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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA**

MOHAMMED USMAN ALI,  
Individually and On Behalf of All  
Others Similarly Situated,

Plaintiff,

v.

FRANKLIN WIRELESS CORP., OC  
KIM, and DAVID BROWN,

Defendants.

Case No. '21 CV0687 AJB MSB

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

1 Plaintiff Mohammed Usman Ali (“Plaintiff”), individually and on behalf of  
2 all others similarly situated, by and through his attorneys, alleges the following upon  
3 information and belief, except as to those allegations concerning Plaintiff, which are  
4 alleged upon personal knowledge. Plaintiff’s information and belief is based upon,  
5 among other things, his counsel’s investigation, which includes without limitation:  
6 (a) review and analysis of regulatory filings made by Franklin Wireless Corp.  
7 (“Franklin” or the “Company”) with the United States (“U.S.”) Securities and  
8 Exchange Commission (“SEC”); (b) review and analysis of press releases and media  
9 reports issued by and disseminated by Franklin; and (c) review of other publicly  
10 available information concerning Franklin.

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

12 1. This is a class action on behalf of persons and entities that purchased or  
13 otherwise acquired Franklin securities between September 17, 2020 and April 8,  
14 2021, inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants  
15 under the Securities Exchange Act of 1934 (the “Exchange Act”).

16 2. Franklin purports to be a leading provider of intelligent wireless  
17 solutions such as mobile hotspots, routers, trackers, and other devices.

18 3. On April 1, 2021, Franklin stated that it “ha[d] been notified of reports  
19 of battery issues in some of its wireless hotspot device.” It also stated that the  
20 Company was “working with its battery and device manufacturing partners and  
21 carrier customer to determine the cause and extent of the problem.”

22 4. On this news, the Company’s share price fell \$0.35, or 1.65%, to close  
23 at \$20.77 per share on April 5, 2021, the next trading session, on unusually heavy  
24 trading volume.

25 5. On April 8, 2021, media reported that Verizon Wireless is recalling  
26 certain hotspot devices. According to CNBC, Verizon “is recalling 2.5 million  
27 hotspot devices after discovering that the lithium ion battery can overheat, creating a  
28 fire and burning hazard.” Moreover, the “recall impacts Ellipsis Jetpack mobile

1 hotspots imported by Franklin Wireless Corp and sold between April 2017 and  
2 March 2021.”

3 6. On this news, the Company’s share price fell \$2.82, or 14%, to close at  
4 \$17.33 per share on April 8, 2021, on unusually heavy trading volume.

5 7. On April 9, 2021, Franklin stated that its customer Verizon Wireless  
6 “has issued a voluntary recall of its Jetpack Hotspot devices imported by Franklin.”  
7 The Company stated that “[a]t this time, fewer than 20 report of trouble have been  
8 received with over 2 million devices in [sic] sold over the last three and a half  
9 years.”

10 8. On this news, the Company’s share price fell \$4.07, or nearly 23%, to  
11 close at \$13.26 per share on April 9, 2021, on unusually heavy trading volume.

12 9. Throughout the Class Period, Defendants made materially false and/or  
13 misleading statements, as well as failed to disclose material adverse facts about the  
14 Company’s business, operations, and prospects. Specifically, Defendants failed to  
15 disclose to investors: (1) that Franklin’s hotspot devices suffered from battery  
16 issues, including overheating, thereby presenting a fire hazard; (2) that, as a result, it  
17 was reasonably likely that the Company’s customers would recall Franklin’s  
18 devices; (3) that, as a result, Franklin would suffer reputational harm; and (4) that,  
19 as a result of the foregoing, Defendants’ positive statements about the Company’s  
20 business, operations, and prospects were materially misleading and/or lacked a  
21 reasonable basis.

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

### 25 **JURISDICTION AND VENUE**

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



1 19. Defendants Kim and Brown (collectively the “Individual Defendants”),  
2 because of their positions with the Company, possessed the power and authority to  
3 control the contents of the Company’s reports to the SEC, press releases and  
4 presentations to securities analysts, money and portfolio managers and institutional  
5 investors, i.e., the market. The Individual Defendants were provided with copies of  
6 the Company’s reports and press releases alleged herein to be misleading prior to, or  
7 shortly after, their issuance and had the ability and opportunity to prevent their  
8 issuance or cause them to be corrected. Because of their positions and access to  
9 material non-public information available to them, the Individual Defendants knew  
10 that the adverse facts specified herein had not been disclosed to, and were being  
11 concealed from, the public, and that the positive representations which were being  
12 made were then materially false and/or misleading. The Individual Defendants are  
13 liable for the false statements pleaded herein.

