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11 **UNITED STATES DISTRICT COURT**  
12 **NORTHERN DISTRICT OF CALIFORNIA**  
13 **SAN FRANCISCO DIVISION**

14 IN RE FORTINET, INC. SECURITIES  
15 LITIGATION

16 Case No. 3:25-cv-08037-AMO

17 CLASS ACTION

18 **CONSOLIDATED CLASS ACTION**  
19 **COMPLAINT FOR VIOLATIONS OF**  
20 **THE FEDERAL SECURITIES LAWS**

21 DEMAND FOR JURY TRIAL  
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1 Court-appointed Lead Plaintiff Union Asset Management Holding AG (“Lead Plaintiff”)  
2 and the Police and Fire Retirement System of the City of Detroit (“Named Plaintiff,” and together  
3 with Lead Plaintiff, “Plaintiffs”), individually and on behalf of a class of similarly situated persons  
4 and entities, by and through their undersigned counsel, bring this class action on behalf of  
5 themselves and all other persons or entities who purchased or otherwise acquired Fortinet, Inc.  
6 (“Fortinet,” or the “Company”) common stock during the period from November 8, 2024 through  
7 August 6, 2025, inclusive (the “Class Period”) and were damaged thereby (the “Class”). Plaintiffs  
8 assert claims against Fortinet and its corporate officers Ken Xie (CEO, Board Chair, and Co-  
9 Founder), Michael Xie (CTO, Director, and Co-Founder), Keith Jensen (former CFO), Christiane  
10 Ohlgart (current CFO and former Chief Accounting Officer), and Aaron Ovadia (Senior Director  
11 of Investor Relations) (collectively, “Defendants”) under Sections 10(b), 20(a), and 20A of the  
12 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78j(b), 78t(a), and 78t-1 and  
13 Rule 10b-5 promulgated thereunder by the U.S. Securities and Exchange Commission (the  
14 “SEC”), 17 C.F.R. § 240.10b-5.

15 Plaintiffs allege the following based on personal knowledge as to themselves and their own  
16 acts and upon information and belief as to all other matters. Plaintiffs’ information and belief is  
17 based on, among other things, the independent investigation of their undersigned counsel. This  
18 investigation included a review and analysis of: (i) Fortinet’s public filings with the SEC; (ii)  
19 research reports by securities and financial analysts; (iii) records and transcripts of investor  
20 conference calls; (iv) publicly available presentations by Fortinet; (v) press releases and media  
21 reports; (vi) securities pricing data; (vii) information supplied by former Fortinet employees; (viii)  
22 consultations with experts; and (ix) other material and data identified herein. Lead Counsel’s  
23 investigation into the factual allegations is continuing, and many of the relevant facts are known  
24 only by Defendants or are exclusively within their custody or control. Plaintiffs believe that  
25 substantial additional evidence exists that will support the allegations in this complaint and will  
26 become available to Plaintiffs only after a reasonable opportunity for discovery.

1 **I. INTRODUCTION**

2 1. This securities class action arises from Defendants’ materially false and misleading  
3 statements and omissions to investors regarding the financial health and prospects of Fortinet, a  
4 cybersecurity company whose principal product is the FortiGate firewall. During the Class Period,  
5 to convince investors that the Company was exiting a post-COVID financial slump, Defendants  
6 repeatedly touted a purportedly massive hardware upgrade or “refresh cycle” where 650,000 or  
7 more FortiGate units were supposed to be upgraded over 2025 and 2026. For example, Defendants  
8 told investors that this refresh cycle was “*by far the largest we’ve seen probably ever*” and would  
9 generate “*around \$400 million to \$450 million in product revenue.*” To further cultivate the  
10 impression of a return to financial health, Defendants also made specific factual representations  
11 about the timing, progress, and impact of the refresh, including that it was only approximately 20%  
12 complete in mid-2025 (so substantially more revenue was still to come) and that the Company was  
13 in fact expanding its sales footprint as customers refreshed. Defendants’ statements helped them  
14 portray Fortinet as a Company that was experiencing a much-needed financial turnaround. But  
15 Defendants knew throughout the Class Period that the refresh would not result in significant  
16 revenue—and that the numbers and other purported facts they used to quantify and bolster the  
17 purported impact of the refresh were misleading or omitted material information. Tellingly, at the  
18 same time they were touting the refresh as a major turnaround, Defendants were unloading many  
19 millions of dollars of their *own personal* Company shares at inflated prices through highly  
20 suspicious insider trades.

21 2. On August 6, 2025, after lining their own pockets with more than \$160 million from  
22 insider sales, Defendants finally revealed the truth about the illusory impact of Fortinet’s 2025-26  
23 refresh cycle. Following months of touting the size, scope, and timing of the refresh, Defendants  
24 suddenly performed a complete about-face. They confessed that the refresh would in fact “*not*  
25 *provide much business impact*” at all, represented “*a very small percentage*” of Fortinet’s total  
26 business, and was already “*40% to 50%*” complete by the end of the second quarter of 2025.  
27 Further, in a candid acknowledgement that Defendants had misled investors, Defendant Ken Xie,  
28

1 Fortinet’s CEO, Board Chair, and co-Founder, admitted “we probably [did] a little bit *over-discuss*  
2 . . . *this refresh upgrade.*”

3 3. The market was stunned. Securities analysts expressed their shock at this alarming  
4 reversal, writing for example that Defendants’ August 6 disclosures were “*concerning*,” caused “a  
5 *lack of confidence*,” and even specifically flagging that Defendants’ prior statements about the  
6 refresh were “*inaccurate*” and “*overstated*.” Defendants’ revelations caused the Company’s stock  
7 price to plummet *by more than 22%* on unusually heavy trading volume as investors ran for the  
8 hills and tens of millions of shares changed hands. By the end of August 7, 2025, Fortinet’s stock  
9 price declined by \$21.28 per share, erasing billions in shareholder value in a single day. Investors  
10 suffered enormous damages. Unlike investors, however, Defendants benefited from their  
11 misstatements and omissions. Knowing the refresh was illusory, Defendants took advantage of the  
12 temporarily inflated share price by engaging in rampant insider selling. All told, Defendants were  
13 able to pocket over \$160 million in cash from the sale of their personal Fortinet stock at artificially  
14 inflated prices during the Class Period.

15 4. Fortinet is a cybersecurity company best known for its FortiGate firewalls, a  
16 network security system that monitors and controls incoming and outgoing network traffic. Every  
17 few years, the Company’s firewalls go through a “refresh cycle” where they approach their end of  
18 life and require an upgrade to continue working effectively. During the height of the pandemic  
19 (2021-22), the Company enjoyed unprecedented revenue growth as companies worldwide shifted  
20 employees to remote work and demand soared for cybersecurity hardware, such as the FortiGate.  
21 Then, after a successful refresh in 2022, Fortinet’s FortiGate sales declined from their COVID-  
22 induced highs as customers digested excess inventory purchased during the pandemic. The  
23 Company entered a slump. As FortiGate revenues fell and growth stalled, Defendants were  
24 desperate to convince investors that the Company was returning to robust revenue growth.

25 5. During the Class Period, to create the perception that Fortinet was leaving its slump  
26 behind, Defendants told investors that a massive revenue event in the form of one of the largest  
27 refresh cycles ever was happening. Defendants represented that the refresh was “*by far the largest*  
28 *we’ve seen probably ever*” involving more than “*650,000*” FortiGate units, would generate

1 “*around \$400 million to \$450 million in product revenue*” in 2025 and 2026, and would create  
2 strong opportunities to cross-sell additional products and services. Further, Defendants repeatedly  
3 touted the progress of the refresh, telling investors for example that it was only “20%” completed  
4 as of mid-June 2025, which assured investors that 80% of revenue from the refresh was still to  
5 come. They also gave investors purportedly corroborative facts about client purchasing behavior  
6 and otherwise emphasized the refresh as a highly material revenue and growth driver.

7 6. Defendants’ representations were materially misleading and omitted key facts. In  
8 truth, Defendants knew that the refresh cycle they touted would never be as lucrative or as massive  
9 as they represented. Indeed, Defendants knew throughout the Class Period that the refresh could  
10 not possibly be as significant as they claimed, including because—*as they later admitted*—it  
11 consisted of “old products” that were a “small percentage” of the Company’s hardware business.  
12 Defendants also misrepresented the timing and nature of the purported refresh and, as noted, even  
13 confessed that they had “*over-discussed*” the opportunity and impact presented by the 2025-26  
14 refresh cycle.

15 7. Defendants’ belated admissions are corroborated by reports from former Fortinet  
16 employees who worked at the Company at the same time as Defendants. These former employees  
17 reported that during the Class Period it was well known within the Company that the refresh  
18 presented minimal business opportunity. Indeed, sales and growth targets were unchanged from  
19 prior years despite the refresh. And, while Defendants boasted of refresh-specific “sales plays,”  
20 former Fortinet employees in both marketing and communications confirm that such plays did not  
21 exist. In other words, while Defendants touted the refresh as a massive revenue event to investors,  
22 it was simply business as usual inside Fortinet. Former employees further reported that the  
23 Company’s internal sales software was populated with refresh opportunities for customers that had  
24 already switched providers or disconnected their hardware—so these purported refresh sources  
25 were illusory. Former employees even reported questioning the accuracy of Defendants’ public  
26 statements about the refresh given the lack of any evidence that the refresh would drive incremental  
27 sales. Indeed, according to one former Fortinet employee, Fortinet definitely overemphasized and  
28 overstated the opportunity from the refresh.

1 8. Defendants were highly motivated to misrepresent the refresh, including because  
2 they collectively engaged in insider selling to the tune of more than \$160 million worth of their  
3 own Fortinet stock at inflated prices. Defendants’ extensive insider selling included particularly  
4 damning sales of more than \$60 million worth of Fortinet stock only *two days* before they publicly  
5 acknowledged that their much-touted refresh was a mirage. Defendants’ compensation packages  
6 were also heavily stock based—thereby further incentivizing them to artificially inflate the  
7 Company’s stock price through misleading statements and omissions.

8 9. After the close of trading on August 6, 2025, contradicting their earlier statements  
9 about the refresh being only 20% complete, Defendants revealed that Fortinet was already  
10 “approximately 40% to 50% of the way through the 2025-26 upgrade cycle at the end of the second  
11 quarter [of 2025].” In a series of further shocking admissions, Defendants conceded that, in truth,  
12 if all the product available for the refresh upgraded, it would “*still not [provide] much business*  
13 *impact.*” Even more, Defendant Xie (CEO, Chair, and co-Founder) admitted that Defendants did  
14 “probably a little bit over-discuss about this refresh-upgrade [sic],” which they “*never*” viewed  
15 as a “top growth driver.”

16 10. Defendants’ disclosures revealed that their prior statements were false and  
17 misleading, or omitted material facts, and caused Fortinet’s stock price to plummet by more than  
18 22%, from a closing price of \$96.58 per share on August 6, 2025, to \$75.30 per share at the close  
19 on August 7, 2025, based on unusually high trading volume. This precipitous decline erased over  
20 \$16 billion in shareholder value in a single day, the largest such decline in the Company’s history.

21 11. The broader market reaction to Defendants’ revelation was equally dramatic.  
22 Analysts were shocked. For example, a Stephens analyst wrote: “We believe the one word to  
23 describe the reaction to the disclosure by Fortinet is *shocking.*” Several analysts specifically called  
24 Defendants out for making inaccurate statements. For example, Barclays reported that Defendants  
25 had admitted that the \$400-450 million refresh revenue opportunity “*may have been over-stated.*”  
26 Bernstein analysts wrote “[p]reviously, the company communicated being 20% into the refresh  
27 cycle after Q1, but they *acknowledged that figure was inaccurate.*” Oppenheimer did the likewise,  
28 explaining that Defendants’ August 6 disclosures “*appear[ed] incongruent* with prior ~20%

1 refresh progress value/volume and new 40-50% value/volume progress comments.” Other analysts  
2 downgraded their Fortinet recommendations and slashed their price targets for Company shares,  
3 including for example Piper Sandler, Scotiabank, Barclays, and J.P. Morgan.

4 12. Then, in yet another telling move (especially for executives of a public company),  
5 Defendants took the position that they would no longer publicly discuss the 2025-26 refresh. For  
6 example, Mizuho reported that Fortinet “disappointingly indicated today that it will likely no  
7 longer explicitly discuss the End of Support (EOS) opportunity, *as it is not serving as much of a*  
8 *growth driver*,” despite management having “spent much time discussing—and importantly  
9 quantifying” this opportunity during the Class Period. In other words, after artificially inflating  
10 Fortinet’s stock price through months of touting the refresh while they personally pocketed tens of  
11 millions of dollars from insider sales—Defendants suddenly wanted to pretend that nothing had  
12 happened and simply move on.

13 13. As set forth herein, Defendants made materially false or misleading statements  
14 and/or omissions and directly and indirectly engaged in conduct that constitutes a scheme to  
15 deceive and defraud investors in violation of the Securities Exchange Act of 1934 and Rule 10b-5  
16 promulgated thereunder.

17 14. Plaintiffs bring this action to recover the damages suffered by Class members,  
18 which were caused by Defendants’ materially false and misleading statements, omissions, scheme,  
19 and/or acts.

## 20 **II. PARTIES**

### 21 **A. Lead Plaintiff**

22 15. Lead Plaintiff Union Asset Management Holding AG is a major German asset  
23 manager, insurer, and financial services group with a diversified business model spanning the  
24 health, property and casualty, pension and life, and investment management industries. Lead  
25 Plaintiff purchased Fortinet common stock at artificially inflated prices during the Class Period as  
26 set forth in the certification previously filed with the Court and was damaged thereby. *See* ECF  
27 No. 42-2. Lead Plaintiff also purchased Fortinet stock contemporaneous with Defendants’ insider  
28 sales of Fortinet stock on February 11, 12, 19, and 26, 2025, and on March 10 and 11, 2025.

1           16.     Named Plaintiff the Police & Fire Retirement System of the City of Detroit provides  
2 retirement, disability, and death benefits to uniformed employees of the city of Detroit, Michigan,  
3 including police officers and firefighters, through a combination of defined benefit and defined  
4 contribution plans administered by a Board of Trustees. As indicated on the certification submitted  
5 herewith as Attachment 1, Named Plaintiff purchased Fortinet common stock at artificially inflated  
6 prices during the Class Period and was damaged thereby. Named Plaintiff also purchased Fortinet  
7 stock contemporaneous with Defendants’ insider sales of Fortinet stock on December 17 and 18,  
8 2024.

9           **B.     Defendants**

10           17.     Defendant Fortinet is a cyber security company. Its core product is the FortiGate  
11 firewall, a network security device that monitors and controls incoming and outgoing network  
12 traffic based on predetermined security rules. FortiGates and their attached services are how  
13 customers typically enter the Fortinet ecosystem—over 95% of Fortinet’s largest customers first  
14 purchase firewalls from the Company before expanding their relationship with Fortinet. Fortinet  
15 common stock trades on the NASDAQ under the ticker symbol “FTNT.”

16           18.     Defendant Ken Xie is, and at all relevant times was, Fortinet’s CEO and Chairman  
17 of the Company’s Board of Directors. Ken Xie is a co-Founder of Fortinet. During the Class  
18 Period, Defendant Ken Xie made the false and misleading statements and omissions identified in  
19 ¶¶109, 112, 121, 125-26 and sold \$70,516,227 worth of his Fortinet stock at suspicious times and  
20 contemporaneous with purchases by Plaintiffs and other Class members.

21           19.     Defendant Michael Xie is, and at all relevant times was, Fortinet’s Chief  
22 Technology Officer (“CTO”) and a Director on the Company’s Board of Directors. Michael Xie is  
23 a co-Founder of Fortinet, along with his brother Ken Xie. During the Class Period, Defendant  
24 Michael Xie made the false and misleading statements and omissions identified in ¶128 and sold  
25 \$79,391,833 worth of his Fortinet stock at suspicious times and contemporaneous with purchases  
26 by Plaintiffs and other Class members.

27           20.     Defendant Keith Jensen served as Fortinet’s CFO during the Class Period until May  
28 15, 2025, when he retired from the Company. During the Class Period, Defendant Jensen made the

1 false and misleading statements and omissions identified in ¶¶98, 100, 106, 108-09, 111, 115, 118,  
2 121, 125-26 and sold \$11,511,466 worth of his Fortinet stock at suspicious times and  
3 contemporaneous with purchases by Plaintiffs and other Class members.

4 21. Defendant Christiane Ohlgart has served as Fortinet’s CFO since May 15, 2025.  
5 During the Class Period until May 15, 2025, she served as Fortinet’s Chief Accounting Officer.  
6 During the Class Period, Defendant Ohlgart made the false and misleading statements and  
7 omissions identified in ¶¶96-97, 102, 109, 112, 116, 121-22, 125-26 and sold \$132,713 worth of  
8 her Fortinet stock at suspicious times and contemporaneous with purchases by Plaintiffs and other  
9 Class members.

10 22. Defendant Aaron Ovadia served as Fortinet’s Director of Investor Relations  
11 throughout the Class Period. During the Class Period, Defendant Ovadia made the false and  
12 misleading statement attributed to him identified in ¶104.

