

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

_____, Individually and On
Behalf of All Others Similarly Situated,

Plaintiff,

v.

SOUTHWEST AIRLINES CO., GARY C.
KELLY, and TAMMY ROMO,

Defendants.

Case No.

JURY TRIAL DEMANDED

CLASS ACTION COMPLAINT

Plaintiff Robert G. Linenweber (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by Defendants, United States (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Southwest Airlines Co. (“Southwest” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons other than Defendants who purchased or otherwise acquired Southwest securities between February 7, 2017 and June 25, 2019, both dates inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. Southwest was founded in 1967 and is based in Dallas, Texas. The Company operates a passenger airline that provides scheduled air transportation services in the U.S. and near-international markets. Southwest is regulated by, among other government entities, the Federal Aviation Administration (“FAA”), the sub-agency of the U.S. Department of Transportation (“DOT”) that regulates civil aviation in the U.S. and its surrounding international waters.

3. Southwest’s operations have been plagued by non-compliance and maintenance issues with its flight services for over a decade, often exacerbated by the Company’s repeated denials of wrongdoing and self-touted remediation efforts. For example, according to the *Wall Street Journal*, the FAA’s certificate-management office overseeing Southwest faced significant controversy over a decade ago “when congressional investigators discovered that local agency managers had allowed the airline to continue flying tens of thousands of passengers on nearly two dozen aircraft without completing mandatory structural inspections.” Additionally, “[i]n 2009, Southwest agreed to pay \$7.5 million in penalties to settle allegations that it operated 46 aircraft on 60,000 flights without completing mandatory maintenance checks for potential fuselage cracks.”

4. Notwithstanding these widely reported issues, Southwest has continually denied any wrongdoing, while insisting that it has remained compliant with applicable government maintenance and safety regulations.

5. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company's business, operational and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Southwest's operations were non-compliant with government maintenance and safety regulations; (ii) the foregoing issues were exacerbated by Southwest's undue influence over FAA officials and, consequently, lax regulatory oversight of the Company's operations; (iii) all of the foregoing significantly increased the safety risks to passengers traveling on Southwest flights and heightened governmental scrutiny into the Company; and (iv) as a result, the Company's public statements were materially false and misleading at all relevant times.

6. On April 17, 2018, news sources reported that a Southwest plane had blown an engine, which exploded and caused shrapnel to strike the plane. The explosion resulted in the death of one passenger, who was partially pulled through a large hole as the cabin suffered rapid decompression, and injured seven others. According to the Chairman of the National Transportation Safety Board ("NTSB"), the incident marked "the first passenger fatality in a U.S. airline accident since 2009," and that, out of twenty-four fan blades in the engine at issue, one was missing.

7. On this news, Southwest's stock price fell \$0.62 per share, or 1.13%, to close at \$54.27 per share on April 17, 2018.

8. On April 19, 2018, during pre-market hours, the FAA announced that it would "order inspections of at least 220 aircraft engines as investigators are focusing on a broken fan

blade in an engine that exploded.” According to news sources, the order was initially proposed in August 2016, following the earlier incident in which engine failure had also resulted from a broken fan blade. Critics also reportedly questioned why the FAA had not acted sooner in conjunction with their European counterparts.

9. On this news, Southwest’s stock price fell \$1.02 per share, or 1.83%, to close at \$54.80 per share on April 19, 2018.

10. On June 21, 2018, near the end of the trading session, news sources reported that eight passengers were suing Southwest in connection with the engine explosion in April 2018.

11. On this news, Southwest’s stock price fell \$1.24 per share, or 2.33%, to close at \$51.91 per share on June 22, 2018.

12. Finally, on June 25, 2019, during after-market hours, the *Wall Street Journal* published an article entitled “FAA Reassigns Senior Managers in Office Overseeing Southwest Airlines,” which reported that the FAA had “removed three senior managers in the office overseeing Southwest Airlines Co., amid allegations of lax safety enforcement raised by agency whistleblowers and various resulting government inquiries.” The article also noted that “[t]he [DOT]’s inspector-general has been looking into some of the safety issues for many months . . . including lapses by the airline in documenting maintenance for more than 100 of its jets,” as well as “failures to reliably compute the weight of checked baggage and hazardous landing incidents in which one aircraft smacked a wingtip on the tarmac and another ran off the strip in stormy weather.”

