

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

DAVID THOMAS, Individually and on Behalf of All Others Similarly Situated,	:	Civil Action No. 06-3445
	:	
Plaintiff,	:	CLASS ACTION COMPLAINT FOR
	:	VIOLATIONS OF FEDERAL SECURITIES
	:	LAWS
vs.	:	
	:	DEMAND FOR JURY TRIAL
COMVERSE TECHNOLOGY INC., KOBI ALEXANDER and DAVID KREINBERG,	:	
	:	
Defendants.	:	
	:	

Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Comverse Technology, Inc. ("Comverse Technology" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal class action on behalf of purchasers of the publicly traded securities of Comverse Technology between December 14, 2004 and March 13, 2006, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

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

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §27 of the Exchange Act.

4. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b). Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District. The Company also maintains its executive offices in this District.

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

PARTIES

6. Plaintiff David Thomas, as set forth in the accompanying certification and incorporated by reference herein, purchased the publicly traded securities of Comverse Technology at artificially inflated prices during the Class Period and has been damaged thereby.

7. Defendant Comverse Technology is incorporated in New York and maintains its executive offices at 909 Third Avenue, New York, NY 10022. The Company and its subsidiaries engage in the design, development, manufacture, marketing, and support of software, systems, and related services for multimedia communication and information processing applications.

8. (a) Defendant Kobi Alexander (“Alexander”) was, at all relevant times, Comverse Technology’s Founder, Chairman and Chief Executive Officer.

(b) Defendant David Kreinberg (“Kreinberg”) was, at all relevant times, Comverse Technology’s Chief Financial Officer and Executive Vice President.

(c) Defendants Alexander and Kreinberg are referred to herein as the “Individual Defendants.”

9. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Comverse Technology, were privy to confidential and proprietary information concerning Comverse Technology, its operations, finances, financial condition and present and future business prospects. The Individual Defendants also had access to material adverse non-public information concerning Comverse Technology, as discussed in detail below. Because of their positions with Comverse Technology, the Individual Defendants had access to non-public information about its business, finances, products, markets and present and future business prospects

via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or board of directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

10. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were “controlling persons” within the meaning of §20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Comverse Technology’s business.

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

12. As senior executive officers and/or directors and as controlling persons of a publicly traded company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded on the NASDAQ National Market (“NASDAQ”) and governed by the federal securities laws, the Individual Defendants had a duty to disseminate promptly accurate and

truthful information with respect to Comverse Technology's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, to correct any previously issued statements that had become materially misleading or untrue, so that the market price of Comverse Technology's securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

13. The Individual Defendants are liable as participants in a fraudulent scheme and course of conduct that operated as a fraud or deceit on purchasers of Comverse Technology publicly traded securities by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Comverse Technology's business, operations and management and the intrinsic value of Comverse Technology securities; (ii) enabled the Individual Defendants to sell 614,443 shares of their personally-held stock, thereby reaping more than \$16 million in gross proceeds; and (iii) caused plaintiff and members of the Class to purchase Comverse Technology publicly traded securities at artificially inflated prices.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

14. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased the publicly-traded securities of Comverse Technology between December 14, 2004 and March 13, 2006, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

15. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Comverse Technology stock was actively traded on the NASDAQ. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Comverse Technology or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

16. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law complained of herein.

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

18. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business and operations of Comverse Technology;

(c) whether the prices of Comverse Technology's publicly traded securities were artificially inflated during the Class Period; and

(d) to what extent the members of the Class have sustained damages and the proper measure of damages.

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

SUBSTANTIVE ALLEGATIONS

Background and Summary

20. Defendant Comverse Technology describes itself as “the world’s leading provider of software and systems enabling network-based multimedia enhanced communication services.”

21. During the Class Period, Comverse Technology embarked on a scheme whereby the Company backdated option grants given to the Individual Defendants and other executives ahead of favorable news in order to give the recipients a better chance of profiting from exercising the options.

