
15 billion in costs with \$2.5 billion in non-content cuts (including 7,000 jobs) and \$3
16 billion in content savings over the next few years, stating, in relevant part:

17
18 [W]e are targeting \$5.5 billion of cost savings across the company.
19 First, reductions to our non-content costs will total roughly \$2.5
20 billion, not adjusted for inflation. \$1 billion in savings is already
21 underway, and Christine will provide more details. But in general, the
22 savings will come from reductions in SG&A and other operating costs
23 across the company.

24 To help achieve this, we will be reducing our workforce by
25 approximately 7,000 jobs. While this is necessary to address the
26 challenges we're facing today, I do not make this decision lightly. I
27 have enormous respect and appreciation for the talent and dedication
28

1 of our employees worldwide, and I'm mindful of the personal impact
2 of these changes.

3 On the content side, we expect to deliver approximately \$3 billion in
4 savings over the next few years, excluding sports. Christine will be
5 providing more details during the call.

6 Turning to our streaming businesses. I'm proud of what we've been
7 able to achieve since the launch of Disney+ just 3 years ago. We are
8 delivering more content with greater quality in more ways, in more
9 places and to larger audiences.

10
11 109. Further, Defendant Iger stated that Disney would no longer provide
12 long-term subscriber guidance for Disney+, stating:

13 Like many of our peers, we will no longer be providing long-term
14 subscriber guidance in order to move beyond an emphasis on short-
15 term quarterly metrics — although we will provide color on relevant
16 drivers. Instead, our priority is the enduring growth and profitability of
17 our streaming business.

18
19 110. On May 10, 2023, Disney issued a press release announcing
20 disappointing second quarter 2023 financial results. The Company reported that
21 Disney+ had lost subscribers for the second quarter in a row, which further confirms
22 that the 2024 Disney+ targets had always been out of reach. Indeed, during the
23 quarter, Disney+ lost 4 million paid subscribers, which contrasted with analyst
24 expectations that Disney+ would add 1.7 million subscribers. Furthermore,
25 although streaming revenue increased by 12%, this change was mostly attributable
26 to price hikes necessitated by Disney+'s large losses.

27 111. During a conference call that same day, Defendant Iger admitted that
28 in order to have a chance at realizing profitability, "it's critical we rationalize the

1 volume of content we’re creating and what we’re spending to produce our content.”
2 He further announced that Disney was planning another price increase, at least for
3 the Disney+ ad-free tier, risking even further subscriber losses.

4 112. On this news, the price of Disney stock fell \$8.83 per share, or more
5 than 8% on May 11, 2023, on an unusually high trading volume.

6 **V. During the Relevant Period, Disney’s Proxy Statements**
7 **Contained False and Misleading Statements**

8 **1. The 2021 Proxy Statement**

9 113. On January 19, 2021, Disney filed its annual proxy statement with the
10 SEC pursuant to Section 14(a) of the Exchange Act (the “2021 Proxy Statement”).
11 Defendants Chapek, Arnold, Barra, Catz, deSouza, Froman, Iger, Lagomasino,
12 Parker, and Rice solicited the 2021 Proxy Statement, which contained material
13 misstatements and omissions.

14 114. The 2021 Proxy Statement solicited Disney stockholders to vote to,
15 among other things: (1) re-elect defendants Chapek, Arnold, Barra, Catz, deSouza,
16 Froman, Iger, Lagomasino, Parker, and Rice to the Board; and (2) approve, on an
17 advisory basis, the Company’s executive compensation.

18 115. The 2021 Proxy Statement notes that “[a]s CEO, and during one of the
19 most challenging environments the Company has faced, Mr. Chapek adeptly
20 managed the enormous disruption to the Company’s business, while at the same
21 time restructuring Disney’s media and entertainment businesses to fuel the long-
22 term creative and financial growth of the Company.” The Compensation Committee
23 recognized the following highlights when justifying Defendant Chapek’s
24 compensation:

- 25 • In the wake of COVID-19’s impact on theaters and our content
26 pipeline, worked to quickly program new offerings on our DTC and
27 linear channels, while preparing plans to responsibly reopen our
28 parks and production operations around the world.

- 1 • Launched our direct-to-consumer services in several key markets,
2 while converting Hotstar to Disney+ Hotstar and announcing the
3 launch of a Star international general entertainment service planned
4 for fiscal 2021 in Latin America and Europe.
- 5 • Enhanced and focused the Company’s D&I efforts through a new,
6 six-pillar approach that puts a premium on Transparency,
7 Representation, Accountability, Community, Inclusive Content
8 and Culture. Began delivering change by establishing the CEO
9 Diversity & Inclusion Council, championing the Black Talent
10 Network, investing in inclusive storytelling and requiring leader
11 accountability.
- 12 • Recognition of Disney as one of the “World’s Most Admired
13 Companies” by Fortune (#4 overall and #1 in entertainment) and
14 #2 in MBLM’s annual Brand Intimacy Study, which measures the
15 bonds consumers form with the brands they use and love.