13. On this news, Southwest’s stock price fell \$0.30 per share, or 0.59%, to close at \$50.70 per share on June 26, 2019.

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

JURISDICTION AND VENUE

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

16. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

17. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Southwest is headquartered in this Judicial District, Defendants conduct business in this Judicial District, and a significant portion of Defendants' actions took place within this Judicial District.

18. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

19. Plaintiff, as set forth in the attached Certification, acquired Southwest securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

20. Defendant Southwest is incorporated in Texas, with principal executive offices located at P. O. Box 36611, Dallas, Texas. Southwest's securities trade on the New York Stock Exchange ("NYSE") under the ticker symbol "LUV."

21. Defendant Gary C. Kelly ("Kelly") has served as Southwest's Chairman of the Board, President, and Chief Executive Officer at all relevant times.

22. Defendant Tammy Romo ("Romo") has served as Southwest's Chief Financial Officer at all relevant times.

23. Defendants Kelly and Romo are sometimes referred to herein as the "Individual Defendants."

24. The Individual Defendants possessed the power and authority to control the contents of Southwest's SEC filings, press releases, and other market communications. The Individual Defendants were provided with copies of Southwest's SEC filings and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or to cause them to be corrected. Because of their positions with Southwest, and their access to material information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements and omissions pleaded herein.

25. Southwest and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Background

26. Southwest was founded in 1967 and is based in Dallas, Texas. The Company operates a passenger airline that provides scheduled air transportation services in the U.S. and near-international markets. Southwest is regulated by, among other government entities, the FAA, which is a sub-agency of the DOT that regulates civil aviation in the U.S. and its surrounding international waters.

27. Southwest's operations have been plagued by non-compliance and maintenance issues with its flight services for over a decade, often exacerbated by the Company's repeated denials of wrongdoing and self-touted remediation efforts. For example, according to the *Wall Street Journal*, the FAA's certificate-management office overseeing Southwest faced significant controversy over a decade ago "when congressional investigators discovered that local agency managers had allowed the airline to continue flying tens of thousands of passengers on nearly two dozen aircraft without completing mandatory structural inspections." Additionally, "[i]n 2009, Southwest agreed to pay \$7.5 million in penalties to settle allegations that it operated 46 aircraft on 60,000 flights without completing mandatory maintenance checks for potential fuselage cracks."

28. Despite continued headlines regarding these issues, Southwest has continually denied any wrongdoing, while asserting it has remained compliant with applicable government maintenance and safety regulations.

Materially False and Misleading Statements Issued During the Class Period

29. The Class Period begins on February 7, 2017, when Southwest filed an Annual Report on Form 10-K with the SEC, reporting the Company's financial and operating results for

the quarter and year ended December 31, 2016 (the “2016 10-K”). The 2016 10-K represented that the Company “performs substantially all line maintenance on its aircraft and provides ground support services at most of the airports it serves,” and that “the Company has arrangements with certain aircraft maintenance firms for major component inspections and repairs for its airframes and engines, which comprise the majority of the Company’s annual aircraft maintenance costs.”

30. Additionally, the 2016 10-K touted specific maintenance, safety, and compliance aspects of the Company’s operations, including that “Southwest’s use of a single aircraft type has allowed for simplified . . . maintenance, flight operations, and training activities” and that “the Company has policies and procedures in place that are designed to promote compliance with the laws of the jurisdictions in which it operates.”

31. Appended as an exhibit to the 2016 10-K were signed SOX certifications, wherein the Individual Defendants certified that “[t]he [2016 10-K] fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended,” and that “[t]he information contained in the [2016 10-K] fairly presents, in all material respects, the financial condition and results of operations of the Company.”

