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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NAWSHEEN DUFFAYDAR,
Individually and on behalf of all others
similarly situated,

Plaintiff,

v.

SONDER HOLDINGS INC., FRANCIS
DAVIDSON, CHRIS BERRY, and
DOMINIQUE BOURGAULT,

Defendants.

Case No:

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff Nawsheen Duffaydar (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), 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

1 calls and announcements made by defendants, United States Securities and
2 Exchange Commission (“SEC”) filings, wire and press releases published by and
3 regarding Sonder Holdings Inc. (“Sonder” or the “Company”), analysts’ reports
4 and advisories about the Company, and information readily obtainable on the
5 Internet. Plaintiff believes that substantial evidentiary support will exist for the
6 allegations set forth herein after a reasonable opportunity for discovery.

7 NATURE OF THE ACTION

8
9 1. This is a federal securities class action on behalf of a Class
10 consisting of all persons and entities other than Defendants who purchased or
11 otherwise acquired publicly traded Sonder securities between March 16, 2023
12 and March 15, 2024, both dates inclusive (the “Class Period”). Plaintiff seeks to
13 recover compensable damages caused by Defendants’ violations of the federal
14 securities laws and to pursue remedies under Sections 10(b) and 20(a) of the
15 Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5
16 promulgated thereunder.

17 JURISDICTION AND VENUE

18 2. The claims asserted herein arise under and pursuant to §§10(b) and
19 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5
20 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

21 3. This Court has jurisdiction over the subject matter of this action
22 under 28 U.S.C. §1331 and §27 of the Exchange Act.

23 4. Venue is proper in this Judicial District pursuant to §27 of the
24 Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as the Company
25 conducts business in this Judicial District.

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

4 PARTIES

5 6. Plaintiff, as set forth in the accompanying certification, purchased
6 Sonder securities at artificially inflated prices during the Class Period and was
7 damaged upon the revelation of the alleged corrective disclosure.
8

9 7. Defendant Sonder engages in hospitality services. It operates and
10 manages various accommodations that are suitable for one night and extended
11 stays.

12 8. Defendant Sonder is incorporated in Delaware and its head office is
13 located at 447 Sutter Street, Suite 405 #542, San Francisco, California 94108.
14 Sonder securities trades on the Nasdaq Global Market (“NASDAQ”) under the
15 ticker symbol “SOND.”

16 9. Defendant Francis Davidson (“Davidson”) has served as the
17 Company’s Co-Founder and Chief Executive Officer (“CEO”) since 2014.

18 10. Defendant Chris Berry served as the Company’s Interim Chief
19 Financial Officer (“CFO”) during the Class Period.

20 11. Defendant Dominique Bourgault (“Bourgault”) has served as the
21 Company’s CFO since March 2023.

22 12. Defendants Davidson, Berry, and Bourgault are collectively referred
23 to herein as the “Individual Defendants.”

24 13. Each of the Individual Defendants:

25 (a) directly participated in the management of the Company;

26 (b) was directly involved in the day-to-day operations of the Company
27 at the highest levels;

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- (c) was privy to confidential proprietary information concerning the Company and its business and operations;
- (d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;
- (e) was directly or indirectly involved in the oversight or implementation of the Company’s internal controls;
- (f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or
- (g) approved or ratified these statements in violation of the federal securities laws.

14. The Company is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

15. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to the Company under *respondeat superior* and agency principles.

16. Defendant Sonder and the Individual Defendants are collectively referred to herein as “Defendants.”

SUBSTANTIVE ALLEGATIONS
Materially False and Misleading Statements
Issued During the Class Period

17. On March 16, 2023, Sonder filed with the SEC its yearly report on Form 10-K for the period ended December 31, 2022 (the “2022 Annual Report”). Attached to the 2022 Annual Report were certifications pursuant to the

1 Sarbanes-Oxley Act of 2002 (“SOX”) signed by Defendants Davidson and Berry
 2 attesting to the accuracy of financial reporting, the disclosure of any material
 3 changes to the Company’s internal control over financial reporting and the
 4 disclosure of all fraud.

5 18. The 2022 Annual Report provided the following, in pertinent part,
 6 regarding the valuation of operating lease right of use (“ROU”) assets and related
 7 items:

SONDLIR HOLDINGS INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 December 31, 2022 and 2021
(In thousands, except share and per share information)

	2022	2021
Assets		
Current assets:		
Cash	\$ 246,674	\$ 49,776
Restricted cash	2,292	210
Accounts receivable, net of allowance of \$9.2 and \$1.2 at December 31, 2022 and 2021, respectively	5,812	6,228
Prepaid rent	—	3,917
Prepaid expenses	3,055	3,029
Other current assets	10,605	16,416
Total current assets	278,338	89,556
Property and equipment, net	54,576	57,461
Operating lease right of use (“ROU”) assets	1,239,485	—
Other non-current assets	16,575	57,037
Total assets	\$ 2,278,812	\$ 198,499

* * *

Note 8. Leases

Operating lease ROU assets are included within operating lease right-of-use assets in the consolidated balance sheets. The corresponding operating lease liabilities are included within current operating lease liabilities and non-current operating lease liabilities in the consolidated balance sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease.

