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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

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

Plaintiff,

v.

WRAP TECHNOLOGIES, INC.,
DAVID NORRIS, THOMAS SMITH,
JAMES A. BARNES, MIKE
ROTHANS, and MARC THOMAS,

Defendants.

Case No.

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

1 Plaintiff _____ (“Plaintiff”), individually and on behalf of all others
2 similarly situated, by and through her 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, her counsel’s investigation, which includes without limitation:
6 (a) review and analysis of regulatory filings made by Wrap Technologies, Inc.
7 (“Wrap” or the “Company”) with the United States (“U.S.”) Securities and Exchange
8 Commission (“SEC”); (b) review and analysis of press releases and media reports
9 issued by and disseminated by Wrap; and (c) review of other publicly available
10 information concerning Wrap.

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 Wrap securities between April 29, 2020 and September 23, 2020,
14 inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under
15 the Securities Exchange Act of 1934 (the “Exchange Act”).

16 2. Wrap is a security technology company whose sole product is the
17 BolaWrap, a remote restraint device.

18 3. In December 2019, the Company announced that the Los Angeles Police
19 Department (“LAPD”) would train its officers on the BolaWrap and deploy 200
20 devices in the field for a 90-day pilot program beginning in January 2020.

21 4. On July 22, 2020, White Diamond Research published a report alleging
22 that the BolaWrap had limited use in the field and therefore Wrap has a very small
23 total addressable market. The report also alleged that it was likely Wrap did not secure
24 a contract with the LAPD.

25 5. On this news, the Company’s share price fell \$0.55, or 4.6%, to close at
26 \$11.34 per share on July 22, 2020, on unusually heavy trading volume.

27 6. On August 25, 2020, after the market closed, an article by *Los Angeles*
28 *Times* reported that “[s]ince the initial 180-day pilot began in February, LAPD

1 officers have used the BolaWrap a total of nine times[, and it] was deemed ‘effective’
2 in six instances.” As a result, the LAPD sought a 180-day extension to continue
3 evaluating the device.

4 7. On this news, the Company’s share price fell \$0.50, or 5.7%, to close at
5 \$8.27 per share on August 27, 2020, on unusually heavy trading volume.

6 8. On September 23, 2020, White Diamond Research published a second
7 report, alleging that, despite previously touting the LAPD pilot program, Wrap failed
8 to disclose the key findings from the initial 180-day testing period because it was “bad
9 news.” The report described the nine incidents in which the BolaWrap had been used,
10 thereby highlighting its limited utility.

11 9. On this news, the Company’s share price fell \$2.07, or 25%, close at
12 \$6.07 per share on September 23, 2020, thereby damaging investors.

13 10. Throughout the Class Period, Defendants made materially false and/or
14 misleading statements, as well as failed to disclose material adverse facts about the
15 Company’s business, operations, and prospects. Specifically, Defendants failed to
16 disclose to investors: (1) that there were limited instances in which Wrap’s BolaWrap
17 could potentially be used because it requires a minimum of 10 feet between the officer
18 and the suspect; (2) that, as a result, the BolaWrap was reasonably unlikely to be
19 effective in most situations; (3) that the LAPD sought extensions of the pilot program
20 because they needed a larger sample size to assess the effectiveness of the BolaWrap;
21 (4) that the LAPD had not found the BolaWrap to be useful or effective during its
22 pilot program; (5) that, as a result, Wrap had not received positive feedback from the
23 LAPD about the BolaWrap and therefore it was unlikely that the Company would
24 secure a sizeable contract with the LAPD; and (6) that, as a result of the foregoing,
25 Defendants’ positive statements about the Company’s business, operations, and
26 prospects were materially misleading and/or lacked a reasonable basis.

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

4 **JURISDICTION AND VENUE**

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

8 13. This Court has jurisdiction over the subject matter of this action pursuant
9 to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

10 14. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b)
11 and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in
12 furtherance of the alleged fraud or the effects of the fraud have occurred in this
13 Judicial District. Many of the acts charged herein, including the dissemination of
14 materially false and/or misleading information, occurred in substantial part in this
15 Judicial District.

16 15. In connection with the acts, transactions, and conduct alleged herein,
17 Defendants directly and indirectly used the means and instrumentalities of interstate
18 commerce, including the United States mail, interstate telephone communications,
19 and the facilities of a national securities exchange.

