

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF
CALIFORNIA

Keith Hollingsworth v. Nextdoor Holdings, Inc., et al.

No. 5:24-cv-01213-EJD, United States District Court for the Northern District of California (May 19, 2025)

SUMMARY

The United States District Court for the Northern District of California grants defendants’ motions to dismiss a securities-fraud class action brought by Keith Hollingsworth against Nextdoor Holdings, Inc. and related defendants. The court holds that the plaintiff lacks standing to challenge statements about Nextdoor Private made before the merger because he purchased securities of the acquiring SPAC, not Nextdoor Private, and also lacks standing to challenge statements made after his final purchase. The court dismisses the claims with leave to amend.

CASE DETAILS

COURT	United States District Court for the Northern District of California
JURISDICTION	United States District Court for the Northern District of California
DECIDED	May 19, 2025
DOCKET	5:24-cv-01213-EJD
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff brought a securities-fraud class action under Sections 10(b), 14(a), and 20(a) of the Securities Exchange Act of 1934. Defendants moved to dismiss under Federal Rule of Civil Procedure 12(b)(6).
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true and construes the complaint in the light most favorable to the nonmoving party, but need not accept legal conclusions couched as factual allegations. The complaint must satisfy Rules 8(a) and 9(b), and securities-fraud claims must also satisfy the PSLRA's particularity and scienter requirements.
PRECEDENTIAL VALUE	unpublished district court order; precedential status unknown
PARTIES	Keith Hollingsworth v. Nextdoor Holdings, Inc., Sarah J. Friar, Michael Doyle, Vinod Khosla, Samir Kaul, Peter Buckland, Khosla Ventures LLC, Khosla Ventures SPAC Sponsor II LLC

TOPICS

securities fraud

class actions

motions to dismiss

standing

pleadings

PRACTICE AREAS

securities litigation

civil procedure

class actions

QUESTIONS PRESENTED

1. Whether Hollingsworth had standing under Section 10(b) and Rule 10b-5 to challenge statements about Nextdoor Private made before the merger when he purchased KV Acquisition securities rather than Nextdoor Private securities.
2. Whether Hollingsworth had standing to challenge statements made after his last purchase of Nextdoor securities.
3. Whether the May 10, 2022, statement concerning Nextdoor's active users adequately alleged a material misstatement or omission under Section 10(b) and Rule 10b-5.
4. Whether the Section 20(a) control-person claim could proceed without a well-pleaded predicate securities-law violation.
5. Whether dismissal should be with leave to amend.

HOLDINGS

1. A plaintiff lacks standing under Section 10(b) and Rule 10b-5 to challenge misrepresentations about a security that the plaintiff never purchased or sold. Hollingsworth therefore lacked standing to assert claims based on statements about Nextdoor Private made before the merger because he purchased KV Acquisition securities, not Nextdoor Private securities.
2. A plaintiff may not pursue Rule 10b-5 claims based on allegedly false statements made after the plaintiff's last purchase of the securities. Hollingsworth therefore lacked standing to challenge statements made after his final purchase of Nextdoor securities on May 11, 2022, including the August 2022 statements.
3. The complaint failed to adequately allege that Nextdoor's May 10, 2022, statement about active users was materially misleading. Nextdoor had expressly defined an active user to include a person who engaged with an email containing monetizable content, so the complaint did not plausibly show that investors would reasonably understand the term to exclude such users.
4. The Section 20(a) claim failed because the complaint did not adequately plead a predicate violation of the securities laws.
5. Dismissal was entered with leave to amend because the court did not determine that the pleading could not possibly be cured by alleging additional facts.

KEY QUOTATIONS

“conduct actionable under Rule 10b-5 must occur before investors purchase the securities.” (at 10)

“Nextdoor explicitly defines an “active user” as a person who “opens our application, logs on to our website, or engages with an email with monetizable content at least once during a defined . . . period.”” (at 14)

FACTUAL BACKGROUND

Nextdoor Private operated a neighborhood-focused social-networking platform, and its user base and average revenue per user grew substantially during 2020 and 2021. KV Acquisition announced a merger with Nextdoor Private on July 6, 2021, and the merger closed on November 5, 2021, after which the combined company generated virtually all of its revenue from advertising. Keith Hollingsworth purchased KV Acquisition Class A common stock three days before the merger and later purchased Nextdoor Class A common stock through May 11, 2022. He alleged that defendants misled investors about the definition and engagement of Nextdoor's active users and about the company's growth and monetization prospects.

PROCEDURAL HISTORY

Plaintiff filed a first amended complaint alleging that defendants made material misrepresentations and omissions concerning Nextdoor Private's projected profitability, user metrics, and monetization potential before and after its merger with KV Acquisition. Plaintiff abandoned his Section 14(a) claim, scheme-liability claim, and certain Section 10(b) theories in opposition to the motions. The court granted both motions to dismiss all remaining claims, with leave to amend.

