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

Plaintiff,

v.

PROTERRA INC., GARETH T. JOYCE,
and KARINA FRANCO PADILLA,

Defendants.

CLASS ACTION

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

Demand for Jury Trial

Plaintiff alleges the following upon information and belief, except as to those allegations concerning himself, which are alleged upon personal knowledge. Plaintiff’s information and belief is based on the investigation of his undersigned counsel, which included, among other things, review and analysis of: (a) public statements made by or on behalf of Proterra Inc. (“Proterra” or the “Company”), including public filings with the U.S. Securities and Exchange Commission (“SEC”); (b) press releases; (c) reports of securities and financial analysts; (d) news articles; and (e) industry reports. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE CLAIM

1. Plaintiff brings this action pursuant to of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §78a, et seq., and Rule 10b-5 promulgated thereunder, on behalf of

1 himself and all persons similarly situated who purchased or otherwise acquired Proterra securities
2 between August 2, 2022 to March 15, 2023, inclusive (the “Class Period”).

3 2. Proterra designs and manufactures zero-emission electric transit vehicles and
4 electric vehicle solutions for commercial applications.

5 3. On August 2, 2022, Chief Financial Officer Karina Franco Padilla described the
6 company’s strong financial position by stating “we have . . . the balance sheet to not only ride out
7 potential economic turbulence over the next year,” and said the company had \$523 million of cash
8 and cash equivalents on their balance sheet. On March 15, 2023, just seven months later, Proterra
9 announced the company was in violation of a liquidity clause in their secured convertible notes.
10 The company also announced they may have to qualify an audit report with a “going concern”
11 clause.

12 4. During the Class Period, Plaintiff and other similarly situated investors bought
13 Proterra securities at artificially inflated prices due to Defendants’ false and/or materially
14 misleading statements. When the truth concerning the company’s liquidity issues emerged,
15 Proterra’s stock price decreased resulting in significant losses to investors. This action seeks to
16 compensate those investors and recover the damages they sustained because of Defendants’
17 fraudulent conduct.

18 **JURISDICTION AND VENUE**

19 5. 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 the
21 SEC (17 C.F.R. § 240.10b-5).

22 6. This Court has subject matter jurisdiction over this action under Section 27 of the
23 Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. § 1331.

24 7. In connection with the acts, conduct and other wrongs alleged in this Complaint,
25 Defendants, directly and/or indirectly, used the means and instrumentalities of interstate
26 commerce, including but not limited to, the United States mail, interstate telephone
27 communications and the facilities of the national securities exchange.

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1 (c) was directly or indirectly involved in drafting, producing, reviewing and/or
2 disseminating the false and misleading statements and information alleged
3 herein;

4 (d) was directly or indirectly involved in the oversight or implementation of
5 Proterra's business and/or finances;

6 (e) was aware of or deliberately recklessly disregarded the fact that the false
7 and misleading statements were being issued concerning Proterra; and/or

8 (f) approved or ratified these statements in violation of the federal securities
9 laws.

10 15. Because of the Individual Defendants' positions within Proterra, they had access to
11 undisclosed information about the true issues with the company's balance sheet and gross margins.

12 16. As officers of a publicly-held company whose common stock was, and is, registered
13 with the SEC pursuant to the federal securities laws of the United States, the Individual Defendants
14 each had a duty to disseminate prompt, accurate and truthful information with respect to the
15 Company's financial status and to correct any previously-issued statements that had become
16 materially misleading or untrue.

17 17. The Individual Defendants, because of their positions with Proterra, possessed the
18 power and authority to control the contents of Proterra's reports to the SEC, press releases, and
19 presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*,
20 the market. Each Individual Defendant had the ability and opportunity to prevent their issuance or
21 cause them to be corrected. Because of their positions and access to material non-public
22 information available to them, each of these defendants knew that the adverse facts specified herein
23 had not been disclosed to, and were being concealed from, the public, and that the positive
24 representations which were being made were then materially false and/or misleading. The
25 Individual Defendants are liable for the false statements pleaded herein, as those statements were
26 each "group-published" information, the result of the collective actions of the Individual
27 Defendants.

