

1
2
3
4
5
6
7
8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA

10 Individually and on Behalf
11 of All Others Similarly Situated,

12 Plaintiff,

13 v.

14 UPSTART HOLDINGS, INC., DAVE
15 GIROUARD, SANJAY DATTA, PAUL GU,
16 and CHANTAL RAPPORT,

17 Defendants.

Case No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

18 Plaintiff (“Plaintiff”), individually and on behalf of all others similarly
19 situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges
20 the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and
21 information and belief as to all other matters, based upon, *inter alia*, the investigation conducted
22 by and through Plaintiff’s attorneys, which included, among other things, a review of the
23 Defendants’ public documents, conference calls and announcements made by Defendants, United
24 States (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases
25 published by and regarding Upstart Holdings, Inc. (“Upstart” or the “Company”), analysts’
26 reports and advisories about the Company, and information readily obtainable on the Internet.
27
28

1 Plaintiff believes that substantial, additional evidentiary support will exist for the allegations set
2 forth herein after a reasonable opportunity for discovery.

3 **NATURE OF THE ACTION**

4 1. This is a federal securities class action on behalf of a class consisting of all persons
5 and entities other than Defendants that purchased or otherwise acquired Upstart securities
6 between May 14, 2025 and November 4, 2025, both dates inclusive (the “Class Period”), seeking
7 to recover damages caused by Defendants’ violations of the federal securities laws and to pursue
8 remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange
9 Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top
10 officials.
11

12 2. Upstart, together with its subsidiaries, operates a cloud-based artificial intelligence
13 (“AI”) lending platform in the U.S. Its platform includes unsecured personal loans, small dollar
14 loans, auto refinance, auto retail loans, auto secured personal loans, and home equity lines of
15 credit.
16

17 3. Upstart purportedly uses its proprietary AI models to, *inter alia*, more accurately
18 quantify the true risk of a loan, a process that it refers to as “risk separation.” The Company
19 claims that this differentiated approach to underwriting has generally led to higher approvals and
20 lower interest rates relative to traditional lending practices, providing more predictable returns to
21 its capital partners, including banks, credit unions, and institutional investors. Defendants
22 periodically calibrate Upstart’s AI models to improve accuracy and automation of loan approvals.
23

24 4. In early May 2025, Upstart launched the latest iteration of its AI model, referred
25 to as “Model 22”. At all relevant times, Defendants touted the purported accuracy of Model 22,
26 claiming that it was increasing loan approval rates and, accordingly, the Company’s revenues and
27 growth. For example, in February 2025, Upstart issued financial guidance for the full year (“FY”)
28

1 of 2025, including, *inter alia*, revenue of approximately \$1 billion, which included revenue from
2 fees of approximately \$920 million. In May 2025, Defendants slightly raised the foregoing
3 guidance to revenue of approximately \$1.01 billion, which still included revenue from fees of
4 approximately \$920 million. Then, in August 2025, Defendants substantially raised the foregoing
5 guidance to revenue of approximately \$1.055 billion, which included revenue from fees of
6 approximately \$990 million – \$70 million more than previously projected – citing improvements
7 in performance driven by Model 22.
8

9 5. Throughout the Class Period, Defendants made materially false and misleading
10 statements regarding the Company’s business, operations, and prospects. Specifically,
11 Defendants made false and/or misleading statements and/or failed to disclose that: (i) Model 22
12 frequently overreacted to negative macroeconomic signals in performing its risk-separation
13 processes; (ii) accordingly, Model 22’s overall accuracy and propensity to increase loan approval
14 rates was overstated; (iii) Model 22’s overly conservative assessment of credit and
15 macroeconomic conditions was having a significant negative impact on Upstart’s revenue results,
16 rendering the Company’s previously issued FY 2025 revenue guidance unreliable and/or
17 unrealistic; and (iv) as a result, Defendants’ public statements were materially false and
18 misleading at all relevant times.
19

20 6. The truth began to emerge on November 4, 2025, when Upstart issued a press
21 release reporting its financial results for the third quarter (“Q3”) of 2025. Upstart reported, *inter*
22 *alia*, Q3 2025 revenue of \$277 million, missing its previously issued Q3 2025 revenue guidance
23 of approximately \$280 million, as well as consensus estimates by \$2.62 million. Upstart also
24 reported that it expected to generate revenue of only \$288 million in the fourth quarter (“Q4”) of
25 2025, significantly below consensus estimates of \$303.7 million. Further, Upstart negatively
26 revised its FY 2025 revenue guidance to approximately \$1.035 billion, versus the \$1.06 billion
27
28

1 consensus estimate and its prior guidance of approximately \$1.055 billion, as well as its expected
2 FY 2025 revenue from fees, which it reduced to approximately \$946 million from its prior outlook
3 of approximately \$990 million.

