

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

)	Civil Action No. 2:06-CV-298 (LP)
)	
)	<u>CLASS ACTION</u>
)	
IN RE AMKOR TECHNOLOGY, INC.)	SECOND AMENDED AND
SECURITIES LITIGATION)	CONSOLIDATED COMPLAINT
)	FOR VIOLATION OF THE FEDERAL
)	SECURITIES LAWS
)	
)	
)	<u>JURY TRIAL DEMANDED</u>

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The named Plaintiffs (“Plaintiffs”), including State-Boston Retirement System, Scott Bishins, Westmoreland County Employees Retirement System, and City of Wilkes Barre, (collectively, the “Co-Lead Plaintiffs”), allege the following based upon the investigation of Plaintiffs’ counsel, which included, among other things: 1) a review of United States Securities and Exchange Commission (“SEC”) filings by Amkor Technology Inc. (“Amkor” or the “Company”), as well as regulatory filings and reports; 2) a review of securities analysts’ reports and advisories about the Company; 3) a review of press releases, conference calls and other public statements issued by the Company; 4) a review of media reports about the Company; 5) interviews with former Amkor employees; and 6) other publicly available information about the Company. Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth in this Second Amended and Consolidated Complaint (“Complaint”) after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal class action (“Action”) on behalf of purchasers of the common stock of Amkor from July 26, 2001 to July 26, 2006, inclusive (the “Class Period”), who have suffered damages thereby, seeking to pursue remedies under the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a *et seq.* (the “Exchange Act”). As alleged herein, throughout the Class Period, Defendants (defined *infra*) published a series of materially false and misleading statements that Defendants knew, and/or were reckless in not knowing, were materially false and misleading, and failed to disclose material information necessary to render such statements not false and misleading.

2. Amkor operates as a subcontractor of semiconductor packaging and test services worldwide. As explained in greater detail below, packaging and testing are integral parts of the process of manufacturing semiconductor devices.

3. This Action involves a clear example of uncontrolled, unchecked corporate fraud carried out at the highest levels of Amkor's management. Defendants' long-running scheme involved the manipulation of stock option grants to the Company's executives, directors and employees so that the stock options, when granted, were "in the money" options, while Amkor represented to the market and accounted for such stock option grants, as though the options were granted at then current market prices.

4. Defendants' fraudulent scheme was akin to placing a wager on an event after the event has occurred. Through this scheme, Defendants provided themselves with a direct form of compensation that came at the direct expense of Amkor and its investors, and amounted to undisclosed and unaccounted for compensation that materially distorted Amkor's profitability, by greatly understating its compensation expense and overstating its net income, during the Class Period.

5. During the Class Period, Defendants engaged in practices whereby the Company improperly granted stock options, providing many of Amkor's high level executives, directors and employees with an enhanced financial benefit, while failing to adequately disclose the true financial and operational condition of the Company. Specifically, Defendants manipulated Amkor's stock option grants by, *inter alia*:

(a) improperly backdating grants of Amkor stock options to Amkor directors, executives and employees, in violation of the Company's publicly disclosed, shareholder-approved option plans;

(b) opportunistically granting executive and director stock options so that such grants preceded anticipated increases in the price of Amkor stock and/or followed anticipated stock price declines;

(c) improperly recording and accounting for the backdated stock options, in violation of Generally Accepted Accounting Principles (“GAAP”); and

(d) preparing and disseminating to Amkor shareholders and the market false and misleading proxy statements, financial statements and other SEC filings that improperly recorded and accounted for the backdated option grants and concealed the opportunistic option granting practices engaged in by Defendants.

6. During the Class Period, the Defendants granted stock options to themselves and to other Amkor officers and directors on the precise dates at which Amkor stock had reached its lowest price in weeks, if not months. More strikingly, these grants almost invariably preceded sharp gains, and/or followed significant drops in the Company’s stock price.

7. As demonstrated, *infra*, these perfectly-timed option grants could not have been the result of mere coincidence. They were, in reality, the result of Defendants’ improper and opportunistic option granting practices.

8. Because the Company failed to comply with the Generally Accepted Accounting Principles governing the expensing of stock option grants, Defendants’ backdating scheme had a material effect on Amkor’s Class Period financial statements. As explained *infra*, to the extent the Company failed to record, as a compensation expense, the difference between the price of Amkor stock on the date of the actual grant and the “backdated” exercise price of the options, this deliberate omission resulted in the material understatement of the Company’s reported

compensation expense measures and a material overstatement of its reported income measures throughout the Class Period.

9. The Defendants' backdating practice rendered materially false and misleading each of the Company's annual proxy statements to shareholders during the Class Period, which purported to set forth the true compensation of its most highly-compensated executives, as required by rules promulgated by the SEC.

10. Additionally, Defendants' practice of opportunistically granting executive and director stock options so that such grants preceded anticipated increases in the price of Amkor stock and/or followed internally anticipated stock price declines has rendered the Defendants' statements regarding the Company's executive and director stock based compensation, contained in Amkor's annual reports and annual proxy statements, materially misleading. Those statements created the false impression that Defendants chose the grant dates for the options based on arbitrary or administrative factors, rather than, as was in fact the case, a calculation of what would most increase the likelihood of maximum gain for the executives and directors, maximize the cost to the corporation, and substantially diminish the risk associated with Amkor common stock for these option recipients relative to that faced by ordinary investors in Amkor common stock, such as Plaintiffs and the proposed Class.

11. Defendants' fraudulent practices did not end with improper granting of stock options. Beginning in the third quarter of 2003, Defendants represented that the Company had achieved a "return to profitability" and that the Company was experiencing strong gross margin improvement, "robust customer demand," and "robust growth." Defendants also repeatedly stated in press releases, conference calls and/or public filings that Amkor maintained systems, procedures and controls that gave it a competitive advantage, specifically highlighting the

Company's cost management and operating efficiencies as factors contributing to Amkor's profitability.