16
17 116. Likewise, in the section titled the “Board’s Role in Risk Oversight,”
18 the 2021 Proxy statement stated:

19 As noted in the Company’s *Corporate Governance Guidelines*, the
20 Board, acting directly or through committees, is responsible for
21 “assessing major risk factors relating to the Company and its
22 performance” and “reviewing measures to address and mitigate such
23 risks.” In discharging this responsibility, the Board, either directly or
24 through committees, assesses both (a) risks that relate to the key
25 economic and market assumptions that inform the Company’s
26 business plans (including significant transactions) and growth
27 strategies, and (b) significant operational risks related to the conduct
28

1 of the Company's day-to-day operations. Risks relating to the market
2 and economic assumptions that inform the Company's business plans
3 and growth strategies are specifically addressed with respect to each
4 business unit in connection with the Board's review of the Company's
5 long-range plan. The Board also has the opportunity to address such
6 risks at each Board meeting in connection with its regular review of
7 significant business and financial developments. The Board reviews
8 risks arising out of specific significant transactions when these
9 transactions are presented to the Board for review or approval.
10 Significant operational risks that relate to ongoing business operations
11 are the subject of regularly scheduled reports to either the full Board
12 or one of its committees. The Board acting through the Audit
13 Committee reviews as appropriate whether these reports cover the
14 significant risks that the Company may then be facing. Each of the
15 Board's committees addresses risks that fall within the committee's
16 areas of responsibility. The Audit Committee addresses general risks
17 as well as risks arising out of financial planning and reporting, internal
18 controls and information technology. The Audit Committee reserves
19 time at each meeting for private sessions with the Chief Financial
20 Officer, General Counsel, head of the internal audit department and
21 outside auditors. The Compensation Committee addresses risks arising
22 out of the Company's executive compensation programs, as described
23 in more detail in the section titled "Executive Compensation—Other
24 Compensation Information—Risk Management Considerations" and
25 workplace equity. The Governance and Nominating Committee
26 addresses risks arising out of corporate governance, director
27 compensation, investor engagement, political contributions and the
28

1 Company's ESG programs. The Governance and Nominating
2 Committee annually reviews domestic political contribution activity as
3 well as the procedures and controls related to political contributions.
4 The operational risks periodically reviewed by committees are also
5 reviewed by the entire Board when a committee or the Board
6 determines this is appropriate.

7
8 117. The 2021 Proxy Statement further stated that the "Company has
9 *Standards of Business Conduct*, which are applicable to all employees of the
10 Company, including the principal executive officer, the principal financial officer
11 and the principal accounting officer. The Board has a separate *Code of Business*
12 *Conduct and Ethics for Directors*"

13 118. The 2021 Proxy Statement was materially false and misleading
14 because it failed to disclose that: (i) although Disney claimed that its directors had
15 a direct role in assessing the Company's risks, those directors were ineffective at
16 that role; (ii) contrary to the 2021 Proxy Statement's descriptions of the Board's
17 risk oversight responsibilities, the Board and its committees did not adequately
18 exercise those functions and instead were causing or allowing Disney to issue false
19 and misleading statements; and (iii) the Individual Defendants used "pay-for-
20 performance" rewards when calculating executive compensation despite inflating
21 the Company's value by issuing false and misleading statements. Furthermore, the
22 2021 Proxy Statement was false and misleading because the Individual Defendants
23 failed to implement and oversee effective internal controls over the Company's core
24 operations and to manage risks associated with the essential and mission-critical
25 maintenance of existing subscribers and addition of new ones.

26 119. Because of the false and misleading statements contained in the 2021
27 Proxy Statement, Disney shareholders voted to re-elect certain Director Defendants,
28 thereby allowing them to continue to breach their fiduciary duties to the Company.

1 **2. The 2022 Proxy Statement**

2 120. On January 19, 2022, the Company filed its annual proxy statement
3 with the SEC pursuant to Section 14(a) of the Exchange Act (the “2022 Proxy
4 Statement”). Defendants Chapek, Arnold, Barra, Catz, Chang, deSouza, Froman,
5 Lagomasino, McDonald, Parker, and Rice solicited the 2022 Proxy Statement,
6 which contained material misstatements and omissions.

7 121. The 2022 Proxy Statement solicited Disney stockholders to vote to,
8 among other things: (1) re-elect defendants Chapek, Arnold, Barra, Catz, Chang,
9 deSouza, Froman, Lagomasino, McDonald, Parker, and Rice to the Board; and (2)
10 approve the Company’s executive compensation.

11 122. The 2022 Proxy Statement states the following about Defendant
12 Chapek:

13 In fiscal 2021, Mr. Chapek, as Chief Executive Officer, delivered
14 strong performance given the unprecedented challenges resulting from
15 the COVID-19 pandemic and meaningful shareholder value, driven by
16 exceptional execution of the Company’s key strategic initiatives.

17 Since March 2020, Mr. Chapek has adeptly managed the significant
18 disruption to the Company’s businesses resulting from the COVID19
19 pandemic and guided the Company’s new management team leading
20 our direct-to-consumer (“DTC”) efforts. In fiscal 2021, under Mr.
21 Chapek’s leadership, the Company made significant progress on its
22 long-term strategic plan with the following achievements:

- 23 • Reorganized media and entertainment businesses to align with Mr.
24 Chapek’s strategic goals of accelerating the DTC strategy and
25 centralizing distribution and commercialization activities;
26 • Increased subscribers at Disney+, Hulu and ESPN+;

27
28

- 1 • Continued expansion of the Company’s DTC efforts
2 internationally, launching DTC platforms in several key
3 international markets;
- 4 • Took meaningful and innovative steps at our parks and experiences
5 business while reopening our parks, including the development of
6 Disney Genie and new Magic Key offerings.

7
8 123. The 2022 Proxy Statement also discussed “The Board’s Role in Risk
9 Oversight,” providing substantially similar language as the was contained in the
10 corresponding section of the 2021 Proxy Statement.

11 124. The 2022 Proxy Statement also stated that “Company has Standards of
12 Business Conduct, which are applicable to all employees of the Company, including
13 the principal executive officer, the principal financial officer and the principal
14 accounting officer. The Board has a separate Code of Business Conduct and Ethics
15 for Directors”

16 125. The 2022 Proxy Statement was materially false and misleading
17 because it failed to disclose that: (i) although Disney claimed that its directors had
18 a direct role in assessing the Company’s risks, those directors were ineffective at
19 that role; (ii) contrary to the 2022 Proxy Statement’s descriptions of the Board’s
20 risk oversight responsibilities, the Board and its committees did not adequately
21 exercise those functions and instead were causing or allowing Disney to issue false
22 and misleading statements; and (iii) the Individual Defendants used “pay-for-
23 performance” rewards when calculating executive compensation despite inflating
24 the Company’s value by issuing false and misleading statements. Furthermore, the
25 2022 Proxy Statement was false and misleading because the Individual Defendants
26 failed to implement and oversee effective internal controls over the Company’s core
27 operations and to manage risks associated with the essential and mission-critical
28

1 maintenance of existing subscribers and addition of new ones.

