DAVID BARRIE, et al., On Behalf of Themselves and All Others Similarly Situated,

Plaintiffs,

v.

INTERVOICE-BRITE, INC., et al.,

Defendants.

Civil Action No. 3-01CV1071-D

(Class Consolidated with Nos. 3:01-CV-1087-D;
3:01-CV-1152-D and 3:01-CV-1203-D)

CLASS ACTION

DEMAND FOR JURY TRIAL

FIRST AMENDED CLASS ACTION COMPLAINT
FOR VIOLATION OF THE FEDERAL SECURITIES LAWS
SUMMARY AND OVERVIEW

1. This is a securities class action brought on behalf of persons who purchased the common stock of InterVoice-Brite, Inc. ("InterVoice" or the "Company") between October 12, 1999 and June 6, 2000, inclusive (the "Class Period"), against InterVoice and certain of its senior officers and directors for violation of the federal securities laws arising out of defendants' false and misleading statements concerning the Company's August 1999 merger with BriteVoice Systems, Inc. ("Brite"), its fourth-quarter 2000 (i.e., "4Q00") and fiscal year 2001 (i.e., "FY01") earnings and revenue projections and its FY00 year-end earnings and revenue results.1

2. InterVoice commenced operations in 1984. Until early 1999, the Company's emphasis has been on Interactive Voice Response ("IVR") systems marketed to financial institutions, universities and government agencies. By early 1999, however, the IVR market was flattening and beginning to decline. In April 1999 InterVoice agreed to acquire Brite which was headquartered in Heathrow, Florida outside of Orlando, for an aggregate purchase price of $174.3 million in cash and stock. Brite was also in the business of developing and selling IVR systems, but mainly developed Network Systems applications for telecommunications companies such as pre-paid calling, voice activated dialing and voice messaging. In addition to sales of call automation systems, Brite provided automated call processing services and generated significant service revenue by charging its customers fees for these services either by fixed rate, monthly or by transaction. These charges provided a recurring revenue stream with high margins. Prior to the merger, InterVoice sales were 70% Business Systems (IVR) and 30% Network Systems. Brite sales, on the other hand, were 70% Network Systems and 30% IVR Systems. The objective of the merger was to create one cohesive worldwide company with strong Network Systems business from Brite, and a strong Business Systems for InterVoice. InterVoice completed the merger with Brite in August 1999.

3. A successful merger with Brite would thus allow InterVoice to offset the effect of a declining demand for its IVR systems and benefit from Brite's strong Network Systems and Services and European customer base. The combined company would sell products in two market segments:

---

(a) Business Systems which included IVR systems products, and (b) Network Systems which focuses on systems for the telecommunications network customers including Enhanced Telecommunications Services ("ETS"), that would be provided in a suite of telecommunications (software) applications. As a result of the merger, the Company generated the majority of its revenues from sales of Network Systems' enhanced telecommunications systems and services. See Form 10-K for period ending February 29, 2000, Exhibit 1.  

4. The immediate impact of the merger is illustrated by the Company's Form 10-Q for its 2Q00 ending August 31, 1999 filed with the SEC on October 15, 1999. The 2Q00 was the first quarter in which the Company reported combined revenues of both InterVoice and Brite. The Company's own chart below shows the dramatic increase in revenues in the Company's Network Systems and Services segments resulting from the accounting for Brite's product sales:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended August 31, 1999</th>
<th>August 31, 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Systems</td>
<td>$28,718,937</td>
<td>$24,898,209</td>
</tr>
<tr>
<td>Network Systems</td>
<td>29,323,619</td>
<td>4,344,047</td>
</tr>
<tr>
<td>Services</td>
<td>21,817,620</td>
<td>3,828,023</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$79,860,176</strong></td>
<td><strong>$33,070,279</strong></td>
</tr>
</tbody>
</table>

* * *

SALES. Sales in the first six months and second quarter of fiscal 2000 were approximately $119.9 million and $79.9 million, respectively. Such sales increased approximately $56.9 million and $46.8 million, respectively, or 90% and 142%, when compared to the same periods of fiscal 1999. The increases are primarily due to the Company's merger with Brite Voice Systems, Inc. (Brite) .... Exhibit 2 at 14, 16.

5. As the Company's reported revenue grew, so did its stock price. In October 1999, InterVoice stock sold for only $11 per share. By March 2000, InterVoice stock had reached prices as high as $38 per share. Exhibit 3. Although the immediate revenue impact from Brite sales was tremendous, in almost all other respects, the merger of the companies was a disaster. None of the anticipated "cross-selling" opportunities were realized, members of Brite's sales staff were either

---

All "Exhibits" referenced herein are attached to the Appendix of Exhibits to First Amended Class Action Complaint for Violation of the Federal Securities Laws, filed herewith.
fired or quit, and InterVoice failed to support and develop Brite products. The Company could not retain Brite customers. This soon resulted in lost sales and a quickly receding sales pipeline. During this time, defendants were improperly recognizing revenues that would ultimately have to be reversed.

Moreover, defendants falsely maintained that (a) the merger had been a success resulting in strong revenues and earnings, (b) former Brite customers were making the transition to InterVoice's NT IVR platform, (c) the Company's backlog of orders and pipeline for new business was strong, and (d) the Company was on track to report $0.76+ and $1.25 earnings per share ("EPS") in FY00 and FY01, respectively.

At the same time, however, defendants failed to disclose that:

(a) The merger had resulted in massive attrition and firing of the Brite sales force. Despite the fact that InterVoice had acquired Brite in order to earn revenues from Brite's strong Network System sales, many of those Brite employees who were in charge of Network Systems, except for Vice President of Global Network Division Ray Naeini, were fired and replaced by inexperienced InterVoice employees. According to one confidential employee witness, between August 1999 and June 2000, there was a steady exodus of two to four sales people per week, including key, high-ranking members of the sales staff and the entire Latin American sales force. The attrition of the sales force was devastating to the Company's ability to maintain sales in either its Business Systems or Network Systems marketing segments.

(b) The Company had discontinued support and development of UNIX platform systems that Brite had sold to its customers and demanded that those customers transition to InterVoice's NT based platform. When forced to make a choice, however, many of Brite's former customers elected to cancel accounts with the Company and patronize InterVoice competitors.

(c) The Company's strong FY00 revenue and earnings were the result of recognizing revenue on sales of its software products in violation of Generally Accepted Accounting Principles ("GAAP") and American Institute of Certified Public Accountants ("AICPA") Statement of Position 97-2 ("SOP 97-2"). Exhibit 4. Instead, in 4Q00, the Company had been recognizing revenue on software sales prior to delivery, prior to acceptance by customers and prior to completing
implementation and customization to customer's specific requirements. This improper recognition of revenue caused the Company to report revenues for 4Q00 and FY00 before they were actually earned.

For all of these reasons, the Company's lofty earnings and revenue forecasts could not and would not be met and defendants knew it.

8. In addition, on December 3, 1999, only a few months after the merger, the Securities and Exchange Commission ("SEC") accounting staff issued Staff Accounting Bulletin No. 101 ("SAB 101") to provide companies with guidance in applying SEC Rules and GAAP to revenue recognition issues. The SEC specifically stated that the bulletin was not intended to change current guidance in the accounting literature. Exhibit 5. The staff also noted that over half of the reported financial frauds involve overstated revenues. Id. The staff reiterated that SOP 97-2 governed the recognition of revenue in software sales. Id. Defendants knew that SAB 101 would uncover the improper way that the Company accounted for its software sales in violation of SOP 97-2 and would require massive reversal of its 4Q00 revenue results. Nevertheless, defendants falsely assured investors that because of the Company's continuous adherence to accounting rules, that there would be no economic impact to its operations and no major impact in reporting revenue recognition on software shipments. Defendants also knew that if they had properly applied GAAP and SOP 97-2 to the Company's 4Q00 sales, the failure of the Brite merger would be exposed and the Company would report revenues and earnings well below market expectations.

9. Thus, in order to conceal the effect of slowing sales and a depleted sales force and to report record revenues and EPS for 4Q00 and FY00, defendants caused the Company to continue to improperly recognize revenue from sales of its software products prior to delivery and acceptance by the Company's customers in violation of GAAP and SOP 97-2. As a result, on April 13, 2000, the Company falsely reported 4Q00 and EPS of $0.23 and revenues of $84.3 million and overstated its revenue by a whopping $40 million. Exhibit 6.

10. On June 6, 2000, InterVoice shocked investors by revealing that the Company had, in fact, been "impacted by sales staff attrition which contributed to our difficulty in closing several sales opportunities during the first quarter"—just as plaintiffs' witnesses reported had been occurring
throughout the Class Period. Exhibit 7. As a result, InterVoice announced it would report a loss of $0.03-$0.05 per share – rather than a $0.27 per share gain for the 1Q01 (ending May 31, 2000). Instead of $89 million in projected predicted revenues, the Company admitted it would only report $67-$68 million. *Id.* In addition, even though defendants attempted to limit the magnitude of the problems by telling investors "the challenges of recruiting and training qualified sales personnel, transitioning customer relationships, and resuming sales momentum, make it unlikely that the first quarter sales shortfall will be fully recovered during fiscal 2001" they reduced their entire fiscal year earnings forecast from $1.26 to $0.00. *Id.*

11. Then, on June 22, 2000, the Company admitted that it would have to reverse its financial results by taking an $18 million before-tax charge to revenues for 4Q00 to account for sales of software which the Company recognized at the time of shipment in violation of GAAP and SOP 97-2 when its contract arrangement required installation and customer acceptance.

Defendants' Economic Motivation: Bonuses and Insider Trading

12. Defendants were motivated to report false revenues and earnings and thus capitalize on the accounting fraud and inflation of InterVoice stock. In fact, many of the executive officers, including the Company's CEO Daniel Hammond and CFO Rob-Roy Graham, had employment agreements containing huge incentive-based bonus structures which were tailored to reward each executive for the successful acquisition of Brite and for achieving earnings and revenue targets related to the acquisition. *See* InterVoice's May 30, 2000 Schedule 14A Proxy Statement (Exhibit 8). These incentives were described in the Proxy Statement:

**Annual Incentives.** The Company has a bonus program that provides for the payment of periodic cash bonuses to executive officers and other key employees contingent upon the achievement of certain earnings targets and/or other individual and corporate performance targets.... For example, bonus opportunities for the Chairman of the Board and Chief Executive Officer, the Company's President and Chief Operating Officer, and the Chief Financial Officer were based on formulas designed to compensate such officers for any increases to revenues and to earnings per share achieved for fiscal 2000.

A significant amount of the annual bonuses for these other executive officers was generally contingent upon the Company attaining a targeted annual revenue objective determined by the Compensation Committee, which was achieved for fiscal 2000. *Id.* at 12-13.

*Id.* at 12-13.
13. Thus, upon purportedly achieving earnings and revenue goals at the end of FY00 (February 29, 2000) and pursuant to their respective employment agreements, each of the following defendants received between 28% and 175% of their annual salary as a bonus:

**Employment Agreement with Daniel D. Hammond [Chairman of the Board and CEO].** Mr. Hammond's annual bonus opportunity under this new employment agreement is based 50% on earnings per share, particularly increases to earnings per share, and 50% on any increase in revenues. The bonus opportunities for fiscal 2000 reflect the acquisition of Brite, and were designed to reward Mr. Hammond for achieving the Company's targeted revenues and earnings in light of the acquisition.

Mr. Hammond received a bonus of $597,870 for fiscal 2000. [175% of his annual salary.]

* * *

**Employment Agreement with Rob-Roy J. Graham.** the Company's Chief Financial Officer and Secretary. Mr. Graham's salary is $196,266.72 per year. Mr. Graham received a bonus of $245,333.40 for fiscal 2000. [125% of his annual salary.]

*Id. at 18, 20.*

**Employment Agreement with David A. Berger.** President and Chief Operating Officer. The bonus provisions of Mr. Berger's agreement for fiscal 2000 were amended to reflect the acquisition of Brite, and were designed to reward Mr. Berger for achieving the Company's targeted revenues and earnings in light of the acquisition. Mr. Berger received a bonus of $312,500 for fiscal 2000. [125% of his annual salary.]

