


UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

	Individually and on)	No.
	Behalf of All Other Similarly Situated,)	
)	<u>CLASS ACTION</u>
	Plaintiff,)	
)	
	vs.)	
)	
	WMS INDUSTRIES INC., BRIAN R.)	
	GAMACHE, SCOTT D. SCHWEINFURTH,)	
	ORRIN J. EDIDIN and WILLIAM H. PFUND,)	
)	
	Defendants.)	
)	<u>DEMAND FOR JURY TRIAL</u>
)	

COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS

SUMMARY OF THE ACTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of WMS Industries Inc. (“WMS Industries” or the “Company”) between November 1, 2010 and April 11, 2011, inclusive (the “Class Period”), against WMS Industries and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (“1934 Act”), including the Company’s Chief Executive Officer, Brian R. Gamache (“Gamache”), and Chief Financial Officer, Scott D. Schweinfurth (“Schweinfurth”).

2. WMS Industries, a Delaware corporation with its corporate headquarters in Waukegan, Illinois, designs, manufactures and distributes both video and mechanical slot machines and video lottery terminals (“VLTs”). The Company generates sales revenue from sales to casinos and other licensed gaming machine operators of new and used gaming machines and VLTs, conversion kits for existing gaming machines and gaming-related systems. The Company also records gaming operations revenue from leasing gaming machines and VLTs to casinos and other licensed gaming machine operators.

3. WMS Industries’ primary clientele are customers in the legalized gaming industry, particularly casinos. The Company relies in large part on the replacement cycle of gaming machines at casinos and new casino openings to sell and place its games. According to the Company, the casino operators’ desire for maximum profitability has created demand for games that generate superior net daily wins. Because of that phenomenon, the Company and other gaming manufacturers continuously endeavor to increase the entertainment value of their gaming machines, in turn driving demand for replacement of older games. The Company is thus dependent upon the development and commercialization of innovative new games and demand from casino operators to generate growth.

4. In June 2010, the Company launched its new Bluebird xD gaming cabinet as a compliment to its premium Bluebird2 gaming platform, which had represented 82% of the Company's new game unit sales in fiscal 2010. According to the Company, Bluebird xD added significant ergonomics for comfortable player seating, large high definition screens, and an advanced sound system. The Bluebird xD was also smaller in size, which allowed casinos to place more games in the same space.

INTRODUCTION AND BACKGROUND

5. During 2008, the financial crisis in the United States substantially impacted the gaming industry causing some casino operators to delay expansions or new casino openings. More importantly, these challenges resulted in lower casino capital budgets, reduced demand and a lengthening of and slower replacement cycle for new games from gaming manufacturers. The Company's August 26, 2010 Form 10-K described the United States and Canadian replacement cycle as abnormally slow and stated that gaming manufacturers were experiencing an overall challenging replacement cycle for gaming products.

6. On August 3, 2010, the Company issued its fourth quarter and fiscal 2010 financial results, stating that its strong results were achieved despite the sluggish replacement market. The Company also initiated its full year fiscal 2011 financial guidance with a forecast of \$830-\$850 million in revenues and 22.5%-23% operating margin growth.

7. On September 21, 2010, the Company held its first Analyst Day in Chicago, Illinois, where presentations were made by both Gamache and Schweinfurth. Defendants discussed the background of the Company and its outlook for growth in fiscal 2011 and beyond. Defendants made certain to convey to analysts attending the presentations that the Company's financial outlook for growth in fiscal 2011 was not all dependant on an uptick in Casino operator capital budgets or the replacement cycle:

[Gamache:] *[O]ne of those things I hope you get out of today's presentation is that the guidance that we provided for our fiscal '11 year, is not based on any real uptick in the replacement cycle during that period of time. We have other levers that are going to drive the performance of the Company and the earnings growth of the Company moving forward*

8. Defendants also stated that weekly forecast meetings gave them real-time information, allowing the Company to react quickly when things did not go as planned:

[Schweinfurth:] Many of you heard me say that the most important meeting that we have each and every week here at WMS is our forecast meeting. We have people that are responsible for revenues. We have people that are responsible for monitoring costs. That group feeds data into my finance team every week.

