

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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[REDACTED], Individually and on Behalf of All Others Similarly Situated,	:	Civil Action No.
	:	
Plaintiff,	:	<u>CLASS ACTION</u>
	:	
vs.	:	COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS
	:	
SUPERCOM LTD., ARIE TRABELSI, TSVIYA TRABELSI, ORDAN TRABELSI, BARAK TRABELSI and SIMONA GREEN,	:	
	:	
Defendants.	:	
	:	
	:	<u>DEMAND FOR JURY TRIAL</u>

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Plaintiff [REDACTED] (“plaintiff”), 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 upon information and belief as to all other matters based on the investigation conducted by and through plaintiff’s attorneys, which included, among other things, a review of Securities and Exchange Commission (“SEC”) filings by SuperCom Ltd. (“SuperCom” or the “Company”), as well as conference call transcripts and media and analyst reports about the Company. 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 securities class action on behalf of all purchasers of SuperCom common stock between June 1, 2015 and November 27, 2015, inclusive (the “Class Period”). Plaintiff seeks to pursue remedies against SuperCom and certain of its most senior executives under §§10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and Rule 10b-5 promulgated thereunder.

2. Defendant SuperCom, headquartered in Herzliya, Israel, provides traditional and digital identity solutions to governments and private and public organizations worldwide. The Company was founded in 1988 as SuperCom, changed its name to Vuanice Ltd. in 2007 and changed its name back to SuperCom in March 2013. Meanwhile, in addition to being listed on European stock exchanges, the ordinary shares of SuperCom were listed for trade in the United States on the NASDAQ Capital Market (“NASDAQ”) beginning in August 2007, until being delisted for failing to comply with listing requirements on October 1, 2009.

3. As explained in March 2013, in addition to changing its name back to SuperCom, the Company was also embarking on a new program designed to attract more international investment,

in particular investment from the United States, in order to requalify for a new listing on the NASDAQ. Speaking for the Company, defendant Arie Trabelsi, who had joined SuperCom as its Chief Executive Officer (“CEO”) in late 2010, stated to the investment community: “I am proud to re-launch the new Supercom. The year 2012 was a fantastic turnaround year for us . . . . As we move through 2013, and we begin to increasingly realize our potential, we have upgraded our outreach and investor relation activities. Our aim is to better realize the true value of our company by increasing our transparency and communication levels with our existing shareholders and new investors.” In addition to Arie Trabelsi, SuperCom executives also include his wife, Tsviya Trabelsi, who serves as Chairperson of the SuperCom Board of Directors, his son Ordan Trabelsi, who serves as President of SuperCom in the United States, and his other son Barak Trabelsi, who serves as Vice President of the Company’s M2M division.

4. Unfortunately for investors, SuperCom has fallen far short of its “aim” of “increasing [its] transparency” with “new investors.” Instead, the family-dominated Company has employed subterfuge to raise capital from the U.S. capital markets at fraud-inflated prices. After obtaining its NASDAQ listing, in December 2013, the Company promptly issued and sold three million shares in an underwritten stock offering in the United States at \$4 per share, reaping more than \$12 million in gross proceeds.

5. In early-2015, defendants began priming the pump for another, much larger capital raise. When the Company reported its 2014 financial results on March 26, 2015, it claimed to be on track to report revenue growth for the full year ended December 31, 2015 that would exceed 40% on a year-over-year basis and that it then anticipated non-GAAP<sup>1</sup> earnings per share (“EPS”) in 2015 to exceed \$1.20 per share.

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<sup>1</sup> “GAAP” financial reporting complies with Generally Accepted Accounting Principles.