*Id. at 20.*

**Employment Agreements with Ray S. Naeini and Donald R. Walsh.** executive officers of Brite at the time the Company acquired Brite. Under the agreements, Messrs. Naeini and Walsh receive salaries of $195,000 and $190,000, respectively. The bonus opportunities are designed to reward Messrs. Naeini and Walsh for achieving certain Company and departmental objectives, including sales bookings, sales revenues and expense control. Messrs. Naeini and Walsh received incentive cash bonuses of $130,000 [66.7% of his annual salary] and $126,945 [66.8% of his annual salary] respectively for fiscal 2000 under their respective employment agreements.

*Id. at 19-20.*

14. In addition to the five defendants who pocketed huge bonuses related to the Company's falsely reported FY00 year-end revenues and earnings, defendants David Brandenberg, Harold Brown, Mr. Gregory Smith, Gordon Givens and David Berger cashed in on InterVoice's artificially inflated stock and unloaded over 452,000 shares of their InterVoice stock at inflated
prices ranging from $14 to $34, and pocketed more than $11.5 million in illegal insider trading proceeds.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
<th>Shares</th>
<th>Price</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brandenberg</td>
<td>11/15/99</td>
<td>97,700</td>
<td>$14.62</td>
<td>1,428,374</td>
</tr>
<tr>
<td></td>
<td>01/10/00</td>
<td>12,000</td>
<td>25.06</td>
<td>300,720</td>
</tr>
<tr>
<td></td>
<td>01/10/00</td>
<td>16,000</td>
<td>25.06</td>
<td>400,960</td>
</tr>
<tr>
<td></td>
<td>01/10/00</td>
<td>67,000</td>
<td>25.11</td>
<td>1,682,370</td>
</tr>
<tr>
<td></td>
<td>02/11/00</td>
<td>47,000</td>
<td>34.37</td>
<td>1,615,390</td>
</tr>
<tr>
<td></td>
<td>02/11/00</td>
<td>17,000</td>
<td>33.93</td>
<td>576,810</td>
</tr>
<tr>
<td></td>
<td>02/11/00</td>
<td>12,000</td>
<td>34.08</td>
<td>408,960</td>
</tr>
<tr>
<td></td>
<td>02/14/00</td>
<td>12,000</td>
<td>32.19</td>
<td>386,280</td>
</tr>
<tr>
<td></td>
<td>02/14/00</td>
<td>8,000</td>
<td>32.23</td>
<td>257,840</td>
</tr>
<tr>
<td></td>
<td>02/14/00</td>
<td>40,000</td>
<td>32.23</td>
<td>1,289,200</td>
</tr>
<tr>
<td>TOTALS</td>
<td></td>
<td>328,700</td>
<td></td>
<td>$8,346,904</td>
</tr>
<tr>
<td>Brown</td>
<td>11/10/99</td>
<td>6,000</td>
<td>$14.50</td>
<td>$ 87,000</td>
</tr>
<tr>
<td></td>
<td>12/23/99</td>
<td>2,000</td>
<td>23.38</td>
<td>46,760</td>
</tr>
<tr>
<td></td>
<td>12/27/99</td>
<td>2,500</td>
<td>23.38</td>
<td>58,450</td>
</tr>
<tr>
<td></td>
<td>12/28/99</td>
<td>12,500</td>
<td>23.38</td>
<td>292,250</td>
</tr>
<tr>
<td></td>
<td>12/30/99</td>
<td>1,550</td>
<td>24.00</td>
<td>37,200</td>
</tr>
<tr>
<td>TOTALS</td>
<td></td>
<td>24,550</td>
<td></td>
<td>$ 521,660</td>
</tr>
<tr>
<td>Givens</td>
<td>02/14/00</td>
<td>43,630</td>
<td>$31.75</td>
<td>$1,385,253</td>
</tr>
<tr>
<td>Smith</td>
<td>12/20/99</td>
<td>5,582</td>
<td>$20.31</td>
<td>$113,370</td>
</tr>
<tr>
<td></td>
<td>12/20/99</td>
<td>2,000</td>
<td>20.50</td>
<td>41,000</td>
</tr>
<tr>
<td></td>
<td>12/21/99</td>
<td>1,400</td>
<td>20.75</td>
<td>29,050</td>
</tr>
<tr>
<td></td>
<td>12/21/99</td>
<td>2,700</td>
<td>20.88</td>
<td>56,376</td>
</tr>
<tr>
<td></td>
<td>12/21/99</td>
<td>12,100</td>
<td>20.56</td>
<td>248,776</td>
</tr>
<tr>
<td></td>
<td>12/21/99</td>
<td>3,500</td>
<td>20.69</td>
<td>72,415</td>
</tr>
<tr>
<td></td>
<td>12/21/99</td>
<td>4,300</td>
<td>20.63</td>
<td>88,709</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31,582</td>
<td></td>
<td>$ 649,696</td>
</tr>
<tr>
<td>Berger</td>
<td>01/18/00</td>
<td>25,000</td>
<td>$26.26</td>
<td>$ 656,500</td>
</tr>
<tr>
<td>Class Period</td>
<td>Grand Total</td>
<td>452,762</td>
<td></td>
<td>$11,560,013</td>
</tr>
</tbody>
</table>

15. Defendants' stock sales were dramatically out of line with prior trading practices and thus unusual and suspicious. In fact, defendant Brandenberg, who sold 328,700 or 47% of his total holdings, sold only 36,000 shares in all of 1999 prior to the Class Period. Defendant Smith, in all of 1998 sold only 12,566 shares of his InterVoice stock; but during the Class Period, he sold 31,582 shares or 20% of his holdings. Defendant Givens had not sold a single share of his stock in all of
1999 but sold 43,630 shares of his stock or 20% of his holdings in one day during the Class Period. Defendant Berger also had not sold a single share in 1999 but sold 25,000 shares or 10% of his holdings, during the Class Period. Defendant Brown sold only 25,800 shares in all of 1998 and only 2,970 shares in 1999 prior to the Class Period. During the Class Period however, Brown sold 24,550 shares for $521,660 in proceeds.

16. The chart below demonstrates that defendants' stock sales were also executed at times calculated to increasingly maximize their personal benefit from the artificial inflation of InterVoice's stock price.

![Graph showing stock price comparison between InterVoice Brite and Nasdaq Composite from May 1, 1999 to August 31, 2000.]

**InterVoice Brite vs. Nasdaq Composite**
**May 1, 1999 - August 31, 2000**

17. The allegations in this Complaint are based upon plaintiffs' ongoing investigation, including interviews of 16 confidential witnesses ("CW"), former InterVoice employees who worked for the Company during the Class Period and who are knowledgeable about the facts occurring during the Class Period. Plaintiffs also reviewed relevant Company documents, SEC filings, press releases, analyst reports and other reports by third parties.
18. The witnesses spoke to plaintiffs on a confidential basis and are therefore referred to herein as "CW__" as follows:


(b) Confidential Witness No. 2 (CW2): Former Account Executive in Business Systems and specifically in charge of large accounts with BellSouth and Advanced Networks. These two customers were both on the UNIX platform and refused to move to the InterVoice's Windows NT Platform.

(c) Confidential Witness No. 3 (CW3): Former Opportunity Manager/Analyst and Quality Assurance Engineer responsible for writing business proposals for prospective customers and tracking orders from proposal to delivery.

(d) Confidential Witness No. 4 (CW4): Former Director of Business Development in the Company's Network Systems responsible for negotiating customer sales contracts and fostering relationships with vendors.

(e) Confidential Witness No. 5 (CW5): Former Regional Account Director responsible for telecommunications sales.

(f) Confidential Witness No. 6(CW6): Former Opportunity Manager responsible for drafting customized sales proposals for existing and prospective customers.

(g) Confidential Witness No. 7 (CW7): Former Director in Network Sales responsible for drafting sales proposals. CW7 participated in weekly revenue projection meetings conducted by Ray Naeini, Vice President of Global Network Operations, and Scott Walsh, Vice President of Telecommunications Operations. These weekly meetings were also attended by the entire worldwide sales force via conference call.

(h) Confidential Witness No. 8 (CW8): Former InterVoice Account Director in the U.K. office in charge of all aspects of the BT Cellnet account which was InterVoice's largest customer including tracking all profit and loss and financial statistics of the value added services and call center pre-paid services.

(i) Confidential Witness No. 9 (CW9): Former InterVoice Director of Network Sales responsible for generating new business in Network Systems and replacing lost sales personnel.

(j) Confidential Witness No. 10 (CW10): Former InterVoice Senior Systems Engineer responsible for product installation and implementation, systems verification, and technical support for Network products.

(k) Confidential Witness No. 11 (CW11): Former InterVoice Sales Representative and Engineer responsible for Business System (IVR) sales in the Company's California sales office.

(m) Confidential Witness No. 13 (CW13): Former InterVoice Project Manager responsible for overseeing and supervising project managers in Network Systems and producing Product Activity Reports for North America and Latin America. CW13 was also responsible for doing revenue recognition analysis of Network products after the issuance of SAB 101 in December 1999, and reporting its effects to senior management.

(n) Confidential Witness No. 14 (CW14): Former Revenue Assurance Manager responsible for directing revenue operations of the managed services unit of the Network Division of the Company which represented approximately 30% of Network revenues. CW14 was responsible for financial reviews of maintenance and warranty contracts including those with Sprint, Cellular One, Qwest, and BT Cellnet. CW14's duties included monthly updates of the Company's revenue projections for managed services into a Company-wide Operations Management Systems ("OMS") which consisted of all revenue and sales forecasts for the Network Systems.

(o) Confidential Witness No. 15 (CW15): Former Senior Business Analyst in Network Systems responsible for tracking projects and sales forecasts. CW15 reported to Executive Vice President of Network Operations, Ray Naeini. In addition, CW15 was responsible for weekly updates to the Company's Operations Management Systems (OMS) report which included revenue forecasting reports, project activity reports, backlog reports, and management summary reports.

(p) Confidential Witness No. 16 (CW16) is a former InterVoice Regional Account Manager responsible for Network Systems Sales in the Company's western region.

(q) Confidential Witness No. 17 (CW17) is a former Network Sales manager responsible for the sale of the Company's managed services products and reported to Vice President of Global Network Sales.

JURISDICTION AND VENUE

19. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§78j(b) and 78t(a)], and Rule 10b-5 promulgated thereunder by the SEC [17 C.F.R. §240.10b-5].

20. Venue is proper in this District pursuant to §27 of the Exchange Act. InterVoice has its principal place of business in Dallas, Texas. Many of the acts and transactions giving rise to the violations of law complained of herein, including the preparation and dissemination to the investing public of false and misleading information, occurred in this District.

21. In connection with the acts, conduct and other wrongs complained of, the defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, the United States mails, and the facilities of the national securities markets.
THE PARTIES

22. (a) Pursuant to an Order dated September 5, 2001, Lead Plaintiffs are Cary Alan Luskin and Debbie Luskin who each purchased InterVoice publicly traded securities during the Class Period and were damaged thereby.

(b) Plaintiffs Dominick Capuano, David Barrie, Jill C. Richling, Henry Cashman, and Richard Kearns also purchased InterVoice publicly traded securities during the Class Period and were damaged thereby. Each has filed a complaint on behalf of themselves and those similarly situated.

23. Defendant InterVoice is headquartered in Dallas, Texas. InterVoice's stock is traded in an efficient market on the Nasdaq National Market System.

24. (a) Defendant Daniel D. Hammond was, during all times relevant hereto, Chairman of the Board of InterVoice and, until June 2000, CEO of the Company.

(b) Defendant Rob-Roy J. Graham was, during all times relevant hereto, CFO of InterVoice.

(c) Defendant David W. Brandenberg was a director of the Company during the Class Period. Prior to 1994, Brandenberg was President of the Company. Since June 2000, he has been CEO of the Company. Notwithstanding Brandenberg's knowledge of the adverse facts affecting InterVoice's business during the Class Period, and the fact that these facts were concealed from the public, Brandenberg sold 328,700 shares of his InterVoice stock for proceeds of $8.3 million, benefiting from the inflation in the Company's stock price caused by defendants' false statements.