4 7. The same day, during a related earnings call, Defendants blamed Upstart’s
5 disappointing results on Model 22, which they revealed had “overreact[ed]” to macroeconomic
6 signals in the quarter, reducing borrower approvals and conversion rates. Defendants also
7 acknowledged that they had “knowingly” calibrated their AI model to be “more conservative on
8 the credit side in earlier parts of the quarter”, and that the negative impacts of Model 22’s
9 “overresponsive[ness]” to macroeconomic signals in the quarter would continue to negatively
10 impact revenues in Q4 2025, resulting in Upstart’s negatively revised FY 2025 financial guidance.
11

12 8. Following these disclosures, Upstart’s stock price fell \$4.49 per share, or 9.71%,
13 to close at \$41.75 per share on November 5, 2025.
14

15 9. As a result of Defendants’ wrongful acts and omissions, and the precipitous
16 decline in the market value of the Company’s securities, Plaintiff and other Class members have
17 suffered significant losses and damages.

18 **JURISDICTION AND VENUE**

19 10. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of
20 the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by
21 the SEC (17 C.F.R. § 240.10b-5).
22

23 11. This Court has jurisdiction over the subject matter of this action pursuant to 28
24 U.S.C. § 1331 and Section 27 of the Exchange Act.

25 12. Venue is proper in this District pursuant to Section 27 of the Exchange Act (15
26 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Upstart is headquartered in this District, Defendants
27
28

1 conduct business in this District, and a significant portion of Defendants’ activities took place
2 within this District.

3 13. In connection with the acts alleged in this complaint, Defendants, directly or
4 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited
5 to, the mails, interstate telephone communications, and the facilities of the national securities
6 markets.
7

8 **PARTIES**

9 14. Plaintiff, as set forth in the attached Certification, acquired Upstart securities at
10 artificially inflated prices during the Class Period and was damaged upon the revelation of the
11 alleged corrective disclosures.
12

13 15. Defendant Upstart is a Delaware corporation with principal executive offices
14 located at 2950 South Delaware Street, Suite 410, San Mateo, California 94403. The Company’s
15 common stock trades in an efficient market on the Nasdaq Global Select Market (“NASDAQ”)
16 under the ticker symbol “UPST”.

17 16. Defendant Dave Girouard (“Girouard”) served as Upstart’s Chief Executive
18 Officer (“CEO”) at all relevant times. Defendant Girouard is also a co-founder of Upstart and
19 has served as the Company’s Chairperson of the Board of Directors (the “Board”) at all relevant
20 times. During the Class Period, Defendant Girouard sold 208,335 shares of Upstart’s stock,
21 reaping proceeds of over \$13.5 million.
22

23 17. Defendant Sanjay Datta (“Datta”) has served as Upstart’s Chief Financial Officer
24 (“CFO”) at all relevant times. Defendant Datta also serves as the Company’s President and Chief
25 Capital Officer. During the Class Period, Defendant Datta sold 26,985 shares of Upstart’s stock,
26 reaping proceeds of over \$1.4 million.
27
28

1 18. Defendant Paul Gu (“Gu”) served as Upstart’s Chief Technology Officer (“CTO”)
2 at all relevant times. Defendant Gu is also a co-founder of the Company, serves as a Director on
3 the Company’s Board, and will begin serving as Upstart’s CEO on May 1, 2026. During the
4 Class Period, Defendant Gu sold 5,000 shares of Upstart’s stock, reaping proceeds of over
5 \$344,000.
6

7 19. Defendant Chantal Rapport (“Rapport”) served as Upstart’s Chief Marketing
8 Officer (“CMO”) and Senior Vice President (“SVP”) of Growth at all relevant times.

9 20. Defendants Girouard, Datta, Gu, and Rapport are collectively referred to herein as
10 the “Individual Defendants”.

11 21. The Individual Defendants possessed the power and authority to control the
12 contents of Upstart’s SEC filings, press releases, and other market communications. The
13 Individual Defendants were provided with copies of Upstart’s SEC filings and press releases
14 alleged herein to be misleading prior to or shortly after their issuance and had the ability and
15 opportunity to prevent their issuance or to cause them to be corrected. Because of their positions
16 with Upstart, and their access to material information available to them but not to the public, the
17 Individual Defendants knew that the adverse facts specified herein had not been disclosed to and
18 were being concealed from the public, and that the positive representations being made were then
19 materially false and misleading. The Individual Defendants are liable for the false statements and
20 omissions pleaded herein.
21

22 22. Upstart and the Individual Defendants are collectively referred to herein as
23 “Defendants”.
24
25
26
27
28

1 **SUBSTANTIVE ALLEGATIONS**

2 **Background**

3 23. Upstart, together with its subsidiaries, operates a cloud-based AI lending platform
4 in the U.S. Its platform includes unsecured personal loans, small dollar loans, auto refinance,
5 auto retail loans, auto secured personal loans, and home equity lines of credit.
6

