

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS**

Case No.

Plaintiff,

**DEMAND FOR JURY TRIAL**

v.

CAMBIUM NETWORKS CORPORATION,  
ATUL BHATNAGAR, MORGAN KURK, and  
ANDREW BRONSTEIN,

Defendants.

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

Plaintiff individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Cambium Networks Corporation ("Cambium" or the "Company") with the United States ("U.S.") Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by Cambium; and (c) review of other publicly available information concerning Cambium.

### **NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired Cambium securities between May 8, 2023 and January 18, 2024, inclusive (the "Class Period"). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Cambium, together with its subsidiaries, engages in the design, development, and manufacture of wireless broadband and Wi-Fi networking infrastructure solutions. The Company's products are used in broadband access, public safety, defense communications networks, and Wi-Fi access applications. Its product lines fall under three broad, interrelated categories: (i) fixed wireless broadband, which includes point-to-point and point-to-multipoint architectures; (ii) Enterprise networking; and (iii) Subscription and Services. Cambium sells its products primarily through its network of approximately 160 distributors who sell to other channel partners.

3. On August 1, 2023, after the market closed, Cambium reported that second quarter 2023 revenue fell 23% sequentially due to "higher channel inventories" that resulted in "lower demand for Enterprise products." As a result, the Company reduced its fiscal 2023 guidance, now

expecting revenue to decline 7% to 11% year-over-year. The Company also announced that the Company's Chief Executive Officer, Atul Bhatnagar, would step down immediately.

4. On this news, the price of Cambium shares declined by \$4.89 per share, or 30.07%, to close at \$11.37 per share on August 2, 2023, on unusually heavy trading volume.

5. On October 4, 2023, after the market closed, Cambium announced preliminary third quarter 2023 revenue "between \$40.0-\$45.0 million compared to the previous outlook of \$62.0-\$70.0 million[.]" The Company attributed the shortfall to, in part, "a decrease in orders and an increase in stock rotations from distributors in the Enterprise business" and "pressure" from "*channel inventories.*"

6. On this news, the price of Cambium shares declined by \$2.87 per share, or 36.2%, to close at \$5.05 per share on October 5, 2023, on unusually heavy trading volume.

7. On January 18, 2024, after the market closed, Cambium revealed that preliminary fourth quarter 2023 revenue was expected to be "approximately \$40.0 million compared to the previous outlook of \$45.0-\$50.0[.]" The Company attributed the revenue shortfall to "offering *aggressive Enterprise product discounts to clear excess channel inventories.*" The Company further revealed "gross margin will also be below the low end of the range due to increased excess and obsolete inventory reserves." Moreover, the Company's Chief Financial Officer would depart Cambium on February 2, 2024.

8. On this news, the price of Cambium shares declined by \$0.60 per share, or 12.40%, to close at \$4.24 per share on January 19, 2024, on unusually heavy trading volume.

9. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose that: (1) that there was a

buildup of inventory in the Company's distribution channels; (2) that the Company and its distributors were reasonably likely to offer aggressive discounts to reduce the high channel inventories; (3) that the Company's revenue would decline sequentially until the excess channel inventory was sold through; (4) that Cambium was likely to incur significant charges to writedown excess and obsolete inventory; (5) that, as a result of the foregoing, the Company's fiscal 2023 revenue and earnings would be adversely affected; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

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

### **JURISDICTION AND VENUE**

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

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

13. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are located in this District.

14. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

15. Plaintiff Benjamin Hamby, as set forth in the accompanying certification, incorporated by reference herein, purchased Cambium securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

16. Defendant Cambium is incorporated under the laws of the Cayman Islands with its principal executive offices located in Rolling Meadows, Illinois. Cambium's ordinary shares trade on the NASDAQ exchange under the symbol "CMBM."

17. Defendant Atul Bhatnagar ("Bhatnagar") was the Company's Chief Executive Officer ("CEO") from February, 2013 until August 1, 2023.

18. Defendant Morgan Kurk ("Kurk") has been the Company's CEO since August 1, 2023.

19. Defendant Andrew Bronstein ("Bronstein") was the Company's Chief Financial Officer ("CFO") from April 13, 2022 until February 2, 2024.