(d) Defendant David A. Berger was President and COO of InterVoice. Notwithstanding Berger's knowledge of the adverse facts affecting InterVoice's business during the Class Period, and the fact that these facts were concealed from the public, Berger sold 25,000 shares of his InterVoice stock at $26.26 per share, for proceeds of $656,500, benefiting from the inflation in the Company's stock price caused by defendants' false statements.

(e) Defendant Gordon H. Givens was Senior Vice President-Business Systems of InterVoice. Notwithstanding Givens' knowledge of the adverse facts affecting InterVoice's business during the Class Period, and the fact that these facts were concealed from the public, Givens
sold 43,630 shares of his InterVoice stock at $31.75 per share for proceeds of $1.38 million, benefiting from the inflation in the Company's stock price caused by defendants' false statements.

(f) Defendant M. Gregory Smith was Senior Vice President-Business Systems Sales and Marketing Communications of InterVoice. Notwithstanding Smith's knowledge of the adverse facts affecting InterVoice's business during the Class Period, and the fact that these facts were concealed from the public, Smith sold 31,582 shares of his InterVoice stock at prices as high as $20.88 per share for proceeds of $649,696, benefiting from the inflation in the Company's stock price caused by defendants' false statements.

(g) Defendant Harold D. Brown was Vice President-Human Resources of InterVoice. Notwithstanding Brown's knowledge of the adverse facts affecting InterVoice's business, especially the attrition of sales force employees, during the Class Period, and the fact that these facts were concealed from the public, Brown sold 24,550 shares of his InterVoice stock at prices as high as $24 per share for proceeds of $521,660, benefiting from the inflation in the Company's stock price caused by defendants' false statements.

CONTROL PERSONS

25. The officer and/or director defendants identified above (collectively, the "Individual Defendants"), because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the contents of the various quarterly and annual financial reports, SEC filings, and press releases, pertaining to InterVoice. In addition, because of their Board membership and/or executive and managerial positions with InterVoice, each Individual Defendant had access to the adverse non-public information about InterVoice's business, finances, products, markets and present and future business prospects particularized herein, via access to internal corporate documents, conversations or connections with corporate officers and employees, attendance at InterVoice's management and/or Board of Directors' meetings and committees thereof and via reports and other information provided to them in connection therewith.

26. The Individual Defendants are liable under §20(a) of the Exchange Act for the false statements pled herein at ¶¶29-97, as those false statements were the result of the collective action of the Individual Defendants, who were "control persons" of the Company. The Individual
Defendants are also liable for such statements under §10(b) of the Exchange Act and the "group published information" inference.3

27. In addition to their roles as CEO and CFO, defendants Hammond and Graham were the chief spokespersons for the Company. In each of the Company press releases issued during the Class Period, defendants Hammond and Graham were extensively quoted discussing the Company's financial position and status of the merger with Brite. In each press release, defendant Graham was listed as the contact person at InterVoice. During each of the conference calls with analysts and portfolio managers where plaintiffs allege that defendants made false and misleading statements, the transcripts reveal that Hammond and Graham were the principal spokespersons for the Company. Exhibits 9-11.

28. During the same conference calls, the transcripts reveal that Hammond and Graham were accompanied by the Senior Executive Staff of the Company, including Executive Vice President of Global Network Operations Ray Naeini and Vice President of Telecommunications Sales Eric Pratt and defendants Berger and Smith. Id. Each of these executives participated in the calls to answer questions specific to their duties during a question-and-answer period following the CEO and CFO comments. Based on all of these facts, plaintiffs have drawn the reasonable inference that when securities analysts who participated in Company conference calls report that "management has stated," "management's range," "recent conversations with management," "the Company," or "management believes," these analysts were referring mainly to defendants Hammond and Graham, and also to the other senior officers who participated in Company conference calls.

FALSE AND MISLEADING STATEMENTS

29. False and Misleading Statement: On October 12, 1999, InterVoice announced its 2Q00 earnings results in a press release. Exhibit 12. Subsequent to the release of its 2Q00 results, on October 13, 1999, InterVoice held a conference call for analysts, money and portfolio managers, institutional investors and large InterVoice shareholders to discuss InterVoice's results, its business and its prospects. The conference call was conducted by the Company's CEO, Hammond; CFO,
Graham; COO, Berger; Vice President of Business Systems Sales, Smith; Vice President of Sales for Europe, Middle East, Latin America and Africa, Walsh; Vice President of Telecommunications Sales, Eric Pratt; and Vice President of Global Network Division, Naeini. Exhibit 9. During the conference call – and in follow-up conversations with analysts – InterVoice management made the following false and misleading statements which were intended to be and were published in subsequent analyst reports:4

- **Former Brite customers would be able to migrate seamlessly to InterVoice Systems which would improve sales to former Brite customers.**

30. **False and Misleading Statement:** On October 14, 1999, First Analysis issued a report after getting details from management during the October 13 conference call. The report rated InterVoice "accumulate" and forecast FY00 EPS of $0.73 and FY01 EPS of $1.12. The report further stated:

Weak domestic Business Systems [IVR] sales primarily caused the decline due to two factors: First, Brite’s existing and potential customers delayed purchases due the uncertainty about the merger. Management believes it has taken appropriate measures to assure Brite customers the product-migration path will be smooth, and it thinks November-quarter sales should improve.

Exhibit 13.

31. **False and Misleading Statement:** On October 19, 1999, Ladenberg Thalmann issued a report on InterVoice by Donald Newman, containing information provided by senior management in the October 13, 1999 conference call, and rated InterVoice a Buy, and falsely forecast FY00 and FY01 EPS of $0.75 and $1.15, respectively, and repeated defendants’ false statements concerning the migration of Brite customers to InterVoice’s NT products, as follows:

**Highlights from the Conference Call and from the financial statements:**

* * *

Business Systems [IVR] sales decline, or Customer Premises Equipment (CPE), in the August quarter were attributed to the very strong performance a year ago from the pent-up demand for InterVoice’s new NT products. In addition, former Brite customers wanted assurance that they could migrate seamlessly from existing equipment to InterVoice’s new releases which also held back sales. Management believes that they have resolved this problem satisfactorily.

---

4The principal false statements are in **bold**, the adjacent language provides context.
Exhibit 14.

Reasons Why Statements in ¶¶29-31 Are False and Misleading:

32. Defendants' statements that they had satisfactorily addressed Brite customers' reluctance to transition to its NT based platform and that November quarter sales to these customers would improve were false and misleading when made. In fact, former InterVoice employee witnesses with first-hand knowledge and specific sales responsibilities with Brite customers reported that the Company had no intention of retaining Brite customers. In fact, the Company knew but failed to disclose that InterVoice had already alienated Brite customers and discontinued support, resulting in the loss of many of these Brite customers.

(a) According to CW11, a former InterVoice Sales Representative and Engineer reported that in July 1999, Stan Brannon (founder of Brite) and defendant Hammond sent letters to Brite's UNIX customers assuring them that the merger would give them the best of both worlds by making both the UNIX and NT platforms available. However, most Brite customers preferred the cheaper UNIX platform over InterVoice's NT platform. According to CW11, in October 1999, the Company sent the same customers another letter saying that it would no longer support UNIX platform products. In response, Peraphonics, another IVR vendor, sent letters to Brite customers inviting them to switch to Peraphonics. As a result of the discontinuation of product and services, United States Advanced Networks ("USAN"), Fleet Bank, and PG&E ultimately cancelled their accounts with InterVoice and went to competitors. Several confidential employee witnesses corroborated CW11's account.

(b) CW12, another Regional Account Manager in InterVoice's Scottsdale, Arizona sales office, corroborated and confirmed CW11's information stating that in September or October 1999 the Company sent a "scathing" letter to its UNIX customers informing them that InterVoice no longer would support their existing systems. CW12 also confirmed that InterVoice competitors had gotten hold of the letter and used it to persuade customers to switch to their systems.

(c) CW1, a former Technical Support Engineer responsible for Business Systems (IVR) customer support and troubleshooting, explained customers' reactions to the Company's
decision and reported that after the completion of the merger in August 1999, InterVoice management decided to adopt the NT platform and discontinue development of the UNIX platform which most of Brite's IVR customers used. CW1 further disclosed that many of Brite's customers refused to transition from the UNIX platform and only maintained InterVoice services because they had recently entered into expensive service contracts with Brite. However, because the service had a definite end of life, customers were looking to switch to InterVoice competitors. 

(d) CW2, a former Account Executive responsible for sales of Business Systems and specifically responsible for accounts with BellSouth and USAN, further corroborates CW1's, CW11's and 12's accounts. CW2 disclosed that at the completion of the merger in August 1999, InterVoice assured former Brite customers that the combined Company would continue to support and service both UNIX and InterVoice's NT IVR platforms. However, in October 1999, InterVoice announced that the Company would no longer support or develop the UNIX platform. CW2 stated that upon this announcement, the Company immediately lost specific large deals with BellSouth and one of BellSouth's subsidiaries, which together had planned to purchase $4.5 million in IVR products in 2000. According to CW2, because of the discontinuation of UNIX platform products and services, InterVoice also lost 70%-80% of Brite's existing IVR customers including USAN, MSA, Fleet Bank and PG&E. Both CW1, a former Technical Support Engineer, and CW10, a former Senior Systems Engineer, reported that other Brite customers including Cal Fed, FDA, Selective Media, Sacramento Municipal Utility District, MBNA Bank, Wells Fargo and Chase Bank also balked at migration to a NT platform. 

(e) CW10, a former Senior Systems Engineer responsible for product installation, implementation and technical support for Network Systems, disclosed that, shortly after the merger, InterVoice contacted former Brite customers and informed them that there would be no further support or development of Brite products. In addition, CW10 reported that InterVoice stopped production of spare parts, giving a "definite end-of-life" to UNIX-based products and therefore the businesses of these customers. CW10 further disclosed that it was fairly common knowledge within the Company soon after the merger that Brite's UNIX platform customers would not make the
transition to NT because the NT platform required re-booting every week and that was just unacceptable to most telecommunications companies and financial institutions.

(f) CW14, a former Revenue Assurance Manager, corroborated that after the merger, InterVoice stopped upgrading and servicing Brite prepaid debit products and, as a result, lost customers to competitor Boston Communications Group.

33. Therefore, based on the corroborated reports of CW1, CW2, CW10, CW11, CW12 and CW14, because a large portion of Brite's installed base customers were, in fact, not transitioning to InterVoice's NT platform, defendants knew that Business Systems sales to Brite's customers would not "improve in the coming quarter" but would actually decline, which they did, as reported in the Company's Form 10-Q for the period ending November 30, 1999. In fact, just weeks later, a December 28, 1999 analyst report on the Company's 3Q00 earnings by Newman, reprinted at ¶39, confirmed that Brite's customers still had not transitioned to InterVoice's NT platform.

34. **False and Misleading Statement:** On October 29, 1999, David Mossberg of Southwest Securities issued an analyst report based on Mossberg's conversations with InterVoice management. The report reiterated the Buy rating on InterVoice and stated:

> The outlook for future earnings appears encouraging. Management has stated that the pipeline for new business is strong, **and integration plans are on track.** Synergy cost savings of $25 million per year are expected to come from staffing and facilities reductions. In addition, *management believes cross-selling* [with Brite customers] *opportunities will help grow the top line.*

Exhibit 16.

**Reasons Why Statements in ¶34 Are False and Misleading:**

35. For the reasons stated in ¶¶41-44, defendants' statements that integration plans were on track and that cross selling opportunities were poised to grow the top line were false and misleading. The Company's decision to discontinue products and services for products already sold

---

According to InterVoice, "Business Systems sales decreased 7% in the first nine months and decreased 21% in the third quarter of fiscal 2000, when compared to the same periods of the previous fiscal year....The decline of such sales in the third quarter, compared to the same period of the previous fiscal year was also attributable, in part, to a sluggishness in demand from former Brite customer base ...." Exhibit 15 at 18.
to former Brite customers resulted in the loss of significant customers and contracts and would not result in cross selling and additional revenue from those customers.

