

1 LIONEL Z. GLANCY (#134180)
ROBERT V. PRONGAY (#270796)
2 LESLEY F. PORTNOY (#304851)
CHARLES H. LINEHAN (#307439)
3 **GLANCY PRONGAY & MURRAY LLP**
4 1925 Century Park East, Suite 2100
Los Angeles, California 90067
5 Telephone: (310) 201-9150
Facsimile: (310) 201-9160
6 Email: info@glancylaw.com

7 *Attorneys for Plaintiff _____*
8 *[Additional Counsel on Signature Page]*

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10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
FOR THE COUNTY OF SANTA CLARA

11
12 _____, Individually and on Behalf of
13 All Others Similarly Situated,

14 Plaintiff,

15 v.

16 ARLO TECHNOLOGIES, INC., MATTHEW
17 MCRAE, CHRISTINE M. GORJANC,
18 PATRICK C.S. LO, ANDREW W. KIM,
MERRILL LYNCH, PIERCE, FENNER &
19 SMITH INCORPORATED, DEUTSCHE
BANK SECURITIES LLC, RAYMOND
20 JAMES & ASSOCIATES, INC., COWEN
AND COMPANY, LLC, and IMPERIAL
21 CAPITAL, LLC,

22 Defendants.

Case No.:

CLASS ACTION

COMPLAINT

DEMAND FOR JURY TRIAL

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1 Plaintiff _____ (“Plaintiff”), by and through his attorneys, alleges
2 the following upon information and belief, except as to those allegations concerning
3 Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and
4 belief is based upon, among other things, his counsel’s investigation, which includes
5 without limitation: (a) review and analysis of regulatory filings made by Arlo
6 Technologies, Inc. (“Arlo” or the “Company”) with the United States Securities and
7 Exchange Commission (“SEC”); (b) review and analysis of press releases and media
8 reports issued by and disseminated by Arlo; and (c) review of other publicly
9 available information concerning Arlo.

10 NATURE OF THE ACTION AND OVERVIEW

11 1. This is a class action on behalf of persons and/or entities who
12 purchased or otherwise acquired the common stock of Arlo pursuant and/or
13 traceable to the Company’s false and/or misleading Registration Statement and
14 Prospectus (collectively, the “Registration Statement”) issued in connection with the
15 Company’s August 3, 2018 initial public offering (the “IPO” or the “Offering”),
16 seeking to pursue remedies under Sections 11, 12(a)(2) and 15 of the Securities Act
17 of 1933 (the “Securities Act”).

18 2. Arlo purportedly operates a cloud-based platform that enables users to
19 monitor their environments and engage in real-time with their families and
20 businesses from any location with an internet connection. The Company’s products
21 include Wi-Fi- and LTE-enabled cameras, advanced baby monitors, and smart
22 security lights.

23 3. On August 6, 2018, the Company filed with the SEC its IPO
24 prospectus, which forms part of the Registration Statement. In the IPO, the
25 Company sold 10,215,000 shares of common stock at a price of \$16.00 per share.
26 The Company received proceeds of approximately \$144.6 million from the IPO, net
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1 of underwriting discounts and commissions. The proceeds from the IPO were
2 purportedly to be used for general corporate purposes.

3 4. On December 3, 2018, the Company reported a delay in shipments of
4 Ultra, the Company's new wire-free security camera system, "due to a quality issue
5 with the battery from one of its suppliers" that was discovered during the final
6 testing phase. As a result of the delay, the Company also lowered its fourth quarter
7 2018 financial guidance with "net revenue to be in the range of \$125 million to
8 \$130 million, non-GAAP gross margin to be approximately 10%, and non-GAAP
9 operating loss to be approximately 20% of revenue."

10 5. On December 3, 2018, the Company's share price closed at \$9.28 per
11 share, which was a decline of \$6.72, or approximately 42%, from the IPO price of
12 \$16.00 per share.

13 6. The Registration Statement was materially false and misleading and
14 omitted to state: (1) that the final testing phase was reasonably likely to delay the
15 launch of the Company's Ultra product; (2) that there was an issue with the quality
16 of batteries used in the Company's Ultra product; (3) that, as a result, the launch of
17 the Company's Ultra product would be delayed; (4) that, as a result, the Company's
18 revenue and profitability would be materially impacted; and (5) that, as a result of
19 the foregoing, Defendants' statements in the Registration Statement regarding
20 Arlo's business, operations, and prospects, were materially false and/or misleading.