DISPOSITION

other

CASES CITED

- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555–57 (2007)
- Mendiondo v. Centinela Hosp. Med. Ctr., 521 F.3d 1097, 1104 (9th Cir. 2008)
- Balistreri v. Pacifica Police Dep't, 901 F.2d 696, 699 (9th Cir. 1988)
- Reese, 643 F.3d at 690
- Ashcroft v. Iqbal, 556 U.S. 662, 664 (2009)
- Levitt v. Yelp! Inc., 765 F.3d 1123, 1135 (9th Cir. 2014)
- Starr v. Baca, 652 F.3d 1202, 1216 (9th Cir. 2011)
- Kearns v. Ford Motor Co., 567 F.3d 1120, 1124 (9th Cir. 2009)
- Vess v. Ciba-Geigy Corp. USA, 317 F.3d 1097, 1106 (9th Cir. 2003)
- Lopez v. Smith, 203 F.3d 1122, 1127 (9th Cir. 2000)
- Khoja v. Orexigen Therapeutics, Inc., 899 F.3d 988, 998 (9th Cir. 2018)
- Matrixx Initiatives, Inc. v. Siracusano, 563 U.S. 27, 37–38 (2011)
- Blue Chip Stamps v. Manor Drug Stores, 421 U.S. 723, 738–39, 755 (1975)
- In re: CCIV / Lucid Motors Sec. Litig., 110 F.4th 1181, 1183, 1185–87 (9th Cir. 2024)
- HBK Master Fund L.P. v. MaxLinear, Inc., 2025 WL 20438, at *4 (S.D. Cal. Jan. 2, 2025)

- Butala v. Owlet, Inc., 2024 WL 4560173, at *3 (C.D. Cal. Sept. 26, 2024)
- Wanca v. Super Micro Computer, Inc., 2018 WL 3145649, at *7–8 (N.D. Cal. June 27, 2018)
- Binder v. Gillespie, 184 F.3d 1059, 1066 (9th Cir. 1999)
- In re Daou Sys., Inc. Sec. Litig., 411 F.3d 1006, 1014 (9th Cir. 2005)
- Glazer Cap. Mgmt., L.P. v. Forescout Techs., Inc., 63 F.4th 747, 2023 WL 2532061, at *11 (9th Cir. Mar. 16, 2023)
- Brody v. Transitional Hosps. Corp., 280 F.3d 997, 1006 (9th Cir. 2002)
- Wochos, 985 F.3d at 1194
- Kelly v. Elec. Arts, Inc., 2015 WL 1967233, at *7–8 (N.D. Cal. Apr. 30, 2015)

OPINION

Adamo v. Nextdoor Holdings, Inc.

PER CURIAM.

1 2 3

4 UNITED STATES DISTRICT COURT

5 NORTHERN DISTRICT OF CALIFORNIA

6 SAN JOSE DIVISION

7 8 KEITH HOLLINGSWORTH, Case No. 5:24-cv-01213-EJD 9 Plaintiff, ORDER GRANTING
MOTIONS TO
DISMISS

10 v. 11 NEXTDOOR HOLDINGS, INC., et al., Re: Dkt. Nos. 71, 73 Defendants. 12 13 Lead
Plaintiff, Keith Hollingsworth (“Plaintiff”), brings this securities fraud class action 14 under §§
10(b), 14(a), and 20(a) of the Securities Exchange Act of 1934 and SEC Rules 10b-5 and 15 14a-9
promulgated thereunder. First Am. Compl. (“FAC”), ECF No. 65. Before the Court are 16 two
motions to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6). The first is brought 17 by
Defendants Nextdoor Holdings, Inc., Sarah J. Friar, and Michael Doyle (“Nextdoor 18
Defendants”). Nextdoor Mot., ECF No. 71. The second is brought by Defendants Vinod Khosla,
19 Samir Kaul, Peter Buckland, Khosla Ventures LLC, and Khosla Ventures SPAC Sponsor II
LLC 20 (“Khosla Defendants”) (collectively, “Defendants”). Khosla Mot., ECF No. 73. Plaintiff
filed an 21 omnibus opposition, and Defendants filed separate replies. Opp’n, ECF No. 76;
Nextdoor Reply, 22 ECF No. 77; Khosla Reply, ECF No. 78. 23 Upon careful consideration of the
relevant documents, the Court finds this matter suitable 24 for decision without oral argument
pursuant to Local Rule 7-1(b). For the reasons stated below, 25 the Court GRANTS Defendants’
motions to dismiss with leave to amend.

26 I. BACKGROUND

27 Plaintiff alleges that Defendants made material misrepresentations and omissions about 1
Nextdoor Private’s projected profitability prior to and after its acquisition by Khosla Ventures 2
Acquisition Co. II (“KV Acquisition”). 3 KV Acquisition is a special purpose acquisition company