We meet Wednesday afternoons, and we look at what's happening in our business for this quarter and the future quarters. And because we have that data, real time, we can react to it real time, because there's times that things don't quite go as we thought they were going to go, and we need to come up with a plan B. Well, having our finger on the pulse of what's happening enables us to [do] that.

9. During the Class Period, which begins on November 1, 2010, the Company, in the face of a known industry-wide slowdown in demand and lengthening of the replacement cycle for gaming products, continued to boldly report that it had and would continue to distinguish itself from its competitors¹ by posting sales revenue and margin gains without the benefit or need for the recovery of overall demand or the casino gaming replacement cycle.

10. According to the Company, because of (a) WMS Industries' scheduled release of new games in the second half of fiscal 2011, (b) its track record of meeting or beating forecasted revenue and margin expectations, and (c) its ability to expertly refine its efficiencies and execute on planned business operations, WMS Industries could and would report 2011 revenue of \$830-\$850 million and margin growth of 20%-21%, even without a demand increase in the currently weak replacement cycle and environment for its gaming products. For example, on November 1, 2010, in connection

¹ The Company identifies its key competitors as International Game Technology, Bally Technologies Inc. and Aristocrat Leisure.

with the reporting of the Company's first quarter 2011 financial results, defendant Gamache stated the following:

Our full-year guidance for fiscal 2011, which we reiterated this afternoon, underscores our expectation that we will continue to achieve top and bottom line growth throughout our fiscal year in the face of the continued impact from the slow replacement cycle

* * *

When you combine our top line success with our vigilance on operating execution, you will see why we have been able to consistently achieve our targets for growth in revenues, profitability and cash flow.

11. On January 25, 2011, the Company reported its second quarter 2011 financial results, including a miss of Wall Street second quarter 2011 earnings and margins estimates. The Company also reduced its fiscal 2011 margin forecast, explaining that while demand in the second quarter for its top products (Bluebird and Bluebird xD) remained strong, sales of lower margin products outstripped sales of these new higher margin products. Rejecting analysts' concerns that the Company's fiscal 2011 forecasts appeared lofty in light of the second quarter results, defendants again assured investors that because of continuing strong demand for the Company's new and soon to be released games, WMS Industries simply would not be negatively affected by the slow industry-wide replacement cycle, and that the Company was solidly "on track" to generate revenue and margin growth throughout the remainder of fiscal 2011. The January 25, 2011 press release stated: "*WMS' revenue gains were again driven by strong global demand for our Bluebird2 and new Bluebird xD premium gaming machines*"

12. In a conference call the same day, defendant Gamache stated:

Given our performance in the first half of fiscal 2011, and our current visibility for the second half, we are reaffirming our full year guidance today of \$830 million to \$850 million.

* * *

[O]ur performance in fiscal 2011 remains solidly on track to generate quarterly sequential revenue and operating margin growth over the next two quarters, as we build momentum for a strong fiscal 2012.

* * *

With our track record of innovation in chip share gains . . . we have offset the impact of the economy and the gaming industry challenges

13. After January 25, 2011, WMS Industries' shares continued to trade at artificially inflated prices of as high as \$43.92 per share.

(a) Then on April 11, 2011, the Company pre-announced its third quarter 2011 financial results, stating that it had again missed Wall Street earnings projections by \$0.11 per share, reporting \$0.40-\$0.42 as opposed to consensus estimates of \$0.51. The Company also reported that its revenue forecast for the third quarter of 2011 would be cut by up to \$24 million and revenues for fiscal 2011 would be cut by up to \$60 million. Thus, as opposed to reporting revenue of \$209-\$215 million in the third quarter of 2011, the Company would post between \$191-\$193 million. In addition, for fiscal 2011, as opposed to \$830-\$850 million in revenues, the Company would report \$790- \$800 million. In direct contrast to bullish statements made on January 25, 2011 about strong demand, new product launches and unsurpassed execution, defendants blamed the shortfall on "execution challenges," weak demand, delays in the development of new products, and slower regulatory process approval.