21 **JURISDICTION AND VENUE**

22 7. The claims asserted herein arise under and pursuant to Sections 11, 12
23 and 15 of the Securities Act (15 U.S.C. §§ 77k and 77o). This Court has jurisdiction
24 over the subject matter of this action pursuant to Section 22 of the Securities Act, 15
25 U.S.C. § 77v, which explicitly states that "[e]xcept as provided in section 16(c), no
26 case arising under this title and brought in any State court of competent jurisdiction
27 shall be removed to any court in the United States." Section 16(c) of the Securities
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1 Act refers to “covered class actions,” which are defined as lawsuits brought as class
2 actions or brought on behalf of more than fifty persons asserting claims under state
3 or common law. This is an action asserting federal law claims. Thus, it does not
4 fall within the definition of a “covered class action” under §16(c) and therefore is
5 not removable to federal court under the Securities Litigation Uniform Standards
6 Act of 1998.

7 8. Each Defendant has sufficient contacts with California, or otherwise
8 purposefully avails themselves of benefits from California or has property in
9 California so as to render the exercise of jurisdiction over each by the California
10 courts consistent with traditional notions of fair play and substantial justice.

11 9. The amount in controversy exceeds the jurisdictional minimum of this
12 Court, and the total amount of damages sought exceeds \$25,000.

13 10. This Court has jurisdiction over the subject matter of this action
14 pursuant to Section 22 of the Securities Act (15 U.S.C. § 77v).

15 11. Venue is proper in this Court pursuant to Section 22 of the Securities
16 Act, 15 U.S.C. § 77v. Many of the violations of law complained of herein occurred
17 in this State and in large part in this County, including the dissemination of the
18 materially false and misleading statements complained of herein into this State and
19 into this County. In addition, many Defendants are residents of, do business in, or
20 maintain offices in, this County.

21 **PARTIES**

22 12. Plaintiff _____ purchased Arlo securities pursuant and/or
23 traceable to the Registration Statement issued in connection with the Company’s
24 IPO and has been damaged thereby.

25 13. Defendant Arlo is a Delaware corporation with its principal executive
26 offices located at 350 East Plumeria Drive, San Jose, California 95134.
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1 14. Defendant Matthew McRae (“McRae”) was, at all relevant times, the
2 Chief Executive Officer of the Company, and signed or authorized the signing of the
3 Company’s Registration Statement filed with the SEC.

4 15. Defendant Christine M. Gorjanc (“Gorjanc”) was, at all relevant times,
5 the Chief Financial Officer of the Company, and signed or authorized the signing of
6 the Company’s Registration Statement filed with the SEC.

7 16. Defendant Patrick C.S. Lo (“Lo”) was a Director of the Company and
8 signed or authorized the signing of the Company’s Registration Statement filed with
9 the SEC.

10 17. Defendant Andrew W. Kim (“Kim”) was a Director of the Company
11 and signed or authorized the signing of the Company’s Registration Statement filed
12 with the SEC.

13 18. Defendants McRae, Gorjanc, Lo, and Kim are collectively referred to
14 hereinafter as the “Individual Defendants.”

15 19. Defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated
16 (“Merrill Lynch”) served as an underwriter for the Company’s IPO. In the Offering,
17 Merrill Lynch agreed to purchase 4,086,000 shares of the Company’s common stock,
18 exclusive of the over-allotment option.

19 20. Defendant Deutsche Bank Securities Inc. (“Deutsche”) served as an
20 underwriter for the Company’s IPO. In the Offering, Deutsche agreed to purchase
21 3,064,500 shares of the Company’s common stock, exclusive of the over-allotment
22 option.

23 21. Defendant Guggenheim Securities LLC (“Guggenheim”) served as an
24 underwriter for the Company’s IPO. In the Offering, Guggenheim agreed to
25 purchase 1,021,500 shares of the Company’s common stock, exclusive of the over-
26 allotment option.
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1 27. The members of the Class are so numerous that joinder of all members
2 is impracticable. During the relevant period, Arlo's securities were actively traded
3 on the New York Stock Exchange ("NYSE"). While the exact number of Class
4 members is unknown to Plaintiff at this time and can only be ascertained through
5 appropriate discovery, Plaintiff believes that there are hundreds or thousands of
6 members in the proposed Class. The Company sold 10,215,000 shares of common
7 stock in the IPO. Moreover, record owners and other members of the Class may be
8 identified from records maintained by Arlo or its transfer agent and may be notified
9 of the pendency of this action by mail, using the form of notice similar to that
10 customarily used in securities class actions.

