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CLERK OF DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

1 JAY CHAFETZ (CSB # 95778)
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3 WALNUT CREEK, CA 94596
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5 In pro per

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

C 01 0413 JL
CASE NO.: ~~C96-1106-MJ~~

11 JAY CHAFETZ,
12 individually and on behalf
13 of all others similarly
14 situated
15 Plaintiff,
16 v.
17 SILICON STORAGE TECHNOLOGY,
18 INC., BING YEH,
19 JEFFREY GARON, CHIEF
20 FINANCIAL OFFICER AND DOES
21 1-100,
22 Defendant.

COMPLAINT FOR INTENTIONAL
MISREPRESENTATION, NEGLIGENT
MISREPRESENTATION, PROMISSORY
FRAUD, VIOLATIONS OF SECURITIES
LAWS, INSIDER TRADING, AND
NEGLIGENCE
CLASS ACTION
JURY DEMAND

Plaintiff alleges:

JURISDICTION

1. This is an action for fraud, negligent
misrepresentation, securities fraud, insider trading, negligence,
and unfair business practices. Jurisdiction exists under federal
securities laws governing violations of sections 10(b) and 20(a)
of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated
thereunder.

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VENUE

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3 2. Venue for this action is founded on 28 U.S.C. section
4 1391. The transactions, the publications, and a substantial part
5 of the acts constituting the cause of action occurred in this
6 Judicial District, and plaintiff is informed and believes and
7 thereon alleges that the defendants reside here.

GENERAL ALLEGATIONS

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9 3. Plaintiff brings this action on his own behalf and on
10 behalf of all persons similarly situated. The class that
11 plaintiff represents is composed of all persons who bought
12 shares of common stock in defendant Silicon Storage Technology,
13 Inc. ("SSTI") between January 17, 2001 and January 24, 2001,
14 inclusive. The persons in the class are so numerous, consisting,
15 plaintiff believes, of thousands of investors, that the joinder
16 of all such persons is impracticable and that the disposition of
17 their claims in a class will benefit the parties and the court.

18 4. There is a well-defined community of interest in the
19 questions of law and fact involved affecting the plaintiff class
20 in that there are numerous questions of law and fact that are
21 common to all the class members, including but not limited to why
22 defendants on January 16, 2001 put out a press release stating
23 that they would announce their earnings after the close of the
24 market on January 25, 2001 and then on January 25, 2001 put out a
25 press release indefinitely postponing the date for the
26 announcement of their earnings, what defendants knew and when
27 they knew it, and whether any insiders acted on the information

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1 of a delay in the earnings announcement before that information
2 was made generally available to the public. These questions of
3 law and fact predominate over questions that affect only
4 individual class members. The claims of the plaintiff are
5 typical of those of the class and plaintiff will fairly and
6 adequately represent the interests of the class.

7 5. There is no plain, speedy, or adequate remedy other than
8 by maintenance of this class action since plaintiff is informed
9 and believes and thereon alleges that the damage to each
10 plaintiff is relatively small in that it may involve many small
11 investors such as plaintiff who buy only one hundred or several
12 hundred shares of stock at a time, making it economically
13 unfeasible to pursue remedies other than a class action.
14 Consequently, there would be a failure of justice but for the
15 maintenance of the present class action.

16 6. The prosecution of individual remedies by members of the
17 plaintiff class would tend to establish inconsistent standards of
18 conduct for the defendant and to result in the impairment of class
19 members' rights and the disposition of their interests through
20 actions to which they were not parties.

21 7. Plaintiffs are ignorant of the true names and capacities
22 of defendants sued herein as Does 1-100, inclusive, and therefore
23 sue these defendants by such fictitious names. Plaintiffs will
24 amend this complaint to allege the true names and capacities of
25 said defendants when the same are ascertained. Plaintiffs are
26 informed and believe and thereon allege that said Doe defendants
27 are legally responsible in some manner for plaintiffs' damages as
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herein alleged.

8. At all times herein mentioned, each of the defendants was the agent and/or employee of each of the other defendants and, in doing the things herein mentioned, was acting within the scope of his authority as agent and/or employee, and with the permission and consent of his co-defendants; and, further, each of the agents and employees of the defendants was acting within the scope of his authority as agent and/or employee, and with the permission and consent of his principal/employer; and all of the actions of the defendants and of the agents and employees of the defendants were authorized and ratified by defendants. The pronouns "his" and "hers" as used herein include both genders.

