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8 Counsel for Plaintiff

9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

11 _____, Individually and on behalf of
12 all others similarly situated,

13 Plaintiff,

14 v.

15 PERFORMANCE SPORTS GROUP
16 LTD., KEVIN DAVIS, MARK
17 VENDETTI, AND AMIR
18 ROSENTHAL,

19 Defendants.

Case No:

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

JURY TRIAL DEMANDED

20
21 Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons
22 similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s Complaint
23 against Defendants (defined below), alleges the following based upon personal
24 knowledge as to Plaintiff and Plaintiff’s own acts, and upon information and
25 belief as to all other matters based on the investigation conducted by and through
26 Plaintiff’s attorneys, which included, among other things, a review of U.S.
27 Securities and Exchange Commission (“SEC”) filings by Performance Sports
28 Group Ltd., (“PSG” or the “Company”), as well as media and analyst reports

1 about the Company. Plaintiff believes that substantial evidentiary support will
2 exist for the allegations set forth herein after a reasonable opportunity for
3 discovery.

4
5 **NATURE OF THE ACTION**

6 1. This is a federal securities class action on behalf of a class consisting
7 of all persons other than Defendants who purchased PSG securities from August
8 27, 2015 through March 7, 2016, both dates inclusive (the “Class Period”),
9 seeking to recover compensable damages caused by Defendants’ violations of
10 federal securities laws and pursue remedies under the Securities Exchange Act of
11 1934 (the “Exchange Act”).

12
13 **JURISDICTION AND VENUE**

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

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

19 4. Venue is proper in this District pursuant to §27 of the Exchange Act
20 and 28 U.S.C. §1391(b) as Defendants conducts business in this district and has
21 offices and operations in this District.

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

PARTIES

1
2 6. Plaintiff, as set forth in the accompanying certification, incorporated
3 by reference herein, purchased PSG securities at artificially inflated prices during
4 the Class Period and has been damaged thereby.

5 7. Defendant PSG is a Canadian corporation with its principal executive
6 offices located in Exeter, New Hampshire. The Company maintains offices in
7 Irvine and Van Nuys, California. PSG securities trade on the New York Stock
8 Exchange (“NYSE”) under the ticker symbol “PSG.”

9 8. Defendant Kevin Davis (“Davis”) has served as the Company’s Chief
10 Executive Officer (“CEO”) and a director throughout the Class Period.

11 9. Defendant Mark Vendetti (“Vendetti”) has served as the Company’s
12 Chief Financial Officer (“CFO”) since December 2015.

13 10. Defendant Amir Rosenthal (“Rosenthal”) served as CFO from the
14 beginning of the Class Period until December 2015 when he was named President
15 of PSG Brands. Defendant Rosenthal oversees each brand within the PSG
16 portfolio and is responsible for all aspects of the brands’ businesses.

17 11. The Defendants Davis, Vendetti, and Rosenthal are sometimes
18 referred to herein as the “Individual Defendants.”

19 12. Defendant PSG and the Individual Defendants are referred to herein,
20 collectively, as the “Defendants.”

21 13. Each of the Individual Defendants:

- 22 a. directly participated in the management of the Company;
- 23 b. was directly involved in the day-to-day operations of the
24 Company at the highest levels;
- 25 c. was privy to confidential proprietary information concerning
26 the Company and its business and operations;
- 27
- 28

1 d. was involved in drafting, producing, reviewing and/or
2 disseminating the false and misleading statements and information alleged
3 herein;

4 e. was aware of or recklessly disregarded the fact that the false
5 and misleading statements were being issued concerning the Company; and

6 f. approved or ratified these statements in violation of the federal
7 securities laws.

8 14. As officers, directors, and controlling persons of a publicly-held
9 company whose securities are and were registered with the SEC pursuant to the
10 Exchange Act, and was traded on NYSE and governed by the provisions of the
11 federal securities laws, the Individual Defendants each had a duty to disseminate
12 accurate and truthful information promptly with respect to the Company's
13 business prospects and operations, and to correct any previously-issued statements
14 that had become materially misleading or untrue to allow the market price of the
15 Company's publicly-traded stock to reflect truthful and accurate information.

16 15. PSG is liable for the acts of the Individual Defendants and its
17 employees under the doctrine of respondeat superior and common law principles
18 of agency as all of the wrongful acts complained of herein were carried out within
19 the scope of their employment with authorization.

