

**SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK**

	:	
PAUL CHAPLIN, on behalf of himself	:	
and those similarly situated,	:	
Plaintiff,	:	Index No.:
v.	:	Date Index No. Purchased:
	:	
SOCIAL CAPITAL HEDOSOPHIA	:	<u>SUMMONS</u>
HOLDINGS CORP. III, CHAMATH	:	
PALIHAPITIYA, IAN OSBORNE,	:	
JACQUELINE D. RESES and JAMES	:	
RYANS,	:	
Defendants.	:	
	:	

TO ALL NAMED DEFENDANTS ABOVE:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance, on the Plaintiff's attorneys within 20 days after service of this summons, exclusive of the day of service (or within 30 days after the service is complete if this summons is not personally delivered to you within the State of New York); and in case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

The basis of the venue designated is New York County because a substantial portion of the transaction and wrongs complained of, including defendants' primary participation in the wrongful acts, occurred in this County occurred in this County; the trading of Defendant's stock on the New York Stock Exchange, occurred in this County; two or more of the defendants either reside in or maintain executive offices in this County; and/or defendants have received substantial

compensation in this County by engaging in numerous activities and conducting business, which had an effect in this County.

Dated: October 29, 2020

BRODSKY & SMITH, LLC

By: 

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Counsel for Plaintiff

**SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK**

PAUL CHAPLIN, on behalf of himself
and those similarly situated,

Plaintiff,

v.

SOCIAL CAPITAL HEDOSOPHIA
HOLDINGS CORP. III, CHAMATH
PALIHAPITIYA, IAN OSBORNE,
JACQUELINE D. RESES and JAMES
RYANS,

Defendants.

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: Index No.:
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: Date Index No. Purchased:
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: **CLASS ACTION COMPLAINT**
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: **JURY TRIAL DEMAND**
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Plaintiff, Paul Chaplin (“Plaintiff”), by his attorneys, on behalf of himself and those similarly situated, files this action against the defendants, and alleges upon information and belief, except for those allegations that pertain to him, which are alleged upon personal knowledge, as follows:

SUMMARY OF THE ACTION

1. Plaintiff brings this stockholder class action on behalf of himself and all other public stockholders of Social Capital Holdings Hedosophia Corp. III (“Social Capital” or the “Company”) against Social Capital and Social Capital’s Board of Directors (the “Board” or the “Individual Defendants,” and collectively with Social Capital, the “Defendants”) for breaches of fiduciary duty as a result of Defendants’ efforts to sell the Company, through merger vehicle Asclepius Merger Sub Inc., a wholly owned subsidiary of the Company, to Clover Health Investments, Corp., a Delaware corporation, (“Clover Health”).

2. Social Capital is a special purpose acquisition company, or “SPAC,” an entity that is formed strictly to raise capital through an initial public offering (“IPO”) for the purpose of acquiring an existing company, and merging with it to take that entity public.

3. This action seeks to enjoin a stockholder vote through which Clover Health will merge with the Company, via a reverse merger where, when completed, the Company’s shareholders interests will be significantly diluted – they will own only 18.7% of the combined company, while existing Clover Health shareholders will own the vast majority, or ~67.6%, of the go-forward company, by raising approximately \$1.2 billion of gross proceeds from Social Capital shareholders to finance a portion of the purchase price (the “Proposed Transaction”).

4. The terms of the Proposed Transaction were memorialized in an October 6, 2020 filing with the United States Securities and Exchange Commission (“SEC”) on Form 8-K attaching the definitive Agreement and Plan of Merger (the “Merger Agreement”). Under the terms of the Merger Agreement, Social Capital will merge into Clover Health and cease to exist, forming one publicly traded entity combined with the investors in Clover Health, significantly diluting Social Capital investors’ share of the combined company.

5. Thereafter, on October 20, 2020, Social Capital filed a Registration Statement on Form S-4 (the “Registration Statement”) with the Securities and Exchange Commission (the “SEC”) in support of the Proposed Transaction.

6. The Proposed Transaction is unfair and undervalued for a number of reasons. Significantly, the Registration Statement describes an insufficient sales process in which the Board failed to create a disinterested committee of independent directors to maximize public stockholder value.

7. It appears as though the Board has entered into the Proposed Transaction to procure for itself and senior management of the Company significant and immediate benefits with no thought to the Company's public stockholders. For instance, Company insiders, including the Individual Defendants, currently own large, illiquid portions of Company stock that will be rolled over for much higher percentages of the surviving entity than Plaintiff and other Social Capital public stockholders.

8. After the consummation of the Proposed Transaction Clover Health stockholders will own approximately 67.6% of the post-close entity, with current Social Capital stockholders owning only approximately 18.7% of the combined company post-close.

9. Furthermore, Defendants have breached their fiduciary duties to the Company's stockholders by agreeing to the Proposed Transaction which undervalues Social Capital and is the result of a flawed sales process.