20. Defendants Bhatnagar, Kurk, and Bronstein (together, the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and

opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

21. Cambium, together with its subsidiaries, engages in the design, development, and manufacture of wireless broadband and Wi-Fi networking infrastructure solutions. The Company's products are used in broadband access, public safety, defense communications networks, and Wi-Fi access applications. Its product lines fall under three broad, interrelated categories: (i) fixed wireless broadband, which includes point-to-point and point-to-multipoint architectures; (ii) Enterprise networking; and (iii) Subscription and Services. Cambium sells its products primarily through its network of approximately 160 distributors who sell to other channel partners.

### **Materially False and Misleading**

#### **Statements Issued During the Class Period**

22. The Class Period begins on May 8, 2023. On that day, Cambium announced its first quarter 2023 financial results for the period ended March 31, 2023 in a press release.<sup>1</sup> Therein, Defendants touted the Company's strong sales and provided guidance for the second quarter 2023 and full year 2023, including reporting \$1.336 million provision for inventory excess and obsolescence, stating, in relevant part:

“Our first quarter profitability was excellent as a result of ***strong sales of Enterprise products*** as customers realize the high-quality, reliability, and value proposition

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<sup>1</sup> Unless otherwise stated, all emphasis in bold and italics hereinafter is added, and all footnotes are omitted.

provided by our Cambium ONE Network integrated wireless fabric,” said Atul Bhatnagar, president and CEO. “*The company delivered an outstanding gross margin and strong operating profit due to improved product mix and tight cost controls.*”

\* \* \*

### **Second Quarter 2023 Financial Outlook**

Taking into account our current visibility, the financial outlook as of May 8, 2023, for the second quarter ending June 30, 2023, is expected to be as follows:

- Revenues between \$72.0-\$80.0 million, up approximately 4%-15% year-over-year
- GAAP gross margin between 49.4%-50.9%; and non-GAAP gross margin between 50.3%-51.8%
- GAAP operating expenses between \$33.5-\$34.5 million; and non-GAAP operating expenses between \$30.3-\$31.3 million
- GAAP operating income between \$2.1-\$6.2 million; and non-GAAP operating income between \$5.9-\$10.1 million

Interest expense, net of approximately \$0.6 million

- GAAP net income between \$1.2-\$4.8 million or between \$0.04 and \$0.17 per diluted share; and non-GAAP net income between \$4.2-\$7.6 million or between \$0.15 and \$0.27 per diluted share

\* \* \*

### **Full Year 2023 Financial Outlook**

- Revenues between \$327.0-\$337.0 million, increasing between approximately 10%-14%
- GAAP gross margin approximately 50.1%; and non-GAAP gross margin approximately 50.9%
- GAAP net income between \$22.8-\$26.0 million or between \$0.80 and \$0.91 per diluted share; and non-GAAP net income between \$33.7-\$36.0 million or between \$1.18 and \$1.26 per diluted share
- Adjusted EBITDA margin between 14.8%-15.5%

23. On May 9, 2023, the Company submitted its quarterly report for the period ended March 31, 2023 on a Form 10-Q filed with the SEC, affirming the previously reported financial results and stating the following regarding internal controls over financial reporting:

#### **Item 4. Controls and Procedures.**

##### **Evaluation of disclosure controls and procedures**

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15e

and 15d-15(e) under the Securities and Exchange Act of 1934, as amended, or the Exchange Act), as of March 31, 2023, the end of the period covered by this Quarterly Report on Form 10-Q. ***Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures are effective at a reasonable assurance level.***

\* \* \*

#### **Limitations on effectiveness of controls and procedures**

***None.***

24. The above statements identified in ¶¶ 22-23 were materially false and/or misleading, and failed to disclose material adverse facts about the Company’s business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that there was a buildup of inventory in the Company’s distribution channels; (2) that the Company and its distributors were reasonably likely to offer aggressive discounts to reduce the high channel inventories; (3) that the Company’s revenue would decline sequentially until the excess channel inventory was sold through; (4) that Cambium was likely to incur significant charges to writedown excess and obsolete inventory; (5) that, as a result of the foregoing, the Company’s fiscal 2023 revenue and earnings would be adversely affected; and (6) that, as a result of the foregoing, Defendants’ positive statements about the Company’s business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