13 23. Defendants Ken Xie, Michael Xie, Jensen, Ohlgart, and Ovadia are collectively  
14 referred to herein as the “Executive Defendants.” The Executive Defendants directly participated  
15 in the management of Fortinet’s operations, had direct supervisory involvement in Fortinet’s day-  
16 to-day operations, and had the ability to control, and did control, Fortinet’s statements to investors  
17 and financial reporting. The Executive Defendants possessed the power and authority to control  
18 the contents of Fortinet’s reports to the SEC, press releases, and presentations to securities analysts,  
19 money and portfolio managers, and institutional investors. Because of their positions and access  
20 to material non-public information available to them, each of the Executive Defendants knew that  
21 the adverse facts specified herein had not been disclosed to, and were being concealed from, the  
22 public, and that the positive representations that were being made were then materially false and/or  
23 misleading. The Executive Defendants were involved in drafting, reviewing, publishing,  
24 disseminating, authorizing, and making the false and misleading statements and omissions alleged  
25 herein.

26 24. Fortinet is liable for the acts of the Executive Defendants, and its employees under  
27 the doctrine of respondeat superior and common law principles of agency as all the wrongful acts  
28 complained of herein were carried out within the scope of their employment with authorization.

1 **III. JURISDICTION AND VENUE**

2 25. The claims asserted herein arise under Sections 10(b), 20(a), and 20A of the  
3 Exchange Act (15 U.S.C. §§ 78j(b), 78t(a), and 78t-1) and Rule 10b-5 promulgated thereunder by  
4 the SEC (17 C.F.R. § 240.10b-5).

5 26. This Court has jurisdiction over the subject matter of this action under Section 27  
6 of the Exchange Act (15 U.S.C. § 78aa). In addition, because this is a civil action arising under the  
7 laws of the United States, this Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337.

8 27. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28  
9 U.S.C. § 1391(b) because Fortinet’s headquarters is located within this District and Defendants  
10 conducted substantial economic activity in the District. As such, substantial acts in furtherance of  
11 the alleged fraud have occurred in this District.

12 28. In connection with the acts, conduct, and other wrongs alleged in this Complaint,  
13 Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,  
14 including but not limited to, the United States mail, interstate telephone communications, and the  
15 facilities of the national securities exchange.

16 **IV. OVERVIEW OF DEFENDANTS’ DECEPTION OF INVESTORS**

17 **A. Company Background And Core Operations**

18 29. Fortinet specializes in network firewalls—digital security barriers between a  
19 trusted network (like a private home/office network) and untrusted networks (like the public  
20 internet). A firewall monitors, filters, and controls incoming and outgoing traffic based on  
21 predefined security rules and blocks malicious content, unauthorized access, and cyber threats to  
22 protect data and devices. Fortinet has two main revenue streams: (i) product revenue, which  
23 includes the sale of FortiGate network firewalls and other secure networking products and  
24 (ii) service revenue, which is generated primarily from FortiGuard and other security subscription  
25 services and FortiCare technical support services. Product revenue accounts for roughly 30-35%  
26 of total revenue and service revenue the remainder. According to Defendants’ own published data,  
27 during the Class Period, small enterprises made up approximately 21% of Fortinet’s customer base,  
28

1 medium enterprises made up 29%, large enterprises made up 40%, and service providers/managed  
2 security service providers made up 11%.

3 30. FortiGates launched in 2002 as Fortinet’s first and flagship product—and they are  
4 the principal driver of client acquisition for the Company. For example, approximately 95% of the  
5 Company’s larger enterprise customers previously or simultaneously purchased FortiGate  
6 firewalls. The Company employs a “land and expand” sales strategy, which starts with the sale of  
7 a FortiGate firewall and then focuses on pushing additional subscriptions, products, and services  
8 on FortiGate clients. Fortinet’s sales strategy thus centers on landing customers with the  
9 Company’s network security products—*e.g.*, FortiGate firewalls—and then expanding sales by  
10 cross-selling the broader Fortinet Security Fabric platform, including SASE (a cloud-based  
11 network architecture with comprehensive security functions), AI-driven security, and cloud  
12 security. Fortinet claims this approach drives higher customer lifetime value by expanding from  
13 initial perimeter defense into unified secure networking.

14 **B. Defendants Access To Live Data From FortiGates Sold To Customers**

15 31. To stay current with rapidly evolving cyber threats, FortiGates sold to customers  
16 receive periodic updates from Fortinet. To do so, the FortiGate devices “ping home” to Fortinet.  
17 When a FortiGate device “pings home,” it engages in a recurring and technically sophisticated  
18 exchange of identifying and operational data with Fortinet’s servers—a process that Defendants  
19 Ken and Michael Xie have continuously refined over two decades. When Defendants described  
20 Fortinet’s deployed devices as “pinging home,” as Fortinet’s own documentation and public  
21 disclosures confirm, it referred to the FortiGate unit’s regular transmission of encrypted data back  
22 to Fortinet’s FortiGuard Distribution Servers (FDS), which includes the device’s unique serial  
23 number, its IP address, its geographic location, and accumulated antivirus, IPS, botnet IP list, and  
24 application control statistics, with malware statistics accumulated and transmitted by default every  
25 sixty minutes, depending on the software version. These communications between FortiGate  
26 devices sold to customers and Fortinet itself serve multiple critical functions: they validate the  
27 device’s subscription and license status with FortiGuard, they check for firmware updates that can  
28 be applied to the FortiGate device, they query FortiGuard servers in real time for web-filtering

1 URL categorization ratings, they periodically download updated signature databases for IPS,  
2 antivirus, and application control, and they transmit telemetry data that Fortinet uses to maintain  
3 its and improve its threat intelligence. Using the information provided during these  
4 communications with FortiGuard, Defendants knew which devices were online and, by comparing  
5 serial numbers with Fortinet records, which of those devices were approaching their End of  
6 Support (EoS). From a business perspective, the frequent interactions between Fortinet and its  
7 installed base of FortiGates provided Defendants with precise insight into how many of the  
8 Company’s devices, and which models of those devices and their remaining life spans or “age”,  
9 are in use at any given time. Thus, Defendants knew throughout the Class Period each unit’s status  
10 within the refresh cycle or whether a unit was not available/participating in the refresh.

11 **C. FortiGate Planned Obsolescence And “Refresh” Cycles**

12 32. FortiGates have a limited support life cycle of roughly ten years depending on the  
13 model. Towards the end of this cycle, the Company first closes orders for a product (“End of Order  
14 Date”) and then subsequently ends all support for the product (“End of Support Date,” “end of  
15 life,” or “EoL”). After the final End of Support Date, Fortinet will not sell, manufacture, or improve  
16 a product and ceases all support services. In general, the End of Support Date for hardware lands  
17 approximately 60 months or 5 years after the End of Order Date. For example, the FortiGate 1000C  
18 product entered service in January 2011, reached its End of Order date on January 17, 2017, and  
19 reached its End of Support Date on January 17, 2022, approximately 11 years after its introduction.  
20 When Fortinet hardware approaches the end of its life cycle, customers need to “refresh” their  
21 hardware with newer models.

22 33. Periodically, large concentrations of FortiGate models reach end-of-life at the same  
23 time and require a refresh. Fortinet calls this a “refresh cycle” and claims that such cycles typically  
24 boost Fortinet’s product revenue for a time as customers are forced to purchase new hardware.  
25 Similarly, Fortinet also claims that its larger clients typically refresh after equipment has been fully  
26 depreciated. Under relevant accounting rules, corporations can depreciate assets like FortiGates  
27 over 5 to 7 years.

1           **D. Fortinet Experiences A Post-COVID Slump In Hardware Sales**

2           34. The COVID-19 pandemic was a financial boon for Fortinet. As companies  
3 worldwide shifted employees to remote work, it created unprecedented demand for new remote  
4 connections to company networks and heightened the need for related cybersecurity hardware,  
5 such as the FortiGate. Moreover, during COVID, companies seeking to fill this new demand  
6 ordered more products than necessary to offset the impact of supply chain disruptions. As a result,  
7 and because Fortinet was not supply constrained (unlike many of its competitors), the Company  
8 experienced unprecedented product revenue growth from 2020 through 2022. This boom in  
9 demand also led Fortinet announce End of Order dates for many of its sold-out products, such as  
10 the popular FortiGate 60E/61E, 100E/101E and many D-series and E-series models, with  
11 corresponding End of Support in 2026.

12           35. However, in 2023 and 2024, Fortinet’s product revenue growth slowed and turned  
13 negative as customers who purchased or upgraded Fortinet products during the pandemic did not  
14 need new firewalls or could otherwise rely on stockpiled inventory. Specifically, in 2022, 2023,  
15 and 2024, Fortinet reported product revenue of \$1.78, \$1.93, and \$1.91 billion, respectively,  
16 representing growth rates of 42%, 8.4% and -1% from the prior year, respectively.

17           36. Given this rapid decline in product revenue growth—from **42% growth in 2022 to**  
18 **-1% in 2024**—Defendants were desperate for a business turnaround and recovery in the firewall  
19 market in 2025.

20           **E. During the Class Period, Defendants Misleadingly Touted The 2025-26**  
21 **Refresh Cycle As A Significant Growth Driver And Revenue Event**

22           37. During the Class Period, Defendants made a series of statements touting the size,  
23 pace, progress, and financial impact of the 2025-26 refresh. While making these statements,  
24 Defendants knew or, at a minimum, recklessly disregarded that the refresh could not yield the  
25 benefits touted by Defendants. Indeed, as Defendants later admitted, (1) even if all the product  
26 available for the refresh upgraded within “one or two years [it would] *still not [provide] much*  
27 *business impact,*” (2) Defendants had “*over-discuss[ed]*” the refresh, (3) the \$400-450 million  
28 refresh opportunity touted by Defendants’ throughout the Class Period “*may have been over-*

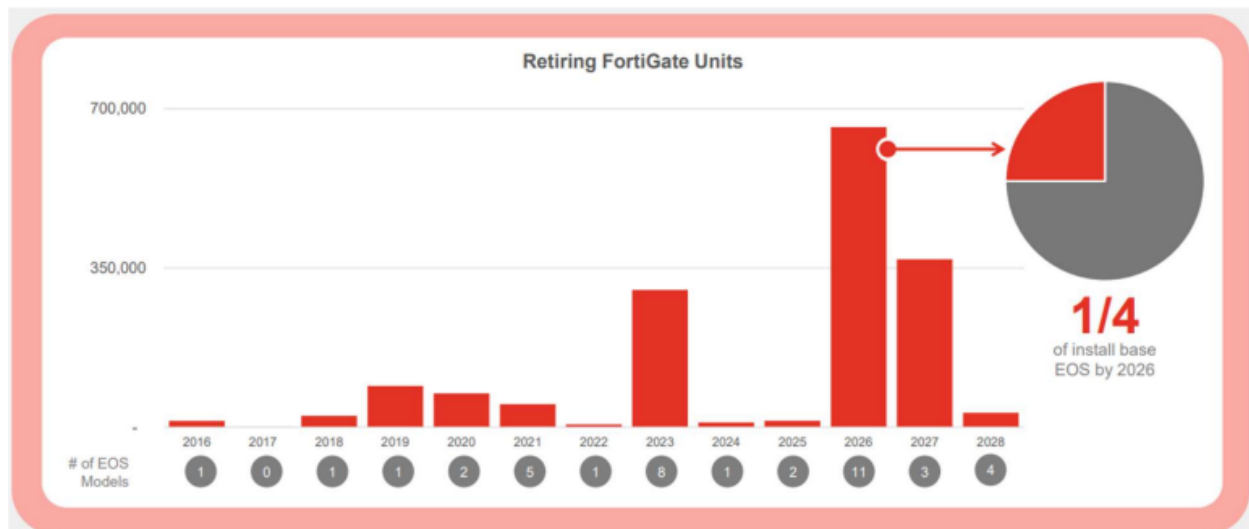
1 *stated*,” and (4) Defendants “*never*” viewed the refresh as a significant “growth driver.” *See infra*  
2 §§ IV.I, V. These admissions are inconsistent with, and exposed as misleading, Defendants’ Class  
3 Period representations about the refresh.

4 38. Defendants’ misstatements and omissions during the Class Period are summarized  
5 below. The specific misstatements and omissions are then set forth *infra* in paragraphs 94-129.

6 39. **Defendants Touted The Size And Progress Of The Refresh.** Throughout the  
7 Class Period, Defendants touted the 2025-26 refresh as being the “*largest by far*” in the Company’s  
8 history. For example, Defendant Jensen represented that “the magnitude” of the 2025-26 refresh  
9 was “*much, much larger*” than the 2023 refresh where the Company saw product revenue growth  
10 “a little bit over 40%.” Jensen also claimed that “the absolute number” of devices in the 2026  
11 refresh was “*by far the largest we’ve seen probably ever*,” more than double or “2x” the 2023  
12 refresh. Jensen further claimed that, unlike prior refreshes that were “dominated by the entry-level  
13 firewalls,” the 2025-26 refresh stood out as containing “a significant portion” of “mid-range  
14 firewalls as well.” Investors thus understood that the 2026 refresh was purportedly unprecedented  
15 in size and that it was uniquely composed of higher-end (and higher-margin) firewalls, unlike any  
16 prior refreshes in Fortinet’s history. Indeed, Defendant Jensen described the 2025/26 refresh as a  
17 “very unusual and positive situation.”

18 40. Further, in response to analyst questions about the specific size of the refresh,  
19 Defendant Ohlgart claimed that the “net” yield to Fortinet of the 2026 refresh “over the next two  
20 years,” would be “*\$400 million to \$450 million in product revenue*.” This contribution to  
21 Fortinet’s product revenues was highly material to investors—more than 20% of Fortinet’s \$1.93  
22 billion in product revenue in 2023. Indeed, the additional \$400 to \$450 million, Ohlgart elaborated,  
23 “*definitely help[s] product revenue*,” and that “*total revenue is probably up 4%*” as a result of the  
24 2025/26 refresh.

41. Relatedly, as the Class Period progressed, Defendants made specific representations regarding the purported size and progress of the refresh. For example, on November 18, 2024, during the Company’s Analyst Day, Defendants provided details to investors to measure the size and composition of the 2025-26 refresh cycle. First, Defendants showed investors a presentation that provided a numerical estimate of the 2026 refresh compared to prior refreshes and as a percentage of the Company’s total “install base.”



42. The slide purported to show that the refresh included over “650,000” “retiring” FortiGate units, which was a staggering 25% or “1/4” of all installed FortiGate units, more than doubling the 2023 refresh. Later during the Analyst Day, Defendant Jensen described the refresh as covering approximately 650,000 units and touted the accuracy of Company’s estimate of the size of the refresh, which he claimed was based on the “percentage of those [devices that] are still pinging home”—*i.e.*, the frequent and ongoing live data exchanges between Fortinet and its installed base of FortiGates discussed above at § IV.B—meaning that Defendants had purportedly confirmed that those devices were still active and, therefore, would refresh. Defendant Ohlgart also touted the size of the refresh, claiming that it represented “*about a fourth of all the registered devices*” that the Company currently had.

43. On March 4, 2025, in response to an analyst question about the magnitude of the refresh cycle, Defendant Jensen boasted about the “unusually large volume of units that are going end of support in 2026” that were “*roughly 10x more than our average in the prior 10 years.*”

1 44. Similarly, on May 3, 2025, at the Bank of America Global Technology conference,  
2 Defendant Ohlgart again touted the composition of the 2026 refresh cohort, claiming that it was  
3 “composed of about, value wise, *one-third of large firewalls, one-third of mid-sized firewalls,*  
4 *and one-third of small firewalls.*” Because two thirds of the refresh’s value was concentrated in  
5 mid-sized and large firewalls, which are placed with the Company’s larger clients for whom  
6 Fortinet claims it has strong visibility, analysts and investors were again reassured that the benefits  
7 of the largest forced refresh in the Company’s history would soon materialize.

8 45. **Defendants Touted The Pace And Timing Of The Refresh.** Throughout the Class  
9 Period, Defendants misrepresented the cadence and timing of the refresh to investors.

10 46. For example, early in the Class Period, on November 18, 2024, Defendants claimed  
11 that the refresh would “*start . . . in early 2025.*” Then, in early 2025, Defendant Ohlgart  
12 acknowledged that the refresh had started and represented that it would “*gain momentum in both*  
13 *purchasing and planning activities in the second half of 2025.*” Similarly, Defendant Ken Xie  
14 represented that “*most of the customers [are] probably still one year’s away*” from refreshing,  
15 confirming that a majority of the Company’s customers had not yet even started refreshing.

16 47. Then, on June 17, 2025, a Rosenblatt Securities “Company Update” reported on a  
17 meeting regarding the refresh with Fortinet management, including by specifically identifying  
18 Defendant Ovadia as the person speaking on behalf of Fortinet. According to this report, during  
19 the discussion, Defendant Ovadia informed Rosenblatt that “[t]he firewall refresh cycle is  
20 proceeding on track with expectations, *valued at approximately \$450M (650K units)*” and that  
21 “[t]o date” only “*20% of the hardware*” had “*already been refreshed.*” These statements were  
22 important to investors as they reported that the bulk (*i.e.*, 80%) of the revenue from the refresh was  
23 still to come.

24 48. **Defendants Provided Misleading Facts To Bolster Their Claims.** Defendants  
25 also told investors that their financial expectations for the purportedly “massive” refresh were  
26 based on current data from devices that were “pinging” home. For example, Defendant Jensen  
27 claimed that 85% of devices subject to the 2026 refresh were pinging home, which was “a pretty  
28 good indicator that there’s life out [there]” especially because Defendants had purportedly taken

1 “certain haircuts” for units that were “no longer pinging home.” Analysts accepted Defendants’  
2 claims at face value, noting that Defendants purportedly had clear visibility into the progress of  
3 the refresh given their claimed ability to receive device “pings” and “know exactly where they are  
4 and when they get retired.” Indeed, on February 6, 2025, Defendant Jensen claimed that Fortinet  
5 “could *see* that the swapping out of the mid-range products that are being end of life and then  
6 taking on new products” was occurring. In other words, Defendants boasted that they purportedly  
7 knew the number of active devices “pinging” home at any given time and, thus, could accurately  
8 measure the devices that would refresh or were in fact refreshing—and exclude those devices that  
9 they also knew were not going to refresh.

