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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

Plaintiff,  
  
v.  
  
REV GROUP, INC., TIM SULLIVAN,  
and DEAN NOLDEN,  
  
Defendants.

Case No.  
  
CLASS ACTION COMPLAINT FOR  
VIOLATION OF THE FEDERAL  
SECURITIES LAWS  
  
JURY TRIAL DEMANDED

\_\_\_\_\_  
Plaintiff (“Plaintiff”), by Plaintiff’s undersigned attorneys,  
individually and on behalf of all other persons similarly situated, alleges the  
following based upon personal knowledge as to Plaintiff’s own acts, and  
information and belief as to all other matters, based upon, inter alia, the  
investigation conducted by and through Plaintiff’s attorneys, which included,  
among other things, a review of Defendants’ public documents, conference calls  
and announcements made by Defendants, United States Securities and Exchange  
Commission (“SEC”) filings, wire and press releases published by and regarding  
REV Group, Inc. (“REV Group” or the “Company”), analysts’ reports and

1 advisories about the Company, and information readily obtainable on the Internet.  
2 Plaintiff believes that substantial evidentiary support will exist for the allegations  
3 set forth herein after a reasonable opportunity for discovery.

4 **NATURE OF THE ACTION**

5 1. This is a federal securities class action brought on behalf of a class  
6 consisting of all persons and entities, other than Defendants and their affiliates, who  
7 purchased or otherwise acquired publicly traded securities of REV Group pursuant  
8 and/or traceable to the Company's initial public offering on or about January 27,  
9 2017 (the "IPO"), seeking to recover compensable damages caused by Defendants'  
10 violations of Sections 11 and 15 of the Securities Act of 1933 ("Securities Act").

11 **JURISDICTION AND VENUE**

12 2. The claims asserted herein arise under and pursuant to Sections 11 and  
13 15 of the Securities Act (15 U.S.C. §§ 77k and 77o).

14 3. This Court has jurisdiction over the subject matter of this action  
15 pursuant to 28 U.S.C. §1331, Section 22 of the Securities Act (15 U.S.C. § 77v).

16 4. Venue is properly laid in this District pursuant to § 22 of the Securities  
17 Act and 28 U.S.C. §1391(b) as the Company conducts business and is located in  
18 and has operations in this Judicial District.

19 5. In connection with the acts, conduct and other wrongs alleged in this  
20 Complaint, Defendants, directly or indirectly, used the means and instrumentalities  
21 of interstate commerce, including but not limited to, the United States mail,  
22 interstate telephone communications and the facilities of the national securities  
23 exchange.

24 **PARTIES**

25 6. Plaintiff, as set forth in the attached Certification, acquired REV Group  
26 securities at artificially inflated prices pursuant and/or traceable to the Company's  
27 IPO and was economically damaged thereby.

1           7. Defendant REV Group designs, manufactures, and distributes  
2 specialty vehicles in the United States, Canada, Europe, Africa, the Middle East,  
3 and internationally. The Company is incorporated in Delaware and maintains  
4 manufacturing facilities in Los Angeles, California. REV Group securities trade on  
5 the NYSE under the ticker symbol “REVG.”

6           8. Defendant Tim Sullivan (“Sullivan”) has been the Company’s Chief  
7 Executive Officer (“CEO”) since August 11, 2014. He also serves as a director of  
8 the Company.

9           9. Defendant Dean Nolden (“Nolden”) has been the Company’s Chief  
10 Financial Officer (“CFO”) since January 21, 2016.

11           10. Defendants Sullivan and Nolden are sometimes referred to herein as  
12 the “Individual Defendants.”