6. Reporting the Company's first quarter 2015 results for the period ended March 31, 2015 at the start of the Class Period on June 1, 2015, the Company emphasized that its revenue had increased by 45% to \$7.7 million in the quarter compared to \$5.3 million in the first quarter of 2014 and that its GAAP operating income had increased by 91% to \$ 2.6 million compared to \$1.4 million in the first quarter 2014. Stating that the Company had “executed well in the first quarter and maintained strong margins while growing the company according to [its] business plan,” defendant Arie Trabelsi emphasized in the release that “[i]n addition to generating strong year-over-year revenue and earnings growth, *[SuperCom had] continued to advance [its] long-term growth strategy, and made significant progress towards strengthening and expanding [its] solution offerings in [its] fast growing target markets.*” He further emphasized that the Company was “increasingly excited about [its] pipeline of opportunities, which” “continued to grow as *[SuperCom] advanced a number of important tenders during the quarter,*” stating that “[i]n the M2M(IoT) arena, more and more government agencies and organizations in the Americas, Europe, and Asia ha[d] selected and decided to adopt SuperCom’s Electronic Monitoring solution, creating brand recognition and *driving growth in [its] pipeline,*” which kept the Company on track to achieve its previously issued “2015 guidance of revenue growth for the full year ended December 31, 2015 *to exceed 40% or \$41.6 million on a year-over-year basis*” and “non-GAAP EPS in 2015 *to exceed \$1.20 per share.*”

7. As intended, the market price of SuperCom shares surged on these statements, closing up approximately 12% at \$12.09 per share on June 1, 2015 on unusually high trading volume. Immediately thereafter, the Company issued and sold another 2.415 million shares in a second underwritten stock offering in the United States, this time at \$12 per share, raising approximately \$29 million in gross proceeds.

8. When the Company reported its second quarter 2015 results on September 16, 2015, the price of SuperCom shares declined moderately as the Company reported having only taken in \$15.4 million in revenue it could recognize in the quarter, only a 24% increase over the second quarter of 2014, claiming that the Company had been forced to “recognize[] nearly \$2 million of high-margin revenues that [it] expected to recognize in late June, during the first weeks of July, shortly after the quarter closed.” Nonetheless, the price of SuperCom shares remained artificially inflated in the market based on other statements attributed to defendant Arie Trabelsi that SuperCom again “executed according to plan in the second quarter, achieving revenue growth and strong margins **while dramatically broadening [its] new business pipeline and solution offerings in [its] fast growing target markets,**” “executed on a number of strategic and operational initiatives including securing more than \$7 million in follow on orders from existing e-ID customers, winning a highly strategic electronic offender monitoring tender with a new European government customer and strengthening [its] balance sheet by raising approximately \$27 million [in] net proceeds from a successful public offering,” and “made significant progress to strengthen and expand [its] e-ID and M2M businesses, while further developing [its] secure mobile payment offering and strengthening [its] market position.” Defendant Arie Trabelsi further emphasized that “**[t]he number, quality, stage and size of opportunities in [SuperCom’s] pipeline [was] increasingly encouraging,**” that, “[b]ased on the number of open proposals [the Company had] around the globe in various stages and in light of [its] strengthened balance sheet following the successful offering, [the Company was] **well positioned to win additional new contracts this year,**” and that “[w]ith a growing base of recurring revenues and increasing demand for [SuperCom’s] solutions,” **the Company would “meet the guidance previously issued,** adjusted to the increased new share count as a result of the successful public offering . . . completed in June.”

9. On September 30, 2015, the Company received a letter from the SEC challenging certain errors in its 2014 annual financial report and demanding broader explanations of changes to sources of reported revenue in the future.

10. On November 17, 2015, the Company suddenly reported that its relatively newly appointed “Acting” Chief Financial Officer (“CFO”), Simona Green, was “departing,” with no replacement having been selected, and that SuperCom was also bringing on a new Chief Information Officer.

11. When SuperCom finally disclosed its preliminary third quarter 2015 results for the period ended September 30, 2015 on November 30, 2015, *two months after the end of that quarter*, the Company acknowledged once again significantly missing its own revenue target, this time disclosing that the Company only expected third quarter 2015 revenues to come in at \$5.5-\$6.1 million, *less than half of the \$13.38 million the Company had led the investment community to expect*, and also acknowledging that it would be forced to slash its fiscal year 2015 revenue and earnings guidance. Once again the Company blamed the miss on purported revenue that it claimed could not be recognized during the quarter – despite its prior adamant claims to having a strong and broadening pipeline – disclosing that its ““financial performance in the third quarter and full-year were impacted by [its] inability to recognize more than \$10 million of revenues that were expected this year, mainly due to delays associated with foreign government customers,”” and acknowledging that the Company would not see the \$10 million until 2016, *if ever*. The Company also disclosed that its newly appointed Acting CFO would need until at least December 2015 to reconcile the Company’s financial reporting and formally report its third quarter 2015 financial results.