that raises money from investors 4 in an initial public offering and uses the proceeds to acquire business or operational assets, 5 typically from a private company. FAC ¶ 30. On July 6, 2021, KV Acquisition announced they 6 had entered into a merger agreement with Nextdoor Private. Id. ¶ 36. 7 Nextdoor Private first launched in the United States in 2011 as a “neighborhood network” 8 that operated a hyperlocal online social networking platform. Id. ¶¶ 39, 37. The platform 9 connected neighbors, public agencies, and businesses with features such as a news feed where 10 neighbors engage with posts, discussions, and pictures. Id. ¶ 37. Beginning in 2020, demand for 11 Nextdoor Private’s community-based platform rose dramatically as shelter-in-place mandates and 12 other social distancing restrictions led people to increasingly seek social connection and 13 information from their communities on Nextdoor Private’s platform. Id. ¶ 41. As a result, 14 Nextdoor Private grew rapidly in 2020 with weekly active users (also referred to as “WAUs”) 15 growing nearly 37% from 19.5 million in 2019 to nearly 27 million in 2020. Id. Average revenue 16 per user (“ARPU”) during the same period also grew by 10% from \$4.23 to \$4.62. Id. 17 Following KV Acquisition shareholders’ approval at a special meeting, the merger was 18 completed on November 5, 2021. Id. ¶ 47. The new company is called Nextdoor Holdings, Inc. 19 (“Nextdoor”). Id., at 1. Following the merger, virtually all of Nextdoor’s revenues are generated 20 through advertising sales. Id. ¶ 38. Pursuant to the agreement, KV Acquisition shareholders had 21 the right to receive shares of Nextdoor in exchange for their shares of KV Acquisition. Id. ¶ 36. 22 Shortly after the merger, through a series of disclosures on March 1, May 10, August 9 and 23 November 8, 2022, Nextdoor revealed declining ARPU growth rates and declining weekly active

24 users. By the end of the Class Period, Nextdoor lost 90% of its value. Id. ¶ 28. 25 Plaintiff purchased KV Acquisition Class A common stock three days prior to the merger 26 on November 2, 2021. ECF No. 31-3. After the merger, Plaintiff continued to purchase Nextdoor 27 Class A common stocks until May 11, 2022. Id. Plaintiff brings this action on behalf of himself 1 and a class of all purchasers of the publicly traded Class A common stock of Nextdoor between 2 July 6, 2021, and November 8, 2022 (“Class Period”).

3 Plaintiff alleges that Nextdoor’s significant loss during the Class Period occurred because 4 Defendants misled investors about two aspects of Nextdoor’s business. 5 First, Plaintiff alleges Defendants misled investors about Nextdoor’s definition of “active 6 users.” Defendants repeatedly made statements regarding the sustained growth of Nextdoor’s 7 weekly and daily “active users,” but it defined “active users” as users who visited Nextdoor’s 8 website or app or opened a content email. E.g., FAC ¶ 26. Plaintiff alleges that Defendants failed 9 to inform investors that half of the “active users” were those who simply opened an email, not 10 those who created advertising revenue by engaging with the website or app. Id. 11 Second, in promoting the merger to investors, Defendants portrayed Nextdoor as the next 12 big hit startup company like Twitter or Snap by directly comparing Nextdoor to those companies 13 and suggesting that there were similarly no structural barriers to its skyrocketing. Id. ¶ 24. Plaintiff 14 alleges that these

comparisons were materially misleading because Nextdoor could not reasonably 15 expect to obtain ARPU comparable to Twitter's and Snap's given that Nextdoor only attracts users 16 for one-off, discrete tasks, and half of Nextdoor's "active users" merely open Nextdoor emails 17 rather than engaging with Nextdoor's platform and making advertising impressions. Id. ¶ 25. 18 Plaintiff alleges that Defendants misled investors about these aspects of Nextdoor's 19 business by making the following materially false and misleading statements and omissions during 20 the Class Period: 21 (1) July 6, 2021: Nextdoor filed a July 2021 Investor Presentation, which represented that 22 Nextdoor Private's growth was "sustainable," stating that the company had a "[s]trong 23 foundation for continued revenue growth." Id. ¶ 110. The July 2021 Investor 24 Presentation stated that Nextdoor Private had "significant monetization potential" 25 based on a comparison of its ARPU and U.S. daily active users (also referred to as 26 "DAUs") with those of Twitter (k/n/a/ X) and Snap. Id. 27 (2) July 6, 2021: Nextdoor filed with the SEC on Form 425 a transcript of an interview 1 Defendants Friar and Khosla gave to correspondents at CNBC's "Squawk on the 2 Street" program. Id. ¶ 118. Cohost David Faber asked whether growth had "sort of 3 peaked in 2020/'21 in terms of the revenue number maybe in part because of the 4 pandemic" and whether this was a "concern for you as you try to sell the deal to your 5 SPAC shareholders?" Id. Defendant Khosla responded that "it isn't a concern for 6 me[,] we see accelerating growth." Id. Nextdoor Private also hosted a conference call 7 with investors that same day where Defendant Doyle stated the following: 8 We have a growing base of engaged and monetized users. We have more than 60 million verified neighbors on the platform. 9 With this tremendous growth in verified members on the platform, we have the opportunity to really drive engagement. And that's 10 something that we saw demonstrated in 2020 and is sustained in 2021 as well, where we had deepening engagement across all cohorts of 11 users. We were able to increase the frequency of sessions of active users on the platform and also the depth of sessions, the amount of 12 content that users consume and also create, which set us up for driving monetization opportunities with our advertisers, creating a larger, 13 unique audience that's more engaged, that's generating more supply that allows us to do creative things and achieve the campaign 14 objectives of the advertisers and businesses on the platform. 15 Nextdoor as a platform has just begun its monetization journey. In fact, when I joined about 2.5 years ago, we had just begun to tap into 16 advertising. Today, if you look at our scale, we're about 1/3 the size of Twitter. And yet, if you look at our ARPU, we're at about 1/6 the 17 ARPU. Of course, there is no structural reason why Nextdoor should undermonetize. In fact, if you think about either the video 18 where you saw the wonderful California-based restaurant that was getting recommendations from us or if you think about what Vinod 19 said about the value of a link on Nextdoor, I could perhaps posit that Nextdoor should, in fact, overmonetize relative to those platforms. 20 So this tells me we're just getting started. And even with that top-of- the-funnel growth of new users, we should be able to drive healthy 21 revenue growth as we scale our ARPU. 22 The tailwind of product-driven growth and increased engagement and the monetization opportunities that I've described give us great 23