25. The truth began to emerge on August 1, 2023, after the market closed, when Cambium revealed that its revenue fell 23% quarter-over-quarter due to “higher channel inventories.” Specifically, Cambium announced its second quarter 2023 financial results for the period ended June 30, 2023 in a press release (the “2Q23 Press Release”), stating in relevant part:

- Revenues of \$59.5 million, decreased 23% sequentially, and increased 14% year-over-year

- Record Point-to-Point revenues of \$25.1 million, up 39% sequentially, and increased 60% year-over-year
- Gross margin of 49.1%, non-GAAP(1) gross margin of 50.3%
- Operating loss of \$2.7 million, non-GAAP(1) operating income of \$1.6 million
- Net loss of \$2.6 million or \$0.10 per diluted share, non-GAAP(1) net income of \$0.9 million or \$0.03 per diluted share
- Adjusted EBITDA[] of \$2.8 million or 4.7% of revenues

\* \* \*

***“Our second quarter results were disappointing as a result of lower demand for Enterprise products caused by lower order volumes from distributors and high channel inventories, and a challenging macroeconomic environment, especially in EMEA,”*** said Atul Bhatnagar.

\* \* \*

Revenues of \$59.5 million for the second quarter 2023 decreased \$9.8 million year-over-year primarily as a result of lower revenues for Enterprise products as a ***result of higher channel inventories*** and slowing European economies, , and decreased Point-to-Multi-Point revenues due to less demand from service providers ahead of the ramp of product transitions to new technologies, partially offset by record Point-to-Point revenues due to higher defense revenues.

- GAAP net (loss) income between \$(0.8)-\$2.4 million or between (\$0.03) and \$0.08 per diluted share; and non-GAAP net income between \$3.7-\$6.9 million or between \$0.13 and \$0.25 per diluted share

26. As a result, the Company reduced its full year 2023 guidance, now expecting revenue to decline year-over-year, stating in the 2Q23 Press Release:

**Full Year 2023 Financial Outlook**

- Revenues between \$265.0-\$275.0 million, representing a decline of 7% to 11%
- GAAP gross margin between 49.2%-50.6%; and non-GAAP gross margin between 50.2%-51.6%

- GAAP net income between \$2.3-\$7.6 million or between \$0.08 and \$0.27 per diluted share; and non-GAAP net income between \$16.7-\$21.9 million or between \$0.59 and \$0.78 per diluted share
- Adjusted EBITDA margin between 10.5%-12.6%

27. On this news, the price of Cambium shares declined by \$4.89 per share, or approximately 30.07%, to close at \$11.37 per share on August 2, 2023, on unusually heavy trading volume.

28. The 2Q23 Press Release also reported (\$276,000) provision for inventory excess and obsolescence and issued third quarter 2023 guidance, stating in relevant part:

### **Third Quarter 2023 Financial Outlook**

Taking into account our current visibility, the financial outlook as of August 1, 2023, for the third quarter ending September 30, 2023, is expected to be as follows:

- Revenues between \$62.0-\$70.0 million
- GAAP gross margin between 48.7%-50.2%; and non-GAAP gross margin between 49.8%-51.3%
- GAAP operating expenses between \$30.5-\$31.5 million; and non-GAAP operating expenses between \$25.6-\$26.6 million
- GAAP operating (loss) income between (\$0.3)-\$3.6 million; and non-GAAP operating income between \$5.2-\$9.2 million
- Interest expense, net of approximately \$0.7 million

29. On August 2, 2023, the Company submitted its quarterly report for the period ended June 30, 2023 on a Form 10-Q filed with the SEC, affirming the previously reported financial results and stating the following regarding internal controls over financial reporting:

### **Item 4. Controls and Procedures.**

#### **Evaluation of disclosure controls and procedures**

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended, or the Exchange Act), as of June 30, 2023, the end of the period covered by this Quarterly Report on Form 10-Q. ***Based on such evaluation, our principal executive officer***

*and principal financial officer have concluded that, as of such date, our disclosure controls and procedures are effective at a reasonable assurance level.*