36. As a result of defendants' false and misleading statements between October 12 and November 15, 1999, InterVoice's stock price increased from $11.43 to $15.25. Exhibit 3. On November 15, defendant Brandenberg took advantage of the 21% price increase and sold 97,000 shares of InterVoice stock at $14.62 per share and pocketed over $1.4 million. Brandenberg had only sold 36,000 in the entire year prior to the Class Period.

37. False and Misleading Statement: On December 15, 1999, InterVoice announced its 3Q00 results in a press release which stated:

InterVoice-Brite announced today revenues of $82,034,870 and $201,971,807 for the third quarter and first nine months of its fiscal 2000.

*   *   *

Daniel D. Hammond, InterVoice-Brite's Chairman and Chief Executive Officer said, "I am very pleased with our third quarter performance. We continued to focus on maintaining our sales momentum and are ahead of plan in implementing our synergy savings goals, as demonstrated by our better than expected earnings. These synergies, as well as an intense concentration on BalanceSheet control, allowed the Company to repay $25 million of its merger related borrowings on December 10, 1999, significantly ahead of schedule."

Exhibit 17.

38. False and Misleading Statement: For the reasons stated in ¶¶86-97, defendants' 3Q00 revenues and earnings were false and misleading. On December 16, 1999, subsequent to the release of its 3Q00 results, InterVoice held a conference call for analysts, money and portfolio managers, institutional investors and large InterVoice shareholders to discuss InterVoice's 3Q00 results, its business and its prospects. The conference call was conducted by CEO Hammond; CFO Graham; Vice President of North American Business Systems Sales, Greg Smith; Vice President of Sales for Europe, Middle East and Africa, Walsh; Vice President of Telecommunication Sales, Pratt; and Vice President of Network Service Operations, Global Division, Naeini. During the call – and in follow-up conversations with analysts – Hammond and Graham made the following false and misleading representations which were intended to be and were published in subsequent analyst reports:
* The merger plan is progressing nicely as proven by strong Q3 results. Our bottom line exceeded plan as we achieved synergy related cost savings and gross margin improvements ahead of schedule.

* InterVoice was on track to report EPS of $0.76+ and $1.25 in FY00 and FY01, respectively.

Exhibit 10. Defendants' false and misleading statements were intended to be and were subsequently reported in analyst reports during the following weeks covering the Company, projecting huge revenues and earnings growth.

39. **False and Misleading Statement:** On December 28, 1999, Ladenberg Thalmann issued a report on InterVoice by Newman based on the December 16, 1999 conference call and Newman's conversations with InterVoice management. The report forecast FY01 EPS of $1.17, upgraded its rating to Strong Buy and stated:

   *Highlights from the Release, Conference Call and Conversations with Management*
   * * *

   For Q4, our revenue estimate is $84 million, $2 million below our previous model, **but within management's range of $83-$86 million.**

   * * *

   Many of Brite's systems are programmed for a UNIX operating system with Dialogic hardware. The latter is more expensive than the company's hardware. Despite the inertia of Brite's CPE [Business Systems] customers to move so far toward the company's newer NT systems, management believes they have not lost this installed base to competition.

Exhibit 18.

40. **False and Misleading Statement:** On January 14, 2000, Southwest Securities published a report on InterVoice written by Mossberg who had covered the Company and spoke repeatedly with management throughout the Class Period. The report forecast 1Q01 and FY01 EPS of $0.27 and $1.26, respectively, and stated:

   **Recent conversations with management indicate that the integration of the Brite Voice acquisition is on track and Business Systems sales have begun to show strength.**

Exhibit 19.
Reasons Why Statements in ¶¶37-40 Are False and Misleading:

41. Defendants' statements alleged in ¶¶37-40 concerning the integration of Brite and that the progress of the plan was proven by 3Q00 results were false when made. In fact, the integration with Brite was not progressing nicely, and based on the stagnation of new sales and failure to win over Brite customers, InterVoice could not and would not post 1Q01 EPS of $0.27 or FY01 EPS of $1.26 as reported. In fact, CW17, a former Network Sales Manager, reported that in early 2000 the Company lost a large deal with Sprint Telemedia because the Company was no longer selling Brite products.

42. Though defendants said that the success of the merger and its synergy and savings goals were demonstrated and "proven" by the Company's better-than-expected earnings, confidential witnesses from several different sectors of InterVoice's business have reported that because of mass firings and the attrition of the sales force after the merger, there was in fact no forward "sales momentum," and the pipeline for new sales was actually declining. Confidential witness reports confirm that defendants' revenue and earnings projections were absolutely unattainable and that defendants actually knew or were deliberately reckless in not knowing of the problems with the integration of the sales staff and the resulting sales weakness.

(a) According to CW3, a former Opportunity Manager/Analyst and Quality Assurance Engineer responsible for writing sales proposals and tracking orders from proposal to delivery, the claimed integration was more of a "takeover" of Brite by InterVoice. In fact, upon completion of the merger InterVoice fired all of the upper management of Brite and all of its Vice Presidents in charge of running the high margin Network Systems division except for Ray Naeini, Vice President of Global Network Business Division. However, CW3 reported that compared to the massive office-wide attrition, layoffs were minor. In fact, attrition among the sales staff became so severe that "sales" became a "bad word" around the office. CW3 reported that between the date of the merger in August 1999 and June 2000 there was a "steady exodus" of two to four sales people per week and there were key people in other departments also leaving the Company. According to CW3, another factor that contributed to the attrition of Brite sales staff in Network Systems was a huge increase in sales quotas. CW3 reported that in January 2000, Ray Naeini announced that
quarterly sales quotas would be increased from $1 million to $3 million and that many of the sales staff quit immediately thereafter because the sales quotas were impossible to make for 1Q01 because most customers had purchased expensive Y2K upgrades and were not spending any more money.

(b) CW15, a former Senior Business Analyst, reported that Brite sales people began leaving immediately after the merger in August 1999 and that management was concerned about the sales people leaving because large accounts would be affected. In addition, CW15 stated that the attrition of the sales force was discussed in Naeini's weekly revenue meetings and that one of the accounts lost due to sales staff attrition was AT&T.

(c) CW5, a former Regional Account Director responsible for telecommunications sales, reported that after the merger, there was 100% turnover in the telecommunications sales force and that by spring 2000, the entire Latin American sales force had quit. CW5 also corroborated CW3's account that after the announcement of increased quotas for FY01, Executive Vice President of Sales, Eric Pratt, and Director of Sales, Cliff Mainor, left the Company. Indeed, Eric Pratt was a key InterVoice sales executive in the Company's most profitable business sector, Network Systems, and was a participant in both the Company's October 13, 1999 investor conference call, and its December 16, 1999 investor call, evidencing his key role at the Company. By January however, he had left the Company.

(d) CW9, a former Director of Sales responsible for generating new business in Network Systems and replacing lost sales personnel, corroborated that in addition to loss of sales people, the Company's leader of Network Sales, Eric Pratt, and Cliff Mainor, also left in January 2000.

(e) CW14 attributed the Company slowdown in sales and ultimate revenue and earnings shortfall to the depletion of the sales force. According to CW14, when the Company started losing its sales force, it lost its ability to get customers.

(f) CW4, a former Director of Business Development in Network Systems responsible for negotiating sales contracts and managing relationships with customers on the Brite side of the Company, states sales people left the Company immediately after the merger and before the November 1999 to March 2000 stock run-up because it became clear that the leadership positions
were going to InterVoice Employees. According to CW4, two additional key sales people that left were Tim Walsh, General Manager of North American Sales and Dave Gillarenz, General Manager of Latin American Sales.

(g) CW16, a former Regional Account Manager responsible for Network Sales corroborated numerous witness accounts and reported that several of the Network sales people started leaving the Company shortly after the August 1999 merger. CW16 further stated that by March 2000 the North American sales team shrunk so severely even at the managerial level that the few remaining sales people were reporting directly to Executive Vice President of Network Systems Walsh because all of the managers and directors had left the Company.

(h) CW8, a former Account Director in the U.K. office responsible for all aspects of the Company's BT Cellnet account which represented 16% of the Company's entire FY00 sales, reported that during the two months span between September 1999 and November 1999, so many sales people quit the London office that the Company shut it down.

(i) CW6, a former Opportunity Manager corroborates that within a month after the merger, Brite people started quitting because Brite sales staff were given very little territory in which to sell products. By December 1999, the entire Brite Business Systems sales staff and support team quit. In addition, CW6 reported that Network Sales staff from Brite were fired soon after the merger and replaced by InterVoice sales people. However, InterVoice "knew nothing" about Network Systems – Network Systems made up only 30% of InterVoice's business prior to the merger and it actually had a bad reputation in the industry for Network Systems. The combined Company could not generate new Network business in North America. In fact CW6 reported that after the merger, the status of almost every sales proposal in Network Systems was "no reply," or "loss."

(j) In summary, nine witnesses, CW3, CW4, CW5, CW6, CW8, CW9, CW14, CW15 and CW16, confirm that the "integration" of Brite was not an integration at all but instead resulted in the departure of most of the Brite sales force including key high level executives. In addition, the Company's failure to retain the former Brite customers sales staff attrition resulted in its inability to generate sales of the high margin Network Systems.
43. Nevertheless, these false positive statements in ¶¶37-40 had their desired effect as InterVoice's stock jumped from $18.88 on December 14, 1999 to $28.50 on January 24, 2000, a 51% increase. Defendant Brandenberg wasted no time in capitalizing on InterVoice's inflated stock price. On January 10, 2000, he unloaded another 95,000 shares of his InterVoice stock at prices over $25 per share for illegal insider trading proceeds of $2.4 million. During the same period defendant Brown unloaded 18,550 shares at more than $23 per share. Givens sold 43,630 shares at $31.75 per share and Smith sold 31,582 shares at more than $20 per share.

44. False and Misleading Statement: On February 9, 2000, InterVoice announced it had received an $8 million order for expansion of prepaid wireless services, most of which would be shipped in the 4Q00 thereby implying that the revenues from this sale could and would be properly recognized in 4Q00. The release stated:

InterVoice-Brite, Inc. announced today that it has received an order valued at approximately $8.7 million from a leading cellular service provider in Mexico, to expand the capacity of its prepaid wireless system originally supplied by InterVoice-Brite in 1997. The system expansion is required to support the rapid subscriber growth the provider has experienced in recent months. The majority of the shipments pursuant to the order are scheduled for the InterVoice-Brite fiscal fourth quarter, which ends February 29, 2000.

Exhibit 20.

Reasons Why Statement in ¶44 is False and Misleading:

45. According to CW14, the $8 million order was from Iusacell, a cellular service provider in Mexico, and was an account within Network Systems. In addition, CW14 reported that revenues from the upgrade called for by the order could not be recognized when it was shipped because the upgrade required installation and customization that could not be completed before the end of February, and certainly could not have been "accepted" as required by GAAP, by the customers by then. However, defendants' statement that the majority of the shipment would occur within the quarter meant that even though it violated GAAP those shipments would be recognized in 4Q00.

46. CW3 recalled the February 9, 2000 announcement of the $8.7 million contract with Iusacell and reported that the contract was a "big win" for Latin American operations and was the only Latin American sale in CY00. According to CW3, despite the date of the announcement it was impossible that any of the product related to the order shipped in the quarter because the details of
the deal were not finalized and a final order was not approved by Iusacell until the very end of the quarter. CW3 reviewed the Project Activity Reports ("PARs") – which were sent to Graham, Brandenberg and Naeini. Each report detailed the customer, sales person responsible, revenue to be recognized, and the status of the sale for the period. CW3 reported that the PAR's indicated that the Company recognized all of the revenue from orders in 4Q00.

47. CW17, a former Network Sales Manager, reported that the February 9, 2000 order from Iusacell included managed services and that, even at the end of February, the equipment InterVoice needed to fill the order had not even been requested from InterVoice's supplier, Sun Microsystems. CW17 further reported that when the product actually did ship, InterVoice did not begin to configure the software to Iusacell's specifications until summer 2000.

