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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

_____, individually and on behalf of
all others similarly situated,

Plaintiff,

v.

ENPHASE ENERGY, INC.,
BADRINARAYANAN
KOTHANDARAMAN, and ERIC
BRANDERIZ,

Defendants.

Case No. _____

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

JURY TRIAL DEMANDED

Plaintiff, by and through his attorneys, alleges upon personal knowledge as to his own acts, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United

1 States Securities and Exchange Commission (the “SEC”), news reports, press releases issued by
2 Defendants, and other publicly available documents, as follows:

3 NATURE AND SUMMARY OF THE ACTION

4 1. This is a federal securities class action on behalf of all investors who purchased or
5 otherwise acquired Enphase Energy, Inc. (“Enphase” or the “Company”) common stock between
6 February 26, 2019 and June 17, 2020, inclusive (the “Class Period”), seeking to recover damages
7 caused by Defendants’ violations of the federal securities laws and to pursue remedies under §§
8 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5
9 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.
10

11 2. Enphase is a global energy technology company that “deliver[s] smart, easy-to-
12 use solutions that manage solar generation, storage and communication on one intelligent
13 platform.” The Company asserts that it “revolutionized the solar industry with [its] microinverter
14 technology” and that it “produce[s] a fully integrated solar-plus-storage solution.”¹
15

16 3. In violation of the Exchange Act, Enphase misled investors as to its financial
17 results, including, *inter alia*, its revenues (both domestic and international), its base points
18 expansion in gross margins, and its accounting practices. This has led to inflated financial
19 results.
20

21 4. Throughout the Class Period, Defendants made materially false and/or misleading
22 statements, as well as failed to disclose material adverse facts to investors. Specifically,
23 Defendants misrepresented and/or failed to disclose to investors that: (1) its revenues, both U.S.
24 and international, were inflated; (2) the Company engaged in improper deferred revenue
25 accounting practices; (3) the Company’s reported base points expansion in gross margins were
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28 ¹ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1463101/000146310120000021/a2019q410-kdoc.htm>
at Part I.

1 overstated; and that (4) as a result of the foregoing, Defendants’ public statements were
2 materially false and misleading at all relevant times.

3 5. On June 17, 2020, analyst Prescience Point Capital Management published a
4 report in which it wrote that “we believe the Company’s financial statements filed with the SEC
5 are fiction. Based on our research, we estimate that at least \$205.3m of its reported US revenue
6 in FY 2019 was fabricated. Based on statements provided by former employees and other solar
7 industry participants, it appears that the Company inflated its international revenue significantly
8 as well. We also believe that most, if not all, of the enormous 2,080 Bps expansion in the
9 Company’s gross margin during [Defendant Badrinarayanan] Kothandaraman’s tenure as CEO –
10 from 18.4% in Q2 2017 to 39.2% in Q1 2020 – is fiction. We believe government bodies should
11 investigate ENPH, Deloitte should launch an in-depth investigation of the Company’s accounting
12 practices, and the Board of Directors should establish an independent committee to examine the
13 findings and analyses presented in this report.”²
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16 6. On this news, the stock plummeted from its June 16, 2020 closing price of \$52.76
17 per share to a June 17, 2020 closing price of \$39.04 per share, a one day drop of \$13.72 or
18 approximately 26%.

19 7. As a result of Defendants’ wrongful acts and omissions, and the precipitous
20 decline in the market value of the Company’s securities, Plaintiff and other Class members have
21 suffered significant losses and damages.
22

23 JURISDICTION AND VENUE

24 8. The federal law claims asserted herein arise under and pursuant to §§ 10(b) and
25 20(a) of the Exchange Act, 15 U.S.C. § 78(b) and 78t(a), and Rule 10b-5 promulgated thereunder
26 by the SEC, 17 C.F.R. § 240.10b-5.
27

28 ² See https://www.presciencepoint.com/wp-content/uploads/2020/06/ENPH-June-2020-Report_FINAL.pdf (last visited on June 17, 2020).

1 9. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C.
2 §1331, § 27 of the Exchange Act, 15 U.S.C. § 78aa.