20 **PARTIES**

21 16. Plaintiff _____ as set forth in the accompanying certification,
22 incorporated by reference herein, purchased Wrap securities during the Class Period,
23 and suffered damages as a result of the federal securities law violations and false
24 and/or misleading statements and/or material omissions alleged herein.

25 17. Defendant Wrap is incorporated under the laws of Delaware with its
26 principal executive offices located in Tempe, Arizona. Wrap's common stock trades
27 on the NASDAQ exchange under the symbol "WRTC."
28

1 18. Defendant David Norris (“Norris”) was the Company’s Chief Executive
2 Officer (“CEO”) from December 2018 to July 30, 2020.

3 19. Defendant Thomas Smith (“Smith”) was the Company’s President at all
4 relevant times.

5 20. Defendant James A. Barnes (“Barnes”) was the Company’s Chief
6 Financial Officer (“CFO”) at all relevant times.

7 21. Defendant Mike Rothans (“Rothans”) was the Company’s Chief
8 Operating Officer at all relevant times.

9 22. Defendant Marc Thomas (“Thomas”) has been the Company’s CEO
10 since July 30, 2020.

11 23. Defendants Norris, Smith, Barnes, Rothans, and Thomas (collectively
12 the “Individual Defendants”), because of their positions with the Company, possessed
13 the power and authority to control the contents of the Company’s reports to the SEC,
14 press releases and presentations to securities analysts, money and portfolio managers
15 and institutional investors, i.e., the market. The Individual Defendants were provided
16 with copies of the Company’s reports and press releases alleged herein to be
17 misleading prior to, or shortly after, their issuance and had the ability and opportunity
18 to prevent their issuance or cause them to be corrected. Because of their positions
19 and access to material non-public information available to them, the Individual
20 Defendants knew that the adverse facts specified herein had not been disclosed to,
21 and were being concealed from, the public, and that the positive representations which
22 were being made were then materially false and/or misleading. The Individual
23 Defendants are liable for the false statements pleaded herein.

24 **SUBSTANTIVE ALLEGATIONS**

25 **Background**

26 24. Wrap is a security technology company whose sole product is the
27 BolaWrap, a remote restraint device.

1 now they're encouraged to stay away from that individual. So, that does
2 limit the use and we've actually seen that even in LAPD's trial, but this
of course is a limited period of time.

3 29. The above statements identified in ¶¶ 26-28 were materially false and/or
4 misleading, and failed to disclose material adverse facts about the Company's
5 business, operations, and prospects. Specifically, Defendants failed to disclose to
6 investors: (1) that there were limited instances in which Wrap's BolaWrap could
7 potentially be used because it requires a minimum of 10 feet between the officer and
8 the suspect; (2) that, as a result, the BolaWrap was reasonably unlikely to be effective
9 in most situations; (3) that the LAPD sought extensions of the pilot program because
10 they needed a larger sample size to assess the effectiveness of the BolaWrap; and (4)
11 that, as a result of the foregoing, Defendants' positive statements about the
12 Company's business, operations, and prospects were materially misleading and/or
13 lacked a reasonable basis.

14 30. The truth began to emerge on July 22, 2020 when White Diamond
15 Research published a report alleging that the BolaWrap had limited use in the field
16 and therefore Wrap has a very small total addressable market. In a report entitled
17 "Wrap Technologies Batman Device is Mostly Impractical in the Real World - \$3
18 Price Target," White Diamond Research stated, in relevant part:

19 [T]he BolaWrap is an impractical device with a limited use-case for law
20 enforcement. As the tether extends 8 feet when fired, it requires at least
21 4 feet on either side of the target to extend properly, and a minimum of
22 10 feet of further separation between the officer and the target.

23 * * *

24 We've spoken with many police officers asking if they would ever use
25 the BolaWrap. Many have told us that using this device would be in such
26 rare situations, that it would be hard to use.

27 The only plausible application of the device appears to be during street
28 stops. Which are when a police officer stops a citizen on the street to ask
questions or ask to conduct a search. According to the US Department
of Justice . . . only ~1.0% of police to public contact takes place during
street stops. Even more extreme, is that only 4.1% . . . of the altercations
typically lead to an arrest. And this is further narrowed by the
subsegment already being served by many other devices.