48. In any event, investors responded quickly to the news of the Company's customer win and traded two million shares of InterVoice stock on February 10 compared to only 600,000 the day before. On February 11, 2000, InterVoice stock reached a high of $36, from a low of $27.62 on February 9.

49. Defendant Brandenberg took action as well. Between February 11 and February 14, Brandenberg sold another 136,000 shares of InterVoice stock at more than $30 per share for proceeds of an additional $4.8 million.

Defendants' Stock Sales Grab the Attention of Investors:

50. In mid-February 2000, investors became concerned about the large insider sales by InterVoice executives. All told, from November, the end of 1999 to February 2000, defendants sold 452,762 shares at prices ranging from $14 to $34 per share. The Dallas Business Journal reported the unusual character of defendants' sales and pointed out that the last occasion when InterVoice insiders sold large blocks of stock preceded a huge drop in the stock price:

Insider selling could worry some investors:

On three occasions since 1993, insider selling at the maker of voice-response systems has presaged a fall in the stock price. The most recent instance came last winter and spring, when shares in the company, the called InterVoice, fell by almost 40% after insiders unloaded nearly 187,000 shares.
51. **False and Misleading Statement**: In response to investor concerns, defendant Smith falsely assured investors that stock sales were not unusual and that their trading was normal or "in line" with companies comparable in size:

"Insiders were asked to be conservative (with their sales) for a real long period of time," Smith says. They were allowed more latitude toward the end of 1999, which explains why there was a boost in sales at that time, he adds.

"I don't have the details at hand, but if you looked at the overall trading in the current period... we're well in line" with a company of InterVoice-Brite's size.

*Id.*

52. In truth however, the explanation for the boost in sales was more likely due to what confidential witnesses disclosed — that the merger was a failure and sales were suffering due to the massive attrition of the sales staff. Moreover, whether defendants' sales were in line with other companies was of no matter. For the reasons stated in ¶¶14-16, defendants' stock sales were unusual and suspicious and dramatically out of line with their own trading practices.

53. **False and Misleading Statement**: On February 14, 2000, Tucker Anthony Cleary Gull published a report on InterVoice by Christin Armacost based on Armacost's conversations with management. The report forecast 1Q01 and FY01 EPS of $0.26 and $1.25, respectively, and stated:

Furthermore, *the company has anecdotally indicated that its pipeline of business is exceptionally strong. Within its service provider business its "ratio of opportunity to sales forecasts" is nearly 3 to 1. Within the enterprise business, it's about 2 to 1. It's this type of potential that enables us to be consistently at the higher end of the consensus revenue and earnings range.*

Exhibit 22.

54. For the reasons stated in ¶¶62-67, defendants' statements in ¶53 were false when made.

55. Based on defendants' false positive statements about InterVoice's future sales and earnings, and based on frequent announcements, the market was fully expecting InterVoice to report favorable earnings in FY00 and FY01. As a result, by mid-March 2000, InterVoice's stock was trading above $38 per share.

56. **False and Misleading Statement**: On April 11, 2000, InterVoice released its false 4Q00 and FY00 results in a press release which stated:

*InterVoice-Brite announced today revenues of $84,254,172 and $286,226,519 for the Company's fourth quarter and fiscal year 2000. This compares to $38,823,310*
and $136,904,131 for the same periods of the prior fiscal year. The Company's operating results for the prior fiscal year do not include the revenues of Brite Voice Systems, Inc. (Brite) which merged with the Company during the second quarter of fiscal 2000.

* * * *

During the fourth quarter, the Company's revenue growth came from its Network Systems sales while sales of Business Systems and Services were approximately the same as in the third quarter. "Fourth quarter Business System sales were affected by Year 2000 concerns and product transition plans among our prospective and existing customers," said Mr. Hammond. "However, we are encouraged by the pipeline of sales opportunities for Business Systems."

Exhibit 6.

57. These results were in line with expectations as far as earnings, but analysts noted that sales were lower than expected and that it appeared that InterVoice had met its earnings estimates by using a lower tax rate. In addition, defendants failed to disclose that the Company had achieved its revenue goals by improperly recognizing millions in revenue from its software sales in violation of GAAP and SOP 97-2.

Reasons Why 4Q00 Earnings Results Were False and Misleading

For the reasons stated in ¶¶86-97, defendants' 4Q00 reported revenues and earnings were false when made.

58. False and Misleading Statement: On April 12, 2000, subsequent to the release of its 4Q00 results, InterVoice held a conference call for analysts, money and portfolio managers, institutional investors and large InterVoice shareholders to discuss InterVoice's 4Q00 results, its business and its prospects. The conference call was conducted by CEO Hammond, CFO Graham, COO Berger, Vice President of Business System Sales Smith, Vice President of Network System Operations Naeini, and Vice President of Network Systems Sales Walsh. During the call Dan Hammond stated:

- "It's becoming very clear that we've combined two good companies to make a stronger, more competitive one. Our management team has met the challenges of the past nine months as we worked the merger plan and as a result, achieved our financial and operations goals."

Exhibit 11.
59. During the call— and in follow-up conversations with analysts Hammond and Graham also made the following false statements which were intended to be and were published in subsequent analysts reports:

- The outlook for Business Systems was improving.
- The Company remained on track to report FY01 EPS of $1.26.

60. False and Misleading Statement: On April 13, 2000, Ladenberg Thalmann issued a report on InterVoice by Newman which was based on senior management's statements during the conference call, and Newman's conversations with management, including on the conference call. The report forecast FY01 EPS of $1.17 and stated:

In regards to recent comments on SAB 101, management stated that there would be no economic impact to operations. SAB 101 will be adopted in Q2 (August) by INTV, which expects no major impact in reporting revenue recognition on software shipments.

* * *

56% of product sales are from Network Systems. Management expects this percentage to increase.

* * *

In terms of market projections, management believes that these industry forecasts are germane to its specifics: Business Systems – 10%-15% annual growth; Network Systems – 20%-30%; Services – 15%-20%.

Exhibit 23.

61. False and Misleading Statement: On April 13, 2000, Hoak Breedlove Wesneski & Co. issued a report by Darren vonBehren announcing that InterVoice had reported FY00 EPS of $0.98 and projecting FY01 EPS of $1.47 per share. The report went on to say that "Our model is under review by management and we don't anticipate significant changes, if any." Exhibit 24. Only days later, on April 17, 2000, Hoak Breedlove Wesneski & Co. issued a report on InterVoice by vonBehren based upon conversations with management on their revenue model that reiterated the Company's false guidance for its revenue and earnings estimates for FY01. The report forecast FY01 EPS of $1.15. The report indicated that the cash EPS estimate was on the "low end of the [management] range":

- 27 -
To date, management has not changed its revenue guidance and our $1.41 cash EPS estimate, decreased by $0.06, for FY2001 still represents the low end of the range.

Exhibit 25.

Reasons Why Statements in ¶¶56-60 Are False and Misleading:

62. Defendants' statement in ¶58 that the management team had met the challenges of the merger which resulted in achieving financial and operational goals was false when made. In fact, for the reasons stated in ¶¶41-43, the merger was a failure resulting in massive sales staff attrition and lost customers. Moreover, for the reasons stated in ¶¶86-97, the Company was only able to reach financial and operational goals by improperly recognizing revenue in violation of GAAP. Defendants Graham, Hammond and Berger did, however, cash in huge bonuses upon the Company reporting record revenues and earnings.

63. In addition, for the reasons stated in ¶¶86-97, defendants' comments that SAB 101 would have no economic impact on operations was misleading. In fact, defendants' own revenue recognition analysis, which was precipitated by SAB 101, revealed that some revenue from most, if not all, of its Network accounts would have to be reversed.

64. Defendants' statements that the pipeline for Business Systems was exceptionally strong and its earnings forecast and double digit percentages growth projections for each of its business segments were false when made. Former employee witnesses confirm that as early as the beginning of the year in January 2000, the effect of sales force attrition and weak demand for InterVoice products had taken hold and severely impaired the Company's ability to sell products and that defendants knew that 1Q01 revenues would not meet market expectations, as follows:

(a) CW3 reported that weak demand for InterVoice products further contributed to the attrition of the sales force, and that because many of the Company's Network Systems customers had already purchased products and updates in preparation for Y2K they were unwilling to increase expenditures in January 2000. In fact, CW3, a former Opportunity Manager/Analyst confirms the weak sales pipeline in CY00, where InterVoice made no sales in North America and only one sale in Latin America. According to CW3, in January 2000, InterVoice held its annual sales meeting for its entire worldwide sales staff. Both CW3 and CW5 reported that during that meeting
InterVoice management announced that it was increasing the sales quotas for its sales staff which caused even more members of the sales staff to quit because the quotes were impossible to meet for the first quarter.

(b) CW5, a former Regional Account Director responsible for telecommunications sales, corroborates CW3's account and reports that around the same time, January 2000, the number of sales people leaving the Company "increased," including the entire Latin American sales force because many felt that it would be "impossible" to meet 1Q01 quotas because customers weren't buying any new product and that the reason 1Q01 was so poor was because by 4Q00 all of Brite's Networks products had been cleared out of the pipeline and that there were no new products to sell. CW5 confirmed that high level sales people including key executives Pratt and Mainor left in January 2000 and that demand for InterVoice products in 1Q01 was so weak that CW5 had to open customer negotiations with discounts just to be competitive.

(c) CW14 disclosed that after the merger, the depletion of the sales force and the Company's inability to replace sales people caused the shortfall in sales. According to CW14, "in the telecom industry, it's all about who you know and when InterVoice lost its sales staff, it lost its ability to get customers."

(d) CW2, a former Account Executive in Business Systems, reports that in March 2000, InterVoice held a sales meeting in Dallas, Texas which was attended by all InterVoice sales personnel worldwide and that CW2 spoke directly to various sales people and no one was making sales. CW2 further states that because the Company had sold many of its new products and upgrades related to Y2K in late fall and winter 1999, the sales personnel had difficulty selling new systems in 1Q01.

(e) CW4 reported to plaintiffs that sales opportunities in North America, Latin America and Asia Network Systems Products "dried up" in 1998 and remained flat through the time of the merger and beyond, and that in 1Q01 defendant Graham and other executives were overly optimistic in their sales projections in order to justify the merger with Brite.

(f) CW9, a former Director of Network Sales in InterVoice's Dallas, Texas office, corroborates that between January and February 2000, Vice President of Telecommunication Sales,
Pratt, and Director of Sales, Mainor, left the Company. CW9 indicated that he was then promoted to Director of Telecom Sales. In addition CW9 reported that in January 2000 when he was promoted, under normal operating conditions he would have had four of five sales people working in telecommunications sales but by January 2000 the sales force had been decimated and he had zero and had to hire new people. CW9 disclosed that it was clear to him that the Company's 1Q01 forecasts were unattainable and that numbers on the weekly sales reports were not matching up with the forecasted numbers.

(g) CW9 further reports that beginning in February 2000 (1Q01), CW9 began attending weekly sales/revenue meetings conducted by Naeini and attended by the sales staff. CW9 further states that during those meetings, the Sales Activity Reports and Revenue Activity Reports would be reviewed and even in February when CW9 began attending Naeini's revenue meetings, each of those reports indicated that there were no sales of the Company's most profitable products — Network Systems. In addition, CW9 further reports that he/she did not need to rely on those reports to know that sales were non-existent. Even without looking at the reports CW9 knew that demand was weak because CW9 was in charge of the Network Sales team and no one on CW9's staff was selling anything although they were trying to lure business from Verizon, BellSouth, AT&T and MCI.

In summary, six witnesses, CW2, CW3, CW4, CW5, CW9 and CW14, confirmed that sales were so poor in 1Q01 that the Company's revenue forecasts could not and would not be met. Defendants Knew that the Revenue Forecasts Were Unattainable.

65. Indeed, despite defendants' public projection of growth, former employee witnesses confirm defendants' actual knowledge that 1Q01 sales and revenues would fall well short of public projections months in advance of June 2000 and FY01 earnings would never reach $1.26 per share.

