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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

LUTHER D. THOMAS, Clerk
By: *[Signature]*
Deputy Clerk

7/26/01

7/26

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PETER KALTMAN, on behalf of :
himself and all others :
similarly situated, :
:
Plaintiff, :
:
-against- :
:
SCIENTIFIC ATLANTA, INC., JAMES :
F. McDONALD and WALLACE G. :
HAISLIP. :
:
Defendants. :
:
-----x

CLASS ACTION COMPLAINT
JURY TRIAL DEMANDED
CIVIL ACTION NO.

1 01-CV-1977

Plaintiff, individually and on behalf of all other persons similarly situated, by his undersigned counsel, alleges the following upon personal knowledge as to his own acts and upon the investigation conducted by his counsel. Plaintiff's investigation included, among other things, a review of the public announcements made by Defendants, Securities and Exchange Commission ("SEC") filings, press releases, reports by securities industry analysts and media reports regarding Scientific Atlanta, Inc. ("Scientific Atlanta" or the "Company"). Plaintiff alleges as follows:

NATURE OF THE ACTION

1. This is a shareholders' class action on behalf of all persons, other than Defendants, who purchased Scientific Atlanta common stock in the open market during the period April 19, 2001 through July 19, 2001 (the "Class" and "Class Period" respectively).

JURISDICTION AND VENUE

2. This action arises under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and the rules and regulations promulgated thereunder, including SEC Rule 10b-5, 17 C.F.R. 240.10b-5.

3. The jurisdiction of this Court is based on Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1331 (federal question jurisdiction).

4. Venue is proper as many of the acts, transactions and conduct alleged herein, including the dissemination to the investing public of the misleading statements at issue, occurred in substantial part in this District.

5. In connection with the acts and conduct alleged in this Complaint, Defendants, directly or indirectly, used the mails and instrumentalities of interstate commerce.

THE PARTIES

6. Plaintiff Peter Kaltman purchased the common stock of Scientific Atlanta in the open market during the Class Period, at an artificially inflated price, as set forth in the attached Certification.

7. Defendant Scientific Atlanta is a corporation organized and existing under the laws of the state of Georgia and maintains its principal executive offices at 5030 Sugarloaf Parkway, Lawrenceville, Georgia 30042. Scientific Atlanta describes itself on its website as follows:

Scientific-Atlanta, Inc. is a \$1.7 billion company changing the way consumers interact with their televisions, and is a leading supplier of transmission networks for broadband access to the home, digital interactive subscriber systems for video, high speed Internet, voice over IP (VoIP) networks, and worldwide customer service and support. Scientific-Atlanta is applying a half-century of innovations to today's convergence of the PC and the TV and helping to extend multimedia broadband applications to new platforms via the set-top.

8. Defendant James F. McDonald ("McDonald") is the Chairman and Chief Executive Officer of the Company and served in these positions at all times relevant hereto.

9. Defendant Wallace G. Haislip ("Haislip") is the Senior Vice President, Chief Financial Officer and Treasurer of the Company and served in these positions at all times relevant hereto.

10. McDonald and Haislip (the "Individual Defendants"), by way of their positions as senior executives and/or members of the Board of Directors, had the power, and exercised same, to cause Scientific Atlanta to engage in the wrongful acts and practices complained of herein, which includes the false and misleading statements concerning the Company's fourth-quarter 2001 financial results and their sale of tens of millions of dollars of Scientific Atlanta stock at artificially inflated prices. McDonald and Haislip were, therefore, "control persons" of Scientific Atlanta within the meaning of Section 20(a) of the Exchange Act.

INAPPLICABILITY OF STATUTORY SAFE HARBOR

11. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply

to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made, there was no statement made with respect to any of those representations forming the basis of this complaint that actual results "could differ materially from those projected," and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Scientific Atlanta who knew that those statements were false when made.

SUBSTANTIVE ALLEGATIONS

Background

12. As described above, Scientific Atlanta provides equipment used in the telecommunications and cable television businesses. These businesses had been experiencing a substantial decline since the beginning of 2001, and many of Scientific Atlanta's competitors had not performed as well as they hoped or expected. This was demonstrated by the decline in the business and stock price of Motorola, Scientific Atlanta's biggest competitor in the communications and set-top box business. Between January 1, 2001 and the beginning of the Class Period, Motorola's stock price had declined approximately twenty percent.

