

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF VIRGINIA  
(Alexandria Division)**

, Individually and on Behalf  
of All Others Similarly Situated,

Plaintiff,

v.

MICROSTRATEGY INCORPORATED  
d/b/a STRATEGY, MICHAEL J. SAYLOR,  
PHONG LE, and ANDREW KANG,

Defendants.

Case No.

**CLASS ACTION**

**COMPLAINT FOR VIOLATION OF  
FEDERAL SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Plaintiff (“Plaintiff”), individually and on behalf of all others similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by Defendants, United States (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding MicroStrategy Incorporated d/b/a Strategy (“Strategy” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial, additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

**NATURE OF THE ACTION**

1. This is a federal securities class action on behalf of a class consisting of all persons and entities other than Defendants that purchased or otherwise acquired Strategy securities

between April 30, 2024 and April 4, 2025, both dates inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. Strategy, together with its subsidiaries, provides enterprise analytics software and services purportedly powered by artificial intelligence (“AI”). Since 2020, the Company has increasingly focused on purchasing and holding bitcoin, a type of crypto-currency,<sup>1</sup> as a long-term business strategy. In October 2023, this strategy became so central to the Company’s operations that it began referring to itself as a “Bitcoin Treasury Company” that primarily uses proceeds from equity and debt financings, as well as cash flows from its operations, to accumulate bitcoin, which serves as its primary treasury reserve asset.

3. Throughout the Class Period, Defendants consistently touted Strategy’s bitcoin-focused investment strategy and treasury operations. The Company also introduced several new key performance indicators (“KPIs”—namely, “BTC Yield,” “BTC Gain,” and “BTC \$ Gain”—to measure its financial results. According to Defendants, these new KPIs would help the market assess the Company’s strategy of acquiring bitcoin in a manner accretive to shareholders.

4. On January 1, 2025, Strategy adopted the Financial Accounting Standards Board’s (“FASB”)<sup>2</sup> Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (“ASU 2023-08”). ASU 2023-08 requires publicly traded companies to measure their crypto assets at fair value

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<sup>1</sup> Cryptocurrencies are a type of digital asset that use cryptography for secure financial transactions. Cryptocurrencies are decentralized and operate on a distributed ledger technology called a blockchain.

<sup>2</sup> The FASB is an independent, private-sector, not-for-profit organization that establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow Generally Accepted Accounting Principles (“GAAP”). The FASB issues and frequently revises GAAP standards. The SEC mandates that publicly traded companies comply with GAAP standards when issuing their periodic financial reports.

in their financial statements, with gains and losses from changes in the fair value of those assets recognized in net income in each reporting period. The FASB issued ASU 2023-08 to improve the way that companies account for their crypto assets and, accordingly, require them to provide a more accurate assessment of the fair value of those assets.

5. Prior to its adoption of ASU 2023-08, rather than employing a fair value accounting methodology, Strategy accounted for its bitcoin under a cost-less-impairment accounting model, whereby the Company classified its large bitcoin holdings as intangible assets. Under this accounting model, Strategy only needed to recognize impairments in the event of price depreciations and would not mark up for price increases unless the assets were sold.

6. While Defendants advised investors throughout the Class Period that they expected Strategy's adoption of ASU 2023-08 to materially impact its financial statements, Defendants failed to disclose the particular nature or scope of the expected impact while downplaying the attendant risks. Indeed, Defendants consistently provided rosy assessments of Strategy's performance as a bitcoin treasury company following its adoption of ASU 2023-08. They did this, in part, by reporting and projecting positive BTC Yield, BTC Gain, and BTC \$ Gain results, while omitting the immense losses the Company could realize on its bitcoin assets after accounting for these assets under a fair value accounting methodology.

7. Throughout the Class Period, Defendants made materially false and misleading statements regarding Strategy's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) the anticipated profitability of the Company's bitcoin-focused investment strategy and treasury operations was overstated; (ii) the various risks associated with bitcoin's volatility and the magnitude of losses Strategy could recognize on the value of its digital assets following its adoption of ASU 2023-08

were understated; and (iii) as a result, Defendants' public statements were materially false and misleading at all relevant times.