12. However, unbeknownst to investors, Amkor was suffering from a variety of undisclosed adverse factors that were negatively impacting its business and that would cause it to report declining financial results throughout the Class Period, and, in effect, miss earlier provided guidance.

13. With respect to Amkor's profitability, growth and customer demand, Defendants issued a series of false and misleading statements to the market, artificially inflating the Company's stock price. Specifically, Defendants failed to disclose: (a) that demand for Amkor's products and services was not accelerating and materializing at the pace stated by Defendants, as Defendants knew or recklessly disregarded that the Company's customers were "frontloading" their forecasts to circumvent Amkor's inability to meet demand in a timely manner; (b) that Amkor was experiencing rapidly rising material costs due to "supplier backlash," negatively impacting the Company's profitability; (c) that Amkor's weak internal controls and accounting systems prevented the Company from efficiently managing material costs and accurately forecasting demand; and (d) that as a consequence of the foregoing, Defendants' positive statements about Amkor's financial condition and future guidance lacked any reasonable basis.

14. The truth regarding Amkor's financial condition was partially disclosed on April 27, 2004, when Amkor announced that the Company was experiencing rising material costs and that first quarter demand for certain advanced package products did not materialize as forecast. On this news, shares of Amkor fell \$4.26 per share, or nearly 32%, to close at \$9.16 per share.

15. Following this initial disclosure, on July 1, 2004, investors learned that Amkor's "product mix" had turned "unfavorable," and that the Company was operating far below

expectations. Additionally, Amkor announced that it had failed to meet its expected net income guidance for the second quarter of 2004. On this news, shares of Amkor fell \$2.39 per share, or 29%, to close at \$5.79 per share. However, additional undisclosed adverse information concerning the Company continued to be concealed from the investing public causing Amkor's stock price to remain at an artificially inflated level, including internal control weaknesses, the improper option granting practices and the need for a restatement of financial results.

16. Then, on July 26, 2006, Amkor informed its investors that the Company was initiating an investigation of its stock option granting practices and that its board of directors had established a committee comprised of independent directors (the "Special Committee") to conduct a review of Amkor's historical stock option granting practices from 1998 through present. The Company's internal investigation was commenced in large part due to the widening stock option backdating scandal and increased government scrutiny.

17. Despite Amkor's efforts to blend news of the internal investigation with an announcement of record sales for the second quarter of 2006, the Company's stock options announcement caused investors to punish Amkor shares, driving the share price down approximately 17% from the prior day's closing price of \$7.51 per share to \$6.25 per share, in effect, reducing the Company's market capitalization by over \$222 million.

18. Subsequently, on August 16, 2006, Amkor announced that "[i]n the course of furnishing information to the [S]pecial [C]ommittee, [the Company] has identified a number of occasions on which the measurement date used for financial accounting and reporting purposes for option awards granted to certain... employees [of the Company] was different from the actual grant date."

19. In the weeks following the July 26, 2006 and August 16, 2006 announcements, Amkor's stock continued to trade downward on concerns that the Company's failure to timely file its quarterly report for the period ended June 30, 2006 would lead to: 1) a delisting of Amkor securities from the Nasdaq Stock Market; 2) defaults under bond indentures governing notes issued by Amkor, which if not cured within 60 days (from the date that Amkor received notice of default) could result in the occurrence of an "Event of Default," permitting the trustee or holders of at least 25% in aggregate principal amount of such notes then outstanding to declare all related unpaid principal and premium, if any, and accrued interest on such notes then outstanding to be immediately due and payable; and 3) the Company filing for Chapter 11 bankruptcy protection should bondholders try to accelerate Amkor's debt.

20. These additional concerns helped drive the price of Amkor shares down to \$5.05, nearly 20% lower than the already depressed July 27, 2006 stock price of \$6.25 – following Amkor's announcement that it was investigating its stock option grant practices.

21. Thus, it is no surprise that investors reacted positively on October 6, 2006, when Amkor filed its long overdue quarterly report for the quarter ended June 30, 2006, and in effect, eliminated the severe financial consequences of: 1) a Nasdaq delisting, 2) an acceleration of the Company's debt by bondholders; and 3) Chapter 11 bankruptcy.

22. On the same day, Amkor filed an amended version of its original: 1) annual report for the year ended December 31, 2005 (the "2005 10-K," as amended, the "2005 10-K/A"); and 2) quarterly report for the quarter ended March 31, 2006 (the "Q1 2006 10-Q," as amended, the "Q1 2006 10-Q/A") (collectively, the "Restatement"). In its Restatement, the Company: 1) disclosed limited, yet damaging, details regarding Defendants' fraudulent option backdating scheme; and 2) restated its financial results for the period January 1, 1998 through March 31,

2006, disclosing that the earnings restatements necessitated by Defendants' improper stock option accounting resulted in a staggering \$106 million aggregate restatement of net income.

23. By way of its Restatement, Amkor effectively concedes that each financial statement issued during the Class Period was materially false and misleading when made, because such statements omitted material facts regarding the Company's option grants. Amkor also concedes that such material misstatements were a result of deliberate conduct by one or more of Amkor's executives.

24. Specifically, the Company admits, among other things, that: (a) in connection with Amkor's annual stock option grants to employees in 1999, 2000, 2001, 2002 and 2004, the number of shares that an individual employee was entitled to receive was not determined until after the original grant date, and therefore the measurement date for such options was subsequent to the original grant date, in violation of Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), discussed *infra*; (b) evidence reviewed by the Special Committee supports a finding of intentional manipulation of stock option pricing with respect to annual grants in 2001 and 2002 by a former executive and that other former executives may have been aware of, or participated in this conduct; (c) there is evidence that Compensation Committee meeting minutes prepared by a former executive misrepresented certain actions taken by the Compensation Committee; and (d) Amkor did not have adequate processes or procedures for stock option grants, which constituted a material weakness in internal controls over financial reporting.