2 126. Because of the false and misleading statements contained in the 2022
3 Proxy Statement, Disney shareholders voted to re-elect certain Director Defendants,
4 thereby allowing them to continue to breach their fiduciary duties to the Company.

5 **3. The 2023 Proxy Statement**

6 127. On February 6, 2023, the Company filed its annual proxy statement
7 with the SEC pursuant to Section 14(a) of the Exchange Act (the “2023 Proxy
8 Statement”). Defendants Barra, Catz, Chang, deSouza, Everson, Froman, Iger,
9 Lagomasino, McDonald, Parker, and Rice solicited the 2023 Proxy Statement,
10 which contained material misstatements and omissions.

11 128. The 2023 Proxy Statement solicited Disney stockholders to vote to,
12 among other things: (1) re-elect Defendants Barra, Catz, Chang, deSouza, Everson,
13 Froman, Iger, McDonald, Parker, and Rice to the Board; and (2) approve, on an
14 advisory basis, the Company’s executive compensation.

15 129. The 2023 Proxy Statement also discussed “The Board’s Role in Risk
16 Oversight,” providing substantially similar language as the was contained in the
17 corresponding section of the 2022 Proxy Statement.

18 130. The 2023 Proxy Statement discussed “Fiscal 2022 Compensation
19 Decisions,” where members of the Compensation Committee determined
20 performance bonuses by evaluating whether the Company reached certain
21 performance goals, which are normally set at the beginning of each fiscal year.

22 131. The Compensation Committee also evaluated certain “Performance
23 Factors,” which are based on the strategic objectives of the Company. These
24 Performance Factors include: “Diversity & Inclusion”, “Collaboration on strategic
25 priorities”, and “Efforts towards creativity & innovation”.

26 132. The “Collaboration on strategic priorities” Performance Factor is
27 significant since it measures whether executives:

28 Actively promote collaboration and synergy on key strategic priorities

1 of the Company with a one-company mindset and drive clear
2 accountabilities and partnership across all lines of business, in support
3 of developing content and product for our key franchises, accelerating
4 our DTC initiatives and enabling the success of creative, operating and
5 corporate teams

6
7 133. The “Collaboration on strategic priorities” Performance Factor touted
8 that Disney “[s]uccessfully increased subscribers at Disney+ (+39%), Hulu (+8) and
9 ESPN+ (+42%) during fiscal 2022, while launching DTC platforms in several key
10 international markets, including 154 different countries and territories.”

11 134. The 2023 Proxy Statement failed to disclose the slowing pace of
12 Disney+ subscriber growth, the Company’s issues with subscriber turnover, and
13 Disney’s pursuit of short-term, low-quality subscriptions in unprofitable markets.
14 Disney’s misleading statements were quickly dispelled. On February 8, 2023,
15 merely two days after the 2023 Proxy Statement was issued, the Company issued
16 an earnings report for the period starting from October 1, 2022, to December 1,
17 2022, stating that Disney+ subscribers lost 2.4 million subscribers, and the DTC
18 business reported an increase in operating loss from half a billion to \$1.1 billion,
19 which reflected higher programming and production costs.

20 135. On May 10, 2023, during the Company’s quarterly earnings call,
21 Defendant Iger revealed to the public that Disney had “launched Disney+ in many,
22 many markets around the world, including very low ARPU markets,” and recklessly
23 invested into marketing and local content without regard for profitability. During
24 an earnings call on August 9, 2023, Defendant Iger put a further damper on the 2023
25 Proxy Statement, by suggesting a potential retreat from certain markets, stating “not
26 all markets are created equal[.]”

27 136. Thus, as made obvious by Defendant Iger’s statements, for the same
28 reasons as its predecessors, the public statements within the 2023 Proxy Statement

1 were materially false and misleading and lacked a reasonable basis at all relevant
2 times.

3 137. In addition, the 2023 Proxy Statement was materially false and
4 misleading because it failed to disclose that: (i) although Disney claimed that its
5 directors had a direct role in assessing the Company's risks, those directors were
6 ineffective at that role; (ii) contrary to the 2023 Proxy Statement's descriptions of
7 the Board's risk oversight responsibilities, the Board and its committees did not
8 adequately exercise those functions and instead were causing or allowing Disney to
9 issue false and misleading statements; and (iii) the Individual Defendants used
10 "pay-for-performance" rewards when calculating executive compensation despite
11 inflating the Company's value by issuing false and misleading statements.
12 Furthermore, the 2023 Proxy Statement was false and misleading because the
13 Individual Defendants failed to implement and oversee effective internal controls
14 over the Company's core operations and to manage risks associated with the
15 essential and mission-critical maintenance of existing subscribers and addition of
16 new ones.

17 138. Because of the false and misleading statements contained in the 2023
18 Proxy Statement, Disney shareholders voted to re-elect certain Director Defendants,
19 thereby allowing them to continue to breach their fiduciary duties to the Company.

20 **REPURCHASED SHARES DURING THE RELEVANT PERIOD**

21 139. During the Relevant Period, the Individual Defendants caused Disney
22 to spend over \$78.7 million to repurchase 557,313 shares at artificially inflated
23 prices. Since the actual value of Disney's stock was \$86.75 per share as of the
24 market closing on November 9, 2022, Disney should have spent only \$48.3 million
25 to repurchase its stock during the Relevant Period. As a result of this overpayment,
26 Disney suffered damages in the amount of approximately \$30.3 million.