The adoption of ASC 842 had a material impact on the Company’s consolidated financial statements. On January 1, 2022, the Company recognized \$1.0 billion in operating lease ROU assets, \$1.1 billion

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of operating lease liabilities, and a \$66.1 million reduction to deferred rent, which was recorded as a reduction to the ROU asset measured on the adoption date. The standard did not materially impact the Company’s consolidated statement of operations and comprehensive loss or consolidated statement of cash flows.

Lease expense for fixed operating lease payments is recognized on a straight-line basis over the lease term. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option.

Components of operating lease expense were as follows (in thousands):

	Year ended December 31, 2022	
Operating lease cost	\$	204,820
Short-term lease cost		4,704
Variable lease cost		(2,385)
Total operating lease cost	\$	207,139

Supplemental information related to operating leases was as follows (in thousands):

	Year ended December 31, 2022	
Cash payments for operating leases	\$	218,474
New operating lease ROU assets obtained in exchange for operating lease liabilities	\$	236,117

19. The 2022 Annual Report failed to disclose any impairment charges.

20. The 2022 Annual Report failed to disclose the extent of its internal controls stating the following, in relevant part, regarding the Company’s internal controls:

Notwithstanding the identified material weaknesses, management, including our Principal Executive Officer and Principal Financial Officer, *believes the consolidated financial statements included in this Annual Report on Form 10-K fairly represent in all material respects our financial condition, results of operations, and cash flows at and for the periods presented in accordance with U.S. GAAP.*

Leases

We previously identified a material weakness in our internal control over financial reporting related to the process to capture and record

1 lease agreements timely and accurately. ***Management has***
2 ***concluded that this material weakness in internal control over***
3 ***financial reporting is due to the fact that the Company did not have***
4 ***the adequate resources with the appropriate level of experience***
5 ***and technical expertise to oversee the Company’s leasing business***
6 ***processes and related internal controls.***

7 * * *

8 *Changes in Internal Control over Financial Reporting*

9 Other than as discussed above, during the period covered by this
10 report, there has been no change in our internal control over
11 financial reporting that has materially affected, or is reasonably
12 likely to materially affect, our internal control over financial
13 reporting.

14 (Emphasis added).

15 21. On May 10, 2023, the Company filed with the SEC its first quarter
16 report on Form 10-Q for the period ended March 31, 2023 (the “1Q23 Report”).
17 Attached to the 1Q23 Report were certifications pursuant to SOX signed by
18 Defendants Davidson and Bourgault attesting to the accuracy of financial
19 reporting, the disclosure of any material changes to the Company’s internal
20 control over financial reporting and the disclosure of all fraud.

21 22. The 1Q23 Report provided the following, in pertinent part,
22 regarding the valuation of operating lease ROU assets and related items:
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SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 317,528	\$ 346,624
Restricted cash	28,436	41,562
Accounts receivable, net of allowance of \$1,346 and \$972 at March 31, 2023 and December 31, 2022, respectively	6,990	5,413
Prepaid expenses	5,123	8,066
Other current assets	32,024	10,665
Total current assets	390,099	406,330
Property and equipment, net	35,432	34,826
Operating lease right-of-use ("ROU") assets	1,201,607	1,209,486
Other non-current assets	13,791	16,270
Total assets	\$ 1,621,460	\$ 1,673,613
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 14,093	\$ 18,082
Accrued liabilities	18,230	20,131
Taxes payable	16,497	14,418
Deferred revenue	58,424	41,604
Current operating lease liabilities	172,472	178,146
Total current liabilities	279,666	253,441
Non-current operating lease liabilities	1,156,811	1,166,131
Long-term debt, net	198,663	172,250
Other non-current liabilities	7,043	1,430
Total liabilities	1,618,287	1,593,599

* * *

Operating lease ROU assets are included within operating lease right-of-use assets in the consolidated balance sheets. The corresponding operating lease liabilities are included within current operating lease liabilities and non-current operating lease liabilities in the consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

Lease expense for fixed operating lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option.