22. For example, according to an article in *The Wall Street Journal*, on March 18, 2006, options were granted to Defendant Alexander on July 15, 1996, and carried an exercise price of \$7.9167, adjusted for stock splits. The option grant was priced at the bottom of a sharp one-day drop in the stock, which fell 13% the day of the grant and then rebounded 13% the next day. Another grant, on Oct. 22, 2001, caught the second-lowest closing price of 2001. According to *The Wall Street Journal*, “[t]he odds of such a pattern occurring by chance are around 1 in six billion.”

23. On March 14, 2006, the Company issued a press release announcing it created a special committee to review matters relating to the Company’s stock option grants, including, but

not limited to, the accuracy of the stated dates of option grants and whether all proper corporate procedures were followed.

24. Following this announcement, shares of Comverse Technology common stock declined \$4.30 per share, or 15%, to close at \$24.85 per share, on extraordinarily heavy trading volume.

25. Then, on April 17, 2006, the Company issued a press release announcing the results of the special committee's review. As a result of the review, the Company revealed **“that the actual dates of measurement for certain past stock option grants for accounting purposes differed from the recorded grant dates for such awards.”** As a result, the Company will need to restate its historical financial statements for each of the fiscal years ended January 31, 2005, 2004, 2003, 2002 and 2001 and for the first three quarters of the fiscal year ended January 31, 2006 because **“[a]ny such stock-based compensation charges would have the effect of decreasing the income from operations, net income and retained earnings figures contained in the Company's historical financial statements.”**

26. Prior to disclosing these adverse facts, the Individual Defendants sold 614,443 shares of their personally-held stock, thereby reaping more than \$16 million in gross proceeds. In fact, over 75% of the common stock sold by the Individual Defendants during the Class Period was a product of these improper option grants.

Pre-Class Period Materially False and Misleading Statements

27. Prior to the Class Period, Defendants issued and filed a series of materially false and misleading statements and quarterly reports with the SEC concerning the Company's financial performance. These statements were materially false and misleading because they misrepresented and failed to disclose the following adverse facts: (a) that the Company backdated option grants given to the Individual Defendants and other executives ahead of favorable news in order to give the

recipients a better chance of profiting from exercising the options; (b) that the Company was not properly accounting for additional compensation expenses incurred by this scheme; (c) that the Company lacked adequate internal controls and was therefore unable to ascertain its true financial condition; and (d) that as a result of the foregoing, the values of the Company's income from operations, net income and retained earnings were materially overstated at all relevant times and the Company has admitted that it will be restating its financial statements for its historical financial statements for each of the fiscal years ended January 31, 2005, 2004, 2003, 2002 and 2001 and for the first three quarters of the fiscal year ended January 31, 2006.

28. These statements remained alive and uncorrected throughout the Class Period.

Materially False and Misleading Statements Made During the Class Period

29. The Class Period begins on December 14, 2004, the first day that Comverse Technology's common stock closed above \$24.85 per share.

30. On March 14, 2005, the Company issued a press release announcing its financial results for its fiscal fourth quarter and year end of 2004, the period ended January 31, 2005. For the quarter, the Company reported net income on a generally accepted accounting principles ("GAAP") basis of \$21,043,000, or \$0.10 per diluted share. Defendant Alexander, commenting on the results, stated, in pertinent part, as follows:

Each of our three major operating units achieved year-over-year growth in both profitability and revenue in the fourth quarter. Comverse, our network systems division, saw demand for its Total Communication portfolio, which enables a broad range of telecommunications applications, including call answering and call completion services, advanced messaging and other data applications such as wireless content delivery, and real-time prepaid billing. Our Verint Systems unit continued to expand its activities providing actionable intelligence for security and business intelligence applications. Our Ulticom division saw demand for its service enabling software across several application areas, including prepaid billing for wireless voice and data services, and IP softswitching.

31. Comverse Technology's financial results for its fiscal fourth quarter and year end of 2004, the period ended January 31, 2005, were repeated in the Company's Report on Form 10-K filed with the SEC on or about April 4, 2005, which was signed by defendants Alexander and Kreinberg. With regard to its stock-based compensation, the annual report stated, in pertinent part, as follows:

STOCK-BASED COMPENSATION – At January 31, 2005, the Company had in place the Comverse Stock Incentive Plans, as fully described in Note 14. The Company accounts for stock options under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related Interpretations. **Accordingly, no stock-based employee compensation cost for stock options is reflected in net income (loss) for any periods, as all options granted had an exercise price at least equal to the market value of the underlying common stock on the date of grant.** Refer to Note 22 for a description of pending changes to this accounting treatment.