9. The actions and inaction of defendants were done as a result of oppression, fraud, or malice, and in conscious disregard of plaintiff's rights. They were personally done by the defendants, and, further, in the case of defendants who are not individuals, were authorized or ratified by defendants. Also, plaintiff is informed and believes and thereon alleges that the employers and principals had advance knowledge of the unfitness of the employees and agents who acted with oppression, fraud, or malice and employed said employees and agents with a conscious disregard of the rights or safety of others. Plaintiff is accordingly entitled to recover punitive damages in the amount of \$100 million.

FACTUAL BACKGROUND ALLEGATIONS

10. On January 16, 2001 defendants authored and published

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1 for receipt by the general public a press release stating that
 2 they would announce their fourth quarter and fiscal year 2000
 3 earnings on Thursday, January 25, 2001 after the close of the
 4 stock market. Plaintiffs saw and relied on this article or other
 5 similar articles and information in making purchases of SSTI
 6 stock after January 16, 2001. They similarly relied on the lack
 7 of any pre-announcement between December 1, 2001 and January 25,
 8 2001 of any problems with the earnings of SSTI or with the
 9 timing, completion or reporting of SSTI's earnings report.

10 11. On or about January 23, 2001, it appeared that the
 11 stock of SSTI was going to open lower than its closing price on
 12 January 22, 2001, and its volume appeared suspiciously high
 13 relative to pre-open volume for the same stock on previous days,
 14 and to pre-open volume of other technology stocks that were not
 15 reporting their earnings that day. Plaintiff is now informed and
 16 believes and thereon alleges that the explanation for this
 17 previously inexplicable activity is that insiders who knew of
 18 problems with the earnings and earnings report of SSTI were
 19 selling the stock in advance of a then known impending
 20 announcement that the earnings report would be delayed.

21 12. On January 25, 2001, before the market opened,
 22 defendants put out press releases that they were going to delay
 23 their earnings report indefinitely, resulting in an immediate and
 24 dramatic drop in the price of the stock, and causing plaintiffs
 25 to lose value on the shares of SSTI stock that they had
 26 purchased.

27 13. The evidence that SSTI said on January 16, 2001 that

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they would release their earnings report nine days later, on January 25, 2001, the volume spike and initial downturn in the stock on January 23, 2001, and the subsequent release of the news on January 25, 2001 that the earnings report would be delayed are evidence that defendants knew all along that there were financial problems with the company that they were not disclosing to the public on a timely basis, that the earnings report would not be ready for dissemination on January 25, 2001, and that insiders knew of and were profiting on January 23, 2001 from the fall in the stock price that they knew would be coming on January 25, 2001 when the announcement would be made that the earnings report would be delayed.

FIRST CAUSE OF ACTION

14. Plaintiffs incorporate by reference and reallege herein each allegation of this Complaint.

15. In doing the acts alleged above, defendants, and each of them, violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

SECOND CAUSE OF ACTION

16. Plaintiffs incorporate by reference and reallege herein each allegation of this Complaint.

17. In doing the acts alleged herein, defendants, and each of them made intentional or negligent misrepresentations on which plaintiffs reasonably and justifiably relied to their damage and detriment. The true facts were that defendants knew or should have known on January 16, 2001 or earlier that their earnings

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report would be delayed, that there were financial problems at the company, and that a pre-earnings report announcement would have been fair and appropriate.

THIRD CAUSE OF ACTION

18. Plaintiffs incorporate by reference and reallege herein each allegation of this Complaint.

19. By the acts alleged above, defendants violated various provisions of California law, including but not limited to provisions of the California Corporations Code (sections 25400, 25402, and 25500) and committed various unfair business practices, including ones prohibited by the Unfair Business Practices Act.

WHEREFORE, plaintiff prays for judgment against defendants as follows:

- 1. For general and special damages in the amount of \$50,000,000.
- 2. For punitive damages in the amount of \$100,000,000.
- 3. For attorney's fees in the amount of \$25,000,000.
- 4. For any and all available statutory penalties.
- 5. For prejudgment interest to the extent permitted by law.
- 6. For costs of suit herein;
- 7. For such other and further relief as the court deems proper.

Dated: 1/25/01

Jay Chafetz
Jay Chafetz, in pro per
and as representative for
the class

JURY DEMAND

Plaintiffs hereby demand a jury trial.

Dated: January 25, 2001.

Jay Chafetz
Jay Chafetz, in pro per
and as representative for
the class

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