27 140. Disney's repurchase transactions during the Relevant Period are set
28 forth below.

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Date Range	Shares	Average Price Per Share	Repurchase Amount	Overpayment
12/1/2020-1/2/2021	18,664	\$170.44	\$3,181,092.16	\$1,561,990.16
1/3/2021-1/31/2021	18,215	\$173.31	\$3,156,841.65	\$1,576,690.40
2/1/2021-2/28/2021	18,230	\$183.36	\$3,342,652.80	\$1,761,200.30
3/1/2021-4/3/2021	18,820	\$193.32	\$3,638,282.40	\$2,005,647.40
4/4/2021-4/30/2021	17,873	\$187.26	\$3,346,897.98	\$1,796,415.23
5/1/2021-5/31/2021	19,292	\$172.93	\$3,336,165.56	\$1,662,584.56
6/1/2021-7/3/2021	15,511	\$175.91	\$3,432,180.01	\$1,739,600.76
7/4/2021-7/31/2021	15,923	\$180.39	\$2,872,349.97	\$1,491,029.72
8/1/2021-8/31/2021	15,510	\$176.90	\$2,743,719.00	\$1,398,226.50
9/1/2021-10/2/2021	15,493	\$179.52	\$2,781,303.36	\$1,398,225.50
10/3/2021-8/31/2021	15,510	\$176.90	\$2,743,719.00	\$1,491,029.72
9/1/2021-10/2/2021	15,493	\$179.52	\$2,781,303.36	\$1,398,226.50
10/3/2021-10/31/2021	16,599	\$171.24	\$2,842,412.76	\$1,402,449.51
11/1/2021-11/30/2021	23,036	\$157.38	\$3,625,405.68	\$1,627,032.68
12/1/2021-1/1/2022	28,624	\$147.64	\$4,226,047.36	\$1,742,915.36
1/2/2022-1/31/2022	25,595	\$142.60	\$3,649,847.00	\$1,429,480.75
2/1/2022-2/28/2022	20,873	\$150.26	\$3,136,376.98	\$1,325,644.23
3/1/2022-4/2/2022	24,942	\$168.84	\$4,211,207.28	\$2,047,488.78

1	4/3/2022- 4/30/2022	23,363	\$125.98	\$2,943,270.74	\$916,530.49
2	5/1/2022- 7/2/2022	36,469	\$97.09	\$3,540,775.21	\$377,089.46
3	5/1/2022- 5/31/2022	42,751	\$105.99	\$4,531,178.49	\$822,529.24
4	6/1/2022- 7/31/2022	30,343	\$100.81	\$3,058,877.83	\$426,622.58
5	8/1/2022- 8/31/2022	22,440	\$119.99	\$2,692,575.60	\$745,905.60
6	9/1/2022- 10/1/2022	23,058	\$107.38	\$2,475,968.04	\$475,686.54
7	10/2/2022- 10/31/2022	25,673	\$99.85	\$2,563,449.05	\$336,316.30
8	11/1/2022- 11/30/2022	36,016	\$94.01	\$3,385,864.16	\$261,476.16
9	Total	557,313		\$78,714,741.07	\$30,367,838.32

13

14 **INSIDER TRADING BY THE INDIVIDUAL DEFENDANTS DURING**

15 **THE RELEVANT PERIOD**

16 141. During the Relevant Period and while in possession of material non-

17 public Company information, Defendants Chapek, Iger, McCarthy, and Arnold (the

18 “Insider Selling Defendants”) sold Company stock while it was trading at

19 artificially inflated prices due to the false and misleading statements alleged herein.

20 These sales enabled Defendants Chapek and McCarthy to avoid the staggering

21 losses the Company’s other stockholders suffered.

22 142. From January 2021 to June 2021, while in possession of material, non-

23 public information, Defendant Iger sold 2,227,767 shares of his Disney stock for

24 gross proceeds of \$409,124,607.84 as reflected in the following chart:

Date	Shares Sold	Avg. \$/Share	Gross Proceeds
1/20/2021	260,454	\$177.2000	\$46,152,448.80
1/20/2021	145,109	\$176.3955	\$25,596,574.61
1/20/2021	260,454	\$175.2983	\$45,657,143.43

1	1/21/2021	1,300	\$175.0000	\$227,500.00
2	1/22/2021	15,640	\$175.0066	\$2,737,103.22
3	2/2/2021	181,157	\$176.2762	\$31,933,667.56
4	2/2/2021	55,979	\$175.2390	\$9,809,703.98
5	2/8/2021	220,000	\$190.1203	\$41,826,466.00
6	2/23/2021	220,000	\$195.3877	\$42,985,294.00
7	2/24/2021	196,158	\$200.1369	\$39,258,454.03
8	3/8/2021	49,392	\$200.3747	\$9,896,907.18
9	3/8/2021	71,554	\$201.1293	\$14,391,605.93
10	6/1/2021	537,304	\$179.1980	\$96,283,802.19
11	6/1/2021	13,266	\$179.7573	\$2,384,660.34
12	TOTAL	2,227,767	-	\$409,141,331.27

13
14 143. From January 2021 to January 2021, while in possession of material,
15 non-public information, Defendant McCarthy sold 122,014 shares of Disney stock,
16 receiving gross proceeds of \$17,101,572.86 as reflected in the following chart:

17	Date	Shares Sold	Avg. \$/Share	Gross Proceeds
18	1/15/2021	4,139	\$173.00	\$716,047.00
19	1/20/2021	5,000	\$177.24	\$886,200.00
20	1/25/2021	25,000	\$172.00	\$4,300,000.00
21	1/12/2022	10,000	\$158.60	\$1,586,000.00
22	1/13/2022	10,000	\$158.00	\$1,580,000.00
23	1/14/2022	10,000	\$152.06	\$1,520,600.00
24	1/18/2022	15,342	\$151.54	\$2,324,926.68
25	1/12/2023	42,533	\$98.46	\$4,187,799.18
26	TOTAL	122,014	-	\$17,101,572.86