20 16. The scienter of the Individual Defendants and other employees and
21 agents of the Company is similarly imputed to PSG under respondeat superior and
22 agency principles.

23 **SUBSTANTIVE ALLEGATIONS**

24 **Background**

25 17. PSG designs, manufactures, and markets performance sports
26 equipment and related apparel for hockey, baseball, softball, and lacrosse. The
27 Company owns the brands Bauer, Mission, Cascade, Inaria, Combat, and Easton.
28

1 18. PSG's products are sold by sales representatives and independent
2 distributions throughout the world. Many of PSG's products are sold to consumers
3 from sporting good stores or through online retailers.

4 19. Team Express Distributing, LLC doing business as Baseball Express,
5 LLC ("Team Express") is an online retailer for sporting goods selling
6 predominately baseball and softball equipment. Team Express is a large customer
7 of PSG.

8 20. Team Express operates the websites www.teamexpress.com,
9 www.baseballexpress.com, www.softball.com www.basketballexpress.com,
10 www.footballamerica.com, www.lacrosseexpress.com, and www.fanatics.com.

11 21. On February 20, 2015, it was reported that The Sports Authority Inc.
12 ("Sports Authority") was in financial risk. CNNMoney published the article,
13 "Sports Authority said to be at 'high' risk of default," which states in relevant
14 part:

15 Credit rating analyst Moody's has cut its rating on Sports Authority's
16 debt deeper into junk bond status and warned the chain could be less
17 than a year away from defaulting on a \$300 million loan.

18 "At these operating levels, Sports Authority's capital structure is
19 unsustainable over the longer term, and the risk of a default ... is
20 high," wrote analyst Michael Zuccaro in the note.

21 Sports Authority has more than 450 stores in 41 states. It is facing
22 increased competition from Dick's Sporting Goods (DKS), which had
23 about 600 stores as of its late last year, after opening nearly 50 in the
last year.

24 Sports Authority is owned by investment firm Leonard Green &
25 Partners, which took it private in 2006. The firm was not immediately
26 available for comment early Friday.

27 But beyond competition from Dick's, Sports Authority is facing the
28 problem of other brick-and-mortar stores struggling to keep up with
online retailers such as Amazon (AMZN, Tech30).

1 22. PSG had seven primary hockey customers in the U.S. until mid-2015
2 when there was a consolidation amongst its customers.

3 23. On or around June 24, 2015, Players Bench, Corp., a Denver-based
4 hockey and lacrosse sporting goods retailer, and Total Hockey Inc., a St. Louis-
5 based hockey retailer, announced that Total Hockey Inc. will be acquiring Player
6 Bench, Corp. Both companies were customers of PSG.

7 24. On October 2, 2015, Pure Hockey announced that it acquired all
8 assets and ongoing business of SportsGiant, LLC. This included the ice hockey
9 retailer, Hockey Giant. Pure Hockey and Hockey Giant were both PSG customers.

10 25. On December 18, 2015, Bloomberg Business published the article,
11 “Sports Authority Faces Big Debt Wall After Dick’s Pulls Ahead,” which detailed
12 the troubles at Sports Authority such as the lack of business growth still at levels
13 from 2006, not keeping up with competition, and its looming bankruptcy. The
14 article states in relevant part:

15 **Advisers Arrive**

16 Senior lenders to Sports Authority have brought in investment bank
17 PJT Partners Inc. and law firm Brown Rudnick LLP, and the company
18 has hired advisers including Rothschild & Co. to manage its more
19 than \$643 million in debt, Bloomberg News reported earlier. The
20 company is also working with Gibson Dunn & Crutcher LLP,
21 according to people familiar with the situation. A spokeswoman at
22 Gibson Dunn declined to comment.

23 Little is crystal clear about the company’s finances, since it doesn’t
24 submit publicly available regulatory filings, hold conference calls or
25 release earnings reports. Zuccaro said there’s still enough information
26 to conclude Sports Authority is in trouble.

27 Debt to earnings before interest, taxes, depreciation and amortization
28 ratio jumped to about 6.3 times as of May, he wrote in a July report,
from 4.7 two years earlier. EBITDA-to-interest is a measure of how
well a company can service its debt, and Zuccaro said the Sports

1 Authority's ratio is "well under" 1, meaning earnings aren't sufficient
2 to cover interest payments. Just two years ago, that ratio was 1.2.
3 "At these levels," Zuccaro said, "refinancing could be a challenge."