14 **SUBSTANTIVE ALLEGATIONS**

15 **Background**

16 20. Franklin purports to be a leading provider of intelligent wireless  
17 solutions such as mobile hotspots, routers, trackers, and other devices.

18 **Materially False and Misleading**

19 **Statements Issued During the Class Period**

20 21. The Class Period begins on September 17, 2020. On that day, Franklin  
21 filed its annual report on Form 10-K for the period ended June 30, 2020 (the “2020  
22 10-K”).<sup>1</sup> In relevant part, Franklin stated that its “current or future products and  
23 services may fail to function properly, and if our products and services do not  
24

25  
26 <sup>1</sup> On September 18, 2020, the Company filed an amendment to the 2020 10-K to  
27 include an exhibit titled “Description of Securities,” which had been omitted from  
28 the original filing. The 2020 10-K was not otherwise modified by the amendment.

1 achieve and sustain market acceptance, our business, results of operations and  
2 profitability may suffer.” Furthermore, the Company stated:

3 THE LOSS OF ANY OF OUR MATERIAL CUSTOMERS COULD  
4 ADVERSELY AFFECT OUR REVENUES AND PROFITABILITY,  
5 AND THEREFORE SHAREHOLDER VALUE. We depend on a  
6 small number of customers for a significant portion of our revenues.  
7 For the year ended June 30, 2020, net revenues from our two largest  
8 customers represented 46% and 36% of our consolidated net sales,  
9 respectively. We have a written agreement with each of these  
10 customers that governs the sale of products to them, but the agreements  
11 do not obligate them to purchase any quantity of products from us. If  
12 these customers were to reduce their business with us, our revenues and  
13 profitability could materially decline.

14 22. On November 16, 2020, Franklin filed its quarterly report on Form 10-  
15 Q for the period ended September 30, 2020 (the “1Q21 10-Q”). Therein, Franklin  
16 stated that “[r]evenue for sales of products and services is derived from contracts  
17 with customers” and “[t]he products and services promised in contracts primarily  
18 consist of hotspot routers.” It incorporated by reference the risk factors stated in its  
19 2020 10-K.

20 23. On February 16, 2021, the Company filed its quarterly report on Form  
21 10-Q for the period ended December 31, 2020 (the “2Q21 10-Q”). Therein, Franklin  
22 stated that “[r]evenue for sales of products and services is derived from contracts  
23 with customers” and “[t]he products and services promised in contracts primarily  
24 consist of hotspot routers.” It incorporated by reference the risk factors stated in its  
25 2020 10-K.

26 24. The above statements identified in ¶¶ 21-23 were materially false  
27 and/or misleading, and failed to disclose material adverse facts about the Company’s  
28 business, operations, and prospects. Specifically, Defendants failed to disclose to  
investors: (1) that Franklin’s hotspot devices suffered from battery issues, including  
overheating, thereby presenting a fire hazard; (2) that, as a result, it was reasonably  
likely that the Company’s customers would recall Franklin’s devices; (3) that, as a  
result, Franklin would suffer reputational harm; and (4) that, as a result of the  
foregoing, Defendants’ positive statements about the Company’s business,

1 operations, and prospects were materially misleading and/or lacked a reasonable  
2 basis.

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

4 25. On April 1, 2021, Franklin stated that it “ha[d] been notified of reports  
5 of battery issues in some of its wireless hotspot device.” It also stated that the  
6 Company was “working with its battery and device manufacturing partners and  
7 carrier customer to determine the cause and extent of the problem.”

8 26. On this news, the Company’s share price fell \$0.35, or 1.65%, to close  
9 at \$20.77 per share on April 5, 2021, the next trading session, on unusually heavy  
10 trading volume.

11 27. On April 8, 2021, media reported that Verizon Wireless is recalling  
12 certain hotspot devices. According to CNBC, Verizon “is recalling 2.5 million  
13 hotspot devices after discovering that the lithium ion battery can overheat, creating a  
14 fire and burning hazard.” Moreover, the “recall impacts Ellipsis Jetpack mobile  
15 hotspots imported by Franklin Wireless Corp and sold between April 2017 and  
16 March 2021.”

17 28. On this news, the Company’s share price fell \$2.82, or 14%, to close at  
18 \$17.33 per share on April 8, 2021, on unusually heavy trading volume.