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BolaWrap’s TAM (Total Addressable Market) is very small. Lots of space is needed to successfully execute the device. . . . Most importantly, the device is only being marketed for the use on the mentally ill

The combination of both a limited target market and the device’s impracticality in most environments points to a significant limitation for the TAM. With most mental health episodes taking place domestically, police department demand and resulting sales are likely to remain constrained.

31. Moreover, the report alleged that it was likely Wrap did not secure a contract with the LAPD. Specifically, it stated:

The Los Angeles Police Department (“LAPD”) started a 90 day field trial with the BolaWrap in February of this year. At the time, this was a big deal, and was parroted a lot in the media in December/January right before the field trial. However, after January, the BolaWrap hasn’t been mentioned by the media with respect to the LAPD.

* * *

At this point, it has been three months since WRTC’s earnings call where Smith said the LAPD field trial is two-thirds finished. If the LAPD really felt a strong need for it, we believe the deal would have been announced by now. Since it hasn’t been announced, then the clear implication is that it appears that LAPD decided not to make the purchase, or at least one that matters.

32. On this news, the Company’s share price fell \$0.55, or 4.6%, to close at \$11.34 per share on July 22, 2020, on unusually heavy trading volume.

33. On July 30, 2020, Wrap held a conference call with investors and analysts to discuss the second quarter 2020 financial results. During the call, defendant Norris assured that the “LAPD trained about 1,100 officers and they do have 200 devices in the field 24 hours a day with those 1,100 officers.”

34. During the same call, defendant Smith claimed that Wrap “continued to receive positive feedback from the LAPD,” which had sought extensions for the field testing program purportedly because they “like[d] the product.” Specifically, he stated, in relevant part:

1 There is one large department within the U.S. that we've been
2 undergoing trials with and that is the Los Angeles Police Department.

3 When this program first started, we initially thought that the trial period
4 would last approximately 90 days. However, with optional extensions –
5 periods built in the agreement, some of which have already been
6 exercised. There was the potential for this trial to last for upwards of one
7 year. Bear in mind, those terms were discussed before the Coronavirus
8 began to impact the U.S. in earnest and therefore, they are subject to
9 change.

10 The current extension is set to end in August, but it is possible and most
11 likely we will see another extension exercised. I am fully aware that
12 humans are risk adverse beings. And so, there is a natural tendency to fill
13 the void left by uncertainty with negative speculations. So, let me try to
14 put some of those at ease. Extensions are a very good thing.

15 ***If LAPD didn't like the product, they wouldn't be asking for
16 extensions, and we have continued to receive positive feedback from
17 them.***

18 To conduct this trial, LAPD had to train 1,100 officers on the BolaWrap.
19 They committed approximately 8,800 hours to training which is
20 equivalent to four man years that's a massive investment on their part.
21 The opportunity cost of pulling that many officers out of rotation and
22 into training should not be discounted. They've committed substantial
23 resources towards this project. So rest assured they are spending the time
24 that they believe is adequate to give the BolaWrap an honest and
25 thorough evaluation.

26 35. The above statements identified in ¶¶ 33-34 were materially false and/or
27 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 there were limited instances in which Wrap's BolaWrap could
potentially be used because it requires a minimum of 10 feet between the officer and
the suspect; (2) that, as a result, the BolaWrap was reasonably unlikely to be effective
in most situations; (3) that the LAPD sought extensions of the pilot program because
they needed a larger sample size to assess the effectiveness of the BolaWrap; (4) that
the LAPD had not found the BolaWrap to be useful or effective during its 180-day
pilot program; (5) that, as a result, Wrap had not received positive feedback from the
LAPD about the BolaWrap and therefore it was unlikely that the Company would
secure a sizeable contract with the LAPD; and (6) that, as a result of the foregoing,

1 Defendants' positive statements about the Company's business, operations, and
2 prospects were materially misleading and/or lacked a reasonable basis.

3 36. The truth continued to emerge on August 25, 2020 after the market
4 closed when *Los Angeles Times* reported that the LAPD sought a 180-day extension
5 of the program to continue evaluating the device. The article, entitled "LAPD will
6 keep testing BolaWrap, a device meant to immobilize suspects from a distance,"
7 stated:

8 Los Angeles police will continue testing a tether restraint designed to
9 help immobilize suspects from a distance — known as the BolaWrap —
10 after an initial six-month pilot program produced too little data to gauge
11 the tool's overall effectiveness.