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1 violation of a liquidity clause in their secured convertible notes and that they may have to qualify
2 an audit report with a “going concern” clause. The financial issues stemmed from an increase in
3 cash burn because of a decrease in gross margin and an increase in accounts receivable during the
4 relevant quarter.

5 24. In response to the announcement, Proterra’s stock price plummeted as investors
6 and analysts reevaluated the Company’s financial stability. Throughout the Class Period,
7 Proterra’s stock price lost some value, but when the truth was finally revealed, the bottom fell out.
8 In the span of just a day, Proterra’s stock price substantially dropped from \$2.51 per share to \$1.16
9 per share, eliminating approximately \$118 million in market capitalization in one day.

10 **SUBSTANTIVE ALLEGATIONS**

11 **A. *False and/or Materially Misleading Statements***

12 *August 2, 2022 – Quarterly Letter*

13 25. On August 20, 2022, Proterra released their quarterly earnings for the second
14 quarter of 2022 in a quarterly letter. Chief Executive Officer Gareth Joyce signed the quarterly
15 letter on behalf of the Company. The “Highlights” section of the earnings release stated the
16 company had “\$523M in cash, cash eq, and short term investments.” The Company said the new
17 factory was “on target for start of production before the end of 2022,” and “we expected it to
18 provide greater scale and production efficiency to support better margins.” The Company
19 described their financial stability by saying:

20 With \$523 million of cash, cash equivalents, and short-term
21 investments as of the end of Q2 2022, our new Greer factory adding
22 multiple GWh of new battery manufacturing capacity, Proterra
23 Powered partnerships to develop or supply battery systems with
24 more than a dozen OEMs across 20 vehicle programs, and
25 approximately \$1.3 billion in federal grant programs available to the
26 industry for zero emission transit buses and chargers in fiscal year
27 2022, we believe we have the technology, the product, the
28 competitive positioning and the balance sheet to not only ride out
potential economic turbulence over the next year but to emerge as a
central player of this developing market.

August 2, 2022 – Earnings Call

1
2 26. On the same day the Company released their earnings for the second quarter of
3 2022, they had an earnings call that included Chief Financial Officer Gareth Joyce and Chief
4 Financial Officer Karina Padilla. Joyce touted the company’s growth and execution “while
5 sustaining a strong balance sheet with more than a \$0.5 billion in cash and equivalents as of June
6 30.” Joyce described the company’s approach in 2022 by saying “early on this year, we began
7 assessing a strategy of operational and capital disciplines throughout the organization focused on
8 enduring growth that prioritizes margin improvement over revenue growth, cash preservation
9 without sacrificing our growth investments and focusing on core growth opportunities that can
10 provide the highest return on capital as well as the fastest return of capital. We continue to be
11 supported by a healthy balance sheet with more than \$520 million in cash and equivalents as of
12 June 30 and I reassure you it’s not one we take for granted in any way, shape, or form.”

13 27. During that earnings call, Padilla touted the company’s sequential gross margin
14 improvement and said “we retain a healthy balance of cash and equivalents on our balance sheet
15 of more than \$520 million as of June 30.” Padilla also the Company’s new factory would “allow
16 us to multiply our existing battery production capacity several times. This positions us for growth
17 on revenue, improved margins and cash flow in the years ahead.” Padilla also said “our underlying
18 gross margin should continue to improve in the years ahead from higher pricing that balances our
19 cost, greater production volumes and scale benefits and improvement in our labor efficiency, more
20 effective supply chain and greater manufacturing efficiencies overall as we bring our new
21 manufacturing capacity online.”

