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10
11 **UNITED STATES DISTRICT COURT**
12 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**

13 RON CHENOY, Derivatively on Behalf of LYFT,
14 INC.,

15 Plaintiff,

16 v.

17 JOHN ZIMMER, LOGAN GREEN, BRIAN
18 ROBERTS, PRASHANT (SEAN)
19 AGGARWAL, DAVID LAWEE, HIROSHI
20 MIKITANI, ANN MIURA-KO, MARY
21 AGNES (MAGGIE) WILDEROTTER,
JONATHAN CHRISTODORO, BEN
HOROWITZ, and VALERIE JARRETT,

22 Individual Defendants,

23 -and-

24 LYFT, INC., a Delaware corporation,

25
26
27 Nominal Defendant.
28

Case No.

**VERIFIED STOCKHOLDER
DERIVATIVE COMPLAINT**

1 Plaintiff Ron Chenoy (“Plaintiff”), by his attorneys, submits this Verified Stockholder
2 Derivative Complaint for Violations of Securities Laws, Breach of Fiduciary Duty, Waste of
3 Corporate Assets, and Unjust Enrichment. Plaintiff alleges the following upon information and
4 belief, except as to the allegations specifically pertaining to Plaintiff which are based on personal
5 knowledge. This complaint is also based on the investigation of Plaintiff’s counsel, which
6 included, among other things, a review of public filings with the U.S. Securities and Exchange
7 Commission (“SEC”) and a review of news reports, press releases, and other publicly available
8 sources.

9 **I. NATURE AND SUMMARY OF THE ACTION**

10 1. This is a stockholder derivative action brought by Plaintiff on behalf of Nominal
11 Defendant Lyft, Inc. (“Lyft” or the “Company”) against members of its board of directors (the
12 “Board”) and members of upper management. The wrongdoing alleged herein has caused
13 substantial damage to Lyft’s reputation, goodwill, and standing in the business community and has
14 exposed Lyft to substantial potential liability for violations of federal securities laws and the costs
15 associated with defending itself. The violations of the law outlined herein have damaged Lyft in
16 the form of, among other things, millions of dollars in losses to the Company’s market
17 capitalization, resulting from exposure to liabilities and reputational damage.

18 2. This action seeks to remedy wrongdoing committed by Lyft’s directors and officers
19 from March 28, 2019 through the present (the “Relevant Period”).

20 3. Lyft operates a peer-to-peer marketplace for on-demand ridesharing in the United
21 States and Canada. The Company offers riders personalized and on-demand access to various
22 transportation options. It provides a ridesharing marketplace, which enable drivers to provide their
23 transportation services to riders. The Company also offers a network of shared bikes and scooters
24 in various cities; Express Drive program, a flexible car rentals program that connects drivers who
25 need access to a car with third-party rental car companies; and concierge for organizations to
26 manage the transportation needs of their customers and employees.

27 4. The Company initiated plans to go public in December 2018. When it filed a draft
28

1 registration statement with the SEC. On March 1, 2019, the Company filed its operative
2 registration statement on Form S-1 with the SEC (the “Registration Statement”) in connection with
3 the planned initial public offering (“IPO”). On that same day, the Company filed with the SEC a
4 Prospectus on Form 424B4 (the “Prospectus”) in connection with the IPO. The Prospectus was
5 included with the Registration Statement (together with all amendments these documents are
6 referred to herein as the “Offering Documents”).

7 5. The Registration Statement was approved on March 28, 2019, and the Company’s
8 stock commenced trading publicly on the Nasdaq Global Select Market on March 29, 2019. As a
9 result of the IPO, the Company sold over 32.5 million shares of stock priced at \$72 per share and
10 garnered approximately \$2.34 billion in net proceeds.

11 6. The Offering Documents outlined Lyft’s culture, values, brand, commitment to
12 safety, and dedication to social responsibility, particularly in relation to women. The Offering
13 Documents explained Lyft’s growth into other methods of transportation such as its recently-
14 acquired bike sharing program. Further, the Offering Documents provided an overstated market
15 share and highlighted certain revenue growth attainments. The Offering Documents described Lyft
16 as “driver-centric” and listed key benefits that Lyft gave its drivers to provide an overall positive
17 driver experience. Lastly, the Offering Documents detailed the risks facing the Company,
18 including illegal, improper, or otherwise inappropriate activity of the Company’s proprietary
19 network that could be detrimental Lyft’s business. However, these outlined risks did not include a
20 huge number of issues with the Company’s rideshare services known to Lyft at that time.