10. In further violation of their fiduciary duties, on October 20, 2020, Defendants caused to be filed with the SEC the materially deficient Registration Statement in an effort to solicit stockholders to vote their Social Capital shares in favor of the Proposed Transaction. The Registration Statement is materially deficient and deprives Social Capital stockholders of the information they need to make an intelligent, informed and rational decision of whether to vote their shares in favor of the Proposed Transaction. As detailed below, the Registration Statement omits and/or misrepresents material information concerning, among other things: (a) the sales process leading up to the Proposed Transaction; (b) the financial projections for Clover Health, provided by Clover Health to the Social Capital Board and the Company's financial advisor Woodruff-Sawyer & Co. ("Woodruff") for use in its respective financial valuations; and (c) financial valuation analyses, if any, that were provided by the Company's Board, and/or Woodruff.

11. Absent judicial intervention, the Proposed Transaction will be consummated, resulting in irreparable injury to Plaintiff and the Class. This action seeks to enjoin the Proposed Transaction or, in the event the Proposed Transaction is consummated, to recover damages resulting from violation of the federal securities laws by Defendants.

PARTIES

12. Plaintiff is a citizen of Florida and, at all times relevant hereto, has been a Social Capital stockholder.

13. Defendant Social Capital is a Cayman Island corporation and maintains its principal executive offices at 317 University Ave, Suite 200, Palo Alto, CA 94301. Social Capital's common stock is traded on the NYSE under the ticker symbol "IPOC."

14. Defendant Chamath Palihapitiya ("Palihapitiya") has served as director of Company at all relevant times. Palihapitiya also serves as Company's Chief Executive Officer ("CEO") and Chairman of the Board.

15. Defendant Ian Osborne ("Osborne") has served as director of Company at all relevant times. In addition, Osborne also serves as Company's President.

16. Defendant James Ryans ("Ryans") has served as director of Company at all relevant times.

17. Defendant Jacqueline D. Reses ("Reses") has served as director of Company at all relevant times.

18. The defendants identified in paragraphs 14-17 are collectively referred to herein as the "Director Defendants" or the "Individual Defendants."

19. Non-Party Clover Health an American healthcare company whose goal is to use data analysis and preventive care to improve health insurance for seniors and give customers

who use private versions of Medicare a less expensive option. Clover Health is incorporated in the Delaware and headquartered at 22 4th St 10th Floor, San Francisco, CA 94103.

20. Non-Party Merger Sub is a Delaware Corporation and a party to the Merger Agreement. Merger Sub is a wholly-owned subsidiary of Social Capital created to give effect to the Proposed Transaction.

JURISDICTION AND VENUE

21. This Court has personal jurisdiction over the Defendants pursuant to CPLR 301 and/or 302. This Court has personal jurisdiction over Defendants because, among other things, the Company's stock trades on the NYSE which is headquartered in New York County. The exercise of jurisdiction by this New York Court is permissible under traditional notions of fair play and substantial justice.

22. Venue is proper in this Court pursuant to CPLR 503. Among other things, the Company's common shares trade on the NYSE, which is also headquartered in New York County.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this class action pursuant to CPLR Article 9 on behalf of himself and all other owners of Social Capital common stock on the date of the announcement of the Proposed Transaction, and their successors and assigns (excluding Defendants, and any person, firm, trust, corporation or other entity related or affiliated with any of the Defendants)

24. This action is properly maintainable as a class action for the following reasons.

- a. The Class is so numerous that joinder of all members is impracticable. As of August 13, 2020, there were 82,800,000 shares of Social Capital common stock issued and outstanding, likely owned by hundreds if not thousands of non-affiliated Social Capital public stockholders.

- b. There are questions of law and fact that are common to the Class, including:
- i. whether the Individual Defendants breached their fiduciary duties to the Class by entering into the Proposed Transaction, which is unfair to the Company's public stockholders and was entered into as a result of a flawed, inadequate and unfair process;
 - ii. whether the Proposed Transaction is unfair to the Class, in that the price is inadequate and unfair and does not reflect the fair value that could be obtained under the circumstances; and
 - iii. whether the Class is entitled to injunctive relief and/or damages as a result of the wrongful conduct committed by the Defendants.
- b. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other Class members and Plaintiff has the same interests as the other Class members. Plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class.
- c. The prosecution of separate actions by individual Class members would create the risk of inconsistent or varying adjudications with respect to individual Class members, which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual Class members that would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

25. To the extent Defendants take further steps to effectuate the Proposed Transaction, preliminary and/or final injunctive relief on behalf of the Class as a whole will be entirely appropriate because Defendants have acted, or refused to act, on grounds generally applicable and causing injury to the Class.