22 28. Padilla discussed the strength of the company’s balance sheet at length during the
23 call by saying:

24 Lastly, on the cash front. Our balance sheet remains strong with
25 \$523 million in cash and equivalents as of June 30 sets us apart from
26 others. The health of our balance sheet is not coincidental.
27 Liquidity is a priority, it always has been and will continue to be.
28 But we will continue to invest responsibly in battery capacity
expansion, product research and development and across our
operations to support our growth strategy for the years to come...I
cannot emphasize enough that we understand the importance of

1 prudent cash management especially in such volatile times. Despite
2 the challenging environment we are all currently facing, I believe
3 we are in an excellent position to ride out any potential economic
4 downturn on the horizon and have ample room to improve our gross
5 margins over time as supply chain and inflation headwinds
6 normalize and as we ramp up our new capacity to full production.

7 November 2, 2022 – Quarterly Letter

8 29. On November 2, 2022, the Company released quarterly earnings for the third
9 quarter of 2022 in a quarterly letter. Chief Executive Officer Gareth Joyce signed the quarterly
10 letter on behalf of the Company. The “Highlights” section of the earnings release stated the
11 company had “\$409M in cash, cash equivalents, and short-term investments.” The company said
12 “the third quarter of 2022 was a breakthrough quarter for Proterra. We reported record quarterly
13 revenue surpassing \$96 million, representing growth of 55% compared to Q3 2021 and 29%
14 compared to our prior record in Q2 2022.” The Company also said “we are trimming our guidance
15 for 2022 capital expenditures to a range of \$70 million to \$80 million, as we approach completion
16 of the first phase of our Powered 1 factory.”

17 November 2, 2022 – Earnings Call

18 30. On the same day the Company released their earnings for the third quarter of 2022,
19 they had an earnings call that included Chief Financial Officer Gareth Joyce and Chief Financial
20 Officer Karina Padilla. Joyce said “Q3 2022 was a breakthrough quarter for Proterra. Not only
21 did we report record quarterly revenue of \$96 million, almost 30% above our prior record in Q2
22 2022, but this was driven by new highs in revenue across both our business units, along with record
23 production and deliveries at Proterra Transit.”

24 31. During the call, Joyce continued to describe the company’s financial strength:

25 All in, as you can see, Q3 was a breakthrough quarter for us all
26 round. Based on our performance through the first 3 quarters and
27 our current views on Q4, which has 17% fewer working days than
28 Q3 due to the holidays, and downtime for year-end inventory, we
are maintaining our 2022 revenue guidance range of \$300 million to
\$325 million, representing growth of 24% to 34% year-over-year.

1 32. Chief Financial Officer Padilla also described the Company’s “record-breaking
2 revenue:

3 Consolidated revenue was \$96.2 million, representing growth of
4 55% year-over-year and 29% sequentially. Proterra Powered and
5 Energy grew 239% year-over-year and 68% sequentially to reach
6 \$39.9 million in quarterly revenue for the first time. Proterra
7 Powered and represented more than 40% of total revenue in the
8 quarter, more than doubling its 19% contribution in Q3 of the prior
9 year. For perspective, we reported more revenue in the third quarter
10 of 2022 than we did through the first 3 quarters of 2021 combined.

11 33. Padilla also emphasized the importance of liquidity for the Company by saying “we
12 continue to be supported by [a] strong balance sheet, ending the quarter with \$408 million in cash,
13 cash equivalents and short-term investments.” Padilla went on:

14 Cash and liquidity is a top priority for us, and it will continue to be.
15 We are allocating our cash to the areas we believe are most critical
16 to reinforcing our market leadership and position us for growth in
17 the years ahead. Ending the quarter with a cash and cash equivalents
18 balance of more than \$400 million, we believe we have the
19 flexibility to navigate these times of economic uncertainty and
20 capital market volatility in an advantageous competitive position
21 just as electric commercial vehicle adoption begins to accelerate.

