

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

U.S. SECURITIES AND EXCHANGE COMMISSION,	:
	:
Plaintiff,	:
	:
vs.	: Case No. _____
	:
LINDA K. ENSOR,	:
STEPHEN J. ENSOR,	:
	:
Defendants.	:

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") for its complaint alleges as follows:

SUMMARY

- 1) This case involves insider trading in the common stock of TALX Corporation ("TALX") by defendants Linda Ensor, a former executive assistant at TALX, and Stephen Ensor, Linda Ensor's husband.
- 2) On the morning of November 14, 2002, Linda Ensor helped prepare a negative TALX press release to be issued after the close of the stock market that day. The press release disclosed that TALX was delaying the filing of its second quarter Form 10-Q report with the Commission so that it could prepare certain financial restatements and that the Commission staff planned to recommend that the SEC sue TALX and its principal officers for violations of the federal securities laws.

- 3) After faxing a draft of the press release to the Nasdaq stock market, Linda Ensor drove to her home at lunch and called her husband Stephen Ensor on the telephone. While the two were on the telephone, Stephen Ensor began placing online orders to sell all of the 5,510 TALX shares held in the couple's retirement accounts.
- 4) TALX issued the press release after the market close on November 14, 2002 and the following day the trading price of TALX shares plummeted, closing 41% below the previous day's closing price.
- 5) As a result of this conduct, Linda Ensor and Stephen Ensor have engaged in, and unless enjoined by this Court will in the future engage in, transactions, acts, practices, and courses of business that violate Section 10(b) of the Securities Exchange Act of 1934 of as amended ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].
- 6) The Commission seeks a judgment permanently enjoining Linda Ensor and Stephen Ensor from future violations and directing disgorgement of their losses avoided, pursuant to Sections 21(d)(1) and (e) of the Exchange Act [15 U.S.C. §§78u(d)(1) and (e)]. Unless enjoined, they will continue to engage in transactions, acts, practices and courses of business similar to those described below. The Commission also seeks civil penalties, pursuant to Section 21A of the Exchange Act [15 U.S.C. §§78u-1].

JURISDICTION AND VENUE

- 7) This Court has jurisdiction under Sections 21(e), 21A and 27 of the Exchange Act [15 U.S.C. §§ 78u(e), 78u-1 and 78aa]. Venue is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa].
- 8) In connection with the transactions, acts, practices, and courses of business described in this Complaint, Linda Ensor and Stephen Ensor, directly and indirectly, have made use

of the means or instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce.

- 9) Linda Ensor and Stephen Ensor both reside in the Eastern Division of this District. Moreover, certain of the transactions, acts, practices and courses of business constituting the violations of law alleged herein occurred within the Eastern Division of this District.

DEFENDANTS

- 10) Linda K. Ensor is 52 years old and lives in Saint Louis County, Saint Louis, Missouri. Linda Ensor worked at TALX as a secretary and executive assistant to the company's chief executive officer ("CEO"), from 1994 to August 2003. During 2002 and 2003, Linda Ensor also served as executive assistant to TALX's chief financial officer ("CFO").
- 11) Stephen J. Ensor, Linda Ensor's husband, is 50 years old and lives in Saint Louis County, Saint Louis, Missouri. Stephen Ensor operates a retail store in Fairview Heights, Illinois.

RELATED PARTY

- 12) TALX Corporation is a Missouri corporation with its principal place of business in St. Louis, Missouri. TALX provides automated employment verification services and automated employee self-service applications. TALX became a public company in 1996 and its common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. The company files reports with the Commission on Forms 10-K and 10-Q and its common stock is quoted on the NASDAQ National Market System.

FACTS

A. LINDA ENSOR'S KNOWLEDGE OF INFORMATION REGARDING THE SEC INVESTIGATION OF TALX

- 13) Throughout the second half of 2002, the Commission's staff conducted a confidential, non-public investigation into TALX's financial reporting practices.
- 14) Linda Ensor's position and responsibilities at TALX frequently exposed her to confidential company information. Throughout 2002 Linda Ensor worked closely with TALX's CEO and CFO and her office was directly across the hall from their offices.
- 15) Linda Ensor was also a member of TALX's Corporate Department, which included TALX's CEO, CFO, and general counsel. Her role in the Corporate Department included processing incoming mail and faxes addressed to the other members of the department and typing minutes of TALX Board of Directors meetings taken by TALX's CFO.
- 16) Linda Ensor was also responsible for setting up and monitoring investment analyst conference calls, making arrangements for out-of town investor presentations by TALX's CEO and CFO, and delivering materials regarding TALX requested by investors.
- 17) Linda Ensor also played an important role in the issuance of TALX press releases. Linda Ensor coordinated the issuance of releases with TALX's investor relations firm and Business Wire, faxed final drafts of press releases to the Nasdaq stock market as required by Nasdaq rules, and delivered the final releases to certain TALX stock analysts and investors after the releases had been distributed to the public by the financial wire services.