confidence in our ability to achieve revenue growth rates year-on-year of more than 40%, here shown through 2022, driving us to almost 24 \$250 million of revenue. And we believe these are levels that can be sustained into the future. 25 We're pleased to be seeing an acceleration in ARPU growth rates really driven by 3 different levers. The first is on deepening 26 engagement, so driving a greater number of sessions per active user, as well as deepening each session in the form of greater 27 consumption of and creation of content. The second is on ad delivery, so this is really on the optimization of the supply we have 1 on the platform, driving fill rates higher, having better targeting, driving performance and ultimately CPMs, higher yield on the 2 platform, as well as owning the relationships with the advertisers directly. And then the third lever is on sources of revenue that are not 3 directly tied to the growth of impressions. We talked a lot about the focus on revenue. And for us, those drivers 4 of ARPU that I just walked through give us great confidence in our ability to achieve greater than 40% year-on-year revenue growth in 5 the next several years. We also want to talk about the investment we're making in the business. We're very much in investment mode, 6 knowing there's a huge opportunity in front of us. An investment for us is really in product and growing the team. We have around 550 7 employees in the business. The majority of those focused on product development and engineering. And that is where our focus will 8 remain and really driving the product forward and bringing more benefit to the entire ecosystem. 9 Id. ¶¶ 112, 114, 116. 10

(3) July 9, 2021: Nextdoor filed with the SEC on Form 425 a transcript of an interview

11 Defendant Friar gave to Cheddar News, where Defendant Friar stated: 12 [W]hat we see in the U.S. is nextdoor is truly network business. [T]he 13 more people that join the platform, the richer the content. more engaged members are and so growth begets growth. [S]o we know 14 first of all there's just still quite a runway in the U.S. as I say everyone is a neighbor I would like that to be all households. 15 Id. ¶ 120. 16

(4) September 20, 2021: Nextdoor Private hosted an "investor day" to discuss the

17 company's business and financial prospects, where Defendant Friar stated: 18 Between the second quarter of 2018 and the second quarter of 2021, 19 our most recently reported quarter, we grew weekly active users by 123%. Our growth in WAU has been driven by our value proposition, 20 a compelling combination of utility and community, and our product innovations and launches that have led to both increased engagement 21 from our neighbors and top-of-the-funnel growth. Our extraordinary growth and engagement in the second quarter of 2020 was accelerated 22 by the pandemic, when neighbors found real value in Nextdoor. We are very pleased with our sustained growth in WAU since that time, 23 which now exceeds 29 million. 24 [O]ne could even make the case that we should exceed the monetization level of our peers. 25 . . . Our total addressable market is both large and under penetrated. 26 Everyone is a neighbor. We believe our near-term opportunity is to grow to more than 200 million households and the long-term 27 opportunity is to grow to over 300 million. And this is just in our existing markets. We will continue to expand in new markets as well. 1 Id. ¶¶ 122, 124, 126. 2

(5) October 21, 2021: Nextdoor filed the October 2021 Proxy, which stated:

3 Our need to be connected to neighbors was amplified during the 4 pandemic—and that need is real and lasting. For the three months ended June 30, 2021, neighbors who engaged with Nextdoor daily 5 posted 2.1 times more often than in the same prior year period. As the world reopens, consumer behavior is changed for good, with an 6 increased focus on local. 7 [Nextdoor had a large and growing total addressable market.” 8 Id. ¶¶ 128, 130. 9 (6) May 10, 2022: Nextdoor held a conference call with analysts and investors, where 10 Defendant Friar stated: 11 Our community is active and becoming increasingly active. Our product strategy in 2022 is centered on strengthening engagement 12 through building an active valued community. It’s working. In Q1, over 50% of neighbors were weekly active and over half of weekly 13 active users were active daily, highlighting that as we move neighbors from onboarding to monthly to weekly, they have a high propensity 14 to make Nextdoor a daily use case. 15 Id. ¶ 132. 16 (7) August 9, 2022: Nextdoor held a conference call with analysts and investors to discuss 17 the company’s financial and operational results for the second quarter. Id. ¶ 143. 18 During the call, Defendant Friar assured investors that Nextdoor was observing 19 “durable” engagement trends among the Company’s most active users and that those 20 trends “show[ed]” that the Company’s efforts to address user engagement were 21 “working,” stating: 22 Weekly active users, or WAU, grew 26% year-over-year to approximately 37 million. We’re seeing durable engagement trends 23 amongst our most active users. In Q2, over 50% of weekly active users were active daily. Across all regions, growth in total sessions 24 accelerated 10 points quarter-over-quarter. These trends show that our focus on engagement through the introduction of new machine 25 learning models for increased personalization, more engaging notification, a simplified user experience and welcoming platform 26 initiatives is working. 27 Id.