3 10. This Court has jurisdiction over each Defendant named herein because each
4 Defendant is an individual or corporation who has sufficient minimum contacts with this District
5 so as to render the exercise of jurisdiction by the District Court permissible under traditional
6 notions of fair play and substantial justice.

7
8 11. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. §
9 78aa and 28 U.S.C. § 1931(b), as the Company has its principal executive offices located in this
10 District and conducts substantial business here.

11 12. In connection with the acts, omissions, conduct and other wrongs in this
12 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate
13 commerce, including but not limited to the United States mail, interstate telephone
14 communications and the facilities of the national securities exchange.
15

16 **INTRADISTRICT ASSIGNMENT**

17 13. Pursuant to Local Rule 3-2(c), this is a securities fraud class action to be assigned
18 on a district-wide basis. Defendant Enphase Energy, Inc. is headquartered in Fremont, CA,
19 which is closest to the San Jose Division.
20

21 **PARTIES**

22 14. Plaintiff, as set forth in his Certification filed contemporaneously
23 herewith, acquired shares of Enphase common stock at artificially inflated prices, and has been
24 damaged.

25 15. Defendant Enphase Energy, Inc. is incorporated under the laws of Delaware, with
26 its principal place of business at 47281 Bayside Parkway, Fremont, CA 94538. Its common
27 stock trades on the Nasdaq stock exchange under the symbol ENPH.
28

1 16. Defendant Badrinarayanan Kothandaraman is the Chief Executive Officer and
2 President of Enphase Energy, Inc., and has served in that capacity since September 2017. Mr.
3 Kothandaraman joined Enphase in April 2017 as Chief Operating Officer.

4 17. Defendant Eric Branderiz is the Chief Financial Officer of Enphase Energy, Inc.,
5 and has served in that capacity since 2018.

6 18. Defendants Kothandaraman and Branderiz are named as Defendants for violations
7 of all counts asserted herein, and are referred to as the “Individual Defendants.” The Individual
8 Defendants, because of their positions with the Company, possessed the power and authority to
9 control the contents of the Company’s reports to the SEC, press releases and presentations to
10 securities analysts, money and portfolio managers, and the investing public, *i.e.*, the market. The
11 Individual Defendants were provided with copies of the Company’s reports and press releases
12 alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and
13 opportunity to prevent their issuance or cause them to be corrected. Because of their positions
14 and access to material, non-public information available to them, the Individual Defendants
15 knew that the adverse facts specified herein had not been disclosed to, and were being concealed
16 from, the public, and that the positive representations that were being made were then materially
17 false and/or misleading. The Individual Defendants are therefore liable for the misstatements
18 and omissions plead herein.

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21 **DEFENDANTS’ FALSE AND MISLEADING STATEMENTS AND/OR OMISSIONS**

22 19. On February 26, 2019, the beginning of the Class Period, Enphase issued a press
23 release on Form 8-K with the SEC in which it announced the Company’s financial results for the
24 fourth quarter and year-ended 2018. In this release, Enphase stated that for the fourth quarter of
25 2018, it had revenue of \$92.3 million, an increase of 18% sequentially and an increase of 16%
26 year-over-year. It further stated that the Company’s non-GAAP gross margin was 30.7%, a
27 decrease of 210 basis points from 32.8% in the third quarter. For the full year ended December
28

1 31, 2018, Enphase reported revenue of \$316.159 million, with gross margins of 29.9%, up from
2 \$286.166 million and 19.6% for the year ended December 31, 2017.³

3 20. Then, on March 15, 2019, the Company filed its 2018 Annual Report on Form 10-
4 K with the SEC.⁴ In its 2018 Form 10-K, Enphase reiterated that its revenue for the year ended
5 December 31, 2018 was \$316.159 million, and that gross margins were 29.9%.