4 26. On December 2, 2015, Bloomberg News Enterprise published the
5 article "Sports Authority Lenders Said to Hire Advisers for Restructuring." The
6 article discusses the financial stress the Sports Authority was in and steps it was
7 taking in preparation for bankruptcy, stating in relevant part:

8 Lenders to The Sports Authority Inc. have hired advisers to protect
9 their investments as the private equity backed retailer prepares to
10 restructure its debt, according to three people with knowledge of the
11 matter.

12 A group of senior lenders who hold some of the company's \$300
13 million term loan retained investment bank PJT Partners Inc. and law
14 firm Brown Rudnick LLP as the company tries to get its \$643 million
15 of debt under control, said the people, who asked not to be identified
16 because the appointments haven't been made public.

17 Holders of Sports Authority's junior-ranked debt are scheduled to
18 meet with financial advisers Wednesday to hear proposals on how
19 they'd guide creditors through restructuring negotiations, the people
20 said.

21 Sports Authority, which is controlled by Leonard Green & Partners
22 LP and has 467 stores, hired financial adviser Rothschild & Co. in an
23 effort to help manage its debt, people with knowledge of that
24 appointment said last month. The sporting goods chain is dealing with
25 shrinking profits amid intense competition, according to a July 1
26 report from Moody's Investors Service.

27 27. On March 2, 2016, The Sports Authority filed for Chapter 11
28 Bankruptcy protection.

1
2 30. After the market closed on January 13, 2016, the Company issued a
3 press release announcing its financial results for the quarter ended November 30,
4 2015 and giving an overview of the different segments of PSG's business. The
5 press release also lowered the previously issued guidance for fiscal year ending
6 May 31, 2016. The press release states in part:

7
8 **Performance Sports Group Reports Fiscal**
9 **Second Quarter 2016 Results**

10 Given the continued weakening of the Canadian dollar since our last
11 stated guidance, *we are revising our fiscal 2016 guidance and now*
12 *expect Adjusted Net Income to range between \$0.66 and \$0.69 per*
13 *share*. Additionally, we expect Adjusted EPS to range between \$0.09
14 and \$0.10 in our fiscal 2016 third quarter and between \$0.31 and
15 \$0.33 in our fourth quarter. These expectations assume current foreign
16 exchange rates hold in the remainder of our year. In fiscal 2016, we
17 continue to expect that, on a currency-neutral basis, our businesses
18 will outpace the growth of the markets we serve, resulting in revenue
19 gains and increased profitability. Looking to fiscal 2017, at current
20 rates, we expect our results during the first half of the year to be
21 impacted by year-over-year declines in exchange rates, partially offset
22 by the execution of our cost saving initiatives.

23 * * *

24 Baseball/Softball EBITDA in the second quarter decreased 31%
25 (including and excluding the impact of foreign currency) to \$7.9
26 million, *which was largely driven by a bad debt write-off related to*
27 *outstanding receivables for an internet baseball retailer that filed for*
28 *bankruptcy reorganization*, as well as the aforementioned product
launch timing differences, EASTON product mix, and other SG&A
investments in marketing and IT which were partially offset by a
reduction in performance-based incentives.

(Emphasis added).

1
2 31. The statements referenced in ¶¶ 28 – 30 above were materially false
3 and/or misleading because they misrepresented and failed to disclose the
4 following adverse facts pertaining to the Company’s business, operational and
5 financial results, which were known to Defendants or recklessly disregarded by
6 them. Specifically, Defendants made false and/or misleading statements and/or
7 failed to disclose that: (1) the Sports Authority’s financial woes would impact
8 PSG’s financial performance; (2) the baseball and softball markets were in
9 decline; (3) the consolidation of PSG’s U.S. Hockey customers would create a
10 smaller demand for hockey equipment; and (4) as a result, Defendants’ statements
11 about PSG’s business, operations and prospects were materially false and
12 misleading and/or lacked a reasonable basis at all relevant times.

13
14 **The Truth Slowly Emerges**

15 32. On December 16, 2015, Team Express filed for Chapter 11
16 Bankruptcy protection in the U.S. District Court in the Western District of Texas.
17 According to the bankruptcy petition, Easton Sports – a division of PSG – is Team
18 Express’ largest creditor with an unsecured claim of \$3,817,032.90.