II. LEGAL STANDARD

1 Federal Rule of Civil Procedure 8(a) requires a plaintiff to plead each claim with sufficient 2 specificity to “give the defendant fair notice of what the . . . claim is and the grounds upon which 3 it rests.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (internal quotations omitted). A 4 complaint which falls short of the Rule 8(a) standard may be dismissed if it fails to state a claim 5 upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). Dismissal of a claim under Rule 6 12(b) (6) may be based on a lack of a cognizable legal theory or the absence of sufficient facts 7 alleged under a cognizable legal theory. *Mendiondo v. Centinela Hosp. Med. Ctr.*, 521 F.3d 1097, 8 1104 (9th Cir. 2008); *Balistreri v. Pacifica Police Dep’t*, 901 F.2d 696, 699 (9th Cir. 1988). 9 Moreover, the factual allegations “must be enough to raise a right to relief above the speculative 10 level” such that the claim “is plausible on its face.” *Twombly*, 550 U.S. at 556–57. 11 At the motion to dismiss stage, the Court must read and construe the complaint in the light 12 most favorable to the non-moving party. *Reese*, 643 F.3d at 690. The Court must accept as true 13 all “well-pleaded factual allegations.” *Ashcroft v. Iqbal*, 556 U.S. 662, 664 (2009). However, 14 courts are not bound to accept as true a legal conclusion couched as a factual allegation. *Twombly*, 15 550 U.S.

at 555. “In all cases, evaluating a complaint's plausibility is a context-specific endeavor 16 that requires courts to draw on . . . judicial experience and common sense.” *Levitt v. Yelp! Inc.*, 17 765 F.3d 1123, 1135 (9th Cir. 2014) (quoting *Starr v. Baca*, 652 F.3d 1202, 1216 (9th Cir. 2011)) 18 (internal quotation marks omitted). 19 In addition to Rule 8’s requirements, fraud cases are also governed by the heightened 20 pleading standard of Rule 9(b). See Fed. R. Civ. P. 9(b). A plaintiff averring fraud or mistake 21 must plead with particularity the circumstances constituting fraud, but malice, intent, knowledge 22 and other conditions of the mind may be averred generally. *Id.* Particularity under Rule 9(b) 23 requires the plaintiff to plead the “who, what, when, where, and how” of the misconduct alleged. 24 *Kearns v. Ford Motor Co.*, 567 F.3d 1120, 1124 (9th Cir. 2009) (quoting *Vess v. Ciba-Geigy* 25 Corp. USA, 317 F.3d 1097, 1106 (9th Cir. 2003)). Securities fraud claims must also satisfy the 26 pleading requirements of the Private Securities Litigation Reform Act (“PSLRA”), which states 27 1 that the complaint “shall specify each statement alleged to have been misleading, the reason or 2 reasons why the statement is misleading, and, if an allegation regarding the statement or omission 3 is made on information and belief, the complaint shall state with particularity all facts on which 4 that belief is formed.” 15 U.S.C. § 78u-4(b)(1). The PSLRA also requires a plaintiff to state with 5 particularity facts giving rise to a strong inference of a defendant's scienter. See *id.* § 78u-4(b)(2). 6 If a motion to dismiss is granted, “a district court should grant leave to amend even if no 7 request to amend the pleading was made, unless it determines that the pleading could not possibly 8 be cured by the allegation of other facts.” *Lopez v. Smith*, 203 F.3d 1122, 1127 (9th Cir. 2000) 9 (internal quotation marks omitted).

10 III. DISCUSSION

11 In his opposition, Plaintiff abandons his § 14(a) claim, his scheme liability claim, and 12 various statements previously challenged under § 10(b), choosing to only “defend[] claims under 13 Sections 10(b) and 20(a) as pleaded in the [FAC] based on the misstatements and omission 14 addressed [in the opposition].” *Opp’n* 3 n.1. Accordingly, the Court dismisses these claims. For 15 the reasons explained below, the Court also dismisses the remaining claims under §10(b) and § 16 20(a) for lack of standing and failure to state a claim. 17 A. Judicial Notice 18 As an initial matter, the Court addresses Defendants’ requests for judicial notice. When 19 deciding whether to grant a motion to dismiss, the Court generally “may not consider material 20 outside the pleadings.” *Khoja v. Orexigen Therapeutics, Inc.*, 899 F.3d 988, 998 (9th Cir. 2018). 21 However, the Court may consider material submitted as part of the complaint or relied upon in the 22 complaint, and it may also consider material subject to judicial notice. See *id.* Here, Nextdoor 23 Defendants and Khosla Defendants both filed requests that the Court take judicial notice of the 24 exhibits submitted with their MTDs, which include public filings with the SEC, transcripts from 25 earnings calls and conferences, analyst reports, and a historical stock price chart. RJNs, ECF Nos. 26 72, 75. Plaintiff did not oppose these requests. 27 The Court GRANTS Defendants’ requests to take judicial notice of these documents as 1 either relied upon in the FAC or as documents that are not subject to reasonable dispute and can be 2 accurately and readily