7 24. Upstart purportedly uses its proprietary AI models to, *inter alia*, more accurately
8 quantify the true risk of a loan, a process that it refers to as “risk separation.” The Company
9 claims that this differentiated approach to underwriting has generally led to higher approvals and
10 lower interest rates relative to traditional lending practices, providing more predictable returns to
11 its capital partners, including banks, credit unions, and institutional investors. Defendants
12 periodically calibrate Upstart’s AI models to improve accuracy and automation of loan approvals.
13

14 25. In February 2025, Upstart issued FY 2025 revenue guidance of approximately \$1
15 billion, which included revenue from fees of approximately \$920 million.

16 26. In May 2025, Defendants slightly raised Upstart’s FY 2025 revenue guidance to
17 approximately \$1.01 billion, which included revenue from fees of approximately \$920 million.

18 27. In early May 2025, Upstart launched the latest iteration of its AI model, referred
19 to as “Model 22”. At all relevant times, Defendants touted the purported accuracy of Model 22,
20 claiming that it was increasing loan approval rates and, accordingly, the Company’s revenues and
21 growth.
22

23 **Materially False and Misleading Statements Issued During the Class Period**

24 28. The Class Period begins on May 14, 2025, when Upstart hosted its first “AI Day”
25 investor event in New York City,¹ during which the Individual Defendants¹ highlighted purported
26

27 _____
28 ¹ This event began during pre-market hours.

1 advancements in the Company’s proprietary AI underwriting technology. The investor
2 presentation deck for that event stated that Upstart’s proprietary AI “[*m*]odel accuracy drives
3 *more approvals*”,² and contained multiple graphics depicting how its use of that model
4 purportedly drove higher approval rates than traditional underwriting models.

5
6 29. The same day, Upstart issued a press release entitled “Upstart Showcases AI
7 Breakthroughs and Business Momentum at Inaugural ‘AI Day’”, summarizing the event and each
8 of the Individual Defendants’ representations regarding the purported accuracy and benefits of
9 the Company’s AI technology:

10 At the event, [Defendant] Girouard outlined the \$1 trillion opportunity in credit
11 and Upstart’s leading role in delivering the AI that is changing how loans are
12 underwritten, automated, and serviced. He also reiterated his four goals for 2025:
13 10X Upstart’s advantage in AI; prepare Upstart’s funding supply for *rapid growth*;
14 return to GAAP profitability in the second half of the year; and *giant leaps toward*
15 *best rates and best process for all*.

16 Co-founder and [CTO Defendant] Gu walked investors through the company’s
17 journey in developing a vertically integrated AI model trained on over 90 million
18 datapoints. *Gu emphasized how Upstart’s use of advanced techniques*—such as
19 proprietary loss functions, embeddings, and dynamic macro modeling—*delivers*
20 *more accurate underwriting and faster approvals* than traditional lenders.

21 [CMO] and [SVP] of Growth [Defendant] Rapport detailed how *Upstart’s*
22 *winning business model—driven by industry-leading AI*, marketplace capital,
23 and brand advantage—*is driving growth across the full credit spectrum*. She
24 positioned Upstart as a “category of one” business that is reshaping borrower
25 expectations with speed and ease.

26 [CFO Defendant] Datta showed how *Upstart’s growth trajectory, pricing power,*
27 *margins, operating leverage, and profits have created a unique financial profile*
28 *that results in business model resilience*. He also pointed to potential future
revenue streams for Upstart, including ratable fee revenue, subscriptions,
revolving credit, and servicing for all.

30. On August 5, 2025, Upstart issued a press release reporting its financial results for
the second quarter (“Q2”) of 2025. The press release provided Q3 2025 revenue guidance of

² All emphases herein are added unless otherwise indicated.

1 approximately \$280 million, as well as significantly raised Upstart’s previously issued FY 2025
2 revenue guidance from approximately \$1.01 billion to approximately \$1.055 billion, as well as
3 its revenue from fees from approximately \$920 million to approximately \$990 million.

4 31. Additionally, the press release quoted Defendant Girouard as touting the
5 Company’s purported accelerated growth, stating:
6

7 A year ago, you saw the first signs that Upstart was returning to growth mode - and
8 today you can see it in full bloom In addition to achieving triple-digit revenue
9 growth, we reached GAAP profitability a quarter sooner than expected and our
10 newer businesses actually accelerated off their amazing growth in the first quarter.