25. Defendants were motivated to commit the frauds alleged herein, because, in addition to personally profiting through the options backdating scheme, the frauds enabled the Company to, among other things: 1) disguise large amounts of director and employee

compensation that was virtually guaranteed to be received as, instead “risk-based;” and 2) raise over \$150 million in a follow-on stock offering on November 3, 2003. Had the truth about Amkor’s business been known, this offering would have yielded less for the Company or would not have been consummated at all.

JURISDICTION AND VENUE

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

27. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act, 15 U.S.C. §78aa.

28. Venue is proper in this judicial district pursuant to Section 27 of the Exchange Act and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein occurred in substantial part in this district. Additionally, the Company maintained an executive office in this district during the Class Period.

29. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

A. Plaintiffs

30. Co-Lead Plaintiffs, as defined above, consist of three pension funds and one individual: the State-Boston Retirement System; the Westmoreland County Employees

Retirement System; the City of Wilkes Barre; and Scott Bishins. Co-Lead Plaintiffs were appointed by order dated May 19, 2006.

31. Co-Lead Plaintiffs together with plaintiffs Barbara L. Keller and Steven W. Eline are collectively referred to as “Plaintiffs.”

32. Plaintiffs purchased Amkor common stock at artificially inflated prices during the Class Period and have been damaged thereby.

B. Defendants

33. Defendant Amkor is a Delaware corporation with its chief executive offices and principal place of business located at 1900 South Price Road, Chandler, Arizona. Prior to June 2005, the Company maintained its chief executive offices and principal place of business at 1345 Enterprise Drive, West Chester, Pennsylvania.

C. Officer Defendants

34. Defendant James J. Kim (“Kim”) was, at all relevant times, the Company’s Chief Executive Officer (“CEO”) and Chairman of the Board of Directors (the “Board”). As set forth *infra*, Kim issued or spoke through false and misleading press releases, executed false and misleading Sarbanes-Oxley § 302(a) and § 906 certifications (“SOX Certifications”) and signed false and misleading 10-K annual reports throughout the Class Period, including: SOX Certifications for every fiscal quarter and every fiscal year from Q2 2002 through Q1 2006; press releases on, *inter alia*, October 27, 2003, January 28, 2004, April 27, 2004 and July 26, 2006; as well as every 10-K annual report throughout the Class Period.

35. Defendant Kenneth T. Joyce (“Joyce”) served as the Company’s Executive Vice President and Chief Financial Officer during the Class Period. As set forth *infra*, Joyce issued or spoke through false and misleading press releases, executed false and misleading SOX Certifications, and signed 10-Q and 10-K quarterly and annual reports throughout the Class

Period, including: Amkor's SOX Certifications for every fiscal quarter and every fiscal year from Q2 2002 through Q1 2006; press releases on, *inter alia*, October 27, 2003, January 28, 2004, April 27, 2004, July 1, 2004, July 27, 2004 and July 26, 2006; as well as every 10-Q quarterly report and every 10-K annual report throughout the Class Period.

36. Defendant John N. Boruch ("Boruch") served as the Company's President and Chief Operating Officer during the Class Period, until he was promoted to Vice Chairman in January 2004. He then resumed those positions in September 2004. On December 22, 2005, Amkor entered into a "Retirement Separation Agreement and Release" with Defendant Boruch. As set forth *infra*, Boruch issued or spoke through false and misleading press releases, and signed 10-K annual reports throughout the Class Period, including, *inter alia*: Amkor's press release on October 27, 2003 as well as every 10-K annual report from 2001 through 2004.

37. Defendant Bruce Freyman ("Freyman") served as an Executive Vice President, and between January 2004 and August 2004 served as the Company's President and Chief Operating Officer. As set forth *infra*, Freyman issued or spoke through false and misleading press releases and public filings throughout the Class Period, including, *inter alia*: Amkor press releases on April 27, 2004 and July 1, 2004 and its 2003 10-K annual report.

38. Defendant Oleg Khaykin ("Khaykin") served as an Executive Vice President since January 2004 and as the Company's Chief Operating Officer since January 2006. As set forth *infra*, Khaykin signed Amkor's 2005 10-K annual report.

39. Defendants Kim, Joyce, Boruch, Freyman, and Khaykin are collectively referred to herein as the "Officer Defendants."

D. "John Doe" Defendants

40. Defendant John Doe #1 is a former executive of the Company who, with or without the participation of John Doe #2 and / or John Doe #3, intentionally manipulated

Amkor's stock option pricing by, *inter alia*, preparing meeting minutes of the Compensation Committee of the Company's Board of Directors that misrepresented actions taken at certain Compensation Committee Meetings.

41. Defendant John Doe #2 is a former executive of the Company who, with or without the participation of John Doe #1 and / or John Doe #3, intentionally manipulated Amkor's stock option pricing by, *inter alia*, preparing meeting minutes of the Compensation Committee of the Company's Board of Directors that misrepresented actions taken at certain Compensation Committee Meetings, and took no steps to correct that manipulation or correct the resulting misrepresentation in Amkor's financial statements.

42. Defendant John Doe #3 is a former executive of the Company who, with or without the participation of John Doe #1 and / or John Doe #2, intentionally manipulated Amkor's stock option pricing by, *inter alia*, preparing meeting minutes of the Compensation Committee of the Company's Board of Directors that misrepresented actions taken at certain Compensation Committee Meetings, and took no steps to correct that manipulation or correct the resulting misrepresentation in Amkor's financial statements.