14. Finally the Company reported that WMS Industries did not expect demand to recover for the remainder of fiscal 2011 or 2012 and thus cut its forecasted fiscal 2012 revenue estimates by up to \$120 million.

15. On April 12, 2011, as a result of these alarming disclosures, WMS Industries' stock price declined more than 17% to close at \$30.01 on massive volume of 9.8 million shares traded, down from a close of \$36.22 on April 11, 2011.

16. The Class Period representations by defendants concerning the Company's current business and financial condition, including its forecasted financial results, were each materially false and misleading when made because defendants failed to disclose the following true facts which were known to defendants or recklessly disregarded:

(a) The Company's purported current "execution" on business operations was faltering and could not drive and support revenue and profitability guidance;

(b) The industry-wide weak replacement cycle had negatively impacted the Company's sales and margin growth and could not be offset by currently flawed execution and demand for WMS Industries' gaming machines; and

(c) As a result of the above, the Company did not have a reasonable basis for its revenue and margin forecasts for fiscal 2011 in light of known negative business and industry trends.

JURISDICTION AND VENUE

17. Jurisdiction is conferred by 28 U.S.C. §1331 and §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5].

18. Venue is proper in this district pursuant to 28 U.S.C. §1391(b), because WMS Industries is headquartered in this district and many of the acts and practices complained of herein occurred in substantial part in this district.

PARTIES

19. Plaintiff ██████████ purchased or acquired WMS Industries common stock as described in the attached certification and was damaged thereby.

20. Defendant WMS Industries is incorporated in Delaware and trades on the New York Stock Exchange ("NYSE") under the symbol "WMS." The Company's headquarters are located at 800 S. Northpoint Blvd., Waukegan, Illinois.

21. Defendant Brian R. Gamache (“Gamache”) is, and was at all relevant times during the Class Period, Chairman of the Board of Directors and Chief Executive Officer (“CEO”) of the Company.

22. Defendant Scott D. Schweinfurth (“Schweinfurth”) is, and was at all relevant times during the Class Period, the Chief Financial Officer (“CFO”) of the Company.

23. Defendant Orrin J. Edidin (“Edidin”) is, and was at all relevant times during the Class Period, President of WMS Gaming.

24. Defendant William H. Pfund (“Pfund”) was, at all relevant times during the Class Period, Vice President, Investor Relations.

25. The defendants named in ¶¶21-24 are referred to herein as the “Individual Defendants.”

CONTROL PERSONS

26. As officers and controlling persons of a publicly held company whose common stock was and is traded on the NYSE and is governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company’s financial condition, performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company’s common stock would be based upon truthful and accurate information. The Individual Defendants’ misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

27. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public, shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and

omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with WMS Industries, each of the Individual Defendants had access to the adverse undisclosed information about the Company's financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about WMS Industries and its business or adopted by the Company materially false and misleading.

28. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

29. The Company and the Individual Defendants are liable as participants in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of WMS Industries common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding WMS Industries' business, operations, management and the intrinsic value of WMS Industries common stock; and (ii) caused plaintiff and other members of the Class to purchase WMS Industries common stock at artificially inflated prices.