10 49. Defendants also boasted that the 2025-26 refresh was a purportedly “natural” or  
11 organic part of the lifecycle of the relevant cohort of FortiGate units. For example, during the  
12 Barclays Global Technology Conference on December 11, 2024, an analyst asked Defendant  
13 Michael Xie, “as [a] founder of the business, I mean, you’ve seen so many refresh cycles. What’s  
14 different about this refresh cycle just from your perspective?” In response, Defendant Michael Xie  
15 stated, “a refresh happens as *naturally* it needs to occur. And then -- but at some point, it happens  
16 in the *bulk* [more] than some other times.”

17 50. **Defendants Boasted That The Refresh Was Expanding Sales.** Separate and apart  
18 from the product revenue that the 2026 refresh would contribute, Defendants also touted the refresh  
19 as a “billings event” because it provided the opportunity to “sell more attached services,” *i.e.*,  
20 cross-sell, which was not included in Defendants’ \$400-\$450 million estimate. This created the  
21 misleading impression that the Company’s refresh guidance represented a conservative revenue  
22 contribution floor with significant potential upside.

23 51. For instance, on February 6, 2025, Defendant Jensen emphasized that the refresh  
24 cycle would benefit the Company as it unfolded through 2026 and further highlighted initiatives  
25 the Company was taking to accelerate refresh revenues and to maximize the refresh opportunity.  
26 Jensen also confirmed that the \$400-\$450 million estimate conservatively included only product  
27 sales, stating, “we’re talking here *only* about product revenue. We’re not talking about the run rate  
28 for services nor the expansion for these other parts of our business now . . . .” These

1 misrepresentations helped Defendants portray the \$400-450 million in additional refresh revenue  
2 as a conservative or low-end figure.

3 52. Then, as the refresh progressed throughout the Class Period, Defendants claimed  
4 that Fortinet was in fact able to *expand* sales when customers refreshed. For example, Defendant  
5 Ken Xie stated that Fortinet’s customers were “*always*” ordering more from Fortinet to support a  
6 “*much bigger*” infrastructure, and not just “replacing their old box” as part of the 2025-26 refresh.  
7 Defendant Ohlgart claimed that, based on “what we are seeing so far, the customers that have EOS  
8 devices, *the smaller customers are buying more.*” Ohlgart also claimed that, in Q1 2025, the  
9 customers that refreshed “all [*] purchased more than their end of support devices*” so Defendants  
10 were purportedly “able to expand and sell more devices, more services, which is what we actually  
11 want and what we promised we would do last year when we announced we have a pretty big  
12 cohort.” Buttressing these statements, Defendant Jensen added that in addition to end-of-life  
13 refreshes, Fortinet’s clients “have those 10 plus they’re buying for other use cases at the same time.  
14 *So the deal sizes are getting bigger. . . .*”

15 \* \* \*

16 53. In sum, throughout the Class Period, Defendants made a series of materially  
17 misleading statements and omissions concerning the purported size, progress, and impact of the  
18 2025-26 refresh cycle.

#### 19 **F. Analysts Accepted Defendants’ Statements Touting The 2025-26 Refresh**

20 54. Throughout the Class Period, analysts accepted Defendants’ representations touting  
21 the 2025-26 refresh, including by specifically echoing many of Defendants’ specific misstatements  
22 and/or upgrading their recommendations and price targets for Fortinet’s stock.

23 55. For example, on November 8, 2024, UBS analysts stated that the Company “is now  
24 speaking more explicitly about an expected product refresh cycle that they see showing up in 2025”  
25 that is “*2x*” *the size of the 2023 refresh which helped drive “2022 product billings growth of*  
26 *42%.*” The same day, Barclays analysts reported that “[o]ur FY25 billings growth stays at 12% *as*  
27 *a big base of firewall customers is up for refresh* in FY25 ahead of a FY26 EOL.” On November  
28 18, 2024, after Fortinet’s Analyst Day conference, Wedbush analysts lauded the Company’s

1 “*highly anticipated product refresh cycle*” and specifically highlighted the 650,000 units that  
2 Defendants touted during the Class Period.

3 56. Analysts also echoed Defendants’ statements throughout the Class Period that the  
4 refresh would provide the Company with a huge injection of much-needed revenue. For example,  
5 on November 19, 2024, Scotiabank Global Equity Research analysts highlighted Defendants’  
6 statements that they expected “\$400-450M of additional product revenue in the next 2 years”  
7 because of the “1/4 of appliances [that] will reach end of sale in 2026” and that it would “allow  
8 Fortinet to reaccelerate growth in 2025.” RBC analysts also praised the “record number of  
9 FortiGates reaching end of support” and emphasized the facts supplied by Defendants, including  
10 that “the number of end of life units in 2026 are 2x that of 2023 the previous peak and 10x that of  
11 the historical average.” On February 6, 2025, Cantor Fitzgerald analysts reported that “*25% of*  
12 *Fortinet’s installed base (650,000 devices) will reach end-of-support in 2026*, with customers  
13 expected to begin refreshing or upgrading these devices in 1H25, *contributing a ~4-5% boost to*  
14 *revenue*,” and that “*momentum [is] expected to build in the second half of 2025.*”

15 57. Defendants’ misleading statements and omissions also caused analysts to raise their  
16 price targets for Fortinet. For example:

- 17 (i) On November 8, 2024, Rosenblatt increased its price target for Fortinet to \$90 from  
18 \$85 due to, among other things, Fortinet’s “firewall recovery, and refresh [that is]  
19 expected to start in 2025 as 2x the number FortiGates will reach end of support life  
20 in 2026 (up from 2023).” Further, Wedbush increased its price target to \$90 from  
21 \$78; Barclays raised its price target to \$95 from \$85; and Susquehanna raised its  
22 target to \$90 from \$70.
- 23 (ii) On November 19, 2024, Rosenblatt raised its price target to \$100 from \$90,  
24 highlighting Defendants’ touting of “the firewall refresh.” Likewise, Wedbush  
25 raised its price target to \$105 from \$90; Piper Sandler raised its target to \$100 from  
26 \$80, and Evercore ISI raised its price target to \$90 from \$80.
- 27 (iii) In 2025, analysts continued to raise their price targets in response to Defendants’  
28 representations. For example, on February 6, 2025, Piper Sandler raised its price

1 target to \$135 from \$120 and Wells Fargo raised its price target to \$105 from \$85.  
2 On February 7, 2025, Rosenblatt raised its target to \$125 from \$115 and Wedbush  
3 raised its price target to \$130 from \$105. Then, on February 10, 2025, Susquehanna  
4 raised its price target to \$110 from \$90.

5 **G. Reports From Former Fortinet Employees Confirm That Defendants**  
6 **Knowingly Misled Investors About The Size, Progress, Cadence, And**  
7 **Composition Of The Refresh**

8 58. As detailed below, multiple former Fortinet employees reported that, contrary to  
9 Defendants' public statements to investors during the Class Period, the reality within the Company  
10 was that the 2025-26 refresh was recognized as not being a material event. In fact, it was just  
11 business as usual—and Defendants did not change any sales or growth quotas or implement any  
12 refresh-related marketing campaigns. Former employees also stated that they specifically noted  
13 that Defendants' public statements touting the refresh conflicted with the reality of how the refresh  
14 was regarded and treated inside the Company—namely, as a non-event. Further, these individuals  
15 reported that Fortinet's sales tracking system pre-populated customers as refresh opportunities,  
16 even if those customers had moved to a competitor. These former employee reports were provided  
17 independently by multiple individuals who had direct experience working at Fortinet in different  
18 roles, in different locations, and at different times—but their reports are strikingly consistent and,  
19 thus, mutually corroborating. *See infra* ¶¶60-71.

20 59. The former employee (or "FE") reports are further verified by Defendants' *own*  
21 *admissions* at the end of the Class Period. For example, in a series of stunning revelations,  
22 Defendants eventually admitted that they had "*over-discuss[ed]*" or overstated the refresh  
23 opportunity and revealed facts contradicting their Class Period representations. *See infra* §§ IV.I,  
24 V. In addition, Defendants engaged in a series of highly suspicious sales throughout the Class  
25 Period, liquidating more than \$160 million of their own personal Fortinet stock at prices artificially  
26 inflated by their misrepresentations and omissions. Critically, Defendants Michael and Ken Xie  
27 sold over \$60 million of stock on August 4, 2025, just *two days* prior to the truth being revealed.  
28 *See infra* § IV.H.

1           60. Former Employee #1 (FE-1)<sup>1</sup> was employed at Fortinet as a Senior Product  
2 Communications Manager from March of 2023 to March 2025. In this role, FE-1 was responsible  
3 for press releases regarding firewall product announcements and participated in internal Fortinet  
4 calls discussing the 2025-26 refresh cycle. Because of her responsibilities relating to firewall  
5 product announcements generally, FE-1 asked internally how the numbers for the refresh were  
6 calculated, if they were real, and how they would measure success as the refresh progressed. FE-  
7 1 said she asked these questions of her fellow communications professionals, people on the  
8 marketing team, and analyst relations employees, including VP level employees. According to FE-  
9 1 no one could answer any of her questions. In FE-1's opinion, anyone with gray matter between  
10 their ears was trying to stay away from the refresh cycle because it felt like a nuclear bomb to FE-  
11 1. FE-1 said she did not want to be in the blast radius.

12           61. FE-1 reported that no one really knew if anything the Company said was real or  
13 true, it was just Michael or Ken Xie wanting to make an announcement and off it went. FE-1 knew  
14 this because she was tasked with sending draft press releases to the Xie brothers. FE-1 recounted  
15 that both Ken Xie and Michael Xie would say whatever they wanted, and no one else had any  
16 power to shape the message or correct them if they were saying things that were untrue. According  
17 to FE-1, Fortinet employees could never go to the Xie brothers and say that was not a good idea—  
18 rather, when Michael or Ken Xie dictated something, then Fortinet employees had to do it even if  
19 they could not verify it. This was typical of how Ken and Michael Xie ran Fortinet. Eventually,  
20 FE-1's concerns about firewall announcements got to a point where she asked her boss not to put  
21 her name on press releases because she knew something weird was going on. FE-1 further reported  
22 that, at Fortinet, there were never any lawyers involved in the process. FE-1 said this was  
23 suspicious to her because, at her prior employer, lawyers would vet what was said in press releases  
24 or earnings announcements. FE-1 also provided an illustration of who Michael and Ken Xie were,  
25 explaining that they once fired a communications person for asking too many questions. That  
26

27 \_\_\_\_\_  
28 <sup>1</sup> Former Fortinet employees are referred to herein as "FEs" and all are referenced using feminine pronouns regardless of their actual gender in order to maintain their confidentiality.

1 person was FE-1's boss. FE-1 elaborated that Fortinet had a profound cultural issue that started at  
2 the top. FE-1 reported that the Xie brothers were even both directly involved with marketing—all  
3 the direction came from them, at least on anything of consequence. FE-1 further explained that the  
4 Xie brothers gave the marching orders for the 2025-26 refresh—and she stated that this was why  
5 the statements were so pumped up for the refresh cycle initially but then they eventually dropped  
6 off.

7 62. FE-1 also recalled Defendant Jensen's statement during Fortinet's February 2025  
8 earnings call (*see infra* ¶118) where he listed refresh initiatives, including that Defendants were  
9 purportedly “creating sales plays for each customer segment and key vertical; expanding our  
10 account plans for larger enterprises to more specifically target the upgrade and expansion  
11 opportunities; and collaborating with our channel partners on SMB opportunities, incentive  
12 programs, end user data.” FE-1 stated that most of Defendant Jensen's statement was marketing  
13 bullsh\*t and smoke and mirrors.

14 63. Former Fortinet Employee #2 (FE-2) worked in Marketing at Fortinet from  
15 February 2018 to February 2026. During the Class Period, FE-2 held the position of Director,  
16 Enterprise Field Marketing North America at Fortinet. In this position, FE-2 managed a team of  
17 people across the country that held customer events for training and executive engagement  
18 (meaning executives of clients). FE-2's team covered all client verticals for Enterprise customers  
19 both large and small, except the Federal Government.

20 64. FE-2 reported that the refresh was made into a bigger deal on Company earnings  
21 calls than it ever was internally. She recounted that inside Fortinet the refresh was basically a non-  
22 event—indeed, there were always refreshes, and the 2025-26 refresh was not any different than  
23 any other year. For example, FE-2 recalled that Company sales quotas were set the same way they  
24 always were, meaning the Company took the previous year's revenue and then added a percentage  
25 of growth. In her position, FE-2 was responsible for generating the marketing pipeline to match  
26 sales quota, and for each of the last five years sales quota growth was consistent. In other words,  
27 according to FE-2, there was no increase in sales quotas because of the refresh. Instead, it was  
28 business as usual.

1           65. As another example of how the refresh was a non-event internally, FE-2 reported  
2 that there were *no* refresh marketing activities done by Fortinet—even though there would have  
3 been otherwise, as Fortinet’s marketing initiatives were in direct alignment with what Sales is  
4 trying to do. FE-2 elaborated that, usually with campaigns, Marketing would provide account  
5 intelligence that would help Fortinet understand, for example, that the technical team for this  
6 company that is headquartered in Chicago actually resides in Charlotte, for instance, so if they  
7 were going to do an upgrade, they should host an event in Charlotte where the tech team is located.  
8 But FE-2 reported that never happened with the refresh. FE-2 said that, from her perspective as a  
9 leader of Fortinet’s U.S. marketing team, they heard that there was this big campaign announced  
10 and were specifically asking who is developing it and who is executing it. They were wondering  
11 whether there was a call to action and what Fortinet’s marketing function should be doing from a  
12 U.S. marketing perspective, if they needed to do anything differently, and whether there was even  
13 a list of customers who needed to be upgraded. But, according to FE-2, marketing did not support  
14 sales to do upgrades in the 2025-26 refresh. The refresh was announced, but it did not change the  
15 course of their work. They did not do anything from a marketing perspective. Indeed, FE-2  
16 reported that if Sales felt they needed marketing activity for some sort of list of customers, that  
17 would have ended up with FE-2 specifically—but that never happened with the 2025-26 refresh.  
18 FE-2 further emphasized that any large sales plays would have come through her group, and there  
19 were *none* for this refresh.

20           66. FE-2 explained her understanding was that Fortinet customers bought a lot of gear  
21 during COVID, and not all of it was necessarily activated. FE-2 elaborated that Fortinet was not  
22 supply constrained during COVID, which allowed customers to buy excess product and stockpile  
23 it beyond their current needs. So, from a refresh perspective, FE-2 explained that many of those  
24 devices may never have been turned on and used—they may have just sat on a shelf and were  
25 never activated. FE-2 elaborated that this non-activation problem was so pronounced that  
26 Fortinet’s marketing group had a team of people that focused on devices that were never activated  
27 and developed a campaign called Red Carpet to get those devices activated.  
28

1           67.     Former Fortinet Employee #3 (FE-3) worked as an Enterprise Account Manager at  
2 Fortinet from January 2025 to May 2025 and worked on selling hardware and services in Fortinet’s  
3 Named Enterprise sales segment that targeted businesses generating over \$500 million in revenue.  
4 FE-3 focused on the Houston, Texas metro area. FE-3 explained that the refresh opportunity was  
5 discussed internally at Fortinet, especially on the sales team, and that she had a lot of customers  
6 that had product that was going end of support or end of life. However, FE-3 reported that, even  
7 though it would have benefitted her, she did not see how the refresh was going to be a huge  
8 opportunity for Fortinet because a lot of the relevant customers would simply keep what product  
9 they had and buy more support.

10           68.     FE-3 explained that Defendants’ public statements during her tenure within the  
11 Class Period incorrectly made the refresh sound like a huge opportunity where everyone had a ton  
12 in the pipeline. However, according to FE-3, the Company would *prepopulate a bunch of*  
13 *opportunities in Salesforce*, assuming the customer would refresh—even though most of these  
14 opportunities did not pan out because there was no reason for the customer to refresh, as they were  
15 just not interested in refreshing their equipment. Indeed, according to FE-3, on weekly forecast  
16 calls, the other sales reps on her team were talking about basically *zero annual refresh*  
17 *opportunities* coming to fruition during her entire tenure. No one on FE-3’s team had a big  
18 opportunity that was built out of the refresh. These forecast calls were held every week and led by  
19 FE-3’s Regional Director.

20           69.     According to FE-3, Fortinet definitely overemphasized and overstated the  
21 opportunity from the refresh. For example, FE-3 reported that she had accounts that had already  
22 moved away from Fortinet to a competitor—and so were more or less dead—but because that  
23 customer still had Fortinet hardware, it was automatically shown as an “opportunity” in Fortinet’s  
24 internal Salesforce system. FE-3 explained that the system at Fortinet would query your accounts  
25 and install base, and would autoload and populate the opportunity, which *directly affected the*  
26 *forecast numbers in Salesforce*. This was true even if the account was not a real opportunity. FE-  
27 3 explained, for example, that one of her accounts had already made the decision not to continue  
28 with Fortinet—it had basically unplugged and ripped out all the boxes—but it still was technically

1 an active contract. Despite the ripped-out hardware and the fact that the client had gone with a  
2 competitor, the client was listed as an “opportunity” in Salesforce. According to FE-3, anything in  
3 Salesforce rolled up to sales leadership, who then used it for forecasts. The issue was not specific  
4 to FE-3, who explained that the problem she saw frequently across her sales team was that the  
5 Company was putting in unqualified opportunities for this refresh that were simply unsupported.