43. Defendants John Doe #1, John Doe #2 and John Doe #3 are collectively referred to herein as the "John Doe Defendants."

E. Compensation Committee Defendants

44. Defendant Winston J. Churchill ("Churchill") has served on Amkor's Board of Directors (the "Board") since 1998, and is the Chairman of the Board's Compensation Committee. He was designated a member of the Compensation Committee on November 10, 1998 and served on that Committee through the Class Period. As set forth *infra*, as a member of the Board and the Compensation Committee, Churchill signed every one of Amkor's false and misleading 10-K annual reports throughout the Class Period.

45. Defendant Thomas D. George (“George”) served as a member of the Board from 1997 to 2005. He was designated a member of the Board’s Compensation Committee on November 10, 1998 and served on that Committee through 2005. As set forth *infra*, as a member of the Board and the Compensation Committee, George signed Amkor’s false and misleading 10-K annual reports for fiscal years ended 2001 through 2004.

46. Defendants Churchill and George are collectively referred to herein as the “Compensation Committee Defendants.” The Compensation Committee Defendants together with the “Officer Defendants,” and the “John Doe Defendants,” are referred to herein as the “Individual Defendants.” The “Individual Defendants” together with Amkor, are referred to herein as “Defendants.”

47. Because of the Officer Defendants’ positions with the Company, they had access to the adverse undisclosed information about the Company’s business, operations, operational trends, financial statements, markets and present and future business prospects by means of access to internal corporate documents (including the Company’s operating plans, budgets and forecasts and reports of actual operations compared thereto) available to them and conversations and connections with other corporate officers and employees. With respect to all Individual Defendants, they had access to the adverse undisclosed information about the Company’s business, operations, operational trends, financial statements, markets and present and future business prospects through, among other things, their attendance at management and Board meetings and committees thereof and through reports and other information provided to them in connection therewith.

48. Each of the above officers of Amkor, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in

the day-to-day operations of the Company at the highest levels, and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. The Officer Defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

49. As officers and controlling persons of a publicly-held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded on the Nasdaq National Market, and governed by the provisions of the federal securities laws, the Officer Defendants each had a duty to disseminate promptly, accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded common stock would be based upon truthful and accurate information. The Officer Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

50. The Officer Defendants participated in the drafting, preparation, and/or approval of the various public, shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board memberships and/or executive and managerial positions with Amkor, each of the

Officer Defendants had access to the adverse undisclosed information about Amkor's business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations, made by or about Amkor and its business, issued or adopted by the Company, materially false and misleading.

51. The Officer Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Officer Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Officer Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

52. Each of the Officer Defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Amkor common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Amkor's business, operations, management and the intrinsic value of Amkor common stock; (ii) enabled Amkor to sell more than \$150 million of Amkor common stock while in possession of material adverse non-public information about the Company; (iii) permitted the Individual Defendants to receive substantial amounts of compensation disguised as "risk-based;" and (iv) caused Plaintiffs and other members of the Class to purchase Amkor common stock at artificially inflated prices.

53. Each of the Compensation Committee Defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Amkor common stock by disseminating materially false and misleading statements and/or concealing material adverse facts with respect to the statements concerning stock options challenged herein. The scheme: (i) deceived the investing public regarding Amkor's business, operations, management and the intrinsic value of Amkor common stock; (ii) enabled Amkor to sell more than \$150 million of Amkor common stock while in possession of material adverse non-public information about the Company; (iii) permitted the Individual Defendants to receive substantial amounts of compensation disguised as "risk-based;" and (iv) caused Plaintiffs and other members of the Class to purchase Amkor common stock at artificially inflated prices.

54. The Compensation Committee Defendants participated in the drafting, preparation, and/or approval of the various proxy statements complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature with respect to the statements concerning stock options challenged herein. Because of their Board memberships, each of the Compensation Committee Defendants had access to the adverse undisclosed information about Amkor's business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations, made by or about Amkor and its business, issued or adopted by the Company, materially false and misleading.

CLASS ACTION ALLEGATIONS

55. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the

common stock of Amkor from July 26, 2001 to July 26, 2006, inclusive, and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

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

57. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

58. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

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

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

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Amkor; and

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

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

SUBSTANTIVE ALLEGATIONS

Background

61. Defendant Amkor operates as a subcontractor of semiconductor packaging and test services worldwide. It offers traditional packaging, which includes traditional leadframe products, and advanced packaging, which includes advanced leadframes and laminate products.

62. As explained in Amkor's Annual Report, filed on Form 10-K, for the fiscal year ended December 31, 2005:

Packaging and test[ing] are integral parts of the process of manufacturing semiconductor devices. This process begins with silicon wafers and involves the fabrication of electronic circuitry into complex patterns, thus creating large numbers of individual chips on the wafers.... In packaging, individual chips are separated from the fabricated semiconductor wafers, attached to a substrate and then encased in a protective material to provide optimal electrical connectivity and thermal performance. The packaged chips are then tested using sophisticated equipment to ensure that each packaged chip meets its design specifications. Increasingly, packages are custom designed for specific chips and specific end-market applications.

[...]

The semiconductors that we package and test for our customers ultimately become components in electronic systems used in communications, computing, consumer, industrial and automotive applications.

A. Improper Option Grants

1. Introduction

63. Under certain circumstances, publicly traded companies may award their officers, employees and directors stock option grants. A stock option grant provides an employee or director with the right to purchase shares of a company at a specific price – the “exercise price” or “strike price” – on or after a determined date. For instance, assuming a company grants an employee 10 options with an exercise price of \$5 per share, the employee can buy 10 shares for a total of \$50, regardless of what the market price of the Company’s stock is on the date the options are exercised. One of the advantages for investors, of this form of management and/or director compensation, as opposed to straight payments of cash, is that it aligns the interests of management and/or directors with the Company’s shareholders in that the value of the options increase only to the extent the Company’s stock price rises.