determined from sources whose accuracy cannot reasonably be questioned. 3 Fed. R. Evid. 201. 4 B. Section 10(b) Claim 5 Moving to Plaintiff's claims, § 10(b) of the Exchange Act provides that "[i]t shall be 6 unlawful for any person . . . [t]o use or employ, in connection with the purchase or sale of any 7 security . . . any manipulative or deceptive device or contrivance in contravention of such rules 8 and regulations" 15 U.S.C. § 78j(b). SEC Rule 10b-5 implements this provision by making 9 it unlawful for any person: 10 (a) [t]o employ any device, scheme, or artifice to defraud, (b) [t]o make any untrue statement of a material fact or to omit to state 11 a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not 12 misleading, or (c) to engage in any act, practice, or course of business which operates 13 or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security. 14 17 C.F.R. § 240.10b-5(b). To state a claim under § 10(b) and Rule 10b-5, plaintiffs must allege 15 facts sufficient to establish: "(1) a material misrepresentation or omission by the defendant; (2) 16 scienter; (3) a connection between the misrepresentation or omission and the purchase or sale of a 17 security; (4) reliance upon the misrepresentation or omission; (5) economic loss; and (6) loss 18 causation." *Matrixx Initiatives, Inc. v. Siracusano*, 563 U.S. 27, 37-38 (2011) (internal quotation 19 marks omitted). 20 Defendants argue that the Court should dismiss Plaintiff's claims under § 10(b) in part 21 because Plaintiff lacks standing to bring claims arising from certain statements, and Plaintiff fails 22 to allege facts sufficient to state a claim. The Court addresses each argument in turn. 23

1. Standing

24 Defendants argue that Plaintiff lacks standing to bring claims arising from (1) statements 25 made about Nextdoor Private prior to the merger under the "purchaser-seller" rule, and (2) 26 statements made after Plaintiff's last purchase of Nextdoor securities. 27 a. Purchaser-Seller Rule 1 The "purchaser-seller rule" limits standing to "purchasers or sellers of the stock in 2 question." *Blue Chip Stamps v. Manor Drug Stores*, 421 U.S. 723 (1975). This is a "bright-line 3 rule" intended to "prevent[] 'endless case-by-case erosion' of the limitations on standing that 4 would result from courts' engaging in a 'shifting and highly fact-oriented disposition of' whether 5 plaintiffs have standing." *In re: CCIV / Lucid Motors Sec. Litig.*, 110 F.4th 1181, 1185 (9th Cir. 6 2024) (quoting *Blue Chip*, 421 U.S. at 739, 755). 7 Here, Plaintiff brings claims against Defendants¹ for statements and omissions made about 8 Nextdoor Private prior to the merger. However, Plaintiff never owned Nextdoor Private securities. 9 Rather, he purchased KV Acquisition securities (traded as "KVS^B") on November 2, 2021, three 10 days prior to its merger with Nextdoor Private. The Ninth Circuit in *Lucid* recently examined the 11 purchase-seller rule in a similar context of alleged misstatements made in advance of an 12 anticipated merger. *Lucid*, 110 F.4th at 1185. There, a company called CCIV acquired a company 13 called Lucid, and the plaintiffs alleged that Lucid's CEO made misrepresentations overstating 14 Lucid's manufacturing targets prior to the merger. *Id.* at 1183. The court found the plaintiffs 15 lacked standing under § 10(b) and Rule 10b-5 because they never purchased or sold Lucid 16 securities, only CCIV