6 70. Former Fortinet Employee #4 (FE-4) was a Named Account Manager who worked  
7 at Fortinet from March 2020 to January 2026. FE-4 covered mid-enterprise accounts or mid-tier,  
8 meaning customers with annual revenues of \$250 million to \$1 billion in the Phoenix and Reno  
9 region. FE-4 reported that from the get-go, when the Company announced the purportedly big  
10 refresh, salespeople knew they probably would not be hitting that number, based on the price  
11 difference between the old model and the replacement model. According to FE-4, she was losing  
12 revenue when clients did refresh because the price of the new model was so much less and, with  
13 improved technology, customers could get the same throughput they had previously by getting a  
14 new, lower end model. FE-4 explained that if a customer has a 600E unit that was end of life, their  
15 best option then is the 200G or 300G or even the F models of those, which all had significantly  
16 lower prices than the 600E. Thus, FE-4 said customers did go to the lower price points. As to the  
17 size of the refresh, FE-4 reported that some of her customers were part of that 2026 refresh cohort  
18 according to Salesforce—*but a significant amount of them were ineligible for that refresh.*

19 71. Former Fortinet Employee #5 (FE-5) worked at Fortinet as a Director of Sales from  
20 March 2018 to March 2025. FE-5 was hired to build and grow the salesforce for Fortinet’s  
21 Enterprise sales segment in the north central U.S. and act as the leader of that sales team. FE-5  
22 reported being confused about the language Defendants used on earnings calls when talking about  
23 a global firewall refresh. Internally, FE-5 was not hearing that they had to go out and refresh all  
24 their customers and did not remember any big push or communication to the sales force to get out  
25 in front of refreshes. FE-5 further reported that she was close to the person who ran sales for all of  
26 North America and, therefore, involved in a lot of those calls. However, according to FE-5, that  
27 person *never talked about that refresh cycle*, which FE-5 said she heard about only during  
28 earnings calls.

1           **H. Defendants’ Suspicious Insider Sales And Stock-Based Compensation**  
 2           **Packages Further Confirm Their Scienter**

3           72. During the Class Period, Defendants Ken and Michael Xie, Jensen, and Ohlgart  
 4 took advantage of the artificially inflated price of Fortinet’s stock caused by their misstatements  
 5 and omissions by engaging in highly suspicious sales of their personal Company stock holdings.

6           73. While Defendants issued materially false and misleading statements to investors,  
 7 the Insider Trading Defendants collectively sold 1,634,095 shares of their Fortinet stock at  
 8 artificially inflated prices as high as \$114.37 per share, just 45 cents under Fortinet’s all time stock  
 9 price high of \$114.82, for illegal insider trading proceeds in excess of \$160 million.

10          74. The Insider Trading Defendants sold their shares throughout the Class Period,  
 11 reaping tens of millions of dollars of proceeds while they engaged in the fraudulent and deceptive  
 12 acts and scheme summarized in this Complaint.

13          75. Moreover, as reflected in the chart below, the Insider Trading Defendants’ sales of  
 14 Fortinet stock during the Class Period were dramatically out of line with their prior trading.  
 15 Specifically, Ken Xie sold **217 percent** more in Fortinet stock during the Class Period than in the  
 16 comparable prior period (“PP”); Michael Xie sold a staggering **1,610 percent more**; and Jensen  
 17 sold **247 percent** more.

	CP: 11.8.24 - 8.6.25		PP: 2.10.24 - 11.7.24		
Insider name	Shares Sold	Proceeds From Sales	Shares Sold	Proceeds From Sales	CP vs PP \$% Change
Ken Xie	706,130	\$70,516,227	474,198	\$32,451,161	217.30%
Michael Xie	806,926	\$79,391,833	74,134	\$4,928,774	1610.78%
Keith Jensen	119,765	\$11,511,466	73,985	\$4,655,722	247.25%
Christiane Ohlgart	1,274	\$132,713	No Reported Sales		

18  
 19  
 20  
 21  
 22  
 23          76. The Insider Trading Defendants’ stock sales also were made at suspicious times  
 24 during the Class Period. For example, CEO Ken Xie sold 158,486 shares of his Fortinet stock on  
 25 August 4, 2025—more than 22 percent of his Class Period sales. Likewise, CTO Michael Xie sold  
 26 476,596 shares of his Fortinet stock on August 4, 2025, more than 59 percent of his Class Period  
 27 sales. These two Defendants’ sales occurred only **two days** before Defendants revealed that they  
 28 had misrepresented the 2025-26 refresh throughout the Class Period and had “never” viewed the

1 refresh as a top growth driver, shocking analysts and investors, and causing a precipitous decline  
2 in the price of Fortinet common stock.

3 77. As further incentive to artificially inflate Fortinet's stock price, Defendants'  
4 compensation packages were heavily stock-based, including for example to the tune of over 90%  
5 for Defendant Ken Xie (CEO). This made Defendants highly motivated to keep Fortinet's stock  
6 price artificially high so they could maximize their incentive awards, including valuable stock  
7 options, time-based restricted stock units ("RSUs"), and performance-based restricted stock units  
8 ("PSUs"). For example, in 2024:

9 1) Ken Xie received a total of \$11.9 million in stock and option awards, which  
10 represented over 90% of the value of his total compensation of \$13.1 million and  
11 dwarfed his \$597,000 base salary.

12 2) Michael Xie received a total of \$5.8 million in stock and option awards, which  
13 represented over 89% of the value of his total compensation of \$6.5 million and  
14 dwarfed his \$445,000 base salary.

15 3) Jensen received a total of \$4.7 million in stock and option awards, which  
16 represented over 84% of the value of his total compensation of \$5.6 million and  
17 dwarfed his \$506,000 base salary.

18 78. Further, Defendants Ken Xie, Michael Xie, and Jensen's compensation packages  
19 were heavily weighted towards PSUs that depended on Fortinet's stock price performance relative  
20 to the S&P 500 ("Total Stockholder Return" or "TSR"). Specifically, as Defendants' false and  
21 misleading statements and omissions inflated Fortinet's stock price at the start of the Class Period,  
22 the key compensation metric of TSR vaulted into the 96<sup>th</sup> percentile for 2023 PSU TSR targets,  
23 resulting in a 200% multiplier to Defendants' PSU compensation. Under the 2024 PSU TSR target,  
24 Fortinet's TSR jumped to the 86<sup>th</sup> percentile, also resulting in a 200% payout. As a result,  
25 Defendants' inflated compensation payouts included thousands of PSUs worth millions of dollars  
26 they otherwise would have forfeited but for the alleged fraud.

	2023 PSU Tranche 2 Award (200% achievement)	2024 PSU Tranche 1 Award (200% achievement)	Total PSU Award	Total Value Of PSU Awards <sup>2</sup>
Ken Xie	40,064	29,168	69,232	\$7,626,916
Michael Xie	17,684	14,350	32,034	\$3,524,381
Keith Jensen	16,466	11,690	28,156	\$3,097,723

79. Thus, the Executive Defendants were heavily incentivized to temporarily deceive investors in order to inflate Fortinet’s stock price, maximize their own executive compensation packages which depended heavily on Fortinet’s outperformance relative to the S&P 500, and to then unload their own personal shares of Fortinet stock at inflated prices.

**I. The Truth Is Revealed: Defendants Admitted They “Over-Discuss[ed]” The Refresh And Revealed That They Had Misstated Its Size, Scope, And Impact**

80. On August 6, 2025, after market hours, Fortinet released its 2Q25 financial results and held an earnings conference call to discuss the results. During the call, after months of touting the refresh, Defendants admitted that Fortinet could never have achieved the business impact from the refresh that they conditioned investors to believe during the Class Period. For example:

- Defendant Ken Xie admitted that “*we probably a little bit over-discuss about this refresh upgrade [sic].*”
- Xie also stated that the FortiGates up for refresh were from a time when the Company was “probably one-fifth or one-tenth of our current size,” meaning that the total number of units eligible for upgrade was inherently limited.<sup>3</sup>

<sup>2</sup> Calculated as of February 21, 2025. Defendants received their PSU grants on or about this date according to Fortinet’s 2025 proxy.

<sup>3</sup> This statement is inconsistent with Defendants’ “650,000 units” misstatement. As Fortinet’s business was “5-10 times smaller,” it logically follows as a matter of simple mathematics that there were just 260,000 to 520,000 FortiGates across Fortinet’s entire install base at that time, rendering necessarily misleading Defendants’ claim that the 2026 refresh consisted of 650,000 units.

- 1 • Xie further stated that “*we’re not counting too much on the refresh*” and that even  
2 if all of the FortiGates eligible for refresh were upgraded, it would “*still not much*  
3 *been its impact* [sic]” because it “*is a very small percentage*” of the business.
- 4 • Xie further acknowledged that the Company’s disclosures surrounding the refresh  
5 “*could be a little bit confusing.*”
- 6 • Ohlgart revealed that: “we are approximately *40% to 50% of the way through the*  
7 *2026 upgrade cycle* at the end of the second quarter based on the remaining active  
8 units and service contracts.”
- 9 • Ohlgart also admitted that customers had been purchasing less than their previous  
10 FortiGates that were up for refresh all along.
- 11 • Ohlgart further stated that “there could be some *excess capacity from prior years*  
12 *that has been replaced or that is replacing some of the EOS models.*”

13 81. In addition, Defendant Ken Xie undermined Defendants’ own specific  
14 mathematical representations concerning the refresh’s size during the Class Period, adding that the  
15 refresh involved very old firewalls, sold at a time when Fortinet’s business was 5-10 times smaller,  
16 meaning that the total number of units eligible for upgrade was inherently limited. Xie also noted  
17 that the current refresh was not as successful as the 2023 refresh because the 2023 refresh consisted  
18 of products that were only four or five years old. Specifically, he stated:

19 Yeah. Also the -- the refresh upgrade of the product throughout next year is  
20 the product[s that are] like 12 to 15 years after we introduced the product.  
21 *It’s not a product like four, five years [old] [during the 2023 refresh]. . .*  
22 *But if you compare [Fortinet now] to like a 10, 12, 15 years ago, the*  
23 *business size probably like current size is probably 5 times, maybe even 10*  
24 *times larger. So that’s where the upgrade refresh, we do see is very*  
25 *different than the [2023 refresh]. It’s a much older product. [...]* And so  
26 like I said, even we have a large number of products, but *that’s utilized the*  
27 *business we have like 12, 15 years ago.*

28 82. These admissions contradicted and exposed as misleading Defendants’ earlier  
representations that the refresh represented 25% of all installed and pinged home firewalls across  
the Company’s current user base and that “all” customers, both Enterprise and “small,” were not  
just replacing equipment in a like-for-like manner but were instead buying *more*.

1 83. Analysts were shocked. For example, Stephens reported:

2 “Fortinet surprised the Street by disclosing that it estimated that it was **40%**  
3 **to 50% of the way through the 2026 upgrade cohort** based on the remaining  
4 active units and service contracts. . . . We believe the one word to describe  
5 the reaction to the disclosure by Fortinet is **shocking**. **We didn’t expect this,**  
6 **and we don’t think anyone else did**. We note that after hours Fortinet shares  
7 were down 3% but **when this disclosure was made declines accelerated**  
8 **with the stock down 17% after hours**. What Changed? We expect this to be  
the top question from investors. . . . In summary, **the key issue and surprise**  
is that refresh has been a material driver of product revenue growth for the  
last three to four quarters and we are 40% to 50% through the most  
significant component of the expected refresh.

9 84. Bernstein explicitly called out Defendants for falsely claiming the refresh was only  
10 20% completed in June, reporting that “[p]reviously, the company communicated being 20% into  
11 the refresh cycle after Q1, but they **acknowledged that figure was inaccurate**.” Oppenheimer  
12 likewise called out the inconsistency between Defendants’ disclosure and their prior statements,  
13 noting that “[m]anagement’s messaging for ‘not negative’ ex-refresh product growth **appears**  
14 **incongruent** with prior ~20% refresh progress value/volume and new 40-50% value/volume  
15 progress comments.”

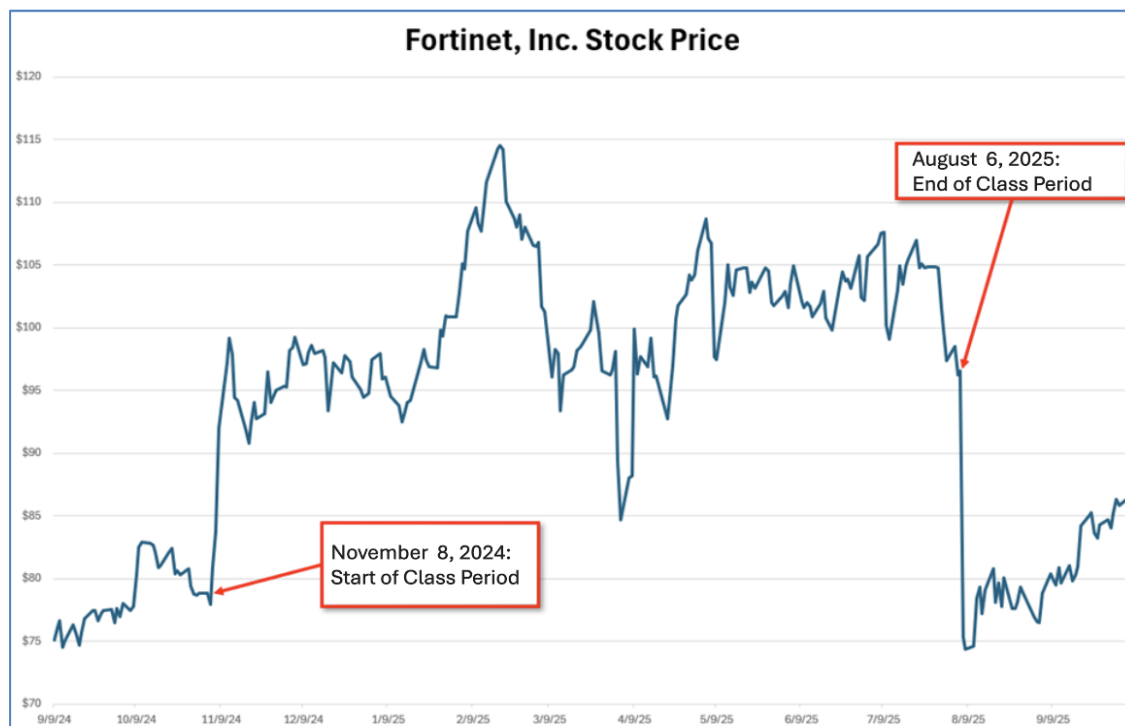
16 85. Defendants’ revelations caused analysts and investors to reassess Fortinet’s “big  
17 turnaround” and growth prospects. For instance, in a report titled “Have We Reached Peak  
18 Refresh?”, Scotiabank wrote “OUR TAKE: Negative. [...] management commentary about the  
19 2026 refresh cycle being 40-50% completed **has spooked us**. We are wondering if we are at the  
20 peak of Fortinet’s big network security comeback, especially given management’s remarks on the  
21 2027 refresh cohort being uninspiring. This is concerning.” Similarly, Wolfe reported that “with  
22 50% of what should have been a 2-year refresh cycle (through FY26) completed by 1H25 and  
23 uninspiring SASE ARR traction, **we think investors exit 2Q not only questioning the upside**  
24 **scenario but also management’s >12%” growth target**.” BTIG noted that, given Defendants’  
25 representation about the progress of the refresh, that “**excluding the refresh, product [revenue]**  
26 **would theoretically be down 6% y/y . . . . [B]ears will argue that product growth should have been**  
27 **much higher if FTNT is already 40% - 50% through the refresh. And it brings into question the**  
28

1 *duration of FTNT’s current growth rate.*” Piper Sandler reported that “this newer and challenged  
2 narrative will result in a multi-quarter, show-me situation.”

3 86. In a report published on August 7, 2025, and based on private callbacks with  
4 Defendants, Barclays reported that Defendants had also admitted that the \$400-450 million refresh  
5 revenue opportunity “*may have been over-stated . . .*”

6 87. Defendants’ abrupt and shocking reversals as to the size and progress of the refresh  
7 also caused securities analysts to sharply reduce their price targets. For example, Piper Sandler  
8 downgraded the Company from Overweight to Neutral and slashed its target from \$135 to \$90.  
9 CFRA downgraded the Company from Buy to Hold and cut its target from \$108 to \$84, citing  
10 concerns that customers may be choosing alternative security capabilities or reducing appliance  
11 needs. Scotiabank lowered its target from \$115 to \$85; Barclays from \$110 to \$90; Truist Securities  
12 from \$125 to \$95; Baird from \$110 to \$90; J.P. Morgan from \$105 to \$87. Bernstein cut its target  
13 from \$94 to \$79, and Susquehanna from \$110 to \$80.

14 88. As a result of this news, Fortinet’s common stock price collapsed by more than  
15 22%, from a closing price of \$96.58 per share on August 6, 2025 to close at \$75.30 per share on  
16 August 7, 2025, on unusually high trading volume as tens of millions of Fortinet shares changed  
17 hands as investors ran for cover.