64. When a company grants an employee or a director stock options, it must do so under a written stock option plan filed with the SEC and disclosed to the public. This is so because potential gains such as the one described above are a form of risk based compensation and, therefore, may have an impact on, among other things, the company’s earnings per share, net income, and compensation expense. Thus, it is imperative that when a company awards option grants to its employees and directors, it does so in compliance with its publicly filed stock option plan and that it appropriately accounts for such grants. The consequence of a company’s improper accounting for option grants is that investors, such as Amkor’s shareholders, will not have an accurate picture of the company’s financial position.

2. Amkor's Stock Option Program

65. Like many technology companies, Amkor used stock-based compensation incentives to attract talented personnel.

66. As is set forth in detail below, Amkor's October 6, 2006 Restatement establishes that Defendants knowingly or recklessly disregarded the express written requirements of the Company's stock option plans and manipulated or allowed the manipulation of the dates upon which options were reported as granted in order to strategically award grants at lower exercise prices in violation of GAAP and federal securities laws. Defendants' reasons for carrying out this scheme were fairly straightforward.

67. In the highly volatile market for technology companies, the granting of stock options is often a company's strongest means for obtaining skilled labor. As explained in greater detail below, for a significant portion of the Class Period, Amkor did not have the ability to adequately compensate employees with cash, and thus, the Company's executives, including, among others, Defendant Boruch, relied heavily upon compensation in the form of stock options. Put differently, one of the only ways Amkor could have obtained and retained qualified and skilled employees was to offer lucrative stock option grants.

68. From the perspective of the Individual Defendants, options were attractive for another reason. These defendants were well aware of the fortunes they could have made by combining their inside knowledge of the Company with their ability to improperly manipulate the Company's stock option plans. The Individual Defendants used the option process to: 1) intentionally manipulate the pricing of stock options; and 2) grant themselves options at points in time when the Company's stock price was suspiciously low and/or was poised to rise. Either way, their objective was the same – to acquire the options at the lowest exercise price possible.

69. In 1998, the Company established its 1998 Stock Plan (the "1998 Plan") which generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. A total of 5 million shares are available for issuance under the 1998 Plan, and there is a provision for an annual replenishment to bring the number of shares of common stock reserved for issuance under the plan up to 5 million as of January 1st of each year. In general, the options granted will vest over a four year-period and the term of the options granted under the 1998 Plan may not exceed ten years.

70. The 1998 Plan provides, in pertinent part, as follows:

1. Purposes of the Plan. The purposes of this Stock Plan are: to attract and retain the best available personnel for positions of substantial responsibility; to provide additional incentive to Employees, Directors and Consultants; and to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant.

[...]

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

(i) In the case of an Incentive Stock Option: (A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant; (B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator. In the case of a Nonstatutory Stock Option intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the per

Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

71. In 1998, the Company also established its Director Option Plan (the "1998 Director Option Plan"), under the terms of which outside directors on Amkor's Board were to receive non-discretionary options. The Company initially reserved 300,000 shares for this program.

72. The 1998 Director Option Plan provides, in pertinent part, as follows:

1. Purposes of the Plan. The purposes of this 1998 Director Option Plan are to attract and retain the best available personnel for service as Outside Directors (as defined herein) of the Company, to provide additional incentive to the Outside Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

[...]

4. Administration and Grants of Options under the Plan.

(a) Procedure for Grants. All grants of Options to Outside Directors under this Plan shall be automatic and nondiscretionary and shall be made strictly in accordance with the following provisions:

[...]

(ii) Each Outside Director shall be automatically granted an Option to purchase 15,000 Shares (the "First Option") on the date on which the later of the following events occurs: (A) the effective date of this Plan, as determined in accordance with Section 6 hereof, or (B) the date on which such person first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy; provided, however, that an Inside Director who ceases to be an Inside Director but who remains a Director shall not receive a First Option.

(iii) Each Outside Director shall be automatically granted an Option to purchase 5,000 Shares on each date on which such person is re-elected by the stockholders of the Company as an Outside Director; provided that, as of such date, he or she shall have served on the Board for at least the preceding six (6) months.

[...]

(v) The terms of each Option granted hereunder shall be as follows:

(A) the term of the Option shall be ten (10) years.

[...]

(C) the exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the Option.

(D) subject to Section 10 hereof, the Option shall become exercisable as to one-third (1/3) of the Shares subject to the Option on each anniversary of its date of grant, provided that the Optionee continues to serve as a Director on such dates.

73. As of January 1, 2003, new outside directors received 20,000 shares initially and 10,000 shares for each subsequent election to the Board.

74. The Charter for the Compensation Committee of the Board of Directors of Amkor Technology, Inc. (as revised September 24, 2002) (the "Compensation Committee Charter") explains the Company's use of incentive compensation:

The philosophy of the Compensation Committee is to provide compensation to the Company's officers and directors in such a manner as to attract and retain the best available personnel for positions of substantial responsibility with the Company, to provide incentives for such persons to perform to the best of their abilities for the Company, and to promote the success of the Company's business.

75. The Compensation Committee Charter further states the Compensation Committee's purpose and role at Amkor with respect to executive compensation generally, and options grant practices in particular, in pertinent part, as follows:

PURPOSE:

The purpose of the Compensation Committee of the Board of Directors (the "Board") of Amkor Technology, Inc. ("Amkor") shall be to discharge the Board's responsibilities relating to compensation of the executive officers of Amkor and its subsidiaries (the "Company"). The Committee has overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company.

The Compensation Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority

to undertake such other specific duties as the Board of Directors from time to time prescribes.

[...]

