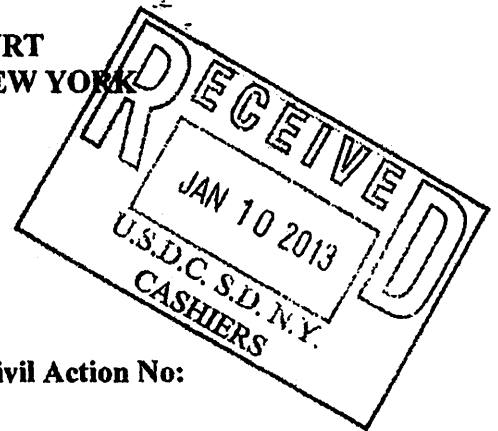


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JUDGE HELLERSTEIN UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK



SECURITIES AND
EXCHANGE COMMISSION

Plaintiff,

v.

VOLT INFORMATION SCIENCES, INC.
and
DEBRA L. HOBBS

Defendants.

Civil Action No:

COMPLAINT

Plaintiff Securities and Exchange Commission ("SEC" or "Commission") alleges:

SUMMARY

1. This case concerns improper revenue recognition by Defendant Volt Information Sciences, Inc. ("Volt" or the "Company"), a New York, New York corporation, and Defendant Debra L. Hobbs ("Hobbs"), Volt's former chief financial officer ("CFO") for the Company's computer-segment subsidiary, Volt Delta Resources, LLC ("VDR"). Volt, Hobbs, and others overstated Volt's 2007 fourth-quarter and year-end revenue and consolidated net income by improperly recording \$7.55 million as earned revenue. As a consequence, Volt overstated its consolidated net income by about 16 percent for the fourth-quarter of 2007, and by about 10 percent for its fiscal year ended October 28, 2007.

2. Volt included the overstated revenue and consolidated net income for its 2007 fourth-quarter and year-end 2007 in financial statements accompanying its earnings

release on Form 8-K, furnished on December 20, 2007, and in its 2007 Form 10-K filed with the Commission on January 11, 2008, as amended by Form 10-K/A filed with the Commission on February 25, 2008. Volt also incorporated the overstated revenue and consolidated net income by reference in its Form S-8 filed on July 31, 2008, and the Company included it for comparison purposes in Volt's 2008 Form 10-K filed on February 2, 2009.

3. By knowingly or recklessly engaging in the conduct described in this Complaint, Volt violated: Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)]; and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) 78(m)(a), 78m(b)(2)(A) and 78m(b)(2)(B)]; and Exchange Act Rules 10b-5(a), (b) and (c) [17 C.F.R. §§ 240.10b-5(a), (b) and (c)], 12b-20, 13a-1, and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-11].

4. By knowingly or recklessly engaging in the conduct described in this Complaint, Hobbs aided and abetted Volt's violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78j(b) 78(m)(a), 78m(b)(2)(A) and 78m(b)(2)(B)]; and Rules 10b-5(a), (b) and (c) [17 C.F.R. §§ 240.10b-5(a), (b) and (c)], 12b-20, 13a-1, and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-11].

5. The Commission requests that this Court permanently enjoin Volt and Hobbs from violating the federal securities laws and rules alleged herein pursuant to Sections 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] and impose civil penalties on Hobbs pursuant to Section 20(d) of the

Securities Act [15 U.S.C. § 77t(d)] and Section 20(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)].

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to Sections 20(b) and 20(e) of the Securities Act [15 U.S.C. §§ 77t(b) and 15 U.S.C. § 77t(e)] and Section 21(d) of the Exchange Act [15 U.S.C. §§ 78u(d)] to enjoin such transactions, acts, practices, and courses of business and to obtain civil money penalties, and such other and further relief as the Court may deem just and appropriate.

7. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21 (d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

8. Volt and Hobbs, directly or indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the acts, practices, and courses of business alleged herein.

9. Venue in this District is proper pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within this District and elsewhere, and were effected, directly or indirectly, by making use of the means or instruments or instrumentalities of transportation or communication in interstate commerce, or of the mails, or the facilities of a national securities exchange.

DEFENDANTS

10. **Volt Information Sciences, Inc.** (“Volt” or “the Company”), is a New York corporation headquartered in New York, New York. Its common stock, registered under §12(b) of the Exchange Act, traded on the New York Stock Exchange (symbol VOL) until it was de-listed on May 9, 2011, as a consequence of Volt’s failure to file periodic reports with the Commission. Volt now trades in the Over-the-Counter market (OTC symbol: VISI). Volt provides services relating to staffing, telecommunications, and computer systems through corresponding business units.

11. **Debra L. Hobbs**, age 55, was the CFO of Volt’s subsidiary, Volt Delta Resources, LLC (“VDR”), from 1996 until April 2008. In April 2008, she became the chief operating officer of VDR. Volt terminated Hobbs in February 2012. Hobbs had become a CPA in Virginia in 1985 but allowed her license to lapse in 1988.