11 32. The same day, Upstart hosted a conference call with investors and analysts to
12 discuss its Q2 2025 results. During the call, Defendant Girouard attributed the Company’s
13 positive results in the quarter to Model 22, stating, in relevant part:

14 Once again, our growth last quarter was not a result of dramatic macro
15 improvements or Fed rate decreases ***Our growth was primarily on the back
16 of model improvements, which helped to drive conversion rates from 19% in Q1
17 to 24% in Q2. These wins came first and foremost from Model 22, which we
18 launched in early May.***

19 33. Defendant Gu, during the same call, touted Model 22’s implementation and higher
20 accuracy in modeling and performance, stating, in relevant part:

21 Model 22 made use of neural networks at every level of the model architecture,
22 whereas prior models only made use of neural networks in the base layer. That may
23 sound like a subtlety, but it increased our separation accuracy advantage over our
24 benchmark textbook credit model by 17 percentage points to 171.2%. Equivalently,
25 it decreased the inaccuracy remaining to be solved to 87.5%.

26 * * *

27 As of the end of Q2, core underwriting had 91 million borrower repayment events
28 to train on, up from 86 million at the end of the prior quarter.

34. Defendant Datta, too, touted Model 22’s purported enhancements and positive
impact on the Company’s business and growth during the call, stating, in relevant part:

[T]ransactional revenue more than doubled year-on-year, ***largely reflecting the
influence of the aforementioned Model 22.*** Separately, servicing fee revenue grew

1 by nearly 20% year-on-year as the outstanding book of serviced loans continued to
2 expand.

3 * * *

4 Our contribution margin, a non-GAAP metric, which we define as revenue from
5 fees minus variable costs for borrower acquisition, verification and servicing as a
6 percentage of revenue from fees came in at 58% in Q2, up 3 percentage points from
7 the prior quarter and exceeding guidance. This improvement reflects a
strengthening take rate in our core borrower segment in addition to the acquisition
and operational unit cost efficiencies *driven in part by Model 22*.

8 35. During the question-and-answer (“Q&A”) phase of the call, an analyst asked “to
9 hear about . . . the 2 elements of conversion rate, the approval rate and then kind of the acceptance
10 rate” with respect to Upstart’s loans, and “how those ratios have maybe changed versus the prior
11 year?” The analyst further asked, “as we think about the new model,” for Defendants to “talk a
12 little bit about the types of people or the profile of the people that may have been rejected before
13 that they’re being approved today.” In response, Defendant Gu stated, in relevant part:
14

15 I think the short answer is that like we’ve said a number of times at AI Day and
16 other instances, *the real power of our model comes from its ability to find many,
17 many small subtle relationships in the data*, and that’s happening at multiple levels
of the model architecture as we described with Model 22.

18 And the unfortunate result of that is that it’s not like there is one -- well, unfortunate
19 for answering the question is that there’s not really one simple answer of like we
20 have suddenly got more high credit score borrowers or more low-income borrowers
21 or anything like that. *It really is just picking a couple of borrowers from many
22 different sort of parts of the credit fabric, if you will, and then finding borrowers
23 who are more likely to repay than their sort of conventional credit characteristics
24 would suggest.*

25 36. Also on August 5, 2025, Upstart filed a quarterly report on Form 10-Q with the
26 SEC, reporting its financial and operating results for its Q2 ended June 30, 2025 (the “Q2 2025
27 10-Q”). The Q2 2025 10-Q stated, *inter alia*:

28 *Transaction Volume is driven by improvements in our AI models and technology,*
including our ability to streamline and automate the loan application and origination
process.

* * *

1 Transaction Volume, Dollars increased 154% in the three months ended June 30,
2 2025 compared to the same period of 2024, and increased 121% in the six months
3 ended June 30, 2025 compared to the same period of 2024. Transaction Volume,
4 Number of Loans increased 159% and 133% in the three and six months ended June
5 30, 2025 compared to the same period of 2024, respectively. **These increases were**
6 **primarily due to [inter alia] model improvements . . . , which resulted in an**
7 **increase in the number of qualified borrowers** and more attractive loan offers. The
8 increase in Transaction Volume, Number of Loans was higher than the increase in
9 Transaction Volume, Dollars due to the decrease in average loan size, **primarily as**
10 **underwriting model improvements drove higher approval rates** in smaller dollar
11 categories of loans.

12 37. With respect to how improvements in Upstart’s AI model purportedly enhanced
13 the Company’s conversion rate, the Q2 2025 10-Q stated, *inter alia*, that, “[h]istorically, **our**
14 **Conversion Rate has benefited from improvements to our technology, which have made our**
15 **evaluation of risk more accurate** and our verification process more automated,” and that “[o]ur
16 Conversion Rate increased to 23.9% and 21.7% in the three and six months ended June 30, 2025,
17 respectively, from 15.2% and 14.6% in the same periods of 2024, **primarily driven by [inter alia]**
18 **underwriting model improvements[.]”**

19 38. Appended as exhibits to the Q2 2025 10-Q were signed certifications pursuant to
20 the Sarbanes-Oxley Act of 2002, wherein Defendants Girouard and Datta certified, in relevant
21 part, that the Q2 2025 10-Q “does not contain any untrue statement of a material fact or omit to
22 state a material fact necessary to make the statements made, in light of the circumstances under
23 which such statements were made, not misleading with respect to the period covered by this
24 report;” and that “the financial statements, and other financial information included in this report,
25 fairly present in all material respects the financial condition, results of operations and cash flows
26 of the [Company] as of, and for, the periods presented in this report[.]”