RESPONSIBILITIES:

The responsibilities of the Compensation Committee include:

1. Annually reviewing and making recommendations to the Board of Directors regarding the compensation policy for the executive officers and directors of the Company, and such other officers of the Company as directed by the Board;
2. Reviewing and making recommendations to the Board of Directors regarding all forms of compensation (including all “plan” compensation, as such term is defined in Item 402(a)(7) of Regulation S-K promulgated by the Securities and Exchange Commission, and all nonplan compensation) to be provided to the executive officers of the Company;
3. Reviewing and making recommendations to the Board of Directors regarding general compensation goals and guidelines for the Company’s employees and the criteria by which bonuses to the Company’s employees are determined;
4. Acting as Administrator (as defined therein) of each of the Company’s 1998 Stock Plan and 1998 Stock Option Plan for French Employees and administering, within the authority delegated by the Board of Directors, the Employee Stock Purchase Plan. In its administration of the plans, the Compensation Committee may, pursuant to authority delegated by the Board of Directors (i) grant stock options or stock purchase rights to individuals eligible for such grants (including grants to individuals subject to Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”) in compliance with Rule 16b-3 promulgated thereunder, so long as the Compensation Committee is comprised entirely of “disinterested persons,” as such term is defined in Rule 16b-3(c)(2)(i) promulgated under the Exchange Act), and (ii) amend such stock options or stock purchase rights. The Compensation Committee shall also make recommendations to the Board of Directors with respect to amendments to the plans and changes in the number of shares reserved for issuance thereunder;
5. Reviewing and making recommendations to the Board of Directors regarding other plans that are proposed for adoption or adopted by the Company for the provision of compensation to employees of, directors of and consultants to the Company;
6. Preparing a report (to be included in the Company’s proxy statement) which describes: (a) the criteria on which compensation paid to the Chief

Executive Officer for the last completed fiscal year is based; (b) the relationship of such compensation to the Company's performance; and (c) the Compensation Committee's executive compensation policies applicable to executive officers; and

7. Authorizing the repurchase of shares from terminated employees pursuant to applicable law.

76. In its proxy statements throughout the Class Period, the Company reiterated its purpose for using stock options as well as the Compensation Committee's role in overseeing the Company's executive compensation.

77. For example, in Amkor's 2001 Definitive Proxy Statement, filed with the SEC on Form DEF 14A on May 18, 2001, the Compensation Committee stated:

Long-Term Incentive Compensation

Long-term incentive compensation currently consists solely of stock options. The Committee is responsible for the administration of the Company's stock option program. **Option grants are made under the Stock Option Plan, as amended, at the fair market price on the date of grant and expire up to ten years after the date of the grant.** The Committee believes that stock options are a competitive necessity in the electronics industry.

As a general rule, the Committee believes that a certain portion of the compensation package for all Executive Officers should be based on long term incentives.

[emphasis added.]

78. The proxy statements for 2002, 2003, 2004, and 2005 contain substantially similar language.

79. On November 8, 2002, Amkor instituted a voluntary stock option replacement program, which allowed employees and Board members to elect to surrender existing options and be granted an equal number of new options no earlier than six months and one day after the tendered options were cancelled. Pursuant to the terms and conditions of the offer to exchange, a total of 1,633 eligible employees participated. The exercise price for the new options was to

equal the fair market value of common stock as of the new grant date, which was to be no earlier than June 12, 2003. On June 16, 2003, the Company granted 6,978,563 shares of common stock under the 1998 Plan and 35,000 shares of common stock under the 1998 Director Option Plan for the options tendered by eligible employees and members of the Board.

80. On September 9, 2003 the Company instituted the 2003 Nonstatutory Inducement Grant Stock Plan (the "2003 Plan"), which provided for the grant to employees, directors and consultants of stock options and stock purchase rights. The Company stated that the 2003 Plan was to be used as an inducement benefit for the purpose of retaining new employees. The Company reserved 300,000 shares for use by the 2003 Plan, with a provision for an annual replenishment to bring the number of shares of common stock reserved for issuance under the 2003 Plan to 300,000 as of January 1st of each year.

81. In 2004, the Compensation Committee approved the full vesting of all unvested outstanding employee stock options that were issued prior to July 1, 2004. In its 2004 Definitive Proxy Statement, filed with the SEC on Form DEF 14A on July 2, 2004 (the "2004 Proxy"), the Compensation Committee issued the following report addressing the Committee's decision to approve Amkor's voluntary stock option replacement program:

COMPENSATION COMMITTEE REPORT ON REPRICING

We grant stock options to officers, employees, and directors in order to motivate such persons in their provision of services to us. The Compensation Committee believes that such equity incentives are a significant factor in our ability to attract, retain and motivate officers, employees, and directors who are critical to our business plan and long-term success. **As a result of the decline in the fair market value our common stock in the several months prior to November 8, 2002, many of our officers, employees and directors held stock options with exercise prices substantially in excess of the fair market value of our common stock. It was the view of the Compensation Committee that stock options with exercise prices substantially above the fair market value of our common stock were viewed negatively by, and provided little incentive to, the holders of these options.**

After considering various alternatives to address employee retention, compensation incentives and long-term compensation issues, the Compensation Committee approved the option exchange program described above. In approving this exchange program, the Compensation Committee was of the opinion that the disparity between the original exercise prices of the outstanding stock options and the fair market value of our common stock did not provide a meaningful incentive or retention device to the service providers holding such stock options. The Compensation Committee therefore decided that offering the option exchange program was in the best interests of Amkor and its stockholders.