6 21. Attached to the 2018 Form 10-K were certifications signed by Defendants
7 Kothandaraman and Branderiz in which they stated that “[b]ased on [their] knowledge, this
8 report does not contain any untrue statement of a material fact or omit to state a material fact
9 necessary to make the statements made, in light of the circumstances under which such
10 statements were made, not misleading with respect to the period covered by this report.” These
11 signed certifications further provided that “[b]ased on [their] knowledge, “the financial
12 statements, and other financial information included in this report, fairly present in all material
13 respects the financial condition, results of operations and cash flows of the registrant as of, and
14 for, the periods presented in this report.”

15 22. On April 30, 2019, Enphase issued its financial report for the first quarter of 2019
16 on Form 10-Q with the SEC,⁵ and filed an accompanying press release via Form 8-K with the
17 SEC.⁶ In these materials, the Company reported revenue for the first quarter of 2019 of \$100.2
18 million (a 43% increase year-over-year), cash flows from operating activities of \$17.1 million,
19 and GAAP gross margins of 33.3%. The Company stated that it “continued to see strong demand
20 across the board from our customers, overcoming the typical first quarter seasonality in the solar
21 industry.” It further stated that its “non-GAAP gross margin as 33.5%, an increase of 280 basis
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26 ³ <https://www.sec.gov/Archives/edgar/data/1463101/000146310119000009/a2018q48-kexx991pressrelea.htm>.

27 ⁴ <https://www.sec.gov/Archives/edgar/data/1463101/000146310119000033/a2018form10-k.htm>.

28 ⁵ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1463101/000146310119000089/a2019q110-qdoc.htm>

⁶ <https://www.sec.gov/Archives/edgar/data/1463101/000146310119000087/a2019q18-kexx991pressrelea.htm>

1 points from 30.7% in the fourth quarter of 2018. The non-GAAP gross margin was negatively
2 impacted by 280 basis points due to expedite fees related to component shortages.”

3 23. Attached to the First Quarter 2019 Form 10-Q were certifications signed by
4 Defendants Kothandaraman and Branderiz in which they stated that “[b]ased on [their]
5 knowledge, this report does not contain any untrue statement of a material fact or omit to state a
6 material fact necessary to make the statements made, in light of the circumstances under which
7 such statements were made, not misleading with respect to the period covered by this report.”
8 These signed certifications further provided that “[b]ased on [their] knowledge, “the financial
9 statements, and other financial information included in this report, fairly present in all material
10 respects the financial condition, results of operations and cash flows of the registrant as of, and
11 for, the periods presented in this report.”
12

13 24. On July 30, 2019, Enphase issued its financial report for the second quarter of
14 2019 on Form 10-Q with the SEC,⁷ and filed an accompanying press release via Form 8-K with
15 the SEC.⁸ In these materials, the Company reported revenue for the second quarter of 2019 of
16 \$134.1 million, cash flows from operating activities of \$14.8 million, and GAAP gross margins
17 of 33.8%. In addition, the Company stated that its “non-GAAP gross margin was 34.1%, an
18 increase of 60 basis points from 33.5% in the first quarter of 2019. The non-GAAP gross margin
19 was negatively impacted by approximately 330 basis points due to expedite fees related to
20 component shortages.”
21

22 25. Attached to the Second Quarter 2019 Form 10-Q were certifications signed by
23 Defendants Kothandaraman and Branderiz in which they stated that “[b]ased on [their]
24 knowledge, this report does not contain any untrue statement of a material fact or omit to state a
25 material fact necessary to make the statements made, in light of the circumstances under which
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27 ⁷ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1463101/000146310119000129/a2019q210-qdoc.htm>

28 ⁸ <https://www.sec.gov/Archives/edgar/data/1463101/000146310119000128/a2019q28-kexx991pressrelea.htm>

1 such statements were made, not misleading with respect to the period covered by this report.”
2 These signed certifications further provided that “[b]ased on [their] knowledge, “the financial
3 statements, and other financial information included in this report, fairly present in all material
4 respects the financial condition, results of operations and cash flows of the registrant as of, and
5 for, the periods presented in this report.”
6