During the years ended January 31, 2004 and 2005, the Company and one of its subsidiaries granted shares of restricted stock to certain key employees. For the years ended January 31, 2003, 2004 and 2005, respectively, stock-based employee compensation expense relating to restricted stock of approximately \$0, \$214,000 and \$2,097,000 is included in 'Selling, general and administrative' expenses in the Consolidated Statements of Operations. [Emphasis added.]

32. On June 1, 2005, the Company issued a press release announcing its financial results for its fiscal first quarter of 2005, the period ended April 30, 2005. For the quarter, the Company reported net income on a GAAP basis of \$24,261,000, or \$0.11 per diluted share. Defendant Alexander, commenting on the results, stated, in pertinent part, as follows:

Each of our major operating units achieved year-over-year growth in both profitability and revenue in the first quarter, which represented our tenth consecutive quarter of sequential sales growth. Comverse, our network systems division, saw demand for its Total Communication portfolio, which enables a broad range of telecommunications applications, including call answering and call completion services, advanced messaging and other data applications such as wireless content delivery, and real-time billing. Our Verint Systems unit continued to expand its activities providing actionable intelligence for security and business intelligence applications.

33. Comverse Technology's financial results for its fiscal first quarter of 2005, the period ended April 30, 2005, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about June 8, 2005, which was signed by defendants Alexander and Kreinberg. With regard to its stock-based compensation, the quarterly report stated, in pertinent part, as follows:

STOCK-BASED COMPENSATION. The Company accounts for stock options under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related Interpretations. **Accordingly, no stock-based employee compensation cost for stock options is reflected in net income for any periods, as all options granted had an exercise price at least equal to the market value of the underlying common stock on the date of grant.** Refer to the "Recent Accounting Pronouncements" footnote for a description of pending changes to this accounting treatment.

During the years ended January 31, 2004 and 2005, the Company and one of its subsidiaries granted shares of restricted stock to certain key employees. Stock-based employee compensation expense relating to restricted stock for the three month periods ended April 30, 2004 and 2005, of approximately \$431,000 and \$1,040,000, respectively, is included in 'Selling, general and administrative' expenses in the Condensed Consolidated Statements of Income. [Emphasis added.]

34. On September 7, 2005, the Company issued a press release announcing its financial results for its fiscal second quarter of 2005, the period ended July 31, 2005. For the quarter, the Company reported net income on a GAAP basis of \$34,814,000, or \$0.16 per diluted share. Defendant Alexander, commenting on the results, stated, in pertinent part, as follows:

We achieved our eleventh consecutive quarter of sequential sales growth, and continued to expand our operating margin. Comverse, our network systems division, saw demand for its Total Communication portfolio, which enables a broad range of telecommunications applications, including call answering and call completion services, advanced messaging and other data applications such as wireless content delivery, and real-time billing. Our Verint Systems unit continued to expand its activities providing actionable intelligence for security and business intelligence applications.

35. Comverse Technology's financial results for its fiscal second quarter of 2005, the period ended July 31, 2005, were repeated in the Company's Report on Form 10-Q filed with the

SEC on or about September 8, 2005, which was signed by defendants Alexander and Kreinberg.

With regard to its stock-based compensation, the quarterly report stated, in pertinent part, as follows:

STOCK-BASED COMPENSATION. The Company accounts for stock options under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related Interpretations. **Accordingly, no stock-based employee compensation cost for stock options is reflected in net income for any periods, as all options granted had an exercise price at least equal to the market value of the underlying common stock on the date of grant.** Refer to the "Recent Accounting Pronouncements" footnote for a description of pending changes to this accounting treatment.

During the years ended January 31, 2004 and 2005, the Company and one of its subsidiaries granted shares of restricted stock to certain key employees. Stock-based employee compensation expense relating to restricted stock for the three month periods ended July 31, 2004 and 2005, of approximately \$433,000 and \$1,049,000, respectively, and for the six month periods ended July 31, 2004 and 2005, of approximately \$864,000 and \$2,089,000, respectively, is included in 'Selling, general and administrative' expenses in the Condensed Consolidated Statements of Income. [Emphasis added.]