13. A March 6, 2001 story by Bloomberg News highlighted the contrast between Scientific Atlanta and its peers:

Scientific Atlanta, Inc. shares rose 4.6 percent on optimism the No. 2 U.S. maker of cable-television set-top boxes won't mimic rivals and reduce its 2001 profit forecast, analysts said.

The stock rose \$4.64 to \$51.12. Scientific Atlanta is up 57 percent this year while the Standard & Poor's Communication Equipment Index fell 28 percent as some members said 2001 would disappoint.

* * *

A dozen other makers of cable and phone equipment have said 2001 will miss their forecasts because of

a slowing U.S. economy, including Motorola, Inc., Scientific Atlanta's top rival.

* * *

Motorola said last month it may have a first-quarter loss from operations, its first in at least 15 years, because the Schaumburg, Illinois-based company had a slump in orders for chips and cell phones. The company also said sales in the unit that makes set-top boxes will have little if any growth.

Scientific Atlanta "is standing out as a good story in what otherwise is a tough environment," said Deutsche Banc Alex. Brown analyst Peter Ausnit, who has a "strong buy" rating on the shares.

14. Despite this negative industry-wide climate, Scientific Atlanta continued to provide positive financial and operational guidance to the investing public during the Class Period, as alleged below. This news contrasted strongly with the predicted performance of other companies in the cable and telecommunications industry.

15. Even as all indications were pointing to a slowdown in demand for the primary products of Scientific Atlanta, Defendants continued to issue positive guidance about sales growth and bookings, as alleged below.

Defendants' False & Misleading Statements

16. On April 19, 2001, the Company issued a press release, which was approved by the Individual Defendants and

contained false statements by McDonald, disclosing its results for the third quarter of fiscal 2001, ended March 30, 2001. The April 19, 2001 press release highlighted the dollar volume and growth of bookings during that quarter:

For the quarter ending March 30, 2001, bookings were \$712.6 million, an increase of \$117.8 million, or 20%, over the prior year's third quarter. Sales of \$663.7 million rose by \$223.0 million, or 51%, from the same period a year ago. Net earnings for the quarter were \$76.2 million, or \$0.46 per share. This represents a \$38.1 million, or 100%, improvement over the comparable period of the prior year, when net earnings were \$0.23 per share.

Backlog at quarter end was a record \$1.0 billion, an increase of \$227.8 million from last year and up \$48.9 million from last quarter.

Scientific-Atlanta's balance sheet remains strong, with cash and short-term investments of \$723.8 million at the end of the third quarter. This represents an increase of \$200.7 million, or 38%, over the fiscal year-end balance at June 30, 2000 and an increase of \$145.9 million, or 25%, from last quarter's balance. The Company continues to have no significant debt.

(Emphasis added.)

17. In addition to the positive statements concerning the third quarter results, Scientific Atlanta drew particular attention to its increases in sales during the third quarter:

Sales for the first nine months of fiscal year 2001 were \$1.9 billion, an increase of 63%, versus \$1.2 billion in the comparable period of the prior year.

Net earnings for the nine-month period were \$260.3 million, or \$1.55 per share, an improvement of 169% compared to \$96.7 million, or \$0.59 per share in the comparable period of the prior year. Excluding one-time events, net earnings for the nine-month period were \$210.9 million, or \$1.26 per share, an increase of 127% compared to \$92.7 million, or \$0.57 per share in the first nine months of the prior year.

18. Defendant McDonald also provided comments about the current state of Scientific Atlanta's business, identifying the weakness in the North American broadband equipment market, but pointing out Scientific Atlanta's success in increasing sales of its set-top boxes for digital cable:

Our success this quarter reflects the priorities of our North American customers. Digital services continue to be very popular with consumers and economically attractive to the cable companies. The resulting demand for our Explorer® digital interactive set-tops, coupled with international transmission growth, has been able to compensate for any weakness in the domestic transmission market.

(Emphasis added.)