27
28 144. On June 2, 2021, while in possession of material, non-public

1 information, Defendant Arnold also sold 8,400 shares of Disney stock at \$177.75
2 per share for gross proceeds of \$1,493,100, as reflected in the following chart:

Date	Shares Sold	Avg. \$/Share	Gross Proceeds
6/2/2021	8,400	\$177.75	\$1,493,100

5
6 145. On August 31,2021, while in possession of material, non-public
7 information, Defendant Chapek sold 10,587 shares of Disney stock at \$182.00 per
8 share for gross proceeds of \$1,926,834, as reflected in the following chart:

Date	Shares Sold	Avg. \$/Share	Gross Proceeds
8/31/2021	10,587	\$182.00	\$1,926,834

11 146. As a result of the false and misleading disclosures and the failures to
12 disclose, Defendants Chapek, Iger, McCarthy, and Arnold sold stock at artificially
13 inflated share prices not reflective of the Company's value, which the Insider
14 Selling Defendants knew when they were making those sales.

15 **DAMAGES TO DISNEY**

16 147. As a direct and proximate result of the Individual Defendants' actions,
17 Disney has lost and expended and will continue to lose and expend many millions
18 of dollars.

19 148. Such losses include the nearly \$30.3 million Disney overpaid when it
20 repurchased its own common stock at artificially inflated prices during the Relevant
21 Period before the fraud was exposed.

22 149. Such expenditures also include, but are not limited to, the fees
23 associated with the Securities Class Action, and any internal investigations, and
24 amounts paid to outside lawyers, accountants, and investigators in connection
25 thereto.

26 150. Additionally, these expenditures include, but are not limited to, unjust
27 compensation, benefits and other payments provided to Defendants who breached
28

1 their fiduciary duties to the Company.

2 151. As a direct and proximate result of the Defendants’ conduct, Disney
3 has also suffered and will continue to suffer a loss of reputation and goodwill, and
4 a “liar’s discount” that will plague the Company’s stock in the future.

5 **DERIVATIVE AND DEMAND REFUSED ALLEGATIONS**

6 152. Plaintiff incorporates by reference and realleges each and every
7 allegation set forth above as though fully set forth herein.

8 153. Plaintiff brings this action derivatively in the right and for the benefit
9 of Disney to redress injuries suffered, and to be suffered, as a direct and proximate
10 result of the Individual Defendants’ breaches of their fiduciary duties as directors
11 and officers of Disney.

12 154. Disney is named solely as a nominal party in this action. This is not a
13 collusive action to confer jurisdiction on this Court that it would otherwise not have.

14 155. Plaintiff is, and has been at all relevant times, a stockholder of Disney
15 common stock and was a Disney stockholder at the time of the misconduct alleged
16 herein.

17 156. Plaintiff will adequately and fairly represent the interests of the
18 Company in enforcing and prosecuting its rights and retained counsel competent
19 and experienced in derivative litigation.

20 157. On July 23, 2025, Plaintiff, through Plaintiff’s counsel, sent a demand
21 on Disney’s Board to investigate the violations of law described herein and to
22 pursue remedies through litigation against the Individual Defendants for breaching
23 their fiduciary duties by allowing Disney to issue improper statements set forth
24 herein (the “Demand”). The Demand is attached hereto as Exhibit A.

25 158. The Demand outlined alleged misstatements made during the Relevant
26 Period that “were materially false and misleading statements in Disney’s SEC
27 filings, press releases, and conference calls regarding the Company’s business,
28 operations, and prospects.”

1 159. On August 4, 2025, Plaintiff received a letter on behalf of the Board
2 acknowledging receipt of the Demand and stating that “the board will consider it in
3 a timely manner. We will provide further response to update on the status of your
4 request and inform you of any decision made by the board.” The response is
5 attached hereto as Exhibit B.

6 160. On September 3, 2025, Plaintiff sent another letter to the Board
7 inquiring about any developments or actions that had been taken or would be taken
8 by the Board to address the wrongdoing set out by the Demand. The letter is
9 attached hereto as Exhibit C.

10 161. Thereafter, on October 17, 2025, Plaintiff received another letter from
11 the Board – which was by that point represented by Potter Anderson & Corroon,
12 LLP. The Board informed Plaintiff that it established a Demand Review Committee
13 (the “Committee”) for the purpose of investigating the matters referenced in the
14 Demand. The Board continued by stating it would investigate the misconduct
15 perpetrated by the directors and officers and, if appropriate, institute litigation
16 against those individuals for breaches of their fiduciary duties, abuse of control,
17 gross mismanagement, waste of corporate assets, unjust enrichment, violations of
18 the SEC Act, and other misconduct. The letter is attached hereto as Exhibit D.

19 162. On November 18, 2025, Plaintiff received a letter on behalf of the
20 Board (the “Demand Refusal Letter”) stating that the Committee determined to
21 defer investigation while it continues to monitor a related shareholder securities
22 action captioned *Local 772 Labor-Management Pension Fund et al. v. The Walt*
23 *Disney Company et al.*, Case No. 2:23-cv-3661-CBM-AS (C.D. Cal.). The Demand
24 Refusal Letter is attached hereto as Exhibit E.

25 163. At the time the Board refused the Demand, the Board consisted of the
26 following individuals: Defendants Gorman, Barra, Chang, Darroch, Everson,
27 Froman, Iger, Lagomasino, McDonald, and Rice.

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1 164. The Board wrongfully refused Plaintiff's Demand and has failed to
2 take any action to correct the breaches of fiduciary duty alleged in the Demand.