12 At the department's request, the Police Commission unanimously
13 granted a 180-day extension to the program during its meeting Tuesday
14 morning.

15 Since the initial 180-day pilot began in February, LAPD officers have
16 used the BolaWrap a total of nine times. It was deemed "effective" in six
17 instances.

18 According to an LAPD report on those incidents provided to the
19 commission, successful deployments helped take various suspects into
20 custody, including a naked man running through traffic, a suspect
21 wielding a pipe, a suspect with a knife, and an arson suspect.

22 The devices were ineffective in one incident in which a suspect was up
23 against a fence, in another where a suspect wore a very a large, bulky
24 coat, and another in which the officer who fired the tether missed the
25 suspect, the report said.

26 Deputy Chief Martin Baeza told the commission that the department
27 hoped to gather data from more deployments in the coming months to
28 help determine whether to keep using the BolaWrap.

He said the devices were meant to assist officers in bringing potentially
dangerous situations to an end without using more deadly force, and that
he remained optimistic they could serve that purpose.

Baeza said the LAPD was also working with the manufacturer of the
BolaWrap, which provided 200 devices for testing, to see if
improvements might be made to make the devices more effective.

37. On this news, the Company's share price fell \$0.50, or 5.7%, to close at
\$8.27 per share on August 27, 2020, on unusually heavy trading volume.

1 38. On September 3, 2020, Wrap participated in the LD 500 Virtual
2 Conference. During the presentation, defendant Smith stated, in relevant part:

3 We're used in over 210 agencies around the United States, the largest
4 being so far the Los Angeles Police Department, or LAPD. They've
5 trained 1,100 officers and have over 200 devices out on the street. They
6 are about halfway through their field trial, they'll be wrapping that up in
7 early February of next year. *And so far they've had great feedback from
8 the officers and their uses so far.*

9 39. On September 9, 2020, Wrap participated at the 9th Annual Gateway
10 Conference, during which defendant Smith made substantially similar statements as
11 identified in ¶ 38.

12 40. The above statements identified in ¶¶ 38-39 were materially false and/or
13 misleading, and failed to disclose material adverse facts about the Company's
14 business, operations, and prospects. Specifically, Defendants failed to disclose to
15 investors: (1) that there were limited instances in which Wrap's BolaWrap could
16 potentially be used because it requires a minimum of 10 feet between the officer and
17 the suspect; (2) that, as a result, the BolaWrap was reasonably unlikely to be effective
18 in most situations; (3) that the LAPD sought extensions of the pilot program because
19 they needed a larger sample size to assess the effectiveness of the BolaWrap; (4) that
20 the LAPD had not found the BolaWrap to be useful or effective during its 180-day
21 pilot program; (5) that, as a result, Wrap had not received positive feedback from the
22 LAPD about the BolaWrap and therefore it was unlikely that the Company would
23 secure a sizeable contract with the LAPD; and (6) that, as a result of the foregoing,
24 Defendants' positive statements about the Company's business, operations, and
25 prospects were materially misleading and/or lacked a reasonable basis.

26 **Disclosures at the End of the Class Period**

27 41. On September 23, 2020, White Diamond Research published a report
28 entitled "Wrap Technologies: Disastrous LAPD BolaWrap Pilot Program Results, No
Evidence These Have Been Communicated to Investors." The report alleged that,
despite previously touting the LAPD pilot program, Wrap failed to disclose the key

1 findings from the initial 180-day testing period because it was “bad news.”
2 Specifically, the report stated, in relevant part:

3 The company’s management has seemingly failed to disclose, however,
4 a key milestone failure from an LAPD report filed after the six-month
5 trial program finished on 8/25/20. We found this report through our
6 continued research on the company. There isn’t any evidence that
7 company executives have referenced or mentioned the LAPD report.
8 This is the only comprehensive in-field study that has been done on the
9 BolaWrap. So why haven’t the results been released to investors? It’s
10 bad news.

11 Over a six-month period, 200 BolaWrap devices in the hands of 1,100
12 LAPD officers in the field were only used nine times, and only worked
13 once. On an annualized basis, this comes to each BolaWrap is only used
14 0.09 times per year. Or, once every 11 years. At least 191 BolaWraps
15 weren’t used at all in the pilot program, they were just sitting there
16 collecting dust. We believe this was about the worst result that could’ve
17 happened from the program. The only way it could’ve been worse, is if
18 the BolaWrap didn’t work at all.