- 18) On October 18, 2002, the staff of the Commission informed TALX's counsel in a telephone call that it believed the company had improperly accounted for certain transactions and that the staff would likely recommend that the SEC sue TALX and its CEO and CFO for violations of the federal securities laws. Because of Linda Ensor's responsibilities at TALX, from October 18, 2002 through the first two weeks of November 2002, she knew that the SEC staff was recommending that the SEC sue TALX and its CEO and CFO for securities law violations and other non-public information regarding the investigation by the Commission's staff of TALX.
- 19) On October 23, 2002, TALX announced in its second quarter earnings press release that it was "reviewing the accounting treatment" for certain items in response to the SEC investigation and that it "[might] determine to restate [certain reported results]." Linda Ensor coordinated the issuance of this press release with TALX's investor relations firm and faxed the document to several TALX analysts following its initial release.
- 20) On October 28, 2002, the day that certain TALX employees, executives, and directors would be able to trade TALX stock pursuant to an internal company policy that established a "trading window," TALX's CEO and CFO decided that the trading window should remain closed given the company's plan to restate its financials and the status of the SEC investigation. Accordingly, TALX's CEO or CFO instructed Linda Ensor to send a "special notice" to the individuals subject to the trading window stating that the window for buying and selling TALX shares would remain closed until further notice.
- 21) Linda Ensor also prepared Board of Directors materials and meeting minutes in October and November 2002 that contained information regarding the SEC

investigation including minutes for an October 21, 2002 meeting of the audit committee of TALX's Board of Directors. The minutes for the October 21, 2002 audit committee meeting reported that the committee asked TALX's auditor "how these accounting issues arose and how such a situation could be avoided in the future" and that the auditor "declined to respond at that time, due to the ongoing SEC inquiry." The minutes for the meeting further reported that the auditor "[o]n the basis of information furnished by the SEC, believed that a restatement was appropriate" and that the committee "resolved to undertake an investigation into the facts surrounding the potential restatement of financial results."

B. THE ENSORS' INSIDER TRADING

- 22) During the first part of November 2002, TALX management worked on TALX's financial restatements and engaged in several discussions with Commission staff regarding the staff's plans to recommend to the Commission an enforcement action against TALX and its officers. On November 12, 2002, TALX's CFO drafted a press release announcing TALX's anticipated November 14, 2002 filing of the company's second quarter Form 10-Q with the SEC and the company's restatements of financial results for previous periods.
- 23) Soon after TALX's CFO drafted the press release, TALX management determined that the financial restatements would likely not be finalized in time to meet the November 14 filing deadline for the second quarter Form 10-Q with the SEC.
- 24) Late in the afternoon on November 12, 2002, the Commission staff delivered written notices to TALX and its CEO and CFO indicating that the Commission staff had decided to recommend fraud charges against TALX and the two officers. On November 13, 2002, TALX's CFO revised the draft press release to reflect that the

company would delay its filing of the second quarter Form 10-Q and to disclose the Commission staff's intent to "recommend enforcement action" against TALX and its CEO and CFO.

- 25) Throughout the day on November 14, 2002, TALX's CFO and Linda Ensor spent much of their time at work coordinating the issuance of the TALX press release announcing the filing delay and the Commission staff's intent to "recommend enforcement action" against TALX and its CEO and CFO. At 9:13 a.m., TALX's CFO e-mailed a draft of the release to TALX's outside counsel and to its investor relations firm for review and comment.¹
- 26) Because of the significance of the information in the release, TALX's CFO then decided to call Nasdaq to discuss the release. At 9:50 a.m., TALX's CFO called an analyst at Nasdaq and stated that he would send by fax a draft copy of the release to the analyst for his review.
- 27) TALX's CFO then gave the draft of the press release to Linda Ensor who faxed it to the Nasdaq stock market at 10:01 a.m. from the fax machine that was located in her office.
- 28) From 10:01 to 11:30 a.m. on November 14, 2002, Linda Ensor made various phone calls from the telephone in her office, including three short phone calls to TALX stock analysts. At 11:32 a.m., Linda Ensor placed a three-minute call to Stephen Ensor on his work line and at 11:39 a.m., she placed a second two-minute call to Stephen Ensor. Following these calls, Linda Ensor made three more calls to TALX analysts. Linda Ensor then called TALX's investor relations firm at 12:12 p.m. and Business Wire at

¹ All times mentioned throughout this complaint are Central Standard Time.