27 39. The statements referenced in ¶¶ 28-38 were materially false and misleading
28 because Defendants made false and/or misleading statements, as well as failed to disclose material
adverse facts about the Company’s business, operations, and prospects. Specifically, Defendants

1 made false and/or misleading statements and/or failed to disclose that: (i) Model 22 frequently
2 overreacted to negative macroeconomic signals in performing its risk-separation processes; (ii)
3 accordingly, Model 22’s overall accuracy and propensity to increase loan approval rates was
4 overstated; (iii) Model 22’s overly conservative assessment of credit and macroeconomic
5 conditions was having a significant negative impact on Upstart’s revenue results, rendering the
6 Company’s previously issued FY 2025 revenue guidance unreliable and/or unrealistic; and (iv)
7 as a result, Defendants’ public statements were materially false and misleading at all relevant
8 times.
9

10 40. In addition, Defendants violated Item 303 of SEC Regulation S-K, 17 C.F.R. §
11 229.303(b)(2)(ii) (“Item 303”), which required Upstart to “[d]escribe any known trends or
12 uncertainties that have had or that are reasonably likely to have a material favorable or
13 unfavorable impact on net sales or revenues or income from continuing operations.” Defendants’
14 failure to disclose, *inter alia*, that Model 22 was prone to overreact to negative macroeconomic
15 signals in performing its risk-separation processes, and that its overly conservative assessment of
16 credit and macroeconomic conditions was having a significant negative impact on Upstart’s
17 revenue results, violated Item 303 because these issues represented known trends or uncertainties
18 that were likely to have a material unfavorable impact on the Company’s business and financial
19 results.
20
21

22 **The Truth Begins to Emerge**

23 41. The truth began to emerge on November 4, 2025, when, during post-market hours,
24 Upstart issued a press release reporting its Q3 2025 financial results. Upstart reported, *inter alia*,
25 Q3 2025 revenue of \$277 million, missing its previously issued Q3 2025 revenue guidance of
26 approximately \$280 million, as well as consensus estimates by \$2.62 million. Upstart also
27 reported that it expected to generate revenue of only \$288 million in Q4 2025, significantly below
28

1 consensus estimates of \$303.7 million. Further, Upstart negatively revised its FY 2025 revenue
2 guidance to approximately \$1.035 billion, versus the \$1.06 billion consensus estimate and its prior
3 guidance of approximately \$1.055 billion, as well as its expected FY 2025 revenue from fees,
4 which it reduced to approximately \$946 million from its prior outlook of approximately \$990
5 million.

6
7 42. The same day, also during post-market hours, Upstart held a conference call with
8 investors and analysts to discuss its Q3 2025 financial results. During the call, Defendants
9 blamed Upstart’s disappointing results on Model 22, which they revealed had “overreact[ed]” to
10 macroeconomic signals in the quarter, reducing borrower approvals and conversion rates.

11 43. During his prepared remarks on the call, Defendant Girouard stated, *inter alia*:

12 ***[T]ransaction volume on our platform was less than we anticipated.***

13 ***Our risk models responded to macroeconomic signals they observed by***
14 ***moderately reducing approvals and increasing interest rates. This drove a***
15 ***reduction in our conversion rate from 23.9% in Q2 to 20.6% in Q3.***

16 If you follow the Upstart Macro Index, you would have seen that this macro
17 indicator ticked up modestly in July and August, which is essentially what our
18 model responded to over the course of the quarter. We believe this to be nothing
19 more than a speed bump with UMI [Upstart Macro Index] reverting to lower
20 numbers since.

21 44. Despite asserting on the call that “we see no material deterioration in consumer
22 credit strength” “[a]nd in fact, we’ve seen recent signs of improvement”, Defendant Girouard
23 maintained that “[t]he [Model 22] system is behaving exactly as it was designed.” However, in
24 response to an analyst noting “the strong demand in the third quarter,” but also “the guidance,
25 which was a little bit below what we were expecting and below the guidance in 2Q”, and asking
26 “how do you square these 2 things together”, Defendant Girouard attributed the disconnect to
27 Model 22’s tendency to “overreact[.]” based on macroeconomic factors, stating:

28 ***I think what it really highlights is that our model took a step towards conservatism***
during the third quarter, just based on seeing macro factors.

1 And I think that is just a natural thing we might expect. As we said, it's since
2 reverted, but it was a period of time where it saw signals, and it was moving quickly.