19 29. On April 9, 2021, Franklin stated that its customer Verizon Wireless  
20 “has issued a voluntary recall of its Jetpack Hotspot devices imported by Franklin.”  
21 The Company stated that “[a]t this time, fewer than 20 report of trouble have been  
22 received with over 2 million devices in [sic] sold over the last three and a half  
23 years.”

24 30. On this news, the Company’s share price fell \$4.07, or nearly 23%, to  
25 close at \$13.26 per share on April 9, 2021, on unusually heavy trading volume.

### 26 **CLASS ACTION ALLEGATIONS**

27 31. Plaintiff brings this action as a class action pursuant to Federal Rule of  
28 Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and

1 entities that purchased or otherwise acquired Franklin securities between September  
2 17, 2020 and April 8, 2021, inclusive, and who were damaged thereby (the “Class”).  
3 Excluded from the Class are Defendants, the officers and directors of the Company,  
4 at all relevant times, members of their immediate families and their legal  
5 representatives, heirs, successors, or assigns, and any entity in which Defendants  
6 have or had a controlling interest.

7       32. The members of the Class are so numerous that joinder of all members  
8 is impracticable. Throughout the Class Period, Franklin’s shares actively traded on  
9 the NASDAQ. While the exact number of Class members is unknown to Plaintiff at  
10 this time and can only be ascertained through appropriate discovery, Plaintiff  
11 believes that there are at least hundreds or thousands of members in the proposed  
12 Class. Millions of Franklin shares were traded publicly during the Class Period on  
13 the NASDAQ. Record owners and other members of the Class may be identified  
14 from records maintained by Franklin or its transfer agent and may be notified of the  
15 pendency of this action by mail, using the form of notice similar to that customarily  
16 used in securities class actions.

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

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

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

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

28



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

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

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

12 **UNDISCLOSED ADVERSE FACTS**

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

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

27 39. At all relevant times, the material misrepresentations and omissions  
28 particularized in this Complaint directly or proximately caused or were a substantial

1 contributing cause of the damages sustained by Plaintiff and other members of the  
2 Class. As described herein, during the Class Period, Defendants made or caused to  
3 be made a series of materially false and/or misleading statements about Franklin's  
4 financial well-being and prospects. These material misstatements and/or omissions  
5 had the cause and effect of creating in the market an unrealistically positive  
6 assessment of the Company and its financial well-being and prospects, thus causing  
7 the Company's securities to be overvalued and artificially inflated at all relevant  
8 times. Defendants' materially false and/or misleading statements during the Class  
9 Period resulted in Plaintiff and other members of the Class purchasing the  
10 Company's securities at artificially inflated prices, thus causing the damages  
11 complained of herein when the truth was revealed.

#### 12 **LOSS CAUSATION**

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

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

#### 20 **SCIENTER ALLEGATIONS**

21 42. As alleged herein, Defendants acted with scienter since Defendants  
22 knew that the public documents and statements issued or disseminated in the name  
23 of the Company were materially false and/or misleading; knew that such statements  
24 or documents would be issued or disseminated to the investing public; and  
25 knowingly and substantially participated or acquiesced in the issuance or  
26 dissemination of such statements or documents as primary violations of the federal  
27 securities laws. As set forth elsewhere herein in detail, the Individual Defendants,  
28 by virtue of their receipt of information reflecting the true facts regarding Franklin,

1 their control over, and/or receipt and/or modification of Franklin's allegedly  
2 materially misleading misstatements and/or their associations with the Company  
3 which made them privy to confidential proprietary information concerning Franklin,  
4 participated in the fraudulent scheme alleged herein.

5 **APPLICABILITY OF PRESUMPTION OF RELIANCE**

6 **(FRAUD-ON-THE-MARKET DOCTRINE)**

7 43. The market for Franklin's securities was open, well-developed and  
8 efficient at all relevant times. As a result of the materially false and/or misleading  
9 statements and/or failures to disclose, Franklin's securities traded at artificially  
10 inflated prices during the Class Period. On December 15, 2020, the Company's  
11 share price closed at a Class Period high of \$25.45 per share. Plaintiff and other  
12 members of the Class purchased or otherwise acquired the Company's securities  
13 relying upon the integrity of the market price of Franklin's securities and market  
14 information relating to Franklin, and have been damaged thereby.