securities, and it was immaterial to standing that CCIV later acquired Lucid. 17 Id. at 1187. Similarly, here, Plaintiff brings claims arising in part from statements and omissions 18 Defendants made about Nextdoor Private prior to the merger with KV Acquisition, despite never 19 owning or selling Nextdoor Private securities. Under the bright-line rule, because Plaintiff never 20 purchased or sold Nextdoor Private securities, Plaintiff does not have standing to bring claims 21 arising from statements or omissions made about Nextdoor Private prior to the merger with KV 22 Acquisition. 23 The Court finds Plaintiff's arguments to the contrary unpersuasive. First, Plaintiff argues 24 that he, as a purchaser of KVSb, has standing to sue for statements Khosla Defendants made 25 26 1 Plaintiff's opposition defends only his standing to bring a claim under § 10(b) against Khosla 27 Defendants. Opp'n 23–25. However, his additional § 10(b) arguments include Nextdoor Defendants, so the Court will include all Defendants in its analysis here. 1 about Nextdoor Private prior to the merger because they were “related” to KVSb. For example, 2 Plaintiff alleges that Khosla Defendants made misrepresentations or omissions in their July 6, 3 2021, 8-K that overstated the success of Nextdoor Private by comparing Nextdoor Private's 4 potential monetization to Twitter or Snap. Plaintiff argues that this “relates” to KVSb because 5 investors relied on these statements for information about the potential future value of KVSb 6 should it acquire Nextdoor Private. However, Plaintiff's argument was squarely rejected by the 7 Ninth Circuit in *Lucid*, which held that examining whether the statements were “sufficiently 8 connected” to the security the plaintiff purchased would be the exact type of “endless case-by- 9 case” analysis the Supreme Court sought to avoid in *Blue Chip*. *Lucid*, 110 F.4th at 1186; see also 10 *HBK Master Fund L.P. v. MaxLinear, Inc.*, No. 3:24-CV-01033-CAB-VET, 2025 WL 20438, at 11 *4 (S.D. Cal. Jan. 2, 2025) (“The Ninth Circuit has set a bright-line rule that the ‘security’ at issue 12 must be one about which the alleged misrepresentations were made.”); *Butala v. Owlet, Inc.*, 2024 13 WL 4560173, at *3 (C.D. Cal. Sept. 26, 2024) (“Under *Lucid*, the relevant inquiry is not whether 14 Plaintiff purchased a security that was affected by an alleged misrepresentation, but rather whether 15 the purchased security was the subject of the misrepresentation.”). 16 Next, Plaintiff attempts to distinguish his claims from those in *Lucid* by arguing that 17 *Lucid*'s holding rested on the speaker of the statements rather than their content. In *Lucid*, the 18 plaintiffs sued *Lucid*, the target company, for misstatements *Lucid* and its CEO made about *Lucid* 19 prior to the merger. Here, Plaintiffs sue KV Acquisition, the acquiring entity, for statements KV 20 Acquisition made about Nextdoor Private that impacted the value of its own securities. The Court 21 finds this distinction immaterial. *Lucid* did not rely on the speaker of the statements in finding the 22 plaintiff lacked standing; instead, *Lucid* reiterated the simple bright-line rule from *Blue Chip*—“a 23 plaintiff has standing under Section 10(b) if the plaintiff purchased or sold the securities about 24 which the alleged misrepresentations were made.” *Lucid*, 110 F.4th at 1186. 25 Finally, Plaintiff contends that the Court's adaptation of Defendant's argument would 26 create an unworkable rule that would immunize any statements made about a private target 27 company prior to its acquisition. Plaintiff's argument was also contemplated and

rejected by the 1 Supreme Court in *Blue Chip*. The Supreme Court recognized that the bright-line purchaser-seller 2 rule could be fairly criticized as “an arbitrary restriction which unreasonably prevents some 3 deserving plaintiffs from recovering damages.” *Blue Chip*, 421 U.S. at 738. Regardless, the Court 4 emphasized that the private right of action under § 10(b) was created by the courts, not Congress. 5 As such, the Court emphasized the importance of maintaining the narrow grant of standing absent 6 congressional action. Despite the potential arbitrary distinctions, the Court was ultimately 7 “persuaded by the ‘countervailing advantages’ of the bright-line rule—namely, that it prevented 8 ‘endless case-by-case erosion’ of the limitations on standing that would result from courts’ 9 engaging in a ‘shifting and highly fact-oriented disposition of’ whether plaintiffs have standing.” 10 *Lucid*, 110 F.4th at 1185. Though Plaintiff’s policy argument may have merit before Congress, 11 for these purposes, the Court rejects the argument as contrary to clear Supreme Court and Ninth 12 Circuit precedent. 13 Accordingly, the Court finds that Plaintiff does not have standing to sue for any statements 14 about Nextdoor Private made prior to the merger in July, September, and October of 2021. 15 b. Statements After Final Purchase 16 “As a matter of law, ‘conduct actionable under Rule 10b-5 must occur before investors 17 purchase the securities.’” *Wanca v. Super Micro Computer, Inc.*, 2018 WL 3145649, at *7 (N.D. Cal. June 27, 2018) (quoting *Binder v. Gillespie*, 184 F.3d 1059, 1066 (9th Cir. 1999)) (dismissing 19 Section 10(b) claims “because [plaintiff] cannot support claims for securities fraud with false 20 statements allegedly made after his stock purchase.”). 21 Here, Plaintiff’s claims arise from statements including one made in August 2022. 22 However, Plaintiff last purchased Nextdoor securities on May 11, 2022. Accordingly, because he 23 had already made his last purchase, he does he does not have standing to bring claims arising from 24 the August 2022 statements or omissions. 25 Plaintiff does not attempt to address the rule that conduct prior to purchase is inactionable 26 here, instead citing two cases which analyzed Article III standing and class representation under

27 Rule 23. *Opp.* at 25. However, as this Court held in *Wanca* when it rejected the very same 1 argument, Article III standing and compliance with Rule 23 “are concepts distinct from the one 2 implicated by this case, which is whether Plaintiff may pursue claims based on post-purchase 3 statements as a matter of law.” 2018 WL 3145649, at *8. Plaintiff failed to present the Court with 4 any reason to find different here. 5 Accordingly, the Court finds that Plaintiff does not have standing to sue for any statements 6 made after his last purchase on May 11, 2022. 7 * * * 8 The Court GRANTS Defendants’ motions to dismiss claims arising out of statements or 9 omissions from July, September, October 2021, or August 2022 for lack of standing. Out of an 10 abundance of caution, the Court dismisses with leave to amend. *Lopez*, 203 F.3d at 1127 (“[A] 11 district court should grant leave to amend even if no request to amend the pleading was made, 12 unless it determines that the pleading could not possibly be cured by the allegation of other facts.”) 13 (internal quotation marks omitted). 14 The only statement remaining is the one made on May 10, 2022. The Court will proceed 15 with its analysis examining only this statement. 16 2. Failure to