22 34. Defendants’ statements referenced in ¶¶ 25 - 33 constituted violations of the
23 securities laws because the statements were false and/or misleading as well as failed to disclose
24 material adverse facts about one of the Company’s financial status. Specifically, Defendants made
25 false and/or misleading statements and/or failed to disclose that: (i) the Company repeatedly stated
26 the \$523 on their balance sheet meant the company had abundant liquidity and financial stability;
27 and, (ii) the new factory would continue to improve production efficiency and gross margins.

28 **B. *The Truth Emerges***

March 15, 2023

35. On March 15, 2023, Proterra released quarterly earnings for the fourth quarter of
2022 in a quarterly letter. The Company announced they had a net loss of \$81 million and a gross
loss of \$20.3 million in the fourth quarter of 2022.

1 36. The Company also announced that they expected the audit report included in the
2 10-K annual report would contain a going concern qualification, which would be an event of
3 default under Company debt agreements. The Company also announced they had obtained a
4 limited waiver under their convertible notes for violating a minimum liquidity covenant.

5 37. When the smoke cleared at the end of the trading day, Proterra's stock price had
6 dropped from March 15th's closing price of \$2.51 to March 16th's closing price of \$1.16—a
7 *staggering loss of \$1.35 per share representing nearly 53% of its value*. The volume of shares
8 traded that day was more than ten times as high as the daily average volume during the Class
9 Period.

10 **C. Loss Causation**

11 38. The market for Proterra common stock was open, well-developed, and efficient at
12 all relevant times. As a result of these materially false and/or misleading statements, and/or failures
13 to disclose, Proterra stock traded at artificially inflated prices during the Class Period. Plaintiff and
14 other members of the Class purchased or otherwise acquired Proterra stock relying upon the
15 integrity of the market of Proterra, and market information related to the Company and have been
16 damaged thereby.

17 39. During the Class Period, Defendants named in this Action materially misled the
18 investing public, thereby inflating the price of Proterra stock, by publicly issuing false and/or
19 misleading statements and/or omitting to disclose material facts necessary to make their own
20 statements, as set forth herein, not false and/or misleading. Said statements and omissions were
21 materially false and/or misleading in that they failed to disclose material adverse information
22 and/or misrepresented the truth about Proterra's business, operations, and prospects as alleged
23 herein.

24 40. At all relevant times, the material misrepresentations and omissions particularized
25 in this Complaint directly or proximately caused or were a substantial contributing cause of the
26 damages sustained by Plaintiff and other members of the Class. As described herein, during the
27 Class Period, Defendants made or caused to be made a series of materially false and/or misleading
28 statements about Proterra's financial issues. These material misstatements and/or omissions had

1 the cause and effect of creating and/or maintaining in the market an unrealistically positive
2 assessment of the Company and its operations, thus causing the Company's stock to be overvalued
3 and artificially inflated at all relevant times. The materially false and/or misleading statements
4 made by Defendants named in this Action during the Class Period resulted in Plaintiff and other
5 members of the Class purchasing the Company's common stock at artificially inflated prices, thus
6 causing the damages complained of herein.

7 41. During the Class Period, as detailed herein, Defendants engaged in a scheme to
8 deceive the market and a course of conduct that caused the price of Proterra stock to be artificially
9 inflated by failing to disclose and/or misrepresenting the adverse facts detailed herein. As
10 Defendants' misrepresentations and fraudulent conduct were gradually disclosed and became
11 apparent to the market, the artificial inflation in the price of Proterra's stock was removed, and the
12 price of Proterra stock fell.

13 42. As a result of their purchases of Proterra stock during the Class Period at artificially
14 inflated prices, Plaintiff and the other Class members suffered economic loss, *i.e.*, damages, under
15 the federal securities laws.

16 43. The timing and magnitude of the price decline in Proterra stock negate any
17 inference that the loss suffered by Plaintiff and the other Class members was caused by changed
18 market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to the
19 Proterra Defendants' fraudulent conduct.