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

1           45. At all relevant times, the market for Franklin’s securities was an  
2 efficient market for the following reasons, among others:

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

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

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

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

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

23           47. A Class-wide presumption of reliance is also appropriate in this action  
24 under the Supreme Court’s holding in *Affiliated Ute Citizens of Utah v. United*  
25 *States*, 406 U.S. 128 (1972), because the Class’s claims are, in large part, grounded  
26 on Defendants’ material misstatements and/or omissions. Because this action  
27 involves Defendants’ failure to disclose material adverse information regarding the  
28 Company’s business operations and financial prospects—information that

1 Defendants were obligated to disclose—positive proof of reliance is not a  
2 prerequisite to recovery. All that is necessary is that the facts withheld be material  
3 in the sense that a reasonable investor might have considered them important in  
4 making investment decisions. Given the importance of the Class Period material  
5 misstatements and omissions set forth above, that requirement is satisfied here.

6 **NO SAFE HARBOR**

7 48. The statutory safe harbor provided for forward-looking statements  
8 under certain circumstances does not apply to any of the allegedly false statements  
9 pleaded in this Complaint. The statements alleged to be false and misleading herein  
10 all relate to then-existing facts and conditions. In addition, to the extent certain of  
11 the statements alleged to be false may be characterized as forward looking, they  
12 were not identified as “forward-looking statements” when made and there were no  
13 meaningful cautionary statements identifying important factors that could cause  
14 actual results to differ materially from those in the purportedly forward-looking  
15 statements. In the alternative, to the extent that the statutory safe harbor is  
16 determined to apply to any forward-looking statements pleaded herein, Defendants  
17 are liable for those false forward-looking statements because at the time each of  
18 those forward-looking statements was made, the speaker had actual knowledge that  
19 the forward-looking statement was materially false or misleading, and/or the  
20 forward-looking statement was authorized or approved by an executive officer of  
21 Franklin who knew that the statement was false when made.

22 **FIRST CLAIM**

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

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

25 **Against All Defendants**

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

1           50. During the Class Period, Defendants carried out a plan, scheme and  
2 course of conduct which was intended to and, throughout the Class Period, did: (i)  
3 deceive the investing public, including Plaintiff and other Class members, as alleged  
4 herein; and (ii) cause Plaintiff and other members of the Class to purchase  
5 Franklin's securities at artificially inflated prices. In furtherance of this unlawful  
6 scheme, plan and course of conduct, Defendants, and each defendant, took the  
7 actions set forth herein.

8           51. Defendants (i) employed devices, schemes, and artifices to defraud; (ii)  
9 made untrue statements of material fact and/or omitted to state material facts  
10 necessary to make the statements not misleading; and (iii) engaged in acts, practices,  
11 and a course of business which operated as a fraud and deceit upon the purchasers of  
12 the Company's securities in an effort to maintain artificially high market prices for  
13 Franklin's securities in violation of Section 10(b) of the Exchange Act and Rule  
14 10b-5. All Defendants are sued either as primary participants in the wrongful and  
15 illegal conduct charged herein or as controlling persons as alleged below.

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

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

1 business which operated as a fraud and deceit upon the purchasers of the Company's  
2 securities during the Class Period.

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

17         55. Defendants had actual knowledge of the misrepresentations and/or  
18 omissions of material facts set forth herein, or acted with reckless disregard for the  
19 truth in that they failed to ascertain and to disclose such facts, even though such  
20 facts were available to them. Such defendants' material misrepresentations and/or  
21 omissions were done knowingly or recklessly and for the purpose and effect of  
22 concealing Franklin's financial well-being and prospects from the investing public  
23 and supporting the artificially inflated price of its securities. As demonstrated by  
24 Defendants' overstatements and/or misstatements of the Company's business,  
25 operations, financial well-being, and prospects throughout the Class Period,  
26 Defendants, if they did not have actual knowledge of the misrepresentations and/or  
27 omissions alleged, were reckless in failing to obtain such knowledge by deliberately  
28

1 refraining from taking those steps necessary to discover whether those statements  
2 were false or misleading.

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

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

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

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



1 **SECOND CLAIM**

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

3 **Against the Individual Defendants**

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

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

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

23 63. As set forth above, Franklin and Individual Defendants each violated  
24 Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this  
25 Complaint. By virtue of their position as controlling persons, Individual Defendants  
26 are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate  
27 result of Defendants' wrongful conduct, Plaintiff and other members of the Class  
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1 suffered damages in connection with their purchases of the Company's securities  
2 during the Class Period.

3 **PRAYER FOR RELIEF**

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

5 (a) Determining that this action is a proper class action under Rule 23 of  
6 the Federal Rules of Civil Procedure;

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

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

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

14 **JURY TRIAL DEMANDED**

15 Plaintiff hereby demands a trial by jury.  
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