Facebook suggests Nasdaq glitches led to decline

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(AP) — Facebook is suggesting that trading problems at the Nasdaq Stock Market contributed to a sharp drop in the company's stock price after its initial public offering.

In laying out a defense against dozens of lawsuits from disgruntled shareholders, Facebook and the banks overseeing the IPO also insist that nothing about its IPO process was illegal or even out of the ordinary.

The defense came in a court filing in which Facebook and the banks, led by Morgan Stanley, are seeking to combine the more than 40 federal and state lawsuits around the country into one federal case in New York.

The highly anticipated IPO was marred by technical glitches that delayed trading when Facebook went public on May 18.

Facebook said those glitches at Nasdaq hurt its stock for days. Seven of the lawsuits claim that Nasdaq errors created market uncertainty and caused shareholders to lose money. Nasdaq has admitted that there were technical problems. Nasdaq spokesman Joe Christinat declined to comment Friday.

The bulk of the shareholder lawsuits — 28 — center on Facebook's May 9 disclosure that the number of mobile users it has was growing faster than revenue. The lawsuits claim that analysts at those banks had discussions with Facebook after May 9 and had lowered their forecasts as a result, but disclosed the changes only to a handful of preferred clients.

In its filing late Thursday, Facebook said the lawsuits "ignore that what Facebook and (the banks) allegedly did both followed customary practices and did not violate any rules."

"As is customary," Facebook said, the May 9 filing "did not include any forward-looking projections." In other words, Facebook did not give a revenue or profit forecast in its amended filing, nor did it do so in any other IPO document. Facebook added that federal regulators do not require companies to give earnings or revenue projections in their IPO documents.

Facebook said it wants to bring the lawsuits to New York in part because that's the home to most of the banks involved in the IPO. It's also where many of the events in dispute took place and where Nasdaq is headquartered.

In separate filings with regulators Friday, Facebook released letters it exchanged with the Securities and Exchange Commission in the months leading up to IPO. That's something companies typically do after a confidentiality period ends.

Among other things, federal regulators had wanted to know more about the revenue it gets from mobile devices, its $1 billion deal to buy Instagram and the control CEO Mark Zuckerberg has over the company. Facebook amended its regulatory documents several times before the IPO, but the communications leading to those changes weren't public until now.

On an upbeat note, Facebook's stock gained value for the week for the first time. The stock climbed $1.72, or 6.1 percent, to close at $30.01 on Friday. That's up nearly 11 percent for the week, though it's still down

21 percent from its IPO price of $38.

Also on Friday, Facebook's chief technology officer, Bret Taylor, announced that he is leaving the company to work on a startup. Taylor said on his Facebook profile that he's "sad to be leaving, but I'm excited to be starting a company with my friend Kevin Gibbs." Taylor joined Facebook in 2009 when the company bought FriendFeed, the Internet company where he was working at the time.