19. Defendant McDonald further pointed to the positive growth Scientific Atlanta would experience in the coming quarters:

The keys to our ongoing success are our diversity and balance: we are both an end-to-end supplier of transmission infrastructure equipment, and a leading provider of subscriber products. Our Transmission products are balanced between RF electronics and

optoelectronics. Our Subscriber products provide a fully integrated network solution including both hardware and software. At this time of transition in the domestic cable market, the diversity of our geographical presence enables us to seek new sources of growth. We believe that our balance and diversity, coupled with favorable customer economics, should enable our growth in the quarters ahead.

(Emphasis added.)

20. On May 11, 2001, Scientific Atlanta filed its quarterly report on Form 10-Q for the third quarter of fiscal 2001 with the SEC (the "10-Q"), which was signed by Defendant Haislip and approved by Defendant McDonald. The 10-Q reiterated the relevant financial information from the Company's April 19, 2001 press release and offered additional statements regarding the strong growth the Company was experiencing in its "subscriber business," or sales of "set-top boxes" and related products to cable television providers:

Sales for the quarter ended March 30, 2001 were \$663.7 million, up 51 percent over the prior year, driven by the rapid acceleration in the deployment of digital interactive systems by our customers. A 119 percent increase year-over-year in sales of subscriber related products more than offset a 4 percent decline in sales of transmission related products. We shipped over 1.4 million digital interactive set-tops during the quarter as compared to 0.5 million in the prior year. Sales of transmission opto-electronic and analog headend products increased by 49 percent and 18 percent

year-over-year, respectively, but were more than offset by declines in sales in other product areas, primarily RF products. International sales in the quarter ended March 30, 2001 decreased 7 percent from the prior year.

(Emphasis added.)

21. Defendants indicated that they had successfully satisfied their need for increased production capacity, which was driven by increasing product demand going forward:

During the third quarter of fiscal year 2001, we increased production capacity of the Explorer digital interactive set-tops to 1.5 million set-tops per quarter.

22. All of Defendants' foregoing statements were materially false and misleading when made, due to the fact that demand for Scientific Atlanta's products was shrinking rapidly, and had already been reduced at the time the above statements were made. Defendants knew, or were reckless in not knowing, that a significant decline in sales demand had occurred. Defendants made such materially misleading statements pursuant to a scheme to sell tens of million dollars worth of stock at artificially inflated prices, and did so at the expense of the Company's public shareholders.

23. Defendants' knowledge of the Company's sales practices and order backlog was well documented. The

Individual Defendants, as senior executives at Scientific Atlanta, had the ability to, and in fact were responsible for, vigilantly monitoring real-time sales and bookings data, reflecting demand for the Company's products. The senior executives' involvement in sales and marketing was detailed in the Company's last annual report on Form 10-K, filed with the SEC on September 26, 2000:

Our products are sold primarily through our own sales personnel who work out of offices throughout the United States and various foreign countries... Sales of our products are also made to independent system integrators, distributors and dealers who resell the products to customers. Our management personnel are also actively involved in marketing and sales activities.

(Emphasis added.)

24. Accordingly, Defendants had the ability to determine, on a virtually instantaneous basis, whether a precipitous decline in orders or bookings had occurred. At the time the materially misleading statements outlined above were made, Scientific Atlanta had experienced a substantial decline in customer demand, but Defendants did not disclose that information to the public until substantially later, and until after they had liquidated over \$43 million in stock and stock options.

The Individual Defendants' Massive Insider Selling

25. As of October 2, 2000, Defendant McDonald owned 154,858 shares of Scientific Atlanta common stock and held options which were exercisable for 1,712,500 shares of Scientific Atlanta common stock. On the following dates during the Class Period McDonald sold shares, or exercised options and sold the underlying shares, in the amounts indicated:

Date	Shares	Price Per Share	Net Aggregate Proceeds
4/24/01	148,200	\$58.67	\$ 7,079,138
4/25/01	50,000	\$55.07	\$ 2,213,000
4/26/01	141,800	\$57.22	\$ 6,580,650
4/27/01	10,000	\$56.31	\$ 4,462,500
4/30/01	275,000	\$57.25 - \$58.70	\$15,976,500
5/2/01	100,000	\$59.95	\$ 4,807,000
TOTAL	725,000		\$ 41,118,788

26. These sales represent a liquidation of nearly 38 percent of McDonald's total holdings in Scientific Atlanta as of October 2, 2000. Moreover, this trading is a significant departure from the past pattern of selling by McDonald.

McDonald has never sold this many shares in so short a period

of time. For example, between September and December of 2000, McDonald did not sell any shares of Scientific Atlanta stock. During February of 2001, McDonald sold over 200,000 shares, a substantial amount of shares, but less than one-third of McDonald's Class Period sales.

27. The 725,000 shares sold by McDonald would be currently valued at \$17,247,750, a mere fraction of the amount McDonald received by capitalizing on non-public information.

28. On the following date during the Class Period, Haislip sold shares in the amounts indicated:

Date	Transaction	Shares	Price Per Share	Aggregate Proceeds
5/2/01	Options Exercise	53,000	\$59.75	\$ 2,172,965

29. As of March 31, 2001, Defendant Haislip indicated that he directly held 33,392 shares. The options he exercised represent more than one and a half times the total number of shares Haislip owned a month earlier. Moreover, Haislip sold on the same day as McDonald, to profit from the continuing scheme to inflate the share price of Scientific Atlanta common

stock, as detailed herein, and in so doing was able to realize proceeds in excess of two million dollars.

The Truth Is Revealed

30. On July 19, 2001, Defendants announced that the Company would reduce its earnings forecasts for the first quarter of 2002. The Company also disclosed its fourth-quarter and year-end results for fiscal 2001. Defendants disclosed that net earnings for the fourth quarter would be \$80.5 million, or \$0.48 per share on a pro-forma basis. The Company announced that net earnings for fiscal year 2001 were \$333.7 million, or \$1.99 per share. Excluding one-time events in both years, net earnings for the year increased 92 percent to \$291.3 million, or \$1.74 per share.

31. Significantly, Defendants announced bookings of \$507 million in the fourth quarter 2001, which declined by \$132.3 million, or 21 percent from the fourth-quarter 2000. This number also represented a decrease of over \$205 million from bookings of \$712.6 million in the third-quarter of 2001.

32. Defendants' statements regarding the continuing strength of Scientific Atlanta's business through the fourth-quarter were materially false and misleading, and that fact

was demonstrated most notably by the 28.8 percent decline in bookings between the third and fourth quarters.

33. In an attempt to explain the enormous and entirely unexpected decline in bookings, the Company stated:

The decline in bookings is attributable to the uncertain economic climate and reduced digital marketing efforts by cable operators during the slower summer vacation period, in addition to customer inventory levels and the slower than expected deployment of interactive applications.

34. However, this explanation is another attempt to conceal the truth and is not borne out by the Company's past financial results. In the third quarter of fiscal 2000, the Company reported bookings of \$594.9 million. Bookings for the fourth-quarter of fiscal 2000 increased substantially over that level to \$639.3 million. The results for fiscal 2000 indicate that any seasonal effect on fourth quarter bookings is likely to result in an increase, not a decrease in bookings, demonstrating that the decrease reported for the fourth quarter of 2001 was not caused by any seasonal factors.

35. Moreover, the conditions which had previously plagued Scientific Atlanta's competitors, i.e., inflated customer inventory levels and declining demand, and which

Defendants stated would not affect them, are among the reasons cited for a massive shortfall in bookings.

36. As a result of this enormous shortfall in bookings, Scientific Atlanta's stock was punished severely. The stock fell 34 percent, down \$12.28 per share to close at \$22.80, in very heavy trading, causing damages to Plaintiff and the Class.

ADDITIONAL SCIENTER ALLEGATIONS

37. As alleged herein, Defendants acted with scienter in that Defendants knew or recklessly disregarded that the public documents and statements issued or disseminated in the name of Scientific Atlanta were materially false and misleading. Defendants knew or recklessly disregarded 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, Defendants, by virtue of their receipt of information reflecting the true facts regarding Scientific Atlanta, their control over, and/or receipt and/or modification of Scientific Atlanta's allegedly

materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Scientific Atlanta, participated in the fraudulent scheme alleged herein.

38. The Individual Defendants engaged in such a scheme to inflate the price of Scientific Atlanta securities in order to engage in a massive campaign of insider sales, reaping more than \$43 million in proceeds from such sales. The Individual Defendants conspired to inflate the stock of Scientific America long enough to unload their personal holdings for massive proceeds, while failing to disclose the true state of affairs, which they were aware of, at the Company. Defendants knew that their statements were false and misleading when made due to their access to the internal information of the Company, as outlined above.

39. Defendants had access to and, due to their positions with the Company, controlled the content of the Company's public statements during the Class Period. Defendants also had a duty to promptly correct any previously disseminated information that was misleading to the market. As a result of their scheme to defraud the public shareholders of Scientific

Atlanta and their failure to correct the misleading statements disseminated to the market, the Individual Defendants conspired to inflate the price of Scientific Atlanta shares and in so doing damaged Plaintiff and the Class.

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

40. At all relevant times, the market for Scientific Atlanta common stock was an efficient market for the following reasons, among others:

- (a) Scientific Atlanta common stock met the requirements for listing, and was listed and actively traded, on the New York Stock Exchange, an efficient market;
- (b) During the Class Period, millions of shares of Scientific Atlanta common stock were traded on the open market;
- (c) As a regulated issuer, the Company filed periodic public reports with the SEC and the NASD; and
- (d) Scientific Atlanta was widely followed by numerous securities analysts employed by brokerage firms who wrote reports that were distributed to the sales force and certain customers of their respective

brokerage firms. These reports was publicly available and entered the public marketplace.

37. As a result, the market for Scientific Atlanta common stock promptly digested current information regarding the Company from all publicly available sources and reflected such information in Scientific Atlanta's common stock price. Under these circumstances, all purchasers of the Company's common shares during the Class Period suffered similar injury through their purchase of shares at artificially inflated prices, and a presumption of reliance applies.

CLASS ACTION ALLEGATIONS

38. Plaintiff brings this action on his own behalf and as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure, on behalf of a class consisting of all persons (other than Defendants and the members of their immediate families, their heirs, successors and assigns) who acquired common stock of Scientific Atlanta in the open market during the period April 19, 2001 through July 19, 2001.

39. Members of the Class are so numerous that joinder of all members is impracticable. As of June 2001, there were over 160 million shares of Scientific Atlanta common stock

outstanding, held by hundreds of holders of record. Scientific Atlanta common stock trades on the New York Stock Exchange, an efficient and highly developed market. Thousands of brokers nationwide had immediate access to trading information about Scientific Atlanta, through the NYSE, news and wire services. Information concerning the Company is displayed within minutes of its occurrence or disclosure.

40. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and other members of the Class have sustained damages because of Defendants' unlawful activities alleged herein. Plaintiff has retained counsel competent and experienced in class and securities litigation and intends to prosecute this action vigorously. The interests of the Class will be fairly and adequately protected by Plaintiff. Plaintiff has no interests which are contrary to or in conflict with those of the Class Plaintiff seeks to represent.

41. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Plaintiff knows of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action.

42. 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 Defendants violated Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5 promulgated thereunder;
- b. whether Defendants participated in and pursued the common course of conduct complained of herein;
- c. whether documents, filings, releases and statements disseminated to the investing public omitted and/or misrepresented material facts about Scientific Atlanta;
- d. whether the market price of Scientific Atlanta's common stock was artificially inflated throughout the Class Period due to the nondisclosure and/or misrepresentations complained of herein;
- e. whether Defendants acted knowingly, wilfully, or recklessly in omitting to state and/or misrepresenting material facts;

- f. whether the Individual Defendants violated Section 10(b) of the Exchange Act by engaging in insider trading during the Class Period; and
- g. whether the members of the Class have sustained damages as a result of Defendants' misconduct and, if so, the proper measure of such damages.

COUNT I

**AGAINST ALL DEFENDANTS FOR
VIOLATIONS OF SECTION 10(b) OF
THE EXCHANGE ACT AND RULE 10b-5**

37. Plaintiff repeats and realleges each and every allegation contained in the above paragraphs, as if fully set forth herein. This claim is asserted against all Defendants.

38. Defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and did deceive the investing public, including Plaintiff and other Class members, and artificially inflate and maintain the market price of the Company's stock as alleged herein. In furtherance of this unlawful scheme, plan, and course of conduct, Defendants, and each of them, took the actions set forth herein.

39. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements made not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the acquirors of Scientific Atlanta securities in an effort to maintain artificially high market prices for Scientific Atlanta securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

40. In addition to the duties of full disclosure imposed on Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, the Individual Defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. § 210.01 et seq.) and Regulation S-K (17 C.F.R. § 229.10 et seq.) and

other SEC regulations, including accurate and truthful information with respect to the Company's operations and performance so that the market prices of the Company's publicly traded securities would be based on truthful, completed and accurate information.

41. Scientific Atlanta and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means and instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the Company's financial results, business, operations, and future outlook as specified herein. Scientific Atlanta and the Individual Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information, and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure purchasers of Scientific Atlanta common stock concerning the value and performance and continued substantial growth of Scientific Atlanta. This included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order

to make the statements made about the Company's financial and business operations in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein. Defendants engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the acquirors of Scientific Atlanta common stock.

42. The Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives at the Company during the period when the false statements were made and were members of the Company's management team, or were members of the Board of Directors; (ii) the Individual Defendants, by virtue of their responsibilities and activities as senior officers or directors of the Company, were privy to and participated in the drafting, reviewing and/or approving the misleading statements, releases, reports and other public representations of and about Scientific Atlanta, and the Individual Defendants signed and/or approved the Company's public filings with the SEC, which public filings contained the allegedly materially misleading statements; (iii) the

Individual Defendants knew or had access to the material adverse non-public information about Scientific Atlanta's financial results, business, operations, and future outlook, which were not disclosed; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public that they knew or recklessly disregarded was materially false and misleading.

43. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing the true state of Scientific Atlanta's operations and business affairs from the investing public and supporting the artificially inflated price of its securities.

44. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Scientific Atlanta securities was artificially inflated

throughout the Class Period. Unaware of the fact that the market price of Scientific Atlanta securities was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trade, and the truth of any representations made to appropriate agencies as to the investing public, at the times at which any statements were made, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed to the public, Plaintiff and the other members of the Class purchased Scientific Atlanta at artificially high prices and were damaged thereby.

45. At the time of said misrepresentations and omissions, plaintiff and the other members of the Class were unaware of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known of the true nature of the operations of the Company and the noncompliance with federal law, which were not disclosed by Defendants, Plaintiff and the other members of the Class would not have purchased their Scientific Atlanta securities or, if they had acquired such securities, they

would not have done so at the artificially inflated prices which they paid.

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

47. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their acquisition of Scientific Atlanta securities.

COUNT II

AGAINST THE INDIVIDUAL DEFENDANTS FOR VIOLATION OF SECTION 20(a) OF THE EXCHANGE ACT

48. Plaintiff repeats and realleges each and every allegation contained in the above paragraphs, as if fully set forth herein. This claim is asserted against the Individual Defendants.

49. The Individual Defendants acted as controlling persons of Scientific Atlanta within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their executive positions and/or Board membership, as alleged above, the Individual Defendants had the power to influence and control and did influence and control, directly or

indirectly, the decision-making of the Company, including the content and dissemination of the various statements that Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's internal reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

50. In particular, the Individual Defendants had direct involvement in the day-to-day operations of the Company and therefore are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

51. As set forth above, Scientific Atlanta violated Section 10(b) and Rule 10b-5 by its acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of Scientific Atlanta, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants'

wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their acquisition of Scientific Atlanta securities.

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 the Class representative under Rule 23 of the Federal Rules of Civil Procedure and his counsel as Lead Counsel;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

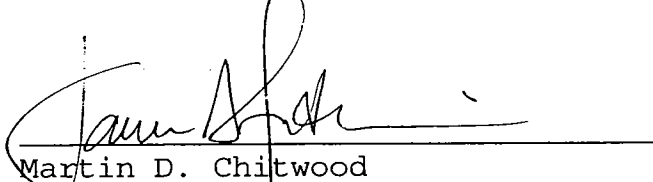
(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this Action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

PLAINTIFF DEMANDS A TRIAL BY JURY

Dated: July 26, 2001

CHITWOOD & HARLEY

A handwritten signature in black ink, appearing to read "Martin D. Chitwood", is written over a horizontal line.

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