8. On April 7, 2025, Strategy disclosed in an SEC filing that, following its adoption of ASU 2023-08, it recognized a ***\$5.91 billion*** unrealized loss on its digital assets for the first quarter of 2025, which was expected to result in a net loss for the quarter. As a result, Strategy warned investors that “[w]e may not be able to regain profitability in future periods, particularly if we incur significant unrealized losses related to our digital assets.”

9. On this news, Strategy's Class A common stock price fell \$25.47 per share, or 8.67%, to close at \$268.14 per share on April 7, 2025.

10. Then, on May 1, 2025, Strategy issued a press release announcing its financial results for the first quarter of 2025. Therein, the Company confirmed that it had recorded an unrealized fair value loss on digital assets of approximately \$5.9 billion during the quarter. On a subsequent earnings call to discuss these results, Company management explained that this loss stemmed from applying a fair value accounting methodology to Strategy's bitcoin assets following bitcoin's steep depreciation in value in the first quarter of 2025.

11. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

#### **JURISDICTION AND VENUE**

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

13. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

14. Venue is proper in this District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Strategy is headquartered in this District, Defendants conduct business in this District, and a significant portion of Defendants' actions took place within this District.

15. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

### **PARTIES**

16. Plaintiff, as set forth in the attached Certification, acquired Strategy securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

17. Defendant Strategy is a Delaware corporation with principal executive offices located at 1850 Towers Crescent Plaza, Tysons Corner, Virginia 22182. Strategy's Class A common stock, 8.00% Series A Perpetual Strike Preferred Stock, and 10.00% Series A Perpetual Strife Preferred Stock trade in an efficient market on the Nasdaq Global Select Market ("NASDAQ") under the ticker symbols "MSTR," "STRK," and "STRF," respectively.

18. Defendant Michael J. Saylor ("Saylor") has served as Strategy's Executive Chairman at all relevant times. Defendant Saylor is also a co-founder of the Company. Per a definitive proxy statement that Strategy filed with the SEC on January 3, 2025, as of December 13, 2024, Defendant Saylor owned 46.8% of the total voting power of the Company—more than

any other shareholder by a significant margin—by virtue of his beneficial ownership of 19,998,580 shares, or 8.2%, of the Company’s Class A common stock and 19,616,680 shares, or 99.9%, of the Company’s Class B common stock.

19. Defendant Phong Le (“Le”) has served as Strategy’s President and Chief Executive Officer at all relevant times. During the Class Period, Defendant Le sold 103,961 shares of the Company’s Class A common stock for total proceeds of nearly \$16 million.

20. Defendant Andrew Kang (“Kang”) has served as Strategy’s Senior Executive Vice President and Chief Financial Officer at all relevant times. During the Class Period, Defendant Kang sold 8,094 shares of the Company’s Class A common stock for total proceeds of over \$2 million.

21. Defendants Saylor, Le, and Kang are collectively referred to herein as the “Individual Defendants.”

22. The Individual Defendants possessed the power and authority to control the contents of Strategy’s SEC filings, press releases, and other market communications. The Individual Defendants were provided with copies of Strategy’s SEC filings and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or to cause them to be corrected. Because of their positions with Strategy, and their access to material information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements and omissions pleaded herein.

23. Strategy and the Individual Defendants are collectively referred to herein as “Defendants.”

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

24. Strategy, together with its subsidiaries, provides enterprise analytics software and services purportedly powered by AI. Since 2020, the Company has increasingly focused on purchasing and holding bitcoin, a type of crypto-currency, as a long-term business strategy. In October 2023, this strategy became so central to the Company’s operations that it began referring to itself as a “Bitcoin Treasury Company” that primarily uses proceeds from equity and debt financings, as well as cash flows from its operations, to accumulate bitcoin, which serves as its primary treasury reserve asset.

25. Throughout the Class Period, Defendants consistently touted Strategy’s bitcoin-focused investment strategy and treasury operations. The Company also introduced several new KPIs—namely, “BTC Yield,” “BTC Gain,” and “BTC \$ Gain”—to measure its financial results. According to Defendants, these new KPIs would help the market assess the Company’s strategy of acquiring bitcoin in a manner accretive to shareholders.