State a Claim 17 Defendants next raise several arguments regarding Plaintiff's failure to allege facts 18 sufficient to meet all elements of a § 10(b) claim, but the Court need only address the first 19 element—a material misstatement or omission by Defendants. 20 To sufficiently allege a material misstatement for a § 10(b) claim, a plaintiff must specify 21 each allegedly misleading statement and the reasons why each statement is misleading. In re 22 Daou Sys., Inc. Sec. Litig., 411 F.3d 1006, 1014 (9th Cir. 2005), abrogation on other grounds 23 recognized by Glazer Cap. Mgmt., L.P. v. Forescout Techs., Inc., 63 F.4th 747, 2023 WL 24 2532061, at *11 (9th Cir. Mar. 16, 2023); see also 15 U.S.C. § 78u-4(b)(1). A misleading 25 omission “affirmatively create[s] an impression of a state of affairs that differs in a material way 26 from the one that actually exists.” Brody v. Transitional Hosps. Corp., 280 F.3d 997, 1006 (9th 27 Cir. 2002). A material omission is one that a reasonable investor would consider to significantly 1 alter the total mix of information. Matrixx Initiatives, 563 U.S. at 37. 2 Here, the only remaining alleged misleading statement or omission is the following 3 statement made by Defendant Friar on May 10, 2022, during a conference call: 4 Our community is active and becoming increasingly active. Our product strategy in 2022 is centered on strengthening engagement 5 through building an active valued community. It's working. In Q1, over 50% of neighbors were weekly active and over half of weekly 6 active users were active daily, highlighting that as we move neighbors from onboarding to monthly to weekly, they have a high propensity 7 to make Nextdoor a daily use case. 8 FAC ¶ 132. Plaintiff alleges this statement was materially false and misleading because the 9 majority of Nextdoor's weekly and daily users did not actually visit Nextdoor's website or app 10 each week, but instead only clicked on marketing emails from Nextdoor. Plaintiff presented a 11 former employee who stated that “this practice of counting as active users persons who merely 12 open their email was highly unusual in the industry and so would not have been expected by 13 investors.” Id. ¶ 64. Accordingly, Plaintiff contends that this statement regarding the growth in 14 active users was materially misleading and omitted material information necessary to make the 15 statement not misleading. Id. ¶ 133. 16 The Court finds that Plaintiff fails to plead facts to show that this is a material 17 misstatement or omission. Though this practice of defining people who merely open their email 18 as “active users” may have been highly unusual in the industry, Plaintiff has not alleged facts to 19 support his allegation that it would have been unexpected by investors because Nextdoor explicitly 20 defines an “active user” as a person who “opens our application, logs on to our website, or 21 engages with an email with monetizable content at least once during a defined . . . period.” Id. ¶ 22 40. Regardless of what is typical in the industry, Nextdoor's explicit definition of “active user” 23 eliminates any reasonable expectation that the term could mean something else. See Wochos, 985 24 F.3d at 1194 (“Plaintiffs pleaded no facts to support their premise that ‘production car’ would be 25 understood as referring exclusively to the fully automated production of identical vehicles.”); see 26 also Kelly v. Elec. Arts, Inc., 2015 WL 1967233, at *7–8 (N.D. Cal. Apr. 30, 2015) (finding the 27 plaintiff failed to allege that the term “de-risk” had the meaning necessary to render defendants' 1 uses of the term false). 2 Accordingly,

the Court finds that Plaintiff failed to allege facts sufficient to show a 3 || material misstatement or omission and GRANTS Defendants' motion to dismiss claims arising 4 from the May 10, 2022, statement with leave to amend. Lopez, 203 F.3d at 1127. 5 C. Section 20(a) Claim
6 Section 20(a) of the Exchange Act provides that "[e]very person who, directly or
7 indirectly, controls any person liable under any provision of this chapter or of any rule or 8 || regulation thereunder shall also be liable jointly and severally with and to the same extent as such
9 controlled person to any person to whom such controlled person is liable...." 15 U.S.C § 78t. 10 || Here, as discussed above, Plaintiff has failed to plead a predicate violation of the securities laws,
11 thus his claim under § 20(a) necessarily fails. The Court therefore GRANTS Defendants' motions 12 || to dismiss this claim as well with leave to amend. Lopez, 203 F.3d at 1127.

13 || IV. CONCLUSION

14 Based on the foregoing, the Court GRANTS Defendants' motions to dismiss with leave to 3 15 amend. Should Plaintiff wish to file an amended complaint, he must do so by June 9, 2025. a 16 IT IS SO ORDERED. 3 17 Dated: May 19, 2025 18 20 United States District Judge 21 22 23 24 25 26 27 28 || Case No.: 5:24-cv-01213-EJD

ORDER GRANTING MOTIONS TO DISMISS