7 26. On October 29, 2019, Enphase filed its financial report for the third quarter of
8 2019 on Form 10-Q with the SEC,⁹ and filed an accompanying press release via Form 8-K with
9 the SEC.¹⁰ In these materials, the Company reported revenue for the third quarter of 2019 of
10 \$180.1 million, cash flows from operating activities of \$5.0 million, and GAAP gross margins of
11 35.9%. In addition, the Company stated that its “non-GAAP gross margin was 36.2%, an
12 increase of 210 basis points from 34.1% in the second quarter of 2019. The non-GAAP gross
13 margin was negatively impacted by approximately 220 basis points due to expedite fees related
14 to component shortages.”
15

16 27. Attached to the Third Quarter 2019 Form 10-Q were certifications signed by
17 Defendants Kothandaraman and Branderiz in which they stated that “[b]ased on [their]
18 knowledge, this report does not contain any untrue statement of a material fact or omit to state a
19 material fact necessary to make the statements made, in light of the circumstances under which
20 such statements were made, not misleading with respect to the period covered by this report.”
21 These signed certifications further provided that “[b]ased on [their] knowledge, “the financial
22 statements, and other financial information included in this report, fairly present in all material
23 respects the financial condition, results of operations and cash flows of the registrant as of, and
24 for, the periods presented in this report.”
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27 ⁹ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1463101/000146310119000157/a2019q310-qdoc.htm>

28 ¹⁰ <https://www.sec.gov/Archives/edgar/data/1463101/000146310119000155/a2019q38-kexx991pressr.htm>

1 28. On December 12, 2019, the Company filed on Form 8-K with the SEC a
2 presentation it shared with investors entitled “Profitable Growth.”¹¹ In this presentation, the
3 Company lauded its 2019 revenues of \$619 million – an increase of 96% year-over-year – as
4 well as its \$122 million of operating income – an increase of 495% year-over-year. The
5 Company stated that it “[e]xceeded [its] financial target.”
6

7 29. On February 18, 2020, Enphase filed a press release on Form 8-K with the SEC,
8 in which the Company announced its fourth quarter and year-ended 2019 financial results.¹² For
9 the fourth quarter of 2019, Enphase stated that it had revenue of \$210.0 million, cash flow from
10 operations of \$102.3 million, and GAAP gross margins of 37.1%. It added that its “non-GAAP
11 gross margin was 37.3%, an increase of 110 basis points from 36.2% in the third quarter of
12 2019.”
13

14 30. In this same release, for the year ended December 31, 2019, Enphase stated its
15 revenues were \$624.333 million – nearly double the \$316.159 million of revenue the Company
16 reported for the year ended December 31, 2018. Enphase also stated that its GAAP gross
17 margins grew year-over-year from 29.9% to 35.4%, that its non-GAAP gross margins grew from
18 30.2% to 35.7% year-over-year, and that its GAAP and non-GAAP basic and diluted earnings
19 per share massively increased year-over-year, from a GAAP loss of 12 cents per share to a
20 GAAP profit of \$1.38 (basic) and \$1.23 (diluted), and from a non-GAAP profit of 10 cents per
21 share to a non-GAAP profit of \$1.06 (basic) and \$0.95 (diluted).
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27 ¹¹ https://www.sec.gov/Archives/edgar/data/1463101/000146310119000169/a12122019ex99_1.htm

28 ¹² <https://www.sec.gov/Archives/edgar/data/1463101/000146310120000010/a2019q48-kexx991pressr.htm>

1 31. On February 21, 2020, the Company issued its 2019 Annual Report on Form 10-
2 K with the SEC.¹³ This report confirmed the financial results stated by the Company in its
3 February 18, 2020 press release.

4 32. Attached to the 2019 Form 10-K were certifications signed by Defendants
5 Kothandaraman and Branderiz in which they stated that “[b]ased on [their] knowledge, this
6 report does not contain any untrue statement of a material fact or omit to state a material fact
7 necessary to make the statements made, in light of the circumstances under which such
8 statements were made, not misleading with respect to the period covered by this report.” These
9 signed certifications further provided that “[b]ased on [their] knowledge, “the financial
10 statements, and other financial information included in this report, fairly present in all material
11 respects the financial condition, results of operations and cash flows of the registrant as of, and
12 for, the periods presented in this report.”