36. On December 6, 2005, the Company issued a press release announcing its financial results for its fiscal third quarter of 2005, the period ended October 31, 2005. For the quarter, the Company reported net income on a GAAP basis of \$38,295,000, or \$0.18 per diluted share.

Defendant Alexander, commenting on the results, stated, in pertinent part, as follows:

We achieved our twelfth consecutive quarter of sequential sales growth, and continued to expand our operating margin. Comverse, our network systems division, saw demand for its Total Communication portfolio, which enables a broad range of telecommunications applications, including call answering and call completion services, advanced messaging and other data applications such as wireless content delivery, and real-time billing. Our Verint Systems unit continued to expand its activities providing actionable intelligence for security and business intelligence applications.

37. Comverse Technology's financial results for its fiscal third quarter of 2005, the period ended October 31, 2005, were repeated in the Company's Report on Form 10-Q filed with the SEC on or about December 12, 2005, which was signed by defendants Alexander and Kreinberg. With regard to its stock-based compensation, the quarterly report stated, in pertinent part, as follows:

STOCK-BASED COMPENSATION. The Company accounts for stock options under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related Interpretations. **Accordingly, no stock-based employee compensation cost for stock options is reflected in net income for any periods, as all options granted had an exercise price at least equal to the market value of the underlying common stock on the date of grant.** Refer to the "Recent Accounting Pronouncements" footnote for a description of pending changes to this accounting treatment.

The Company and one of its subsidiaries have granted shares of restricted stock to certain key employees. Stock-based employee compensation expense relating to restricted stock for the three month periods ended October 31, 2004 and 2005, of approximately \$433,000 and \$1,123,000, respectively, and for the nine month periods ended October 31, 2004 and 2005, of approximately \$1,297,000 and \$3,212,000, respectively, is included in 'Selling, general and administrative' expenses in the Condensed Consolidated Statements of Income. [Emphasis added.]

38. The statements referenced above in ¶¶30-37 were materially false and misleading because they misrepresented and failed to disclose the following adverse facts:

(a) that the Company was backdating option grants given to the Individual Defendants and other executives ahead of favorable news in order to give the recipients a better chance of profiting from exercising the options;

(b) that the Company was not properly accounting for additional compensation expenses incurred by this scheme;

(c) that the Company lacked adequate internal controls and was therefore unable to ascertain its true financial condition; and

(d) that as a result of the foregoing, the values of the Company's income from operations, net income and retained earnings were materially overstated at all relevant times and the Company has admitted that it will be restating its financial statements for its historical financial statements for each of the fiscal years ended January 31, 2005, 2004, 2003, 2002 and 2001 and for the first three quarters of the fiscal year ended January 31, 2006.

The Truth Begins to Emerge

39. On March 14, 2006, the Company issued a press release announcing it has created a special committee of its Board of Directors composed of outside directors to review matters relating to the Company's stock option grants, including, but not limited to, the accuracy of the stated dates of option grants and whether all proper corporate procedures were followed. The press release continued, in pertinent part, as follows:

Although it has not been determined whether the review will result in any restatement of the company's historical financial statements and, if so, the years affected and the amounts involved, management believes that certain restatements will likely be required. Any such restatements will not have an impact on historical revenues or operating results excluding stock option related expenses.

40. Following this announcement, shares of Comverse Technology common stock declined \$4.30 per share, or 15%, to close at \$24.85 per share, on extraordinarily heavy trading volume.