\* \* \*

### **Limitations on effectiveness of controls and procedures**

*None.*

30. The above statements identified in ¶¶ 25-26, 28-29 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company and its distributors were reasonably likely to offer aggressive discounts to reduce the high channel inventories; (2) that the Company's revenue would decline sequentially until the excess channel inventory was sold through; (3) that Cambium was likely to incur significant charges to writedown excess and obsolete inventory; (4) that, as a result of the foregoing, the Company's fiscal 2023 revenue and earnings would be adversely affected; and (5) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

31. The truth continued to emerge on October 4, 2023, after the market closed, when Cambium revealed that third quarter revenue would significantly miss the prior outlook and suspended its full year 2023 outlook due to high channel inventories. Specifically, Cambium issued a press release which announced preliminary results for the third quarter of 2023, expecting to report third quarter 2023 revenues "between \$40.0-\$45.0 million compared to the previous outlook of \$62.0-\$70.0 million provided on Aug. 1, 2023." The Company attributed the shortfall to, in part, "a decrease in orders and an increase in stock rotations from distributors in the Enterprise business" and "*pressure*" from "*channel inventories*." The press release stated, in relevant part:

*Cambium Networks expects revenues of between \$40.0-\$45.0 million compared to the previous outlook of \$62.0-\$70.0 million provided on Aug. 1, 2023.* The

decrease in revenues is primarily due to a delay in government defense orders due to U.S. Federal budgetary timing issues impacting the Point-to-Point business; sluggish revenues in the Point-to-Multi-Point business, which is expected until the FCC's approval and subsequent ramp of sales of Cambium's 6 GHz products; ***a decrease in orders and an increase in stock rotations from distributors in the Enterprise business***; and continued economic headwinds, particularly in EMEA. As a result of these market challenges, Cambium Networks is suspending its guidance for the full year 2023.

The company records revenues from sell-in to distributors. However, although Cambium's reported revenues declined, point-of-sale revenues—representing the sales of Cambium's products out of the distribution channel as reported by Cambium's distributors—are expected to be significantly higher for the third quarter 2023 than Cambium's reported revenues, indicating a decrease in channel inventories. ***Cambium expects that its reported revenues will continue to be under pressure until channel inventories return to pre-pandemic levels.***

32. On this news, Cambium Networks' stock price fell \$2.87, or 36.2%, to close at \$5.05 per share on October 5, 2023, on unusually heavy trading volume.

33. On November 2, 2023, Cambium announced its third quarter 2023 financial results for the period ended September 30, 2023 in a press release, reporting a 28% decrease in revenue and a whopping \$4.577 million provision for inventory excess and obsolescence. The press release stated, in relevant part:

- Revenues of \$43.0 million, decreased 28% sequentially, and decreased 47% year-over-year
- Gross margin of 25.5%, non-GAAP(1) gross margin of 27.7%
- Operating loss of \$22.1 million, non-GAAP(1) operating loss of \$15.5 million
- Net loss of \$26.2 million or a loss of \$0.95 per diluted share, non-GAAP(1) net loss of \$12.1 million or a loss of \$0.44 per diluted share
- Adjusted EBITDA[] loss of \$14.4 million or (33.5)% of revenues

\* \* \*

“As mentioned in our preliminary third quarter results press release, we are challenged by high channel inventories for Enterprise products, delayed government defense orders due to budgetary timing issues—which now appear to

be resolving during the fourth quarter 2023, and lower revenues in the Point-to-Multi-Point business, which is expected to continue until the FCC’s approval and subsequent ramp of sales of Cambium’s 6 GHz products,” said Morgan Kurk, president and CEO. “Cambium is taking steps to improve profitability and to rationalize business operations with the current demand environment.”

Revenues of \$43.0 million for the third quarter 2023 decreased \$38.2 million year-over-year *primarily as a result of lower revenues for Enterprise products due to high channel inventories*, slowing economies, and high stock rotations, and lower Point-to-Multi-Point revenues from service providers awaiting the addition of 6 GHz spectrum, partially offset by higher Point-to-Point revenues due to increased defense revenues. . . .

