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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF PENNSYLVANIA

GONCHIKAR RAYA, On Behalf of
Himself and All Others Similarly
Situating,

Plaintiff,

vs.

FREEMARKETS, INC., GLEN T.
MEAKEM, SAM E. KINNEY, JR. and
JOAN S. HOOPER,

Defendants.

) No.

00

24

) CLASS ACTION

) COMPLAINT FOR VIOLATION OF
) THE SECURITIES EXCHANGE ACT
) OF 1934

) DEMAND FOR JURY TRIAL

SUMMARY AND OVERVIEW

1. This is a securities fraud class action on behalf of all purchasers of the securities of FreeMarkets, Inc. ("FreeMarkets" or the "Company") between 12/10/99 and 1/4/00 (the "Class Period"), against FreeMarkets and certain of its officers and directors for violations of the Securities Exchange Act of 1934 (the "1934 Act").

2. FreeMarkets creates customized business-to-business online auction for buyers of industrial parts, raw materials and commodities.

3. During 12/10/99 through 1/4/00, FreeMarkets saw its stock price soar from its Initial Public Offering ("IPO") price of \$48 per share to \$350 per share as FreeMarkets misrepresented the true status of its relationship with General Motors, concealing the fact that General Motors, one of FreeMarkets's largest customers, had signed an agreement with Commerce One to create an internet auction site which would result in the total evaporation of **all** of FreeMarkets's business from General Motors. The Individual Defendants knew that disclosure of this Commerce One agreement with General Motors would devastate FreeMarkets's chances of going public which allowed FreeMarkets to raise \$160 million in its 12/10/99 IPO. FreeMarkets's top executives were determined to conceal the news of the Commerce One/General Motors Agreement until **after** FreeMarkets had gone public. In fact, the defendants knowingly concealed the fact that the defendants were informed prior to the IPO that General Motors had entered into a contractual relationship with Commerce One which would result in the termination of its contract with General Motors in the first quarter of 2000 and provided for General Motors to take a 19%

ownership stake in Commerce One. These false statements/omissions in its Prospectus/Registration Statement were designed to and did allow FreeMarkets to go public and raise \$160 million, which was triple the amount FreeMarkets planned on raising just weeks before, and cause the stock to trade in the \$300-\$350 range during the Class Period.

4. On 1/4/00, FreeMarkets's stock price plummeted from its high of \$350 per share to \$278 ½ per share on heavy volume of 2.38 million shares. FreeMarkets announced what the defendants had known **prior** to 12/10/99 - the date of the IPO - that General Motors would cancel its contract with FreeMarkets and funnel **all** of its online auction business through Commerce One.

5. As a result of the defendants' false statements/omissions, FreeMarkets's stock price traded at inflated levels during the Class Period, increasing to as high as \$350 on 1/4/00 and ultimately plummeting more than \$70 per share on 1/4/00 to \$278-½ per share.

JURISDICTION AND VENUE

6. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and Rule 10b-5.

7. Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District.

8. The Company's operational headquarters are in Pittsburgh, Pennsylvania, where the day-to-day operations of the Company are directed and managed.

THE PARTIES

9. Plaintiff Gonchikar Raya purchased shares of FreeMarkets common stock as described in the attached certification and was damaged thereby.

10. Defendant FreeMarkets creates customized business-to-business online auction for buyers of industrial parts, raw materials and commodities. FreeMarkets's common stock trades in an efficient market on the NASDAQ National Market System.

11. (a) Defendant Glen T. Meakem is CEO, Chairman of the Board and President of FreeMarkets.

(b) Defendant Sam E. Kinney, Jr. is an Executive Vice President and Secretary of the Company.

(c) Defendant Joan S. Hooper is Vice President, Chief Financial Officer and Treasurer of the Company.