FACTUAL ALLEGATIONS

12. For its fourth quarter and fiscal year ended October 28, 2007, Volt recognized \$7.55 million of revenue that it included in its consolidated statement of operations. Recognition of the \$7.55 million, which the Company included in its financial statements filed with the Commission, was improper and caused Volt’s net income for its fourth quarter and fiscal year ended October 28, 2007, to be overstated materially and falsely.

13. Volt, Hobbs, and Volt’s then-CFO justified the improper revenue recognition by asserting the existence of and VDR’s substantial performance on a purported \$10 million contract of sale with a customer (“Customer”). That purported \$10 million contract did not lead to any revenue event recognizable under GAAP and was

incompatible with a four-year leasing arrangement then under negotiation between VDR and Customer as more fully alleged below.

14. From about October 2006 to about November 16, 2007, Volt, Hobbs, Volt's then-CFO, and others negotiated a four year contract with Customer to begin on January 1, 2008, for the development and lease of four modules of integrated telecommunications software and the development and provision of other products and services, at a total price exceeding \$70 million.

15. Before December 2006, Volt, Hobbs, Volt's then-CFO, and others asked Customer to make a down payment on the future contract to enable VDR to begin developing the four modules of integrated telecommunications software.

16. In December 2006, Customer informed Volt, Hobbs, Volt's then-CFO, and others that it could obtain \$10 million in internal funding if it purchased a capital asset by December 21, 2006.

17. To assist the Customer in obtaining the \$10 million in internal funds so that it could then transfer the funds to VDR, Volt, Hobbs, Volt's then-CFO, Customer, and others, on or before December 20, 2006, created, authorized, or confirmed paperwork showing a purported \$10 million contract of sale ("Purported Contract") that did not lead to any event recognizable under GAAP and was incompatible with the four-year leasing contract then under negotiation.

18. Volt, Hobbs, Volt's then-CFO, and others prepared or approved internal VDR paperwork designed to show that the four software modules, when completed, would be sold and delivered to Customer pursuant to the Purported Contract. Volt, Hobbs, and Volt's then-CFO knew or were reckless in not knowing that any sale of

software modules under the Purported Contract was incompatible with the four-year leasing arrangement then under negotiation with the Customer.

19. In late December 2006 or early January 2007, Volt, Hobbs, Volt's then-CFO, and others made, authorized, or confirmed the assignment of "purchase prices" to each of the four software modules in the \$10 million Purported Contract. The purported "purchase price" of two of the four software modules totaled \$7.55 million.

20. On or about January 22, 2007, Customer transferred \$10 million to Volt and VDR with the understanding that the \$10 million would be refundable until VDR and Customer came to a final agreement on the leasing contract to begin on January 1, 2008.

21. Volt, Hobbs, Volt's then-CFO, and others involved with creating the Purported Contract at all times knew or were reckless in not knowing that the \$10 million from Customer was refundable.

22. Days before Volt's fiscal year ended on October 28, 2007, Volt, Hobbs, Volt's then-CFO, and others created, authorized, confirmed, or accepted documents showing that VDR had completed, delivered, and sold to Customer the two software modules that the Purported Contract had priced at \$7.55 million. Shortly thereafter, Volt, Hobbs, Volt's then-CFO, and others made a corresponding journal entry showing \$7.55 million in revenue for Volt's fourth quarter 2007.

23. Volt, Hobbs, Volt's then-chief financial officer, and others knew or were reckless in not knowing that VDR's and thereafter Volt's recognition of \$7.55 million in revenue in fourth quarter 2007 was improper.

24. Volt included the \$7.55 million in improper revenue in the Company's consolidated income statement for 2007, which was included in Volt's: (1) 2007 Form

10-K filed with the Commission on January 11, 2008, as amended by Form 10-K/A filed with the Commission on February 25, 2008; and (2) earnings release on Form 8-K furnished to the Commission on December 20, 2007. Volt also incorporated the improper revenue in Volt's Form S-8 filed with the Commission on July 31, 2008, by incorporating by reference the false financial statements included in Volt's 2007 Form 10-K, and Volt included the improper financial statement for comparison purposes in Volt's 2008 Form 10-K filed with the Commission on February 2, 2009, for Volt's fiscal year-ended November 2, 2008.

FIRST CLAIM

Violations of Section 10(b) of the Exchange Act and Exchange Act Rules 10b-5(a), (b) and (c) (Volt)

25. The Commission re-alleges and incorporates by reference each and every allegation in Paragraphs 1 through 24, inclusive, as if they were fully set forth herein.

26. Volt, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or by use of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, knowingly or recklessly:

- (a) Employed devices, schemes, or artifices to defraud;
- (b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) Engaged in acts, practices, or courses of business that operated or would operate as a fraud or deceit upon persons.