3 165. The Demand Refusal Letter does not contain a written report in
4 connection with the Board's decision to refuse the Demand. In failing to produce a
5 report, the Company neglected to keep a proper record of its evaluation to allow
6 Plaintiff and the Court to assess the reasonableness of its methodology in deciding
7 to refuse the Demand. That the Company failed to issue any report is an incurable
8 mistake to the refusal of the Demand because there is no adequate record of the
9 investigation and no evidentiary record upon which to determine whether the Board
10 in good faith refused the Demand.

11 166. The Demand Refusal Letter asserts that the Board's refusal of the
12 Demand is reasonable, citing the ongoing nature of the Securities Class Action as
13 sufficient cause to refuse the demand. The Demand Refusal Letter does not,
14 however, contain any evaluation of the merits of the Demand, nor does it
15 communicate the Committee's conclusions regarding the merits of the Demand.

16 167. The Board's decision-making to date is therefore not consistent with
17 its obligation to determine in good faith whether the Demand's claims have merit
18 and whether it would be in the Company's best interest to pursue them.

19 168. The Board did not act independently, nor reasonably, nor in good faith,
20 on the basis of all reasonably available information, plainly disregarding the merits
21 of the claims and allegations in the Demand.

22 169. For the foregoing reasons, the Board's refusal of the Demand falls
23 outside the protections of the business judgment rule. Plaintiff is therefore permitted
24 to proceed and to prosecute this action derivatively on behalf of Disney.

25 **CLAIM I**

26 ***Against the Individual Defendants for Breach of Fiduciary Duties***

27 170. Plaintiff incorporates by reference and realleges each and every
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1 allegation set forth above as though fully set forth herein.

2 171. Each Individual Defendant owed to the Company the duty to exercise
3 candor, good faith, and loyalty in the management and administration of Disney's
4 business and affairs.

5 172. Each of the Individual Defendants violated and breached his or her
6 fiduciary duties of candor, good faith, loyalty, reasonable inquiry, oversight, and
7 supervision.

8 173. The Individual Defendants' conduct set forth herein was due to their
9 intentional or reckless breach of the fiduciary duties they owed to the Company.
10 The Individual Defendants intentionally or recklessly breached or disregarded their
11 fiduciary duties to protect the rights and interests of Disney.

12 174. In breach of their fiduciary duties owed and owe to Disney, the
13 Individual Defendants willfully or recklessly made, or caused or permitted the
14 Company to make, false and misleading statements and omissions of material fact
15 that failed to disclose that, *inter alia*: (a) Disney+ was experiencing decelerating
16 subscriber growth, losses, and cost overruns; (b) by debuting certain content
17 intended for Disney+ on Disney's legacy distribution channels and then later
18 making the shows available on Disney+ , Disney executives were able to conceal
19 the true costs incurred in connection with Disney+ and improperly shifted costs out
20 of the Disney+ segment; (c) DMED's motive to conceal the complete costs of
21 constructing Disney+'s content library led them to make platform distribution
22 decisions based on factors other than consumer preference, consumer behavior, or
23 the goal of maximizing the content's audience; (d) the Company's 2024 Disney+
24 global subscriber and profitability targets were not achievable and lacked a
25 reasonable basis in fact, and, as such, Disney was not on track to achieve these
26 targets; and (e) the Company failed to maintain internal controls. As a result of the
27 foregoing, the Company's public statements were materially false and misleading
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1 and/or lacked a reasonable basis at all relevant times.

2 175. The Individual Defendants failed to and caused the Company to fail
3 to rectify any of the wrongs described herein or correct the false and misleading
4 statements and omissions of material fact referenced herein, thereby, rendering
5 themselves personally liable to the Company for breaching their fiduciary duties.

6 176. Also, in breach of their fiduciary duties, the Individual Defendants
7 failed to maintain an adequate system of oversight, disclosure controls and
8 procedures, and internal controls.

9 177. The Individual Defendants had actual or constructive knowledge that
10 the Company issued materially false and misleading statements, and they failed to
11 correct the Company's public statements. The Individual Defendants had actual
12 knowledge of the misrepresentations and omissions of material facts set forth herein
13 or acted with reckless disregard for the truth in that they failed to ascertain and
14 disclose such facts, even though such facts were available to them. Such material
15 misrepresentations and omissions were committed knowingly or recklessly and for
16 the purpose and effect of artificially inflating the price of the Company's securities.

17 178. The Individual Defendants had actual or constructive knowledge that
18 they had caused the Company to improperly engage in the fraudulent schemes set
19 forth herein and to fail to maintain adequate internal controls. The Individual
20 Defendants had actual knowledge that the Company was engaging in the fraudulent
21 schemes set forth herein, and that internal controls were not adequately maintained
22 or acted with reckless disregard for the truth in that they caused the Company to
23 improperly engage in the fraudulent schemes and to fail to maintain adequate
24 internal controls, even though such facts were available to them. Such improper
25 conduct was committed knowingly or recklessly and for the purpose and effect of
26 artificially inflating the price of the Company's securities. The Individual
27 Defendants, in good faith, should have taken appropriate action to correct the

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1 schemes alleged herein and to prevent them from continuing to occur.

2 179. These actions were not a good-faith exercise of prudent business
3 judgment to protect and promote the Company's corporate interests.

4 180. As a direct and proximate result of the Individual Defendants'
5 breaches of their fiduciary obligations, Disney has sustained and continues to
6 sustain significant damages. As a result of the misconduct alleged herein, the
7 Individual Defendants are liable to the Company.

8 **CLAIM II**

9 ***Against the Individual Defendants for Violations of § 14(a) of the***
10 ***Exchange Act and SEC Rule 14a-9***

11 181. Plaintiff incorporates by reference and realleges each and every
12 allegation set forth above as though fully set forth herein.