32. Then, on February 7, 2018, Southwest filed another Annual Report on Form 10-K with the SEC, reporting the Company’s financial and operating results for the quarter and year ended December 31, 2017 (the “2017 10-K”). The 2017 10-K contained substantively the same representations described in ¶¶ 29-30 *supra*, concerning Southwest’s purported maintenance, safety, and compliance efforts.

33. Additionally, the 2017 10-K touted Southwest’s “participat[ion] in Required Navigation Performance (‘RNP’) operations as part of the FAA’s Performance Based Navigation program, which is intended to modernize the U.S. air traffic control system by . . . making more

safe and efficient use of airspace,” and that participation in this program “improve[s] operational capabilities by opening up many new and more direct airport approach paths to produce safer and more efficient flight patterns.” According to the 2017 10-K, “[s]ince its first use of RNP in 2011, Southwest has conducted approximately 58,000 RNP approaches, including over 19,000 in 2017.”

34. Appended as an exhibit to the 2017 10-K were signed SOX certifications, wherein the Individual Defendants certified that “[t]he [2017 10-K] fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended,” and that “[t]he information contained in the [2017 10-K] fairly presents, in all material respects, the financial condition and results of operations of the Company.”

35. The statements referenced in ¶¶ 29-34 were materially false and misleading because Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company’s business, operational and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Southwest’s operations were non-compliant with government maintenance and safety regulations; (ii) the foregoing issues were exacerbated by Southwest’s undue influence over FAA officials and, consequently, lax regulatory oversight of the Company’s operations; (iii) all of the foregoing significantly increased the safety risks to passengers traveling on Southwest flights and heightened governmental scrutiny into the Company; and (iv) as a result, the Company’s public statements were materially false and misleading at all relevant times.

The Truth Begins to Emerge

36. On April 17, 2018, news sources reported that a Southwest plane had blown an engine, which exploded and caused shrapnel to strike the plane. The explosion resulted in the death of one passenger, who was partially pulled through a large hole as the cabin suffered rapid

decompression, and injured seven others. According to the Chairman of the NTSB, the incident marked “the first passenger fatality in a U.S. airline accident since 2009,” and that, out of twenty-four fan blades in the engine at issue, one was missing.

37. Southwest issued a press release the same day, assuring investors and passengers that the Company’s “officials are in direct contact with the [NTSB] and the [FAA] to support an immediate, coordinated response to this accident,” and that “Southwest is in the process of gathering additional information regarding flight 1380 and will fully cooperate in an investigative process.”

38. On this news, Southwest’s stock price fell \$0.62 per share, or 1.13%, to close at \$54.27 per share on April 17, 2018, largely buffeted by the assertions the Company made regarding its purported remedial efforts and cooperation with federal agencies, including the FAA.

39. Then, on April 19, 2018, during pre-market hours, the FAA announced that it would “order inspections of at least 220 aircraft engines as investigators are focusing on a broken fan blade in an engine that exploded.” According to news sources, the order was initially proposed in August 2016, following the earlier incident in which engine failure had also resulted from a broken fan blade. Critics also reportedly questioned why the FAA had not acted sooner in conjunction with their European counterparts.

40. On this news, Southwest’s stock price fell \$1.02 per share, or 1.83%, to close at \$54.80 per share on April 19, 2018. However, the Company’s stock price continued to trade at artificially inflated prices throughout the Class Period as a result of Defendants’ continued denials of wrongdoing and minimization of safety issues.

41. On June 21, 2018, near after-market hours, news sources reported that eight passengers were suing Southwest in connection with the engine explosion in April 2018.

42. On this news, Southwest's stock price fell \$1.24 per share, or 2.33%, to close at \$51.91 per share on June 22, 2018. However, the Company's stock price, again, continued to trade at artificially inflated prices throughout the Class Period as a result of Defendants' continued representations regarding Southwest's maintenance, safety, and compliance measures.