12. On this news, the price of SuperCom common stock plummeted by more than \$3 per share, or 40%, from its close of \$7.70 per share on November 27, 2015 to close at \$4.60 per share on

November 30, 2015, on unusually heavy trading volume of more than 3.3 million shares traded, approximately 20 times the average daily trading volume during the preceding ten trading sessions.

### **JURISDICTION AND VENUE**

13. Jurisdiction is conferred by §27 of the Exchange Act. The claims asserted herein arise under §§10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1331 and §27 of the Exchange Act.

14. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b) as many of the false and misleading statements alleged herein were disseminated from this District. SuperCom's U.S. headquarters are located in this District and SuperCom's common stock traded on the NASDAQ in this District throughout the Class Period.

15. 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**

16. Plaintiff ██████████, as set forth in the accompanying Certification, which is incorporated by reference herein, purchased SuperCom common stock during the Class Period and has been damaged thereby.

17. Defendant SuperCom, based in Herzliya Pituach, Israel, with U.S. operating subsidiary SuperCom Inc. headquartered in New York, is a global provider of traditional and digital identity solutions, providing advanced safety, identification, tracking and security products to governments and private and public organizations. Following its June 18, 2015 ordinary share offering, the Company had more than 16 million shares issued and outstanding, some of which trade on the NASDAQ under the ticker symbol "SPCB."

18. Defendant Arie Trabelsi is, and was throughout the Class Period, the President and CEO of SuperCom, having joined the Company in that capacity in November 2010.

19. Defendant Tsviya Trabelsi is, and was throughout the Class Period, the Chairperson of the SuperCom Board of Directors, having joined the Company in that capacity in July 2010.

20. Defendant Ordan Trabelsi is, and was throughout the Class Period, the President of SuperCom of the Americas, having joined the Company in that capacity in June 2013.

21. Defendant Barak Trabelsi is, and was throughout the Class Period, SuperCom's Vice President, M2M Division, having joined the Company in that capacity in January 2013.

22. Defendant Simona Green was, throughout the Class Period until her resignation announced November 17, 2015, the Acting CFO of SuperCom, having only been appointed to that post in 2014.

23. Defendants Arie Trabelsi, Tsviya Trabelsi, Ordan Trabelsi, Barak Trabelsi and Simona Green are referred to herein as the "Individual Defendants." SuperCom and the Individual Defendants are referred to herein, collectively, as "Defendants."

#### **CLASS ACTION ALLEGATIONS**

24. 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 purchasers of the common stock of SuperCom during the Class Period (the "Class"). Excluded from the Class are Defendants and their immediate families, 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.

25. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, SuperCom common stock was actively traded on the NASDAQ. While the exact number of Class members is unknown to plaintiff at this time and can

only be ascertained 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 SuperCom and/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.

26. 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.

27. 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.

28. 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:

- (a) whether the Exchange Act was violated by Defendants as alleged herein;
- (b) whether statements made by Defendants misrepresented material facts about the business and operations of SuperCom; and
- (c) to what extent the members of the Class have sustained damages and the proper measure of damages.

29. 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.

## BACKGROUND

30. Defendant SuperCom is a global provider of traditional and digital identity solutions, providing advanced safety, identification and security solutions to governments and organizations, both private and public, throughout the world. Through its proprietary e-Government platforms and innovative solutions for traditional and biometrics enrollment, personalization, issuance and border control services, SuperCom contracts with governments and national agencies to design and issue secured Multi-ID documents and robust digital identity solutions to its citizens and visitors. SuperCom also offers what it characterizes as advanced, secure mobile payments ranging from mobile wallet to mobile POS, using a set of components and platforms to enable secure mobile payments and financial services. SuperCom is also a global provider of what it characterizes as a unique all-in-one field-proven RFID & mobile PureSecurity advanced solutions suite, accompanied by advanced complementary services for various industries, including healthcare and homecare, security and safety, community public safety, law enforcement, electronic monitoring, livestock monitoring, and building and access automation.

31. SuperCom says that it generates the majority of its revenues from existing e-ID and security long-term services contracts, providing customers with support, maintenance, training and installation. It says it generates additional revenues from the sale of active RFID and mobile-based products and solutions.