13 182. Rule 14a-9, promulgated pursuant to Section 14(a) of the Exchange
14 Act, provides that no proxy statement shall contain "any statement which, at the
15 time and in the light of the circumstances under which it is made, is false or
16 misleading with respect to any material fact, or which omits to state any material
17 fact necessary in order to make the statements therein not false or misleading." 17
18 C.F.R. § 240.14a-9.

19 183. The 2021, 2022, and 2023 Proxy Statements violated Section 14(a)
20 and Rule 14a-9 because they solicited Disney stockholder votes for, *inter alia*,
21 director reelection, while simultaneously misrepresenting and/or failing to disclose
22 the Company's shortcomings in connection with the Company's DTC segment.

23 184. The Individual Defendants made untrue statements of material facts
24 and omitted to state material facts necessary to make the statements that were made
25 not misleading in violation of Section 14(a) and Rule 14a-9. By virtue of their
26 positions as officers and/or directors of the Company and roles in the process and
27 in the preparation of the 2021, 2022, and 2023 Proxy Statements, the Individual
28 Defendants were aware of this information and of their duty to disclose this

1 information in the 2021, 2022, and 2023 Proxy Statements.

2 185. The Individual Defendants knew that the statements contained in the
3 2021, 2022, and 2023 Proxy Statements were materially false and misleading.

4 186. The omissions and false and misleading statements in the 2021, 2022,
5 and 2023 Proxy Statements are material in that a reasonable shareholder would
6 consider them important in deciding how to vote on the re-election of directors.
7 Indeed, a reasonable investor would view a full and accurate disclosure as
8 significantly altering the “total mix” of information made available in the 2021
9 Proxy Statement and the 2022 Proxy Statement and in other information reasonably
10 available to stockholders.

11 187. As a direct and proximate result of the dissemination of the false and
12 misleading 2021, 2022, and 2023 Proxy Statements that the Individual Defendants
13 used to obtain stockholder approval of and thereby re-elect directors, Nominal
14 Defendant Disney suffered damage and actual economic losses (i.e., wrongful re-
15 election of directors) in an amount to be determined at trial.

16 **CLAIM III**

17 ***Against the Securities Class Action Defendants for Contribution under***
18 ***Sections 10(b) and 21D of the Exchange Act***

19 188. Plaintiff incorporates by reference and realleges each and every
20 allegation set forth above as though fully set forth herein.

21 189. Disney, along with the Securities Class Action Defendants (Chapek,
22 Daniel, and McCarthy), are named as defendants in the Securities Class Action,
23 which asserts claims under the federal securities laws for violations of Sections
24 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5. If the Company is found
25 liable in the Securities Class Action for these violations of the federal securities
26 laws, the Company’s liability will be in whole or in part due to the Securities Class
27 Action Defendants’ willful and/or reckless violations of their obligations as officers
28 and/or directors of Disney.

1 190. Because of their positions of control and authority as officers and/or
2 directors of Disney, the Securities Class Action Defendants were able to and did,
3 directly and/or indirectly, exercise control over the business and corporate affairs
4 of Disney, including the wrongful acts complained of herein and in the Securities
5 Class Action.

6 191. Accordingly, the Securities Class Action Defendants are liable under
7 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), which creates an implied
8 private right of action for contribution, and Section 21D of the Exchange Act, 15
9 U.S.C. § 78u-4(f), which governs the application of a private right of action for
10 contribution arising out of violations of the Exchange Act.

11 192. As such, Disney is entitled to receive all appropriate contribution or
12 indemnification from the Securities Class Action Defendants.

13 **CLAIM IV**

14 ***Against the Individual Defendants for Violations of Section 20(a) of the***
15 ***Exchange Act (15 U.S.C. § 78t(a))***

16 193. Plaintiff incorporates by reference and realleges each and every
17 allegation contained above, as though fully set forth herein.

18 194. The Individual Defendants acted as controlling persons of the
19 Company within the meaning of Section 20(a) of the Exchange Act. By virtue of
20 their positions of control within the Company, the Individual Defendants had the
21 authority to cause the Company to issue materially false and misleading statements,
22 and to repurchase Disney stock at prices artificially inflated by those materially
23 false and misleading statements.

24 195. Plaintiff, on behalf of Disney, has no adequate remedy at law.

25 **CLAIM V**

26 ***Against the Individual Defendants for Waste of Corporate Assets***

27 196. Plaintiff incorporates by reference and realleges each and every
28 allegation set forth above, as though fully set forth herein.

1 197. As a further result of the foregoing, the Company will incur many
2 millions of dollars of legal liability and/or costs to defend legal actions (evidenced,
3 for example, by the Securities Class Action), to engage in internal investigations,
4 and to lose financing from investors and business from future customers who no
5 longer trust the Company and its products.

6 198. In addition, the Individual Defendants caused the Company to
7 repurchase hundreds of thousands of shares of Disney common stock at artificially
8 inflated prices during the Relevant Period.

9 199. As a result of the waste of corporate assets, the Individual Defendants
10 are each liable to the Company.

11 200. Plaintiff on behalf of Disney has no adequate remedy at law.

12 **CLAIM VI**

13 ***Against all the Individual Defendants for Aiding and Abetting***

14 201. Plaintiff incorporates by reference and realleges each and every
15 allegation set forth above, as though fully set forth herein.

16 202. Each of the Individual Defendants acted and is acting with knowledge
17 of, or with disregard to, the fact that the Defendants are in breach of their fiduciary
18 duties to Disney and has participated in a conspiracy in breach of fiduciary duties.

19 203. In committing the wrongful acts alleged herein, each of the Individual
20 Defendants has pursued, or joined in the pursuit of, a common course of conduct.
21 The Individual Defendants have acted in concert with and conspired with one
22 another in furtherance of their common plan or design. In addition to pursuing the
23 wrongful conduct that gives rise to their primary liability, the Individual Defendants
24 also aided, abetted, and assisted each other in breaching their respective duties.