19 33. On news of Team Express’ bankruptcy, share of PSG fell \$0.37 per
20 share or approximately 3.6% to close at \$9.80 per share on December 17, 2016,
21 damaging investors.

22 34. On March 8, 2016, before the market opened, the Company issued a
23 press release revising guidance for the year ending May 31, 2016. The press
24 release states in relevant part:

25 **Performance Sports Group Revises Fiscal 2016 Outlook and**
26 **Reports Preliminary Fiscal Third Quarter Results**

27 - Investor Call Scheduled Today at 8:00 a.m. E.T. –
28

1 EXETER, NH - March 8, 2016 - Performance Sports Group Ltd.
2 (NYSE: PSG) (TSX: PSG) (“Performance Sports Group” or the
3 “Company”), a leading developer and manufacturer of high
4 performance sports equipment and apparel, has revised its outlook for
5 its 2016 fiscal year and reported preliminary results for its fiscal third
6 quarter ended February 29, 2016. All figures are in U.S. dollars.
7 Certain metrics, including those expressed on an adjusted and/or
8 constant currency basis, are non-GAAP financial measures (see
9 “Non-GAAP Financial Measures” below). All figures exclude the
10 accounting gain the Company expects to record in the third quarter of
11 fiscal 2016 associated with its acquisition of Easton Hockey in
12 January 2016. *The Company has reduced its fiscal year 2016*
13 *Adjusted EPS guidance by approximately \$0.55 per diluted share to*
14 *approximately \$0.12 to \$0.14 per diluted share as compared to its*
15 *prior publication of guidance (\$0.66 to \$0.69 per diluted share),*
16 *primarily as a result of the following three factors: (i) a write down*
17 *of the receivable balance from a U.S. national sporting goods*
18 *retailer that has filed under chapter 11 and the related anticipated*
19 *loss of sales from this retailer (\$0.09 per share); (ii) an anticipated*
20 *reduction in sales, particularly due to weakness in the*
21 *baseball/softball market (\$0.31 per share); and (iii) additional bad*
22 *debt reserves primarily for certain U.S. hockey customers and the*
23 *related anticipated loss of sales from such customers (\$0.19 per*
24 *share).*

25 (Emphasis added).

26 35. About an hour after the press release, the Company held a conference
27 call to discuss the revised fiscal year 2016 guidance and the preliminary third
28 quarter of 2016 results. Defendant Davis stated in relevant part:

29 The second half of fiscal 2016 has been impacted by *adverse market*
30 *conditions and related customer credit issues. The baseball/softball*
31 *market is experiencing an unexpected significant downturn in retail*
32 *sales, including in our important bat category. This weakening of*
33 *consumer demand, coupled with the chapter 11 filing by one of our*
34 *largest US national sporting goods retailers, is reducing our sales*
35 *for baseball and softball products. Additionally, the consolidation of*
36 *hockey retail in the US has reduced our customers’ demand for*

1 *products more than we previously anticipated as they continue to*
2 *reduce their inventory levels.*

3 In light of these events and challenges, including the bankruptcy of an
4 Internet baseball retailer in the second quarter, we decided to increase
5 our bad debt reserves for certain of our US hockey and
6 baseball/softball customers.

7 (Emphasis added).

8 36. On the same conference call, Defendant Vendetti stated in relevant
9 part:

10 *We have reduced our fiscal year 2016 adjusted EPS guidance by*
11 *approximately \$0.55 per diluted share to approximately \$0.12 to*
12 *\$0.14 per diluted share as compared to prior publication of guidance*
13 *of \$0.66 to \$0.69 per diluted share.* On a constant currency basis,
14 2016 adjusted EPS is expected to range between approximately \$0.64
15 and \$0.66 per diluted share.

16 * * *

17 The weakness that we're seeing in baseball is coming not only from
18 sports authority, as you point out. As we said a minute ago, the
19 bankruptcy situation that they are going through caused us to not only
20 write-down their receivable but also take their future sales out of our
21 forecast. There's other weakness in sell-through in the market with
22 other of our customers. There is also, as I noted in the comments that I
23 made during the prepared remarks, there's little bit of a general CSA
24 effect, which is discouraging and impacting orders from other
25 customers, given that there is the possibility of a significant amount of
26 inventory in the marketplace that would be on discounted terms, so
27 it's all of those factors combined. And as I indicated, also there is a
28 possibility that the wetter and colder weather that we've seen in many
parts of the country had an impact as well. It's very hard to quantify
that.