32. SuperCom claims that revenues for services and product sales are not recognized until “persuasive evidence of an agreement exists, services have been rendered or delivery of the product has occurred, the fee is fixed or determinable, collectability is reasonably assured, and only if inconsequential or perfunctory performance obligations, if any, remain.” It says that “[i]f the product requires specific customer acceptance, revenue is deferred until customer acceptance occurs

or the acceptance provision lapses.” The Company also says that it “recognize[s] certain long-term contract revenues in accordance with ASC Topic 605-35, ‘Construction-Type and Production-Type Contracts,’” pursuant to which “revenues from these contracts are recognized under the percentage of completion method . . . based on output criteria, such as contract milestones, percentage of engineering completion or number of units shipped, as applicable to each contract.”

33. In its 2014 annual report filed on Form 20-F with the SEC, the Company expressly acknowledged having “long customer sales cycles,” stating that “[t]he typical sales cycle for [its] government customers ha[d], to date, *ranged from three to 24 months* and the typical sales cycle for [its] commercial customers ha[d] ranged from one to 12 months.” As such, SuperCom and its senior executives would not have been surprised by the loss or delay in completion of a government contract during a given quarter.

34. When SuperCom reported its fourth quarter and fiscal year 2014 financial results on March 26, 2015, the Company provided its “Outlook for 2015,” stating that revenue growth would “exceed 40% on a year-over-year basis” and that “non-GAAP EPS in 2015 [would] exceed \$1.20 per share.”

#### **DEFENDANTS’ MATERIALLY FALSE AND MISLEADING CLASS PERIOD STATEMENTS**

35. The Class Period starts on June 1, 2015. On that day, before the opening of trading in the United States, SuperCom issued a press release announcing its first quarter 2015 financial results for the interim period ended March 31, 2015. The Company emphasized that its revenue had increased by 45% to \$7.7 million in the quarter compared to \$5.3 million in the first quarter of 2014 and that its GAAP operating income had increased by 91% to \$2.6 million compared to \$1.4 million in the first quarter of 2014.

36. The press release quoted defendant Arie Trabelsi as stating that the Company had “executed well in the first quarter and maintained strong margins while growing the company according to [its] business plan,” emphasizing that “[i]n addition to generating strong year-over-year revenue and earnings growth, [SuperCom had] continued to advance [its] long-term growth strategy, and made significant progress towards strengthening and expanding [its] solution offerings in [its] fast growing target markets.” Defendant Arie Trabelsi further stated that the Company was “increasingly excited about [its] pipeline of opportunities, which” had “continued to grow as [SuperCom] advanced a number of important tenders during the quarter,” and that “[i]n the M2M(IoT) arena, more and more government agencies and organizations in the Americas, Europe, and Asia ha[d] selected and decided to adopt SuperCom’s Electronic Monitoring solution, creating brand recognition and driving growth in [its] pipeline,” which kept the Company on track to achieve its previously issued “*2015 guidance of revenue growth for the full year ended December 31, 2015 to exceed 40% or \$41.6 million on a year-over-year basis*” and “*non-GAAP EPS in 2015 to exceed \$1.20 per share.*”

37. Later that day, SuperCom held a conference call with analysts and investors to discuss the earnings release and the Company’s operations. During the conference call, defendants Arie Trabelsi, Ordan Trabelsi and Simona Green made positive statements about the strength of the Company’s ongoing business metrics and financial prospects. Specifically referencing the status of the signing of new government contracts during his opening remarks, defendant Ordan Trabelsi emphasized that the Company was on track in those negotiations to meet its annual targets, stating in pertinent part as follows:

We continue to be encouraged by the number, quality, stage, size and time of opportunities we have in our sales pipeline. Today we have a large amount of open proposals in various stages in many countries around the globe and *we believe we are*

**well positioned to achieve our stated goal to secure at least one to three new deployment contracts a year also in 2015.**

The number of advanced paged tenders in our pipeline increased during the first quarter which adds to our confidence. In addition, and as a result of successful integration of SuperCom and the SmartID division in 2014, the current deployment of multiple, significant new projects in parallel and our healthy balance sheet and growth prospects, we are now well positioned to work on larger tenders, which as two standalone businesses were not previously in the position to handle. **Based on our success in 2014 and our current visibility following the close of the first quarter, we remain optimistic about SuperCom's future in our fast growing market.**

