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# ChargePoint Execs Concealed Supply Overrun, Suit Claims

By **Sydney Price**

Law360 (January 5, 2024, 10:08 PM EST) -- Top brass at electric vehicle charging station company ChargePoint have been hit with a shareholder derivative suit alleging they hid information related to higher component costs and supply overruns for certain charging products.

From June through November of last year, the ChargePoint defendants concealed from the public that the company was experiencing supply issues for its first-generation direct current charging products, according to the complaint filed by Lewis D. Baker on Thursday in Delaware federal court.

Throughout the class period, ChargePoint's positive statements about its operations and prospects "lacked a reasonable basis," the complaint alleges. For example, during its June 2023 earnings call, the company failed to mention higher component costs even though the company was aware of them, the complaint alleges. Instead, ChargePoint told investors that the company was continuing to improve gross margins and manage operating expenses, the complaint states.

The truth about ChargePoint's financial state partially emerged a few months later, the complaint alleges, when the company revealed a \$28 million impairment charge during its September earnings call. ChargePoint said that the "inventory impairment charge was taken to address legacy supply chain-related costs and supply overruns on a particular [direct current] product," the complaint states.

On this news, ChargePoint's shares declined 11%, closing at \$6.29 per share on Sept. 7.

On Nov. 16, ChargePoint revealed that it had taken another impairment charge of \$42 million "related to product transitions and to better align inventory with current demand." The same day, ChargePoint announced that it would, effective immediately, be replacing its president and CEO, Pasquale Romano, and its chief financial officer, Rex S. Jackson.

On this news, the price of ChargePoint's shares declined 35%, closing at \$2.02 per share on Nov. 17, the complaint states.

In addition to nominal defendant ChargePoint, individual defendants in the suit include Romano, current CEO Rick Wilmer and several ChargePoint board members.

The suit accuses the defendants of violating the Exchange Act, breaching fiduciary duties, wasting corporate assets and unjust enrichment. Baker seeks an order that would require ChargePoint to take action to improve internal controls and board oversight, and the individual defendants to pay restitution to ChargePoint and disgorge any ill-gotten gains.

Counsel for Baker and a representative of ChargePoint did not immediately respond to requests for comment Friday.

Baker is represented by Herbert W. Mondros, Seth D. Rigrodsky and Gina M. Serra of Rigrodsky Law PA and Joshua H. Grabar of Grabar Law Office.

Counsel information for the ChargePoint defendants was not immediately available Friday.

The case is Baker v. Romano et al., case number 1:24-cv-00010, in the U.S. District Court for the

District of Delaware.

--Editing by Andrew Cohen.

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