Components of lease expense were as follows (in thousands):

	Three months ended March 31,	
	2023	2022
Operating lease cost	\$ 75,219	\$ 62,047
Short-term lease cost	61	7
Variable lease cost	1,901	1,441
Total operating lease cost	\$ 77,181	\$ 63,595
Supplemental information related to operating leases was as follows (in thousands):		
	Three months ended March 31,	
	2023	2022
Cash payments for operating leases	\$ 88,315	\$ 49,165
New operating lease ROU assets obtained in exchange for operating lease liabilities	\$ 38,327	\$ 114,800

Rental expense for operating leases for the three months ended March 31, 2023 and 2022 was \$77.4 million and \$65.1 million, respectively, of which \$76.4 million and \$63.6 million, respectively, is recognized in cost of revenue, \$0.2 million and \$0.7 million (respectively), in operations and support, and \$0.8 million and \$0.8 million, respectively, in general and administrative.

23. The 1Q23 Report failed to disclose any impairment charges.

1 24. The 1Q23 Report failed to disclose the extent of its internal controls
2 stating the following, in relevant part, regarding the Company’s internal
3 controls:

4 Leases

6 We previously identified a material weakness in our internal control
7 over financial reporting related to the process to capture and record
8 lease agreements timely and accurately. ***Management has***
9 ***concluded that this material weakness in internal control over***
10 ***financial reporting is due to the fact that the Company did not have***
11 ***the adequate resources with the appropriate level of experience***
and technical expertise to oversee the Company’s leasing business
processes and related internal controls.

12 * * *

13
14 *Changes in Internal Control over Financial Reporting*

15 Other than the remediation efforts in progress, during the period
16 covered by this report, ***there has been no change in our internal***
17 ***control over financial reporting that has materially affected, or is***
18 ***reasonably likely to materially affect, our internal control over***
financial reporting.

19 (Emphasis added).

20 25. On August 9, 2023, the Company filed with the SEC its second
21 quarter report on Form 10-Q for the period ended June 30, 2023 (the “2Q23
22 Report”). Attached to the 2Q23 Report were certifications pursuant to SOX
23 signed by Defendants Davidson and Bourgault attesting to the accuracy of
24 financial reporting, the disclosure of any material changes to the Company’s
25 internal control over financial reporting and the disclosure of all fraud.
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26. The 2Q23 Report provided the following, in pertinent part, regarding the valuation of operating lease ROU assets and related items:

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	June 30, 2023		December 31, 2022	
Assets				
Current assets:				
Cash and cash equivalents	\$	197,444	\$	245,594
Restricted cash		17,022		22,752
Accounts receivable, net of allowance of \$1,481 and \$972 at June 30, 2023 and December 31, 2022, respectively		14,042		3,811
Prepaid expenses		8,782		8,054
Other current assets		11,516		10,065
Total current assets		239,814		314,216
Property and equipment, net		31,616		34,976
Operating lease right-of-use ("ROU") assets		1,305,712		1,209,416
Other non-current assets		13,465		19,278
Total assets	\$	1,607,828	\$	1,577,812
Liabilities and stockholders' deficit				
Current liabilities:				
Accounts payable	\$	19,874	\$	10,012
Accrued liabilities		18,555		29,311
Taxes payable		12,472		12,111
Deferred revenue		29,858		41,664
Current operating lease liabilities		183,487		179,346
Total current liabilities		297,246		250,644
Non-current operating lease liabilities		1,219,207		1,166,318
Long-term debt, net		166,884		179,950
Other non-current liabilities		3,106		3,435
Total liabilities		1,744,831		1,699,955

* * *

Operating lease ROU assets are included within operating lease right-of-use assets in the condensed consolidated balance sheets. The corresponding operating lease liabilities are included within current operating lease liabilities and non-current operating lease liabilities in the condensed consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

Lease expense for fixed operating lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option.

Components of lease expense were as follows (in thousands):

	Three months ended June 30,				Six months ended June 30,			
	2023		2022		2023		2022	
Operating lease cost	\$	74,379	\$	65,872	\$	149,838	\$	128,823
Short-term lease cost		(201)		277		431		279
Variable lease cost		371		844		1,872		1,587
Total operating lease cost	\$	74,749	\$	67,293	\$	152,141	\$	130,689

Supplemental information related to operating leases was as follows (in thousands):

	Three months ended June 30,				Six months ended June 30,			
	2023		2022		2023		2022	
Cash payments for operating leases	\$	74,958	\$	56,818	\$	143,173	\$	106,603
New operating lease ROU assets obtained in exchange for operating lease liabilities	\$	148,570	\$	11,968	\$	187,037	\$	156,468

Total operating lease cost for the three months ended June 30, 2023 and 2022 was \$74.7 million and \$67.2 million, respectively, of which \$74.3 million and \$64.3 million, respectively, is recognized in cost of revenues, \$0.2 million and \$0.2 million, respectively, in operations and support, and \$1.1 million and \$1.1 million, respectively, in general and administrative in the condensed consolidated statements of operations and comprehensive loss.