13 33. On May 5, 2020, Enphase filed its financial report for the first quarter of 2020 on
14 Form 10-Q with the SEC,¹⁴ and filed an accompanying press release via Form 8-K with the
15 SEC.¹⁵ In these materials, the Company reported revenue for the first quarter of 2020 of \$205.5
16 million, cash flows from operating activities of \$39.2 million, and GAAP gross margins of
17 39.2%. In addition, the Company stated that its “non-GAAP gross margin increased to 39.5%
18 from 37.3% in the fourth quarter of 2019, driven by disciplined pricing and cost management.”

19 34. Attached to the First Quarter 2020 Form 10-Q were certifications signed by
20 Defendants Kothandaraman and Branderiz in which they stated that “[b]ased on [their]
21 knowledge, this report does not contain any untrue statement of a material fact or omit to state a
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26 ¹³ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1463101/000146310120000021/a2019q410-kdoc.htm>

27 ¹⁴ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1463101/000146310120000068/a2020q110-qdoc.htm>

28 ¹⁵ <https://www.sec.gov/Archives/edgar/data/1463101/000146310120000067/a2020q18-kexx991pressr.htm>

1 material fact necessary to make the statements made, in light of the circumstances under which
2 such statements were made, not misleading with respect to the period covered by this report.”
3 These signed certifications further provided that “[b]ased on [their] knowledge, “the financial
4 statements, and other financial information included in this report, fairly present in all material
5 respects the financial condition, results of operations and cash flows of the registrant as of, and
6 for, the periods presented in this report.”
7

8 35. The statements in ¶¶ 19-34 were materially false and misleading and omitted to
9 disclose material information. Specifically, Defendants misrepresented and/or failed to disclose
10 to investors that: (1) its revenues, both U.S. and international, were inflated; (2) the Company
11 engaged in improper deferred revenue accounting practices; (3) the Company’s reported base
12 points expansion in gross margins were overstated; and that (4) as a result of the foregoing,
13 Defendants’ public statements were materially false and misleading at all relevant times.
14

15 36. Defendants knew, or in reckless disregard for the truth should have known, that at
16 the time the statements in ¶¶ 19-34 were made, they were false and/or misleading, and/or failed
17 to disclose material information to investors.

18 **THE TRUTH BEGINS TO EMERGE**

19 37. On June 17, 2020, analyst Prescience Point Capital Management published a
20 report in which it wrote that “[a]t least \$205.3m of ENPH’s reported FY19 US revenue is
21 fabricated, and a significant portion of its international revenue is fabricated as well.” The report
22 continued: “[m]ost, if not all, of the 2,080 Bps expansion in ENPH’s gross margin since Q2’17 is
23 also fabricated,” and called on Enphase’s accountant, Deloitte, to “launch an in-depth
24 investigation of EPNH’s accounting practices.” Prescience Point further called on “[r]egulatory
25 and law enforcement agencies with subpoena power [to] launch a full investigation of the
26 Company, its accounting, its disclosures and trading by insiders.”
27
28

1 38. Prescience Point continued: “[a] breakthrough in our research of ENPH occurred
2 in late 2019 when we were told by a former ENPH employee that the Company had, peculiarly,
3 offshored many of its key finance and accounting . . . functions to its India-based office in late
4 2018. As past accounting scandals have shown, offshore entities can and have been used as a tool
5 to help companies perpetrate fraud. Given this, and our previous reservations about ENPH’s
6 accounting practices, we viewed this as a significant red flag that warranted further
7 investigation.”

9 39. Prescience Point further stated that it “hired a reputable third-party private
10 investigation firm to conduct on-the-ground research in India. During its weeks-long
11 investigation, our private investigators spoke with numerous former ENPH employees and solar
12 industry participants based in India. The findings of this investigation confirmed our suspicions
13 and uncovered numerous troubling revelations about the Company’s accounting and business
14 practices.”