26. “BTC Yield” represents the percentage change period-to-period of the ratio between Strategy’s bitcoin holdings and its Assumed Diluted Shares Outstanding.<sup>3</sup> “BTC Gain” represents the number of bitcoins held by the Company at the beginning of a period multiplied by the BTC Yield for such period. “BTC \$ Gain” represents the dollar value of the BTC Gain

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<sup>3</sup> Assumed Diluted Shares Outstanding refers to the aggregate of Strategy’s actual shares of common stock outstanding as of the end of the applicable period plus all additional shares that would result from the assumed conversion of all outstanding convertible notes, exercise of all outstanding stock option awards, and settlement of all outstanding restricted stock units and performance stock units.

calculated by multiplying the BTC Gain by the market price of bitcoin as of 4:00 p.m. ET on the Coinbase exchange on the last day of the applicable period.

27. On January 1, 2025, Strategy adopted ASU 2023-08, which requires publicly traded companies to measure their crypto assets at fair value in their financial statements, with gains and losses from changes in the fair value of those assets recognized in net income in each reporting period. The FASB issued ASU 2023-08 to improve the way that companies account for their crypto assets and, accordingly, require them to provide a more accurate assessment of the fair value of those assets. Before the start of the Class Period, Defendants already knew that Strategy would need to adopt ASU 2023-08, as acknowledged in the Company's periodic public reports filed with the SEC. Moreover, on December 13, 2023, Defendant Saylor championed ASU 2023-08 over X (formerly known as Twitter) as "facilitat[ing] the adoption of \$BTC [bitcoin] as a treasury reserve asset by corporations worldwide."

28. Prior to its adoption of ASU 2023-08, rather than employing a fair value accounting methodology, Strategy accounted for its bitcoin under a cost-less-impairment accounting model, whereby the Company classified its large bitcoin holdings as intangible assets. Under this accounting model, Strategy only needed to recognize impairments in the event of price depreciations and would not mark up for price increases unless the assets were sold.

29. While Defendants advised investors throughout the Class Period that they expected Strategy's adoption of ASU 2023-08 to materially impact its financial statements, Defendants failed to disclose the particular nature or scope of the expected impact while downplaying the attendant risks. Indeed, Defendants consistently provided rosy assessments of Strategy's performance as a bitcoin treasury company following its adoption of ASU 2023-08. They did this, in part, by reporting and projecting positive BTC Yield, BTC Gain, and BTC \$ Gain results, while

omitting the immense losses the Company could realize on its bitcoin assets after accounting for these assets under a fair value accounting methodology.

### **Materially False and Misleading Statements Issued During the Class Period**

30. The Class Period begins on April 30, 2024. On April 29, 2024, during after-market hours, Strategy issued a press release announcing its financial results for the first quarter of 2024 (the “1Q24 Earnings Release”). The 1Q24 Earnings Release reported, *inter alia*, that “[a]s of March 31, 2024, the carrying value of the Company’s digital assets (comprised of approximately 214,278 bitcoins) was \$5.074 billion, which reflects cumulative impairment losses of \$2.461 billion since acquisition[.]” Notwithstanding these losses, the 1Q24 Earnings Release quoted Defendant Kang as assuring investors, in relevant part:

We acquired 25,250 additional bitcoins since the end of the fourth quarter, our 14th consecutive quarter of adding more bitcoin to our balance sheet. We believe that the combination of our operating structure, bitcoin strategy, and focus on technology innovation provides a unique opportunity for value creation for our shareholders. Year to date, the price of bitcoin appreciated significantly, spurred notably by the approval of the spot bitcoin exchange traded products which has increased institutional demand and resulted in further regulatory clarity[.]

31. Also on April 29, 2024, during after-market hours, Defendants hosted a conference call with investors and analysts to discuss Strategy’s financial results for the first quarter of 2024 (the “1Q24 Earnings Call”). During the 1Q24 Earnings Call, Defendant Saylor discussed at length the purported benefits of the Company’s bitcoin-focused investment strategy, while representing that bitcoin’s volatility served as a major boon to the Company’s success, stating, *inter alia*:

Now MicroStrategy, if it had just simply adopted Bitcoin purely, perhaps it would have had the same performance as Bitcoin. But how do we actually outperform Bitcoin? ***I think the key here is volatility is a benefit to us. And so we have harnessed volatility***, and we’ve also harnessed our unique ability to issue securities such as convertible bonds. And the fact that we embrace the securitization of Bitcoin and we embrace the volatility of the asset class has given us the ability to raise capital, right?