13           11. Each of the Individual Defendants:

- 14           a. directly participated in the management of the Company;
- 15           b. was directly involved in the day-to-day operations of the Company  
16           at the highest levels;
- 17           c. was privy to confidential proprietary information concerning the  
18           Company and its business and operations;
- 19           d. was directly or indirectly involved in drafting, producing,  
20           reviewing and/or disseminating the false and misleading statements  
21           and information alleged herein;
- 22           e. was directly or indirectly involved in the oversight or  
23           implementation of the Company’s internal controls;
- 24           f. was aware of or recklessly disregarded the fact that the false and  
25           misleading statements were being issued concerning the Company;  
26           and/or

1 g. approved or ratified these statements in violation of the federal  
2 securities laws.

3 12. REV Group is liable for the acts of the Individual Defendants and its  
4 employees under the doctrine of *respondeat superior* and common law principles  
5 of agency as all of the wrongful acts complained of herein were carried out within  
6 the scope of their employment with authorization.

7 13. The scienter of the Individual Defendants and other employees and  
8 agents of the Company is similarly imputed to REV Group under *respondeat*  
9 *superior* and agency principles.

10 14. Defendant REV Group and the Individual Defendants are referred to  
11 herein, collectively, as the “Defendants.”

## 12 **SUBSTANTIVE ALLEGATIONS**

13 15. Pursuant to the Securities Act, Defendants are strictly liable for material  
14 misstatements in the Offering Materials issued in connection with the IPO. The  
15 Securities Act claims specifically exclude any allegations of fraud, knowledge,  
16 recklessness or scienter, do not “sound in fraud” and based solely on strict liability  
17 and negligence.

### 18 **Background**

19 16. On October 24, 2016, the Company filed a registration statement on  
20 Form S-1 with the SEC in connection with its IPO. The registration statement was  
21 subsequently amended, with the final amended registration statement on Form S-  
22 1/A filed on January 17, 2017 (collectively, the “Registration Statement”). The  
23 Registration Statement was declared effected by the SEC on January 26, 2017.

24 17. The Registration Statement contained a preliminary prospectus. The  
25 final prospectus was dated January 26, 2017 (“Prospectus”). The Prospectus was  
26 filed with the SEC on January 30, 2017.

1 18. On or about January 27, 2017, the Company completed its IPO, selling  
2 about 12.5 million shares at \$22 per share and raising approximately \$275 million  
3 in proceeds.

4 **Materially False and Misleading Statements**

5 19. The Registration Statement, signed by or on behalf of Defendants  
6 Sullivan and Nolden, provided information regarding the Company's manufacturing  
7 and service capabilities, stating in relevant part:

8 **Manufacturing and Service Capabilities**

9 We currently operate 15 manufacturing plants and 11 aftermarket  
10 service centers (called Regional Technical Centers or "RTCs") across  
11 the United States with approximately 4.9 million square feet of  
12 manufacturing and service space. We believe that our factories are  
13 among some of the most efficient and lowest cost production facilities  
14 in each of our markets due to the production processes that we employ,  
15 our purchasing scale and the high unit volume throughput relative to  
16 most of our competitors.

15 \* \* \*

16 Our growing RTC footprint is strategically placed throughout the  
17 United States and our locations are staffed with technicians and  
18 customer service representatives to support our approximately 240,000  
19 installed base of vehicles. Our RTCs complement our dealer network  
20 to provide our end users with the parts and service that they need to  
21 keep their fleets operating and to meet the demand of their customers.

22 20. The Registration Statement provided information regarding the  
23 Company's ability to predict its production needs and sales through its backlog,  
24 stating in relevant part:

24 *Business Model Produces Highly Attractive Financial Characteristics*

25 \* \* \*

26 *Finally, our business carries a high-quality backlog which enables*  
27 *strong visibility into future net sales which ranges from two to nine*  
28 *months depending on the product and market. This visibility into*  
*future production needs and net sales enables us to more effectively*  
*plan and predict our business.*

1 (Emphasis added.)