27. By engaging in the conduct alleged herein, Volt violated, and unless restrained and enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rules 10b-5(a), (b) and (c) [17 C.F.R. § 240.10b-5(a), (b) and (c)].

SECOND CLAIM

Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Exchange Act Rules 10b-5(a), (b) and (c) (Hobbs)

28. The Commission re-alleges and incorporates by reference each and every allegation in Paragraphs 1 through 24, inclusive, as if they were fully set forth herein.

29. Hobbs, directly or indirectly, by use of the means or instruments of interstate commerce, or of the mails, or of a facility of a national securities exchange, knowingly or recklessly:

- (a) Employed devices, schemes, or artifices to defraud;
- (b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) Engaged in acts, practices, or courses of business that operates or would operate as a fraud or deceit upon persons.

30. By engaging in the conduct alleged herein, Hobbs knowingly or recklessly provided substantial assistance to and thereby aided and abetted Volt in its violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rules 10b-5(a), (b) and (c) [17 C.F.R. § 240.10b-5(a), (b) and (c)].

31. Unless restrained and enjoined, Hobbs will again aid and abet violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rules 10b-5(a), (b) and (c) [17 C.F.R. § 240.10b-5(a), (b) and (c)].

THIRD CLAIM

Violations of Section 17(a) of the Securities Act **(Volt)**

32. The Commission re-alleges and incorporates by reference each and every allegation in Paragraphs 1 through 24, inclusive, as if they were fully set forth herein.

33. Volt, directly or indirectly, in the offer or sale of a security, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, knowingly or recklessly:

- (a) Employed devices, schemes, or artifices to defraud;
- (b) Obtained money or property by means of untrue statements of material facts or omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
or
- (c) Engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchaser.

34. By engaging in the conduct alleged herein, Volt violated, and unless restrained and enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

FOURTH CLAIM

**Violations of Section 13(a) of the Exchange Act and
Rules 12b-20, 13a-1, and 13a-11 thereunder
(Volt)**

35. The Commission re-alleges and incorporates by reference each and every allegation in Paragraphs 1 through 24, inclusive, as if they were fully set forth herein.

36. Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-11] thereunder, require issuers of registered securities to file with the Commission factually accurate annual and current reports. Volt, directly or indirectly, filed with the Commission current and annual reports that were materially false and misleading, and failed to include, in addition to the information expressly required to be stated in such reports, such further information as was necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

37. By filing with the Commission materially false and misleading periodic reports, Defendant Volt violated, and unless restrained and enjoined will again violate, Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20, 13a-1 and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-11].

FIFTH CLAIM

**Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act
(Volt)**

38. The Commission re-alleges and incorporates by reference each and every allegation in Paragraphs 1 through 24, inclusive, as if they were fully set forth herein.

39. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]

requires issuers to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets. Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)] requires issuers to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain the accountability of assets.

40. By engaging in the conduct alleged above, Volt violated, and unless restrained and enjoined, will again violate, Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

SIXTH CLAIM

Aiding and Abetting Violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act Rules 12b-20, 13a-1, and 13a-11 **(Hobbs)**

41. The Commission re-alleges and incorporates by reference each and every allegation in Paragraphs 1 through 24, inclusive, as if they were fully set forth herein.

42. Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)], and Rules 12b-20, 13a-1 and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-11] thereunder, require issuers of registered securities to file with the Commission factually accurate periodic reports.

43. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] requires issuers to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of its assets. Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)] requires issuers to devise and maintain a system of internal accounting controls sufficient to provide

reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain the accountability of assets.

44. By engaging in the conduct alleged herein, Hobbs knowingly or recklessly provided substantial assistance to and thereby aided and abetted Volt in its violations of Sections 13(a) [15 U.S.C. § 78m(a)], 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)] of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-11].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

(a) Permanently restrain and enjoin Defendant Volt from violating Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B)], and Exchange Act Rules 10b-5(a), (b) and (c) [17 C.F.R. §§ 240.10b-5(a) (b) and (c)], 12b-20, 13a-1, and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-11];

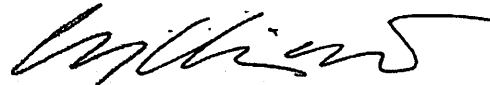
(b) Permanently restrain and enjoin Defendant Hobbs from violating or aiding and abetting any violation of Sections 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)], and Exchange Act Rules 10b-5(a), (b) and (c) [17 C.F.R. § 240.10b-5(a), (b) and (c)]; and permanently restrain and enjoin Defendant Hobbs from aiding and abetting any violation of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) [15 U.S.C. §§ 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B)] of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, and 13a-11 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-11];

(c) Order Defendant Hobbs to pay a civil money penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)], upon motion by the Commission, based on a cooperation agreement between the Commission and Hobbs; and

(d) Grant such other relief as the Court may deem just and appropriate.

Dated: January 10, 2013

Respectfully submitted,



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