38. Later on in the conference call, responding to an analyst's inquiry as to why SuperCom was not raising its guidance in light of the "very bullish" comments its executives were then making concerning its purportedly having "more contract wins coming in," defendant Ordan Trabelsi stated that the Company's guidance was "conservative," stating in pertinent part as follows:

Our guidance is on a conservative nature. **We like to take in account that we have very high visibility for like wins in 2014 that are being deployed, recurrent revenues and other things.** There are very large vendors out there and some were performing very well off and when those are, if and when those are finalized we will announce those *and that will exceed our guidance first, so we don't take guidance into account at this stage.*

39. In response to the announcements and conference call, the price of SuperCom shares rose, closing up 12% at \$12.09 per share on June 1, 2015, on unusually high trading volume.

40. On June 10, 2015, the Company issued a press release announcing that it had signed an additional \$7 million in "New Contracts." The release stated that "SuperCom [would] provide various core elements of its flexible electronic-ID solutions, with potential for additional follow-on orders in the future as [was] commonly realized with these types of solutions," and that it "expect[ed] the majority of the revenue from the implementation of th[o]se contracts to be recognized within the next 2 quarters." The release also quoted defendant Arie Trabelsi as stating in pertinent part that "[t]hese types of contracts represent[ed] the continuation of a mutually productive long-term relationship with [SuperCom's] customers, and as the needs of [its] customers evolve[d],

[the Company] expect[ed] additional orders in the future,” as it “continue[d] to see growth in demand for e-ID and M2M solutions globally.”

41. On June 17, 2015, with the price of SuperCom common stock rising in response to Defendants’ recent bullish statements, SuperCom issued a press release announcing that it intended to offer and sell an undisclosed number of its ordinary shares in an underwritten public offering. In its press release, SuperCom stated that the offering would be completed pursuant to a previously filed shelf registration statement and that “[t]he Company intend[ed] to use the net proceeds from th[e] offering for general corporate purposes, including working capital,” and that it might “also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement its business”

42. On June 18, 2015, SuperCom priced the offering at \$12 per share and commenced its second underwritten stock offering in the United States. The registration statement (signed by defendants Arie Trabelsi, Tsviya Trabelsi and Ordan Trabelsi) and prospectus used to conduct the offering (No. 333-197434) were materially false and misleading in that, among other things, they expressly incorporated by reference the statements contained in the Company’s June 1, 2015 and June 10, 2015 releases. Moreover, under the rules and regulations governing the preparation of registration statements, SuperCom was required to disclose at the time of the offering that demand for its products and services was declining, as, rather than being ahead of its guidance on contract signings, the Company was actually experiencing difficulty in negotiating certain government contracts and, as a result, the Company was not on track to meet its fiscal 2015 guidance. Specifically, pursuant to Item 303 of Regulation S-K (17 C.F.R. §229.303) and the SEC’s related interpretive releases thereto, issuers are required to disclose events or uncertainties, including any known trends, that have had or are reasonably likely to cause the registrant’s financial information

not to be indicative of future operating results. This is particularly true for issuers like SuperCom utilizing shelf registration statements, which require continuous updating and incorporate those continuous disclosures into the registration statement. The registration statement used to conduct the offering, however, contained no such disclosures.

43. On June 23, 2015, SuperCom issued a press release announcing that it had successfully completed the stock offering, including the exercise of the underwriter's overallotment, selling all 2.415 million shares at \$12 each, raising \$29 million in the offering.

44. On September 16, 2015, SuperCom issued a press release announcing its second quarter 2015 financial results for the interim period ended June 30, 2015. The Company reported having taken in \$15.4 million in revenue it could recognize in the quarter, only a 24% increase over the second quarter of 2014, claiming that the Company had been forced to “recognize[] nearly \$2 million of high-margin revenues that [it] expected to recognize in late June, during the first weeks of July, shortly after the quarter closed.”

45. However, in order to keep the price of SuperCom shares from going into a free-fall, the release quoted defendant Arie Trabelsi as stating that SuperCom again “executed according to plan in the second quarter, achieving revenue growth and strong margins while dramatically broadening [its] new business pipeline and solution offerings in [its] fast growing target markets,” “executed on a number of strategic and operational initiatives including securing more than \$7 million in follow on orders from existing e-ID customers, winning a highly strategic electronic offender monitoring tender with a new European government customer and strengthening [its] balance sheet by raising approximately \$27 million net proceeds from a successful public offering,” and “made significant progress to strengthen and expand [its] e-ID and M2M businesses, while further developing [its] secure mobile payment offering and strengthening [its] market position.”