\* \* \*

#### **Fourth Quarter 2023 Financial Outlook**

*Taking into account our current visibility*, the financial outlook as of November 2, 2023, for the fourth quarter ending December 31, 2023, is expected to be as follows:

- Revenues between \$45.0-\$50.0 million
- GAAP gross margin between 36.3%-43.3%; and non-GAAP gross margin between 38.0%-45.0%
- GAAP operating expenses between \$29.8-\$30.8 million; and non-GAAP operating expenses between \$25.7-\$26.7 million
- GAAP net loss between \$8.0-\$11.5 million or a net loss between \$0.29 and \$0.41 per diluted share; and non-GAAP net loss between \$4.0-\$7.5 million or a net loss between \$0.14 and \$0.27 per diluted share.

34. On November 3, 2023, the Company submitted its quarterly report for the period ended September 30, 2023 on a Form 10-Q filed with the SEC, affirming the previously reported financial results and stating the following regarding internal controls over financial reporting:

#### **Item 4. Controls and Procedures.**

##### **Evaluation of disclosure controls and procedures**

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended, or the Exchange Act), as of September 30, 2023, the end of the period covered by this Quarterly Report on Form 10-Q. *Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures are effective at a reasonable assurance level.*

\* \* \*

### **Limitations on effectiveness of controls and procedures**

*None.*

35. The above statements identified in ¶¶ 31, 33-34 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company and its distributors were reasonably likely to offer aggressive discounts to reduce the high channel inventories; (2) that the Company's revenue would decline sequentially until the excess channel inventory was sold through; (3) that, as a result of the foregoing, the Company's fiscal 2023 revenue and earnings would be adversely affected; and (4) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

### **Disclosures at the End of the Class Period**

36. On January 18, 2024, after the market closed, Cambium revealed that for fourth quarter 2023, it "expects revenues of approximately \$40.0 million compared to the previous outlook of \$45.0-\$50.0 million provided on Nov. 2, 2023." In a press release issued that day, Cambium revealed that these results reflected "***aggressive Enterprise product discounts to clear excess channel inventories.***" The press release further revealed the Company's "gross margin will also be below the low end of the range due to increased excess and obsolete inventory reserves."

The press release stated, in relevant part:

Cambium Networks expects revenues of approximately \$40.0 million compared to the previous outlook of \$45.0-\$50.0 million provided on Nov. 2, 2023. ***While the company shipped \$51 million in product revenues during the quarter, this was offset in part by an \$11 million reduction to revenues as the result of incentives provided to distributors during the fourth quarter of 2023, offering aggressive Enterprise product discounts to clear excess channel inventories.*** The company records revenues from sell-in to distributors. Point-of-sale revenues—representing

the sales of Cambium’s products out of the distribution channel as reported by Cambium’s distributors—are significantly higher for the fourth quarter 2023 than Cambium’s reported revenues, indicating a continued decrease in channel inventories.

The outlook for Cambium Networks’ fourth quarter 2023 net loss and loss per share are expected to be below the low end of the previous GAAP and non-GAAP ranges. ***The gross margin will also be below the low end of the range due to increased excess and obsolete inventory reserves. . . .***

The company expect full year 2024 revenues of between \$215 million to \$245 million.

37. The same press release also announced that Defendant Bronstein would depart his role as CFO on February 2, 2024.

38. On this news, Cambium share price fell \$0.60 per share or 12.40%, to close at \$4.24 per share on January 19, 2024, on unusually heavy trading volume.

39. On February 15, 2024, Cambium announced its fourth quarter and full year 2023 financial results in a press release, reporting fourth quarter 2023 revenue of \$40.2 million and GAAP operating loss of \$39.3 million, as well as full year 2023 revenue of \$220.2 million and a GAAP operating loss of \$58.6 million. The press release stated that the Company’s revenue shortfall was the result of, in part, incentives needed to “***make significant reductions in channel inventories***” and “***clear excess channel inventories.***” The press release stated, in relevant part:

"Our revenue shortfall was due in part to an \$11 million reduction to revenues mostly as the result of ***incentives and discounts provided to distributors related to our Enterprise business during the fourth quarter 2023.*** As expected, we delivered a solid quarter of government defense shipments in our Point-to-Point business, received meaningful orders for our new 6 GHz products in the Point-to-Multi-Point business ahead of the Federal Communications Commission's (FCC's) approval, and ***continued to make significant reductions in channel inventories for the Enterprise business,***" said Morgan Kurk, president and CEO.