Total operating lease cost for the six months ended June 30, 2023 and 2022 was \$152.1 million and \$130.6 million, respectively, of which \$150.6 million and \$128.1 million, respectively, is recognized in cost of revenues, \$0.4 million and \$0.2 million, respectively, in operations and support, and \$1.1 million and \$1.3 million, respectively, in general and administrative in the condensed consolidated statements of operations and comprehensive loss.

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27. The 2Q23 Report failed to disclose any impairment charges.

28. The 2Q23 Report provided the following, in pertinent part, regarding the Company's internal controls:

Leases

We previously identified a material weakness in our internal control over financial reporting related to the process to capture and record lease agreements timely and accurately. *Management has concluded that this material weakness in internal control over financial reporting is due to the fact that the Company did not have the adequate resources with the appropriate level of experience and technical expertise to oversee the Company's leasing business processes and related internal controls.*

* * *

Changes in Internal Control over Financial Reporting

Other than the remediation efforts in progress, during the period covered by this report, *there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.*

(Emphasis added).

29. On November 14, 2023, the Company filed with the SEC its third quarter report on Form 10-Q for the period ended September 30, 2023 (the "3Q23 Report"). Attached to the 3Q23 Report were certifications pursuant to SOX signed by Defendants Davidson and Bourgault attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

1 30. The 3Q23 Report provided the following, in pertinent part,
 2 regarding the valuation and impairment of operating lease ROU assets and
 3 related items:

SONDER HOLDINGS INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands)
 (Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 166,043	\$ 266,624
Restricted cash	41,188	27,582
Accounts receivable, net of allowance of \$3,265 and \$973 at September 30, 2023 and December 31, 2022, respectively	9,105	5,811
Prepaid expenses	6,338	8,056
Other current assets	10,532	10,085
Total current assets	233,206	317,158
Property and equipment, net	9,448	13,928
Operating lease right-of-use ("ROU") assets	1,439,235	1,209,416
Other non-current assets	15,043	16,910
Total assets	\$ 1,716,932	\$ 1,573,412
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	\$ 30,514	\$ 35,032
Accrued liabilities	24,694	20,131
Taxes payable	15,824	14,418
Deferred revenue	67,819	41,644
Current portion of long-term debt	1,000	—
Current operating lease liabilities	169,145	158,348
Total current liabilities	309,996	269,573
Non-current operating lease liabilities	1,348,628	1,165,811
Long-term debt, net	186,128	123,825
Other non-current liabilities	688	1,410
Total liabilities	1,845,440	1,560,619

* * *

SONDER HOLDINGS INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)
 (Unaudited)

	Nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (186,024)	\$ (101,382)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,908	17,101
Stock-based compensation	25,295	18,139
Amortization of operating lease ROU assets	135,125	105,546
Impairment of ROU assets	1,087	—
(Gain) loss on foreign exchange	(2,445)	13,025
Capitalization of paid-in-kind interest on long-term debt	20,438	19,544
Amortization of debt issuance costs	6	149
Amortization of debt discounts	1,714	1,334
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	—	(25,231)
Change in fair value of SPAC Warrants	(814)	(21,818)
Change in fair value of Earn Out Liability	(2,125)	(84,269)
Other operating activities	897	1,368
Changes in:		
Accounts receivable, net	(4,817)	(1,560)
Prepaid expenses	1,815	(2,242)
Other current and non-current assets	1,171	10,758
Accounts payable	4,435	(2,402)
Accrued liabilities	1,811	(2,282)
Taxes payable	1,702	6,131
Deferred revenue	25,631	30,204
Operating lease ROU assets and operating lease liabilities, net	(105,425)	(58,492)
Other current and non-current liabilities	589	1,449
Net cash used in operating activities	(74,108)	(174,002)

* * *

Operating lease ROU assets are included within operating lease right-of-use assets in the condensed consolidated balance sheets. The corresponding operating lease liabilities are included within current operating lease liabilities and non-current operating lease liabilities in the condensed consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the

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lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease.

Lease expense for fixed operating lease payments is recognized on a straight-line basis over the lease term. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option.

Components of lease expense were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 85,035	\$ 81,498	\$ 254,801	\$ 191,908
Short-term lease cost	343	1,931	780	2,430
Variable lease cost	8,356	—	8,258	—
Total operating lease cost	\$ 93,734	\$ 83,429	\$ 263,839	\$ 194,338

Supplemental information related to operating leases was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash payments for operating leases	\$ 33,717	\$ 84,690	\$ 116,950	\$ 171,292
New operating lease ROU assets obtained in exchange for operating lease liabilities	\$ 137,781	\$ 73,007	\$ 360,811	\$ 199,874

Total operating lease cost for the three months ended September 30, 2023 and 2022 was \$93.7 million and \$83.4 million, respectively, of which \$91.2 million and \$65.0 million, respectively, is recognized in cost of revenues, \$0.3 million and \$0.3 million, respectively, in operations and support, and \$2.2 million and \$8.1 million, respectively, in general and administrative in the condensed consolidated statements of operations and comprehensive loss.