The release further quoted defendant Arie Trabelsi, who emphasized that “[t]he number, quality, stage and size of opportunities in [SuperCom’s] pipeline [was] increasingly encouraging,” that “[b]ased on the number of open proposals [the Company had] around the globe in various stages and in light of [its] strengthened balance sheet following the successful offering, [it was] well positioned to win additional new contracts this year,” and that “[w]ith a growing base of recurring revenues and increasing demand for [SuperCom’s] solutions,” the Company would “meet the guidance previously issued, adjusted to the increased new share count as a result of the successful public offering . . . completed in June.”

46. Later that day, SuperCom held a conference call with analysts and investors to discuss the earnings release and the Company’s operations. During the conference call, defendants Arie Trabelsi, Ordan Trabelsi and Simona Green made positive statements about the strength of the Company’s ongoing business metrics and financial prospects. During his opening remarks, defendant Ordan Trabelsi emphasized that the Company was still on track to meet its fiscal year 2015 guidance, stating in pertinent part as follows:

We generated recurring revenues from existing customer [sic] as planned. However, a small delivery delay in late June pushed into the \$2 million of high margin recurring type revenues that we expected to recognize during the second quarter into Q3. We completed the stages to recognize these revenues in the first week of July shortly after the end of the second quarter. I will now recognize these high margin revenues in the third quarter which should balance our gross margin profile for the full year. **While this delay impacted our Q2 financial results, we don’t believe it will have an impact on our full year financials.**

\* \* \*

In summary, while the delay of nearly \$2 million of revenues which I referenced earlier, impacted our quarterly results, **we are very pleased with the progress we are making in each of our core divisions and remain vigilantly focused on operational efficiencies. In addition, we believe the implementation of the two larger frontend contracts we won in 2014 will be completed at some point in 2016 in majority and convert generating high margin software license, maintenance and consumable revenues which will bolster our recurring revenues in 2016 and provide the foundation for continued year-on-year growth. New e-ID or M2M**

deployment wins of any size *will only further accelerate our growth trajectory and increase our earnings power.*

47. During his prepared remarks, defendant Arie Trabelsi stated that due to the revenue “lumpiness” that the Company had experienced in the second quarter of 2015, they were “unable to effectively forecast annual guidance” for revenues, though he said that the Company would be able to “meet the [earnings] guidance previously issued adjusted to the increased new share count as a result of the successfully offering . . . completed in June.”

48. During the Q& A portion of the conference call, an analyst commented that with the Company having been so “optimistic about its opportunities to win new business in 2015,” which led that analyst to expect that he would have “see[n] some things earlier in the year,” it had “been a year since [SuperCom] had any material announcements.” The analyst questioned Defendants as to whether “anything [had] changed in the process, anything that would have caused delays” or whether “anything had fallen out of [SuperCom’s] pipeline.” In response, defendant Ordan Trabelsi avoided the question, responding obliquely and only making positive statements, stating in pertinent part as follows:

So our processes we believe only improved in terms of amount of [indiscernible] we’ve been able to add with our enhanced team over time to be more effective in how we bid on things and how we gather the intelligence necessary for bidding on proposals. What has changed strategically which might have a small impact on longer time schedules is the size of the tenders. We are increasingly looking at larger and larger tenders and they sometimes do take a bit longer to turn into a final contract, especially from when you get actual win. But generally speaking this business, sometimes you have periods of time we have a lot of wins that are close together and other times a bit more spread out. *But on a statistical trend when we look at, we are only increasing our capability to win more of these projects. And we expect that when you average it over time, you will see much larger contract wins and revenues associated with them in upcoming, near future.*

49. Apparently unsatisfied with that response, the analyst again asked, more directly this time: “Has anything fallen out of your pipeline?” To this defendant Ordan Trabelsi responded – even more obliquely, but equally positively – that “[t]hings always do fall out of the pipeline and

other things come to replace them. *I would say that the opportunities we have been mostly excited about have stayed in and we still feel good about them.*”

50. Defendants’ mostly positive comments had their intended effect and while the price of SuperCom stock declined moderately from its close of \$9.04 per share on September 15, 2015 to close at \$8.31 on September 16, 2015, the market price of the stock remained artificially inflated.