41. Then, on April 17, 2006, the Company issued a press release announcing the results of the special committee's review relating to the Company's stock option grants, including the accuracy of the stated dates of option grants and whether all proper corporate procedures were followed. The press release revealed, in pertinent part, as follows:

...At this time, the Special Committee has not completed its work or reached final conclusions and is continuing its review. **The Special Committee has, however, reached a preliminary conclusion that the actual dates of measurement for certain past stock option grants for accounting purposes differed from the recorded grant dates for such awards.** As a result of changes in measurement dates, the Company expects to record additional non-cash charges for stock-based compensation expenses in prior periods. **Based on the Special Committee's preliminary conclusion, the Company expects that (i) such non-cash charges will be material and (ii) the Company will need to restate its historical financial statements for each of the fiscal years ended January 31, 2005, 2004, 2003, 2002 and 2001 and for the first three quarters of the fiscal year ended January 31, 2006.** Such charges could also affect prior periods. On April 14, 2006, the Audit Committee of the Company's Board of Directors concluded that such financial statements and any related reports of its independent registered public accounting firm should no longer be relied upon.

Any such stock-based compensation charges would have the effect of decreasing the income from operations, net income and retained earnings figures contained in the Company's historical financial statements. The Company does not expect that the anticipated restatements would have a material impact on its historical revenues, cash position or non-stock option related operating expenses. [Emphasis added.]

42. The markets for Comverse Technology's securities were open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Comverse Technology's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Comverse Technology securities relying upon the integrity of the market price of Comverse Technology's securities and market information relating to Comverse Technology, and have been damaged thereby.

43. During the Class Period, defendants materially misled the investing public, thereby inflating the prices of Comverse Technology's securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

44. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Comverse Technology's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Comverse Technology and its business, prospects and operations, thus

causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

ADDITIONAL SCIENTER ALLEGATIONS

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

46. During the Class Period, the Individual Defendants also sold 614,443 shares of their personally-held common stock at artificially inflated prices, thereby reaping over \$16 million in gross proceeds. The chart below details the Individual Defendants' Class Period trades in Comverse Technology common stock:

Defendant	Date	Shares	Price	Proceeds
KOBI ALEXANDER	4/8/2005	22,500	\$25.36	\$570,600
	4/11/2005	2,500	\$25.10	\$62,750
	4/12/2005	20,000	\$25.11	\$502,200
	4/12/2005	5,000	\$25.12	\$125,600
	1/5/2006	89,800	\$27.01	\$2,425,498
	1/5/2006	7,500	\$27.05	\$202,875

	1/6/2006	218,000	\$27.18	\$5,925,240
	1/9/2006	49,000	\$27.08	\$1,326,920
		414,300		\$11,141,683
DAVID KREINBERG	12/15/2004	15,143	\$25.02	\$378,878
	12/15/2004	13,000	\$25.02	\$325,260
	12/16/2004	32,000	\$24.50	\$784,000
	12/22/2005	15,000	\$27.40	\$411,000
	12/22/2005	6,677	\$27.45	\$183,284
	12/22/2005	4,523	\$27.46	\$124,202
	1/4/2006	5,000	\$27.18	\$135,900
	1/5/2006	93,088	\$27.03	\$2,516,169
	1/6/2006	15,330	\$27.13	\$415,903
	1/6/2006	382	\$27.13	\$10,364
		200,143		\$5,284,958
Grand Total:		614,443		\$16,426,641

47. Moreover, the Company backdated option grants given to the Individual Defendants ahead of favorable news in order to give the recipients a better chance of profiting from exercising the options. In fact, over 75% of the common stock sold by the Individual Defendants during the Class Period was a product of these improper option grants. The chart below details the Individual Defendants' Class Period trades in Comverse Technology options:

Defendant	Shares Exercised	Date Exercisable	Date of Expiration	Exercise Price
KOBI ALEXANDER	22,500	6/23/2003	5/28/2007	\$10.52
	2,500	6/23/2003	5/28/2007	\$10.52
	20,000	6/23/2003	5/28/2007	\$10.52
	5,000	6/23/2003	5/28/2007	\$10.52
	7,500	6/23/2003	5/28/2007	\$10.52
	218,000	6/23/2003	5/28/2007	\$10.52
	49,000	6/23/2003	5/28/2007	\$10.52
DAVID KREINBERG	15,143	11/30/2004	11/30/2010	\$10.52
	32,000	11/30/2004	11/30/2010	\$10.52
	5,000	10/22/2005	10/22/2011	\$10.52
	93,088	10/22/2004	10/22/2011	\$10.52
	15,330	11/30/2004	11/30/2010	\$10.52
	382	12/19/2004	12/19/2003	\$16.70
Grand Total:	485,443			

LOSS CAUSATION/ECONOMIC LOSS

48. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Comverse Technology's securities and operated as a fraud or deceit on Class Period purchasers of Comverse Technology's securities by backdating option grants granted to the Individual Defendants and other executives ahead of favorable news in order to give the recipients a better chance of profiting from exercising the options. When defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Comverse Technology's securities fell precipitously as the prior artificial inflation came out. As a result of their purchases of Comverse Technology's securities during the Class Period, plaintiff and the other Class members suffered economic loss, i.e., damages under the federal securities laws.