1 **V. DEFENDANTS' POST-CLASS PERIOD ADMISSIONS AND POST CLASS**  
2 **PERIOD EVENTS**

3 89. Even after the Class Period, Defendants continued to confirm that their Class Period  
4 statements were materially false and misleading and/or omitted material information necessary to  
5 make them not misleading. For instance, in a fireside chat and apology tour on August 25, 2025,  
6 Defendant Ken Xie was asked “is it possible that parts of the firewall refresh cycle are being driven  
7 by customers realizing that they had too many boxes, essentially customers realizing that they  
8 actually need fewer firewalls and the end-of-support process highlighted that fact?” Xie responded:  
9 “So, if you look kind of firewall function alone, *that[] may be the case.*” Xie’s response was  
10 inconsistent with his Class Period representation that “we do see the -- customer so far we work  
11 with always kind of come back with much bigger planned infrastructure to upgrade than the  
12 previous, just replacing the old box.” During the same conference, Defendant Ken Xie also  
13 admitted that the 2026 refresh cohort had been *artificially* manufactured by Defendants’ decision  
14 during COVID to prematurely declare end of service for many sold out devices: “suddenly because  
15 no inventory anymore, we say, okay, let’s just announce end-of-service.”

16 90. On September 11, 2025, at the Goldman Sachs “Communacopia + Technology  
17 Conference,” an analyst asked whether Defendants had “[a]ny updated thoughts . . . on how that  
18 end-of-support cycle is tracking and whether it is moving the business as meaningfully as you  
19 would have liked?” In response, Defendant Ken Xie stated, “that refresh or end of service, *[is]*  
20 *never a top growth driver*” and that Defendants themselves “*never consider [the refresh] as kind*  
21 *of the top growth driver.*” Confirming this understanding, Defendant Ken Xie listed the  
22 Company’s top growth drivers and explicitly noted that “I did not mention *anything* come from  
23 . . . end of service.”

24 91. Even months later, analysts continued to press Defendants with questions about the  
25 2025-26 refresh and future refreshes to try to understand why Defendants had contradicted  
26 themselves. For example, on November 5, 2025, during the Company’s 3Q25 earnings call, an  
27 analyst asked Defendants to “just one more time just clarify for us why the 2026 end-of-service  
28 cohort was not a contributor for this quarter.” Defendants Xie and Ohlgart evaded the question,

1 instead vaguely expressing their “confiden[ce] with our growth of product over the next few years,  
2 the upgrade activity, as Ken said, is a portion of our growth drivers, but *it has different reasons.*”

3 92. In another telling move, Defendants publicly took the position that they would no  
4 longer publicly discuss the 2025-26 refresh, conceding that it was not much of a growth driver.  
5 Specifically, Defendant Ken Xie, in response to yet another question about the refresh, admitted  
6 that “*I don’t think it’s the end of a service, it’s much of a growth driver there.* And, that’s also we  
7 probably will stop tracking that.” Reporting on the announcement, Mizuho relayed that Fortinet  
8 “disappointingly indicated today that it will likely no longer explicitly discuss the End of Support  
9 (EOS) opportunity, *as it is not serving as much of a growth driver.*” despite management having  
10 “spent much time discussing—and importantly quantifying” this opportunity at the November  
11 2024 Analyst Day.

12 93. Securities analysts continued to raise concerns about the confusion generated by  
13 Defendants’ about-face on the 2025-26 refresh and the impact on Defendants’ credibility. For  
14 example, in a January 2, 2026 report, Guggenheim Securities highlighted the “*ongoing confusion*”  
15 and “*unclear communication*” around [Fortinet’s] growth opportunities, further explaining that  
16 Defendants had “placed a *significant emphasis on [the refresh]*, calling out an incremental \$400-  
17 450M benefit to Product revenue,” which was irreconcilable with their post-Class Period  
18 statements “that *the 2026 end-of-life cohort was not a material driver of growth* in the quarter.”  
19 As a result, William Blair reported on February 2, 2026, that Defendants were now in “a show-me  
20 situation” as they “*work[] to rebuild credibility with investors.*” Needham & Co. similarly  
21 remarked on March 24, 2026, more than 7 months after the Class Period, that Defendants were  
22 *still* working to “*re-establish[] credibility.*”

## 23 **VI. DEFENDANTS’ MATERIALLY FALSE AND MISLEADING STATEMENTS AND** 24 **OMISSIONS DURING THE CLASS PERIOD**

25 94. As detailed below, Defendants made false and misleading statements and omissions  
26 during the Class Period. For purposes of compliance with the Court’s scheduling order (ECF No.  
27 66) expressing preference for brevity in pleading misstatements and omissions and to avoid block  
28

1 quotes, the specific misleading portions of the misstatements and omissions at issue are set forth  
2 below.

3 **A. Defendants’ Materially False And Misleading Statements And Omissions**  
4 **Concerning The Size, Pace, And Progress Of Fortinet’s 2025-26 Refresh**

5 95. During the Class Period, Defendants repeatedly told investors that they could  
6 expect between \$400 and \$450 million in additional revenue from the refresh cycle over the course  
7 of 2025 and 2026, a 4% boost to the Company’s total revenues.

8 96. On November 18, 2024, during Fortinet’s Analyst Day conference, Defendant  
9 Ohlgart stated that “[t]he yield [of the 2025-26 refresh] is probably around net to Fortinet over the  
10 next two years, around **\$400 million to \$450 million in product revenue,**” and that “over two years  
11 [it] is definitely helping product revenue,” with “[t]otal revenue . . . probably **up 4% or some odd**  
12 **percent.**”

13 97. On November 19, 2024, during the Needham Virtual Infrastructure, Data Analytics  
14 Software & Cloud Communications Conference, Defendants confirmed the \$400-450 million  
15 revenue figure. That day, analyst Matt Dezort questioned Defendants about the \$400-\$450 million  
16 revenue figure, asking, “yesterday you talked about, I think **\$400 million to \$450 million of net**  
17 **new product revenue opportunity over the next couple of years** coming from that end-of-life  
18 support cohort. I guess, how should investors be thinking about that number and the conservatism  
19 embedded in that versus past refreshes?” In response, Defendant Ohlgart stated, “[s]o, I think **that**  
20 **what is embedded in this number** is a certain refresh assumption, right, an average price. And  
21 then, we have recommended replacement models, and I use the pricing and the average discounting  
22 for these replacement models to come up with this number . . . [T]hat’s the product side of it.”

23 98. On December 11, 2024, during the Barclays Global Technology Conference,  
24 Defendant Jensen reiterated the “**number of \$400 million to \$450 million for the 2026 cohort.**”

25 99. The statements set forth above in ¶¶96-98 were untrue statements of material fact  
26 and/or omitted to state material facts necessary in order to make the statements made, in light of  
27 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
28 reallege each and every allegation contained above as if fully set forth herein. Defendants’

1 statements about the revenue that they could generate from the 2026 refresh cohort were materially  
2 false and misleading statements and omissions because, in reality, Defendants knew all along that  
3 the refresh would not provide anywhere near the \$400 to \$450 million in revenue that they touted  
4 to investors. As set forth herein, former employees reported it was well known throughout the  
5 Company that there were no meaningful refresh sale opportunities and that many customers whose  
6 units were identified as being up for refresh were either illusory opportunities, not purchasing new  
7 firewalls, or were spending less by downgrading their FortiGate units. Further, Defendant Ken Xie  
8 later admitted that “[e]ven [if] all this product” available for the refresh upgraded “*within like*  
9 *one or two years [it would] still not [provide] much business impact.*” Further and in any event,  
10 these statements were materially misleading half-truths that omitted critical qualifying  
11 information.

12 100. During the Class Period, Defendants repeatedly touted to investors that the 2025-  
13 26 refresh cohort consisted of 650,000 or more FortiGate units.

- 14 1) On November 18, 2024, at Fortinet’s Analyst Day conference, Defendants  
15 published a presentation containing a slide (the slide is reproduced in full *supra* at  
16 ¶41) indicating that the refresh would consist of over **650,000 “retiring FortiGate**  
17 **Units”** or **“1/4 of install base.”**
- 18 2) Also on November 18, 2024, Defendant Jensen stated, “[y]ou can take the units that  
19 are up there [on the slide], **call it 650,000 units.**”
- 20 3) On December 11, 2024, during the Barclays Global Technology Conference,  
21 Defendant Jensen stated that the 2026 refresh cohort is **“650,000 units.”**
- 22 4) On March 4, 2025, during the Morgan Stanley Technology, Media & Telecom  
23 Conference, Defendant Jensen stated that the 2026 refresh cohort is **“650,000**  
24 **units.”**

25 101. The statements set forth above in ¶100 were untrue statements of material fact  
26 and/or omitted to state material facts necessary in order to make the statements made, in light of  
27 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
28 reallege each and every allegation contained above as if fully set forth herein. Defendants’

1 statements that the 2025-26 refresh cohort consisted of 650,000 units or more were false and  
2 misleading. As reported by former employees, in reality, Fortinet’s sales data systems quantifying  
3 the refresh were auto populated with, and consisted of, sham refresh opportunities and many  
4 customers whose units were identified as being up for refresh were either not purchasing new  
5 firewalls or were spending less by downgrading their FortiGate units. As a result, Defendants knew  
6 that they would not be able to upgrade anywhere near “650,000 units.” Indeed, Defendant Ken Xie  
7 admitted that the FortiGates up for refresh were from a time when the Company was “probably  
8 one-fifth or one-tenth of our current size,” which is inconsistent with Defendants’ 650,000 claim,  
9 and that “[e]ven [if] all this product” available for the refresh upgraded “*within like one or two*  
10 *years [it would] still not [provide] much business impact.*” Further and in any event, these  
11 statements were materially misleading half-truths that omitted critical qualifying information.

12 102. On November 18, 2024, during Fortinet’s Analyst Day conference, Defendant  
13 Ohlgart emphasized the purportedly massive size of the refresh, stating “to put it into perspective[,]”  
14 *[t]he 2026 cohort is about a fourth of all the registered devices, FortiGate devices that we*  
15 *currently have,*” and that it is “such a steep increase” because “it’s 11 models and these were high  
16 volume models.”

17 103. The statements set forth above in ¶102 were untrue statements of material fact  
18 and/or omitted to state material facts necessary in order to make the statements made, in light of  
19 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
20 reallege each and every allegation contained above as if fully set forth herein. Defendants’  
21 statements that the 2025-26 refresh cohort consisted of “about a fourth of all registered devices”  
22 were false and misleading. As reported by former employees, in reality, Fortinet’s sales data  
23 systems quantifying the refresh were auto populated with, and consisted of, sham refresh  
24 opportunities and many customers whose units were identified as being up for refresh were either  
25 not purchasing new firewalls or were spending less by downgrading their FortiGate units. As a  
26 result, Defendants knew that they would not be able to upgrade anywhere near one fourth of the  
27 registered units. Indeed, Defendant Ken Xie admitted that the FortiGates up for refresh were from  
28 a time when the Company was “probably one-fifth or one-tenth of our current size,” which is

1 inconsistent with Defendants' claim that the refresh opportunity consisted of 650,000 FortiGates  
2 and that "[e]ven [if] all this product" available for the refresh upgraded "***within like one or two***  
3 ***years [it would] still not [provide] much business impact.***" Further and in any event, these  
4 statements were materially misleading half-truths that omitted critical qualifying information.

5 104. On or about June 17, 2025, as relayed by a Rosenblatt Securities analyst and  
6 attributed to Defendant Ovadia, "[t]he firewall refresh cycle is proceeding on track with  
7 expectations, ***valued at approximately \$450M (650K units)***" and that "[t]o date" only "***20% of the***  
8 ***hardware***" had "***already been refreshed.***"

9 105. The statements set forth above in ¶104 were untrue statements of material fact  
10 and/or omitted to state material facts necessary in order to make the statements made, in light of  
11 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
12 reallege each and every allegation contained above as if fully set forth herein, Defendants'  
13 statements about the number of units involved in the 2025-26 refresh and the percentage progress  
14 of the refresh were materially false and misleading statements and omissions because Defendants  
15 knew all along that (i) the refresh would not provide anywhere near the \$400 to \$450 million in  
16 new revenue that they touted to investors, (ii) customers were either consolidating and  
17 downgrading their firewall units or not purchasing new units at all, and (iii) Defendants knew they  
18 were already much further through the refresh cycle than 20%. As set forth herein, former  
19 employees reported that within Fortinet it was known all along that there were no meaningful  
20 refresh sale opportunities and because customers were either not purchasing new firewalls or were  
21 spending less by downgrading their FortiGate units. Indeed, Defendant Ken Xie admitted that  
22 "[e]ven [if] all this product" available for the refresh upgraded "***within like one or two years [it***  
23 ***would] still not [provide] much business impact.***" And shortly after these statements were made,  
24 Defendant Ohlgart admitted that in truth the Company was already 40-50% through the refresh.  
25 Further and in any event, these statements were materially misleading half-truths that omitted  
26 critical qualifying information.

27 106. On March 4, 2024, at a Morgan Stanley conference, Defendant Jensen continued to  
28 tout the purported size of the 2025-2026 refresh cohort to investors. In response to a question about

1 the magnitude of the refresh, Defendant Jensen stated that “[w]e have an unusually large volume  
2 of units that are going end of support in 2026[,] [i]t’s roughly 10 times more than our average  
3 in the prior 10 years.”

4 107. The statements set forth above in ¶106 were untrue statements of material fact  
5 and/or omitted to state material facts necessary in order to make the statements made, in light of  
6 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
7 reallege each and every allegation contained above as if fully set forth herein. Jensen’s statement  
8 that the 2025-26 refresh was an “unusually large volume of units that are going end of support in  
9 2026 [and] [i]t’s roughly 10 times more than our average in the prior 10 years” was false and  
10 misleading. As reported by former employees, in reality, Fortinet’s sales data systems quantifying  
11 the refresh were auto populated with, and consisted of, sham refresh opportunities and customers  
12 were either not purchasing new firewalls or were spending less by downgrading their FortiGate  
13 units. As a result, Defendants knew that the refresh would not involve 10 times more units than  
14 the prior 10 year average. Indeed, Defendant Ken Xie admitted that the FortiGates up for refresh  
15 were from a time when the Company was “probably one-fifth or one-tenth of our current size,”  
16 which is inconsistent with Defendants’ claim that the refresh opportunity consisted of 650,000  
17 FortiGates and that “[e]ven [if] all this product” available for the refresh upgraded “*within like*  
18 *one or two years [it would] still not [provide] much business impact.*” Further and in any event,  
19 these statements were materially misleading half-truths that omitted critical qualifying  
20 information.

21 108. On November 7, 2024, during Fortinet’s 3Q 2024 earnings call, Defendant Jensen  
22 repeatedly emphasized the purportedly massive size of the refresh stating:

- 23 1) “the absolute number that we see in 2026 is *by far the largest we’ve seen probably*  
24 *ever, but certainly in the last five or six years.* It is -- each year is dominated by the  
25 entry-level firewalls. However, in 2026, we do see a significant portion of that  
26 actually being in the mid-range firewalls as well, and that is *a very unusual and*  
27 *positive situation.*”

1           2) “in 2026, *a record number of FortiGates* will reach the end of their support life  
2           cycle, and *we expect these customers to start to refresh cycle for these products*  
3           *sometime in 2025.*”

4           3) “*the magnitude in 2026 is much, much larger*” than 2023.

5           4) “I would say the second – *2023 was – 2022 was the second best – second highest*  
6           *I looked at. 2026 is a little bit more than 2 times 2023.*”

7           109. On February 21, 2025, Fortinet filed its Annual Report for 2024 on Form 10-K with  
8           the SEC, which was signed by Defendants Ken Xie, Jensen, and Ohlgart. Defendants’ 10-K stated,  
9           “As organizations continue to modernize their cybersecurity infrastructure, we anticipate *a*  
10           *significant firewall refresh and upgrade cycle* in the coming years.”

11           110. The statements set forth above in ¶¶108-09 were untrue statements of material fact  
12           and/or omitted to state material facts necessary in order to make the statements made, in light of  
13           the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
14           reallege each and every allegation contained above as if fully set forth herein, Defendants’  
15           statements about the “record” size of the refresh that “is by far the largest we’ve seen” and “is a  
16           huge opportunity” were false and misleading because, in reality, Defendants knew all along that  
17           the old devices up for refresh made up only a negligible part of the Company’s business and that  
18           customers were not purchasing replacement firewalls at a rate that would allow Defendants to  
19           capitalize on the refresh. As a result, Defendants knew that they would not be able to upgrade  
20           anywhere near 650,000 FortiGate units and that “the 2026 refresh cohort” was not “about a fourth  
21           of all registered devices.” As set forth herein, former employees reported that there were no  
22           meaningful refresh sale opportunities and that customers were either not purchasing new firewalls  
23           or were spending less by downgrading their FortiGate units. Indeed, Defendant Ken Xie admitted  
24           that the FortiGates up for refresh were from a time when the Company was “probably one-fifth or  
25           one-tenth of our current size,” which is inconsistent with Defendants’ claim that the refresh  
26           opportunity consisted of 650,000 FortiGates and that “[e]ven [if] all this product” available for  
27           the refresh upgraded “*within like one or two years [it would] still not [provide] much business*  
28

1 **impact.**” Further and in any event, these statements were materially misleading half-truths that  
2 omitted critical qualifying information.

3 111. On February 6, 2025, during Fortinet’s fourth quarter (4Q) 2024 earnings call,  
4 Defendant Jensen cited the purchasing activity that Defendants were **already** seeing to assure  
5 investors that the refresh cycle was set to continue into the second half of 2025 and through 2026.  
6 Specifically, Jensen stated, “[i]n the fourth quarter [of 2024], **we saw an early upgrade movement**  
7 **with large enterprises, both on buying plans and actual purchases[,] [w]e expect the momentum**  
8 **to build as we move into the second half of 2025 as we get closer to the 2026 [end of] service**  
9 **dates.**”

10 112. On May 7, 2025, during Fortinet’s first quarter (1Q) 2025 earnings call, Defendants  
11 represented to investors that the benefits from the 2025-2026 refresh were still ahead.