Total operating lease cost for the nine months ended September 30, 2023 and 2022 was \$263.8 million and \$194.3 million, respectively, of which \$245.0 million and \$180.1 million, respectively, is recognized in cost of revenues, \$0.6 million and \$1.4 million, respectively, in operations and support, and \$1.4 million and \$2.8 million, respectively, in general and administrative in the condensed consolidated statements of operations and comprehensive loss.

As of September 30, 2023, the Company identified an impairment of its operating lease right of use (ROU) asset and recorded a related impairment charge in the amount of \$1.1 million. The impairment charge is included within other operating expenses for the three and nine months ended September 30, 2023 as reported in the condensed consolidated statements of operations.

31. The 3Q23 Report provided the following, in pertinent part, regarding the Company’s internal controls:

Leases

We previously identified a material weakness in our internal control over financial reporting related to the process to capture and record lease agreements timely and accurately. ***Management has concluded that this material weakness in internal control over financial reporting is due to the fact that the Company did not have the adequate resources with the appropriate level of experience and technical expertise to oversee the Company’s leasing business processes and related internal controls.***

* * *

Changes in Internal Control over Financial Reporting

1 Other than the remediation efforts in progress, during the period
2 covered by this report, *there has been no change in our internal*
3 *control over financial reporting that has materially affected, or is*
4 *reasonably likely to materially affect, our internal control over*
5 *financial reporting.*

(Emphasis added).

6 32. The statements contained in ¶¶17-31 were materially false and/or
7 misleading because they misrepresented and failed to disclose the following
8 adverse facts pertaining to the Company’s business, operations and prospects,
9 which were known to Defendants or recklessly disregarded by them.
10 Specifically, Defendants made false and/or misleading statements and/or failed
11 to disclose that: (1) Sonder failed to disclose all issues with its internal controls;
12 (2) Sonder’s financial statements for the 2022 Annual Report and the interim
13 periods ended March 31, June 30, and September 30, 2023 contained material
14 errors in the way the Company accounted for the valuation and impairment of
15 operating lease ROU assets; (3) as a result, Sonder would need to restate its
16 previously issued financial statements for those periods; and (4) as a result,
17 Defendants’ statements about its business, operations, and prospects, were
18 materially false and misleading and/or lacked a reasonable basis at all relevant
19 times.

THE TRUTH EMERGES

21 32. On March 15, 2024, after market hours, the Company issued a
22 press release on Form 8-K announcing the Company’s audited financial
23 statement for the 2022 Annual Report, and the unaudited consolidated financial
24 statements in 2023 (collectively with the 2022 Annual Report, the “Affected
25 Financial Statements”), should no longer be relied upon due to “accounting
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1 errors related to the valuation and impairment of operating lease ROU assets
2 and related items.”

3
4 33. The 8-K stated the following in relevant part:

5
6 **Item 4.02 Non-Reliance on Previously Issued Financial**
7 **Statements or a Related Audit Report or Completed Interim**
8 **Review**

9 On March 14, 2024, the Audit Committee (the “Audit Committee”)
10 of the Board of Directors of the Company determined, based on
11 management’s recommendation, that the Company’s audited
12 consolidated financial statements for the year ended December 31,
13 2022 (the “2022 Annual Financial Statements”), and the unaudited
14 condensed consolidated financial statements included in each of the
15 Company’s quarterly reports on Form 10-Q filed with the Securities
16 and Exchange Commission (the “SEC”) in 2023 (collectively with
17 the 2022 Annual Financial Statements, the “Affected Financial
18 Statements”), should no longer be relied upon due to accounting
19 errors related to the valuation and impairment of operating lease
20 right of use (“ROU”) assets and related items. In this report, the
21 periods covered by the Affected Financial Statements are referred to
22 as the “Non-Reliance Periods.”

23 Any previously issued or filed reports, earnings releases, and
24 investor presentations or other communications including or
25 describing the Affected Financial Statements and related financial
26 information covering the Non-Reliance Periods should no longer be
27 relied upon. Similarly, the report of the Company’s independent
28 registered public accounting firm accompanying the previously
issued 2022 Annual Financial Statements should no longer be relied
upon.

The Company has previously identified and reported material
weaknesses in internal controls over financial reporting related to
the Company’s leases, control activities and control environment.
During the on-going preparation of the Company’s financial
statements for the fiscal year ended December 31, 2023, the

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Company’s management identified specific errors in the processes and procedures surrounding the Company’s assessment of the valuation and impairment of its ROU lease assets and related items. Upon additional review, the Company’s management determined that the valuation of certain ROU lease assets and related items as of and for each of the Non-Reliance Periods had not considered certain relevant impairment indicators and related valuation information impacting the carrying value of such assets and related items, as required by Accounting Standards Codification (ASC) Nos. 842, Leases, and 360, Property, Plant, and Equipment, in addition to related standards and interpretations.