51. The statements referenced above in ¶¶35-49 were each materially false and misleading when made, as they failed to disclose and misrepresented the following adverse facts which were known to Defendants or recklessly disregarded by them:

(a) SuperCom was having difficulty closing certain sales with certain governments and the revenue associated with those deals would be substantially delayed;

(b) SuperCom’s “pipeline” was neither strong nor “broadening”; and

(c) as a result of the foregoing, the Company was not on track to achieve the financial results Defendants had led the market to expect during the Class Period.

52. On September 30, 2015, the Company received a letter from the SEC challenging errors in its 2014 annual financial report and demanding broader explanations of changes to reported revenue in the future.

53. On October 8, 2015, the Company responded to the SEC’s letter, conceding to certain errors and promising broader disclosures on revenue sources going forward.

54. On November 17, 2015, SuperCom issued a press release announcing that its Acting CFO, defendant Simona Green, was “departing,” with no replacement having been selected, and that SuperCom had also brought in a new Chief Information Officer.

55. When SuperCom finally disclosed its preliminary third quarter 2015 results *for the period ended September 30, 2015*, a full two months later on November 30, 2015, SuperCom

acknowledged significantly missing its own revenue target, this time announcing that the Company expected third quarter 2015 revenues to come in at only \$5.5-\$6.1 million, *less than half of the \$13.38 million the Company had led the investment community to expect*, and also slashing its fiscal 2015 revenue and earnings guidance. The Company blamed the miss on purported revenue that it claimed could not be recognized during the quarter – *despite its prior adamant claims to having a strong and broadening pipeline* – disclosing that its ““financial performance in the third quarter and full-year were impacted by [its] inability to recognize more than \$10 million of revenues that were expected this year, mainly due to delays associated with foreign government customers,”” and acknowledging that the Company will not see the \$10 million until 2016, *if ever*.

56. On a conference call SuperCom held with analysts and investors later that day conducted by defendants Arie Trabelsi and Ordan Trabelsi and Shahar Marom, the Company’s newly appointed Acting CFO, defendant Arie Trabelsi explained that the third quarter 2015 results were being provided on a preliminary basis, subject to change, and that the Company’s new Acting CFO would “require additional time to complete [the Company’s] financial review,” disclosing that the “recently announced change in [SuperCom’s] management team and position of [its] CFO [was] slowing [its] quarterly financial review process for the third quarter,” which he said would not be available until December 15, 2015.

57. Addressing the revenue miss that Arie Trabelsi said “exceed[ed] \$10 million in revenue to SuperCom,” defendant Ordan Trabelsi stated that “negotiating” the Company’s “large opportunities ha[d] taken longer than originally expected.” During the call, Shahar Marom disclosed that the government contract that was not coming in during 2015 and had caused the \$10 million miss had not even been signed yet. Later in the call Arie Trabelsi disclosed that it was not expected to be signed for six months.

58. The stock analyst community was “massive[ly] disappoint[ed].” For instance, Feltl and Company’s Joshua J. Elving wrote in his client note published that day – in which he lowered his estimates, his target and his ratings for SuperCom – in pertinent part as follows:

- . . . *Clearly this is a massive disappointment, approximately \$8 million below our \$14.0 million estimate. We believe the shortfall is due to a delay in a 2014 contract announcement with an African government that had its election delayed twice this year.*

\* \* \*

- *The lack of significant contract wins is also disappointing.* Management continues to believe it is close to winning a large new contract but doesn’t have any further comment.

\* \* \*

- We are lowering our price target to \$8 from \$14 based on our existing target multiple of 8x applied to our new adjusted EBITDA estimate of \$11.4 million (previously \$22.3m). We are reducing our rating to Buy from Strong Buy. *Clearly we were overly optimistic about the timing and/or ability of SuperCom to win significant new business and the lack of visibility into quarterly revenue and earnings is greater than we expected.*

59. On this news, the price of SuperCom common stock plummeted by more than \$3 per share, or 40%, from its close of \$7.70 per share on November 27, 2015 to close at \$4.60 per share on November 30, 2015, on unusually heavy trading volume of more than 3.3 million shares traded, approximately 20 times the average daily trading volume during the preceding ten trading sessions.