\* \* \*

Revenues of \$40.2 million for the fourth quarter 2023 decreased \$44.3 million year-over-year primarily as a result of ***lower revenues due in part by an \$11.0 million reduction to revenues mostly as the result of incentives provided to distributors***

*offering aggressive Enterprise product discounts to clear excess channel inventories*, high stock rotations, slowing economies, and lower Point-to-Multi-Point revenues with the weakness primarily from regions outside of North America, partially offset by higher Point-to-Point revenues due to increased defense revenues. Revenues for the fourth quarter 2023 decreased by \$2.8 million compared to \$43.0 million for the third quarter 2023, primarily due to lower Enterprise revenues due to the previously mentioned Enterprise rebates, stock rotations, as well as economic headwinds[.]

\* \* \*

Non-GAAP gross margin for the fourth quarter 2023 was (19.4)% and included the \$11 million reduction in revenues as the result of price incentives provided to distributors, and inventory reserves of approximately \$18.9 million mostly for Enterprise products, and compared to 49.6% for the fourth quarter 2022, and 27.7% for third quarter 2023.

40. On March 15, 2024, after the market closed, Company disclosed it had identified a material weakness in “certain process-level controls related to the determination of [its] inventory excess and obsolescence reserve.” As a result of these material weaknesses, the Company’s management determined “*internal control over financial reporting was not effective at the reasonable assurance level* as of December 31, 2023.”

### **CLASS ACTION ALLEGATIONS**

41. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased or otherwise acquired Cambium securities between May 8, 2023 and January 18, 2024, inclusive, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

42. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Cambium’s shares actively traded on the NASDAQ.

While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class. Millions of Cambium shares were traded publicly during the Class Period on the NASDAQ. Record owners and other members of the Class may be identified from records maintained by Cambium or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

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

44. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

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

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Cambium; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

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

#### **UNDISCLOSED ADVERSE FACTS**

47. The market for Cambium's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Cambium's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Cambium's securities relying upon the integrity of the market price of the Company's securities and market information relating to Cambium, and have been damaged thereby.

48. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Cambium's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented the truth about Cambium's business, operations, and prospects as alleged herein.

49. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Cambium's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive

assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

### **LOSS CAUSATION**

50. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

51. During the Class Period, Plaintiff and the Class purchased Cambium's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

### **SCIENTER ALLEGATIONS**

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

**APPLICABILITY OF PRESUMPTION OF RELIANCE**  
**(FRAUD-ON-THE-MARKET DOCTRINE)**

53. The market for Cambium’s securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Cambium’s securities traded at artificially inflated prices during the Class Period. On June 7, 2023, the Company’s share price closed at a Class Period high of \$17.38 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company’s securities relying upon the integrity of the market price of Cambium’s securities and market information relating to Cambium, and have been damaged thereby.

54. During the Class Period, the artificial inflation of Cambium’s shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Cambium’s business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Cambium and its business, operations, and prospects, thus causing the price of the Company’s securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company shares. Defendants’ materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company’s securities at such artificially inflated prices, and each of them has been damaged as a result.

55. At all relevant times, the market for Cambium’s securities was an efficient market for the following reasons, among others:

(a) Cambium shares met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Cambium filed periodic public reports with the SEC and/or the NASDAQ;

(c) Cambium regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) Cambium was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

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

57. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the

importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

### **NO SAFE HARBOR**

58. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and 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. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Cambium who knew that the statement was false when made.

### **FIRST CLAIM**

#### **Violation of Section 10(b) of The Exchange Act and**

#### **Rule 10b-5 Promulgated Thereunder**

#### **Against All Defendants**

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

60. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing

public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Cambium's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

61. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Cambium's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

62. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Cambium's financial well-being and prospects, as specified herein.

63. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Cambium's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Cambium and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly

herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

64. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

65. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Cambium's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain

such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

66. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Cambium's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Cambium's securities during the Class Period at artificially high prices and were damaged thereby.

67. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Cambium was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Cambium securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

68. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

69. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

## **SECOND CLAIM**

### **Violation of Section 20(a) of The Exchange Act**

#### **Against the Individual Defendants**

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

71. Individual Defendants acted as controlling persons of Cambium within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

72. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

73. As set forth above, Cambium and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and

other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**PRAYER FOR RELIEF**

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

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory 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 interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: May 22, 2024