25 204. The Individual Defendants collectively and individually initiated and
26 followed a course of conduct that violated the federal securities laws; authorized
27 corporate actions to serve their own personal interests rather than the interests of
28

1 the Company and its shareholders; misrepresented material facts about the
2 Company, its financial condition, and business prospects; prevented the disclosure
3 of material information necessary to make statements complete and accurate; and
4 failed to implement and maintain an adequate system of internal controls and
5 corporate governance practices.

6 205. The purpose and effect of the Individual Defendants' conspiracy,
7 common enterprise, and common course of conduct was, among other things, to
8 disguise the Defendants' violations of law, including violations of the federal
9 securities laws and breaches of fiduciary duty.

10 206. Each of the Individual Defendants played a direct, necessary, and
11 substantial part in the conspiracy, common enterprise, and common course of
12 conduct complained of herein.

13 207. Each of the Individual Defendants aided, abetted, and rendered
14 substantial assistance in the wrongs complained of herein. In taking such actions to
15 substantially assist the commission of the wrongdoing complained of herein, the
16 Individual Defendants acted with knowledge of the primary wrongdoing,
17 substantially assisted the accomplishment of that wrongdoing, and were aware of
18 their overall contributions to and furtherance of the wrongdoing.

19 **CLAIM VII**

20 ***Against the Insider Selling Defendants for Insider Selling and***
21 ***Misappropriation of Information***

22 208. Plaintiff incorporates by reference and realleges each and every
23 allegation set forth above, as though fully set forth herein.

24 209. At the time of their stock sales set forth herein, the Insider Selling
25 Defendants (Chapek, Iger, Arnold and McCarthy) knew of the information
26 described above and sold Disney common stock on the basis of such information.

27 210. The information described above was proprietary non-public
28 information concerning the Company. It was a proprietary asset belonging to the

1 Company, which the Insider Selling Defendants used for their own benefit when
2 they sold Disney common stock.

3 211. The Insider Selling Defendants' sales of Company common stock
4 while in possession and control of this material adverse non-public information was
5 a breach of their fiduciary duties of loyalty and good faith.

6 212. Because the use of the Company's proprietary information for their
7 own gain constitutes a breach of Defendants' fiduciary duties, the Company is
8 entitled to the imposition of a constructive trust on any profits that the Insider
9 Selling Defendants obtained thereby.

10 **CLAIM VIII**

11 ***Against the Individual Defendants for Unjust Enrichment***

12 213. Plaintiff incorporates by reference and realleges each and every
13 allegation set forth above, as though fully set forth herein.

14 214. By their wrongful acts, violations of law, and false and misleading
15 statements and omissions of material fact that they made or caused to be made, the
16 Individual Defendants were unjustly enriched at the expense of, and to the detriment
17 of, Disney.

18 215. The Individual Defendants benefitted financially from the improper
19 conduct, received unjustly lucrative bonuses tied to the false and misleading
20 statements, and received bonuses, stock options, or similar compensation from
21 Disney that was tied to the performance or artificially inflated valuation of Disney,
22 or received compensation that was unjust in light of the Individual Defendants' bad
23 faith conduct.

24 216. Plaintiff, as a shareholder and representative of Disney, seeks
25 restitution from the Individual Defendants and seeks an order from this Court
26 disgorging all profits—including from insider sales, benefits, and other
27 compensation, including any performance-based or valuation-based
28 compensation—obtained by the Individual Defendants from their wrongful conduct

1 and breach of their fiduciary duties.

2 217. Plaintiff on behalf of Disney has no adequate remedy at law.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, Plaintiff demands judgment as follows:

5 A. Declaring that Defendants have breached their fiduciary duties to
6 Disney and committed other violations of state and federal law, including, but not
7 limited to, corporate waste;

8 B. Declaring that Plaintiff may maintain this action on behalf of Disney
9 and that Plaintiff is an adequate representative of the Company;

10 C. Determining that this action is a proper derivative action maintainable
11 under law;

12 D. Determining and awarding to Disney the damages sustained by it as
13 a result of the violations set forth above from each of the defendants, jointly and
14 severally, together with interest thereon;

15 E. Directing Disney to take all necessary actions to reform and improve
16 its corporate governance and internal procedures to comply with Disney's existing
17 governance obligations and all applicable laws and to protect the Company and its
18 shareholders from a recurrence of the damaging events described herein;

19 F. Awarding Disney damages including, without limitation, punitive
20 damages, together with pre-and post-judgment interest to the Company;

21 G. Providing extraordinary equitable or injunctive relief as permitted by
22 law or equity, including attaching, impounding, imposing a constructive trust on, or
23 otherwise restricting Defendants' assets so as to assure that Plaintiff, on behalf of
24 Disney, has an effective remedy;

25 H. Awarding Disney restitution from Defendants and ordering
26 disgorgement of all profits, benefits, and other compensation obtained by
27 Defendants;

28

1 I. Awarding to Plaintiff the costs and disbursements of the action,
2 including reasonable attorneys' fees, accountants' and experts' fees, costs, and
3 expenses; and

4 J. Granting such other and further relief as this Court deems just and
5 equitable.

6 **JURY TRIAL DEMANDED**

7 Plaintiff hereby demands a trial by jury.

8
9 Respectfully submitted,

10 Dated: March 10, 2026

11 **WOLF HALDENSTEIN ADLER
FREEMAN & HERZ LLP**

12 /s/ Betsy C. Manifold

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25 *Counsel for Plaintiff Karen Gioli*

VERIFICATION

I, Karen Giolli am a plaintiff in the within action. I have reviewed the allegations made in this shareholder derivative complaint, know the contents thereof, and authorize its filing. To those allegations of which I have personal knowledge, I believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely upon my counsel and their investigation and believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

1/30/2026

DocuSigned by:
Karen Giolli
94EC93C39E86433...
Karen Giolli