12 1) Defendant Ohlgart stated, “[r]egarding the **record firewall upgrade** cycle that  
13 we’ve spoken about previously, we continue to expect the firewall upgrade to **gain**  
14 **momentum in both purchasing and planning activities in the second half of**  
15 **2025.**”

16 2) Defendant Xie echoed these statements adding that “**most of the customers**  
17 **probably still one year’s away. So they still have some time to evaluate.**”

18 113. The statements set forth above in ¶¶111-12 were untrue statements of material fact  
19 and/or omitted to state material facts necessary in order to make the statements made, in light of  
20 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
21 reallege each and every allegation contained above as if fully set forth herein, Defendants’  
22 statements about the timing and cadence on which the 2025-26 refresh would be completed were  
23 materially false and misleading because, in reality, Defendants knew or recklessly disregarded that  
24 the refresh was moving ahead of schedule and would not provide the benefits over a two-year  
25 period that Defendants touted. On the last day of the Class Period, shortly after telling investors  
26 that the majority of the refresh was still ahead, Defendants stunned investors with the news that it  
27 was already 40-50% complete. Further and in any event, these statements were materially  
28 misleading half-truths that omitted critical qualifying information.

1           **B. Defendants’ Materially False And Misleading Statements And Omissions**  
2           **Concerning The Factual Basis For Their Statements Touting The Refresh**

3           114. Throughout the Class Period Defendants repeatedly told investors that their ability  
4 to quantify the refresh opportunity and track its progress was based on their access to and tracking  
5 of near real-time data.

6           115. Defendant Jensen stated that Defendants’ quantification of the size and value of the  
7 2025-26 refresh was based on the number of FortiGate units that Defendants saw were “*pinging*  
8 *home*,” which was purportedly “*a pretty good indicator that there’s life out there*,” or was  
9 “haircut” or discounted for “things that *aren’t pinging home*.” Defendant Jensen made these  
10 statements, or substantially the same statements, on each of (i) November 19, 2024, during the  
11 Needham Virtual Infrastructure, Data Analytics Software & Cloud Communications Conference,  
12 and (ii) on December 11, 2024, during the Barclays Global Technology Conference.

13           116. On November 19, 2024, during the Needham Virtual Infrastructure, Data Analytics  
14 Software & Cloud Communications Conference, Defendant Ohlgart stated that Defendants’  
15 quantification of the size and value of the 2025-26 refresh excluded “*regular churn and not active*  
16 *devices and what has refreshed already around it*.”

17           117. The statements set forth above in ¶¶115-16 were untrue statements of material fact  
18 and/or omitted to state material facts necessary in order to make the statements made, in light of  
19 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
20 reallege each and every allegation contained above as if fully set forth herein, Defendants’  
21 statements about their ability to track the size and progress of the refresh through live data were  
22 materially false and misleading because Defendants knew or recklessly disregarded that their data  
23 was *not* “a pretty good indicator” of FortiGate “life,” and that their data quantifying the refresh  
24 opportunities was inaccurate and that they did not have meaningful insight into the devices that  
25 were eligible for refresh at any point during the Class Period. As set forth herein, former employees  
26 reported that the Company’s Salesforce system was filled with refresh opportunities that did not  
27 exist, including in cases where customers had already disconnected their firewalls or switched to  
28 another provider. Indeed, at the end of the Class Period Ohlgart admitted that while Defendants

1 have a handle on the units that enterprise customers possess, “where it’s harder for us to predict[.],  
2 [a]nd [where] we can only track registration rates and similar [sic] is in the lower end.” Further  
3 and in any event, these statements were materially misleading half-truths that omitted critical  
4 qualifying information.

5 **C. Defendants’ Materially False And Misleading Statements And Omissions**  
6 **Concerning Defendants’ Marketing Initiatives Related To The Refresh**

7 118. On Fortinet’s February 6, 2025 earnings call, during his prepared remarks,  
8 Defendant Jensen stated that:

9 The 2026 and 2027 cohorts present a substantial upsell opportunity for SASE,  
10 switches, access points and SecOps solutions. To maximize our upgrade and cross-  
11 sell potential, we’re implementing several initiatives, including *creating sales plays*  
12 *for each customer segment and key vertical, expanding our account plans for*  
13 *larger enterprises* to more specifically target the upgrade and expansion  
14 opportunities and *collaborating with our channel partners on SMB opportunities,*  
15 *incentive programs, end user data* and developing targeted bundle offerings for  
16 these customers.

17 119. The statements set forth above in ¶118 were untrue statements of material fact  
18 and/or omitted to state material facts necessary in order to make the statements made, in light of  
19 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
20 reallege each and every allegation contained above as if fully set forth herein. In truth, as reported  
21 by former Fortinet employees, Defendants were not creating sales plays to more specifically target  
22 upgrade and expansion opportunities off of the refresh, in reality the refresh was a non-event and  
23 business as usual.

24 **D. Defendants’ Materially False And Misleading Statements And Omissions**  
25 **Concerning Expansion Of Sales In The Refresh**

26 120. Throughout the Class Period, Defendants touted to investors that, in connection  
27 with the refresh, customers were upgrading their devices, expanding sales, and buying more.

28 121. On May 7, 2025, during Fortinet’s first quarter (1Q) earnings call:

- 1) Defendant Xie stated that “now” as opposed to “10 years ago when they bought the box,” customers “*so far ... always kind of come back with much bigger planned infrastructure to upgrade than the previous just replacing the old box.*”
- 2) In response to a question about whether customers would buy “the same or fewer [firewalls] than what they had previously,” Defendant Ohlgart stated, “we are seeing so far the customers that have [end of service] devices, *the smaller customers are buying more . . .* In the MSE, in the smaller customer cohort, what we see is that they are *buying more than what they had previously.*”
- 3) Defendant Jensen confirmed that customers were “*buying for other use cases at the same time[,] [s]o the deal sizes are getting bigger.*”

122. On June 3, 2025, during the Bank of America Global Tech Conference, in response to a question from an analyst, Defendant Ohlgart stated:

[W]hen we analyzed the customers that had end of support devices and who purchased in Q1, *they all had purchased more than their end of support devices*, right. So, *we are able to expand and sell more devices, more services, which is what we actually want and what we promised we would do last year when we announced we have a pretty big cohort.*

123. The statements set forth above in ¶¶121-22 were untrue statements of material fact and/or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and reallege each and every allegation contained above as if fully set forth herein, Defendants’ statements that customers were actually buying more than their devices that were eligible for refresh were materially false and misleading because, in reality, Defendants knew or recklessly disregarded that customers were consolidating and downgrading their firewalls, thus buying less, or choosing not to purchase new FortiGate firewalls at all. As set forth herein, former employees reported that the sales opportunities that were prepopulated in Salesforce were not real opportunities and that customers were overwhelmingly choosing to downgrade their firewalls or simply keep the old firewalls they had instead of refreshing. Indeed, Defendant Ohlgart admitted on the last day of the Class Period that customers were buying less and that it could have been due

1 to “excess capacity from prior years.” Further and in any event, these statements were materially  
2 misleading half-truths that omitted critical qualifying information.

3 **E. Defendants’ Materially False And Misleading Statements And Omissions**  
4 **Concerning The Risks Involved In The Refresh**

5 124. During the Class Period Defendants made false and misleading statements and  
6 omissions regarding the risks involved in the refresh, which were presented as merely hypothetical  
7 risks when those exact risks had already materialized.

8 125. On February 21, 2025, Defendants filed a form 10-K with the SEC, which  
9 Defendants Ken Xie, Jensen, and Ohlgart all signed and that Ken Xie and Jensen certified. The  
10 Form 10-K contained a list of “Risks Related to Our Business and Financial Position,” which  
11 stated:

12 ***Our operating results are likely to vary significantly and be unpredictable.***

13 Our operating results have historically varied from period to period, and we  
14 expect that they will continue to do so as a result of a number of factors,  
15 many of which are outside of our control or may be difficult to predict,  
including:

16 [...]

- 17 • the purchasing practices and budgeting cycles of our channel partners  
18 and end-customers, including the effect of the end of product lifecycles,  
19 refresh cycles or price decreases.

20 126. The Form 10-K also stated:

21 ***We face intense competition in our market and we may not maintain or***  
22 ***improve our competitive position.***

23 ***As our customers refresh the security products bought in prior years, they***  
24 ***may*** seek to consolidate vendors, which ***may*** result in current customers  
25 choosing to purchase products from our competitors on an ongoing basis.  
26 Due to budget constraints or economic downturns, organizations ***may*** be  
27 more willing to incrementally add solutions to their existing network  
28 security infrastructure from competitors than to replace it with our  
solutions. These competitive pressures in our market or our failure to  
compete effectively ***may result in*** price reductions, fewer customer orders,  
reduced revenue and gross margins and loss of market share.

1           127. The statements set forth above in ¶¶125-26 were untrue statements of material fact  
2 and/or omitted to state material facts necessary in order to make the statements made, in light of  
3 the circumstances under which they were made, not misleading. Plaintiffs repeat, incorporate, and  
4 reallege each and every allegation contained above as if fully set forth herein. These statements  
5 were materially misleading because they presented the identified risks as merely hypothetical risks  
6 when those exact risks had already materialized. Indeed, as set forth above, Defendants knew that  
7 their sales of upgraded FortiGate units in connection with the 2026 product refresh cycle were  
8 already underperforming and showed no signs of improving and that customers were either  
9 downgrading or consolidating their firewalls or choosing not to refresh their firewalls at all and,  
10 therefore, that Defendants could not capitalize on the refresh cycle. Further and in any event, these  
11 statements were materially misleading half-truths that omitted critical qualifying information.

12           **F. Defendants’ Materially False And Misleading Statements And Omissions**  
13           **That The Refresh Was Large And Occurring Naturally**

14           128. On December 11, 2024, Defendants Jensen and Michael Xie participated in a  
15 Barclays Global Technology Conference. During the call, Barclays Capital Inc. analyst Saket Kalia  
16 asked Michael Xie, “as [a] founder of the business, I mean, you’ve seen so many refresh cycles.  
17 What’s different about this refresh cycle just from your perspective?” In response, Michael Xie  
18 stated, “a refresh happens as *naturally* it needs to occur. And then -- but at some point, it happens  
19 in the *bulk* [more] than some other times.”

20           129. The statements set forth above in ¶128 were untrue statements of material fact  
21 and/or omitted to state material facts necessary in order to make the statements made, in light of  
22 the circumstances under which they were made, not misleading. As detailed above, and Lead  
23 Plaintiff repeats, incorporates, and realleges each and every allegation contained above as if fully  
24 set forth herein, Defendants Michael Xie’s statements that the refresh was happening “naturally”  
25 and that it was simply happening more “in bulk” than other times were materially false and  
26 misleading and omitted material facts. In reality, Defendants knew or recklessly disregarded that  
27 (i) the 2025-2026 refresh cohort was not a natural clustering of end-of-life events, and (ii) the  
28 refresh was not larger than other past refreshes because customers were not responding by

1 refreshing their hardware but instead were choosing not to refresh at all and to just keep the  
2 hardware they had, or they were consolidating and downgrading their firewalls, thus buying less.  
3 As set forth herein, former employees reported that there were no real refresh opportunities and  
4 that customers were overwhelmingly choosing to keep the old firewalls they had instead of  
5 refreshing. Further, Defendant Ken Xie admitted after the Class Period that the 2026 end of service  
6 cohort was not organic but was artificially manufactured by Defendants because “suddenly,” since  
7 there was “no inventory anymore,” Defendants “just announce[d] [the firewalls] end of service.”

## 8 **VII. ADDITIONAL ALLEGATIONS OF SCIENTER**

9 130. Defendants each acted with scienter in that they knew that their public statements  
10 set forth above were materially false and misleading when made and omitted material facts  
11 necessary to make the statements not misleading. The facts set forth herein, considered  
12 collectively, demonstrate a strong inference that Defendants each knew facts making the  
13 statements they made materially false and misleading. In conjunction with and in addition to the  
14 facts set forth above, which Plaintiffs repeat, incorporate, and reallege as if fully set forth herein,  
15 Defendants’ knowledge or scienter is further evidenced by the facts summarized below.

16 131. *First*, Defendants’ knowledge or scienter is confirmed by the fact that they told  
17 investors that they were personally tracking and quantifying the progress of the refresh throughout  
18 the Class Period. For example, Defendants Jensen and Ohlgart confirmed that they calculated the  
19 figures quantifying the size and value of the refresh, including the \$400-\$450 million revenue  
20 figure, by analyzing the number of FortiGate units that were “pinging home.” Ohlgart further  
21 confirmed that she personally calculated the numbers that Defendants were touting to investors  
22 based on information that excluded “regular churn and not active devices and what has refreshed  
23 already around it” from the calculus. Defendants further indicated that their calculations were  
24 conservative or low-end figures.

25 132. Defendants also regularly touted their access to data regarding the specific  
26 composition of the refresh opportunity. For example, at the November 18, 2024 Analyst Day,  
27 Defendant Ohlgart confirmed that Defendants were closely monitoring the composition of the  
28 refresh, stating “the 2026 cohort is about a fourth of all the registered devices . . . that we currently

1 have,” and specifically that “it’s such a large number, it’s mainly 65% to 70% is the low-end  
2 firewalls. We do have some large firewalls, the 1500D, that’s also coming end of support, but it’s  
3 dwarfed in the numbers here.” Ohlgart further highlighted that “because it’s mostly smaller units  
4 . . . [it’s] probably around net to Fortinet over the next two years, around \$400 million to \$450  
5 million in product revenue, if with normal churn and average price.”

6 133. In addition, Defendants also highlighted their specific analysis of the customers  
7 involved in the refresh. For example, on the June 3, 2025 Bank of America Global Tech  
8 Conference, Ohlgart stated that “*we analyzed the customers that had end of support devices and*  
9 *who purchased in Q1, they all had purchased more than their end of support devices.*” And on  
10 the March 4, 2025 Morgan Stanley Technology, Media & Telecom Conference, Ken Xie assured  
11 investors that “*we do see* the customer[s] so far we work with *always* kind of come back with much  
12 bigger planned infrastructure to upgrade than the previous just replacing the old box.”

13 134. Defendants also claimed that they had open lines of communication with their  
14 customers and channel partners regarding the progress of the refresh. For example, during  
15 Fortinet’s Q2 2025 earnings call, Defendant Ohlgart stated “[*o*]ur *focus and open communication*  
16 *regarding the refresh* allow us and our channel partners to have conversations with our customers  
17 around both the upgrade and the customer’s overall security strategy.”

18 135. *Second*, Defendants’ admissions at the end of—and after—the Class Period have  
19 direct bearing on and reveal their knowledge and scienter *during* the Class Period, including  
20 because Defendants said they were “not counting on the refresh” and “*never* consider[ed] [the  
21 refresh] as kind of the top growth driver.” For example, on August 6, 2025, the last day of the Class  
22 Period, Defendant Xie (CEO, Chair, and co-Founder) stated “we’re not too much counting on the  
23 refresh” and that [*e*]ven [*if*] all [*of the FortiGates*]” available for the refresh upgraded “*within like*  
24 *one or two years [it would] still not [provide] much business impact*” because it “is a very small  
25 percentage” of the business. Further, on September 11, 2025, Defendant Ken Xie admitted *inter*  
26 *alia* that Defendants themselves “*never consider[ed] [the refresh] as kind of the top growth*  
27 *driver.*”  
28

1           136. *Third*, the inference of scienter is further bolstered by the temporal proximity of  
2 Defendants’ false and misleading statements and omissions with the revelation of the truth at the  
3 end of the Class Period. For example, in mid-June 2025, Defendants told analysts that the  
4 Company was only 20% through the refresh. Only a few weeks later, Defendants shocked the  
5 market when they revealed that, in truth, *as of June 2025*, Fortinet was *already 40-50% through*  
6 *the refresh cycle*.

7           137. *Fourth*, Defendants’ suspicious insider stock sales during the Class Period further  
8 contribute to the strong inference of scienter. While Defendants were issuing materially false and  
9 misleading statements and omissions to investors—but before the truth was revealed to investors:

- 10           1) Defendant Ken Xie sold 706,130 shares of his Fortinet common stock at an average  
11           price of \$99.63, which allowed him to pocket *over \$70.5 million* worth of illegal  
12           insider trading proceeds. Further, on August 4, 2025, alone—just *two days* before  
13           Defendant Ken Xie himself admitted that they had “*over-discuss[ed]*” the refresh  
14           and that it would “not [provide] much business impact”—Ken Xie sold 158,486  
15           shares for over *\$15.5 million*.
- 16           2) Defendant Michael Xie sold *806,926 shares* of his Fortinet common stock at an  
17           average price of \$99.75, which generated for him illegal insider trading proceeds  
18           of *over \$79 million*. Michael Xie sold 476,596 of his shares for nearly \$47 million  
19           on August 4, 2025—only two days before Defendants told investors the refresh was  
20           never going to provide much business impact and Fortinet’s stock value declined  
21           precipitously.
- 22           3) Defendant Jensen sold *119,765 shares* of his Fortinet common stock at an average  
23           price of \$99.68, which generated for him illegal insider trading proceeds of *over*  
24           *\$11.5 million*. Jensen sold 78,605 of his shares for nearly \$7 million in November  
25           2024 alone, just days after Jensen assured investors that the 2026 refresh “is a little  
26           bit more than 2x 2023” and after Ohlgart assured investors the refresh would  
27           generate \$400-\$450 in revenue.