12. The individuals named as defendants in ¶11(a)-(c) are referred to herein as the "Individual Defendants." Each defendant is liable for participating in the making of false statements and/or failing to disclose adverse facts known to him/her about FreeMarkets. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of FreeMarkets's roadshows, Prospectus/Registration Statement and presentations to securities analysts. Because of their positions and access to material non-public information available to them but not to the public, each of these 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 which were being made were then materially false and misleading. Further, each of the Individual Defendants signed

the false and misleading Prospectus/Registration Statement on 12/7/99.

SCIENTER

13. In addition to the above-described involvement, each Individual Defendant had knowledge of FreeMarkets's problems and was motivated to conceal such problems.

14. FreeMarkets's success was substantially dependent upon FreeMarkets's ability to hold on to its contractual relationship with one of its largest clients - General Motors. As this contract was one of its most important, the top officers of the Company had daily conversations about the status of its relationship with General Motors. When Commerce One had entered into an agreement with General Motors to funnel all of General Motors' business through its online auction site and for General Motors to acquire a 19% investment in Commerce One, the top officers, including the Individual Defendants of FreeMarkets, were immediately advised. These top officers actually knew that (i) Commerce One had entered into an agreement with General Motors which would result in the complete and total evaporation of **all** of FreeMarkets's business from General Motors; (ii) General Motors had planned to terminate FreeMarkets's contract in the first quarter of 2000; and (iii) the market was unaware of the true status of FreeMarkets's contractual relationship with General Motors and the fact that FreeMarkets knew its contract with General Motors would be terminated in the first quarter 2000 in favor of Commerce One.

DEFENDANTS' FRAUDULENT SCHEME AND COURSE OF BUSINESS

15. FreeMarkets creates customized business-to-business online auction for buyers of industrial parts, raw materials and

commodities. General Motors was one of FreeMarkets's largest customers - the loss of which would have a material and negative impact on the Company.

16. During the Fall of 1999, FreeMarkets and the defendants sought to capitalize on their plan to bring FreeMarkets public before it was revealed that its major customer - General Motors - would terminate its relationship with FreeMarkets in favor of Commerce One. In 9/99, FreeMarkets was expecting to go public raising only \$54 million as was reflected in its SEC filings. These preliminary SEC filings revealed that FreeMarkets had significant and material relationships with America's largest companies - including General Motors - which accounted for 17% of FreeMarkets's business. As these preliminary filings, which established the Company's credibility by disclosing its relationship with General Motors and others, were made public, the defendants saw the demand for their shares grow as the date of the Company's planned IPO approached. As such, defendants sought to capitalize on the investment community's appetite for its shares and **tripled** the offering price of the IPO and **tripled** the amount of funds raised.

17. On 11/2/99, the defendants' plans of bringing FreeMarkets public were virtually destroyed as General Motors announced that it joined forces with Commerce One to move into business-to-business e-commerce with innovative Internet purchasing enterprise. This announcement put the defendants on notice that General Motors would **not** continue its contract with FreeMarkets. This was further confirmed in later conversations between the Individual Defendants

and General Motors prior to that date of the IPO - 12/10/99. The announcement stated, in relevant part, that:

General Motors Corp. and Commerce One today announced an innovative move into business-to-business e-commerce through the creation of an Internet enterprise that will help suppliers, dealers and other businesses take advantage of GM's global purchasing expertise.

GM and Commerce One plan to have the site in operation in the first quarter of 2000.

Through an agreement signed Tuesday with Commerce One, the recognized leader in electronic commerce, General Motors will create GM MarketSite - the world's largest "virtual marketplace" for a wide array of products, raw materials, parts and services.

"This is a tremendous opportunity for General Motors, its suppliers and dealers," said G. Richard Wagoner Jr., GM president and chief operating officer. "This is further proof that we are serious about being an innovator and leader in this rapidly evolving and expanding business sector."

Harold R. Kutner, GM Group vice president of worldwide purchasing and North American production control and logistics, said GM MarketSite is a big step toward transforming General Motors into a global e-business. He said it would help businesses increase efficiency and reduce their operational costs by streamlining their purchasing.

The site will allow businesses to reduce purchasing cycle times by automatically handling purchase authorization, accounting and contractual procedures.