2 21. The statements referenced in ¶¶19-20 above were materially false  
3 and/or misleading because they misrepresented and failed to disclose the following  
4 adverse facts pertaining to the Company’s business, operations, and prospects,  
5 which were known to Defendants or recklessly disregarded by them. Specifically,  
6 Defendants made false and/or misleading statements and/or failed to disclose that:  
7 (1) REV Group was unable to use its “strong visibility into future net sales” to  
8 “effectively plan” and manage its backlog of vehicles; (2) REV Group facilities  
9 were not operating efficiently or at a low cost to satisfy customer demand; and (3)  
10 as a result, Defendants’ public statements were materially false and misleading at  
11 all relevant times.

12 **Additional Revelations**

13 22. On April 10, 2018, the Company announced that Tom Phillips would  
14 rejoin the Company as Chief Operating Officer (“COO”) and assume many of the  
15 duties of Marcus Berto, Executive Vice President, “who was terminated by the  
16 Company effective March 26, 2018 due to personal conduct inconsistent with the  
17 Company’s policies.”

18 **The Truth Emerges**

19 23. On June 6, 2018, after the market closed, the Company reported that  
20 Ian Walsh had been appointed COO, effective June 1, 2018, to replace Tom Phillips  
21 who was only COO since April 1, 2018.

22 24. That same day, REV Group reported its second quarter 2018 results  
23 for the period ended April 30, 2018 (the “2Q2018 10-Q”), disclosing it was  
24 “working through some challenges . . . causing a strain on the Company’s supply  
25 chain.” Specifically, REV Group released a press release entitled “REV GROUP  
26 REPORTS FISCAL 2018 SECOND QUARTER RESULTS[,]” stating that REV  
27 Group’s earnings were “adversely impacted by near term commodity price  
28

1 inflation, supply chain constraints and shortfalls in our Commercial Segment[.]”

2 The article stated, in relevant part:

3 **REV GROUP REPORTS FISCAL 2018 SECOND QUARTER**  
4 **RESULTS**

5 *Well positioned with record Q2 revenue and backlog, however*  
6 *adversely impacted by near term commodity price inflation, supply*  
7 *chain constraints and shortfalls in our Commercial Segment*

8 *Updated full year guidance reflects continued year over year*  
9 *revenue growth of 10% and Adjusted EBITDA growth of 11% at*  
10 *the midpoint of the range*

- 11 • Net sales of \$608.9 million, representing growth of 11.7% compared to  
12 the prior year1 quarter
- 13 • Second quarter net income of \$7.4 million, an increase of 9.2%  
14 compared to the prior year quarter
- 15 • Second quarter Adjusted EBITDA2 of \$34.1 million, a decrease of  
16 9.2% compared to the prior year quarter
- 17 • Total backlog of \$1,270.5 million as of April 30, 2018, an increase of  
18 2.3% sequentially and 15.3% compared to the prior year end
- 19 • Company revises full-year 2018 outlook; now expects net sales of \$2.4  
20 to \$2.6 billion (vs. \$2.3 billion in prior year), Adjusted EBITDA of  
21 \$175 to \$185 million (vs. \$163 million in prior year), net income of \$72  
22 million to \$87 million (vs. \$31 million in prior year) and Adjusted net  
23 income of \$94 to \$105 million (vs. \$76 million in prior year)
- 24 • Ian Walsh joins REV Group as new Chief Operating Officer
- 25 • Company repurchased 238,547 shares under the Company’s share  
26 repurchase authorization during the second quarter for total  
27 consideration of \$4.8 million

28 Milwaukee, WI.—(BUSINESS WIRE) — REV Group (NYSE:  
REVG), a manufacturer of industry-leading specialty vehicle brands,  
today reported results for the three months ended April 30, 2018  
 (“second quarter 2018”). Consolidated net sales in the second quarter  
 2018 were \$608.9 million, representing growth of 11.7% over the three  
 months ended April 29, 2017 (“second quarter 2017”). The Company’s  
 second quarter 2018 net income was \$7.4 million, or \$0.11 per diluted  
 share. Adjusted net income for the second quarter 2018 was