49. By backdating option grants granted to the Individual Defendants and other executives, defendants presented a misleading picture of Comverse Technology's financial performance. Thus, instead of disclosing during the Class Period the truth about Comverse Technology's financial performance, defendants caused Comverse Technology to conceal the truth.

50. Defendants' false and misleading statements had the intended effect and caused Comverse Technology's common stock to trade at artificially inflated levels throughout the Class Period, reaching as high as \$29.24 per share on March 1, 2006.

51. As a direct result of defendants' disclosures on March 13, 2006, Comverse Technology's common stock price fell precipitously. These drops removed the inflation from the price of Comverse Technology's securities, causing real economic loss to investors who had purchased the Company's securities during the Class Period.

52. The approximate 15% decline in the price of Comverse Technology's common stock after these disclosures came to light was a direct result of the nature and extent of defendants' fraud

finally being revealed to investors and the market. The timing and magnitude of Comverse Technology's common stock price declines negate any inference that the loss suffered by plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the defendants' fraudulent conduct. The economic loss, i.e., damages, suffered by plaintiff and the other Class members was a direct result of defendants' fraudulent scheme to artificially inflate the prices of Comverse Technology's securities and the subsequent significant decline in the value of Comverse Technology's securities when defendants' prior misrepresentations and other fraudulent conduct were revealed.

**Applicability Of Presumption Of Reliance:
Fraud On The Market Doctrine**

53. At all relevant times, the market for Comverse Technology's securities was an efficient market for the following reasons, among others:

(a) Comverse Technology's stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) as a regulated issuer, Comverse Technology filed periodic public reports with the SEC and the NASDAQ;

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

(d) Comverse Technology was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain

customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

54. As a result of the foregoing, the markets for Comverse Technology's securities promptly digested current information regarding Comverse Technology from all publicly available sources and reflected such information in the prices of the securities. Under these circumstances, all purchasers of Comverse Technology's securities during the Class Period suffered similar injury through their purchase of Comverse Technology's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

55. 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 Comverse Technology who knew that those statements were false when made.

COUNT I

Violation Of Section 10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder Against All Defendants

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

57. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public regarding Comverse Technology's business, operations, management and the intrinsic value of Comverse Technology securities; (ii) enable the Individual Defendants to sell 614,443 shares of their personally-held stock, thereby reaping more than \$16 million in gross proceeds; and (iii) cause plaintiff and other members of the Class to purchase Comverse Technology's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

58. 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 not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Comverse Technology's 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.

59. Defendants, individually and in concert, directly and indirectly, by the use, means or 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 business, operations and future prospects of Comverse Technology as specified herein.

60. These 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 investors of Comverse Technology's value and performance and continued substantial growth, which 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 Comverse Technology and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Comverse Technology's securities during the Class Period.

61. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

62. The 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 Comverse Technology's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

63. 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 prices of Comverse Technology's securities were artificially inflated during the Class Period. In ignorance of the fact that market prices of Comverse Technology's publicly-traded securities were 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/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired Comverse Technology securities during the Class Period at artificially high prices and were damaged thereby.

64. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other

members of the Class and the marketplace known the truth regarding Comverse Technology's financial results, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Comverse Technology securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

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

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

COUNT II

Violation of Section 20(a) Of The Exchange Act Against the Individual Defendants

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

68. The Individual Defendants acted as controlling persons of Comverse Technology within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, 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 which plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's 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.

69. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is 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.

70. As set forth above, Comverse Technology and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, 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 other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

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

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

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

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

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

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: May 4, 2006

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