1           4) Defendant Ohlgart sold **1,274 shares** of her Fortinet common stock at an average  
2           price of \$101.58, which generated for her illegal insider trading proceeds of  
3           **\$132,713**. By comparison, Ohlgart sold **zero shares** in the nine months directly  
4           preceding the Class Period.

5           138. **Fifth**, Defendants' compensation packages were heavily stock-based—to the tune  
6           of over 90% for Defendant Ken Xie (CEO)—which made them highly motivated to keep Fortinet's  
7           stock price high so they could maximize their incentive awards, including valuable stock options,  
8           RSUs, and PSUs. Further, Ken Xie, Michael Xie, and Jensen's compensation packages were  
9           heavily weighted towards PSUs that depended on Fortinet's stock price performance relative to  
10          the S&P 500. As a result, Defendants' inflated compensation payouts for 2024 included thousands  
11          of PSUs worth millions of dollars they otherwise would have forfeited but for the alleged fraud.

12          139. **Sixth**, Defendants had experience tracking the progress of FortiGate refreshes in  
13          the recent past and knew how to monitor the progress of customers upgrading their devices that  
14          are eligible for a refresh. Throughout the Class Period Defendants compared the 2026 refresh to  
15          the 2023 refresh that had just occurred and discussed how they were able to monitor their  
16          customers' purchasing activity to gauge the progress of the 2025-26 refresh.

17          140. Defendants also repeatedly touted the refresh—and portrayed themselves as  
18          knowledgeable about the size, value, progress, and composition of the refresh.

19          141. **Seventh**, the sale of FortiGates is one of the core components of Fortinet's product  
20          revenue, which makes up 30-35% of its total revenue. During the class period Defendants stated  
21          that the refresh alone would drive total revenue growth of 4%.

22          142. Defendants also repeatedly stressed that their ability to sell customers FortiGates is  
23          essential to their ability to sell their high-margin SASE and SecOps solutions. For example, on the  
24          August 6, 2025 earnings call Defendant Ken Xie stated that while “we do see customer expanding  
25          beyond the traditional firewall . . . [the] traditional firewall is still the important control point for  
26          all this traffic, especially within the enterprise, within the data center.”

1 143. Further, Defendants used their repeated statements touting the size, value, progress,  
2 and composition of the refresh to convince investors that Fortinet was experiencing a business  
3 turnaround after several quarters of declining FortiGate sales in a post-COVID slump.

4 144. The core significance of FortiGate sales in capturing the short-term revenue that  
5 Defendants touted to investors as well as retaining customers and maintaining the possibility of  
6 upselling the high-margin SASE and SecOps solutions further strengthens the already strong  
7 inference of Defendants' scienter.

8 145. *Eighth*, Defendants Ken and Michael Xie, as co-founders and top executive of the  
9 Company, set a tone from the top that chilled open communications and even retaliated against  
10 those who questioned their decisions. As relayed by FE-1, Ken Xie and Michael Xie would say  
11 whatever they wanted, and no one else had any power to shape the message or correct them if they  
12 were saying things that were untrue.

13 146. Employees who questioned those directives were fired in retaliation. For example,  
14 FE-1 explained that the Xie Defendants fired a communications person—FE-1's boss—for asking  
15 too many questions.

16 147. *Ninth*, Ken and Michael Xie are the architects and inventors of the FortiGate  
17 firewall technology, which gave them unparalleled insight into FortiGate's technical capabilities,  
18 and the import and content of the device's communications with Fortinet. Defendants Ken and  
19 Michael Xie thus knew that FortiGate devices "ping" home and thereby engage in a recurring and  
20 technically sophisticated exchange of identifying and operational data with Fortinet's servers. The  
21 recurring communication streams between installed FortiGates and Fortinet, and Defendants'  
22 technical mastery of that process, supports an inference of scienter because Fortinet's founders,  
23 Defendants Ken and Michael Xie, designed the FortiGate hardware and FortiOS software to  
24 provide them with information regarding the current status of the devices. From a business  
25 perspective, the frequent interactions between Fortinet and its installed base of FortiGates provided  
26 Defendants with precise insight into how many of its devices, and which models of those devices  
27 and their remaining life spans, are in use at any given time. *See* § IV.B.

1           148. *Tenth*, Defendants evaded analysts’ questions regarding the abrupt change in the  
2 refresh math and discontinued discussion of the refresh. For example, when asked directly about  
3 the sudden acceleration in the refresh cycle and “why we are not seeing more upside in the numbers  
4 this year from the refresh cohort,” Ohlgart dodged the questions, stating that the Company’s ability  
5 to track firewalls that would likely be upgraded varies by customer and that some customers may  
6 be consolidating their firewalls. Then, when analysts questioned the cadence of the refresh because  
7 they had just been told “intra-quarter” that the refresh was only 20% complete, Ohlgart again  
8 evaded the question. Tellingly, Defendants also refused to further discuss the refresh publicly after  
9 they had made corrective disclosures revealing their Class Period statements as materially false  
10 and misleading statements and/or omissions.

11           149. Given the importance of analysts’ questions, that analysts had repeatedly asked  
12 questions about the refresh throughout the Class Period, and that their questions were directly  
13 aimed at clarifying Defendants’ Class Period misstatements, Defendants’ refusal to answer the  
14 questions, explain the sudden change in the refresh data, and subsequent refusal to discuss the  
15 refresh altogether, support the strong inference of scienter.

## 16 **VIII. LOSS CAUSATION**

17           150. Defendants’ materially false and misleading statements and omissions artificially  
18 inflated and/or maintained the price of Fortinet’s common stock. The artificial inflation in  
19 Fortinet’s stock price was removed when the conditions and risks misstated and omitted by  
20 Defendants were revealed to the market and/or materialized. The information was disclosed to the  
21 market on August 6, 2025. This disclosure reduced the amount of inflation in the price of Fortinet’s  
22 publicly traded common stock, causing economic injury to Plaintiffs and other members of the  
23 Class.

24           151. As also alleged in detail *supra* in ¶¶80-81, 86, 89-92 (which allegations are  
25 expressly incorporated herein), on August 6, 2025, during the Company’s Q2 2025 earnings call,  
26 Defendants disclosed that the size, timing, and composition of the refresh differed materially from  
27 their prior representations and that instead of being 20% complete, the refresh, in both units and  
28 dollars, was 40% to 50% complete. Specifically, Ohlgart revealed that: “We estimate that we are

1 approximately *40% to 50% of the way through the 2026 upgrade cycle* at the end of the second  
2 quarter based on the remaining active units and service contracts.”

3 152. Moreover, Defendant Ken Xie admitted that “*we probably a little bit over-discuss*  
4 *about this refresh upgrade [sic],*” stated that “*we’re not counting on the refresh*” and that even  
5 if all of the FortiGates eligible for refresh were upgraded, “*it would still not provide much business*  
6 *impact*” because it “*is a very small percentage*” of the business. Ohlgart also admitted that  
7 customers had been purchasing less than their previous FortiGates that were up for refresh all  
8 along. Ohlgart further stated that “there could be some *excess capacity from prior years that has*  
9 *been replaced or that is replacing some of the EOS models.*”

10 153. These admissions directly contradicted Defendants’ earlier representations that the  
11 refresh was only 20% complete, represented 25% of all installed, registered, and pinged home  
12 firewalls across the Company’s user base, and that “all” customers, both Enterprise and “small,”  
13 were not just replacing equipment in a like-for-like manner but were instead buying *more*.

14 154. The market reaction to Defendants’ disclosures was swift and severe. Analysts were  
15 shocked. For example, Stephens reported “Fortinet surprised the Street by disclosing that it  
16 estimated that it was 40% to 50% of the way through the 2026 upgrade cohort based on the  
17 remaining active units and service contracts. . . . We believe the one word to describe the reaction  
18 to the disclosure by Fortinet is *shocking*. *We didn’t expect this, and we don’t think anyone else*  
19 *did*. We note that after hours Fortinet shares were down 3% but *when this disclosure was made*  
20 *declines accelerated with the stock down 17% after hours*. What Changed? We expect this to be  
21 the top question from investors. . . . In summary, the key issue and surprise is that refresh has been  
22 a material driver of product revenue growth for *the last three to four quarters* and we are 40% to  
23 50% through the most significant component of the expected refresh.”

24 155. Bernstein, as well as numerous other analysts, also called out Defendants for  
25 claiming the refresh was only 20% completed in June, reporting that “[p]reviously, the company  
26 communicated being 20% into the refresh cycle after Q1, but *they acknowledged that figure was*  
27 *inaccurate*. When questioned about what the 40-50% progress in refresh cycle refers to, the  
28 company clarified that this figure applies both in dollars and units.” Oppenheimer explicitly called

1 out the inconsistency between Defendants’ disclosure and their prior statements, noting that  
2 “[m]anagement’s messaging for ‘not negative’ ex-refresh product growth *appears incongruent*  
3 with prior ~20% refresh progress value/volume and new 40-50% value/volume progress  
4 comments.”

5 156. As a result of Defendants’ disclosures, Fortinet’s common stock price plummeted,  
6 nosediving over 22%, from a closing price of \$96.58 per share on August 6, 2025 to close at \$75.30  
7 per share on August 7, 2025, on unusually high trading volume. This precipitous decline wiped out  
8 \$16 billion in shareholder value in a single day, the largest such decline in the Company’s history.

9 157. As a result of their purchase or acquisition of Fortinet common stock during the  
10 Class Period, Plaintiffs and the other Class members suffered economic loss, *i.e.*, damages, under  
11 the federal securities laws. Defendants’ misstatements and omissions were the proximate cause of  
12 the stock price decline and the losses suffered by Class members. Defendants’ materially false and  
13 misleading statements caused Fortinet common stock to trade at artificially inflated levels  
14 throughout the Class Period, reaching as high as \$114.57 per share on February 19, 2025.

15 158. By concealing from investors the adverse facts detailed herein, Defendants  
16 presented a misleading picture of Fortinet’s business and prospects. As true facts about the  
17 Company were revealed to the market, the price of Fortinet common stock fell significantly. This  
18 decline removed the inflation from the price of Fortinet common stock, causing real economic loss  
19 to investors who had purchased Fortinet common stock during the Class Period.

20 159. The decline in the price of Fortinet common stock after the corrective disclosure  
21 came to light was a direct result of Defendants’ fraudulent misrepresentations and omissions being  
22 revealed to investors and the market. The timing and magnitude of the price decline in Fortinet’s  
23 common stock and analyst shock at Defendants’ specific disclosures concerning the 2025-26  
24 refresh negates any inference that the losses suffered by Plaintiffs and the other Class members  
25 were caused by other factors such as changed market conditions, macroeconomic or industry  
26 factors or Company-specific facts unrelated to Defendants’ fraudulent conduct.

27 160. The economic loss, *i.e.*, damages, suffered by Plaintiffs and the other Class  
28 members was a direct result of Defendants’ fraudulent scheme to artificially inflate the price of

1 Fortinet common stock and the subsequent significant decline in the value of Fortinet common  
2 stock when Defendants' prior misrepresentations, omissions, and other fraudulent conduct were  
3 revealed.

4 **IX. PRESUMPTION OF RELIANCE**

5 161. The Class is entitled to a presumption of reliance on Defendants' material  
6 misrepresentations and omissions pursuant to the fraud-on-the-market doctrine because, at all  
7 relevant times, the market for Fortinet's common stock was efficient for the following reasons,  
8 among others:

- 9 a. Fortinet's stock met the requirements for listing, and was listed and actively traded on  
10 the NASDAQ, a highly efficient and automated market;
- 11 b. Fortinet common stock traded at high weekly volumes;
- 12 c. As a regulated issuer, Fortinet filed periodic reports with the SEC;
- 13 d. Fortinet was eligible to file registration statements with the SEC on Form S-3;
- 14 e. Fortinet regularly communicated with public investors via established market  
15 communication mechanisms, including through regular dissemination of press releases  
16 on the national circuits of major newswire services and through other wide-ranging  
17 public disclosures, such as communications with the financial press, securities analysts,  
18 and other similar reporting services;
- 19 f. Fortinet was followed by numerous securities analysts employed by major brokerage  
20 firms who wrote reports which were distributed to those brokerage firms' sales force  
21 and certain customers. These reports were publicly available and entered the public  
22 marketplace;
- 23 g. The material misrepresentations and omissions alleged herein would tend to induce a  
24 reasonable investor to misjudge the value of Fortinet common stock; and
- 25 h. Lacking any knowledge of the misrepresented or omitted material facts alleged herein,  
26 Plaintiffs and other members of the class purchased or acquired Fortinet common stock  
27 between the time Defendants misrepresented or failed to disclose material facts and the  
28 time the true facts were disclosed.

1           162. As a result of the foregoing, the market for Fortinet’s common stock reasonably  
2 promptly digested current information regarding Fortinet from all publicly available sources and  
3 reflected such information in the price of Fortinet’s common stock. All purchasers of Fortinet  
4 common stock during the Class Period suffered similar injury through their purchase of Fortinet  
5 common stock at artificially inflated prices, and a presumption of reliance applies.

6           163. A Class-wide presumption of reliance is also appropriate in this action under the  
7 United States Supreme Court holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S.  
8 128 (1972), because the claims asserted herein against Defendants are predicated upon omissions  
9 of material fact for which Defendants had a duty to disclose. Because this action involves  
10 Defendants’ failure to disclose their knowledge that the 2025-26 refresh was and would never be  
11 a major growth driver because of the undisclosed adverse facts in Defendants’ possession—  
12 information that Defendants were obligated to disclose—positive proof of reliance is not a  
13 prerequisite to recovery. All that is necessary is that the facts withheld were material, *i.e.*, that a  
14 reasonable investor might have considered the omitted facts important in making investment  
15 decisions. Given the importance of the Refresh to Fortinet, as set forth above, that requirement is  
16 satisfied here.

17 **X. INAPPLICABILITY OF THE STATUTORY SAFE HARBOR AND BESPEAKS**  
18 **CAUTION DOCTRINE**

19           164. The statutory safe harbor and/or bespeaks caution doctrine applicable to forward-  
20 looking statements under certain circumstances do not apply to the false and misleading statements  
21 set forth herein.

22           165. To the extent that any of the materially false or misleading statements alleged herein  
23 can be construed as forward-looking, those statements were not accompanied by meaningful  
24 cautionary language identifying important facts that could cause actual results to differ materially  
25 from those in the statements. As set forth in detail above (*see* Sections IV.B, IV.G, IV.I, V, VI  
26 *supra*), then-existing facts known to Defendants contradicted their statements. Given the then-  
27 existing facts contradicting Defendants’ statements, any generalized risk disclosure made by  
28

1 Defendants was insufficient to insulate Defendants from liability for their materially untrue and  
2 misleading statements.

3 166. Alternatively, to the extent the statutory safe harbor otherwise would apply to any  
4 forward-looking statements pleaded herein, Defendants are liable for those forward-looking  
5 statements because at the time each of those statements was made, the particular speaker knew that  
6 the particular forward-looking statement was false or misleading, and the statement was authorized  
7 or approved by an executive officer of Fortinet who knew that the statement was false or  
8 misleading when made.

## 9 **XI. CLASS ACTION ALLEGATIONS**

10 167. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil  
11 Procedure 23(a) and 23(b)(3) on behalf of all persons who purchased Fortinet's common stock  
12 from November 8, 2024 through August 6, 2025, inclusive (the "Class Period"), and were damaged  
13 thereby (the "Class"). Excluded from the Class are Defendants and their immediate families, the  
14 officers and directors of the Company during the Class Period, members of their immediate  
15 families, and Defendants' legal representatives, heirs, successors, or assigns, and any entity in  
16 which defendants have or had a controlling interest.

17 168. The members of the Class are so numerous that joinder of all members is  
18 impracticable. Throughout the Class Period, Fortinet common stock was actively traded on the  
19 NASDAQ. As stated in the Company's 2025 proxy materials, there were 764,712,591 shares of  
20 Fortinet common stock outstanding as of April 25, 2025. While the exact number of Class members  
21 is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery,  
22 Plaintiffs believe that there are at least thousands of members of the Class. Class members who  
23 purchased Fortinet common stock may be identified from records maintained by Fortinet or its  
24 transfer agent(s) and may be notified of this class action using a form of notice similar to that  
25 customarily used in securities class actions. Disposition of their claims in a class action will  
26 provide substantial benefits to the parties and the Court.

1 169. Plaintiffs' claims are typical of Class members' claims, as all members of the Class  
2 were similarly affected by Defendants' wrongful conduct in violation of federal laws as  
3 complained of herein.

4 170. Plaintiffs will fairly and adequately protect Class members' interests and have  
5 retained competent counsel experienced in class actions and securities litigation. Plaintiffs have no  
6 interests that conflict with the interest of the Class.

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

- 10 a. Whether Defendants' material misrepresentations and omissions as alleged herein  
11 misled investors;
- 12 b. Whether Defendants' misrepresentations and omissions as alleged herein violated  
13 the federal securities laws;
- 14 c. Whether the Executive Defendants are personally liable for the alleged  
15 misrepresentations and omissions described herein;
- 16 d. Whether the Insider Trading Defendants are personally liable for selling their  
17 Fortinet stock while in possession of material non-public information;
- 18 e. Whether Defendants' misrepresentations and omissions as alleged herein caused  
19 the Class members to suffer a compensable loss;
- 20 f. Whether the members of the Class have sustained damages; and
- 21 g. What is the proper measure of damage suffered by members of the Class.