THE INDIVIDUAL DEFENDANTS' FIDUCIARY DUTIES

26. In any situation where the directors of a publicly traded corporation undertake a transaction that will result in either a change in corporate control or a break-up of the corporation's assets, the directors have an affirmative fiduciary obligation to act in the best interests of the company's shareholders, including the duty to obtain maximum value under the circumstances. To diligently comply with these duties, the directors may not take any action that:

- a. adversely affects the value provided to the corporation's shareholder's;
- b. will discourage or inhibit alternative offers to purchase control of the corporation or its assets;
- c. contractually prohibits them from complying with their fiduciary duties; and/or
- d. will provide the directors, executives or other insiders with preferential treatment at the expense of, separate from, the public shareholders, and place their own pecuniary interests above those interests of the company and its shareholders.

27. In accordance with their duties of loyalty and good faith, the Individual Defendants, as directors and/or officers of Social Capital, are obligated to refrain from:

- a. participating in any transaction where the directors' or officers' loyalties are divided;

- b. participating in any transaction where the directors or officers are entitled to receive personal financial benefit not equally shared by the public shareholders of the corporation; and/or
- c. unjustly enriching themselves at the expense or to the detriment of the public shareholders.

28. Plaintiff alleges herein that the Individual Defendants, separately and together, in connection with the Proposed Transaction, violated, and are violating, the fiduciary duties they owe to Plaintiff and the other public shareholders of Social Capital, including their duties of loyalty, good faith, candor, and due care. As a result of the Individual Defendants' divided loyalties, Plaintiff and Class members will not receive adequate, fair or maximum value for their Social Capital common stock in the Proposed Transaction.

29. As a result of these breaches of fiduciary duty, the Company's public shareholders will not receive adequate or fair value for their common stock in the Proposed Transaction.

SUBSTANTIVE ALLEGATIONS

Company Background

30. The Company is a special purpose acquisition company formed for the purpose of effecting a merger, stock exchange, acquisition, reorganization or similar business combination with one or more businesses with a specific focus on identifying and investing in innovative and agile technology companies. Social Capital is a partnership between the investment firms of Social Capital and Hedosophia uniting technologists, entrepreneurs and technology-oriented investors around a shared vision. The Company was founded in 2020 by Chamath Palihapitiya and is based in Palo Alto, California.

31. Clover Health is a healthcare technology company with a deeply rooted mission of helping its members live their healthiest lives. Clover Health uses its proprietary technology platform to collect, structure, and analyze health and behavioral data to improve medical outcomes and lower costs for patients.

32. According to the Investor Presentation for the Proposed Transaction, Clover Health is the fastest growing Medicare Advantage Plan in the US. Clover Health is currently implemented in 34 Counties in the US, with 57,000 members, projecting a gross revenue of \$664 million for the full year 2020. Clover Health has already obtained a 25% market share in the 34 markets where the company established its presence. The company is projecting that by 2021, it will be in 108 Counties in the US, have 73,000 members, while bringing in \$872 million in gross revenue in the year.

33. The Investor Presentation continued by focusing on Clover Health's long-term growth and objectives. The business plan elaborates on expansion through physicians, not the consumers. The company plans on contracting with Primary Care Physicians, adding their customers through single contracts, managing the company's costs through the company, and an emphasis on technology-driven programs which create incentives for physicians to buy-in on Clover Health's user-friendly system. By doing this, Clover Health projects it can reach \$25 billion in revenue by 2030 by obtaining 40% of the markets in the US, totaling around 28 million members.

34. Clover Health offers a unique approach to insurance, diversifying itself in the industry. The system takes the pain out of payor reimbursement by paying Primary Care Physicians a prompt, predictable, and enhanced rate. Those physicians will then be compensated at a level similar to specialists, incentivizing doctors to join the network of providers for Clover Health. On

the client interaction side, the Clover Assistant, the patient online portal, will make it easier for patients to communicate with their physician, lessening the time usually spent with paper work.

35. Clover Health's unique and innovative business structure, coupled with its long term financial projections, indicate a future of financial success. This will come at the expense of the minority Social Capital shareholders who will be significantly diluted, retaining only approximately 18.7% of the pro forma ownership of the combined company while Clover Health investors retain an approximately 67.6% stake in the combined company, according to the Investor Presentation for the Proposed Transaction.

36. Nevertheless, the Individual Defendants have caused Social Capital to enter into the Proposed Transaction, thereby depriving Plaintiff and other public stockholders of the Company the opportunity to reap the benefits of Clover Health's present and future success.

The Insufficient Process

37. As detailed in the Registration Statement, the process deployed by the Individual Defendants was flawed and inadequate, was conducted out of the self-interest of the Individual Defendants, and was designed with only one concern in mind – to effectuate a sale of the Company to Clover Health.

38. As an initial matter the Registration Statement indicates that no committee of independent Board members were created to run the sales process.

39. Also, while the Registration Statement indicates that Social Capital retained Woodruff as a financial advisor, the Registration Statement does not indicate the role of Woodruff in the sales process, nor how much Woodruff was paid in compensation for its services throughout the sales process.