3 ***I think maybe overreacting.*** I think in some sense, ***having a model that overreacts***
4 ***is better than having ones that underreact*** because it did revert.

5 45. In response to another analyst's question regarding Model 22's impact on
6 Upstart's financial results, Defendant Gu acknowledged that Defendants had "knowingly"
7 calibrated their AI model to be "more conservative on the credit side in earlier parts of the
8 quarter[,]'" stating, in relevant part:

9 So obviously, ***we did have a larger increase in applications relative to where the***
10 ***final originations count ended up.***

11 So I think mechanically, you can infer from that change in the likelihood to convert
12 through the funnel. ***Of course, the conversion rates are lower.***

13 ***Now that's in large part . . . because we were knowingly making a choice with***
14 ***our model to be a little bit more conservative on the credit side in earlier parts of***
15 ***the quarter.***

16 So relative to that model, of course, ***we did end up marketing to people who were***
17 ***a little less likely to be approved or a little less likely to convert,*** but that's not
18 necessarily a chosen strategy.

19 46. In response to yet another analyst's question regarding Model 22's overly
20 conservative assessment of credit, what factor or factors most impacted that assessment, and how
21 Defendants planned to reduce conversion rate volatility driven by that model, Defendant Girouard
22 stated, in relevant part:

23 [R]eally, ***the conservatism in the model is, from our point of view, pretty much***
24 ***the dominant driver of the change in conversion rate.***

25 So it comes in the form of a small fraction, fewer people approved, the rates they're
26 approved at being a little bit higher, which means just marginally less likely to take
27 that load, and then sometimes the approved loan size is a little smaller.

28 So that is the basics of ***a slightly more conservative twist in the model.*** So again,
we don't believe this is anything sustainable. And we do think that we'll get to a
model that's a little less responsive, honestly, and maybe ***overresponsive in this***
particular case.

1 But no, there's no other factor going on, as you saw the application volume is quite
2 strong.

3 47. Defendant Gu on the call, meanwhile, acknowledged that Model 22 was "overly
4 responsive" to changes and plagued by "measurement error[s,]" and described the actions
5 Defendants were taking to further refine their AI model:

6 [T]he thing that I was referencing earlier in my prepared remarks about what
7 happened this quarter and the improvements we've made that we expect to be
8 durable and lasting with respect to reducing variance on this metric *specifically has
to do with managing how the model responds to the latest signals in macro.*

9 So over the last few years, one of the things that we invested the most heavily in
10 was building our models in such a way that we think they are the fastest, most
11 precise at responding to the latest patterns in borrower repayment, including at the
macro level.

12 So if it's like federal employees or if it's like service sector workers or if it's high
13 primness borrowers or low primness borrowers that are being impacted, or it's
14 everybody being impacted by a big macro event, we want our models to be the very
fastest at responding and respond as precisely as the data allows.

15 And so we've made a ton of progress towards that. We're very proud of the sort of
16 system we've designed and built.

17 *But one of the side effects of that system is that it can be a little overly responsive
18 to the latest changes. And that, in addition to being responsive, there's always
some kind of sampling and measurement error.*

19 You can think about what we have, of course, a large amount of data, but relative
20 to all people in the U.S. or the whole economy, it's still a relatively small sample.

21 *So there's a natural statistical sampling error that comes about from that. And
22 we were doing a lot of work this quarter on understanding how much natural
error there is in the match between the sample and the actual levels of calibration.*

23 *Then we devised some techniques to be able to shrink that measurement error by
24 about half, so that we don't have as much what I call unwanted variance in this
metric.*

25 *We really just want the model to respond to real changes as opposed to changes
26 that are just measurement error, and we were able to reduce that measurement
27 error by a very significant amount this quarter, which means that in future
28 periods, we expect that . . . we will see less volatility in our conversion rates as
affected by macro.*

1 48. Another analyst during the Q&A segment of the call remarked that “it sounds like
2 you’re assuming that the conservatism in the model is going to continue in the fourth quarter,
3 despite your comments around the UMI actually starting to show some signs of improvement. Is
4 that correct?” In response, Defendant Datta acknowledged that “some amount of Q4 was
5 impacted by that UMI rise as well” and that “the model impact in Q3, even though it appears to
6 be abating, will impact Q4 as well.”