The Company previously recorded an impairment charge in the amount of \$1.1 million related to ROU lease assets in its unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2023, but no impairment charges were recorded in the other interim financial statements in the Non-Reliance Periods or in the 2022 Annual Financial Statements. Based on the Company’s review, which is ongoing, the Company expects to record material non-cash impairment charges, and related reductions in ROU lease assets and related items, in certain of the Non-Reliance Periods.

The foregoing ROU lease asset and related item errors are non-cash in nature and will not impact the Company’s reported cash balances or statements of cash flows for the Non-Reliance Periods. ***The Company expects that the restatements will increase the Company’s overall net loss and loss per share in the impacted periods.***

The Company intends to restate the Affected Financial Statements to correct the errors discussed above, and consider any other error corrections identified in the course of its review, as soon as practicable. Investors and others should rely on financial information and other disclosures regarding the Non-Reliance Periods only after the Company restates its financial statements for the Non-Reliance Periods.

The Company anticipates that it will not timely file its Annual Report on Form 10-K for the fiscal year ended December 31, 2023

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(the “FY 2023 10-K”) and will file a notification of late filing on Form 12b-25 with the SEC. The Company does not currently expect that it will file the FY 2023 10-K within the 15-day extension period contemplated by Rule 12b-25(b) under the Securities Exchange Act of 1934, as amended. Accordingly, the Company expects to receive a notice from The Nasdaq Stock Market that it is not in compliance with the timely filing requirement for continued listing under Nasdaq Listing Rule 5250(c)(1).

* * *

Although the assessment is not yet complete, the Company anticipates that the review will result in one or more material weaknesses in the Company’s internal control over financial reporting during the applicable periods, in addition to the Company’s previously identified and reported material weaknesses.

The Company’s management and the Audit Committee have discussed the foregoing matters with the Company’s independent registered public accounting firm, Deloitte & Touche LLP.

The Company’s restatement and the related items discussed in this Form 8-K could have an adverse effect upon the Company’s debt, including under the Loan and Security Agreement dated as of December 21, 2022, as amended, with Silicon Valley Bank, a division of First Citizens Bank & Trust Company, and the Note and Warrant Purchase Agreement dated as of December 10, 2021, as amended, with certain private placement investors. The Company is engaging in discussions with its lenders to seek waivers of any noncompliance under the terms of its debt resulting from the accounting errors and to permit the late filing of the FY 2023 10-K. If such waivers are not obtained, any such noncompliance may entitle our lenders to terminate any existing commitments to lend, impose increased interest rates, accelerate our outstanding debt obligations, initiate foreclosure proceedings against any assets constituting collateral for such obligations and exercise other rights and remedies available under the terms of our debt agreements. If our debt were to be accelerated, the Company may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which

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could immediately adversely affect our business, cash flows, results of operations and financial condition. Even if we were able to obtain new financing or negotiate amended terms with our existing lenders, such financing or amendments may not be on commercially reasonable terms or on terms that are acceptable to us.

As of December 31, 2023, the Company’s total cash, cash equivalents and restricted cash was \$136.5 million, of which \$40.7 million was restricted, as compared to \$207.2 million, of which \$41.2 million was restricted, as of September 30, 2023. As communicated in prior disclosures, the Company has been executing on a number of initiatives to improve its financial position, including reducing its corporate headcount by 38% since the first quarter of 2022, and engaging in a portfolio optimization program to improve the financial performance of the properties it operates. The Company is also exploring a number of additional opportunities to improve revenue by enhancing its distribution arrangements, further reduce its expenditures, and partner with current or alternative capital providers to improve its liquidity position, but can give no assurances that these alternatives will be successful. *If these alternatives are not successful, the Company may not be able to continue ongoing operations or meet its obligations without favorable liquidity options or additional funding.*

(Emphasis added).

34. That same day, the Company issued a Notification of Late Filing on Form 12b-25, which stated the following in relevant part:

Sonder Holdings Inc. (the “Company”) is unable to file its Annual Report on Form 10-K for the year ended December 31, 2023 (the “Form 10-K”) within the prescribed time period, without unreasonable effort or expense. As disclosed in the Company’s Current Report on Form 8-K dated March 15, 2024, which is hereby incorporated by reference, on March 14, 2024, the Audit Committee of the Board of Directors of the Company determined, based on management’s recommendation, that the Company’s audited consolidated financial statements for the year ended December 31,

1 2022, and the unaudited condensed consolidated financial
2 statements included in each of the Company's quarterly reports on
3 Form 10-Q filed with the Securities and Exchange Commission in
4 2023, should no longer be relied upon due to accounting errors
5 related to the valuation and impairment of operating lease right of
6 use assets and related items. The Company intends to restate the
7 affected financial statements to correct the errors and any other
8 errors identified in the course of its review, as soon as practicable.
9 The Company's management is also assessing the effect of these
10 matters on the Company's internal control over financial reporting
11 and its disclosure controls and procedures. The Company requires
12 additional time to complete the foregoing restatements and control
13 assessments and to finalize its fiscal year 2023 financial statements
14 for inclusion in the Form 10-K. The Company does not expect to
15 file the Form 10-K within the 15-day extension period prescribed by
16 Rule 12b-25 under the Securities Exchange Act of 1934, as
17 amended.