SUBSTANTIVE ALLEGATIONS

30. On November 1, 2010, the Company reported its first quarter 2011 financial results in a press release. The Company reported total revenues of \$187 million and diluted earnings per share

of \$0.33, which beat Wall Street consensus earnings estimates by a penny. The Company noted that demand for its new Bluebird xD game was the catalyst to overcoming a soft environment for replacement sales. The Company set second quarter 2011 revenue guidance and reaffirmed its full year fiscal 2011 revenue forecast of \$830 to \$850 million and claimed it was “on track” to report year-over-year revenue and margin gains, notwithstanding the weak gaming environment:

WMS Reports Quarterly Earnings of \$0.33 Per Diluted Share, Including \$0.04 Per Diluted Share Facility Closure Charge

* * *

- Initiates Fiscal Second Quarter Revenue Guidance of \$198-to-\$205 Million and Operating Margin Guidance of 19.0%-to-19.5% -

. . . WMS today initiated revenue guidance for the December 2010 quarter of \$198-to-\$205 million with an operating margin of 19.0%-to-19.5%.

* * *

- Total revenues rose 13% to a fiscal first quarter record of \$187.5 million;
- *Total product sales revenues grew 25% to \$111.2 million as global new unit shipments rose 10% to 5,338 units and average selling price increased 10% to a record \$16,504 per unit, reflecting strong customer demand for the new Bluebird xD™ gaming machines*

* * *

“Fiscal 2011 first quarter total revenues and product sales revenues rose to record first quarter levels as strong demand for our new Bluebird xD gaming machine contributed to our ability to overcome the challenging industry environment for replacement unit sales,” said Brian R. Gamache, Chairman and Chief Executive Officer. “WMS is on track to achieve year-over-year gains in revenue and operating margin in fiscal 2011”

31. Following the November 1, 2010 press release announcing the Company’s first quarter 2011 financial results, defendants held a conference call for analysts and investors to discuss the financial results and the Company’s outlook for the remainder of the year. The call was hosted by defendants Gamache, Schweinfurth and Edidin. During the call, defendants reiterated the financial forecast for fiscal 2011, including margins and revenues, and assured that the Company’s

strength in operating execution would permit it to meet its forecasted fiscal 2011 financials results, even without any recovery in the game replacement market:

[Gamache:] *Our full-year guidance for fiscal 2011, which we reiterated this afternoon, underscores our expectation that we will continue to achieve top and bottom line growth throughout our fiscal year in the face of the continued impact from the slow replacement cycle*

* * *

When you combine our top line success with our vigilance on operating execution, you will see why we have been able to consistently achieve our targets for growth in revenues, profitability and cash flow.

* * *

We couple this ability to drive revenue growth with our intense focus on driving continuous improvement in our operating execution.

32. After the report of the November 1, 2010 results and conference call, WMS Industries' stock price increased from a close of \$41.50 on November 1, 2010 to \$43.27 on November 2, 2010.

33. In December 2010, the Company, through defendant Pfund, met with analysts to discuss margins on the Company's key gaming products, including the Company's newest product, Bluebird xD. Analysts later reported that Pfund had repeated comments made by defendants during the November 1, 2010 conference call, *i.e.*, that WMS Industries would, in fact, achieve increased fiscal 2011 margins even without the benefit of a recovery in the replacement cycle and that June quarter 2011 margins could reach 55%. For example, a December 15, 2010 Morgan Joseph report discussed recent meetings that it had with WMS Industries, including defendant Pfund:

On the Road with WMS Industries

We hosted investor meetings in the Midwest with WMS Vice President of Investor Relations Bill Pfund. . . . Of course, no investor meeting with a slot manufacturer would be complete without questions regarding the domestic replacement cycle. Mr. Pfund addressed that subject as well.

* * *

BBxD Margins

WMS believes it can increase margins without an increase in the replacement cycle. BBxD did not hit initial margin targets due to changes in design too far along in the process. However, WMS believes it made the necessary corrections and that product sales margins in the June quarter should be able to reach 55%, which would exceed year-ago margins.