12:15 p.m. to coordinate the issuance of the press release. Finally, at 12:17 p.m., Linda Ensor made another short call to a TALX analyst she had called earlier.

- 29) Following Linda Ensor's 12:17 p.m. call on November 14, 2002, she went home for lunch. When Linda Ensor arrived at home she called Stephen Ensor. During the 13-minute phone call, Stephen Ensor began placing online market orders to sell all 5,510 TALX shares held in the couples' retirement accounts. By the end of the call, Stephen Ensor had placed orders to sell 2,775 of the 5,510 shares. By 1:18 p.m. and following two additional one-minute calls from Linda Ensor, Stephen Ensor had completed the sales of the remaining 2,735 TALX shares in the couples' retirement accounts. The total proceeds of the sales were \$70,298.
- 30) Linda Ensor sold TALX securities while in possession of material nonpublic information she obtained by reason of her position with TALX and disclosed material, nonpublic information to Stephen Ensor in breach of a fiduciary duty or other duty of trust and confidence and received a personal benefit from the disclosure.
- 31) Stephen Ensor traded on the basis of the material non-public information disclosed to him by Linda Ensor and knew or should have known that Linda Ensor disclosed the information in breach of a duty of trust and confidence.
- 32) By early afternoon on November 14, 2002, Linda Ensor had returned to work and throughout the remainder of the day she continued coordinating the issuance of the press release. At 5:37 p.m., Linda Ensor faxed the final draft of the press release to the Nasdaq stock market and about 15 minutes later called TALX's investor relations firm. Shortly thereafter, the firm issued the press release to the financial wires for distribution to public investors on behalf of TALX.

- 33) On November 14, 2002, the closing price of TALX stock, before the press release was issued was \$13.11 per share. On November 15, 2002, after the press release had been publicly issued, the price of TALX stock opened 28% lower than the previous day's closing price and the stock price continued to fall, finally closing at \$7.76 or 41% lower than the previous day's closing price.

**CLAIM FOR RELIEF – SECURITIES FRAUD
(Violations by Linda Ensor and Stephen Ensor
of Section 10(b) of the Exchange Act and Rule 10b-5)
[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]**

- 34) Paragraphs 1 through 32 are hereby re-alleged and incorporated by reference.
- 35) On or about November 14, 2002, Linda Ensor and Stephen Ensor, by use of means or instrumentalities of interstate commerce or by use of the mails, in connection with the sale of TALX securities, employed a device, scheme, or artifice to defraud; made an untrue statement of material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated as a fraud or deceit upon purchasers or sellers of securities.
- 36) By reason of the foregoing, Linda Ensor and Stephen Ensor violated and unless enjoined will violate Section 10(b) of the Exchange Act and Rule 10b-5.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Find that Linda Ensor and Stephen Ensor committed the violations alleged.

II.

Enter a Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, enjoining Linda Ensor and Stephen Ensor from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

III.

Order that Linda Ensor and Stephen Ensor disgorge all losses avoided, including pre-judgment and post-judgment interest, through the violations alleged herein.

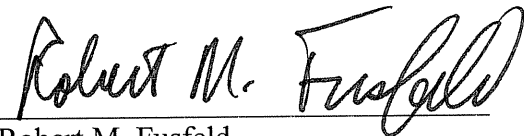
IV.

Order Linda Ensor and Stephen Ensor to pay civil penalties pursuant to Section 21A of the Exchange Act in an amount to be determined by the Court.

V.

Grant such other relief as this Court may deem just or appropriate.

Respectfully submitted September 27, 2004.



Robert M. Fusfeld
Leslie J. Hughes
Attorney for the Plaintiff
Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, CO 80202
Switchboard – 303.844.1000
Fusfeld Direct – 303.844.1080
Hughes Direct – 303.844.1086
Facsimile – 303.844.1068