19 42. The report described the nine incidents in which the BolaWrap had been
20 used, thereby highlighting its limited utility. It stated, in relevant part:

21 The nine incidents of utilization are described in the report. It says that
22 the number of incidents where the device was effective was six times.
23 But looking at it closely, the BolaWrap did what it’s supposed to do, as
24 shown in the WRTC demonstration videos, only once.

25 Analyzing each of the incidents:

- 26 1. A naked man was running in and out of traffic. The BolaWrap was
27 deployed, it hit him in the legs but didn’t wrap. This made the
28 suspect take a fighting stance. An officer deployed his baton on
the suspect, and he was taken into custody without further
incident. This incident is marked as “effective” but it really
wasn’t. It didn’t wrap around and disable the suspect but in fact
made him more hostile as he took a fighting stance. The officer
had to use force with his baton, which could’ve been used without
the BolaWrap and likely end up with the same result.
2. A call came in to report a male with a mental illness. The
BolaWrap wrapped around the suspect but he was wearing a
“puffy jacket” and he immediately pulled his arms free. This
incident was marked “ineffective”.
3. A call came in to report an ADW (Assault with a Deadly Weapon)
suspect. Officers observed the suspect with a pipe in his hands.
The officers told the suspect to drop it, but he wouldn’t comply.
First, the 40mm Less-Lethal Launcher was used to strike the
suspect but had no effect. Then the BolaWrap was deployed at the
suspect’s legs. It didn’t wrap around his legs, but the suspect
immediately complied afterwards. This incident was marked

1 “effective” because no additional force was needed after the
2 BolaWrap was deployed. But again, it wasn’t really effective
3 because it didn’t do what it’s supposed to do, which is wrap around
4 a suspect.

4 4. A call came in to report an ADW suspect with a knife. The suspect
5 failed to comply with officers’ commands. The BolaWrap was
6 deployed at the suspect’s legs and successfully wrapped around
7 him, stopping his advancement. This was the only time out of
8 these nine utilizations that the BolaWrap successfully “wrapped”
9 a suspect.

7 5. Officers were in pursuit of a suspect. The BolaWrap was shot at
8 the suspect’s legs. Again, it didn’t wrap around the suspect’s legs,
9 but it startled the suspect and he was taken into custody. This was
10 marked “effective”, but in our opinion it wasn’t. Again, the
11 BolaWrap didn’t work like it’s supposed to - it didn’t wrap.

10 6. A man was disturbing the peace. The BolaWrap was deployed at
11 the suspect’s legs. It hit the suspect’s legs but didn’t wrap around
12 it completely, and he stepped out of the tether. The officers then
13 utilized a team takedown to take the suspect into custody. This
14 was marked “effective” as it stopped the suspect from walking
15 away. This is more effective than the other times, because he had
16 to actually step out of the tether, which slowed him down. But still,
17 it didn’t wrap completely around his legs.

14 7. A call came in of an arson suspect. The BolaWrap was deployed
15 at the suspect’s legs, it hit him in the knee but didn’t wrap. He was
16 stunned by the impact, and was taken into custody without further
17 incident. Because there wasn’t further incident, it was marked
18 effective, but in reality it was another fail.

17 8. A call came in of a family dispute. The suspect was armed with a
18 large stick. The BolaWrap was shot at his arms, but didn’t wrap,
19 possibly because it hit a fence behind the suspect. The officers
20 then utilized a 40mm Less Lethal Launcher and the suspect was
21 taken into custody. This was marked as ineffective because it
22 didn’t wrap and another tool was necessary to take the suspect into
23 custody.

21 A suspect refused to comply with officers’ orders and the BolaWrap was
22 deployed. It missed the suspect. Therefore, it was deemed ineffective.

23 43. On this news, the Company’s share price fell \$2.07, or 25%, close at
24 \$6.07 per share on September 23, 2020, thereby damaging investors.

25 **CLASS ACTION ALLEGATIONS**

26 44. Plaintiff brings this action as a class action pursuant to Federal Rule of
27 Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and
28 entities that purchased or otherwise acquired Wrap securities between April 29, 2020

1 and September 23, 2020, inclusive, and who were damaged thereby (the “Class”).
2 Excluded from the Class are Defendants, the officers and directors of the Company,
3 at all relevant times, members of their immediate families and their legal
4 representatives, heirs, successors, or assigns, and any entity in which Defendants have
5 or had a controlling interest.