7
8 49. The foregoing disclosures shocked the market. For example, on November 5,
9 2025, *American Banker* published an article entitled “Upstart stock drops as AI model
10 ‘overreacts’ to macro signals”, reporting that “*Upstart’s stock plummeted 14.8% not because of*
11 *poor profits, but because its own AI model intentionally ‘tightened the credit box,’ causing a*
12 *miss on loan origination volume.*” Multiple market analysts also quickly reacted to Defendants’
13 disclosures, with Morgan Stanley cutting its price target (“PT”) on Upstart’s stock to \$45.00 from
14 \$70.00, noting “the company needs to demonstrate that both its [AI] model and forecasting can
15 sufficiently adapt to UMI volatility”; Goldman Sachs cutting its PT to \$40.00 from \$54.00, noting
16 “the recent trends in volume are likely to underscore the limited forward visibility in the model”;
17 Citigroup cutting its PT to \$80.00 from \$100.00; Bank of America cutting its PT to \$71.00 from
18 \$81.00; Needham cutting its PT to \$56.00 from \$82.00; and Stephens & Co. cutting its PT to
19 \$40.00 from \$55.00.

20
21 50. Ultimately, Upstart’s stock price fell \$4.49 per share, or 9.71%, to close at \$41.75
22 per share on November 5, 2025.

23
24 51. As a result of Defendants’ wrongful acts and omissions, and the precipitous
25 decline in the market value of the Company’s securities, Plaintiff and other Class members have
26 suffered significant losses and damages.

1 “overresponsive[ness]” to negative macroeconomic signals—a feature of the model that
2 Defendants Girouard and Gu both maintained was intentional.

3 54. Accordingly, Defendants participated in a scheme to defraud and committed acts,
4 practices, and participated in a course of business that operated as a fraud or deceit on purchasers
5 of the Company’s securities during the Class Period.
6

7 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

8 55. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
9 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise
10 acquired Upstart securities during the Class Period (the “Class”); and were damaged upon the
11 revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein,
12 the officers and directors of the Company, at all relevant times, members of their immediate
13 families and their legal representatives, heirs, successors or assigns and any entity in which
14 Defendants have or had a controlling interest.
15

16 56. The members of the Class are so numerous that joinder of all members is
17 impracticable. Throughout the Class Period, Upstart securities were actively traded on the
18 NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and
19 can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds
20 or thousands of members in the proposed Class. Record owners and other members of the Class
21 may be identified from records maintained by Upstart or its transfer agent and may be notified of
22 the pendency of this action by mail, using the form of notice similar to that customarily used in
23 securities class actions.
24

25 57. Plaintiff’s claims are typical of the claims of the members of the Class as all
26 members of the Class are similarly affected by Defendants’ wrongful conduct in violation of
27 federal law that is complained of herein.
28

1 58. Plaintiff will fairly and adequately protect the interests of the members of the Class
2 and has retained counsel competent and experienced in class and securities litigation. Plaintiff
3 has no interests antagonistic to or in conflict with those of the Class.

4 59. Common questions of law and fact exist as to all members of the Class and
5 predominate over any questions solely affecting individual members of the Class. Among the
6 questions of law and fact common to the Class are:
7

- 8 • whether the federal securities laws were violated by Defendants' acts as alleged
9 herein;
- 10 • whether statements made by Defendants to the investing public during the Class
11 Period misrepresented material facts about the business, operations and
12 management of Upstart;
- 13 • whether the Individual Defendants caused Upstart to issue false and misleading
14 financial statements during the Class Period;
- 15 • whether Defendants acted knowingly or recklessly in issuing false and
16 misleading financial statements;
- 17 • whether the prices of Upstart securities during the Class Period were artificially
18 inflated because of the Defendants' conduct complained of herein; and
- 19 • whether the members of the Class have sustained damages and, if so, what is the
20 proper measure of damages.

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

27 61. Plaintiff will rely, in part, upon the presumption of reliance established by the
28 fraud-on-the-market doctrine in that:

- 1 • Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- 2
- 3 • the omissions and misrepresentations were material;
- 4 • Upstart securities are traded in an efficient market;
- 5 • the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- 6
- 7 • the Company traded on the NASDAQ and was covered by multiple analysts;
- 8 • the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- 9
- 10 • Plaintiff and members of the Class purchased, acquired and/or sold Upstart securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.
- 11
- 12

13 62. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a
14 presumption of reliance upon the integrity of the market.

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

21 COUNT I

22 **(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder** 23 **Against All Defendants)**

24 64. Plaintiff repeats and re-alleges each and every allegation contained above as if
25 fully set forth herein.

26 65. This Count is asserted against Defendants and is based upon Section 10(b) of the
27 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

1 66. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and
2 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,
3 practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other
4 members of the Class; made various untrue statements of material facts and omitted to state
5 material facts necessary in order to make the statements made, in light of the circumstances under
6 which they were made, not misleading; and employed devices, schemes and artifices to defraud
7 in connection with the purchase and sale of securities. Such scheme was intended to, and,
8 throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other
9 Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Upstart
10 securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise
11 acquire Upstart securities and options at artificially inflated prices. In furtherance of this unlawful
12 scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth
13 herein.
14