34. On January 25, 2011, the Company issued a press release announcing its financial results for its second quarter of fiscal 2011. The report was disappointing in light of the Company's recent positive comments about demand and execution. The Company reported \$200 million in revenue for the quarter, but missed Wall Street analyst consensus earnings expectations, reporting only \$0.44 as compared to consensus earnings estimates of \$0.45. The Company also reported year-over-year declines in product sales margin, game operations margins and gross operations margins and lowered its fiscal 2011 margin forecast. However, in the press release and subsequent conference call, focusing on purported "*ongoing worldwide demand*" for the Company's Bluebird xD, "*huge demand*" for the Company's newly released The Great and Powerful/OZ and Godfather gaming products, and the Company's operational execution, defendants again reaffirmed the Company's 2011 revenue guidance of up to \$850 million and initiated third quarter 2011 revenue and operating margin guidance of \$209-\$215 million and 20.5%-21%, respectively. The Company's press release stated the following in pertinent part:

WMS Industries Inc., a leader in the design, manufacture and distribution of games and gaming machines to the global gaming industry, today reported results for its fiscal second quarter ended December 31, 2010. *In addition, WMS reiterated its fiscal 2011 annual revenue guidance of \$830-to-\$850 million* and revised its annual operating margin guidance to 20.5%-to-21.0% to reflect first-half fiscal 2011 results *WMS also initiated fiscal 2011 third quarter revenue guidance of \$209-to-\$215 million, a 6%-to-9% increase over the comparable quarter a year ago, with an expected operating margin of 20.5%-to-21.0%.*

* * *

"WMS' revenue gains were again driven by strong global demand for our Bluebird2 and new Bluebird xD premium gaming machines"

... “Reflecting our first-half fiscal 2011 performance and the ongoing worldwide demand for our premium Bluebird xD and Bluebird2 cabinets, we are reaffirming our fiscal 2011 revenue guidance of \$830 million to \$850 million.”

35. On January 25, 2011, after the publication of the press release announcing WMS Industries’ second quarter 2011 financial results, the Company held a conference call for analysts and investors to discuss the details of the financial results. The call was hosted by defendants Gamache, Schweinfurth and Edidin. Notwithstanding the second quarter 2011 earnings and margins shortfalls and the lowering of the fiscal 2011 margin expectations, defendants’ comments during the conference call were laden with bullish statements about second half fiscal 2011 growth in the face of industry reports indicating that the gaming machine replacement market was weakening:

[Gamache:] Given our performance in the first half of fiscal 2011, and our current visibility for the second half, we are reaffirming our full year guidance today of \$830 million to \$850 million.

* * *

[Schweinfurth:] The continuing positive player feedback from the field supports our assumption of ongoing steady growth in the second half, despite continued expectations that there will not be a meaningful improvement in the replacement cycle in calendar 2011.

* * *

[Gamache] [O]ur performance in fiscal 2011 remains solidly on track to generate quarterly sequential revenue and operating margin growth over the next two quarters

* * *

With our track record of innovation in chip share gains . . . we have offset the impact of the economy and the gaming industry challenges by profitably demonstrating the shareholder value that our investments create.

36. During the question and answer session, analysts challenged defendants on how the Company’s growth estimates could be achieved in light of the second quarter 2011 results and why investors should have confidence that the Company could meet its reaffirmed fiscal 2011 and third quarter 2011 guidance:

[Analyst:] Right. So what we're still seeing is a pretty steep ramp-up in the back half of the fiscal year, and irrespective of seasonality, can you talk about just what gives – what should give us all confidence that those are achievable? . . .

. . . [Gamache:] We've never had a back half of the year loaded with this kind of product launch, ever in the history of our company. We've got 12 new G-plus Deluxe games for sale that are coming out over the next few months. . . .

In addition to [sic], *the xD performance still is very, very strong, and there's great demand for that, I would call, premium-priced product. In addition, as we mentioned, the participation business is going to be stock full.*

* * *

[Gamache:] *The Great and Powerful Oz is performing at The Wizard of Oz type of numbers, and we've got a great backlog that we're rolling out as we speak.* The Godfather just got approved recently in Nevada, and we're starting to roll that out, and again, we expect great things.