40. In addition, despite the engagement of Woodruff, the Registration Statement indicates that the Social Capital Board did not obtain a third party valuation in connection with the Proposed Transaction, further begging the question why any financial advisor engagement was necessary.

41. Despite this, the Registration Statement gives no information, save for the preceding, in regards to the analyses performed by the Board to determine Clover's valuation, or the metrics underlying the analyses.

42. Additionally, the Registration Statement specifically indicates the Board's position regarding the fairness of the Proposed Transaction to Plaintiff and other public Social Capital stockholders, noting that, "Neither the SCH board of directors nor any committee thereof is required to obtain an opinion that the price that we are paying for Clover is fair to us from a financial point of view."

43. Moreover, the Registration Statement is silent as to the existence or nature of any confidentiality agreements entered into between the Company and Clover Health or any interested third party, whether these agreements were different from one another, and whether any of these agreements contained standstill provisions and, if so, whether such standstill provisions (i) contained a "Don't ask, Don't waive" ("DADW") provision and (ii) under what conditions would said standstill provisions fall away.

44. It is not surprising, given this background to the overall sales process, that it was conducted in a completely inappropriate and misleading manner.

The Proposed Transaction

45. On October 6, 2020, Social Capital issued a press release announcing the Proposed Transaction. The press release stated, in relevant part:

San Francisco & Palo Alto, Calif. -- October 6, 2020 -- Clover Health Investments, Corp. (“Clover” or “the Company”), which operates next-generation Medicare Advantage plans, has entered into a definitive agreement to become publicly traded via a merger with Social Capital Hedosophia Holdings Corp. III (“SCH”)(NYSE: IPOC), a special purpose acquisition company. Upon closing, the transaction will support Clover’s mission to improve every life, providing significant capital for the Company to scale and improve health outcomes for seniors across the United States.

Company Overview

Founded in 2013, Clover has pioneered a fundamentally different approach to Medicare Advantage that focuses on driving affordability and partnering closely with physicians to deliver the best possible health outcomes for members. The Company offers affordable Medicare Advantage plans to eligible individuals, giving consumers access to broad and open healthcare networks, rich supplemental benefits and low out-of-pocket expenses.

Technology is at the core of Clover’s business – the Company is a true innovator in the Medicare Advantage space, deploying its own internally-developed software to assist physicians with clinical decision-making at the point of care.

Clover’s flagship platform, the Clover Assistant, aggregates millions of relevant health data points – including claims, medical charts and diagnostics, among others – and uses machine learning to synthesize that data with member-specific information. This provides physicians with actionable and personalized insights at the point of care, offering suggestions for medications and dosages as well as the need for tests or referrals, among others, to ultimately improve health outcomes.

The Clover Assistant enables a virtuous growth cycle, whereby improved health outcomes lead to superior economics that the Company shares with members through lower costs and rich benefits. In turn, the Company believes its best-in-class plans will continue to deliver market-leading growth, allowing the Clover Assistant to capture and synthesize more data and ultimately drive better care.

Medicare Advantage is one of the largest and fastest growing markets in the U.S. healthcare system – but it is one that has seen little innovation and remains ripe for disruption. Worth \$270 billion today and with an estimated value of \$590 billion by 2025, the Medicare Advantage market provides a tremendous opportunity for growth.

Today, Clover is the fastest growing Medicare Advantage insurer in the United States – among insurers with more than 50,000 members – and serves more than 57,000 members in 34 counties across 7 states. Spurred by favorable demographic tailwinds and its differentiated, technology-driven approach, Clover has captured an average of 50 percent of the net increase in membership across its established

markets over the last three years. Further, the Company's software-centric approach enables efficient expansion into new markets, including to historically underserved and rural communities. The Company plans to expand into an additional 74 counties and eighth state next year and recently announced a new partnership with Walmart to make joint Clover-Walmart plans available to half a million Medicare-eligibles in eight Georgia counties.

Clover's management team, led by CEO and Co-Founder Vivek Garipalli and President and Co-Founder Andrew Toy, will continue to lead Clover following the transaction. Chamath Palihapitiya, Founder and CEO of SCH, will act as a senior advisor to the Company's management.

Management Comments

"I launched Clover eight years ago to fix fundamental flaws in our healthcare system, including unequal access, abysmal customer service and wasteful spending. Chamath and the SCH team are fervent believers and true champions of Clover's mission to improve every life," said Garipalli. "Our philosophy is that everyone should be able to afford great healthcare. The Clover team empowers physicians to deliver the best possible outcomes for our members, and the Clover Assistant does just that by delivering vital clinical insights to physicians at the point of care."

"We have made it our business to make healthcare affordable. Our technology helps doctors, leading to better outcomes and lower out-of-pocket expenses for members," said Toy. "I believe that more and more doctors are embracing the Clover Assistant because it allows them to focus on what they want to do, which is to look after patients. Importantly, the platform is powered by a closed feedback loop, linking clinical data and physician action, which improves continuously as membership grows, allowing us to constantly evolve new ways of helping physicians and their patients."

Palihapitiya said, "We need companies like Clover to help fix our broken healthcare system. The Company's rapid growth is a testament to the effectiveness of its tech-enabled approach, which resonates powerfully with consumers and physicians alike. I believe Clover is uniquely positioned to disrupt the entire Medicare Advantage market as well as expand into new and exciting opportunities in Original Medicare. I am proud to partner with Vivek, Andrew and the entire Clover team on the next phase of their mission to improve lives across the country."

Transaction Overview

On October 6, 2020, SCH entered into a definitive agreement to combine with Clover through a combination of stock and cash financing. The transaction values Clover at an enterprise value of approximately \$3.7 billion.

The transaction is expected to deliver up to \$1.2 billion of gross proceeds, including the contribution of up to \$828 million of cash held in SCH's trust account from its initial public offering in April 2020. The transaction is further supported by a \$400 million PIPE at \$10.00 per share, including \$100 million from Palihapitiya, \$50 million from Hedosophia, and the remainder from investors including Fidelity Management & Research Company, LLC., and funds affiliated with Jennison, Senator Investment Group LP, Casdin and Perceptive Advisors. Clover will receive up to \$728 million of transaction proceeds, and up to \$500 million of cash proceeds will be allocated to existing Clover shareholders. Vivek Garipalli, Andrew Toy and other officers of the company will roll 100 percent of their equity into the new company. All references to cash on the balance sheet, available cash from the trust account, cash proceeds allocated to existing shareholders and retained transaction proceeds are subject to any redemptions by the public shareholders of SCH and payment of transaction expenses.

The transaction, which has been unanimously approved by SCH's boards of directors and the independent directors of Clover's board of directors, is expected to close in the first quarter of 2021, and is subject to approval by SCH's shareholders and other customary closing conditions, including any applicable regulatory approvals.

The Inadequate Merger Consideration

46. As set forth above, the Proposed Transaction significantly undervalues the stockholders of the Company by diluting their future interest in the surviving company. Moreover, the merger consideration does not adequately take into consideration the current and probable financial success of Clover Health.

47. Clover Health has received praise for its business model and unique strategy, landing a partnership with Walmart just before the news release of the Proposed Transaction in October 2020. An October 6, 2020 Fierce Healthcare article elaborated on the partnership with Walmart, "Insurer Clover Health has partnered with Walmart to offer a series of Medicare Advantage plans aimed at low-income, Medicare-eligible beneficiaries in Georgia. This will be the first foray for Walmart into the health plan space, though the retail giant does have a co-branded Medicare Part D plan with Humana. It has also launched a series of health clinics. Walmart pointed to the insurer's Clover Assistant, which employs machine learning to offer care recommendations

and other guidance to primary care physicians, to help sell its Live Healthy plans to half a million Medicare customers in eight Georgia counties starting in 2021.”

48. An October 8, 2020 Business Insider article went into more detail regarding Clover Health’s future prospects with the partnership, “Clover Health plans to use the funds to fuel its expansion into new geographic markets—and we think the startup is on track to see a surge in users. The insurtech offers Medicare Advantage (MA) plans in 34 counties across seven states—and Clover Health CEO Vivek Garipalli recently said the startup plans to use the funds from its public debut to expand into 74 more counties and an eighth state in 2021... Between the funding haul and its recent tie-up with Walmart, Clover is laying the groundwork to become a powerhouse in the MA space. This news comes on the heels of Clover Health's partnership with Walmart to create two new insurance plans, which will give Clover's MA members access to services from select Walmart Health centers in Georgia, in addition to in-network access to over 31 hospitals. Clover Health is gaining significant momentum as it works to entrench itself in the growing MA space: There were 3,148 MA plans available in 2020—up 414 plans from 2019.”

49. As mentioned in the Press Release for the Proposed Transaction above, Clover Health highlighted certain crucial keys to their success and future potential. First is its technology platform where Clover Health “the Company is a true innovator in the Medicare Advantage space, deploying its own internally-developed software to assist physicians with clinical decision-making at the point of care. Clover’s flagship platform, the Clover Assistant, aggregates millions of relevant health data points – including claims, medical charts and diagnostics, among others – and uses machine learning to synthesize that data with member-specific information. This provides physicians with actionable and personalized insights at the point of care, offering suggestions for medications and dosages as well as the need for tests or referrals, among others, to ultimately improve health outcomes... ‘I believe that more and more doctors are embracing the Clover Assistant because it allows them to focus on what they want to do, which is to look after patients. Importantly, the platform is powered by a closed feedback loop, linking clinical data and physician

action, which improves continuously as membership grows, allowing us to constantly evolve new ways of helping physicians and their patients”

50. Clover Health’s unique business model, revenue strategies, and Walmart partnership are some of the reasons Clover Health’s future is bright. Being publicly traded will add even more value to the merged company, allowing it to raise capital to develop and reduce debt. Unfortunately, Social Capital investors will be highly diluted and not able to fairly take part in that success.

51. It is apparent from these statements and the facts set forth herein that this deal is designed to maximize benefits for Clover Health at the expense of Social Capital and Social Capital’s stockholders; Social Capital stockholders were not an overriding concern in the formation of the Proposed Transaction.

Potential Conflicts of Interest

52. The sales process as indicated in the Registration Statement leading up to the Proposed Transaction indicate serious flaws in the supposed unbiased nature of the decision to enter into the Proposed Transaction.

53. The breakdown of the benefits of the deal indicate that Clover Health and Social Capital insiders are the primary beneficiaries of the Proposed Transaction, not the Company’s public stockholders. The Board and the Company’s executive officers are conflicted because they will have secured unique benefits for themselves from the Proposed Transaction not available to Plaintiff and the public stockholders of Social Capital.

54. For example, after the consummation of the Proposed Transaction, current Social Capital public stockholders will own only approximately 18.7% of the combined company post-close, while Clover Health stockholders will own approximately 67.6% of the post-close entity

and PIPE and current Social Capital insiders will own approximately 13.7% of the post-close entity.

55. Relatedly, Company insiders, currently own large, illiquid portions of Company stock that will be exchanged for large swaths of Clover Health stock upon the consummation of the Proposed Transaction, as follows

Name and Address of Beneficial Owner ⁽¹⁾	Pre-Business Combination and PIPE Investment					Post-Business Combination and PIPE Investment													
	Number of SCH Ordinary Shares ⁽²⁾	% of SCH Class A Ordinary Shares	% of SCH Class B Ordinary Shares	% of SCH Ordinary Shares	% of Total Voting Power	Assuming No Redemption					Assuming Redemption								
						Number of Shares of Clover Health Class A Common Stock	% of Clover Health Class A Common Stock	Number of Shares of Clover Health Class B Common Stock	% of Clover Health Class B Common Stock	% of Total Voting Power	Number of shares of Clover Health Class A Common Stock	% of Clover Health Class A Common Stock	Number of shares of Clover Health Class B Common Stock	% of Clover Health Class B Common Stock	% of Total Voting Power				
5% Holders																			
SCH Sponsor III LLC ⁽³⁾	20,500,000	—	99.0	19.8	19.8	20,500,000	9	—	—	*	20,500,000	9	—	—	*				
Integrated Core Strategies (US) LLC and affiliates ⁽⁴⁾	5,400,000	6.5	—	5.2	5.2	6,400,000	4.5	—	—	*	6,400,000	7.1	—	—	*				
Linden Capital L.P. and affiliates ⁽⁵⁾	5,400,000	6.5	—	5.2	5.2	5,800,000	4.0	—	—	*	5,800,000	6.4	—	—	*				
Park West Asset Management LLC and affiliates ⁽⁶⁾	6,000,000	7.2	—	5.8	5.8	6,500,000	4.5	—	—	*	6,500,000	7.2	—	—	*				
Entities affiliated with Vivek Garipalli ⁽⁷⁾⁽¹³⁾	—	—	—	—	—	—	—	85,609,715	9	9	—	—	85,618,908	9	9				
Greenoaks Capital and affiliated entities ⁽⁸⁾	—	—	—	—	—	—	—	88,446,119	9	9	—	—	97,986,596	9	9				
Sequoia Capital and affiliated entities ⁽⁹⁾	—	—	—	—	—	—	—	12,492,973	9	9	—	—	18,207,179	9	9				
Directors and Executive Officers Pre-Business Combination																			
Chamath Palihapitiya ⁽³⁾⁽¹⁰⁾	—	—	—	—	—	20,500,000	99%	19.8%	16.5%	30,500,000	21.3%	—	—	1.0%	30,500,000	33.6%	—	—	*
Ian Osborne ⁽³⁾⁽¹¹⁾	—	—	—	—	—	20,500,000	99%	19.8%	16.5%	25,500,000	17.8%	—	—	*	25,500,000	28.1%	—	—	*
Steven Trieu	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Simon Williams	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Jacqueline D. Reses ⁽¹²⁾	—	—	—	—	—	100,000	*	*	*	300,000	*	—	*	*	300,000	*	—	*	*
Dr. James Ryans	—	—	—	—	—	100,000	*	*	*	100,000	*	—	*	*	100,000	*	—	*	*
All SCH directors and executive officers as a group (6 individuals)	—	—	—	—	—	20,700,000	100%	20%	20%	56,400,000	39.3%	—	—	1.8%	56,400,000	62.2%	—	—	1.6%

56. The Registration Statement also indicates that certain members of the Board will continue on as a Director of the surviving entity but fails to adequately disclose communications regarding post-transaction employment during the negotiation of the underlying transaction. Communications regarding post-transaction employment during the negotiation of the underlying

transaction must be disclosed to stockholders. This information is necessary for stockholders to understand potential conflicts of interest of management and the Board, as that information provides illumination concerning motivations that would prevent fiduciaries from acting solely in the best interests of the Company's stockholders.

57. In addition, the Registration Statement fails to include an accounting of Social Capital's insiders' holdings of Company stock, options, and/or other equity awards that will provide them disparate and greater compensation than Plaintiff and other Social Capital public stockholders in the Proposed Transaction.

58. Thus, while the Proposed Transaction is not in the best interests of Social Capital stockholders, it will produce lucrative benefits for the insiders who orchestrated the Proposed Transaction.

The Materially Misleading and/or Incomplete Registration Statement

59. On October 20, 2020, the Company filed with the SEC a materially misleading and incomplete Registration Statement that failed to provide the Company's stockholders with material information and/or provides them with materially misleading information critical to the total mix of information available to the Company's stockholders concerning the financial and procedural fairness of the Proposed Transaction.

Omissions and/or Material Misrepresentations Concerning the Sales Process Leading up to the Proposed Transaction

60. Specifically, the Registration Statement fails to provide material information concerning the process conducted by the Company and the events leading up to the Proposed Transaction. In particular, the Registration Statement fails to disclose:

- a. The Registration Statement fails to give adequate information regarding the engagement of financial advisor Woodruff, including information regarding:
 - i. What Woodruff's specific role was in the sales process;

- ii. The analyses performed by Woodruff in connection with the Proposed Transaction;
 - iii. How much compensation Woodruff was entitled to or has already received in compensation for its services throughout the sales process;
 - iv. The amount of Woodruff's compensation contingent upon the consummation for the Proposed Transaction;
 - v. Whether Woodruff has performed past services for any parties to the Merger Agreement or their affiliates, including the timing and nature of such services, and the amount of compensation received by Woodruff for providing such services;
- b. The Registration Statement gives no information regarding the analyses performed by the Board to determine the Company and/or Clover Health's value, or the metrics underlying those analyses;
- c. The Registration Statement fails to disclose sufficient information regarding the existence of and/or number and nature of all confidentiality agreements entered into between Social Capital and any interested third party (including Clover Health) during the sales process, if their terms differed from one another, and if they contained "don't-ask, don't-waive" or standstill provisions, and if so, the specific conditions, if any, under which such provisions would fall away or prevent parties from submitting a bid; and
- d. Communications regarding post-transaction employment during the negotiation of the underlying transaction must be disclosed to stockholders. This information is necessary for stockholders to understand potential conflicts of interest of management and the Board, as that information provides illumination concerning motivations that would prevent fiduciaries from acting solely in the best interests of the Company's stockholders.

Omissions and/or Material Misrepresentations Concerning Clover Health's Financial Projections

61. The Registration Statement fails to provide material information concerning financial projections for Clover Health and/or the Registration Statement discloses management-prepared financial projections for Clover Health which are materially misleading. Courts have uniformly stated that “projections ... are probably among the most highly-prized disclosures by investors. Investors can come up with their own estimates of discount rates or [] market multiples. What they cannot hope to do is replicate management’s inside view of the company’s prospects.” *In re Netsmart Techs., Inc. S’holders Litig.*, 924 A.2d 171, 201-203 (Del. Ch. 2007).

62. With respect to the “Projected Financial Information,” for Clover Health prepared by Clover Health management, the Registration Statement fails to provide material information concerning the financial projections. Specifically, the Registration Statement fails to disclose material line items for the following:

- a. Gross Profit, including the metrics of total net medical expenses incurred;
- b. Adjusted EBITDA, including the metrics of EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization), adjusted to exclude certain unusual or non-recurring items, certain non-cash items and other items that are not indicative of ongoing operations (including stock-based compensation expenses, change in fair value of warrants expense, losses (gains) on derivatives, restructuring costs and health insurance industry fees); and
- c. Medical care ratio, gross, including the metrics of total net medical expenses incurred by premiums earned, gross.

63. The Registration Statement also provides non-GAAP financial metrics, including Gross Profit, Adjusted EBITDA and Medical care ratio, but fails to disclose a reconciliation of all non-GAAP to GAAP metrics.

64. The Registration Statement fails to provide all specific assumptions that were utilized to make the Clover Health projections.

65. This information is necessary to provide Company stockholders a complete and accurate picture of the sales process and its fairness. Without this information, stockholders were not fully informed as to Defendants' actions, including those that may have been taken in bad faith, and cannot fairly assess the process.

Omissions and/or Material Misrepresentations Concerning the Financial Analyses on behalf of or by the Social Capital Board

66. The Registration Statement indicates that the Social Capital Board did not obtain a third party valuation in connection with the Proposed Transaction despite specifically engaging Woodruff as a financial advisor throughout the sales process. In fact, while the Registration Statement indicates that the Board used its own "judgment" to determine that the Proposed Transaction is in the "best interest" of Social Capital public stockholders.

