

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

TIMOTHY BOND, individually and on
behalf of all others similarly situated,

Plaintiff,

v.

CLOVER HEALTH INVESTMENTS,
CORP., CHAMATH PALIHAPITIYA,
VIVEK GARIPALLI, and ANDREW TOY,

Defendants.

Case No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff Timothy Bond (“Plaintiff”), by and through his attorneys, alleges upon personal knowledge as to his own acts, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the “SEC”), news reports, press releases issued by Defendants, and other publicly available documents, as follows:

NATURE AND SUMMARY OF THE ACTION

1. This is a federal securities class action on behalf of all investors who purchased or otherwise acquired Clover Health Investments, Corp. (“Clover” or the “Company”) (formerly known as Social Capital Hedosophia Holdings Corp. III (“SCH”) common stock between October 6, 2020 and February 3, 2021, inclusive (the “Class Period”). This action is brought on behalf of the Class for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (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.

2. According to the Company's recent SEC filings, Clover purports to be "a next-generation Medicare Advantage insurer" that seeks to "leverage [its] flagship software platform, the Clover Assistant, to provide America's seniors with PPO and HMO plans that are the obvious choice for Medicare-eligible consumers." Clover is headquartered in this jurisdiction, with its principal executive offices located at 725 Cool Springs Boulevard, Suite 320, Franklin, Tennessee 37067.

3. On October 6, 2020, Clover issued a press release announcing plans to become a publicly traded company via a merger with SCH. SCH was setup as a special purpose acquisition company (also known as a SPAC). SCH's shares traded on the New York Stock Exchange under the ticker symbol "IPOC." Clover's October 6, 2020 release provided, in relevant part, that the transaction valued Clover at an enterprise value of approximately \$3.7 billion, and the transaction was expected to deliver up to \$1.2 billion in gross proceeds.

4. On January 7, 2021, Clover and SCH announced that their anticipated business combination had been completed, and shares of Clover would begin trading on NASDAQ under the ticker symbol CLOV the next day. During the Class Period, shares of IPOC/CLOV common stock traded as high as \$17.45 each.

5. On February 4, 2021, analyst Hindenburg Research published a report entitled "Clover Health: How the 'King of SPACs' Lured Retail Investors Into a Broken Business Facing an Active, Undisclosed DOJ Investigation." In this report, Hindenburg "reveal[ed] how Clover Health and its Wall Street celebrity promoter, Chamath Palihapitiya, misled investors about critical aspects of Clover's business in the run-up to the company's SPAC go-public transaction last month." Hindenburg stated that its investigation "spanned almost 4 months and has included more than a dozen interviews with former employees, competitors, and industry experts," as well

as “dozens of calls to doctor’s offices, and a review of thousands of pages of government reports, insurance filings, regulatory filings, and company marketing materials.”

6. Hindenburg continued: “[c]ritically, Clover has not disclosed that its business model and its software offering, called the Clover Assistant, are under active investigation by the Department of Justice (DOJ), which is investigating at least 12 issues ranging from kickbacks to marketing practices to undisclosed third-party deals, according to a Civil Investigative Demand . . . we obtained.” Hindenburg wrote that the DOJ’s “Civil Investigative Demand and the corresponding investigation present a potential existential risk for a company that derives almost all of its revenue from Medicare, a government payor. Our research indicates that the investigation has merit.”

7. On this news, shares of Clover common stock plummeted from their February 3, 2021 closing price of \$13.95 per share to just \$12.23 per share on February 4, 2021, representing a one day drop of approximately 12.3%. This represents a loss of approximately \$700 million in market capitalization. Moreover, shares traded as low as \$11.86 per share intraday on February 4, 2021.

8. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company’s business. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Clover was the recipient of a Civil Investigative Demand from the DOJ; (ii) much of Clover’s sales are driven by a major related party deal that Clover not only failed to disclose but took active steps to conceal; (iii) Clover’s subsidiary Seek Insurance failed to disclose its relationship with Clover and misled consumers as to its purported independence; (iv) Clover’s software was in fact rudimentary; and (v) as a result, the Company’s public statements were materially false and misleading at all relevant times.

JURISDICTION AND VENUE

9. The federal law claims asserted herein arise under §§ 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, as well as under the common law.

10. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §1331 and § 27 of the Exchange Act, 15 U.S.C. § 78aa.

11. This Court has jurisdiction over each Defendant named herein because each Defendant is an individual or corporation who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

12. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1931(b), as the Company has its principal executive offices located in this District and conducts substantial business here.

13. In connection with the acts, omissions, conduct and other wrongs in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

14. Plaintiff Timothy Bond acquired and held shares of Clover at artificially inflated prices during the class period, and has been damaged by the revelation of the Company's material misrepresentations and material omissions.

15. Defendant Clover Health Investments, Corp. purports to be a Medicare Advantage insurer that uses its software platform, the Clover Assistant, to provide America's seniors with PPO and HMO insurance plans. Clover common stock trades on the NASDAQ

stock exchange under the ticker “CLOV.” The Company’s headquarters are located at 725 Cool Springs Boulevard, Suite 320, Franklin, Tennessee 37067, and the Company is incorporated under the laws of the State of Delaware.

16. Defendant Chamath Palihapitiya has served as SCH’s CEO and Chairman of SCH’s Board of Directors since October 2019. Since the January 7, 2021 business combination, Defendant Palihapitiya has acted as a senior advisor to Clover’s management.

17. Defendant Vivek Garipalli co-founded Clover and has served as Clover’s CEO and a member of the Company’s Board of Directors since July 2014. He also previously served as Clover’s President from July 2014 to March 2019.

18. Defendant Andrew Toy has served as Clover’s President since March 2019, as Clover’s Chief Technology Officer since February 2018, and as a member of the Company’s Board of Directors since November 2019.

19. Defendants Palihapitiya, Garipalli, and Toy (referred to as the “Individual Defendants”), because of their positions at the Company, possessed the power and authority to control the content and form of the Company’s annual reports, quarterly reports, press releases, investor presentations, and other materials provided to the SEC, securities analysts, money and portfolio managers and investors, *i.e.*, the market. The Individual Defendants authorized the publication of the documents, presentations, and materials alleged herein to be misleading prior to its issuance and had the ability and opportunity to prevent the issuance of these false statements or to cause them to be corrected. Because of their positions with the Company and access to material non-public 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

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