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

14 29. Plaintiff will fairly and adequately protect the interests of the members
15 of the Class and have retained counsel competent and experienced in class and
16 securities litigation.

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

20 (a) whether the Securities Act was violated by Defendants' acts as
21 alleged herein;

22 (b) whether statements made by Defendants to the investing public
23 in connection with the Company's IPO omitted and/or misrepresented material facts
24 about the business, operations, and prospects of Arlo; and

25 (c) to what extent the members of the Class have sustained damages
26 and the proper measure of damages.
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1 31. A class action is superior to all other available methods for the fair and
2 efficient adjudication of this controversy since joinder of all members is
3 impracticable. Furthermore, as the damages suffered by individual Class members
4 may be relatively small, the expense and burden of individual litigation make it
5 impossible for members of the Class to individually redress the wrongs done to
6 them. There will be no difficulty in the management of this action as a class action.

8 **SUBSTANTIVE ALLEGATIONS**

9 **Background**

10 32. Arlo purportedly operates a cloud-based platform that enables users to
11 monitor their environments and engage in real-time with their families and
12 businesses from any location with internet connection. Its products include Wi-Fi-
13 and LTE-enabled cameras, advanced baby monitors, and smart security lights.

14 **The Company's False and/or Misleading** 15 **Registration Statement and Prospectus**

16 33. On July 31, 2018, Arlo filed its final amendment to the Registration
17 Statement with the SEC on Form S-1/A, which forms part of the Registration
18 Statement. The Registration Statement was declared effective on August 2, 2018.

19 34. On August 6, 2018, the Company filed with the SEC its IPO
20 prospectus, which forms part of the Registration Statement. In the IPO, the
21 Company sold 10,215,000 shares of common stock at a price of \$16.00 per share.
22 The Company received proceeds of approximately \$144.6 million from the IPO, net
23 of underwriting discounts and commissions. The proceeds from the IPO were
24 purportedly to be used for general corporate purposes.

25 35. The IPO Registration Statement and IPO Prospectus were negligently
26 prepared and, as a result, contained untrue statements of material facts or omitted to
27 state other facts necessary to make the statements made not misleading, and were
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1 not prepared in accordance with the rules and regulations governing their
2 preparation.

3 36. Under applicable SEC rules and regulations, the IPO Registration
4 Statement was required to disclose known trends, events or uncertainties that were
5 having, and were reasonably likely to have, an impact on the Company's continuing
6 operations.

7 37. Regarding the risk of delays in launching new products, the
8 Registration Statement stated:

9 *If we fail to continue to introduce or acquire new products or services*
10 *that achieve broad market acceptance on a timely basis, or if our*
11 *products or services are not adopted as expected, we will not be able*
12 *to compete effectively and we will be unable to increase or maintain*
13 *revenue and gross margin.*

14 ***

15 We may experience delays and quality issues in releasing new products
16 and services, which may result in lower quarterly revenue than
17 expected.

18 38. Regarding the risk of defective components supplied by third-party
19 manufacturers, the Registration Statement stated:

20 *We obtain several key components from limited or sole sources, and if*
21 *these sources fail to satisfy our supply requirements or we are unable*
22 *to properly manage our supply requirements with our third-party*
23 *manufacturers, we may lose sales and experience increased*
24 *component costs.*

25 Any shortage or delay in the supply of key product components would
26 harm our ability to meet scheduled product deliveries. Many of the
27 components used in our products are specifically designed for use in
28 our products, some of which are obtained from sole source suppliers.
These components include lens, lens-sensors and passive infrared
("PIR") sensors that have been customized for the Arlo application, as
well as custom-made batteries that provide power conservation and
safety features. In addition, the components used in our end products
have been optimized to extend battery life.