67. However the Registration Statement does not provide any information whatsoever regarding how the Board actually quantified the Company's or Clover Health's value, or made such valuations in regards to the Proposed Transaction or what assistance was provided by Woodruff.

68. Properly conducted financial analyses are critical for stockholders to be able to make an informed decision on whether to vote their shares in favor of the Proposed Transaction.

69. This is especially important here, as the Registration Statement explicitly indicates that the Board believes itself to have no obligation "to obtain an opinion that the price that we are paying for Clover is fair to us from a financial point of view".

70. Without any such financial valuations, Social Capital public stockholders are missing critical information necessary to evaluate whether the proposed consideration truly maximizes stockholder value and serves their interests.

FIRST COUNT**Claim for Breach of Fiduciary Duties****(Against the Individual Defendants)**

71. Plaintiff repeats all previous allegations as if set forth in full herein.

72. The Individual Defendants have violated their fiduciary duties of care, loyalty and good faith owed to Plaintiff and the Company's public stockholders.

73. By the acts, transactions and courses of conduct alleged herein, Defendants, individually and acting as a part of a common plan, are attempting to unfairly deprive Plaintiff and other members of the Class of the true value of their investment in Social Capital.

74. As demonstrated by the allegations above, the Individual Defendants failed to exercise the care required, and breached their duties of loyalty and good faith owed to the stockholders of Social Capital by entering into the Proposed Transaction through a flawed and unfair process and failing to take steps to maximize the value of Social Capital to its public stockholders.

75. Indeed, Defendants have accepted an offer to sell Social Capital at a price that fails to reflect the true value of the Company, thus depriving stockholders of the reasonable, fair and adequate value of their shares.

76. Moreover, the Individual Defendants breached their duty of due care and candor by failing to disclose to Plaintiff and the Class all material information necessary for them to make an informed decision on whether to vote their shares in favor of the Proposed Transaction.

77. The Individual Defendants dominate and control the business and corporate affairs of Social Capital and are in possession of private corporate information concerning Social Capital's assets, business and future prospects. Thus, there exists an imbalance and disparity of

knowledge and economic power between them and the public stockholders of Social Capital which makes it inherently unfair for them to benefit their own interests to the exclusion of maximizing stockholder value.

78. By reason of the foregoing acts, practices and course of conduct, the Individual Defendants have failed to exercise due care and diligence in the exercise of their fiduciary obligations toward Plaintiff and the other members of the Class.

79. As a result of the actions of the Individual Defendants, Plaintiff and the Class will suffer irreparable injury in that they have not and will not receive their fair portion of the value of Social Capital's assets and have been and will be prevented from obtaining a fair price for their common stock.

80. Unless the Individual Defendants are enjoined by the Court, they will continue to breach their fiduciary duties owed to Plaintiff and the members of the Class, all to the irreparable harm of the Class.

81. Plaintiff and the members of the Class have no adequate remedy at law. Only through the exercise of this Court's equitable powers can Plaintiff and the Class be fully protected from the immediate and irreparable injury which Defendants' actions threaten to inflict.

SECOND COUNT

Aiding and Abetting the Board's Breaches of Fiduciary Duty

Against Defendant Social Capital

82. Plaintiff incorporates each and every allegation set forth above as if fully set forth herein.

83. Defendant Social Capital knowingly assisted the Individual Defendants' breaches of fiduciary duty in connection with the Proposed Transaction, which, without such aid, would not have occurred.

84. As a result of this conduct, Plaintiff and the other members of the Class have been and will be damaged in that they have been and will be prevented from obtaining a fair price for their shares.

85. Plaintiff and the members of the Class have no adequate remedy at law.

WHEREFORE, Plaintiff demands injunctive relief, in its favor and in favor of the Class, and against the Defendants, as follows:

A. Ordering that this action may be maintained as a class action and certifying Plaintiff as the Class representatives and Plaintiff's counsel as Class counsel;

B. Enjoining the Proposed Transaction;

C. In the event Defendants consummate the Proposed Transaction, rescinding it and setting it aside or awarding rescissory damages to Plaintiff and the Class;

D. Declaring and decreeing that the Merger Agreement was agreed to in breach of the fiduciary duties of the Individual Defendants and is therefore unlawful and unenforceable;

E. Directing the Individual Defendants to exercise their fiduciary duties to commence a sale process that is reasonably designed to secure the best possible consideration for Social

Capital and obtain a transaction which is in the best interests of Social Capital and its stockholders;

F. Directing defendants to account to Plaintiff and the Class for damages sustained because of the wrongs complained of herein;

G. Awarding Plaintiff the costs of this action, including reasonable allowance for Plaintiff's attorneys' and experts' fees; and

H. Granting such other and further relief as this Court may deem just and proper.

DEMAND FOR JURY TRIAL

Plaintiff hereby demands a jury on all issues which can be heard by a jury.

Dated: October 29, 2020

BRODSKY & SMITH, LLC

By: 

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