(a) CW7, a former Director in Network Sales responsible for writing sales proposal reports, and CW5, a former Regional Account Director responsible for sales of telecommunications products, reported that defendants Berger, Hammond, Brandenberg, Brown and Graham received weekly reports containing information about the Company's current business status and progress toward meeting sales expectations.
(b) CW7 also reported that he participated in weekly (Thursday) revenue and projections meetings which were conducted by Naeini and Walsh and began at 8:00 a.m. Eastern Standard Time and would last for five hours with the entire worldwide sales staff starting with the sales people in the Far East, then moving to the staff in Europe and then finally to those in the Americas. Naeini would "grill" each sales person on the status of each sales project including the date of expected closure and would demand detailed information about how far along each project was, in order to determine how much revenue could be recognized. Revenue to be booked and information concerning each prospective sale would then be input into the Project Activity Database while the meetings were taking place. CW7 further reported that within 24 hours after each weekly conference call, David Rasmussen, Vice President of Business Marketing, would generate Project Activity Reports and Sales/Revenue Recognition Reports which detailed the customer, sales person responsible for the sale, product, revenue to be recognized and the status of the sale. These reports were emailed to defendants Brandenberg, Hammond, Brown, and Graham every Friday. CW8 corroborated the accounts of CW5 and CW7 and reported that Naeini conducted conference calls with the sales staff day and night every week and that the sales staff would circulate weekly sales activity reports with specifics on sales around the world.

(c) CW7 further reported that during the revenue meeting, Naeini would be yelling and screaming about projects with yellow or red status. According to CW7, the PARs contained very specific information for each project and assigned a color to the project to identify its status. For example, red indicated that the project was stopped by the customer. Yellow would indicate that the project was on hold by request of the customer and green meant that the project was a "go." CW7 further reports by looking at the PARs it is easily determined how well sales are progressing and that months prior to June 2000 it became evident that 1Q01 projections were well out of reach.

(d) CW3, a former Quality Assurance Engineer and Opportunity Manager/Analyst responsible for writing sales proposals and following orders from proposal to delivery, corroborates the accounts of CW7 and CW5, and reports that senior management constantly monitored the database of Project Activity Reports and that even in January 2000 it was clear from those weekly
reports that opportunities were not being closed and that by April 2000 everyone knew that 1Q01 would not meet market expectations.

(e) CW14 further corroborates the accounts of CW5 and CW7 and reported that Naeini held weekly meetings with the worldwide sales staff and went through every item in the Operations Management System, a huge 12-15 page Excel spreadsheet which included all of the PARs and SARs.

(f) CW6, another former Opportunity Manager responsible for writing custom sales proposals, states that by April 2000 sales were so poor that the Company could not even land sales and service contracts updating its own products. CW6 specifically describes a proposed deal with Sprint in April 2000 that the Company lost to a competitor even though the contract called for upgrades to InterVoice equipment.

(g) CW13, a former Project Director, corroborates reports from other confidential witnesses and states that he had responsibility for delivery PARs and SARs for all projects in Network Systems for North America and Latin America. The PARs included the (1) expected start date of each project, (2) the contract value and (3) sales of each project. The PARs were also included in the OMS System which was made up of different sales activity reports. Each of these was emailed to Naeini every week. CW13 further corroborated that Naeini held weekly revenue meetings with the worldwide sales staff and reported that during each meeting Naeini would review the OMS, especially all red and yellow near term pipeline and revenue projections. From CW13's perspective based on what CW13 saw in those meetings, demand for Network products was so weak that management was "fooling themselves" if they thought InterVoice was going to make its 1Q01 revenue projections.

(h) CW15, a former Senior Business Analyst in Network Systems who reported to Naeini, was reluctant to discuss details concerning specific Company sales figures but reported that he updated in OMS reports weekly and emailed to defendant Graham and Naeini each week. In addition, CW15 stated that he/she began attending weekly revenue meetings run by Naeini in April 2000 and described them as all-day events during which discussions with the worldwide sales staff would be focused on the validity of the Company's sales forecasts. CW15 further states that he/she was responsible for live updates of the sales forecasts. Although CW15 would not quantify actual
sales, he/she reported that in April it was evident by looking at the reports that the Network bookings and revenues were suffering from an overall decline and that sales in North America and Latin America looked "terrible" and that the Company's so-called "strong backlog" consisted of only one customer whose name he would not reveal. In addition, CW15 corroborated that in 2000 the Company only made one sale in Latin America and that in late 1999 and 2000 there were up to 20 open sales proposals for Network Systems which did not close.

66. In sum, eight witnesses, CW2, CW3, CW5, CW6, CW7, CW13, CW14 and CW15 confirm defendants knew the grim status of the Company's sales prospects as early as February 2000.

It Is Reasonable to Infer the Defendants Knew that Sales Force Attrition Was Stifling Network Systems Sales

67. Facts disclosed by 16 confidential employee witnesses confirm that the sales force was dramatically depleted and the sales pipeline had nearly no sales for Network Systems. Because Brite's Network Systems revenue had a huge impact on the Company's overall revenue for the FY00 as compared to FY99, it is also reasonable to infer that defendants knew that sales of the Company's high margin business segment were faltering. The following excerpts from the Company's Form 10-K filed with the SEC on May 26, 2000 (Exhibit 1 at 86), which compares fiscal 1999 revenues (before Brite merger) with FY00 revenues (after Brite merger) demonstrate that the successful integration of Brite business operations, customers and employees was critical to the Company's overall continued financial success and its ability to drive sales. It is thus reasonable to infer that defendants knew of the adverse facts reported by confidential employee witnesses concerning the Company's high revenue business segments, including the massive attrition of the Brite sales force and the related slowdown in Network sales.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2000 in Millions</th>
<th>Fiscal 1999 in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Systems</td>
<td>$109.0</td>
<td>$97.4</td>
</tr>
<tr>
<td>Network Systems</td>
<td>104.7</td>
<td>26.2</td>
</tr>
<tr>
<td>Services</td>
<td>72.5</td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$286.2</strong></td>
<td><strong>$136.9</strong></td>
</tr>
</tbody>
</table>

68. False and Misleading Statement: In May 2000, management conducted a road show for institutional holders in New York and Philadelphia, talking about the Company's business trends
and financial performance. In conversations with these investors, management indicated that they expected sequential growth in InterVoice's Business Systems unit, expected strong business trends to continue in the Network Systems unit and anticipated increased gross margins in the Managed Services unit. A former Director of Business Development (CW4) who helped defendants prepare for the road shows confirms that defendants Hammond and Graham attended each and spoke directly to analysts "promoting the sales pipeline" and reporting that the "merger was going well."

Reasons Why Statements in ¶68 Were False and Misleading:

69. For reasons stated in ¶¶41-43, defendants' comments at both the New York and Philadelphia road shows regarding the success of the merger were false when made.

70. Then, on June 6, 2000, only one month later, after the close of trading, InterVoice shocked the market when it announced preliminary 1Q01 results in a press release revealing that instead of reporting revenues of approximately $88 million and EPS of $0.27, as projected to the public, the Company would report a $20 million revenue shortfall in the range of $67 million and a $0.03-$0.05 loss per share. The press release stated:

InterVoice-Brite announced today, that, based on a preliminary review of results for the first quarter of fiscal 2001, which ended May 31, 2000, it expects to report revenues to be between approximately $67.0 to $68.0 million.... Based on the preliminary review of results of the quarter, the Company expects to report a per share loss of between $0.05 and $0.03.

"I am disappointed that our first quarter results fell below our expectations," said Dan Hammond, Chairman and Chief Executive Officer. "Unfortunately, we have been impacted by sales staffing attrition which contributed to our difficulty in closing several sales opportunities during the first quarter.

"Going forward, the challenges of recruiting and training qualified sales personnel, transitioning customer relationships, and resuming sales momentum make it unlikely that the first quarter sales shortfall will be fully recovered during fiscal 2001" said Hammond.

Exhibit 7.

71. On this news, InterVoice's stock collapsed to as low as $5.75, before closing at $6.125 on June 7, 2000, a drop of 55% from the stock's close of $13.5625 on June 6, 2000, on volume of 15.5 million shares.

72. Analysts began to suspect that InterVoice had not been telling them the truth. On June 7, 2000, Southwest Securities analyst Dave Mossberg, issued a report based on his conversation with
management and repeated defendants' explanation for the shortfall and lowering its FY01 EPS by 50%:

1Q01 earnings shortfall –

* Earnings: Management expects 1Q01 loss per share to fall in the range of $0.03 to $0.05 per share versus our expectation of $0.27 in EPS.

* Revenue: A shortfall in Q101 sales is mainly responsible for the lower than expected results. Sales are expected to fall in the range of $67 to $68 million, approximately $20 million below our $87.8 million expectation and $9 million lower than the $76.5 million posted during the same period last year.

* Sales force attrition: The shortfall in sales is being related to attrition of the sales force, which led to difficulty in closing several sales opportunities during the first quarter. While they are continuing to pursue these sales opportunities, they do not expect to recover the extent of the sales shortfall during the rest of the year.

* * *

We are lowering our FY01 EPS estimate from $1.26 to $0.61. The reduction in our estimates reflects the first quarter shortfall, lower sales projections and the lack of sales leverage.

Exhibit 26.

73. In a report dated June 7, 2000, Newman from Ladenberg Thalmann suggested that management had been misleading the investment community:

In view of management's recent trip to New York and Philadelphia institutions so near the end of the May quarter and the confidence expressed during those visits, InterVoice has created a self-inflicted credibility problem for its current shareholders and potential investors.

Exhibit 27.

74. But this was not the end of the story. Only one day later, on June 8, Southwest Securities issued another report by Mossberg after more conversations with management. Southwest Securities again lowered FY01 EPS estimates from $0.61 to $0.05, a 91% reduction from its already reduced figure.

Lowering EPS estimates

Revenue: After receiving further guidance from management, we are lowering our revenue assumptions for FY01. We believe the impact of the reduction in the sales force on future financial results will be greater than we had originally anticipated.

Exhibit 28.
75. In a June 8, 2000 report, Jefferies & Company, based upon information provided by the Company, noted that the $20 million 1Q01 shortfall was due to "the recent departure of five to six key sales [management] personnel." They estimated that one-half of the shortfall was in Business Systems and the other half was in Network Systems. The report noted that management "needs to re-establish credibility." They reduced their EPS estimates from $1.25 to $0.05.

76. A June 8, 2000 report, written by John Hall of Tucker Anthony Cleary, reported that the Company would not likely be able to turn around its sales efforts. They reduced their FY01 EPS from $1.14 to $0.00.

77. In a June 8, 2000 report written by Newman from Ladenberg Thalmann, summarizing the June 7, 2000 conference call, the Company attributed the revenue shortfall to the loss of key sales personnel:

NOTES FROM THE CONFERENCE CALL

According to management, the principal reason for the shortfall was that they did not have enough time to close sales that would have met projections. Management used the term of not having enough "runway." Management attributed the failure [to] close sales to the loss of key sales personnel in the quarter....management states that the replacement and training of sales executives would slow the anticipated growth in revenue through the balance of FY01.

Exhibit 29.

Reasons Why Statements in ¶¶75-77 Were False and Misleading.

78. Although defendants stated that sales staff attrition was responsible for the 1Q01 sales shortfall, and though their statements to Jefferies & Company told the market that it was "only five or six key sales [management] personnel," they misled the market as to the true impact of the sales staff attrition which, as confidential witnesses report, began months earlier, immediately after the merger. Defendants also failed to explain how "difficulty in closing sales opportunities during the first quarter" derailed earnings for the remainder of the year such that its forecasts were cut from $1.26 to $0.00 in only two days.

79. According to three confidential witnesses, defendants' explanation that the sales shortfall was due to the recent departure of five to six sales people was false. CW1 and CW4 corroborate one another and report that because InterVoice's product sales cycle is typically six to
twelve months, even if it were true that the Company lost two to three key sales people in the 1Q01, their departure would have very little impact on 1Q01 sales and revenue, and would not account for a $20 million shortfall from revenue projections. Rather, the shortfall was caused by consistent and massive sales staff attrition that began immediately after the merger. CW9 also states that management's explanation that the shortfall was due to key people leaving the Company during the quarter was a lie.