(Emphasis added).

1 37. On the same conference call, Defendant Rosenthal stated in relevant
2 part:

3 As Kevin mentioned in his remarks, we've seen an unexpected
4 significant downturn in retail sell-through in the baseball/softball
5 category, particularly in bat. Easton's market share in bat is larger
6 than any other category, Easton's market share in bat is larger than
7 any other category, but the slowdown in sell-through for bat was a
8 disproportionate impact on Easton's versus other competitors in the
9 baseball/softball market.

10 *There were some indications that customer demand was softer than*
11 *expected coming out of the holiday season, but we did not expect*
12 *this reduced demand to fall further as it did later in the third*
13 *quarter.* It was only toward the end of the third quarter that it became
14 apparent the extent to which demand had fallen and how, in
15 connection with the bankruptcy of a large US national sporting goods
16 retailer that is filed under Chapter 11, this would reduce sales in the
17 second half of fiscal 2016.

18 At this time, we do not believe that this weakening is related to the
19 upcoming BBCOR standard change for youth bat. It is possible that
20 the unusually cold and wet winter in certain parts of the United States
21 has played a role in the market dynamics that we're experiencing. It is
22 also worth noting that a meaningful amount of our baseball products
23 were sold to retailers on an at-once basis. These customers tend to
24 have more sophisticated point-of-sale analytics than our on hockey
25 customers, who were typically smaller. And that means we receive
26 information about retailers purchasing decision much closer to their
27 actual shipment and without as much advanced notice as we have in
28 our hockey business.

29 *We believe that the recent bankruptcy filing of a large US national*
30 *sporting goods retailer may also be affecting other baseball retailers,*
31 *who have either cancelled orders or are hesitant to place orders in*
32 *anticipation (technical difficulty). As we mentioned in our second*
33 *quarter call, four of our Top 7 retailers in hockey have consolidated*
34 *in the US over the past several months. This consolidation process*
35 *reduced our customers' demand for products more than we*

1 *previously anticipated, as they continue to reduce their inventory*
2 *levels.*

3 As Kevin mentioned, in light of the challenges we are facing and
4 *recent bankruptcy filings of an online baseball retailer in the second*
5 *fiscal quarter and a large US national sporting goods retailer in the*
6 *third fiscal quarter, we have increased our potential bad debt reserve*
7 *for a limited number of our US customers, primarily in hockey, but*
8 *also in baseball/softball.*

9 * * *

10 So, to be clear, we have not seen any bankruptcies among our
11 retailers, which has caused us to take the bad debt reserves that we
12 have. It's not a bankruptcy that is caused it, but other developments
13 with their earnings history and outstanding balances. *The focus of*
14 *that bad debt reserve is on a variety of customers in our US hockey*
15 *market.* So, we don't have much more that we can add to the points
16 that we've said so far. *But other than what we've previously talked*
17 *about in the US market, four of our Top 7 retailers have emerged.*
18 *And when that happens, it's not unusual to see a period of time*
19 *where there is redundant inventory from those business*
20 *combinations. And we experienced the similar situation in the*
21 *Canadian hockey market several years ago, when three of our Top 5*
22 *customers combined over a two-year period. So we'll expect the*
23 *consolidation in the US market to have a similar effect for us and*
24 *we have every intention of working closely with those customers that*
25 *are both impacted by the consolidation that's happening in the US*
26 *and those who are outside of that group as they navigate through*
27 *the current situation.*

28 (Emphasis added).

38. On this news, shares of PSG fell \$5.75 per share or over 66% to close
at \$2.91 per share on March 8, 2016, damaging investors.

39. 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.

- 1 • whether the federal securities laws were violated by Defendants' acts
- 2 as alleged herein;
- 3 • whether statements made by Defendants to the investing public
- 4 during the Class Period misrepresented material facts about the
- 5 business, operations and management of PSG;
- 6 • whether the Individual Defendants caused PSG to issue false and
- 7 misleading financial statements during the Class Period;
- 8 • whether Defendants acted knowingly or recklessly in issuing false
- 9 and misleading financial statements;
- 10 • whether the prices of PSG securities during the Class Period were
- 11 artificially inflated because of the Defendants' conduct complained of
- 12 herein; and
- 13 • whether the members of the Class have sustained damages and, if so,
- 14 what is the proper measure of damages.