\* \* \*

Bitcoin has digital property is a store of value, *but it's the emergent high performance, high volatility, high functionality, high utility store of value, and it's global. So we actually think that it's going to continue to grow from here.*

(Emphases added.)

32. Likewise, also during the 1Q24 Earnings Call, Defendant Kang represented that Strategy's "management team has demonstrated a strong track record of disciplined approach to navigate through volatile times in the Bitcoin market," and "that the combination of our operating structure, Bitcoin strategy, and focus on technology innovation provides a unique value proposition for shareholder value creation, when compared to other forms of exposure to Bitcoin."

33. On May 1, 2024, Strategy filed a quarterly report on Form 10-Q with the SEC, reporting the Company's financial and operating results for the quarter ended March 31, 2024 (the "1Q24 10-Q"). The 1Q24 10-Q stated that Strategy "expects the adoption of ASU 2023-08 will have a material impact on its consolidated balance sheets, statements of operations, statements of cash flows and disclosures" without disclosing the nature or scope of the expected impact (positive or negative), and further downplayed the attendant risks by stating that "[i]f the Company were to adopt [ASU 2023-08] during 2024, it estimates that its 2024 beginning retained earnings balance would increase by approximately \$3.1 billion."

34. Notwithstanding the foregoing, the 1Q24 10-Q purported to warn that "[c]hanges in the accounting treatment of [Strategy's] bitcoin holdings **could** have significant accounting impacts, including increasing the volatility of our results[,]” stating, in relevant part:

Due in particular to the volatility in the price of bitcoin, we expect the adoption of ASU 2023-08 will likely have a material impact on our financial results in future periods, increase the volatility of our financial results, and affect the carrying value of our bitcoin on our balance sheet, and **could** have adverse tax consequences, which in turn **could** have a material adverse effect on our financial results and the market price of our class A common stock. Additionally, as a result of ASU 2023-

08 requiring a cumulative-effect adjustment to our opening balance of retained earnings as of the beginning of the annual period in which we adopt the guidance and not permitting retrospective restatement of our historical financial statements, our future results will not be comparable to results from periods prior to our adoption of the guidance.

(Emphases added.) Plainly, the foregoing risk warning was a generic, catch-all provision that was not tailored to Defendants' actual known risks regarding bitcoin's volatility, nor the magnitude of losses Strategy could recognize on the value of its bitcoin following its adoption of ASU 2023-08. Defendants' representations during the 1Q24 Earnings Call regarding the purported benefits of bitcoin's volatility on the Company's results, as well as Defendants' experience in navigating the same, further downplayed the significance of this risk warning.

35. Appended as exhibits to the 1Q24 10-Q were signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"), wherein the Defendants Le and Kang certified that the 1Q24 10-Q "does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report"; and that "the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the [Company] as of, and for, the periods presented in this report[.]"

36. On August 1, 2024, Strategy issued a press release announcing its financial results for the second quarter of 2024 (the "2Q24 Earnings Release"). The 2Q24 Earnings Release reported, *inter alia*, that "[a]s of June 30, 2024, the carrying value of the Company's digital assets (comprised of approximately 226,331 bitcoins) was \$5.688 billion, which reflects cumulative impairment losses of \$2.641 billion since acquisition[.]" Notwithstanding these losses, the 2Q24

Earnings Release quoted Defendant Le as touting “yet another successful quarter for our bitcoin strategy,” and assuring investors, in relevant part:

MicroStrategy today holds 226,500 bitcoins reflecting a current market value 70% higher than our cost basis. We remain laser focused on our Bitcoin development strategy and intend to continue to achieve positive “BTC Yield,” which is a new KPI that we are introducing, targeting 4-8% annually, over each of the next three years.

37. Similarly, the 2Q24 Earnings Release quoted Defendant Kang as stating, in relevant part:

Since the beginning of [the quarter], we grew our bitcoin holdings by adding 12,222 bitcoins through proceeds from our capital markets activities and excess cash . . . . Through our use of intelligent leverage, we have again achieved a “BTC Yield” of 12.2% year-to-date, which we believe demonstrates significant bitcoin accretion to shareholders[.]