Under the exchange program, employees and members of our Board of Directors could elect to surrender their existing options and be granted new options no earlier than six months and one day after the tendered options were cancelled. Pursuant to the terms and conditions of the offer to exchange, a total of 1,633 eligible employees participated. On June 16, 2003, we granted 6,978,563 shares of our common stock under the 1998 Stock Plan and 35,000 shares of our common stock under the 1998 Director Option Plan for the options tendered by eligible employees and members of our Board of Directors and accepted by Amkor. For options that were granted under the previously existing 1998 French Plan, which was terminated in April 2003, and that were surrendered pursuant to the voluntary stock option replacement program, we granted an additional 248,200 replacement options under the 1998 Stock Plan. We have issued new option grants equal to the same number of shares surrendered by the employees. **The exercise price of the new options was \$10.79, which was equal to the fair market value of our stock price on the date of grant.** The vesting term of these new options is similar to the tendered options except the new options contain an additional one-year vesting period prior to any options becoming exercisable.

[emphasis added.]

82. In its 2004 Annual Report filed with the SEC on Form 10-K/A on June 6, 2005 (the "2004 10-K"), the Company stated:

During August 2004, the compensation committee of our board of directors approved **the full vesting of all unvested outstanding employee stock options that were issued prior to July 1, 2004.** The purpose for accelerating the vesting of all such options was to enhance employee morale and help retain high-potential employees in face of a downturn in industry conditions.

[emphasis added.]

83. In the Company' 2000, 2001, 2002, 2003, and 2004 annual reports filed with the SEC on Form 10-K, Amkor included the following language, or language substantially similar, to describe its accounting for stock options:

We account for our stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and the Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB No. 25." **Accordingly, compensation cost for stock-based plans is generally measured as the excess, if any, of the quoted market price of our company's stock at the date of the grant over the amount an employee must pay to acquire the stock.**

[emphasis added.]

3. Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees"

84. In effect through December 31, 2005, APB 25 required a company to recognize compensation expense for options granted with an exercise price that was less than the market price on the date of grant, *i.e.*, an "in the money" option. Conversely, if an option was issued at an exercise price equal to the extant market price on the date of grant (*i.e.*, "at the money"), no compensation expense needed to be recorded.

85. Thus, where an option has intrinsic value on the date of grant, *i.e.*, the market price of the stock exceeds the option's exercise price on the date of grant, compensation cost is calculated by multiplying the total number of options granted by the difference between the exercise price of the option and the market price of the stock on the date of grant. Compensation cost is then amortized and recognized as an expense over the option's vesting period.

86. Failure to properly account for "in the money" option grants results in the misstatement of a company's financials, since the extent to which the fair market value of a security exceeds the exercise price on the date of grant is in essence a direct form of

compensation to the option recipient that must be accounted for as a cost to the corporation. Thus, a company that fails to record and properly amortize the intrinsic value of an “in the money” option grant understates compensation cost and overstates net income in the year of grant, and, in each year thereafter, as the option vests.

87. Notably, the SEC has adopted the view that failure to properly account for backdated options violates securities laws when companies fail to record as compensation expense the amount by which the option grants were actually “in the money” at the time that the grant was awarded. For example, in a complaint filed by the SEC against Peregrine Systems, Inc. in June 2003, the SEC alleged that Peregrine’s option plan administrator used a “look back” process between quarterly Board meetings to identify the day with the lowest stock price over the interval and then declared this date to be the grant date. The SEC viewed this as a form of financial fraud because it resulted in the understatement of compensation expenses. Specifically, the SEC stated that, “[u]nder the applicable accounting rules, any positive difference in the stock price between the exercise price and that on the measurement date ... had to be accounted for as compensation expense. By failing to record the compensation expense, Peregrine understated its expenses by approximately \$90 million.”

88. Proper application of APB 25 rests significantly upon a company’s determination of a stock option’s “*measurement date*,” the date upon which compensation cost is to be measured. Specifically, paragraph 10(b) of APB 25 defines the “measurement date” as “the first date on which are known both (1) the number of shares that an individual employee is entitled to receive and (2) the option or purchase price if any.”

89. Put differently, even if documents related to an award of options are dated as of an earlier date or manipulated to reflect an earlier date, the actual “measurement date” cannot

occur until the date the terms of the stock option award, including the number of shares that a particular employee is going to receive, are actually determined. Thus, in assessing the legitimacy of a company's compensation costs calculated pursuant to APB 25, it is crucial to determine whether a company's stock option granting practices resulted in an award of stock options with an exercise price that was less than the fair market value of the underlying stock *at the date on which the number of shares that an individual employee is entitled to receive has been determined with finality.*

90. As discussed in detail below, Amkor has already conceded that: 1) "in connection with [its] annual stock option grants to employees in 1999, 2000, 2001, 2002 and 2004, the number of shares that an individual employee was entitled to receive was not determined until after the original grant date, and therefore the measurement date for such options was subsequent to the original grant date," and 2) the Company "should have recorded compensation expense in an amount per share subject to each option to the extent that the fair market value of [its] stock on the correct measurement date exceeded the exercise price of the option."

4. The Stock Options Backdating Epidemic of 2006

91. In the spring of 2006, corporations throughout the United States began to reveal that they were under investigation for stock option granting improprieties similar to those alleged herein.

92. On May 6, 2006, the *Wall Street Journal* ran the following story by reporters Charles Forelle and James Bandler, which described the evolving options backdating crisis:

Backdating Probe Widens as 2 Quit Silicon Valley Firm --- Power Integrations Officials Leave Amid Options Scandal; 10 Companies Involved So Far

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The stock-options backdating scandal continued to intensify, with the announcement by a Silicon Valley chip maker that its chairman and its chief financial officer had abruptly resigned. That brought to eight the number of officials at various companies to leave their posts amid scrutiny of how companies grant stock options.

Power Integrations Inc., of San Jose, Calif., said Chairman Howard Earhart, who is a former chief executive, and finance chief John Cobb had resigned. It also said it probably will need to restate nearly seven years of financial results because of options-granting problems.