43. For example, on February 5, 2019, Southwest filed an Annual Report on Form 10-K with the SEC, reporting the Company's financial and operating results for the quarter and year ended December 31, 2018 (the "2018 10-K"). The 2018 10-K contained substantively the same representations as described in ¶¶ 29-30 *supra*, concerning Southwest's purported maintenance, safety, and compliance measures.

44. Additionally, like the 2017 10-K, the 2018 10-K touted Southwest's participation "in Required Navigation Performance ('RNP') operations as part of the FAA's Performance Based Navigation program," which purportedly "improve[s] operational capabilities by produc[ing] safer and more efficient flight patterns," and represented that "[s]ince its first use of RNP in 2011, Southwest has conducted approximately 143,000 RNP approaches, including over 85,000 in 2018."

45. Appended as an exhibit to the 2018 10-K were signed SOX certifications, wherein the Individual Defendants certified that "[t]he [2018 10-K] fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended," and that "[t]he information contained in the [2018 10-K] fairly presents, in all material respects, the financial condition and results of operations of the Company."

46. The statements referenced in ¶¶ 43-45 were materially false and misleading because Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operational and compliance policies. Specifically,

Defendants made false and/or misleading statements and/or failed to disclose that: (i) Southwest's operations were non-compliant with government maintenance and safety regulations; (ii) the foregoing issues were exacerbated by Southwest's undue influence over FAA officials and, consequently, lax regulatory oversight of the Company's operations; (iii) all of the foregoing significantly increased the safety risks to passengers traveling on Southwest flights and heightened governmental scrutiny into the Company; and (iv) as a result, the Company's public statements were materially false and misleading at all relevant times.

47. On June 25, 2019, during after-market hours, the *Wall Street Journal* published an article entitled "FAA Reassigns Senior Managers in Office Overseeing Southwest Airlines," which reported that the FAA had "removed three senior managers in the office overseeing Southwest Airlines Co., amid allegations of lax safety enforcement raised by agency whistleblowers and various resulting government inquiries." The article also noted that "[t]he [DOT]'s inspector-general has been looking into some of the safety issues for many months . . . including lapses by the airline in documenting maintenance for more than 100 of its jets," as well as "failures to reliably compute the weight of checked baggage and hazardous landing incidents in which one aircraft smacked a wingtip on the tarmac and another ran off the strip in stormy weather."

48. On this news, Southwest's stock price fell \$0.30 per share, or 0.59%, to close at \$50.70 per share on June 26, 2019.

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

PLAINTIFF'S CLASS ACTION ALLEGATIONS

50. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Southwest securities during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

51. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Southwest securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Southwest or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

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

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

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

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Southwest;
- whether the Individual Defendants caused Southwest to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Southwest securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

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

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

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Southwest securities are traded in an efficient market;

- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NYSE and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased, acquired and/or sold Southwest securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

57. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

58. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants)

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

60. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

61. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue 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 they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Southwest securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Southwest securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

62. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Southwest securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Southwest's finances and business prospects.

63. By virtue of their positions at Southwest, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

64. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of Southwest, the Individual Defendants had knowledge of the details of Southwest's internal affairs.

65. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Southwest. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Southwest's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Southwest securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Southwest's business and financial condition which were concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Southwest securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

66. During the Class Period, Southwest securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Southwest securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired

said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Southwest securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Southwest securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

67. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

68. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)

69. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

70. During the Class Period, the Individual Defendants participated in the operation and management of Southwest, and conducted and participated, directly and indirectly, in the conduct of Southwest's business affairs. Because of their senior positions, they knew the adverse non-public information about Southwest's misstatement of income and expenses and false financial statements.

71. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Southwest's financial condition and results of operations, and to correct promptly any public statements issued by Southwest which had become materially false or misleading.

72. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Southwest disseminated in the marketplace during the Class Period concerning Southwest's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Southwest to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Southwest within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Southwest securities.

73. Each of the Individual Defendants, therefore, acted as a controlling person of Southwest. By reason of their senior management positions and/or being directors of Southwest, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Southwest to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Southwest and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

74. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Southwest.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;
- B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;
- C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.