21 7. During the Relevant Period, the Individual Defendants breached their fiduciary
22 duties by personally making and/or causing the Company to make a series of materially false and
23 misleading statements regarding the Company’s business, operations, and prospects in its Offering
24 Documents, and failing to timely correct those statements. Specifically, the Individual Defendants
25 willfully or recklessly made and/or caused the Company to make false and misleading statements
26 that failed to disclose, inter alia, that: (1) passengers were physically assaulted, sexually harassed,
27 and/or raped by Lyft drivers and reported complaints with the Company about their experiences
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1 prior to the IPO; (2) it was highly probable that the Company would suffer reputational damage
2 and/or legal liability due to the rampant and increasing amount of sexual assaults committed by
3 Lyft drivers; (3) the braking system on Lyft's electronic bikes was defective and riders sustained
4 injuries such as scrapes, bruising, broken bones, and damaged limbs; (4) riders who were injured
5 as a result of defects in the braking system in Lyft's electric bikes lodged complaints with the
6 Company about their accidents prior to the IPO; (5) safety issues related to the Company's electric
7 bike fleet stifled Lyft's expansion, diversification, and transformation into a multimodal
8 transportation network; (6) labor disputes with Lyft's drivers, resulting from the Company's policy
9 changes leading up to the IPO, threatened to disrupt Lyft's workforce and significantly impact its
10 business; (7) the Company had suffered a colossal first quarter net loss totaling over \$1.1 billion,
11 more than double the net loss the Company recognized the fiscal year prior; (8) the Company
12 planned to abandon key revenue growth metrics that the Company touted in its Offering
13 Documents as important measurements of Lyft's financial performance and growth; (9) the
14 Company's market share was overstated; and (10) the Company failed to maintain internal
15 controls. As a result of the foregoing, the Company's public statements were materially false and
16 misleading at all relevant times.

17 8. Eventually, even though it was internally known beforehand, the Company
18 disclosed weak performance for the first fiscal quarter of 2019. However, the Individual
19 Defendants failed to issue statements correcting the misstatements and omissions that were
20 contained in the Offering Documents. Further, the Individual Defendants repeated many of the
21 false and misleading statements contained in the Offering Documents in subsequent public
22 statements distributed after the IPO, including in the Company's quarterly report for the fiscal
23 quarter ended March 31, 2019 (the "1Q19 10-Q") and in the related earnings press release and
24 conference call.

25 9. From Lyft's IPO until May 8, 2019 when the above events were unfolding, the price
26 per share of the Company's common stock dropped over 26.5%, or \$19.09, from its IPO price of
27 \$72.00 per share to \$52.91 per share.

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1 10. After the IPO, the Individual Defendants failed to correct these false and misleading
2 statements and omissions of material fact, rendering them personally liable to the Company for
3 breaching their fiduciary duties. The Individual Defendants also willfully or recklessly caused the
4 Company to fail to maintain an adequate system of oversight, disclosure controls and procedures,
5 and internal controls over financial reporting.

6 11. Additionally, in breach of their fiduciary duties, the Individual Defendants failed to
7 maintain internal controls.

8 12. As detailed herein, and as alleged in the ongoing federal securities class action in
9 the Northern District of California styled *In Re Lyft Technologies Inc. Securities Litigation*, Case
10 No. 19-cv-02690-HSG, (the “Federal Securities Class Action”), and a securities class action
11 lawsuit pending in the Superior Court of the State of California, County of San Francisco (together
12 “the Securities Class Actions”), Lyft’s officers and directors substantially damaged the Company
13 by filing false and misleading statements that omitted material adverse facts.

14 13. Specifically, on September 8, 2020, the District Court in the Federal Securities
15 Class Action issued an order granting in part and denying in part defendants’ motion to dismiss.
16 *See* Dkt. No. 78. The District Court found that the complaint adequately at the motion to dismiss
17 stage that the Registration Statement’s omission of any mention of potential liability from sexual
18 assaults perpetrated by drivers against riders rendered the Company’s statements touting safety
19 materially misleading. Moreover, the complaint adequately alleged that the Registration Statement
20 failed to warn of reputational risk stemming from the sexual assault allegations and litigation and
21 that such reputational risk had already materialized by the time of the Company’s IPO. The
22 complaint also sufficiently alleged that the bikeshare program’s risk factors were insufficient for
23 the purposes of the motion to dismiss because many of the problems and safety issues arising from
24 the bikes had already occurred there constituting present realities not contingencies.

25 **II. JURISDICTION AND VENUE**

26 14. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because
27 Plaintiff’s claims raise a federal question under question under Section 11(f) of the Securities Act,
28

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