In re Luckin Coffee Inc. Securities Litigation

COURT:	United States District Court for the Southern District of New York
CASE NUMBER:	1:20-cv-01293-LJL
CLASS PERIOD:	05/17/2019 - 07/15/2020
CASE LEADERS:	Salvatore J. Graziano, John Rizio-Hamilton, Scott R. Foglietta

This is a securities class action on behalf of all persons or entities who: (1) purchased or otherwise acquired the publicly traded securities of Luckin Coffee Inc. ("Luckin" or the "Company") during the period from May 17, 2019 through April 6, 2020, inclusive (the "Class Period"); (2) purchased or otherwise acquired Luckin Coffee American Depositary Shares ("ADSs") in or traceable to the Company's initial public offering of ADSs conducted on May 17, 2019 (the "IPO"); and/or (3) purchased or otherwise acquired ADSs in or traceable to the Company's secondary public offering of ADSs conducted on January 10, 2020 (the "SPO"). The case alleges claims under Sections 11, 12(a) (2), and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against Luckin, the underwriters of the IPO and SPO, and certain of Luckin's executive officers and directors.

Luckin is a coffee retailer founded in 2017 based in the People's Republic of China. Throughout the Class Period, including in connection with the IPO and the SPO, Luckin promoted its technology-driven retail model as a driver of coffee sales of coffee and its revenue and expense models that ensured accurate and transparent reporting while reporting record-setting revenue growth.

In reality, as revealed by Muddy Waters Research's January 31, 2020 report, Luckin's stores were operating at substantial losses, the Company's financial health was in jeopardy, and Luckin's store sales data were simply fabricated over multiple quarters. On this news, the price of the ADSs fell from \$36.40 per share on January 30, 2020, to \$32.49 per share on January 31, 2020. Then, on February 3, 2020, Luckin issued a press release dismissing Muddy Waters's conclusions.

Notwithstanding this denial, on April 2, 2020, Luckin disclosed that an internal investigation had found that over \$300 million in reported sales simply did not exist and that Luckin's Chief Operating Officer had fabricated these transactions. On this news, the price of the ADSs fell from \$26.20 per share on April 1, 2020 to \$6.40 per share on April 2, 2020—a decline of over 75%.

On April 6, 2020, Goldman Sachs & Co. LLC announced that an entity controlled by Luckin's Chairman had defaulted on a \$518 million margin loan secured by the ADSs. On this news, the price of the ADSs fell from \$5.38 per share on April 3, 2020 to \$4.39 per share on April 6, 2020.

In July 2020, a Cayman Islands court appointed joint provisional liquidators to oversee Luckin's operations and negotiate with its creditors. In December 2020, Luckin agreed with the SEC to be permanently enjoyed from violating the Exchange Act and pay a \$180 million civil penalty.

On May 15, 2020, District Judge Lewis J. Liman of the U.S. District Court for the Southern District of New York consolidated the related actions. On June 12, 2020, Judge Liman appointed Louisiana Sheriffs' Pension & Relief Fund as co-Lead Plaintiff and Bernstein Litowitz Berger & Grossmann LLP as co-Lead Counsel for the class.

On September 24, 2020, Plaintiffs filed the amended complaint. On November 23, 2020, Defendants filed their motions to dismiss the amended complaint.



On March 2, 2021, the Court provisionally certified a class of investors for settlement purposes.

On March 30, 2021, the claims against Luckin were stayed pursuant to Judge Martin Glenn's order recognizing the ongoing Cayman proceeding as foreign main proceeding in bankruptcy court for the Southern District of New York. The stay was modified to permit Lead Plaintiffs to continue to make filings in connection with the provisional class certification.

The Underwriter Defendants' filed their reply in support of their motion to dismiss on March 26, 2021.

On May 14, 2021, Lead Plaintiffs and Luckin filed a stipulation and proposed order regarding the dissemination of Class notice.

On May 18, 2021, The Winslow Funds – a collection of opt-out plaintiffs – moved to intervene and oppose the proposed Class notice. They were ultimately joined by additional opt-out plaintiffs and plaintiffs involved in a parallel state court action (collectively, the "Intervenors").

On May 28, 2021, the Court held a teleconference to discuss the Intervenors proposal and ordered further briefing from the Parties.

Following the subsequent briefing, the Court denied the Intervenors' motion on July 6, 2021, and entered Lead Plaintiffs and Luckin's stipulated to order regarding the dissemination of Class notice.

On July 7, 2021, the Winslow Funds filed an appeal of the Court's denial of their intervention, with certain of the additional Intervenors following suit.

On September 21, 2021, Plaintiffs and Luckin notified the Court that they had entered into a \$187.5 million global settlement, which would be reduced based on the valid opt-out notices that were submitted to the Court by October 8. On October 25, 2021, Plaintiffs moved the Court for preliminary approval of the \$175 million settlement and for authorization to disseminate the settlement notice to the Class. The same day, Judge Cronan entered an order granting Plaintiffs' motion for preliminary approval of the settlement and setting a settlement hearing for January 31, 2022. The next day, the court issued a revised order preliminarily approving the settlement and resetting the final approval hearing for July 22, 2022. On July 22, 2022, the Court granted final approval of the settlement. The claims administration was completed in February 2023. The distribution motion was filed on March 6, 2023 and was approved on April 21, 2023. The first distribution of the net settlement fund occurred in May 2023. A second distribution occurred in June 2024. Subsequent distributions will occur on a rolling basis, provided that net settlement funds are available.

You may visit the case website, <u>www.LuckinCoffeeSecuritiesLitigation.com</u> for more information about the Settlement.

Case Documents

- Notice of (I) Proposed Settlement; (II) Settlement Hearing; and (III) Motion for Attorneys' Fees and Litigation Expenses ("Settlement Notice")
- April 21, 2023 Order Approving Distribution Plan
- March 6, 2023 Motion for Approval of Distribution Plan
- July 22, 2022 Judgment Approving Class Action Settlement



- July 22, 2022 Order Approving Plan of Allocation of Net Settlement Fund
- July 22, 2022 Order Awarding Attorneys' Fees and Litigation Expenses
- July 15, 2022 Reply Memorandum of Law in Further Support of (I) Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation; and (II) Class Counsel's Motion for Attorneys' Fees and Litigation Expenses
- June 10, 2022 Notice of Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation
- June 10, 2022 Memorandum of Law in Support of Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation
- June 10, 2022 Notice of Class Counsel's Motion for Attorneys' Fees and Litigation Expenses
- June 10, 2022 Memorandum of Law in Support of Class Counsel's Motion for Attorneys' Fees and Litigation Expenses
- June 10, 2022 Joint Decl. of Sharan Nirmul and Salvatore J. Graziano in Support of (I) Motion for Final Approval of Settlement and (II) Motion for Attorneys Fees & Expenses
- October 26, 2021 Order Preliminary Approving Settlement and Providing for Notice of the Settlement
- October 20, 2021 Stipulation and Agreement of Settlement
- August 3, 2021 Notice of Pendency of Class Action
- July 6, 2021 Stipulation and Order Regarding Dissemination of Class Notice
- March 5, 2021 Stipulation and Order Regarding Provisional Class Certification for Settlement Purposes
- September 28, 2020 Consolidated Class Action Complaint Press Release
- September 24, 2020 Consolidated Class Action Complaint
- June 12, 2020 Opinion & Order