18 The description above is preliminary and subject to change in
19 connection with the Company's ongoing review and the completion
20 of the anticipated restatements. Accordingly, there can be no
21 assurance as to the timing of the filing of the Form 10-K or the
22 results of the Company's ongoing review.

23 35. On this news, Sonder's stock price fell \$2.10 per share, or 38.2%, to
24 close at \$3.40 per share on March 18, 2024, damaging investors.

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

28 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

38. 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 the publicly traded securities of Sonder
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

1 of their immediate families and their legal representatives, heirs, successors or
2 assigns and any entity in which Defendants have or had a controlling interest.

3 39. The members of the Class are so numerous that joinder of all
4 members is impracticable. Throughout the Class Period, Sonder securities
5 actively traded on the NASDAQ. While the exact number of Class members is
6 unknown to Plaintiff at this time and can be ascertained only through appropriate
7 discovery, Plaintiff believes that there are hundreds or thousands of members in
8 the proposed Class. Record owners and other members of the Class may be
9 identified from records maintained by the Company or its transfer agent and may
10 be notified of the pendency of this action by mail, using the form of notice similar
11 to that customarily used in securities class actions.

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

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

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

- 22 • whether the federal securities laws were violated by Defendants'
23 acts as alleged herein;
- 24 • whether statements made by Defendants to the investing public
25 during the Class Period misrepresented material facts about the
26 financial condition, business, operations, and management of the
27 Company;

- 1 • whether Defendants' public statements to the investing public
2 during the Class Period omitted material facts necessary to make the
3 statements made, in light of the circumstances under which they
4 were made, not misleading;
- 5 • whether the Individual Defendants caused the Company to issue
6 false and misleading SEC filings and public statements during the
7 Class Period;
- 8 • whether Defendants acted knowingly or recklessly in issuing false
9 and misleading SEC filings and public statements during the Class
10 Period;
- 11 • whether the prices of Sonder securities during the Class Period were
12 artificially inflated because of the Defendants' conduct complained
13 of herein; and
- 14 • whether the members of the Class have sustained damages and, if
15 so, what is the proper measure of damages.

16 42 A class action is superior to all other available methods for the fair
17 and efficient adjudication of this controversy since joinder of all members is
18 impracticable. Furthermore, as the damages suffered by individual Class
19 members may be relatively small, the expense and burden of individual litigation
20 make it impossible for members of the Class to individually redress the wrongs
21 done to them. There will be no difficulty in the management of this action as a
22 class action.

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

- 25 • Sonder shares met the requirements for listing, and were listed and
26 actively traded on NASDAQ, an efficient market;
- 27 • As a public issuer, Sonder filed periodic public reports;

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- 1 • Sonder regularly communicated with public investors via
- 2 established market communication mechanisms, including through
- 3 the regular dissemination of press releases via major newswire
- 4 services and through other wide-ranging public disclosures, such as
- 5 communications with the financial press and other similar reporting
- 6 services;
- 7 • Sonder's securities were liquid and traded with moderate to heavy
- 8 volume during the Class Period; and
- 9 • Sonder was followed by a number of securities analysts employed
- 10 by major brokerage firms who wrote reports that were widely
- 11 distributed and publicly available.

12 44. Based upon the foregoing, the market for Sonder securities promptly
13 digested current information regarding Sonder from all publicly available sources
14 and reflected such information in the prices of the shares, and Plaintiff and the
15 members of the Class are entitled to a presumption of reliance upon the integrity
16 of the market

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

22 **COUNT I**

23 **Violation of Section 10(b) of The Exchange Act and Rule 10b-5** 24 **Against All Defendants**

25 46. Plaintiff repeats and realleges each and every allegation contained
26 above as if fully set forth herein.

1 47. This Count is asserted against the Company and the Individual
2 Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. §
3 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

4 48. During the Class Period, the Company and the Individual
5 Defendants, individually and in concert, directly or indirectly, disseminated or
6 approved the false statements specified above, which they knew or deliberately
7 disregarded were misleading in that they contained misrepresentations and failed
8 to disclose material facts necessary in order to make the statements made, in light
9 of the circumstances under which they were made, not misleading.