16 40. The Prescience Point report further provided that:

17 • *According to former employees, ENPH’s offshore F&A team in India is*
18 *assisting in the Company’s apparent book cooking:* Former employees told our
19 investigators that ENPH is using its offshore F&A team to help perpetrate its
20 allegedly fraudulent accounting practices, under the direction of the US executive
21 team. This has apparently helped the Company take its book cooking to new
heights, as evidenced by the parabolic increase in its revenue since the India-
based F&A team was established at the end of FY 2018.

22 • *ENPH has stacked its executive teams in the US and India with ‘Yes-*
23 *Men’ from Cypress and SunEdison, including with disgraced former*
24 *SunEdison CEO Ahmad Chatila:* According to former employees, Ahmad
25 Chatila (“Chatila”) is allegedly working for ENPH in some type of consultant or
26 unofficial executive role, and apparently has a substantial amount of influence
within the Company. In addition to Chatila, ENPH has stacked its executive teams
27 in both the US and India with numerous other close, former colleagues from
Cypress and SunEdison, seemingly for the purpose of creating an environment
28 conducive to fraud. Former employees claim that these executives are very tight-
knit and secretive, and have, at times, reprimanded or even fired certain
employees who questioned their accounting and business practices.

1 • ***The belief that ENPH’s reported financials are likely fiction appears to***
2 ***be widespread amongst both former and current employees:*** Almost all of the
3 former employees our private investigators spoke with either claimed or believed
4 that the Company’s financial performance was fabricated. Our investigators were
also told that numerous current employees are similarly skeptical about ENPH’s
reported financials.

5 • ***According to former employees, ENPH is using improper deferred***
6 ***revenue accounting to inflate its financial performance:*** Former employees
7 indicated that a significant portion of the Company’s astronomical growth over
8 the past two years is attributable to improper deferred revenue accounting. Our
9 investigators were also told that, as part of its deferred revenue accounting
scheme, the Company may be “tweaking” some of its contracts, enabling it to
recognize revenue prior to the actual service being provided.

10 • ***A distributor in India severed its relationship with ENPH based on its***
11 ***belief that ENPH was fraudulently inflating invoices:*** According to an employee
12 of an ENPH distributor in India, his/her company severed its relationship with
13 ENPH based on its belief that ENPH was circumventing them and working
directly with installers to fraudulently inflate invoices. We believe this suspected
practice of forging invoices likely extends beyond what this one distributor
experienced.

14 • ***Employee turnover in ENPH’s India office is alarmingly high:***
15 According to an industry participant with knowledge of ENPH’s India-based
16 operations, employee turnover in the Company’s Bangalore office is an
17 astronomical 70% annually. We believe ENPH’s apparent book cooking and toxic
work culture are likely the driving force behind the mass exodus of its India
employees.¹⁶

18 41. In addition, Prescience Point wrote:

19 ENPH executives and board members, as well as its previous largest shareholder,
20 appear to have learned of the existence of our private investigation and are
21 desperately trying to unload their shares before the ship sinks. In the span of just
22 four days from June 1st, 2020 to June 4th, 2020, ENPH executives sold an
23 unprecedented 254,097 shares worth a whopping \$13.7m in open market
24 dispositions,¹⁷ which significantly exceeds the 187,508 or \$3.9m worth of shares
ENPH executives had sold in the almost 2.5 years prior. Additionally, board
member TJ Rodgers sold an astonishing 2.0m shares worth \$98.1m,¹⁸

25 ¹⁶ See [https://www.presciencepoint.com/wp-content/uploads/2020/06/ENPH-June-2020-](https://www.presciencepoint.com/wp-content/uploads/2020/06/ENPH-June-2020-Report_FINAL.pdf)
26 [Report_FINAL.pdf](https://www.presciencepoint.com/wp-content/uploads/2020/06/ENPH-June-2020-Report_FINAL.pdf) at 8 (last visited on June 17, 2020).

27 ¹⁷ See <https://www.secform4.com/filings/1463101/0001463101-20-000080.htm>;
28 <https://www.secform4.com/filings/1463101/0001463101-20-000087.htm>;
<https://www.secform4.com/filings/1463101/0001463101-20-000088.htm>;
<https://www.secform4.com/filings/1463101/0001463101-20-000089.htm>.