"We're moving quickly to make this innovative concept a reality," Kutner said. "While others in the auto industry may be considering similar ventures, nobody can match the purchasing strength, experience, speed and global footprint of General Motors."

18. On this 11/2/99 announcement, Commerce One shares leaped 23%. Immediately thereafter and **prior** to FreeMarkets's IPO, the defendants had conversations with General Motors wherein General Motors told the Individual Defendants that General Motors would terminate its contract with FreeMarkets in the first quarter of

2000 and that it would funnel its business to FreeMarkets' competitor - Commerce One.

19. On 12/9/99, FreeMarkets filed its Prospectus/Registration Statement with the Securities and Exchange Commission.

20. With respect to FreeMarkets's dependence on General Motors as a client and the status of its relationship with General Motors the Prospectus stated:

We depend on two clients, United Technologies Corporation and General Motors Corporation, for a substantial portion of our revenues. These two clients represented 77% of our revenues in 1998 and 58% of our revenues in the nine months ended September 30, 1999. Our agreement with United Technologies expires in December 2000, and our agreement with General Motors expires in September 2001. The agreements can be terminated by the respective clients at any time upon prior notice. Although United Technologies would be required to pay us a substantial fee if it terminates its agreement, the fee would not make up for the resulting loss of revenues. General Motors is not required to pay any termination fee if it terminates its agreement.

We may not be able to keep either United Technologies or General Motors as a client in the future. The loss or partial loss of either of these clients would significantly diminish our revenues and operating results, forcing us to curtail our growth plans and incur greater losses. Even if we keep one or both of these clients, we may not be successful in growing and diversifying our client base.

21. FreeMarkets shares began trading on 12/10/99 and its shareholders were then led to believe by virtue of the defendants' false statements and omissions, that FreeMarkets's relationship with General Motors was not then in jeopardy. In fact, the Prospectus/Registration Statement concealed the fact that General Motors and Commerce One had entered into an agreement which would result in the complete and total evaporation of all of General Motors' business.

22. Defendants' statements in the Prospectus/Registration Statement, including statements about the status of FreeMarkets's relationship with General Motors and the concealment of General Motors' contractual relationship with Commerce One which stripped General Motors' business away from FreeMarkets, were false and misleading as the Individual Defendants had **already** been advised of the loss of General Motors' business **prior** to the IPO on 12/10/99. Defendants' scheme was a success - for them. By concealing the loss of the General Motors contract, the defendants were able to complete a \$160 million IPO and cause FreeMarkets stock to jump 700% in just weeks. On 1/3/00, FreeMarkets stock closed at \$341-7/8.

23. Then, on 1/3/00, after the market closed, Bloomberg published a report on General Motors' business-to-business auctions:

A General Motors Corp. executive said the world's largest automaker will pull all its business-to-business auctions from FreeMarkets, Inc., an online auction company that gets much of its sales from General Motors.

GM will shift the business to FreeMarkets' rival, Commerce One Inc., General Motors TradeXchange Director Alan Turfe said in an interview Thursday on www.radiowallstreet.com....

"Although FreeMarkets has done a fine job, that auction and reverse auction functionality is going to be migrated 100 percent to Commerce One," Turfe said in the Internet interview.

24. On this news, FreeMarkets's stock price declined more than \$70 per share on 1/4/00 on heavy trading volume of 2.3 million shares from its high of \$350 per share due to the revelation that General Motors would terminate its relationship with FreeMarkets and funnel all of its business to Commerce One which had signed an

agreement with General Motors in 11/99 to provide the same service as FreeMarkets.

25. The revelation of the **true** status of General Motors' relationship when FreeMarkets shocked the investment community. Commenting on the inflated valuation of FreeMarkets and the revelations analyst David Garrity of Dresdner Kleinwort Benson stated the decision to terminate the contract with General Motors "raises potential questions when it comes to FreeMarkets' valuation."

FIRST CLAIM FOR RELIEF

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

26. Plaintiff incorporates ¶¶1-25 by reference.

27. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

28. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

29. (a) Employed devices, schemes, and artifices to defraud;
(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others

similarly situated in connection with their purchases of FreeMarkets common stock during the Class Period.

30. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for FreeMarkets stock. Plaintiff and the Class would not have purchased FreeMarkets stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

31. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of FreeMarkets common stock during the Class Period.

SECOND CLAIM FOR RELIEF

For Violation of §20(a) of the 1934 Act Against All Defendants

32. Plaintiff incorporates ¶¶1-31 by reference.

33. The Individual Defendants acted as controlling persons of FreeMarkets within the meaning of §20(a) of the 1934 Act. By reason of their positions with FreeMarkets and ownership of FreeMarkets stock, the Individual Defendants had the power and authority to cause FreeMarkets to engage in the wrongful conduct complained of herein. FreeMarkets controlled each of the Individual Defendants and all of its employees. By reason of such conduct, the Individual Defendants and FreeMarkets are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

34. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased FreeMarkets stock (the "Class") on the open market during the Class Period. Excluded from the Class are defendants.

35. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. FreeMarkets had more than 34.3 million shares of stock outstanding, owned by hundreds if not thousands of persons.

36. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the 1934 Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;
- (e) Whether the price of FreeMarkets stock was artificially inflated; and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

37. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

38. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

39. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment as follows:

A. Declaring this action to be a class action properly maintained pursuant to Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding plaintiff and other members of the Class damages together with interest thereon;

C. Awarding plaintiff and other members of the Class costs and expenses of this litigation, including reasonable attorneys' fees, accountants' fees and experts' fees and other costs and disbursements; and

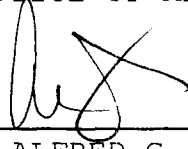
D. Awarding plaintiff and other members of the Class such other and further relief as may be just and proper under the circumstances.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED this 5th day of January, 2000.

LAW OFFICE OF ALFRED G. YATES JR



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Attorneys for Plaintiff

CERTIFICATION PURSUANT TO FEDERAL SECURITIES LAWS

Gonchikar Raya, ("Plaintiff") declares, as to the claims asserted under the federal securities laws, that:


1. Plaintiff has reviewed the class action complaint in this matter and authorizes its filing.
2. Plaintiff is willing to serve as a lead or named plaintiff in the action on the basis of the allegations in that complaint or a substantively similar or related complaint or amended complaint to be filed.
3. Plaintiff did not purchase the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action.
4. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
5. Plaintiff's transactions in FreeMarkets, Inc. that are the subject of this action are as follows:

<u>Security</u>	<u>Transaction</u>	<u>Date</u>	<u>Price Per Share</u>
Common Stock	Purchased <u>30</u> shares	<u>12/28/99</u>	<u>\$ 299.50</u>
	Purchased <u>20</u> shares	<u>12/29/99</u>	<u>\$ 316.00</u>

6. During the three years prior to the date of this Certificate, Plaintiff has sought to serve or served as a representative party for a class in the following actions filed under the federal securities laws: (list, if any) None

7. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 5 day of January, 2000



Gonchikar Raya
Gonchikar

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January 5, 2000

Via Night Depository

James A. Drach, Clerk
UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF PENNSYLVANIA
819 U.S. Post Office & Courthouse
Pittsburgh, PA 15219

Re: Gonchikar Raya v. FreeMarket, Inc.

Dear Mr. Drach:

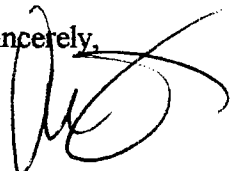
Enclosed for filing is the original Class Action Complaint together with a check in the amount of \$150.00 for filing fees.

Please front stamp the enclosed copies of the first page of the complaint. Please call our office and we will pick up the stamped copies.

Also enclosed are four (4) summonses for each of the named defendants to be stamped. We will pick those up with the stamped copies of the complaint.

Thank you.

Sincerely,



Alfred G. Yates Jr

encs.