10 49. The Company and the Individual Defendants violated §10(b) of the
11 1934 Act and Rule 10b-5 in that they:

- 12 • employed devices, schemes and artifices to defraud;
- 13 • made untrue statements of material facts or omitted to state material
14 facts necessary in order to make the statements made, in light of the
15 circumstances under which they were made, not misleading; or
- 16 • engaged in acts, practices and a course of business that operated as
17 a fraud or deceit upon plaintiff and others similarly situated in
18 connection with their purchases of Sonder securities during the
19 Class Period.

20 50. The Company and the Individual Defendants acted with scienter in
21 that they knew that the public documents and statements issued or disseminated
22 in the name of the Company were materially false and misleading; knew that such
23 statements or documents would be issued or disseminated to the investing public;
24 and knowingly and substantially participated, or acquiesced in the issuance or
25 dissemination of such statements or documents as primary violations of the
26 securities laws. These defendants by virtue of their receipt of information
27 reflecting the true facts of the Company, their control over, and/or receipt and/or
28 modification of the Company's allegedly materially misleading statements,

1 and/or their associations with the Company which made them privy to
2 confidential proprietary information concerning the Company, participated in the
3 fraudulent scheme alleged herein.

4 51. Individual Defendants, who are the senior officers and/or directors
5 of the Company, had actual knowledge of the material omissions and/or the
6 falsity of the material statements set forth above, and intended to deceive Plaintiff
7 and the other members of the Class, or, in the alternative, acted with reckless
8 disregard for the truth when they failed to ascertain and disclose the true facts in
9 the statements made by them or other personnel of the Company to members of
10 the investing public, including Plaintiff and the Class.

11 52. As a result of the foregoing, the market price of Sonder securities
12 was artificially inflated during the Class Period. In ignorance of the falsity of the
13 Company's and the Individual Defendants' statements, Plaintiff and the other
14 members of the Class relied on the statements described above and/or the
15 integrity of the market price of Sonder securities during the Class Period in
16 purchasing Sonder securities at prices that were artificially inflated as a result of
17 the Company's and the Individual Defendants' false and misleading statements.

18 53. Had Plaintiff and the other members of the Class been aware that
19 the market price of Sonder securities had been artificially and falsely inflated by
20 the Company's and the Individual Defendants' misleading statements and by the
21 material adverse information which the Company's and the Individual
22 Defendants did not disclose, they would not have purchased Sonder securities at
23 the artificially inflated prices that they did, or at all.

24 54. As a result of the wrongful conduct alleged herein, Plaintiff and
25 other members of the Class have suffered damages in an amount to be established
26 at trial.

27 55. By reason of the foregoing, the Company and the Individual
28 Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5

1 promulgated thereunder and are liable to the Plaintiff and the other members of
2 the Class for substantial damages which they suffered in connection with their
3 purchases of Sonder securities during the Class Period.

4 **COUNT II**

5 **Violation of Section 20(a) of The Exchange Act**
6 **Against The Individual Defendants**

7 56. Plaintiff repeats and realleges each and every allegation contained
8 in the foregoing paragraphs as if fully set forth herein.

9 57. During the Class Period, the Individual Defendants participated in
10 the operation and management of the Company, and conducted and participated,
11 directly and indirectly, in the conduct of the Company's business affairs. Because
12 of their senior positions, they knew the adverse non-public information regarding
13 the Company's business practices.

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

19 59. Because of their positions of control and authority as senior officers,
20 the Individual Defendants were able to, and did, control the contents of the
21 various reports, press releases and public filings which the Company
22 disseminated in the marketplace during the Class Period. Throughout the Class
23 Period, the Individual Defendants exercised their power and authority to cause
24 the Company to engage in the wrongful acts complained of herein. The Individual
25 Defendants therefore, were "controlling persons" of the Company within the
26 meaning of Section 20(a) of the Exchange Act. In this capacity, they participated
27 in the unlawful conduct alleged which artificially inflated the market price of
28 Sonder securities.

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

9 61. By reason of the above conduct, the Individual Defendants are liable
10 pursuant to Section 20(a) of the Exchange Act for the violations committed by
11 the Company.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, Plaintiff demands judgment against Defendants as
14 follows:

15 A. Determining that the instant action may be maintained as a class
16 action under Rule 23 of the Federal Rules of Civil Procedure, and certifying
17 Plaintiff as the Class representative;

18 B. Requiring Defendants to pay damages sustained by Plaintiff and the
19 Class by reason of the acts and transactions alleged herein;

20 C. Awarding Plaintiff and the other members of the Class prejudgment
21 and post-judgment interest, as well as their reasonable attorneys' fees, expert fees
22 and other costs; and

23 D. Awarding such other and further relief as this Court may deem just
24 and proper.

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DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: