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10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SAN FRANCISCO DIVISION

13 In re DITECH COMMUNICATIONS CORP.,) Case No. C-05-02406 JSW
SECURITIES LITIGATION)
14) CLASS ACTION
15)
16 This Document Relates To:) AMENDED CLASS ACTION COMPLAINT
FOR VIOLATIONS OF FEDERAL
SECURITIES LAWS
17 ALL ACTIONS) JURY TRIAL DEMANDED
18 RICHARD E. JAFFE, Individually and on)
Behalf of All Others Similarly Situated,)
19)
Plaintiff,)
20)
vs.)
21)
22 DITECH COMMUNICATIONS CORP.,)
TIMOTHY K. MONTGOMERY AND)
23 WILLIAM J. TAMBLYN,)
24)
Defendants.)
25)
26)
27)
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1 Plaintiff alleges the following based upon the investigation of plaintiff's counsel, which
2 included a review of regulatory filings and reports, securities analyst reports and advisories about
3 Ditech Communications Corp. ("Ditech" or the "Company"), press releases and other public
4 statements issued by the Company, and media reports about the Company.

5 **NATURE OF THE ACTION AND SUMMARY OF ALLEGATIONS**

6 1. This is a federal class action on behalf of persons who purchased the securities of
7 Ditech between August 24, 2004 and May 26, 2005, inclusive (the "Class Period"), and who were
8 damaged thereby, seeking to pursue remedies under the Securities Exchange Act of 1934 (the
9 "Exchange Act").

10 2. Ditech is a California-based designer and marketer of telecommunications equipment.
11 Ditech provides network operators with echo cancellation and voice processing systems.

12 3. Ditech's business is highly dependent on a few customers. During the Class Period
13 Verizon Communications and Nextel Communications, Inc., accounted for approximately 49% and
14 42% of Ditech's revenues, respectively.

15 4. This action involves materially false and misleading misrepresentations and
16 omissions by defendants regarding two aspects of Ditech's business:

17 (a) **Voice Quality Assurance ("VOA") Services**: During the Class Period,
18 defendants represented that Ditech received two significant VQA orders from new customers in
19 Asia. These orders, had they been realized as represented, would have boosted Ditech's second
20 quarter 2005 revenue to \$29,253,000, or by 17.1%. The Company highlighted this as the first
21 success in its efforts to enter the VQA market in a rapidly growing geographical area. In fact,
22 however, the orders were not solidified. The purported customers were not obligated to, and, as it
23 turned out, did not purchase the services.

24 (b) **Misrepresentations Regarding the Impact of the Merger Between Sprint**
25 **and Nextel**: In December 2004, Nextel announced a merger with Sprint. Given that Nextel was
26 42% of Ditech's business, certain securities analysts posited that the cost cutting and integration of
27 Nextel and Sprint operations might result in less business for Ditech. In response, defendants
28 represented that the merger should not be of concern to Ditech investors and that it was "quite good"

1 for the Company. In fact, as defendants knew or recklessly disregarded, the Nextel-Sprint merger
2 posed a serious threat to Ditech's business, one that could erase nearly half of its revenues.

3 5. Investors began to learn the truth about the purported VQA orders on November
4 3, 2004, when the Company announced that the highly-publicized orders had not shipped,
5 causing the Company to miss its revenue goals for the second quarter of 2005 and calling into
6 question the Company's VQA expansion plans. The price of Ditech common stock fell by
7 25.5% to \$16.60 per share in response to the announcement, on unusually heavy trading volume.
8 Defendants, however, maintained this was merely a "delay" and that they still expected the
9 orders to ship, a claim which defendants knew or recklessly disregarded was false.

10 6. The truth about the impact of the Nextel-Sprint merger on Ditech was revealed
11 after the close of trading on May 26, 2005. At that time, Ditech announced that orders from
12 Nextel dropped substantially as a result of the Nextel-Sprint merger and that a continuing decline
13 in orders was expected. In response, Ditech common stock dropped by 38%, to \$7.79 per share,
14 on unusually heavy trading volume.

15 7. While the price of Ditech shares was artificially inflated by defendants' false
16 statements, Company insiders, including defendants Timothy K. Montgomery and William J.
17 Tamblyn, sold a total of 320,000 of their personally held Ditech shares for gross proceeds of
18 \$6,719,015.

19 JURISDICTION AND VENUE

20 8. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the
21 Exchange Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the SEC
22 [17 C.F.R. §240.10b-5].

23 9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
24 §§1331 and 1337, and Section 27 of the Exchange Act.

25 10. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28
26 U.S.C. §1391(b). Ditech conducts business in this District and many of the acts alleged herein
27 occurred in substantial part in this District.

1 11. In connection with the acts alleged in this complaint, defendants, directly or
2 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to,
3 the mails, interstate telephone communications and the facilities of the national securities markets.

4 **PARTIES**

5 12. Lead Plaintiff Jack Casey, Tonio Dahmen, George Innocenti, Shengli Duan and
6 Norbert P. Czub (the “Casey Group”), purchased Ditech common stock at artificially inflated prices
7 during the Class Period and were damaged when the truth was revealed and the price of Ditech stock
8 dropped, as alleged herein. These purchases are set forth in the accompanying certifications and are
9 incorporated by reference herein.

10 13. Defendant Ditech is a Delaware corporation headquartered in this District at 825 East
11 Middlefield Road, Mountain View, California 94043.

12 14. Defendant Timothy K. Montgomery (“Montgomery”) served as Ditech’s Chief
13 Executive Officer, President and Chairman. Defendant Montgomery sold 225,000 shares of Ditech
14 common stock during the Class Period, for proceeds of \$4,491,900.

15 15. Defendant William J. Tamblyn (“Tamblyn”) served as Ditech’s Chief Financial
16 Officer. Defendant Tamblyn sold 25,000 shares of Ditech common stock during the Class Period,
17 for proceeds of \$614,142.

18 16. Defendants Montgomery and Tamblyn are referred to herein as the “Individual
19 Defendants.”

20 17. During the Class Period, the Individual Defendants, as senior executive officers
21 and/or directors of Ditech, were privy to confidential and proprietary information concerning Ditech,
22 its operations, finances, financial condition, present and future business prospects. The Individual
23 Defendants also had access to material adverse non-public information concerning Ditech, as
24 discussed in detail below. Because of their positions with Ditech, the Individual Defendants had
25 access to non-public information about its business, finances, products, markets and present and
26 future business prospects *via* access to internal corporate documents, conversations and connections
27 with other corporate officers and employees, attendance at management and board of directors
28 meetings and committees thereof and *via* reports and other information provided to them in

1 connection therewith. Because of their possession of such information, the Individual Defendants
2 knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and
3 were being concealed from, the investing public.

4 18. The Individual Defendants are liable as direct participants in, and as co-conspirators,
5 with respect to the wrongs complained of herein. In addition, the Individual Defendants, by reason
6 of their status as senior executive officers and/or directors were “controlling persons” within the
7 meaning of Section 20 of the Exchange Act and had the power and influence to cause the Company
8 to engage in the unlawful conduct complained of herein. Because of their positions of control, the
9 Individual Defendants were able to and did, directly or indirectly, control the conduct of Ditech’s
10 business.

11 19. The Individual Defendants, because of their positions with the Company, controlled
12 and/or possessed the authority to control the contents of its reports, press releases and presentations
13 to securities analysts and through them, to the investing public. The Individual Defendants were
14 provided with copies of the Company’s reports and press releases alleged herein to be misleading,
15 prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or
16 cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the
17 fraudulent acts alleged herein.

18 20. As senior executive officers and/or directors and as controlling persons of a publicly-
19 traded company whose common stock was, and is, registered with the Securities and Exchange
20 Commission (the “SEC”) pursuant to the Exchange Act, and was traded on the NASDAQ National
21 Market (“NASDAQ”) and governed by the federal securities laws, the Individual Defendants had a
22 duty to promptly disseminate accurate and truthful information with respect to Ditech’s financial
23 condition and performance, growth, operations, financial statements, business, products, markets,
24 management, earnings and present and future business prospects, to correct any previously issued
25 statements that had become materially misleading or untrue, so that the market price of Ditech’s
26 common stock would be based upon truthful and accurate information. The Individual Defendants’
27 misrepresentations and omissions during the Class Period violated these specific requirements and
28 obligations.

1 21. The Individual Defendants are liable as participants in a fraudulent scheme and
2 course of conduct that operated as a fraud or deceit on purchasers of Ditech common stock by
3 disseminating materially false and misleading statements and/or concealing material adverse facts.
4 The scheme (a) deceived the investing public regarding Ditech’s business, operations and
5 management and the intrinsic value of Ditech common stock and (b) caused plaintiff and members
6 of the Class to purchase Ditech common stock at artificially inflated prices.

7 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

8 22. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
9 Procedure 23(a) and (b)(3) on behalf of a Class consisting of all those who purchased the securities
10 of Ditech between August 24, 2004 to May 26, 2005, inclusive, and who were damaged thereby.
11 Excluded from the Class are defendants, the officers and/or directors of the Company, at all relevant
12 times, members of their immediate families and their legal representatives, heirs, successors or
13 assigns and any entity in which defendants have or had a controlling interest.

14 23. The members of the Class are so numerous that joinder of all members is
15 impracticable. Throughout the Class Period, Ditech had more than 29 million shares of common
16 stock outstanding that were actively traded on the NASDAQ National Market. While the exact
17 number of Class members is unknown to plaintiff at this time and can only be ascertained through
18 appropriate discovery, plaintiff believes that there are hundreds or thousands of members in the
19 proposed Class. Record owners and other members of the Class may be identified from records
20 maintained by Ditech or its transfer agent and may be notified of the pendency of this action by mail,
21 using the form of notice similar to that customarily used in securities class actions.

22 24. Plaintiff’s claims are typical of the claims of the members of the Class as all members
23 of the Class are similarly affected by defendants’ wrongful conduct in violation of federal law that is
24 complained of herein.

25 25. Plaintiff will fairly and adequately protect the interests of the members of the Class
26 and has retained counsel competent and experienced in class and securities litigation.

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28

1 [Emphasis added]. Defendant Montgomery represented that these orders were a significant break
2 into an area experiencing high growth:

3 “We are very pleased to announce these significant orders representing new customers
4 for Ditech in this high growth geography. Our focused investment in VQA sales and
5 support personnel in Asia is showing additional results as evidenced by these large new
6 orders,” said Tim Montgomery, president and CEO of Ditech Communications. “We’re
7 seeing momentum for our VQA solutions as carriers seek to cost-effectively expand their
8 mobile networks while maintaining superior voice quality.”

9 30. Also on August 24, 2004, defendants held a conference call with analysts and
10 investors. Defendants Montgomery and Tamblyn participated in the call. The call was accessible to
11 ordinary investors and archived on the Company’s website. Transcripts of the call were available
12 from a variety of sources, such as CallStreet. During the call defendant Montgomery represented
13 that the Company had received two large orders in excess of \$5 million for the second quarter of
14 2005:

15 Although we don’t know yet precisely where Q2 VQA revenues will be, given our
16 Q4 revenues and orders in excess of \$5 million already in Q2, you can see the
17 beginning of a trend line that gives us real confidence in our VQA business.

18 31. The size of these orders was significant. In its Form 10-Q for the period ended
19 October 31, 2004 (“Q2 05”), filed on December 10, 2004, Ditech reported total revenue of
20 \$24,253,000 for the quarter. If the Asian orders had been realized in Q2 05, they would have
21 boosted Ditech’s second quarter revenue by \$5,000,000, to \$29,253,000, or by 17.1%. If the orders
22 were recorded during Q2 05, the incremental revenue would have boosted gross profit by
23 approximately \$3.9 million, or 17.1%. Furthermore, the corresponding effect on EPS would have
24 raised EPS to \$1.45, an increase of \$0.11, or 7.9%.

25 32. These two announcements caused the price of Ditech stock to rise quickly, climbing
26 from \$17.96 per share on August 23, 2004, to \$21.84 per share by August 27, 2004, a 21.6% run-up
27 in four days, on unusually heavy trading volume.

28 33. Based in part on these statements by defendants, analyst Dave Kang with Roth
Capital Partners issued a favorable report on the Company on August 25, 2004. In that report, Kang
reiterated his “Strong Buy” rating on Ditech, citing, among other things, that “the company

1 announced it received \$5.2 million in VQA orders from two Asian operators to be shipped in the
2 next two quarters.”

3 34. Defendants’ representations in the August 24, 2004, press release and conference call
4 were materially false and misleading when made because they failed to disclose that:

5 (a) the much-heralded VQA orders were not “secured” as defendants had
6 represented because the purported new clients had the right to change their minds about the orders;

7 (b) these orders did not represent the success of Ditech’s VQA strategy in Asia;
8 and

9 (c) defendants lacked any basis to express “real confidence” in Ditech’s VQA
10 business.

11 35. On November 3, 2004, Ditech issued a press release announcing disappointing
12 second quarter results due to a “delay” in shipping the previously announced VQA orders from
13 Asia and weaker domestic demand for wireless products. Defendant Montgomery was quoted as
14 follows in the release:

15 “Although our revenues were 67 percent higher than the same quarter last year we
16 did not achieve our revenue goal,” said Mr. Montgomery. “The revenue shortfall
17 was the result of two factors. First, we experienced a *delay* in shipping a major VQA
18 order in the quarter to an Asian customer. *We are taking steps to facilitate the
smooth delivery of this order in the second half of this year.* The second reason for
lower revenue numbers was an apparent softening of demand in the North American
wireless marketplace, as evidenced by our decline in shipments in the quarter.”

19 36. Defendants hosted a conference call later that day. Defendants Montgomery and
20 Tamblyn participated in the call. The call was accessible to ordinary investors and archived on the
21 Company’s website. Transcripts of the call were available from a variety of sources, such as
22 CallStreet. In relevant part, defendant Montgomery attributed the delay in shipment to management
23 changes at one of the purchasers, and represented that a new shipping schedule was “reconfirmed”
24 for the second half of the year:

25 In August, we announced that we’d secured VQA orders in excess of \$5 million from
26 customers in Asia. During the Q1 conference call, we indicated that we thought we
27 would ship \$2 to \$3 million in VQA in the second quarter. Due to management
28 changes within the largest of these firms, subsequent to our booking the order, the
delivery schedule changed. The customer has now *reconfirmed the new shipping
schedule* and we’re taking steps to ensure smooth delivery of these orders in the
second half of this fiscal year. [Emphasis added.]

1 In response to questions by analysts, defendant Montgomery reiterated that the VQA issue was one
2 of timing and that the Company did not lose the transactions:

3 Not trying to be too granular here, but *the issue of VQA is not a matter of losing*
4 *transactions, it's a matter of delays.* Delays associated with the magnitude of the
opportunities and the, shall we say, the magnitude of the competitive landscape.

5 37. The price of Ditech common stock dropped by over 25% on heavy trading in reaction
6 to the disappointing results, but remained inflated because of defendants' representations that the
7 VQA orders would be filled.

8 38. On November 18, 2004, defendants hosted a conference call concerning Ditech's
9 Q2 05 earnings. Defendants Montgomery and Tamblyn participated in the call. On the call,
10 defendant Tamblyn again reassured investors that the VQA transactions were firm:

11 As we stated in our November 3 conference call, the revenue shortfall was the result
12 of 2 factors: First we experienced a delay in shipping a major voice quality
13 assurance order in the quarter to an Asian customer. *The order however, remains*
valid and we are taking steps to facilitate the smooth delivery of this order in the
second half of the fiscal year. [Emphasis added.]

14 39. On December 15, 2004, it was announced that Nextel would merge with Sprint,
15 sparking concern among Ditech investors that the combined company might scale back, if not
16 eliminate, purchases of Ditech products.

17 40. Recognizing the threat to Ditech's stock price, the day the merger was announced,
18 Ditech issued a press release announcing that, "its Board of Directors has approved the repurchase of
19 up to an aggregate of \$35 million of its Common Stock." The tactic worked and Ditech's stock price
20 did not move in response to the merger announcement.

21 41. On February 17, 2005, Ditech issued a press release announcing fiscal 2005 third
22 quarter ("Q3 05") results headlined, "Strong Profitability Continues Over Six Consecutive Quarters."

23 In relevant part, defendants reported the following results:

24 Revenues for the third quarter were \$21.3 million, flat with the same quarter of the
25 prior fiscal year. Net income was \$7.5 million, or \$0.21 per share, including an
26 income tax benefit from a release of a deferred tax valuation allowance of \$0.7
million. Net income in the third quarter of fiscal 2004, in which there was no income
tax benefit, was \$6.9 million, or \$0.20 per share.

27 "We're pleased with our performance this quarter," said Tim Montgomery, president
28 and CEO of Ditech Communications. "We achieved our revenue target and
delivered significant profitability. At the same time, we have invested for our future

1 growth by increasing our sales and marketing resources with clear goals of
2 diversifying our customer base. And we have invested in new products that we
3 believe will expand our opportunity beyond today's circuit switch voice market into
4 tomorrow's world of packet voice."

5 42. Later that same day, defendants hosted a conference call. Defendants
6 Montgomery and Tamblyn participated in the call. The call was accessible to ordinary investors and
7 archived on the Company's website. Transcripts of the call were available from a variety of sources,
8 such as CallStreet. During the call, defendant Montgomery represented that the Nextel-Sprint
9 merger was good for Ditech:

10 Concerning -- I appreciate your reference to these accounts, so we don't have to talk
11 to them by name. There is some data that I can share with you. First of all, we have
12 -- we have a historical relationship with the wireline side of Sprint that goes back
13 some years. They've not been a revenue producer for us for a couple of years now,
14 but we did a couple of transactions that were rather large with them historically, and
15 we learned what it was to do business with them. We've built some products that
16 they were enamored with and we worked on dealing with the element management
17 system that was associated with installing in their account, as well as the process of
18 purchasing and the acquisition and installation with them, so we're not neophytes
19 there.

20 *The Nextel-Sprint merger is actually, we think, quite good for us* in that the key
21 strategic people on the technical side are actually going to be the Nextel players, and
22 this is what we've seen publicly announced. So we think that's positive, but we also
23 have an account team calling on Sprint directly in Kansas City, which we're hopeful
24 the 2 points lead to the right end. [Emphasis added].

25 43. Defendants' representations in the February 17, 2005, press release and conference
26 call were materially false and misleading when made because defendants failed to disclose that:

- 27 (a) the Nextel-Sprint merger posed a serious threat to Ditech;
- 28 (b) was foreseeable to defendants that Ditech would receive materially less in
revenues from the combined entity than it had received from Nextel; and
- (c) the merger was not in any way a positive development for Ditech.

THE TRUTH EMERGES

29 44. On May 26, 2005, after the close of ordinary trading, Ditech issued a press release
30 announcing results for its fiscal fourth quarter ("Q4 05") and year 2005 ("FY 05"), ended April 30,
31 2005, reporting as follows:

32 Revenues for the fourth quarter were \$23.0 million, essentially flat from revenues of
33 \$23.1 million in the same quarter of the prior fiscal year and up 8% from revenues of

1 \$21.3 million in the third quarter of fiscal 2005. Revenues for the year were \$94.1
2 million, an increase of 35% from revenues of \$69.6 million in fiscal 2004.

3 Net income for the fourth quarter was \$7.6 million, a decrease compared to net
4 income of \$8.3 million in the fourth quarter of fiscal 2004 but an increase from third
5 quarter net income of \$7.1 million. Fiscal 2005 full year's net income was \$71.1
6 million, including a net tax benefit of \$36.1 million due to the release of a tax
7 valuation allowance, compared to net income of \$8.2 million in fiscal 2004.

8 "Fiscal 2005 was an outstanding year for Ditech," said Tim Montgomery, president
9 and CEO of Ditech Communications. "We grew our revenues by 35 percent and
10 operating profits by 94 percent, a direct result of our investment in new products and
11 processes. At the same time, we invested in our future growth and diversification.
12 We have developed new products targeted at our core wireless market. Additionally,
13 we'll introduce our Packet Voice Processor platform for trial this quarter, a product
14 targeted at a completely new market for us: the packet voice market."

15 In the release, defendant Montgomery warned that orders from Nextel would decline due to Nextel's
16 merger with Sprint, and that the decline would have a materially negative impact on its business:

17 Continued Montgomery, "In the first quarter of fiscal 2006, we expect a decline in
18 orders from our second largest customer as they complete their merger with another
19 company. This unavoidably impacts our short-term outlook. Looking beyond the
20 quarter, we're confident that we've been investing in the right areas. We believe
21 we've achieved critical mass in key product development areas, as well as in the
22 marketing and sales personnel required to bring these new products to market both
23 here in North America and abroad. Therefore, we remain committed to our plan and
24 the people required to grow the business."

25 45. On a conference call held later that day, May 26, defendant Montgomery elaborated
26 as follows regarding the business Ditech lost, and would continue to lose, because of the Sprint-
27 Nextel merger:

28 We did in fact see an impact in the fourth quarter, and a drop in Nextel sales from an
average quarterly run rate of \$9 million, down to \$3.8 million in the fourth quarter.
We made up for this shortfall this quarter by an above average revenue quarter from
our largest customer, Verizon.

Looking out over the next few quarters, we expect our Nextel sales to decline further
as Nextel finalizes its merger with Sprint.

46. Thus, defendants did experience a drop in sales as a result of the merger – a drop of
well over half of their average quarterly Nextel sales. Although defendants knew of this decline in
business for some time, they did not disclose it during the Class Period or correct their prior related
statements to the public.

1 47. Although defendants did not directly address the issue, the promised VQA sales to the
2 two new customers from Asia still did not materialize, nearly a year after defendants supposedly
3 “secured” the orders. As noted by securities firm First Albany in a research note published May 27,
4 2005:

5 VQA has been a huge disappointment. Investors have been expecting the order from
6 “a large Asian customer” . . . to be shipped for the last few quarters. Given the VQA
7 results we have seen so far, we do not have a great deal of confidence in the
8 company’s ability to post consistent VQA sales.

8 48. In response to these developments, the price of Ditech common stock dropped by
9 38%, from \$12.59 per share on May 26, 2005, to \$7.79 per share on May 27, 2005, on unusually
10 heavy trading volume.

11 49. The Company's Form 10-K for FY 05, filed on July 14, 2005, states that total revenue
12 was \$94,055,000 for the year. Thus, if the Asian orders had come in during that period, they would
13 have boosted revenue to approximately \$99,055,000, an increase of \$5,000,000, or 5.0%. Likewise,
14 if the orders were recorded during FY 05, the incremental revenue would have boosted gross profit
15 by approximately \$3.8 million, or 5.0%. The corresponding effect on EPS would have raised EPS to
16 \$2.24, an increase of \$0.11, or 5.1%.

17 **APPLICABILITY OF PRESUMPTION OF RELIANCE:**
18 **FRAUD ON THE MARKET DOCTRINE**

19 50. At all relevant times, the market for Ditech’s securities was an efficient market for the
20 following reasons, among others:

21 (a) Ditech’s stock met the requirements for listing, and was listed and actively
22 traded on the NASDAQ, a highly efficient and automated market;

23 (b) as a regulated issuer, Ditech filed periodic public reports with the SEC and the
24 NASDAQ;

25 (c) Ditech regularly communicated with public investors *via* established market
26 communication mechanisms, including through regular disseminations of press releases on the
27 national circuits of major newswire services and through other wide-ranging public disclosures, such
28 as communications with the financial press and other similar reporting services; and

1 (d) Ditech was followed by several securities analysts employed by major
2 brokerage firms who wrote reports, which were distributed to the sales force and certain customers
3 of their respective brokerage firms. Each of these reports was publicly available and entered the
4 public marketplace.

5 51. As a result of the foregoing, the market for Ditech's securities promptly digested
6 current information regarding Ditech from all publicly available sources and reflected such
7 information in Ditech's stock price. Under these circumstances, all purchasers of Ditech's securities
8 during the Class Period suffered similar injury through their purchase of Ditech's securities at
9 artificially inflated prices and a presumption of reliance applies.

10 **LOSS CAUSATION**

11 52. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the
12 damages suffered by plaintiff and the Class.

13 53. During the Class Period, plaintiff and the Class purchased Ditech securities at
14 artificially-inflated prices. Investors were damaged when the price of Ditech common stock
15 declined as the truth about the Company's true financial condition was revealed, thereby causing
16 investors' losses.

17 54. Specifically, on November 3, 2004, investors began to learn the truth about the
18 purported VQA orders when the Company announced that the highly-publicized, and
19 purportedly "secured," orders had not shipped, causing the Company to miss its revenue goals
20 for Q2 05 and calling into question the Company's VQA expansion plans. The price of Ditech
21 common stock fell by 25.5% to \$16.60 per share on unusually heavy trading volume in response
22 to the announcement. The stock remained inflated, however, because defendants maintained this
23 was merely a "delay," and that they still expected the orders to ship in the second half of fiscal
24 2005.

25 55. Then, on May 26, 2005, after the close of trading, defendants revealed the truth about
26 the Nextel-Sprint merger and that it would have a material, negative impact on Ditech's business.
27 Ditech announced that orders from Nextel dropped substantially as a result of the Nextel-Sprint
28 merger, and that a continuing decline in orders was expected. In response, Ditech common stock

1 dropped by 38% from \$12.59 per share on May 26, 2005, to \$7.79 per share on May 27, 2005, on
2 unusually heavy trading volume.

3 56. Plaintiff and the Class were damaged when the artificial inflation in the stock price
4 was removed upon defendants' disclosure of the truth about Ditech's business prospects and
5 financial condition.

6 **ADDITIONAL SCIENTER ALLEGATIONS**

7 57. As alleged herein, defendants acted with scienter in that defendants knew that the
8 public documents and statements issued or disseminated in the name of the Company were
9 materially false and misleading; knew that such statements or documents would be issued or
10 disseminated to the investing public; and knowingly and substantially participated or acquiesced in
11 the issuance or dissemination of such statements or documents as primary violations of the federal
12 securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of
13 information reflecting the true facts regarding Ditech, their control over, and/or receipt and/or
14 modification of Ditech's allegedly materially misleading misstatements and/or their associations
15 with the Company, which made them privy to confidential proprietary information concerning
16 Ditech, participated in the fraudulent scheme alleged herein.

17 58. In addition, defendants were motivated to engage in the fraud alleged herein so that
18 Ditech insiders, including the Individual Defendants, could sell their personally held Ditech stock at
19 artificially inflated prices. As set forth below, during the Class Period, Ditech insiders sold a total of
20 320,000 of their personally held Ditech shares for gross proceeds of \$6,719,015:

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28**Timothy Montgomery: Chairman/President/CEO**

Transaction Date	Shares	Price	\$Value
8/26/2004	25,000	21.19	529,750
9/09/2004	10,000	21.63	216,300
9/09/2004	5,000	21.55	107,750
9/09/2004	5,000	21.50	107,500
9/09/2004	5,000	21.48	107,400
9/23/2004	10,000	21.61	216,100
9/23/2004	7,500	22.00	165,000
9/23/2004	7,500	21.80	163,500
10/7/2004	7,500	24.35	182,625
10/7/2004	5,000	24.61	123,050
10/7/2004	5,000	24.54	122,700
10/07/2004	5,000	24.34	121,700
10/07/2004	2,500	24.50	61,250
10/21/2004	10,000	26.00	260,000
10/21/2004	10,000	25.48	254,800
10/21/2004	5,000	26.10	130,500
11/04/2004	5,000	15.70	78,500
11/04/2004	5,000	15.72	78,600
11/04/2004	5,000	15.75	78,750
11/04/2004	5,000	15.82	79,100
11/04/2004	5,000	15.91	79,550
11/18/2004	7,500	18.00	135,000
11/18/2004	7,500	18.17	136,275
11/18/2004	5,000	17.80	89,000
11/18/2004	5,000	17.92	89,600
12/02/2004	10,000	15.28	152,800
12/02/2004	10,000	15.90	159,000
12/02/2004	2,500	15.30	38,250
12/02/2004	1,500	16.06	24,090
12/02/2004	1,000	15.96	15,960
12/16/2004	12,500	15.50	193,750
12/16/2004	5,000	15.51	77,550
12/16/2004	5,000	15.48	77,400
12/16/2004	2,500	15.52	38,800
	225,000		4,491,900

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1 **William Tamblyn: CFO**

2	Transaction Date	Shares	Price	\$ Value
3	10/04/2004	21,400	24.56	525,584
4	10/04/2004	2,700	24.60	66,420
5	10/04/2004	500	24.57	12,285
6	10/04/2004	200	24.61	4,922
7	10/04/2004	100	24.66	2,466
8	10/04/2004	100	24.65	2,465
9		25,000		614,142

8 **James Grady: VP Worldwide Sales**

9	Transaction Date	Shares	Price	\$ Value
10	10/01/2004	7,500	22.16	166,200
11	10/04/2004	1,000	24.83	24,830
12	10/05/2004	9,000	24.89	224,010
13	11/01/2004	7,500	22.56	169,200
14	12/09/2004	2,500	16.83	42,075
15		27,500		626,315

14 **Lowell Trangsrud: VP Operations**

15	Transaction Date	Shares	Price	\$ Value
16	9/10/2004	7,000	22.05	154,350
17	9/10/2004	3,000	22.05	66,150
18	10/05/2004	7,000	25.00	175,000
19	10/05/2004	3,000	25.00	75,000
20		20,000		470,500

20 **David Sugishita: Director**

21	Transaction Date	Shares	Price	\$ Value
22	9/08/2004	5,250	22.81	119,753
23	9/13/2004	10,000	22.98	229,800
24	9/13/2004	7,250	22.98	166,605
25		22,500		516,158

25 **TOTAL:** **\$6,719,015**

1 59. Defendants engaged in the above sales while in the possession of material non-public
2 information and while making false statements or failing to correct false statements previously made.

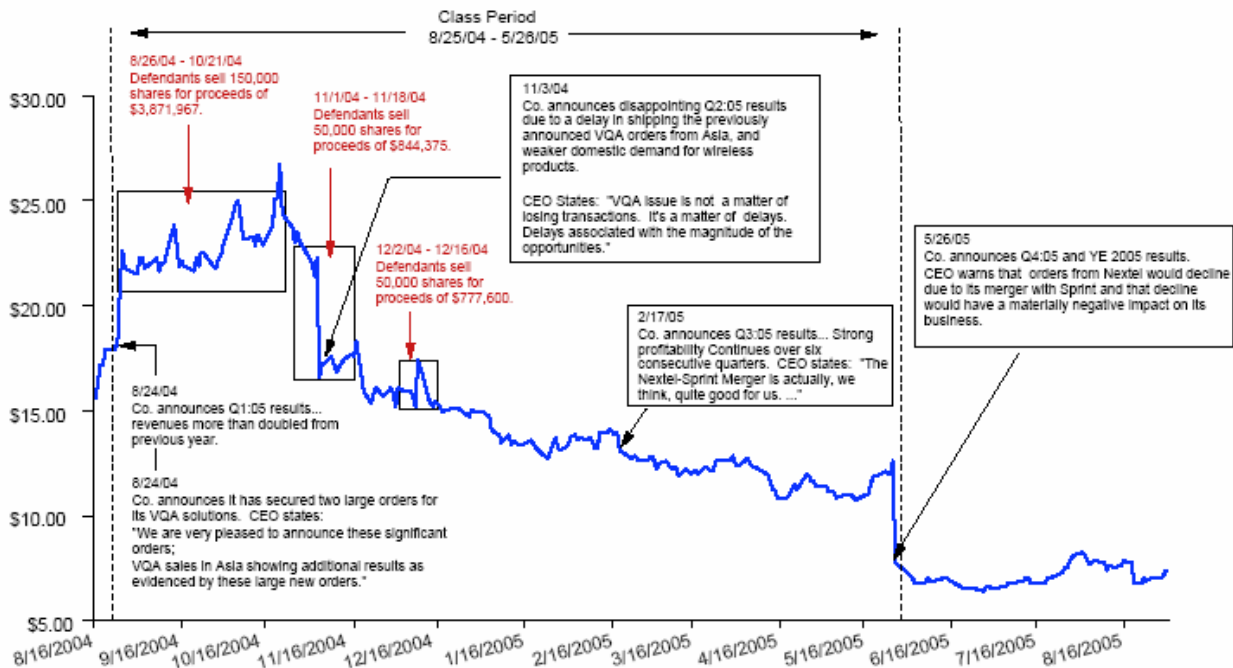
3 60. These trades during the Class Period by the Individual Defendants were dramatically
4 out of line with their trading in the corresponding months of the previous calendar year. As detailed
5 above, during the Class Period, defendant Montgomery sold Ditech shares for proceeds of \$529,750,
6 \$1,083,550, \$1,256,625, \$844,375 and \$777,600 in the months of August – December 2004,
7 respectively. In August – December 2003, however, defendant Montgomery did not sell *any* shares
8 of Ditech stock. Similarly, during the Class Period, defendant Tamblyn sold Ditech shares for
9 proceeds of \$614,142 in the month of October 2004. But in October 2003, defendant Tamblyn did
10 not sell *any* shares of Ditech stock.

11 61. Defendants’ sales were suspicious in timing and amount. As demonstrated by the
12 graph below, defendants Montgomery and Tamblyn optimized their selling when the stock price was
13 highest in the Class Period, and around key events in the Class Period, specifically: (1) during
14 Q2 05, after they announced the two Asian orders, and then (2) around the time of defendants’
15 reassurances that the Asian orders were not lost, but merely delayed. For example, immediately
16 after defendants announced their Q1 05 results and that the Company had “secured” two large orders
17 for its VQA solutions, the stock rose substantially and enjoyed an upward trend for the next several
18 months. During that period (August 26, 2004 - October 21, 2004), while the stock was at its highest
19 levels of the Class Period, defendants Montgomery and Tamblyn collectively sold 150,000 shares of
20 their personal holdings for proceeds of over \$3.8 million. Then, during the period from November 1,
21 2004 - November 18, 2004, immediately before and after his November 3, 2004 reassurances to the
22 market that the VQA orders were only “delayed” and not lost, defendant Montgomery sold 50,000
23 shares for proceeds of \$844,375. Defendant Montgomery sold another 50,000 shares for personal
24 proceeds of \$777,600 in December 2004 while the stock was above \$15.00 per share. Following
25 these trades, the price of the stock never rose above the levels at which defendants sold their stock,
26 and neither defendant sold any more stock during the Class Period.

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Ditech Communications
Common Stock Price August 16, 2004 - August 31, 2005



NO SAFE HARBOR

62. 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. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, 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 particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Ditech who knew that those statements were false when made.

1 **FIRST CLAIM**
2 **Violation Of Section 10(b) Of**
3 **The Exchange Act And Rule 10b-5**
4 **Promulgated Thereunder Against All Defendants**

5 63. Plaintiff repeats and realleges each and every allegation contained above as if fully set
6 forth herein.

7 64. During the Class Period, Ditech and the Individual Defendants, and each of them,
8 carried out a plan, scheme and course of conduct which was intended to and, throughout the Class
9 Period, did: (a) deceive the investing public, including plaintiff and other Class members, as alleged
10 herein; (b) artificially inflate and maintain the market price of Ditech's securities; and (c) cause
11 plaintiff and other members of the Class to purchase Ditech's securities at artificially inflated prices.
12 In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them,
13 took the actions set forth herein.

14 65. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue
15 statements of material fact and/or omitted to state material facts necessary to make the statements not
16 misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and
17 deceit upon the purchasers of the Company's securities in an effort to maintain artificially-high
18 market prices for Ditech's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-
19 5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged
20 herein or as controlling persons as alleged below.

21 66. In addition to the duties of full disclosure imposed on defendants as a result of their
22 making of affirmative statements and reports, or participation in the making of affirmative
23 statements and reports to the investing public, defendants had a duty to promptly disseminate truthful
24 information that would be material to investors in compliance with the integrated disclosure
25 provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. Sections 210.01 *et seq.*) and
26 Regulation S-K (17 C.F.R. Sections 229.10 *et seq.*) and other SEC regulations, including accurate
27 and truthful information with respect to the Company's operations, financial condition and earnings
28 so that the market price of the Company's securities would be based on truthful, complete and
accurate information.

1 67. Ditech and the Individual Defendants, individually and in concert, directly and
2 indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged
3 and participated in a continuous course of conduct to conceal adverse material information about the
4 business, operations and future prospects of Ditech as specified herein.

5 68. These defendants employed devices, schemes and artifices to defraud, while in
6 possession of material adverse non-public information and engaged in acts, practices, and a course of
7 conduct as alleged herein in an effort to assure investors of Ditech's value and performance and
8 continued substantial growth, which included the making of, or the participation in the making of,
9 untrue statements of material facts and omitting to state material facts necessary in order to make the
10 statements made about Ditech and its business operations and future prospects in the light of the
11 circumstances under which they were made, not misleading, as set forth more particularly herein,
12 and engaged in transactions, practices and a course of business that operated as a fraud and deceit
13 upon the purchasers of Ditech's securities during the Class Period.

14 69. The Individual Defendants' primary liability, and controlling person liability, arises
15 from the following facts: (a) the Individual Defendants were high-level executives and/or directors at
16 the Company during the Class Period; (b) the Individual Defendants were privy to and participated
17 in the creation, development and reporting of the Company's internal budgets, plans, projections
18 and/or reports; and (c) the Individual Defendants were aware of the Company's dissemination of
19 information to the investing public, which they knew or recklessly disregarded was materially false
20 and misleading.

21 70. The defendants had actual knowledge of the misrepresentations and omissions of
22 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
23 ascertain and to disclose such facts, even though such facts were available to them. Such material
24 misrepresentations and/or omissions by defendants were done knowingly or recklessly and for the
25 purpose and effect of concealing Ditech's operating condition and future business prospects from the
26 investing public and supporting the artificially inflated price of its securities. As demonstrated by
27 defendants' overstatements and misstatements of the Company's business, operations and earnings
28 throughout the Class Period, defendants, if they did not have actual knowledge of the

1 misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by
2 deliberately refraining from taking those steps necessary to discover whether those statements were
3 false or misleading.

4 71. As a result of the dissemination of the materially false and misleading information
5 and failure to disclose material facts, as set forth above, the market price of Ditech's securities was
6 artificially inflated during the Class Period. In ignorance of the fact that market prices of Ditech's
7 publicly traded securities were artificially inflated, and relying directly or indirectly on the false and
8 misleading statements made by defendants, or upon the integrity of the market in which the
9 securities trade, and/or on the absence of material adverse information that was known to or
10 recklessly disregarded by defendants but not disclosed in public statements by defendants during the
11 Class Period, plaintiff and the other members of the Class acquired Ditech securities during the Class
12 Period at artificially-high prices and were damaged thereby.

13 72. At the time of said misrepresentations and omissions, plaintiff and other members of
14 the Class were ignorant of their falsity and believed them to be true. Had plaintiff and the other
15 members of the Class and the marketplace known of the true financial condition and business
16 prospects of Ditech, which were not disclosed by defendants, plaintiff and other members of the
17 Class would not have purchased or otherwise acquired their Ditech securities; or, if they had
18 acquired such securities during the Class Period, they would not have done so at the artificially
19 inflated prices that they paid.

20 73. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange
21 Act, and Rule 10b-5 promulgated thereunder.

22 74. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the
23 other members of the Class suffered damages in connection with their respective purchases and sales
24 of the Company's securities during the Class Period.

25 **SECOND CLAIM**
26 **Violation Of Section 20(a) Of**
The Exchange Act Against the Individual Defendants

27 75. Plaintiff repeats and realleges each and every allegation contained above as if fully set
28 forth herein.

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

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

6 D. Such other and further relief as the Court may deem just and proper.

7 **JURY TRIAL DEMANDED**

8 Plaintiff hereby demands a trial by jury.

9 DATED: February 2, 2006

MILBERG WEISS BERSHAD
& SCHULMAN LLP
JEFF S. WESTERMAN
KAREN T. ROGERS

12 /s/ Karen T. Rogers
13 KAREN T. ROGERS

14 355 South Grand Avenue, Suite 4170
15 Los Angeles, CA 90071
16 Telephone: (213) 617-1200
Facsimile: (213) 617-1975

17 – and –

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19 PETER E. SEIDMAN
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Telephone: (212) 594-5300
21 Facsimile: (212) 868-1229

22 Lead Counsel for Plaintiffs

23 LAW OFFICES OF
24 BRUCE G. MURPHY
Bruce G. Murphy
25 265 Llwyds Lane
Vero Beach, FL 32963
772-231-4202

26 Counsel for Plaintiff
27
28

From: webmaster@hubbardone.com
Sent: Friday, August 12, 2005 4:46 PM
To: User, Participate
Subject: Join this Action - Ditech Communications Corp.

Authorization and Certification for Federal Securities Litigation

The undersigned individual(s) or institution ("Proposed Lead Plaintiff") hereby authorizes Milberg Weiss Bershad & Schulman LLP ("Milberg Weiss") to apply for appointment of the undersigned as a Lead Plaintiff and for appointment of Milberg Weiss as Lead Counsel in connection with federal securities litigation seeking damages and other relief against company listed below and any other persons or entities that may have liability in this matter. The undersigned represent and warrants that he/she is authorized to execute this Authorization with respect to transaction(s) listed below. If appointed, Milberg Weiss will prosecute this litigation on a contingent fee basis and will advance all costs and expenses.

The undersigned understands (1) that Lead Plaintiff status is not required in order to share in any recovery that may result from this litigation and (2) that Milberg Weiss will in its discretion determine whether the undersigned will be included in the Lead Plaintiff application for this litigation. This Authorization and the Certification below do not create an attorney-client relationship. If Milberg Weiss determines to include the undersigned in such a Lead Plaintiff application, Milberg Weiss will contact the undersigned to establish an attorney-client retention.

To complete this Authorization, please fill out the following Certification, provide the information requested, and execute the Certification by clicking on the appropriate boxes at the end of this form. Any info you provide will only be used for litigation, [click here to view our Privacy notice.](#)

[Click here for a description of the role of a Lead Plaintiff.](#)

[Click here to view the complaint.](#)

Certification of Proposed Lead Plaintiff Pursuant to Federal Securities Laws.

Name of Defendant Company	Ditech Communications Corp.
First Name*	jack
Last Name*	casey
Name of Person(s) or Entity Which Purchased Securities: <i>(if different)</i>	
Day Phone Number	802-297-3627
Night Phone Number	
Email Address	caseyjn@comcast.net
By providing my email address, I authorize Milberg Weiss to communicate with me pertaining this matter via email.	
Mailing Address*	407 Trenwick
City*	venice
State*	FL
Zip/Postal Code*	34293
Country*	United States

(* Required Fields)

8/15/2005

The Proposed Lead Plaintiff certifies that:

1. I have reviewed the complaint and I authorize Milberg Weiss to act on my behalf in this matter in applying for Lead Plaintiff status and for all other purposes.
2. I did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
3. I am willing to serve as a Lead Plaintiff either individually or as part of a group. A Lead Plaintiff is a representative party who acts on behalf of other class members in directing the action, and whose duties may include providing testimony at deposition and trial, if necessary.
4. I represent and warrant that I am authorized to execute this Certification on behalf of the purchasers of the subject securities described herein (including, as the case may be, myself, any co-owners, any corporations or other entities, and/or any beneficial owners).
5. I will not accept any payments for serving as a representative party on behalf of the class beyond the purchaser's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.
6. I understand that this is not a claim form, and that my ability to share in any recovery as a member of the class is unaffected by my decision to serve as a representative party or Lead Plaintiff.
7. The number of shares or other securities of **Ditech Communications Corp.** I held on the first day of the Class Period **08/25/04** (if any) was:

Type of Security Quantity
 (Common Stock, etc.) (numerals only)

8. I have listed below all my transactions in the stock of **Ditech Communications Corp.** during the Class Period as follows:

Transactions During Class Period (08/25/04 to 05/26/05)

<u>Type of Security</u> (Common Stock, Preferred Stock, Calls, Puts, Bonds)	<u>Transaction</u> (P=Purchase or other acquisition S=Sale or other disposition)	<u>Quantity</u> (numerals only)	<u>Trade Date</u> (mm/dd/yy)	<u>Price per Share/Security</u> (\$ amount)
	<u>X</u> p ___ s	2800	02/28/05	12.51
	<u>X</u> p ___ s	2500	02/28/05	12.41
	<u>X</u> p ___ s	5000	03/02/05	12.51
	<u>X</u> p ___ s	3000	03/03/05	12.41
	<u>X</u> p ___ s	100	03/08/05	12.35
	<u>X</u> p ___ s	4900	03/08/05	12.36

These securities were acquired or held in (check all that apply):

General (non-retirement) account

X IRA Employer-sponsored plan (401k, 403b, etc)

Merger/acquisition/distribution Gift

9. I made the following sales of securities of **Ditech Communications Corp.** during the **90-day period after** the Class Period:

Sales (05/26/05 to 8/24/2005)

<u>Type of Security</u> (Common Stock, Preferred Stock, Calls, Puts, Bonds)	<u>Quantity</u> (numerals only)	<u>Trade Date</u> (mm/dd/yy)	<u>Price per Share/Security</u> (\$ amount)
--	------------------------------------	---------------------------------	--

10. During the three years prior to the date of this Certification, I have not sought to serve and I have not served as a representative party for a class in an action filed under the federal securities laws, except as described below (if any):

jack casey

* I declare under penalty of perjury, under the laws of the United States, that the information entered is accurate.

* By clicking on the button below, I intend to sign and execute this agreement.

CERTIFICATION OF PROPOSED LEAD PLAINTIFF

I, Tonio Dahmen, certify that:

- I have reviewed the complaint and I authorize Millberg Weiss Bershad & Schulman LLP to act on my behalf in this matter in applying for Lead Plaintiff status and for all other purposes.
- I did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
- I am willing to serve as a Lead Plaintiff either individually or as part of a group. A Lead Plaintiff is a representative party who acts on behalf of other class members in directing the action, and whose duties may include providing testimony at deposition and trial, if necessary.
- I represent and warrant that I am authorized to execute this Certification on behalf of the purchasers of the subject securities described herein (including, as the case may be, myself, any co-owners, any corporations or other entities, and/or any beneficial owners).
- I will not accept any payments for serving as a representative party on behalf of the class beyond the purchaser's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.
- I understand that this is not a claim form, and that my ability to share in any recovery as a member of the class is unaffected by my decision to serve as a representative party or Lead Plaintiff.
- The number of shares or other securities of Ditech Communications Corp. (NasdaqNM:DITC) I held on the first day of the Class Period, August 25, 2004 (if any) was:

Type of Security (check one)		Quantity
<input type="checkbox"/> Common Stock	<input type="checkbox"/> Preferred Stock	0
<input type="checkbox"/> Bonds	<input type="checkbox"/> Put	
<input type="checkbox"/> Call		

8. I have listed below all my transactions in the securities of Ditech Communications Corp. (NasdaqNM:DITC) during the Class Period as follows:

Type of Security (Common stock, Preferred Stock, Calls, Puts or Bonds)	Purchase/Acquisition or Sale/Disposition	Quantity	Trade Date (mm/dd/yy)	Price per Share/Security (\$)
<u>Common stock</u>	<u>Purchase</u>	<u>3,000</u>	<u>03.28.05</u>	<u>12.720</u>
" "	" "	<u>3,000</u>	<u>02.28.05</u>	<u>12.630</u>
" "	" "	<u>200</u>	<u>03.03.05</u>	<u>12.350</u>
" "	" "	<u>400</u>	<u>03.03.05</u>	<u>12.350</u>
" "	" "	<u>270</u>	<u>03.14.05</u>	<u>12.270</u>
" "	" "	<u>200</u>	<u>04.29.05</u>	<u>11.480</u>

(* List additional transactions on separate sheet, if necessary)

see extra-sheet

These securities were acquired or held in (check all that apply):

- General (non-retirement account) Merger/acquisition/distribution Gift
 IRA Employer-sponsored plan (401k, 403b, etc.)

9. I made the following sales of securities of Ditech Communications Corp. (NasdaqNM:DITC) during the 90-day period after the Class Period:

Sales (May 26, 2005 to 90 days later) None

Type of Security (Common stock, Preferred Stock, Calls, Puts or Bonds)	Quantity	Trade Date (mm/dd/yy)	Price per Share/Security (\$)
/			

10. During the three years prior to the date of this Certification, I have not sought to serve and I have not served as a representative party for a class in an action filed under the federal securities laws except as described below (if any):

I declare under penalty of perjury, under the laws of the United States, that the information entered is accurate.

Executed this 10 day of August, 2005

Tonio Dahmen
Name (print)

T. Das
Signature

Class Period: 8/25/04-5/26/05

Ditech Communications (NASDAQ:DITC)

Hold price: \$6.8695

PLAINTIFF	PURCHASE TRANSACTIONS				SALES TRANSACTIONS (1)				ESTIMATED VALUE (2)	ESTIMATED LOSSES
	DATE	SHARES	COST	SHARE PURCHASE AMOUNT	DATE	SHARES	SHARE PRICE	SALES AMOUNT		
Tonio Dahmen	02.28.05	3,000	12,7200	38,160,00					20,608,60	-17,551,40
	02.28.05	3,000	12,6800	38,040,00					20,608,60	-17,431,40
	03.03.05	200	12,3500	2,470,00					1,373,91	-1,096,09
	03.03.05	400	12,3500	4,940,00					2,747,81	-2,192,19
	03.18.05	270	12,2700	3,312,90					1,954,77	-1,458,13
	04.29.05	200	11,4800	2,296,00					1,373,91	-922,09
Tonio Dahmen Totals		7,070		88,218,90		0		0,00	48,567,61	-40,651,29

Tonio Dahmen
T. Dahmen

Aug, 10, 2005

CERTIFICATION OF PURCHASER

I, George Innocenti, certify that:

- I have reviewed the complaint and I authorize Milberg Weiss Bershan & Schulman LLP to act on my behalf in this matter in applying for Lead Plaintiff status and for all other purposes.
- I did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
- I am willing to serve as a Lead Plaintiff either individually or as part of a group. A Lead Plaintiff is a representative party who acts on behalf of other class members in directing the action, and whose duties may include providing testimony at deposition and trial, if necessary.
- I represent and warrant that I am authorized to execute this Certification on behalf of the purchasers of the subject securities described herein (including, as the case may be, myself, any co-owners, any corporations or other entities, and/or any beneficial owners).
- I will not accept any payments for serving as a representative party on behalf of the class beyond the purchaser's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.
- I understand that this is not a claim form, and that my ability to share in any recovery as a member of the class is unaffected by my decision to serve as a representative party or Lead Plaintiff.
- The number of shares or other securities of Ditech Communications Corp. (NasdaqNM:DITC) I held on the first day of the Class Period, August 25, 2004 (if any) was:

Type of Security (check one)

Quantity _____

- Common Stock Preferred Stock
 Bonds Put
 Call

8. I have listed below all my transactions in the securities of Ditech Communications Corp. (NasdaqNM:DITC) during the Class Period as follows:

Type of Security (Common stock, Preferred Stock, Calls, Puts or Bonds)	Purchase/Acquisition or Sale/Disposition	Quantity	Trade Date (mm/dd/yy)	Price per Share/Security (\$)
Common stock	Purchase	2,000	12/10/04	\$17.95
Common stock	Purchase	2,000	01/14/05	\$13.495
Common stock				

(* List additional transactions on separate sheet if necessary)

These securities were acquired or held in (check all that apply):

- General (non-retirement account) Merger/acquisition/distribution Gift
 IRA Employer-sponsored plan (401k, 403b, etc.)

9. I made the following sales of securities of Ditech Communications Corp. (NasdaqNM:DITC) during the 90-day period after the Class Period:

Sales (May 26, 2005 to 90 days later)

Type of Security (Common stock, Preferred Stock, Calls, Puts or Bonds)	Quantity	Trade Date (mm/dd/yy)	Price per Share/Security (\$)
Common stock	1,000	06/21/05	\$6.49
Common stock	1,000	06/21/05	\$6.51
Common stock	1,000	06/21/05	\$6.51
Common stock	1,000	06/21/05	\$6.51

10. During the three years prior to the date of this Certification, I have not sought to serve and I have not served as a representative party for a class in an action filed under the federal securities laws except as described below (if any):

I declare under penalty of perjury, under the laws of the United States, that the information entered is accurate.

Executed this _____ day of _____, 2005

George Innocenti
 George Innocenti

7/29/05
 Signature

CERTIFICATION OF PROPOSED LEAD PLAINTIFF

I, Duan, Shengli, certify that:

1. I have reviewed the complaint and I authorize Milberg Weiss Bershad & Schulman LLP to act on my behalf in this matter in applying for Lead Plaintiff status and for all other purposes.
2. I did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
3. I am willing to serve as a Lead Plaintiff either individually or as part of a group. A Lead Plaintiff is a representative party who acts on behalf of other class members in directing the action, and whose duties may include providing testimony at deposition and trial, if necessary.
4. I represent and warrant that I am authorized to execute this Certification on behalf of the purchasers of the subject securities described herein (including, as the case may be, myself, any co-owners, any corporations or other entities, and/or any beneficial owners).
5. I will not accept any payments for serving as a representative party on behalf of the class beyond the purchaser's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.
6. I understand that this is not a claim form, and that my ability to share in any recovery as a member of the class is unaffected by my decision to serve as a representative party or Lead Plaintiff.
7. The number of shares or other securities of Ditech Communications, Corp (NASDAQNM:DITC) I held on the first day of the Class Period, August 25, 2004:

<u>Type of Security (check one)</u>	<u>Quantity</u>
<input checked="" type="checkbox"/> Common Stock	<u>3600</u>
<input type="checkbox"/> Bonds	
<input type="checkbox"/> Call	
<input type="checkbox"/> Preferred Stock	
<input type="checkbox"/> Put	

8. I have listed below all my transactions in the securities of Ditech Communications, Corp (NASDAQNM:DITC) during the Class Period as follows:

Type of Security (Common stock, Preferred Stock, Calls, Puts or Bonds)	Purchase/Acquisition or Sale/Disposition	Quantity	Trade Date (mm/dd/yy)	Price per Share/Security (\$)
<i>Common Stock</i>	<i>Purchase</i>	<i>3000</i>	<i>12/31/2004</i>	<i>\$ 14.99</i>
<i>Common Stock</i>	<i>Purchase</i>	<i>600</i>	<i>03/30/2005</i>	<i>\$ 12.69</i>
<i>Common Stock</i>	<i>Sale</i>	<i>1100</i>	<i>06/09/2005</i>	<i>\$ 6.84</i>
<i>Common Stock</i>	<i>Sale</i>	<i>2500</i>	<i>06/09/2005</i>	<i>\$ 6.83</i>

* List additional transactions on separate sheet, if necessary

These securities were acquired or held in (check all that apply):

- General (non-retirement account)
- IRA
- Merger/acquisition/distribution
- Employer-sponsored plan (401k, 403b, etc.)
- Gift

9. I made the following sales of securities of Ditech Commuications, Corp (NASDAQNM:DITC) during the **90-day period after** the Class Period:

Sales (June 26, 2005 to 90 days later)

Type of Security (Common stock, Preferred Stock, Calls, Puts or Bonds)	Quantity	Trade Date (mm/dd/yy)	Price per Share/Security (\$)

10. During the three years prior to the date of this Certification, I have not sought to serve and I have not served as a representative party for a class in an action filed under the federal securities laws except as described below (if any):

I declare under penalty of perjury, under the laws of the United States, that the information entered is accurate.

Executed this 2 day of July, 2005

ShengLi Duan

Name (print)

ShengLi Duan

Signature

CERTIFICATION OF PROPOSED LEAD PLAINTIFF

I, Norbert P. Czub, certify that:

1. I have reviewed the complaint and I authorize Milberg Weiss Bershad & Schulman LLP to act on my behalf in this matter in applying for Lead Plaintiff status and for all other purposes.
2. I did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
3. I am willing to serve as a Lead Plaintiff either individually or as part of a group. A Lead Plaintiff is a representative party who acts on behalf of other class members in directing the action, and whose duties may include providing testimony at deposition and trial, if necessary.
4. I represent and warrant that I am authorized to execute this Certification on behalf of the purchasers of the subject securities described herein (including, as the case may be, myself, any co-owners, any corporations or other entities, and/or any beneficial owners).
5. I will not accept any payments for serving as a representative party on behalf of the class beyond the purchaser's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.
6. I understand that this is not a claim form, and that my ability to share in any recovery as a member of the class is unaffected by my decision to serve as a representative party or Lead Plaintiff.
7. The number of shares or other securities of Ditech Communications Corp. (NasdaqNM:DITC) I held on the first day of the Class Period, August 25, 2004 (if any) was:

<u>Type of Security (check one)</u>		<u>Quantity</u>
<input type="checkbox"/> Common Stock	<input type="checkbox"/> Preferred Stock	
<input type="checkbox"/> Bonds	<input type="checkbox"/> Put	_____
<input type="checkbox"/> Call		

8. I have listed below all my transactions in the securities of Ditech Communications Corp. (NasdaqNM:DITC) during the Class Period as follows:

Type of Security (Common stock, Preferred Stock, Calls, Puts or Bonds)	Purchase/Acquisition or Sale/Disposition	Quantity	Trade Date (mm/dd/yy)	Price per Share/Security (\$)
Common Stock	Purchase	1,000	12/21/04	\$15.08
Common Stock	Purchase	1,000	02/25/05	\$12.49
Common Stock	Purchase	2,000	05/02/05	\$11.21

(* List additional transactions on separate sheet, if necessary)

These securities were acquired or held in (check all that apply):

- | | | |
|---|---|-------------------------------|
| <input type="checkbox"/> General (non-retirement account) | <input type="checkbox"/> Merger/acquisition/distribution | <input type="checkbox"/> Gift |
| <input checked="" type="checkbox"/> IRA | <input type="checkbox"/> Employer-sponsored plan (401k, 403b, etc.) | |

9. I made the following sales of securities of Ditech Communications Corp. (NasdaqNM:DITC) during the 90-day period after the Class Period:
Sales (May 26, 2005 to 90 days later)

Type of Security (Common stock, Preferred Stock, Calls, Puts or Bonds)	Quantity	Trade Date (mm/dd/yy)	Price per Share/Security (\$)

10. During the three years prior to the date of this Certification, I have not sought to serve and I have not served as a representative party for a class in an action filed under the federal securities laws except as described below (if any):

I declare under penalty of perjury, under the laws of the United States, that the information entered is accurate.

Executed this 9th day of August, 2005

_____ Norbert P. Czub	<u>Norbert P. Czub</u> Signature
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DECLARATION OF SERVICE BY MAIL

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and a resident of the County of Los Angeles, over the age of 18 years, and not a party to or interest in the within action; that declarant's business address is 355 South Grand Avenue, Suite 4170, Los Angeles, California 90071.

2. That on February 2, 2006, declarant served the AMENDED CLASS ACTION COMPLAINT FOR VIOLATIONS OF FEDERAL SECURITIES LAWS by depositing a true copy thereof in a United States mailbox at Los Angeles, California in a sealed envelope with postage thereon fully prepaid and addressed to the parties listed on the attached Service List.

3. That there is a regular communication by mail between the place of mailing and the places so addressed.

4. That on the above date, declarant served via email to: scac@law.stanford.edu.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 2nd day of February, 2006, at Los Angeles, California.

/s/ Ann Marie Genovese
ANN MARIE GENOVESE

In re Ditech Communications Corp. Sec. Litig.

SERVICE LIST

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