1 \$15.6 million, or \$0.24 per diluted share, a decline of 17.9% compared  
2 to \$19.0 million, or \$0.29 per diluted share, in the second quarter 2017.  
3 Adjusted EBITDA<sup>2</sup> in the second quarter 2018 was \$34.1 million,  
4 representing a decline of 9.2% compared to adjusted EBITDA of  
5 \$37.6 million in the second quarter 2017. The Company ended the  
6 quarter with total backlog of \$1,270.5 million, representing growth  
7 quarter over quarter and year over year.

8 ***“Our fiscal second quarter results were below our expectations and  
9 were impacted by a number of factors.” commented Tim Sullivan,  
10 CEO of REV Group. “In particular, cost inflation across many of the  
11 commodities and services we buy was significant in the quarter and  
12 due to the length of our backlogs we were not able to mitigate these  
13 increases. We estimate the cost inflation will have an approximate  
14 \$19 million impact on our current fiscal year. Additionally,  
15 production and sales at several of our business units were adversely  
16 impacted by the availability of chassis. Finally, margins were  
17 impacted by lower-than-expected sales of certain higher-content  
18 product categories including custom fire apparatus, large commercial  
19 buses, and Class A RV’s.”***

20 “Longer term, in response to these factors, we have taken mitigating  
21 action across our business to drive targeted margin expansion. First, we  
22 have implemented price increases and surcharges to offset material and  
23 service cost increases for all new orders. Second, we have implemented  
24 a series of significant cost and spending reduction actions including:  
25 supply chain actions, consolidations of certain facilities, and reductions  
26 in overhead headcount and spending. We estimate these actions will  
27 result in annualized savings of \$20 million and they are already fully  
28 implemented as of today. Given the length of our backlogs, we estimate  
the impact on EBITDA of these price actions will be approximately  
\$7 million for fiscal year 2018.

(Emphasis added.)

25 25. On this news, shares of REV group fell \$3.39 per share or nearly 19%  
26 to close at \$14.52 per share on June 7, 2018 — 34% below the \$22 IPO price,  
27 damaging investors.

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

4                           **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

5           27. Plaintiff brings this action as a class action pursuant to Federal Rule of  
6 Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other  
7 than defendants who purchased or otherwise acquired the publicly traded securities  
8 of Alliance pursuant and/or traceable to the Company’s IPO and who were damaged  
9 thereby (the “Class”). Excluded from the Class are Defendants, the officers and  
10 directors of the Company, members of the Individual Defendants’ immediate  
11 families and their legal representatives, heirs, successors or assigns and any entity in  
12 which the officers and directors of the Company have or had a controlling interest.

13           28. The members of the Class are so numerous that joinder of all members  
14 is impracticable. Since the IPO, the Company’s securities were actively traded on  
15 NYSE. While the exact number of Class members is unknown to Plaintiff at this  
16 time and can be ascertained only through appropriate discovery, Plaintiff believes  
17 that there are hundreds, if not thousands of members in the proposed Class.

18           29. Plaintiff’s claims are typical of the claims of the members of the Class  
19 as all members of the Class are similarly affected by defendants’ wrongful conduct  
20 in violation of federal law that is complained of herein.

21           30. Plaintiff will fairly and adequately protect the interests of the members  
22 of the Class and has retained counsel competent and experienced in class and  
23 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those  
24 of the Class.