38. Also on August 1, 2024, Defendants hosted a conference call with investors and analysts to discuss Strategy’s financial results for the second quarter of 2024 (the “2Q24 Earnings Call”). During the 2Q24 Earnings Call, Defendant Kang represented that, following the Company’s adoption of ASU 2023-08, “which requires fair value treatment for bitcoin holdings by Q1 of next year when the rule takes effect, . . . we will realize the benefit of the significant difference between the market value and the carrying value of our balance sheet.”

39. Also during the 2Q24 Earnings Call, Defendant Kang touted Strategy’s “strong track record of applying a disciplined approach to navigate through volatile times in the bitcoin market,” while assuring investors “that the combination of our operating structure, bitcoin strategy, and focus on technology innovation provides a unique value proposition for shareholders when compared to other forms of bitcoin exposure.”

40. On August 6, 2024, Strategy filed a quarterly report on Form 10-Q with the SEC, reporting the Company’s financial and operating results for the quarter ended June 30, 2024 (the

“2Q24 10-Q”). The 2Q24 10-Q contained the same statements as referenced in ¶¶ 33-34, *supra*, regarding Strategy’s adoption of ASU 2023-08, which downplayed risks associated with bitcoin’s volatility, as well as the magnitude of losses Strategy could recognize on the value of its bitcoin following its adoption of ASU 2023-08. Defendant Kang’s representations during the 2Q24 Earnings Call regarding Defendants’ ability to navigate through periods of bitcoin volatility further downplayed these risks.

41. Appended as exhibits to the 2Q24 10-Q were substantively the same SOX certifications as referenced in ¶ 35, *supra*, signed by Defendants Le and Kang.

42. On October 30, 2024, Strategy issued a press release announcing its financial results for the third quarter of 2024 (the “3Q24 Earnings Release”). The 3Q24 Earnings Release quoted Defendant Le as stating, in relevant part:

Our focus remains to increase value generated to our shareholders by leveraging the digital transformation of capital. Today, we are announcing a strategic goal of raising \$42 billion of capital over the next 3 years, comprised of \$21 billion of equity and \$21 billion of fixed income securities, which we refer to as our “21/21 Plan.” As a Bitcoin Treasury Company, we plan to use the additional capital to buy more bitcoin as a treasury reserve asset in a manner that will allow us to achieve higher BTC Yield[.]

43. The 3Q24 Earnings Release also quoted Defendant Kang as touting Strategy’s purported “proven track record of using intelligent leverage” which “serves as the foundation to execute on our strategic three-year 21/21 Plan[,]” and that “[t]hrough our treasury strategy, we increased our bitcoin holdings by 11% in the quarter, increased our year-to-date BTC Yield to 17.8%, and reduced our total annualized interest expense by \$24 million[.]”

44. Also on October 30, 2024, Defendants hosted a conference call with investors and analysts to discuss Strategy’s financial results for the third quarter of 2024 (the “3Q24 Earnings Call”). During the 3Q24 Earnings Call, Defendant Saylor touted “the strength of our overall

[bitcoin] treasury strategy, and the strength of the Bitcoin market[,]” while expounding at length regarding the purported benefits of this strategy, referring to bitcoin as “incredible” and “the strongest asset.” Defendant Saylor also characterized bitcoin as a panacea for nearly all corporate ills, while consistently touting the benefits of its volatility, stating, *inter alia*:

MicroStrategy threw its lot in with bitcoin, but I’m happy to say here today that not only has MicroStrategy managed to become 100% bitcoin, we’ve managed to almost 2x the performance of bitcoin. And we’ve done it through taking advantage of our unique opportunities and our unique capabilities as an operating company to assume intelligent leverage, ***to sell volatility and to manage our balance sheet***. So this is just a -- it’s a great outcome.

\* \* \*

With the embrace of BTC yield and BCT yield shows that in fact we acquired the capital in a manner that was accretive to our shareholders as opposed to dilutive. And that means that when we’re actually engaging in capital markets activity, we’re doing it in an accretive high velocity fashion. That, of course, is what is driving this trading volume, what’s driving this open interest. And of course, ***because we have the volatility, many of the things we do are actually selling the volatility, recycling the proceeds of the volatility back into bitcoin and then delivering that to our shareholders in the form of a BTC yield.***

\* \* \*

***Our belief - is that Bitcoin is a solution to the problem that 95% of public companies have, and I guess 99% of private companies have, which is they don’t have healthy balance sheets. Bitcoin fixes the balance sheet. It’ll bring your stock back to life. It’ll bring your options back to life. It’ll bring volatility.***

(Emphases added.)

45. Likewise, during the 3Q24 Earnings Call, Defendant Kang touted Defendants’ “track record of using equity, debt and excess cash to acquire Bitcoin, as part of our treasury operations[, which] has resulted in value creation for our shareholders[,]” as well as Strategy’s “strong track record” of purportedly “applying a disciplined approach to navigate through volatile times in the Bitcoin market.”

46. On October 31, 2024, Strategy filed a quarterly report on Form 10-Q with the SEC, reporting the Company’s financial and operating results for the quarter ended September 30, 2024 (the “3Q24 10-Q”). The 3Q24 10-Q contained substantively the same statements as referenced in ¶¶ 33-34, *supra*, regarding Strategy’s eventual adoption of ASU 2023-08, while remaining silent on whether its beginning retained earnings balance would increase or decrease if it were to adopt ASU 2023-08. These statements continued to downplay risks associated with bitcoin’s volatility, as well as the magnitude of losses Strategy could recognize on the value of its bitcoin following its adoption of ASU 2023-08. Defendant Saylor and Kang’s representations during the 3Q24 Earnings Call regarding Defendants’ ability to navigate through periods of bitcoin volatility, as well as use that volatility to create value for shareholders, further downplayed these risks.

47. Appended as exhibits to the 3Q24 10-Q were substantively the same SOX certifications as referenced in ¶ 35, *supra*, signed by Defendants Le and Kang.

48. On February 5, 2025, Strategy issued a press release announcing its financial results for the fourth quarter and full year of 2024 (the “4Q/FY24 Earnings Release”). The 4Q/FY24 Earnings Release highlighted that Strategy achieved a “74.3% ‘BTC Yield’ KPI . . . in FY [fiscal year] 2024 and 2.9% in QTD [quarter-to-date] 2025[,]” as well as “[r]evise[d its] annual BTC Yield target to a minimum of 15% for 2025[.]”

49. The 4Q/FY24 Earnings Release also quoted Defendant Le as stating, in relevant part, that “[l]ooking ahead to the rest of 2025, we are well-positioned to further enhance shareholder value by leveraging the strong support from institutional and retail investors for our strategic plan”—*i.e.*, bitcoin investment strategy.

50. Additionally, the 4Q/FY24 Earnings Release quoted Defendant Kang as stating, in relevant part, that “2025 will take our evolution further with the introduction of the BTC \$ Gain

KPI and when we adopt fair value accounting [*i.e.*, ASU 2023-08] for our bitcoin holdings with our Q1 results, transforming our financial results and bringing more transparency to the value generation and profitability of our treasury operations[.]”

51. Further highlighting Defendants’ purported confidence in the anticipated profitability of the Company’s bitcoin-focused investment strategy and treasury operations, the 4Q/FY24 Earnings Release touted the Company’s results for full year 2024 and expectations for 2025 using its new “BTC Gain” and “BTC \$ Gain” KPIs. For example, the 4Q/FY24 Earnings Release reported that, “[f]or the full year 2024, the Company’s BTC Gain was 140,538” and that “[t]he Company’s 2025 target is achievement of an annual BTC \$ Gain of \$10 billion.”

52. Also on February 5, 2025, Defendants hosted a conference call with investors and analysts to discuss Strategy’s financial results for the fourth quarter and full year of 2024 (the “4Q/FY24 Earnings Call”). During the 4Q/FY24 Earnings Call, Defendant Saylor touted bitcoin as “a very, very compelling investment idea” and its volatility as a major boon to the Company’s financial performance, stating, *inter alia*:

*[T]he secret, of course . . . isn’t just performance, it’s also the volatility.* Volatility is a measure of energy. And as you can see, Strategy is the most volatile stock out of the S&P 500 universe. So we don’t hide from it. We’re quite proud of it. We engineer the business in order to stay volatile. Conventional wisdom is to strip volatility from a publicly traded company, strip it from the balance sheet, strip it from the P&L.

MicroStrategy has embraced volatility, and not only do we pursue it with Bitcoin, but we pursue it with our leverage strategies to actually get a volatility that’s greater than the native Bitcoin volatility. *There’s a result of that volatility and the result is liquidity and optionality.*

(Emphases added.)

53. Also during the 4Q/FY24 Earnings Call, Defendant Kang stated the following regarding Strategy’s adoption of ASU 2023-08 and the Company’s purported continued success throughout 2025:

[D]igital asset impairment charges in Q4 were approximately \$1 billion and approximately \$1.8 billion for the full year. I am happy to announce that Q4 will be the last quarter where we will recognize an impairment charge on our Bitcoin Holdings as we move to fair-value accounting in Q1.

\* \* \*

We can’t predict the price of Bitcoin, nor can we predict broader equity and debt capital market conditions. ***However, we are confident that our Bitcoin Treasury Strategy will continue to generate value and are revising our targets for 2025 to achieve a minimum of 15% BTC Yield and a \$10 billion BTC dollar gain for 2025.***

(Emphasis added.)

54. On February 18, 2025, Strategy filed an annual report on Form 10-K with the SEC, reporting the Company’s financial and operating results for the quarter and year ended December 31, 2024 (the “2024 10-K”). The 2024 10-K contained substantively the same statements as referenced in ¶¶ 33-34, *supra*, regarding Strategy’s adoption of ASU 2023-08, which downplayed the risks of the same, and noted that the Company “estimates the adoption of ASU 2023-08 will increase its 2025 beginning retained earnings balance by approximately \$12.745 billion, which reflects a \$17.880 billion increase in digital assets[.]” Defendant Saylor’s statements during the 4Q/FY24 Earnings Call regarding the purported beneficial impact of bitcoin’s volatility on the Company’s financial results further downplayed these risks.

55. Appended as exhibits to the 2024 10-K were substantively the same SOX certifications as referenced in ¶ 35, *supra*, signed by Defendants Le and Kang.

56. The statements referenced in ¶¶ 30-55 were materially false and misleading because Defendants made false and/or misleading statements, as well as failed to disclose material adverse

facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) the anticipated profitability of the Company's bitcoin-focused investment strategy and treasury operations was overstated; (ii) the various risks associated with bitcoin's volatility and the magnitude of losses Strategy could recognize on the value of its digital assets following its adoption of ASU 2023-08 were understated; and (iii) as a result, Defendants' public statements were materially false and misleading at all relevant times.

57. In addition, Defendants violated Item 303 of SEC Regulation S-K, 17 C.F.R. § 229.303(b)(2)(ii) ("Item 303"), which required them to "[d]escribe any known trends or uncertainties that have had or that are reasonably likely to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations." As alleged herein, Defendants failed to disclose, *inter alia*, the true magnitude of risks associated with bitcoin's volatility and the losses Strategy could recognize on the value of its digital assets following its adoption of ASU 2023-08. Defendants' failure to disclose these issues violated Item 303 because these issues represented a known trend or uncertainty that was likely to have a material unfavorable impact on the Company's business and financial results.

### **The Truth Emerges**

58. On April 7, 2025, during pre-market hours, Strategy filed a current report on Form 8-K with the SEC disclosing that, following its adoption of ASU 2023-08, it had recognized a ***\$5.91 billion*** unrealized loss on its digital assets for the first quarter of 2025. Specifically, that filing stated, in relevant part:

We have generated net losses in recent periods, primarily due to digital asset impairment losses. As of January 1, 2025, we have adopted ASU 2023-08, pursuant to which we are required to recognize increases or decreases in fair value of our digital assets as incurred in our Consolidated Statements of Operations. ***Our***

*unrealized loss on digital assets for the quarter ended March 31, 2025 was \$5.91 billion, which we expect will result in a net loss for the quarter ended March 31, 2025. We may not be able to regain profitability in future periods, particularly if we incur significant unrealized losses related to our digital assets.* As a result, our results of operations and financial condition may be materially adversely affected.

(Emphasis added.)

59. On this news, Strategy's Class A common stock price fell \$25.47 per share, or 8.67%, to close at \$268.14 per share on April 7, 2025.

60. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

#### **Post-Class Period Developments**

61. On May 1, 2025, Strategy issued a press release announcing its financial results for the first quarter of 2025. Therein, the Company confirmed that it had recorded an unrealized fair value loss on digital assets of approximately \$5.9 billion during the quarter. On a subsequent earnings call to discuss these results, Defendant Kang explained that this loss stemmed from applying a fair value accounting methodology to Strategy's bitcoin assets following bitcoin's steep depreciation in value in the first quarter of 2025:

One fundamental difference now under fair value accounting is that our holdings are marked on the last day of every quarter, not throughout the quarter as before. Any new Bitcoin purchased during the quarter were initially held at the purchase price of those Bitcoins and our prior quarter and new quarter purchases are fair valued as of the last day of each quarter. In Q1, the price of Bitcoin declined from approximately \$93,400 at the end of the year to roughly \$82,400 at the end of Q1, resulting in a \$4.9 billion unrealized fair value loss on our pre-Q1 holdings.

We also purchased throughout the course of Q1, an additional 80,715 bitcoin at an average price of approximately \$94,900, representing \$7.7 billion of new purchases. On the last day of Q1 because the market price of bitcoin was approximately \$83,400, these new purchases also reflected a fair value decline of about \$1 billion. As a result, our overall Q1 unrealized fair market value loss was \$5.9 billion, which flowed directly through our income statement.

## **SCIENTER ALLEGATIONS**

62. During the Class Period, Defendants had both the motive and opportunity to commit fraud. For example, during the Class Period, while disseminating the materially false and misleading statements alleged herein to maintain artificially inflated prices for Strategy’s securities, Defendant Le enriched himself by nearly \$16 million and Defendant Kang enriched himself by over \$2 million by selling 103,961 and 8,094 shares of the Company’s Class A common stock, respectively.

63. Defendants also had actual knowledge of the misleading nature of the statements they made, or acted in reckless disregard of the true information known to them at the time. In so doing, Defendants participated in a scheme to defraud and committed acts, practices, and participated in a course of business that operated as a fraud or deceit on purchasers of the Company’s securities during the Class Period.

## **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

64. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Strategy securities during the Class Period (the “Class”); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

65. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Strategy securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can

be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Strategy or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

66. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

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

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

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Strategy;
- whether the Individual Defendants caused Strategy to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Strategy securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

69. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

70. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Strategy securities are traded in an efficient market;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased, acquired and/or sold Strategy securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

71. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

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

## **COUNT I**

### **(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants)**

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

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

75. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Strategy securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Strategy securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

76. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Strategy securities. Such reports, filings, releases and statements were

materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Strategy's finances and business prospects.

77. By virtue of their positions at Strategy, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

78. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of Strategy, the Individual Defendants had knowledge of the details of Strategy's internal affairs.

79. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Strategy. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Strategy's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Strategy securities was artificially inflated throughout the Class Period. In

ignorance of the adverse facts concerning Strategy's business and financial condition which were concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Strategy securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

80. During the Class Period, Strategy securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Strategy securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Strategy securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Strategy securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

81. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

82. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure

that the Company had been disseminating misrepresented financial statements to the investing public.

## **COUNT II**

### **(Violations of Section 20(a) of the Exchange Act Against the Individual Defendants)**

83. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

84. During the Class Period, the Individual Defendants participated in the operation and management of Strategy, and conducted and participated, directly and indirectly, in the conduct of Strategy's business affairs. Because of their senior positions, they knew the adverse non-public information about Strategy's misstatement of income and expenses and false financial statements.

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

86. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Strategy disseminated in the marketplace during the Class Period concerning Strategy's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Strategy to engage in the wrongful acts complained of herein. The Individual Defendants, therefore, were "controlling persons" of Strategy within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Strategy securities.

87. Each of the Individual Defendants, therefore, acted as a controlling person of Strategy. By reason of their senior management positions and/or being directors of Strategy, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Strategy to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Strategy and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

88. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Strategy.

**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the class representative;
- B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;
- C. Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as this Court may deem just and proper.

**DEMAND FOR TRIAL BY JURY**

Plaintiff hereby demands a trial by jury.

Dated: May 16, 2025