60. The market for SuperCom common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and omissions as set forth above, SuperCom common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired SuperCom common stock relying upon the integrity of the market price of SuperCom common stock and market information relating to SuperCom, and have been damaged thereby.

61. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of SuperCom common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

62. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused, or were a substantial contributing cause, of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false or misleading statements about SuperCom's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating, in the market, an unrealistically positive assessment of SuperCom and its business, prospects, and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing SuperCom common stock at artificially inflated prices, thus causing the damages complained of herein. When the true facts about the Company were revealed to the market, the inflation in the price of SuperCom common stock was removed and the price of SuperCom common stock declined dramatically, causing losses to plaintiff and the other members of the Class.

#### **ADDITIONAL SCIENTER ALLEGATIONS**

63. As alleged herein, SuperCom and the Individual Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or

acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, these Defendants, by virtue of their receipt of information reflecting the true facts regarding SuperCom, their control over, and/or receipt and/or modification of SuperCom's allegedly materially misleading statements and/or their associations with the Company which made them privy to confidential proprietary information concerning SuperCom, participated in the fraudulent scheme alleged herein.

#### **NO SAFE HARBOR**

64. The "Safe Harbor" warnings accompanying SuperCom's reportedly forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability. To the extent that projected revenues and earnings were included in the Company's financial reports prepared in accordance with GAAP, including those filed with the SEC on Form 8-K, they are excluded from the protection of the statutory Safe Harbor. *See* 15 U.S.C. §78u-5(b)(2)(A).

65. Defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of SuperCom who knew that the FLS was false. None of the historic or present tense statements made by Defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by Defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

**APPLICATION OF PRESUMPTION OF RELIANCE:  
FRAUD ON THE MARKET**

66. Plaintiff will rely upon the presumption of reliance established by the fraud on the market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) The omissions and misrepresentations were material;

(c) SuperCom common stock traded in an efficient market;

(d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of SuperCom common stock; and

(e) Plaintiff and other members of the Class purchased SuperCom common stock between the time Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

67. At all relevant times, the market for SuperCom common stock was efficient for the following reasons, among others:

(a) As a regulated issuer, SuperCom filed periodic public reports with the SEC; and

(b) SuperCom regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts, and other similar reporting services.

**LOSS CAUSATION/ECONOMIC LOSS**

68. During the Class Period, as detailed herein, Defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially

inflated the price of SuperCom common stock and operated as a fraud or deceit on Class Period purchasers of SuperCom common stock by misrepresenting the value of the Company's business and prospects by overstating its earnings. As Defendants' misrepresentations and fraudulent conduct became apparent to the market, the price of SuperCom common stock fell precipitously, as the prior artificial inflation came out of the price. As a result of their purchases of SuperCom common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

### COUNT I

**For Violations of §10(b) of the Exchange Act and Rule 10b-5 Against Defendants SuperCom, Arie Trabelsi, Tsviya Trabelsi, Ordan Trabelsi and Simona Green**

69. Plaintiff incorporates ¶¶1-68 by reference.

70. During the Class Period, the defendants named in this Count disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

71. The defendants named in this Count violated §10(b) of the Exchange Act and Rule 10b-5 in that they: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of SuperCom common stock during the Class Period.

72. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for SuperCom common stock. Plaintiff and the Class would not have purchased SuperCom common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by these defendants' misleading statements.

## **COUNT II**

### **For Violations of §20(a) of the Exchange Act Against All Defendants**

73. Plaintiff incorporates ¶¶1-72 by reference.

74. The Individual Defendants acted as controlling persons of SuperCom within the meaning of §20(a) of the Exchange Act. By reason of their positions with the Company, and their ownership of SuperCom common stock, the Individual Defendants had the power and authority to cause SuperCom to engage in the wrongful conduct complained of herein. SuperCom controlled the Individual Defendants and all of the Company's employees. By reason of such conduct, these Defendants are liable pursuant to §20(a) of the Exchange Act.

### **PRAYER FOR RELIEF**

WHEREFORE, plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

B. Awarding compensatory damages in favor of plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Awarding such equitable/injunctive or other relief as deemed appropriate by the Court.

**JURY DEMAND**

Plaintiff demands a trial by jury.

DATED: December 9, 2015