The big response, as Orrin mentioned, is at G2E. *The international folks are clamoring for this product, and certainly it's resonating in the international markets far beyond our expectations*

[Edidin:] Yes, correct, I think we may have even internally underestimated the popularity of this brand in terms of its – how it resonates with some of our international customers, particularly Latin America, South America. *As Brian said, there's just a huge demand for this product.*

THE TRUE FACTS BEGIN TO BE REVEALED

37. On April 11, 2011, WMS Industries shocked investors with the pre-announcement of its financial results for its fiscal 2011 third quarter, disclosing that it would miss previously forecasted third quarter 2011 revenue, earnings and margin results. As opposed to Wall Street consensus earnings estimates of \$0.51 per share, the Company would post only \$0.40-\$0.42 per share and year-over-year margin declines. In addition, and in direct contrast to bullish statements made on January 25, 2011 about strong demand, new product launches and unsurpassed execution, the Company reported that due to “execution challenges,” weak demand, delays in the development of new products, and slower regulatory process approval, third quarter revenue would fall as much as \$24 million short of the top end forecasts and fiscal 2011 revenues would miss by up to \$60 million:

WMS Reports Preliminary Fiscal 2011 Third Quarter Results

- Initiates Fiscal 2011 Fourth Quarter and Fiscal 2012 Revenue and Operating Margin Guidance –

* * *

. . . WMS Industries Inc. today reported preliminary results for the fiscal third quarter ended March 31, 2011. Based upon preliminary financial data, *WMS expects total revenue to be approximately \$191-to-\$193 million, which is below the Company's third quarter revenue guidance range of \$209-to-\$215 million.* WMS expects diluted earnings per share to be in a range of \$0.40-to-\$0.42 per share for the March 2011 quarter.

“Our third quarter results are clearly a disappointment and reflect several factors including lower-than-anticipated new unit demand in the March 2011 quarter, WMS’ execution challenges that resulted in approximately \$8 million in product sales revenue from customers’ orders that shipped in April instead of the March 2011 quarter, and continued challenges in commercializing new products, including a slower rate of initial regulatory process approvals

* * *

Notwithstanding the expected March 2011 quarterly revenue levels, the Company expects total gross profit margin to be in line with the December 2010 quarter total gross profit margin reflecting an improvement in gaming operations gross margin with gaming operations being a slightly higher percentage of total revenues, and a decline in product sales gross margin primarily due to higher revenues and lower margin from used gaming machines. *The Company's operating margin for the March 2011 quarter is also expected to be relatively flat on a quarterly sequential basis* reflecting lower gross profit due to lower revenues offset by lower operating costs related to expense containment initiatives.

38. In addition to pre-announcing a miss of its third quarter and fiscal 2011 financial forecasts, the Company stated that it did not expect demand for its products to recover for the remainder of fiscal 2011 or for *fiscal 2012*:

“[B]ased on recent customer capital budgets and unit demand trends, we don't expect meaningful improvements in the industry environment over the remainder of calendar 2011 or, at this point, for calendar 2012 and today we issued revenue guidance accordingly.”

* * *

[T]he Company has revised its fiscal 2011 revenue guidance to a range of \$790-to-\$800 million representing 3%-to-5% annual growth. . . .

. . . WMS anticipates Fiscal 2012 revenue will rise 3%-to-7% over the Fiscal 2011 guidance, or a range of \$810-to-\$850 million, with an expected operating margin improvement to a range of 21%-to-22%.

39. On April 12, 2011, as a result of these alarming disclosures, WMS Industries' stock price declined more than 17% to close at \$30.01 on massive volume of 9.8 million shares traded, down from a close of \$36.22 on April 11, 2011.