¹⁸ <https://www.secform4.com/filings/1463101/0001463101-20-000090.htm>

1 representing almost 60% of his total holdings, in open market dispositions in the
2 span of just four days from June 8th, 2020 to June 11th, 2020. Furthermore, Ben
3 Kortlang disposed of 180,000 ENPH shares worth \$9.0m,¹⁹ representing a
4 whopping 65% of his total holdings, in open market dispositions in the span of
5 just one day on June 15th. Lastly, Chilean entrepreneur Isidoro Quiroga, who was
6 ENPH's largest shareholder with an ~11% stake worth more than \$800m, sold his
7 entire investment in the span of just one day on May 20th, 2020.²⁰

8 42. On this news, *Enphase's stock price plummeted by approximately 26% in one*
9 *day*, from June 16, 2020 close of \$52.76 per share to a June 17, 2020 close of \$39.04 per share.

10 43. As a result of Defendants' wrongful acts and omissions, and the precipitous
11 decline in the market value of Enphase's common stock, Plaintiff and other members of the
12 Class have suffered significant losses and damages.

13 CLASS ACTION ALLEGATIONS

14 44. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal
15 Rules of Civil Procedure on behalf of a class of all persons and entities who purchased or
16 otherwise acquired Enphase common stock between February 26, 2019 and June 17, 2020,
17 inclusive, seeking to recover damages caused by Defendants' violations of the federal securities
18 laws and to pursue remedies under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934
19 (the "Exchange Act") and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-
20 5. Excluded from the Class are Defendants, directors and officers of the Company, as well as
21 their families and affiliates.

22 45. The members of the Class are so numerous that joinder of all members is
23 impracticable. The disposition of their claims in a class action will provide substantial benefits to
24 the parties and the Court.

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28 ¹⁹ <https://www.secform4.com/filings/1463101/0001463101-20-000091.htm>

²⁰ <https://www.secform4.com/filings/1463101/0001104659-20-065019.htm>

1 46. There is a well-defined community of interest in the questions of law and fact
2 involved in this case. Questions of law and fact common to the members of the Class which
3 predominate over questions which may affect individual Class members include:

- 4 a. Whether the Exchange Act was violated by Defendants;
- 5 b. Whether Defendants omitted and/or misrepresented material facts;
- 6 c. Whether Defendants' statements omitted material facts necessary to make the
7 statements made, in light of the circumstances under which they were made, not
8 misleading;
- 9 d. Whether Defendants knew or recklessly disregarded that their statements were
10 false and misleading;
- 11 e. Whether the price of the Company's stock was artificially inflated; and
- 12 f. The extent of damage sustained by Class members and the appropriate measure of
13 damages.
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16 47. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class
17 sustained damages from Defendants' wrongful conduct alleged herein.

18 48. Plaintiff will adequately protect the interests of the Class and have retained
19 counsel who are experienced in class action securities litigation. Plaintiff has no interests that
20 conflict with those of the Class.
21

22 49. A class action is superior to other available methods for the fair and efficient
23 adjudication of this controversy.

24 **FRAUD ON THE MARKET**

25 50. Plaintiff will rely upon the presumption of reliance established by the fraud-on-
26 the-market doctrine that, among other things:

- 27 a. Defendants made public misrepresentations or failed to disclose material facts
28 during the Class Period;

- b. The omissions and misrepresentations were material;
- c. The Company's common stock traded in efficient markets;
- d. The misrepresentations alleged herein would tend to induce a reasonable investor to misjudge the value of the Company's common stock; and
- e. Plaintiff and other members of the class purchased the Company's common stock between the time Defendants misrepresented or failed to disclose material facts.

51. At all relevant times, the markets for the Company's stock were efficient for the following reasons, among others: (i) the Company filed periodic public reports with the SEC; and (ii) the Company regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures such as communications with the financial press, securities analysts, and other similar reporting services. Plaintiff and the Class relied on the price of the Company's common stock, which reflected all information in the market, including the misstatements by Defendants.