20 **D. *Presumption Of Reliance; Fraud-On-The-Market***

21 44. At all relevant times, the market for Proterra stock was an efficient market for the
22 following reasons:

- 23 (a) Proterra stock met the requirements for listing, and was listed and actively
24 traded on the Nasdaq, a highly efficient and automated market;
- 25 (b) As a regulated issuer, Proterra filed periodic public reports with the SEC
26 and the Nasdaq;
- 27 (c) Proterra communicated with public investors via established market
28 communication mechanisms, including through regular dissemination of

1 press releases on the national circuits of major newswire services and
2 through other wide-ranging public disclosures, such as communications
3 with the financial press and other similar reporting services; and

4 (d) During the Class Period, on average, millions of Proterra shares were traded
5 on a weekly basis. On news days, the Company's trading volume increased
6 into the millions, reflecting an active trading market for Proterra stock and
7 investors' expectations being impounded into the stock price.

8 45. As a result of the foregoing, the market for Proterra's securities promptly digested
9 current information regarding Proterra from all publicly available sources and reflected such
10 information in Proterra's stock price. Under these circumstances, all purchasers of Proterra
11 securities during the Class Period suffered similar injury through their purchase of Proterra
12 securities at artificially inflated prices, and a presumption of reliance applies.

13 46. Alternatively, reliance need not be proven in this action because the action involves
14 omissions and deficient disclosures. Positive proof of reliance is not a prerequisite to recovery
15 pursuant to ruling of the United States Supreme Court in *Affiliated Ute Citizens of Utah v. United*
16 *States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be material in the sense
17 that a reasonable investor might have considered the omitted information important in deciding
18 whether to buy or sell the subject security.

19 **E. *No Safe Harbor; Inapplicability of Bespeaks Caution Doctrine***

20 47. The statutory safe harbor provided for forward-looking statements under certain
21 circumstances does not apply to any of the material misrepresentations and omissions alleged in
22 this Complaint.

23 48. To the extent certain of the statements alleged to be misleading or inaccurate may
24 be characterized as forward looking, they were not identified as "forward-looking statements"
25 when made and there were no meaningful cautionary statements identifying important factors that
26 could cause actual results to differ materially from those in the purportedly forward-looking
27 statements.

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1 through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members
2 in the proposed Class. Record owners and other Class members may be identified from records
3 maintained by Proterra or its transfer agent and may be notified of the pendency of this action by
4 mail, using the form of notice similar to that customarily used in securities class actions. As of the
5 filings of its most recent annual report—on March 13, 2023, Proterra had over 226.4 million shares
6 of common stock outstanding. Upon information and belief, these shares are held by thousands of
7 individuals located throughout the entire world. Joinder would be highly impracticable.

8 53. Plaintiff's claims are typical of the claims of the Class members as all Class
9 members are similarly affected by the Defendants' respective wrongful conduct in violation of the
10 federal laws complained of herein.

11 54. Plaintiff has and will continue to fairly and adequately protect the interests of the
12 Class members and has retained counsel competent and experienced in class and securities
13 litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

14 55. Common questions of law and fact exist as to all Class members and predominate
15 over any questions solely affecting individual Class members. Among the questions of law and
16 fact common to the Class are:

- 17 (a) whether the federal securities laws were violated by the Defendants'
18 respective acts as alleged herein;
- 19 (b) whether the Defendants acted knowingly or with deliberate recklessness in
20 issuing false and misleading statements concerning Proterra's financial
21 status;
- 22 (c) whether the price of Proterra's securities during the Class Period was
23 artificially inflated because of the Defendants' conduct complained of
24 herein; and
- 25 (d) whether the Class members have sustained damages and, if so, what is the
26 proper measure of damages.

27 56. A class action is superior to all other available methods for the fair and efficient
28 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the

1 damages suffered by individual Class members may be relatively small, the expense and burden
2 of individual litigation make it impossible for members of the Class to individually redress the
3 wrongs done to them. There will be no difficulty in the management of this action as a class action.