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3 If we are unable to obtain a sufficient supply of components, or if we
4 experience any interruption in the supply of components, our product
5 shipments could be reduced or delayed or our cost of obtaining these
6 components may increase. Component shortages and delays affect our
7 ability to meet scheduled product deliveries, damage our brand and
8 reputation in the market, and cause us to lose sales and market share. . .
9 . In addition, at times sole suppliers of highly specialized components
10 have provided components that were either defective or did not meet
11 the criteria required by our retailers, distributors or other channel
12 partners, resulting in delays, lost revenue opportunities and potentially
13 substantial write-offs.

14 39. The Registration Statement was materially false and misleading and
15 omitted to state: (1) that the final testing phase was reasonably likely to delay the
16 launch of the Company's Ultra product; (2) that there was an issue with the quality
17 of batteries used in the Company's Ultra product; (3) that, as a result, the launch of
18 the Company's Ultra product would be delayed; (4) that, as a result, the Company's
19 revenue and profitability would be materially impacted; and (5) that, as a result of
20 the foregoing, Defendants' statements in the Registration Statement regarding
21 Arlo's business, operations, and prospects, were materially false and/or misleading.

22 **The Subsequent Disclosure**

23 40. On December 3, 2018, the Company reported a delay in shipments of
24 Ultra, the Company's wire-free security camera system, "due to a quality issue with
25 the battery from one of its suppliers" that was discovered during the final testing
26 phase.

27 41. As a result of the delay, the Company also lowered its fourth quarter
28 2018 financial guidance with "net revenue to be in the range of \$125 million to
\$130 million, non-GAAP gross margin to be approximately 10%, and non-GAAP
operating loss to be approximately 20% of revenue."

1 58. Plaintiff and other Class members did not know, nor could they have
2 known, of the untruths and/or omissions contained in the IPO Registration
3 Statement and Secondary Registration Statement.

4 59. By virtue of the conduct alleged herein, the Section 12 Defendants are
5 liable for the aforesaid wrongful conduct and are liable to Plaintiff and the Class for
6 damages suffered.

7 **THIRD CLAIM**
8 **Violation of Section 15 of The Securities Act**
9 **(Against the Individual Defendants)**

10 60. Plaintiff repeats and re-alleges each and every allegation contained
11 above.

12 61. This count is asserted against the Individual Defendants (the “Section
13 15 Defendants”) and is based upon Section 15 of the Securities Act.

14 62. The Section 15 Defendants, by virtue of their offices, directorship and
15 specific acts were, at the time of the wrongs alleged herein and as set forth herein,
16 controlling persons of Arlo within the meaning of Section 15 of the Securities Act.
17 The Section 15 Defendants had the power and influence and exercised the same to
18 cause Arlo to engage in the acts described herein.

19 63. The Section 15 Defendants’ positions made them privy to and provided
20 them with actual knowledge of the material facts concealed from Plaintiff and the
21 Class.

22 64. By virtue of the conduct alleged herein, the Section 15 Defendants are
23 liable for the aforesaid wrongful conduct and are liable to Plaintiff and the Class for
24 damages suffered.

25 WHEREFORE, Plaintiff pray for relief and judgment, as follows:

26 (a) Determining that this action is a proper class action under California
27 Code of Civil Procedure Section 382;

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1 (b) Awarding compensatory damages in favor of Plaintiff and the other
2 Class members against all Defendants, jointly and severally, for all damages
3 sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial,
4 including interest thereon;

5 (c) Awarding Plaintiff and the Class their reasonable costs and expenses
6 incurred in this action, including counsel fees and expert fees;

7 (d) Awarding rescission or a rescissory measure of damages; and

8 (e) Such other and further relief as the Court may deem just and proper.

9 **JURY TRIAL DEMANDED**

10 Plaintiff hereby demand a trial by jury.

11 Dated: _____, 2018

GLANCY PRONGAY & MURRAY LLP

12 By: Draft

13 Lionel Z. Glancy
14 Robert V. Prongay
15 Lesley F. Portnoy
16 Charles H. Linehan
17 1925 Century Park East, Suite 2100
18 Los Angeles, CA 90067
19 Telephone: (310) 201-9150
20 Facsimile: (310) 201-9160

LAW OFFICES OF HOWARD G. SMITH

21 Howard G. Smith
22 3070 Bristol Pike, Suite 112
23 Bensalem, PA 19020
24 Telephone: (215) 638-4847
25 Facsimile: (215) 638-4867

26 *Attorneys for Plaintiff* _____