25           31. Common questions of law and fact exist as to all members of the Class  
26 and predominate over any questions solely affecting individual members of the  
27 Class. Among the questions of law and fact common to the Class are:  
28

1 a. whether Defendants issued materially false and misleading  
2 statements;

3 b. whether the Registration Statement was negligently prepared and  
4 contained materially misleading statements and/or omitted material  
5 information required to be stated therein;

6 c. whether other statements issued by Defendants were materially  
7 misleading and/or omitted material information;

8 d. whether Defendants acted with reckless disregard for the truth  
9 with respect other statements;

10 e. whether the Company's securities traded on an efficient market;  
11 and

12 f. the extent to which members of the Class have sustained  
13 damages and the proper measure of damages

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

20 33. Plaintiff will rely, in part, upon the presumption of reliance established  
21 by the fraud-on-the-market doctrine in that:

22 a. Defendants made public misrepresentations or failed to disclose  
23 material facts;

24 b. the omissions and misrepresentations were material;

25 c. the Company's securities met the requirements for listing, and  
26 were listed and actively traded on NYSE, a highly efficient and automated  
27 market;

1           d.     the Company's shares were liquid and traded with moderate to  
2 heavy volume;

3           e.     as a public issuer, the Company filed periodic public reports with  
4 the SEC and NYSE;

5           f.     The Company regularly communicated with public investors via  
6 established market communication mechanisms, including through the  
7 regular dissemination of press releases via major newswire services and  
8 through other wide-ranging public disclosures, such as communications with  
9 the financial press and other similar reporting services;

10          g.     The Company was followed by a number of securities analysts  
11 employed by major brokerage firms who wrote reports that were widely  
12 distributed and publicly available;

13          h.     the misrepresentations and omissions alleged would tend to  
14 induce a reasonable investor to misjudge the value of the Company's  
15 securities; and

16          i.     Plaintiff and members of the Class purchased, acquired and/or  
17 sold the Company's securities between the time the Defendants failed to  
18 disclose or misrepresented material facts and the time the true facts were  
19 disclosed, without knowledge of the omitted or misrepresented facts.

20         34.     Based on the foregoing, the market for the Company's securities  
21 promptly digested current information regarding the Company from all publicly  
22 available sources and reflected such information in the prices of the shares, and  
23 Plaintiff and the members of the Class are entitled to a presumption of reliance upon  
24 the integrity of the market.

25         35.     Alternatively, Plaintiff and the members of the Class are entitled to the  
26 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens*  
27 *of the State of Utah v. United States*, 406 U.S. 128 (1972) as Defendants omitted  
28

1 material information in the Company's Registration Statement and Prospectus in  
2 violation of a duty to disclose such information as detailed above.

3 **COUNT I**  
4 **Violations of Section 11 of the Securities Act**  
5 **Against All Defendants**

6 36. Plaintiff repeats and realleges each and every allegation contained in  
7 the foregoing paragraphs as if fully set forth herein.

8 37. This claim is brought by Plaintiff and on behalf of other members of  
9 the Class who purchased or otherwise acquired the Company's securities pursuant  
10 to or traceable to the Company's IPO. Each member of the Class acquired his, her,  
11 or its shares pursuant to and/or traceable to, and in reliance on, the Prospectus and  
12 Registration Statement. The Company is the issuer of the securities through the  
13 Prospectus and Registration Statement, on which the Individual Defendants were  
14 signatories.

15 38. Defendants issued and disseminated, and caused to be issued and  
16 disseminated, and participated in the issuance and dissemination of, material  
17 misstatements and/or omissions to the investing public that were contained in the  
18 Prospectus and Registration Statement, which misrepresented or failed to disclose,  
19 among other things, the facts as set forth above. By reason of the conduct alleged  
20 herein, each Defendants violated and/or controlled a person who violated Section 11  
21 of the Securities Act, 15 U.S.C. §77k.

22 39. The Company is the issuer of the securities sold via the Prospectus and  
23 Registration Statement. As issuer of these securities, the Company is strictly liable  
24 to Plaintiff and the Class members for the material misstatements and omissions  
25 contained therein.

26 40. At the times they obtained their shares of the Company, Plaintiff and  
27 the members of the Class did so without knowledge of the facts concerning the  
28 misstatements and omissions alleged herein.





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