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

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

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

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

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

27
28

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

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

6 49. 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 them.
11 There will be no difficulty in the management of this action as a class action.

12 **UNDISCLOSED ADVERSE FACTS**

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

20 51. During the Class Period, Defendants materially misled the investing
21 public, thereby inflating the price of Wrap'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 failed
25 to disclose material adverse information and/or misrepresented the truth about Wrap's
26 business, operations, and prospects as alleged herein.

27 52. 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 Wrap'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 Company's
10 securities at artificially inflated prices, thus causing the damages complained of herein
11 when the truth was revealed.

12 **LOSS CAUSATION**

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

15 54. During the Class Period, Plaintiff and the Class purchased Wrap'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 the
18 market, and/or the information alleged herein to have been concealed from the market,
19 and/or the effects thereof, were revealed, causing investors' losses.

20 **SCIENTER ALLEGATIONS**

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

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

5 **APPLICABILITY OF PRESUMPTION OF RELIANCE**
6 **(FRAUD-ON-THE-MARKET DOCTRINE)**

7 56. The market for Wrap’s securities was open, well-developed and efficient
8 at all relevant times. As a result of the materially false and/or misleading statements
9 and/or failures to disclose, Wrap’s securities traded at artificially inflated prices
10 during the Class Period. On July 17, 2020, the Company’s share price closed at a
11 Class Period high of \$13.35 per share. Plaintiff and other members of the Class
12 purchased or otherwise acquired the Company’s securities relying upon the integrity
13 of the market price of Wrap’s securities and market information relating to Wrap, and
14 have been damaged thereby.

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

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

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

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

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

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

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

22 60. A Class-wide presumption of reliance is also appropriate in this action
23 under the Supreme Court’s holding in *Affiliated Ute Citizens of Utah v. United States*,
24 406 U.S. 128 (1972), because the Class’s claims are, in large part, grounded on
25 Defendants’ material misstatements and/or omissions. Because this action involves
26 Defendants’ failure to disclose material adverse information regarding the Company’s
27 business operations and financial prospects—information that Defendants were
28 obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All

1 that is necessary is that the facts withheld be material in the sense that a reasonable
2 investor might have considered them important in making investment decisions.
3 Given the importance of the Class Period material misstatements and omissions set
4 forth above, that requirement is satisfied here.

5 **NO SAFE HARBOR**

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

21 **FIRST CLAIM**

22 **Violation of Section 10(b) of the Exchange Act and**
23 **Rule 10b-5 Promulgated Thereunder**
24 **Against All Defendants**

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

27 63. During the Class Period, Defendants carried out a plan, scheme and
28 course of conduct which was intended to and, throughout the Class Period, did: (i)

1 deceive the investing public, including Plaintiff and other Class members, as alleged
2 herein; and (ii) cause Plaintiff and other members of the Class to purchase Wrap's
3 securities at artificially inflated prices. In furtherance of this unlawful scheme, plan
4 and course of conduct, Defendants, and each defendant, took the actions set forth
5 herein.

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

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

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

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

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

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

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

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

21 72. As a direct and proximate result of Defendants’ wrongful conduct,
22 Plaintiff and the other members of the Class suffered damages in connection with
23 their respective purchases and sales of the Company’s securities during the Class
24 Period.

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1 **SECOND CLAIM**

2 **Violation of Section 20(a) of the Exchange Act**
3 **Against the Individual Defendants**

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

6 74. Individual Defendants acted as controlling persons of Wrap within the
7 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their
8 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 Company,
13 including the content and dissemination of the various statements which Plaintiff
14 contends are false and misleading. Individual Defendants were provided with or had
15 unlimited access to copies of the Company's reports, press releases, public filings,
16 and other statements alleged by Plaintiff to be misleading prior to and/or shortly after
17 these statements were issued and had the ability to prevent the issuance of the
18 statements or cause the statements to be corrected.

19 75. 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 76. As set forth above, Wrap and Individual Defendants each violated
24 Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint.
25 By virtue of their position as controlling persons, Individual Defendants are liable
26 pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of
27 Defendants' wrongful conduct, Plaintiff and other members of the Class suffered
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1 damages in connection with their purchases of the Company's securities during the
2 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 the
6 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 sustained
9 as a result of Defendants' wrongdoing, in an amount to be proven at trial, including
10 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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