NO SAFE HARBOR

52. The statutory safe harbor provided for forward-looking statements under certain conditions does not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not identified as forward-looking statements when made.

53. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

SCIENTER ALLEGATIONS

54. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or

1 disseminated to the investing public; and knowingly and substantially participated or acquiesced
2 in the issuance or dissemination of such statements or documents as primary violations of the
3 federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by
4 virtue of their receipt of information reflecting the true facts regarding Enphase, their control
5 over, and/or receipt and/or modification of Enphase's allegedly materially misleading
6 misstatements and/or their associations with the Company which made them privy to
7 confidential proprietary information concerning Enphase, participated in the fraudulent scheme
8 alleged herein.

10 **LOSS CAUSATION**

11 55. On June 17, 2020, analyst Prescience Point Capital Management issued its highly
12 critical research report, as alleged above. On this news, Enphase common stock plummeted from
13 a June 16, 2020 closing price of \$52.76 per share to close at \$39.04 on June 17, 2020, a one day
14 drop of \$13.72 per share or approximately 26%.

16 **CAUSES OF ACTION**

17 **COUNT ONE**

18 **Violations of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder**

19 56. Plaintiff repeats and re-alleges each and every allegation contained above as if
20 fully set forth herein.

21 57. During the Class Period, Defendants disseminated or approved the false
22 statements specified above, which they knew or deliberately disregarded were misleading in that
23 they contained misrepresentations and failed to disclose the material facts necessary to make the
24 statements made, in light of the circumstances under which they were made, not misleading.

25 58. Defendants violated § 10(b) of the Exchange Act and Rule 10b-5 in that they: (i)
26 employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact
27 and/or omitted to state material facts necessary to make the statements not misleading; and (iii)
28

1 engaged in acts, practices, and a course of business which operated as a fraud and deceit upon
2 those who purchased or otherwise acquired the Company's securities during the class period.

3 59. Plaintiff and the Class have suffered damages in that, in reliance on the integrity
4 of the market, they paid artificially inflated prices for the Company's common stock. Plaintiff
5 and the Class would not have purchased the Company's common stock at the price paid, or at all,
6 if they had been aware that the market prices had been artificially and falsely inflated by
7 Defendants' misleading statements.
8

9 **COUNT TWO**
10 **Violations of § 20(a) of the Exchange Act**
11 **(Against the Individual Defendants)**

12 60. Plaintiff repeats and re-alleges each and every allegation contained above as if
13 fully set forth herein.

14 61. The Individual Defendants acted as controlling persons of the Company within
15 the meaning of § 20(a) of the Exchange Act as alleged herein. By virtue of their high-level
16 positions at the Company, the Individual Defendants had the power and authority to cause or
17 prevent the Company from engaging in the wrongful conduct complained of herein. The
18 Individual Defendants were provided with or had unlimited access to the documents described
19 above which contained statements alleged by Plaintiff to be false or misleading both prior to and
20 immediately after their publication, and had the ability to prevent the issuance of those materials
21 or to cause them to be corrected so as not to be misleading.
22

23 **PRAYER FOR RELIEF**

24 WHEREFORE, Plaintiff prays for relief and judgment as follows:

- 25 a) determining that this action is a proper class action pursuant to Rule 23(a) and
26 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the Class as defined
27 herein, and a certification of Plaintiff as class representative pursuant to Rule 23
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of the Federal Rules of Civil Procedure and appointment of Plaintiff's counsel as
Lead Counsel;

b) awarding compensatory and punitive damages in favor of Plaintiff and the other
class members against all Defendants, jointly and severally, for all damages
sustained as a result of Defendants' wrongdoing, in an amount to be proven at
trial, including pre-judgment and post- judgment interest thereon.

c) awarding Plaintiff and other members of the Class their costs and expenses in this
litigation, including reasonable attorneys' fees and experts' fees and other costs
and disbursements; and

d) awarding Plaintiff and the other Class members such other relief as this Court
may deem just and proper.

DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury in this action of all issues so triable.

Dated: June 17, 2020