80. **Misleading Statement:** On June 22, 2000, the Company revealed that the implementation of SAB 101 would occur in the 1Q01, rather than 2Q01 as previously falsely represented, which would result in an $11.3 million after-tax charge in 1Q01:

"We want to implement the change to our revenue recognition policy one quarter earlier than anticipated to provide clarity on the effect of SAB 101 on the Company as quickly as possible," said Rob Graham, InterVoice-Brite's Chief Financial Officer. "It is important to bear in mind that while the timing of revenue recognition may change, SAB 101 does not affect the Company's cash flows and economic value."

Exhibit 30.

81. On June 26, 2000, InterVoice announced the removal of Hammond as CEO and named defendant and former director Brandenberg as CEO.

82. The Company ultimately reported FY01 EPS of only $0.28, before charges associated with the implementation of SAB 101 guidance, well below the forecasts of $1.15+ disseminated during the Class Period.

83. On July 11, 2000, InterVoice announced its 1Q01 results in a press release and explained that the implementation of SAB 101 would result in an $11.3 million charge in the quarter. Exhibit 31.

**Defendants Formally Admit that Weak Demand and Sales Force Attrition Hurt Sales:**

84. On July 14, 2000, InterVoice filed its 1Q01 Form 10-Q with the SEC and admitted what witnesses confirm that they knew all throughout the Class Period, that in addition to attrition of the Brite sales force, the miss in 1Q01 was the result of (a) sluggish demand from new customers acquired with the acquisition of Brite; (b) sluggish demand from former Brite customers as they
evaluated the Company's product resulting from the merger with Brite; and (c) attrition in the Company Network Systems sales force. Exhibit 32.

85. Moreover, the Company reported that the Business Systems division, which defendants had projected would grow 10%-15%, had in fact declined 32% in the quarter. In addition, Network Systems sales which defendants had projected to grow 20%-30% had declined approximately $8.0 million from 4Q00 because of sales force attrition. These facts also corroborate confidential witnesses who confirm that (a) immediately after the merger in August 2000, Brite sales force left the Company in droves; (b) by the end of 4Q00, all Brite's backlog had been cleared out of the pipeline and that customers were not spending after large Y2K expenditures; and (c) the Company made no sales of Network Systems in 1Q01.

INTERVOICE'S FALSE FINANCIAL REPORTING DURING THE CLASS PERIOD

86. In order to inflate InterVoice's reported earnings and revenues, defendants caused the Company to report false financial results during the Class Period due to the improper recognition of revenue on its software sales in violation of GAAP and SEC rules. InterVoice, by its own admission, recognized revenue on software sales "at the time of shipment" even though their sales contract provisions specifically required installation and customer acceptance. Thus, recognition on shipment was a clear violation of GAAP and SOP 97-2. Defendants also caused the Company to recognize revenue on contracts, requiring customization, before customer acceptance and before customization obligations were substantially complete in violation of GAAP, SOP 97-2, and SOP 81-1. Finally, defendants caused the Company to recognize revenue on software sales before the product was even shipped, another clear violation of GAAP.

87. As a result, the revenues and earnings reported for each of the Company's quarters ending August 31, 1999 (2Q00), November 30, 1999 (3Q00), and its fiscal year-end ending February 29, 2000, respectively, were false and misleading. The respective false financial results were reported in Company press releases attached here to as Exhibits 12, 17 and 6, respectively. In addition, the Company's false revenue and earnings results for each respective period were reported in Forms 10-Q
and 10-K filed with the SEC attached hereto as Exhibits 1, 2, 15 and 32. The false revenue results are summarized below.

<table>
<thead>
<tr>
<th></th>
<th>8/31/99*</th>
<th>11/30/99</th>
<th>2/29/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$79.9M</td>
<td>$82.0M</td>
<td>$84.3M</td>
</tr>
<tr>
<td>Net Income</td>
<td>$2.9M</td>
<td>$7.1M</td>
<td>$7.9M</td>
</tr>
<tr>
<td>EPS</td>
<td>$0.10</td>
<td>$0.21</td>
<td>$0.23</td>
</tr>
</tbody>
</table>

* Excluding estimated effect of merger charges.

Reasons Why InterVoice's Financial Reporting Was False:

88. Each of these results were false and misleading when issued because the Company improperly recorded revenue in violation of GAAP.

(a) Pursuant to GAAP, as set forth in AICPA SOP 97-2, Software Revenue Recognition, with which InterVoice represented it complied with, the fundamental requirements for revenue recognition for software licenses are: (1) persuasive evidence that an arrangement exists; (2) delivery has occurred; (3) the vendor's fee is fixed or determinable; and (4) collectibility is probable. See SOP 97-2, ¶8. Moreover, even after delivery, if uncertainty exists about customer acceptance of the software, license revenue should not be recognized until acceptance occurs. See SOP 97-2, ¶20.

(b) According to InterVoice's Forms 10-Q for 2Q00 and 3Q00, filed with the SEC on October 15, 1999 and January 14, 2000, respectively, InterVoice represented that its revenue recognition was as follows:

The Company recognizes revenue for sales of systems which do not require customization by the Company at the time of shipment. Revenue for systems which require customization by the Company are recognized by the contract method of accounting using percentage of completion for larger, more complex systems (generally over a $500,000 sales price) and the completed contract method for smaller systems.

Exhibits 2, 15.

---

6In the Court's August 8, 2002 Order at 8, the Court noted that plaintiffs' citation to AICPA SOP 97-2, Software Revenue Recognition addresses requirements for revenue recognition for software licenses and did not appear to have any relation to defendants' Form 10-Qs for 2Q00 and 3Q00. For purposes of clarification, when the Company "recognizes revenues for the sales of systems," it is referring to its hardware/software systems licenses as explained in its February 29, 2000 Form 10-K. Exhibit 1 at 69. In the same documents the Company acknowledged that effective December 1, 1997 the Company adopted AICPA SOP 97-2 for systems that require customization or modification.
On its face however, InterVoice's revenue recognition policy violated GAAP in that the Company recognized revenue "at the time of shipment" rather than upon delivery as required under SOP 97-2, ¶8.

According to InterVoice, as reported in its 1Q01 Form 10-Q filed with the SEC on July 14, 2000, effective March 1, 2000, the Company changed its recognition method purportedly to comply with the requirements of SAB 101 which was issued by the SEC accounting staff on December 3, 1999. But that representation was not true. InterVoice's revenue recognition practices were in violation of GAAP and SAB 101 did nothing to change GAAP requirements. In fact, in issuing SAB 101 the SEC staff stated that it did "not intend to change current guidance in the accounting literature."

Confirming that SAB 101 was not a "new" rule, SAB 101 tracks substantially the same language of SOP 97-2. According to SAB 101, the staff believes that revenue is generally realized or realizable or earned when all of the following criteria are met:

- Pervasive evidence of an arrangement exists
- Delivery has occurred or services have been rendered
- The seller's price to buyer is fixed and determinable, and
- Collectibility is reasonably assured

Ex. 5 at 3.

Thus, had the Company been complying with existing GAAP accounting literature in existence throughout FY00 and FY99, namely SOP 97-2, SOP 81-1 and Financial Accounting Concepts 5 with respect to delivery and more specifically customer acceptance no change in revenue recognition policy would have been required.7

Nevertheless, the Company reported in its 1Q01 Form 10-Q the effect of the accounting change resulting from improper revenue recognition practices as they existed as of February 29, 2000. The Company also, improperly, blamed the change on SAB 101:

7Plaintiffs have retained the services of Elliot A. Lesser, CPA, who has more than 30 years of experience in accounting, auditing and financial reporting and has served as an expert witness in legal matters involving the same, to review and opine on InterVoice's financial reporting during the Class Period. Plaintiffs have incorporated his analysis in their fraud allegations and conclusion that the reversal of revenue in the 1Q01 was not the result of any new requirement of SAB 101 and that the Company's prior revenue recognition practices did not comply with GAAP - specifically, SOP 97-2.
Effective March 1, 2000, the Company changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." For systems that do not require customization to be performed by the Company, revenue is recognized when the related hardware and software are delivered, when there is persuasive evidence that an arrangement exists, when the fee is fixed and determinable and when collection is probable.

Exhibit 32 at 10.

(g) The Company further tried to dilute the fact that it had been violating GAAP by attributing to SAB 101 the change to its procedures for recognizing revenue on systems which required customization.

Historically, revenue generally had been recognized at the time of shipment. Although the Company's contract arrangements often include installation and customer acceptance provisions, revenue generally had been recognized at the time of shipment based on the Company's belief that no significant uncertainties regarding customer acceptance existed. For systems that required significant customization where the completed contract method of accounting was applicable, the Company generally had recognized revenue upon completion of installation and testing procedures but prior to customer acceptance. Under the new accounting method effective March 1, 2000, the Company now recognizes revenue upon customer acceptance. For more complex customized systems (generally over a $500,000 sales price) the company has continued to use a percentage of completion methodology based on labor inputs.

Id.

89. The Company revealed, however, in its 1Q01 Form 10-Q, that the Company's past revenue recognition practices prior to March 1, 2000, did not comply with GAAP.

(a) For systems not requiring customization, for example, the Company disclosed that its contract arrangements often included installation and customer acceptance provisions. In spite of these specific contract provisions, the Company improperly recognized revenue "at the time of shipment." In addition, both before and after the issuance of SAB 101 revenue was not earned until a customer was obligated to pay. In the case of InterVoice, its customers' obligation to pay did not arise until installation and acceptance.

\[8\]In addition, although the Company stated that it used the completed contract method prior to March 1, 2000, for systems that required significant customization, the Company failed to disclose the criteria by which it had determined that a project was substantially complete as was required by SOP 81-1.
(b) This is corroborated by the ultimate reversal of revenue and facts reported by CW3 who reported that the Company sometimes recognized revenue (specifically in 4Q00) even prior to shipment – also a violation of GAAP.

90. Similarly, on February 9, 2000, the Company had announced in a press release, reprinted at ¶44, an order valued at approximately $8.7 million from a leading cellular service provider, Iusacell, in Mexico, to expand the capacity of its prepaid wireless system originally supplied by InterVoice in 1997. Defendants claimed the order would be shipped by the end of February 2000, which was also the end of the fiscal year.

(a) In fact, according to CW3, a former Opportunity Manager who was responsible for tracking orders from proposal to delivery, despite that announcement, it would have been "impossible" to ship the order by February 29, 2000 because InterVoice was still working out the terms of the agreement at the end of the month.

(b) CW3 states that even he/she reviewed the Project Activity Reports for that period which identified the status of each sale along with the revenue to be recognized from the sale and the person responsible for the sale and that the reports indicated that the Company had recognized all of the $8.7 million in revenue from the transaction prior to shipment in 4Q00, in violation of GAAP, even though the details of the deal were not finalized until the very end of the quarter.

(c) CW17, a former Network Sales Manager, reported that the February 9, 2000 order from Iusacell included managed services and that, even at the end of February, the equipment InterVoice needed to fill the order had not even been requested from InterVoice's supplier, Sun Microsystems. CW17 further reported that when the product actually did ship, InterVoice did not begin to configure the software to Iusacell's specifications until summer 2000.

(d) In addition, even if delivery had occurred by the end of February 2000, which according to CW3, it did not, because the contract called for system expansion of its prepaid wireless system, such expansion would require implementation and customization and thus InterVoice could not have earned all of the revenue it had recognized by the end of February 2000 even if it had properly followed its own percentage of completion method of accounting for systems over $500,000.
(e) Corroborating CW3, CW14, the former Project Manager in charge of all Network Sales in North America and Latin America, confirmed that $8.7 million order announced on February 9, 2000 was indeed from Iusacell. CW14 could not recall if product related to the order actually shipped but stated that the Company had already recognized the revenue. More importantly, he stated that because of the type of order it was, system enhancement, that any revenue from that contract would have had to be reversed. CW14 also explained that in many instances, the customization required for Network Systems (like the Iusacell order) did not begin until two to three months after sale and delivery.