22 172. A class action is superior to all other available methods for the fair and efficient  
23 adjudication of this action. Joinder of all Class members is impracticable. Additionally, the damage  
24 suffered by some individual Class members may be relatively small so that the burden and expense  
25 of individual litigation make it practically impossible for such members to individually redress the  
26 wrongs done to them. There will be no difficulty in the management of this action as a class action.

1 **XII. CLAIMS FOR RELIEF UNDER THE EXCHANGE ACT**

2 **COUNT I**

3 **For Violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5**  
4 **(Against All Defendants)**

5 173. Plaintiffs repeat and reallege each and every allegation contained above as if fully  
6 set forth herein.

7 174. This Count is asserted on behalf of all members of the Class against all Defendants  
8 for violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5  
9 promulgated thereunder, 17 C.F.R. § 240.10b-5.

10 175. During the Class Period, Defendants disseminated or approved the false and  
11 misleading statements specified above, which they knew, or were reckless in not knowing, were  
12 false or misleading in that they contained misrepresentations and/or omitted material facts  
13 necessary in order to make the statements made, in light of the circumstances under which they  
14 were made, not misleading.

15 176. During the Class Period, Defendants carried out a plan, scheme, and course of  
16 conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing  
17 public, including Plaintiffs and other Class members, as alleged herein; and (ii) cause Plaintiffs  
18 and other members of the Class to purchase Fortinet common stock at artificially inflated prices.

19 177. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 in that they:  
20 (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material  
21 fact and/or omitted to state material facts necessary to make the statements not misleading; and  
22 (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon  
23 the purchasers of the Company's securities in an effort to maintain artificially high market prices  
24 for Fortinet securities.

25 178. Defendants, individually and in concert, directly and indirectly, by the use, means  
26 or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a  
27 continuous course of conduct that operated as a fraud and deceit upon Plaintiffs and the Class;  
28 made various untrue and/or misleading statements of material facts and omitted to state material  
facts necessary in order to make the statements made, in light of the circumstances under which

1 they were made, not misleading; made the above statements intentionally or with recklessness;  
2 and employed devices and artifices to defraud in connection with the purchase and sale of Fortinet  
3 common stock, which were intended to, and did: (a) deceive the investing public, including  
4 Plaintiffs and the Class, regarding, among other things, the health and sustainability of the  
5 Company's hardware sales; (b) artificially inflate and maintain the market price of Fortinet  
6 common stock; and (c) cause Plaintiffs and other members of the Class to purchase Fortinet  
7 common stock at artificially inflated prices and suffer losses when the true facts became known  
8 and/or the risks materialized.

9 179. Fortinet and the Executive Defendants are liable for all materially false and  
10 misleading statements made during the Class Period, as alleged above.

11 180. As described above, Defendants acted with scienter throughout the Class Period, in  
12 that they acted either with intent to deceive, manipulate, or defraud, or with recklessness. The  
13 misrepresentations and omissions of material facts set forth herein, which presented a danger of  
14 misleading buyers or sellers of Fortinet stock, were either known to the Defendants or were so  
15 obvious that the Defendants should have been aware of them.

16 181. Plaintiffs and the Class have suffered damages in that, in direct reliance on the  
17 integrity of the market, they paid artificially inflated prices for Fortinet securities, which inflation  
18 was removed from its price when the relevant truth concealed by Defendants' misrepresentations  
19 and omissions became known.

20 182. Defendants' wrongful conduct, as alleged above, directly and proximately caused  
21 the damages suffered by Plaintiffs and other Class members. Had Defendants disclosed complete,  
22 accurate, and truthful information concerning these matters during the Class Period, Plaintiffs and  
23 other Class members would not have purchased or otherwise acquired these securities at the  
24 artificially inflated prices that they paid. It was also foreseeable to Defendants that misrepresenting  
25 and concealing these material facts from the public would artificially inflate the price of Fortinet  
26 common stock and that the ultimate disclosure of relevant truth concealed by Defendants'  
27 misrepresentations and omissions, or the materialization of the risks concealed by Defendants'  
28 material misstatements and omissions, would cause the price of Fortinet common stock to decline.

1 183. Accordingly, as a result of their purchases of Fortinet securities during the Class  
2 Period, Plaintiffs and the Class suffered economic loss and damages under the federal securities  
3 laws.

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

6 185. This claim is brought within the applicable statute of limitations.

7 **COUNT II**  
8 **For Violations of Section 20(a) of the Exchange Act**  
9 **(Against the Executive Defendants)**

10 186. Plaintiffs repeat and reallege each and every allegation contained in the foregoing  
11 paragraphs as if fully set forth herein.

12 187. During the Class Period, the Executive Defendants participated in the operation and  
13 management of the Company, and conducted and participated, directly and indirectly, in the  
14 conduct of the Company's business affairs. Because of their senior positions, they knew the  
15 adverse non-public information about Fortinet's misstatements and omissions as alleged herein.

16 188. As officers and/or directors of a publicly owned company, the Executive  
17 Defendants had a duty to disseminate accurate and truthful information, and to correct promptly  
18 any public statements issued by Fortinet which had become materially false or misleading.

19 189. Because of their positions of control and authority as senior officers, the Executive  
20 Defendants were able to, and did, control the contents of the various reports, press releases and  
21 public filings which Fortinet disseminated in the marketplace during the Class Period concerning  
22 the misrepresentations. Throughout the Class Period, the Executive Defendants exercised their  
23 power and authority to cause Fortinet to engage in the wrongful acts complained of herein. The  
24 Executive Defendants therefore, were "controlling persons" of the Company within the meaning  
25 of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct  
26 alleged which artificially inflated the market price of Fortinet's common stock.

27 190. Each of the Executive Defendants, therefore, acted as a controlling person of the  
28 Company. By reason of their senior management positions and/or being directors of the Company,

1 each of the Executive Defendants had the power to direct the actions of, and exercised the same to  
2 cause Fortinet to engage in the unlawful acts and conduct complained of herein. Each of the  
3 Executive Defendants exercised control over the general operations of the Company and possessed  
4 the power to control the specific activities which comprise the primary violations about which  
5 Plaintiffs and the other members of the Class complain.

6 191. By reason of the above conduct, the Executive Defendants and/or Fortinet are liable  
7 pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

8 **COUNT III**  
9 **For Violations of Section 20A of the Exchange Act**  
10 **(Against the Insider Trading Defendants)**

11 192. Plaintiffs repeat and reallege each and every allegation contained above as if fully  
12 set forth herein.

13 193. This count is asserted for violations of Section 20A of the Exchange Act, 15 U.S.C.  
14 § 78t-1 on behalf of Plaintiffs and all other members of the Class who purchased shares of Fortinet  
15 common stock contemporaneously with the sale of Fortinet common stock by Defendants Ken  
16 Xie, Michael Xie, Jensen, Ohlgart (the “Insider Trading Defendants”) while the Insider Trading  
17 Defendants were in possession of material, nonpublic adverse information as alleged herein,  
18 including concerning the size, composition, and timing of the refresh during the Class Period, that  
19 rendered their refresh projections not possible and their factual statements concerning the refresh  
20 materially false and misleading.

21 194. Section 20A of the Exchange Act provides that:

22 Any person who violates any provision of this chapter or the rules  
23 or regulations thereunder by purchasing or selling a security while  
24 in possession of material, nonpublic information shall be liable in an  
25 action in any court of competent jurisdiction to any person who,  
26 contemporaneously with the purchase or sale of securities that is the  
27 subject of such violation, has purchased (where such violation is  
28 based on a sale of securities) or sold (where such violation is based  
on a purchase of securities) securities of the same class.

195. As set forth herein, the Insider Trading Defendants violated §10(b) of the Exchange  
Act, Rule 10b-5 and §20(a) of the Exchange Act for the reasons set forth in Counts I and II above.

1 Additionally, the Insider Trading Defendants further violated §10(b) of the Exchange Act, Rule  
 2 10b-5, and Rule 10b5-1 (17 C.F.R. § 240.10b5-1) by selling shares of Fortinet common stock while  
 3 in possession of material, nonpublic adverse information concerning the size, composition, and  
 4 timing of the 2025-26 refresh, which information they had a duty to disclose, and which they failed  
 5 to disclose in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated  
 6 thereunder, as more fully alleged herein.

7 196. The Insider Trading Defendants sold their Fortinet stock on a national securities  
 8 exchange and in an open and efficient market, while in possession of material, nonpublic adverse  
 9 information they had a duty to disclose, but failed to disclose, including information concerning  
 10 the size, composition, and timing of the 2025-26 refresh. The Insider Trading Defendants' sales of  
 11 Fortinet stock were contemporaneous with purchases by Plaintiffs.

12 197. Contemporaneous with the Insider Trading Defendants' insider sales of Fortinet  
 13 common stock listed in the tables below, Named Plaintiff purchased Fortinet common stock on  
 14 December 20 and 26, 2024, on a national securities exchange and in an open and efficient market,  
 15 while Defendant Ken Xie was in possession of material, nonpublic adverse information he had a  
 16 duty to disclose, but failed to disclose, including information concerning the size, composition,  
 17 and timing of the 2025-26 refresh.

18 198. Contemporaneous with the Insider Trading Defendants' insider sales of Fortinet  
 19 common stock listed in the tables below, Lead Plaintiff purchased Fortinet common stock on  
 20 February 14, 18-20, and 24-27, 2025 and on March 11-13 and 20, 2025, on a national securities  
 21 exchange and in an open and efficient market, while Defendant Ken Xie, Michael Xie and Jensen  
 22 were in possession of material, nonpublic adverse information they had a duty to disclose, but  
 23 failed to disclose, including information concerning the value, size, and pace of the 2025-26  
 24 refresh.

Insider	Sale Date	Shares	Price	Value
Jensen Keith F	11/08/2024	39,421	\$85.00	\$3,350,864
Jensen Keith F	11/08/2024	13,504	\$85.98	\$1,161,112

1	Jensen Keith F	11/08/2024	3,780	\$86.91	\$328,514
2	Jensen Keith F	11/19/2024	2,650	\$90.53	\$239,897
3	Jensen Keith F	11/19/2024	1,600	\$91.32	\$146,116
4	Jensen Keith F	11/26/2024	9,983	\$95.65	\$954,874
5	Jensen Keith F	11/26/2024	4,076	\$94.97	\$387,105
6	Jensen Keith F	11/26/2024	3,591	\$96.45	\$346,357
7	Jensen Keith F	02/19/2025	9,864	\$114.37	\$1,128,118
8	Jensen Keith F	02/19/2025	7,200	\$112.43	\$809,509
9	Jensen Keith F	02/19/2025	6,436	\$113.57	\$730,936
10	Jensen Keith F	02/26/2025	8,663	\$108.84	\$942,870
11	Jensen Keith F	02/26/2025	8,142	\$109.44	\$891,054
12	Jensen Keith F	02/26/2025	855	\$110.11	\$94,140
13	<b>TOTAL</b>		<b>119,765</b>		<b>\$11,511,466</b>

<b>Insider</b>	<b>Sale Date</b>	<b>Shares</b>	<b>Price</b>	<b>Value</b>
Xie Ken	11/12/2024	18,807	\$98.65	\$1,855,386
Xie Ken	11/12/2024	3,731	\$97.91	\$365,316
Xie Ken	11/12/2024	400	\$99.32	\$39,726
Xie Ken	11/13/2024	10,145	\$98.15	\$995,684
Xie Ken	11/13/2024	7,538	\$100.13	\$754,796
Xie Ken	11/13/2024	5,213	\$99.14	\$516,842
Xie Ken	12/17/2024	14,416	\$97.57	\$1,406,601
Xie Ken	12/17/2024	7,700	\$98.46	\$758,174
Xie Ken	12/17/2024	800	\$99.21	\$79,367
Xie Ken	12/18/2024	6,144	\$95.58	\$587,273
Xie Ken	12/18/2024	5,300	\$96.33	\$510,534
Xie Ken	12/18/2024	4,621	\$93.53	\$432,189
Xie Ken	12/18/2024	3,552	\$94.44	\$335,451
Xie Ken	12/18/2024	2,911	\$97.59	\$284,076

1	Xie Ken	12/18/2024	400	\$98.31	\$39,325
2	Xie Ken	01/14/2025	13,302	\$92.53	\$1,230,851
3	Xie Ken	01/14/2025	9,711	\$91.90	\$892,482
4	Xie Ken	01/15/2025	22,344	\$93.30	\$2,084,715
5	Xie Ken	01/15/2025	700	\$93.92	\$65,745
6	Xie Ken	02/11/2025	16,357	\$108.54	\$1,775,332
7	Xie Ken	02/11/2025	6,243	\$109.30	\$682,369
8	Xie Ken	02/11/2025	100	\$109.99	\$10,999
9	Xie Ken	02/12/2025	8,534	\$107.20	\$914,852
10	Xie Ken	02/12/2025	7,520	\$106.09	\$797,816
11	Xie Ken	02/12/2025	3,367	\$107.65	\$362,458
12	Xie Ken	02/12/2025	3,300	\$105.22	\$347,241
13	Xie Ken	03/10/2025	93,941	\$96.29	\$9,045,494
14	Xie Ken	03/10/2025	79,479	\$97.05	\$7,713,707
15	Xie Ken	03/10/2025	23,597	\$98.30	\$2,319,694
16	Xie Ken	03/10/2025	8,983	\$98.97	\$889,041
17	Xie Ken	05/02/2025	120,952	\$106.24	\$12,849,432
18	Xie Ken	05/02/2025	37,536	\$105.64	\$3,965,367
19	Xie Ken	08/04/2025	129,209	\$98.44	\$12,719,114
20	Xie Ken	08/04/2025	24,377	\$98.94	\$2,411,746
21	Xie Ken	08/04/2025	4,900	\$97.35	\$477,031
22	TOTAL		<b>706,130</b>		<b>\$70,516,227</b>

Insider	Sale Date	Shares	Price	Value
Xie Michael	03/11/2025	151,842	\$98.26	\$14,920,283
Xie Michael	03/11/2025	92,915	\$97.34	\$9,044,448
Xie Michael	03/11/2025	69,914	\$99.30	\$6,942,530
Xie Michael	03/11/2025	9,913	\$96.11	\$952,689
Xie Michael	03/11/2025	2,200	\$99.80	\$219,566

Xie Michael	05/02/2025	2,780	\$106.24	\$295,341
Xie Michael	05/02/2025	766	\$105.66	\$80,932
Xie Michael	08/04/2025	387,223	\$98.43	\$38,116,257
Xie Michael	08/04/2025	75,273	\$98.93	\$7,446,570
Xie Michael	08/04/2025	14,100	\$97.39	\$1,373,216
<b>TOTAL</b>		<b>806,926</b>		<b>\$79,391,833</b>

<b>Insider</b>	<b>Sale Date</b>	<b>Shares</b>	<b>Price</b>	<b>Value</b>
Ohlgart Christiane	6/6/2025	1,164	\$104.71	\$121,883
Ohlgart Christiane	8/5/2025	110	\$98.45	\$10,830
<b>TOTAL</b>		<b>1,274</b>		<b>\$132,713</b>

199. Other Class members also purchased shares of Fortinet common stock contemporaneously with the Insider Trading Defendants insider sales of Fortinet common stock identified in the preceding tables.

200. Plaintiffs and other Class members have been damaged as a result of the violations of the Exchange Act alleged herein.

201. By reason of the violations of the Exchange Act alleged herein, the Insider Trading Defendants are liable to Plaintiffs and other members of the Class who purchased shares of Fortinet common stock contemporaneously with the Insider Trading Defendants' insider sale of Fortinet common stock during the Class Period.

202. Plaintiffs and other members of the Class who purchased contemporaneously with the Insider Trading Defendants' insider sales of Fortinet securities seek disgorgement by the Insider Trading Defendants of profits gained or losses avoided from their transactions in Fortinet common stock contemporaneous with Plaintiffs and the other members of the Class.

203. This action was brought within five years after the date of the last transaction that is the subject of the Insider Trading Defendants' violations of Section 20A, and, with respect to the underlying violations of the Exchange Act alleged in this Count and in Counts I and II above,

1 was brought within five years after the date of the last transaction that violated Section 20A of the  
2 Exchange Act by the Insider Trading Defendants.

3 **XIII. PRAYER FOR RELIEF**

4 204. **WHEREFORE**, Plaintiffs demand judgment against Defendants as follows:

- 5 a) Determining that this action may be maintained as a class action under Rule 23  
6 of the Federal Rules of Civil Procedure on behalf of the Class defined herein, and  
7 certifying Plaintiffs as the Class representatives;
- 8 b) Awarding compensatory damages in favor of Plaintiffs and other Class members  
9 against Defendants, jointly and severally, for all damage sustained as a result of  
10 Defendants' wrongdoing, in an amount to be proven at trial;
- 11 c) Awarding Plaintiffs and the other members of the Class pre-judgment and post-  
12 judgment interest, as well as their reasonable costs and expenses incurred in this  
13 action, including attorneys' fees, expert fees and other costs; and
- 14 d) Awarding such equitable or other further relief as this Court may deem just and  
15 proper.

16 **XIV. JURY DEMAND**

17 205. Plaintiffs hereby demand a trial by jury.

18 Dated: April 24, 2026

Respectfully submitted,

19 **BERNSTEIN LITOWITZ BERGER**  
20 **& GROSSMANN LLP**

21 /s/ Jonathan D. Uslaner  
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