40. The Class Period representations by defendants concerning the Company's current business and financial condition, including its forecasted financial results, were each materially false and misleading when made because defendants failed to disclose the following true facts which were known to defendants or recklessly disregarded:

(a) The Company's purported current "execution" on business operations was faltering and could not drive and support revenue and profitability guidance;

(b) The industry-wide weak replacement cycle had negatively impacted the Company's sales and margin growth and could not be offset by currently flawed execution and demand for WMS Industries' gaming machines; and

(c) As a result of the above, the Company did not have a reasonable basis for its revenue and margin forecasts for fiscal 2011 in light of known negative business and industry trends.

41. The market for WMS Industries 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, WMS Industries common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired WMS Industries common stock relying upon the integrity of the market price of WMS Industries common stock and market information relating to WMS Industries, and have been damaged thereby.

42. During the Class Period, defendants materially misled the investing public, thereby inflating the price of WMS Industries 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.

43. 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 WMS Industries' business, prospects and operations. These material misstatements and omissions had the cause and effect of creating, in the market, an unrealistically positive assessment of WMS Industries and its business, prospects and operations, thus causing the Company's common stock 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 the Company's 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 WMS Industries stock was removed and the price of WMS Industries stock declined dramatically, causing losses to plaintiff and the other members of the Class.

ADDITIONAL SCIENTER ALLEGATIONS

44. As alleged herein, WMS Industries 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 WMS Industries, their control over, and/or receipt and/or modification of WMS Industries' allegedly materially misleading statements and/or their associations with the Company which made them privy to confidential proprietary information concerning WMS Industries, participated in the fraudulent scheme alleged herein.

LOSS CAUSATION/ECONOMIC LOSS

45. During the Class Period, as detailed herein, defendants made false and misleading statements about WMS Industries' business and prospects and engaged in a scheme to deceive the market. This artificially inflated WMS Industries' stock price and operated as a fraud or deceit on the Class. Later, when defendants' prior misrepresentations and fraudulent conduct became apparent to the market, WMS Industries' stock price fell precipitously, as the prior artificial inflation came out of the stock price over time. As a result of their purchases of WMS Industries common stock during the Class period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

46. WMS Industries' "Safe Harbor" warnings accompanying its 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 Generally Accepted Accounting Principles ("GAAP"), including those filed with the SEC on Form 8-K, they are excluded from the protection of the statutory Safe Harbor. 15 U.S.C. §78u-5(b)(2)(A).

47. The 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 WMS Industries 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.

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

48. 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) The Company's stock traded in an efficient market;
- (d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's stock; and
- (e) Plaintiff and other members of the Class purchased WMS Industries 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.

49. At all relevant times, the market for WMS Industries common stock was efficient for the following reasons, among others:

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

(b) WMS Industries regularly communicated with public investors via established market communication mechanisms, including through regular disseminations 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.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

50. Plaintiff incorporates ¶¶1-49 by reference.

51. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly 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.

52. Defendants violated §10(b) of the 1934 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 WMS Industries common stock during the Class Period.

53. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for WMS Industries common stock. Plaintiff and the Class would not have purchased WMS Industries 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 defendants' misleading statements.

54. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of WMS Industries common stock during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

55. Plaintiff incorporates ¶¶1-54 by reference.

56. The Individual Defendants acted as controlling persons of WMS Industries within the meaning of §20 of the 1934 Act. By virtue of their positions and their power to control public statements about WMS Industries, the Individual Defendants had the power and ability to control the actions of WMS Industries and its employees. WMS Industries controlled the Individual Defendants and its other officers and employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

57. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or acquired WMS Industries common stock during the Class Period (the "Class"). Excluded from the Class are defendants and their family members, directors and officers of WMS Industries and their families and affiliates.

58. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. WMS Industries has more than 57 million shares of stock outstanding, owned by thousands of persons.

59. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the 1934 Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;
- (e) Whether the price of WMS Industries common stock was artificially inflated;
and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

60. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

61. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

62. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;

- B. Awarding plaintiff and the members of the Class damages and interest;
- C. Awarding plaintiff's reasonable costs, including attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

PRAYER FOR RELIEF

Plaintiff demands a trial by jury.

DATED: May 25, 2011