(f) CW14 also confirmed that the Company had been using the percentage of completion method of accounting but that in several instances even that method was flawed because certain customizations were taking longer than originally scheduled. According to CW14, accounts that were originally scheduled for 2000 on which the Company could recognize revenues after 1,000 hours were actually taking longer than 2,000 hours, which would result in the improper recognition of revenue. InterVoice did not change its accounting for its percentage of completion method, as no change was required. However, the account of CW14 raised serious questions about its application.

91. In the same July 14, 2000 Form 10-Q for the period ending May 31, 2000, InterVoice also admitted that for systems that require significant customization where the completion of contract method of accounting was applicable, the Company generally recognized revenue upon completion of installation and testing procedures but prior to customer acceptance. This admitted procedure also violated GAAP.

92. The basic principles of SOP 97-2 further illustrate how InterVoice's method of accounting for systems requiring production, modification or customization under the contract method was improper. SOP 97-2, ¶7 dictates that revenue from such arrangements should be accounted for using the relevant guidance in this SOP and the guidance in SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. SOP 81-1, ¶30 provides for the method of income recognition for the completed contract method:

Under the completed-contract method, income is recognized only when a contract is complete or substantially complete.
SOP 81-1, ¶52, states:

As a general rule, a contract may be regarded as substantially completed if the remaining costs and potential risks are insignificant in amount. The overriding objectives are to maintain consistency in determining when contracts are substantially completed and to avoid arbitrary acceleration or deferral of income. The specific criteria used to determine when a contract is substantially completed should be followed consistently and should be disclosed in the note to the financial statements on accounting policies. Circumstances to be considered in determining when a project is substantially completed include, for example delivery of the product, acceptance by the customer, departure from the sight, and compliance with performance specifications.

Id.

93. In addition, Statement of Financial Accounting Concepts No.5, ¶83(b) states "revenues are considered to have been earned when the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues." For contractual arrangements that require installation and customer acceptance, InterVoice had not substantially accomplished what it must do to be entitled to the benefits represented by the revenue as installation and acceptance was still required under the contract.

94. Thus, for systems requiring production, modification or customization and where customer acceptance is provided for in the arrangement, as it was for many of the Company's contracts, customer acceptance is a significant element in determining whether a project is substantially complete. Without customer acceptance InterVoice should not have recognized income under the completion of contract method of accounting.

95. Defendants Knew that Their Accounting Methods Were Improper Even Before They Reported 4Q00 Financial Results: According to CW13, a former Project Manager in charge of North American and Latin American Network Sales, InterVoice recognized revenue by the contract method of accounting. CW13 further states that after the issuance of SAB 101 in December 1999, in early January 2000, defendant Graham, the CFO, directed CW13 and Paul Makin in the Company's Manchester, U.K. office to submit an analysis of accounts on which the Company had recognized revenue prior to acceptance. Because SAB 101 simply reiterated GAAP's SOP 97-2 and was "not intended to change current guidance in accounting literature," it should have had no effect on InterVoice's accounting which the Company said was consistent with GAAP – as it had to be. Yet,
the change Based on this ratio of pre-tax income to revenue, plaintiffs calculate the revenue overstatement on the $18.3 million pre-tax deferral at more than $40 million.

(b) More importantly, the Company, in its 3Q01 Form 10-Q for the period ending November 30, 2000, disclosed that even nine months after the accounting change, only $22 million of revenue related to the excess of $40 million of revenue subject to the change had been recovered as of November 30, 2000. Therefore, if in fact the customer acceptance provisions in most of InterVoice's contracts were not significant, then substantially all of the $11.3 million of after tax charges (well in excess of the $4 million actually recorded) relating to the change would have been recovered by 1Q01.

CLASS ACTION ALLEGATIONS

98. Plaintiffs bring this action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure, on behalf of themselves and on behalf of a class of persons who purchased InterVoice stock from October 12, 1999 through June 6, 2000, inclusive (the "class"). Excluded from the class are defendants herein, members of the immediate families of each of the defendants, any person, firm, trust, corporation, officer, director or other individual or entity in which any defendant has a controlling interest or which is related to or affiliated with any of the defendants, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party.

99. This action is properly maintainable as a class action for the following reasons:

(a) The class is so numerous that joinder of all class members is impracticable. As of May 2000, InterVoice had approximately 32 million shares outstanding. Members of the class are scattered throughout the United States.

(b) There are questions of law and fact which are common to members of the class and which predominate over any questions affecting only individual members. The common questions include, inter alia, the following:

(i) Whether the defendants' acts as alleged herein violated the federal securities laws;

(ii) Whether defendants participated in and pursued the common course of conduct complained of herein;
(iii) Whether documents, SEC filings, press releases and other statements disseminated to the investing public and InterVoice's common stockholders during the Class Period misrepresented material facts about the operations, financial condition and earnings of InterVoice;

(iv) Whether the market prices of InterVoice stock during the Class Period were artificially inflated due to material misrepresentations and the failure to correct the material misrepresentations complained of herein; and

(v) To what extent the members of the class have sustained damages and the proper measure of damages.

(c) Plaintiffs' claims are typical of the claims of other members of the class and plaintiffs have no interests that are adverse or antagonistic to the interests of the class.

(d) Plaintiffs are committed to the vigorous prosecution of this action and have retained competent counsel experienced in litigation of this nature. Accordingly, plaintiffs are adequate representatives of the class and will fairly and adequately protect the interests of the class.

(e) Plaintiffs anticipate that there will not be any difficulty in the management of this litigation as a class action.

100. For the reasons stated herein, a class action is superior to other available methods for the fair and efficient adjudication of this action and the claims asserted herein. Because of the size of the individual class members' claims, few, if any, class members could afford to seek legal redress individually for the wrongs complained of herein.

STATUTORY SAFE HARBOR

101. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to the allegedly false statements pled in this Complaint, as the statutory safe harbor does not apply to the defendants' misrepresentations of currently existing or historical facts, including defendants' dissemination of false financial statements.
COUNT I

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

102. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein.

103. This Count is brought by plaintiffs pursuant to §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5, by the SEC against InterVoice and the Individual Defendants.

104. The defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary in order to make the statements made not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of InterVoice shares in an effort to maintain artificially high market prices for InterVoice's shares in violation of §10(b) of the Exchange Act and Rule 10b-5. InterVoice and the Individual Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

105. In addition to the duties of full disclosure imposed on the Individual Defendants by their status as controlling persons of InterVoice, as a result of their affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulations S-X (17 C.F.R. §§210.01, et seq.) and S-K (17 C.F.R. §§229.10, et seq.) and other SEC regulations, including accurate and truthful information with respect to InterVoice's shares, operations, financial condition and earnings so that the market price of InterVoice's shares would be based on truthful, complete and accurate information.

106. InterVoice and the Individual Defendants, individually and in concert, directly and indirectly, by using the means and instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of InterVoice as specified herein. The 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 InterVoice'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 InterVoice 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 InterVoice common stock during the Class Period.

107. The primary liability, and controlling person liability of the defendants named in this Count arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at InterVoice during the Class Period and was a member of InterVoice's management team; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of InterVoice, was aware of the true financial condition of InterVoice; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other and were advised of and had access to other members of InterVoice's management team, internal reports and other data and information about InterVoice's finances, operations, policies and practices at all relevant times; and (iv) each of the defendants was aware of InterVoice's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

108. The Individual Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein. Such defendants' material misrepresentations or omissions were done knowingly and for the purpose and effect of concealing InterVoice's true operating condition and future business prospects from the investing public and supporting the artificially inflated price of the Company's stock, as demonstrated by said defendants' overstatements and misstatements of InterVoice's business, operations and future earnings prospects throughout the Class Period. Defendants knew that InterVoice's financial statements were materially misstated throughout the Class Period.
109. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts by all defendants, as set forth above, the market price of InterVoice stock was artificially inflated during the Class Period. In ignorance of the fact that market prices for InterVoice shares 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 shares trade, and the truth of any representations made to appropriate agencies as to the investing public, at the times at which any statements were made, and/or on the absence of material adverse information that was known by defendants but not disclosed in public statements by defendants during the Class Period, plaintiffs and the other members of the class acquired InterVoice's stock during the Class Period at artificially high prices and were damaged thereby.

110. At the time of said misrepresentations and omissions, plaintiffs and other members of the class were ignorant of their falsity and believed them to be true. Had plaintiffs and the other members of the class and the marketplace known of the true financial condition and business prospects of InterVoice, which were not disclosed by defendants, plaintiffs and other members of the class would not have purchased InterVoice stock during the Class Period, or, if they had purchased such stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

111. By virtue of the foregoing, InterVoice and the Individual Defendants have violated §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

112. As a direct and proximate result of the wrongful conduct of the defendants named in this Count, plaintiffs and the other members of the class suffered damages in connection with their purchases of InterVoice stock during the Class Period.

COUNT II
For Violation of §20(a) of the Exchange Act
(The Individual Defendants)

113. Plaintiffs repeat and reallege the allegations set forth above as if set forth fully herein.

114. Individual Defendants acted as controlling persons of InterVoice within the meaning of §20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, substantial
stock holdings, participation in and/or awareness of InterVoice's operations and/or intimate knowledge of the internal financial conditions, business practices, products and the actual progress of development and marketing efforts, these defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of InterVoice, including the content and dissemination of the various statements which plaintiffs contend are false and misleading. InterVoice controlled the Individual Defendants and all of its employees. Each of these defendants was provided with or had unlimited access to copies of InterVoice's internal reports, press releases, public filings and other statements alleged by plaintiffs 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.

115. In particular, each of these defendants had direct involvement in or intimate knowledge of the day-to-day operations of InterVoice 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.

116. As set forth above, defendants violated §10(b) of the Exchange Act and Rule 10b-5 by their acts and omissions as alleged herein. By virtue of their positions as controlling persons, the defendants named in this Count are liable pursuant to §20(a) of the Exchange Act.

117. As a direct and proximate result of the wrongful conduct of defendants, plaintiffs and other members of the Class suffered damages in connection with their purchase of InterVoice shares during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs, on behalf of themselves and the class, pray for judgment as follows:

A. Declaring this action to be a class action properly maintained pursuant to Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding plaintiffs and other members of the class damages together with interest thereon;
C. Awarding plaintiffs and other members of the class costs and expenses of this litigation, including reasonable attorneys' fees, accountants' fees and experts' fees and other costs and disbursements; and

D. Awarding plaintiffs and other members of the class such other and further relief as may be just and proper under the circumstances.

JURY DEMAND

Plaintiffs demand a trial by jury.

DATED: September 23, 2002

STANLEY, MANDEL & IOLA, L.L.P.
MARC R. STANLEY
Texas State Bar No. 19046500
ROGER L. MANDEL
Texas State Bar No. 12891750

MARC R. STANLEY
3100 Monticello Avenue, Suite 750
Dallas, TX 75205
Telephone: 214/443-4300
214/443-0358 (fax)

Liaison Counsel

MILBERG WEISS BERSHAD
HYNES & LERACH LLP
WILLIAM S. LERACH
401 B Street, Suite 1700
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

MILBERG WEISS BERSHAD
HYNES & LERACH LLP
JEFFREY W. LAWRENCE
SHAWN A. WILLIAMS
100 Pine Street, Suite 2600
San Francisco, CA 94111
Telephone: 415/288-4545
415/288-4534 (fax)

Lead Counsel for Plaintiffs
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing was served September 23, 2002, upon the following counsel via the method indicated:

- Mr. Timothy R. McCormick
- THOMPSON & KNIGHT, LLP
- 1700 Pacific Avenue, Ste. 3300
- Dallas, TX 75201

☐ via certified mail, RRR
☐ via fax no. 214/880-3253
☐ via first-class, U.S. mail
☐ via overnight delivery
☐ via hand delivery

[Signature]
MARC R. STANLEY