4 **COUNT I**

5 **Violation of Section 10(b) and Rule 10b-5 Against All Defendants**

6 57. Plaintiff repeats and realleges each and every allegation contained above as if fully
7 set forth herein.

8 58. During the Class Period, Defendants carried out a plan, scheme and course of
9 conduct which was intended to and, throughout the Class Period, did: (1) deceive the investing
10 public, including Plaintiff and other Class members, as alleged herein; and (2) cause Plaintiff and
11 other Class members to purchase Proterra securities at artificially inflated prices. In furtherance of
12 this unlawful scheme, plan and course of conduct, each of the Defendants took the actions set forth
13 herein.

14 59. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made
15 untrue statements of material fact and/or omitted to state material facts necessary to make the
16 statements not misleading; and (c) engaged in acts, practices, and a course of business that operated
17 as a fraud and deceit upon the purchasers of Proterra securities in an effort to maintain artificially
18 high market prices for Proterra securities in violation of Section 10(b) of the Exchange Act and
19 Rule 10b-5 promulgated thereunder. All Defendants are sued either as primary participants in the
20 wrongful and illegal conduct charged herein or as controlling persons as alleged below.

21 60. Defendants, individually and in concert, directly and indirectly, by the use, means
22 or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
23 continuous course of conduct to conceal adverse material information about the Company's
24 financial status as specified herein.

25 61. These Defendants employed devices, schemes, and artifices to defraud while in
26 possession of material adverse non-public information, and engaged in acts, practices, and a course
27 of conduct as alleged herein in an effort to assure investors of Proterra's value, performance, and
28 continued substantial growth, which included the making of, or participation in the making of,

1 untrue statements of material facts and omitting to state material facts necessary in order to make
2 the statements made about Proterra's financial status under which they were made, not misleading,
3 as set forth more particularly herein, and engaged in transactions, practices and a course of business
4 that operated as a fraud and deceit upon the purchasers of Proterra securities during the Class
5 Period.

6 62. Individual Defendants' primary liability, and controlling person liability, arises
7 from the following facts: (1) Individual Defendants were high-level executives, directors, and/or
8 agents at Proterra during the Class Period and members of Proterra's management team or had
9 control thereof; (2) each Individual Defendant, by virtue of his responsibilities and activities as a
10 senior officer and/or director of Proterra, was privy to and participated in the creation, development
11 and reporting of Proterra's SEC filings and public statements concerning Proterra's financial
12 status; (3) each Individual Defendant enjoyed significant personal contact and familiarity with the
13 other Individual Defendants and was advised of and had access to other members of Proterra's
14 management team, internal reports, and other data and information about Proterra's financial
15 status, at all relevant times; and (4) each Individual Defendant was aware of Proterra's
16 dissemination of information to the investing public which they knew or recklessly disregarded
17 was materially false and misleading.

18 63. Defendants had actual knowledge of the misrepresentations and omissions of
19 material facts set forth herein or acted with reckless disregard for the truth in that they failed to
20 ascertain and to disclose such facts, even though such facts were available to them. Such
21 Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and
22 for the purpose and effect of concealing fundamental problems with Proterra's financial status that
23 led to disappointing results from the investing public and supporting the artificially inflated price
24 of its common stock. As demonstrated by Defendants' misrepresentations concerning the
25 fundamental problems and risks inherent in Proterra's financial status throughout the Class Period,
26 Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged,
27 were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps
28 necessary to discover whether those statements were false or misleading.

1 (a) Determining that this action is a proper class action, certifying Plaintiff as class
2 representative under Federal Rule of Civil Procedure 23 and Plaintiff's counsel as class counsel;

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

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

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

9 **JURY TRIAL DEMANDED**

10 In accordance with Fed. R. Civ. P. 38(b), Plaintiff demands a jury trial of all issues
11 involved, now, or in the future, in this action.

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13 Dated: July 14, 2023
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