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

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

- 24 • Defendants made public misrepresentations or failed to disclose
- 25 material facts during the Class Period;
- 26 • the omissions and misrepresentations were material;
- 27 • PSG securities are traded in an efficient market;
- 28

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

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

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

19
20 **COUNT I**

21 **Violations of Section 10(b) of The Exchange Act and Rule 10b-5**
22 **Against All Defendants**

23 49. Plaintiff repeats and realleges each and every allegation contained
24 above as if fully set forth herein.

25 50. This Count is asserted against Defendants and is based upon Section
26 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated
27 thereunder by the SEC.

1 51. During the Class Period, Defendants engaged in a plan, scheme,
2 conspiracy and course of conduct, pursuant to which they knowingly or recklessly
3 engaged in acts, transactions, practices and courses of business which operated as
4 a fraud and deceit upon Plaintiff and the other members of the Class; made various
5 untrue statements of material facts and omitted to state material facts necessary in
6 order to make the statements made, in light of the circumstances under which they
7 were made, not misleading; and employed devices, schemes and artifices to
8 defraud in connection with the purchase and sale of securities. Such scheme was
9 intended to, and, throughout the Class Period, did: (i) deceive the investing public,
10 including Plaintiff and other Class members, as alleged herein; (ii) artificially
11 inflate and maintain the market price of PSG securities; and (iii) cause Plaintiff
12 and other members of the Class to purchase or otherwise acquire PSG securities at
13 artificially inflated prices. In furtherance of this unlawful scheme, plan and course
14 of conduct, Defendants, and each of them, took the actions set forth herein.

15 52. Pursuant to the above plan, scheme, conspiracy and course of
16 conduct, each of the Defendants participated directly or indirectly in the
17 preparation and/or issuance of the annual reports, SEC filings, press releases and
18 other statements and documents described above, including statements made to
19 securities analysts and the media that were designed to influence the market for
20 PSG securities. Such reports, filings, releases and statements were materially false
21 and misleading in that they failed to disclose material adverse information and
22 misrepresented the truth about PSG's disclosure controls and procedures.

23 53. By virtue of their positions at PSG, Defendants had actual knowledge
24 of the materially false and misleading statements and material omissions alleged
25 herein and intended thereby to deceive Plaintiff and the other members of the
26 Class, or, in the alternative, Defendants acted with reckless disregard for the truth
27 in that they failed or refused to ascertain and disclose such facts as would reveal
28 the materially false and misleading nature of the statements made, although such

1 facts were readily available to Defendants. Said acts and omissions of Defendants
2 were committed willfully or with reckless disregard for the truth. In addition, each
3 defendant knew or recklessly disregarded that material facts were being
4 misrepresented or omitted as described above.

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

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

24 56. During the Class Period, PSG securities were traded on an active and
25 efficient market. Plaintiff and the other members of the Class, relying on the
26 materially false and misleading statements described herein, which the Defendants
27 made, issued or caused to be disseminated, or relying upon the integrity of the
28 market, purchased or otherwise acquired shares of PSG securities at prices

1 artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other
2 members of the Class known the truth, they would not have purchased or
3 otherwise acquired said securities, or would not have purchased or otherwise
4 acquired them at the inflated prices that were paid. At the time of the purchases
5 and/or acquisitions by Plaintiff and the Class, the true value of PSG securities was
6 substantially lower than the prices paid by Plaintiff and the other members of the
7 Class. The market price of PSG securities declined sharply upon public disclosure
8 of the facts alleged herein to the injury of Plaintiff and Class members.

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

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

17
18 **COUNT II**

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

21 59. Plaintiff repeats and realleges each and every allegation contained in
22 the foregoing paragraphs as if fully set forth herein.

23 60. During the Class Period, the Individual Defendants participated in the
24 operation and management of PSG, and conducted and participated, directly and
25 indirectly, in the conduct of PSG's business affairs. Because of their senior
26 positions, they knew the adverse non-public information about PSG's operations,
27 current financial position and future business prospects.