15
16 67. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the
17 Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly
18 and annual reports, SEC filings, press releases and other statements and documents described
19 above, including statements made to securities analysts and the media that were designed to
20 influence the market for Upstart securities. Such reports, filings, releases and statements were
21 materially false and misleading in that they failed to disclose material adverse information and
22 misrepresented the truth about Upstart's finances and business prospects.
23

24 68. By virtue of their positions at Upstart, Defendants had actual knowledge of the
25 materially false and misleading statements and material omissions alleged herein and intended
26 thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants
27 acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose
28

1 such facts as would reveal the materially false and misleading nature of the statements made,
2 although such facts were readily available to Defendants. Said acts and omissions of Defendants
3 were committed willfully or with reckless disregard for the truth. In addition, each Defendant
4 knew or recklessly disregarded that material facts were being misrepresented or omitted as
5 described above.
6

7 69. Information showing that Defendants acted knowingly or with reckless disregard
8 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers
9 and/or directors of Upstart, the Individual Defendants had knowledge of the details of Upstart's
10 internal affairs.

11 70. The Individual Defendants are liable both directly and indirectly for the wrongs
12 complained of herein. Because of their positions of control and authority, the Individual
13 Defendants were able to and did, directly or indirectly, control the content of the statements of
14 Upstart. As officers and/or directors of a publicly-held company, the Individual Defendants had
15 a duty to disseminate timely, accurate, and truthful information with respect to Upstart's
16 businesses, operations, future financial condition and future prospects. As a result of the
17 dissemination of the aforementioned false and misleading reports, releases and public statements,
18 the market price of Upstart securities was artificially inflated throughout the Class Period. In
19 ignorance of the adverse facts concerning Upstart's business and financial condition which were
20 concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise
21 acquired Upstart securities at artificially inflated prices and relied upon the price of the securities,
22 the integrity of the market for the securities and/or upon statements disseminated by Defendants,
23 and were damaged thereby.
24

25
26 71. During the Class Period, Upstart securities were traded on an active and efficient
27 market. Plaintiff and the other members of the Class, relying on the materially false and
28

1 misleading statements described herein, which the Defendants made, issued or caused to be
2 disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares
3 of Upstart securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff
4 and the other members of the Class known the truth, they would not have purchased or otherwise
5 acquired said securities, or would not have purchased or otherwise acquired them at the inflated
6 prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class,
7 the true value of Upstart securities was substantially lower than the prices paid by Plaintiff and
8 the other members of the Class. The market price of Upstart securities declined sharply upon
9 public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.
10

11 72. By reason of the conduct alleged herein, Defendants knowingly or recklessly,
12 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5
13 promulgated thereunder.
14

15 73. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and
16 the other members of the Class suffered damages in connection with their respective purchases,
17 acquisitions and sales of the Company's securities during the Class Period, upon the disclosure
18 that the Company had been disseminating misrepresented financial statements to the investing
19 public.
20

21 COUNT II

22 **(Violations of Section 20(a) of the Exchange Act Against the Individual Defendants)**

23 74. Plaintiff repeats and re-alleges each and every allegation contained in the
24 foregoing paragraphs as if fully set forth herein.

25 75. During the Class Period, the Individual Defendants participated in the operation
26 and management of Upstart, and conducted and participated, directly and indirectly, in the
27 conduct of Upstart's business affairs. Because of their senior positions, they knew the adverse
28

1 non-public information about Upstart’s misstatement of income and expenses and false financial
2 statements.

3 76. As officers and/or directors of a publicly owned company, the Individual
4 Defendants had a duty to disseminate accurate and truthful information with respect to Upstart’s
5 financial condition and results of operations, and to correct promptly any public statements issued
6 by Upstart which had become materially false or misleading.

7
8 77. Because of their positions of control and authority as senior officers, the Individual
9 Defendants were able to, and did, control the contents of the various reports, press releases and
10 public filings which Upstart disseminated in the marketplace during the Class Period concerning
11 Upstart’s results of operations. Throughout the Class Period, the Individual Defendants exercised
12 their power and authority to cause Upstart to engage in the wrongful acts complained of herein.
13 The Individual Defendants, therefore, were “controlling persons” of Upstart within the meaning
14 of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct
15 alleged which artificially inflated the market price of Upstart securities.
16

17 78. Each of the Individual Defendants, therefore, acted as a controlling person of
18 Upstart. By reason of their senior management positions and/or being directors of Upstart, each
19 of the Individual Defendants had the power to direct the actions of, and exercised the same to
20 cause, Upstart to engage in the unlawful acts and conduct complained of herein. Each of the
21 Individual Defendants exercised control over the general operations of Upstart and possessed the
22 power to control the specific activities which comprise the primary violations about which
23 Plaintiff and the other members of the Class complain.
24

25 79. By reason of the above conduct, the Individual Defendants are liable pursuant to
26 Section 20(a) of the Exchange Act for the violations committed by Upstart.
27
28