93. Forelle and Bandler explain that the option granting improprieties have not only caused numerous companies to commence internal investigations of their compensation practices, but have also drawn the attention of the SEC, federal prosecutors and investors. The article, in relevant part, states as follows:

So far, at least 10 companies have been caught up in the stock-options-dating matter, with several already in effect acknowledging that some improper dating occurred. A number of companies are conducting their own investigations or are the subjects of Securities and Exchange Commission probes. In one case, company practices have attracted the attention of federal prosecutors examining possible fraud violations.

The matter also is drawing concern from investors, who have bid down the stock prices of some of the companies caught up in the various probes. Chip maker Vitesse Semiconductor Corp. has seen shares fall about 40% since suspending three executives, while shares in giant health insurer UnitedHealth Group Inc. have fallen 18% since questions about its options-granting practices surfaced in mid-March, shaving more than \$13 billion off its market capitalization.

[...]

At UnitedHealth, at least 11 executives, including CEO William McGuire and the company's general counsel, received at least one option grant dated on the lowest price of a quarter in 2000. Many executives also shared propitious option dates with Dr. McGuire through the years. The company has called its granting practices "appropriate," but its board is conducting a probe. UnitedHealth also has stopped giving option grants to some senior executives, including Dr. McGuire.

94. As noted by Forelle and Bandler, suspicious patterns of sharp price inclines following the granting of options, similar to those alleged herein, are "statistically unlikely" and

“raise questions about whether there has been backdating or other gaming of the system.” The article, in relevant part, states as follows:

UnitedHealth, Comverse Technology Inc. and Vitesse were among six companies whose options practices were examined in a March article in The Wall Street Journal. ***The article found that the CEOs of the companies routinely received grants dated ahead of sharp rises in share price, and that the likelihood of those beneficial grant dates having occurred randomly was minute.*** All six companies have since said they've begun probes by outside directors and lawyers into their granting practices. (The Journal contacted Power Integrations for the March article but didn't cite it.) [emphasis added.]

[...]

Typically, stock options are granted by boards of directors. They are generally supposed to carry exercise prices equal to the fair market value of the company's stock at the time of the grant. But at a number of companies, grants to top executives show an unusual pattern: ***They're frequently dated just before [a] sharp rise in the share price, and at or near the bottom of a steep dip. The patterns, statistically unlikely, raise questions about whether there has been backdating or other gaming of the system.*** [emphasis added.]

[...]

The SEC began examining options backdating more than a year ago. Its attention apparently was piqued by ***academic research that found unusual patterns of stock activity around the time of options grants, suggestive of possible backdating.*** The research indicates that a dating problem could go beyond the cluster of companies already under scrutiny. [emphasis added.]

95. Forelle and Bandler also noted that several of the option granting investigations have already led companies to announce restatements, and in certain situations have led to the suspension of corporate executives. The article, in relevant part, states as follows:

Both Power Integrations and Comverse, a New York maker of telecommunications software, have said their reviews indicate that some options grants carried dates that “differed” from the grants’ actual dates.

Both companies, whose reviews continue, said they expect to restate financial results to record “additional noncash charges.” Under accounting rules, companies need to report an expense for grants of “in the money”

options -- those that carry an exercise price below the market price at the time of the grant. Any options backdated to a day when the stock was lower would be in-the-money.

Another company, Vitesse, has suspended three executives, including CEO Louis R. Tomasetta, because of issues relating to “integrity of documents” in the options-granting process.

[...]

It’s possible any executives who participated in backdating could be open to civil or criminal fraud charges of enriching themselves through false or misleading records or filings. Lawyers cautioned that any such criminal charges would require that an executive who took part in backdating did so intentionally.

[...]

Comverse, for one, acted swiftly. Within days of beginning a probe led by outside directors, it said it would probably have to restate results. Within weeks, the investigation led to the resignation of Kobi Alexander, who founded Comverse more than two decades ago and built it into a major supplier of voice-messaging software and other products. Two other executives also resigned.

96. Where backdating of options occurs and is inconsistent with the option plan on file with the SEC, not disclosed, and not accounted for properly, it is a very serious transgression. Arthur Levitt, former Chairman of the SEC, recently described this backdating scheme in the bluntest possible terms: Backdating “represents the ultimate in greed... It is stealing, in effect. It is ripping off shareholders in an unconscionable way.”

97. In testimony before the U.S. Committee on Banking, Housing, and Urban Affairs on September 6, 2006, SEC Chairman Christopher Cox explained why options backdating schemes are so harmful:

Thank you for inviting me to testify today about options backdating. This issue is one of intense public interest because it strikes at the heart of the relationship among a public company’s management, its directors, and its shareholders.

[...]

There are many variations on the backdating theme. But here is a typical example of what some companies did: They granted an “in-the-money” option—that is, an option with an exercise price lower than that day’s market price. They did this by misrepresenting the date of the option grant, to make it appear that the grant was made on an earlier date when the market value was lower. That, of course, is what is meant by abusive “backdating” in today’s parlance.

The purpose of disguising an in-the-money option through backdating is to allow the person who gets the option grant to realize larger potential gains—without the company having to show it as compensation on the financial statements.

Rather obviously, this fact pattern results in a violation of the SEC’s disclosure rules, a violation of accounting rules, and also a violation of the tax laws.

The SEC has been after the problem of abusive options backdating for several years.

[...]

But just as option compensation increased, so did the potential for abuse.

These [Brocade Communications Systems and Comverse Technology, Inc.] cases demonstrate some of the variations on the basic theme of fraudulent backdating that the Commission has uncovered. They involve backdated option grants that are more profitable to recipients; backdated option exercises that reduce recipients’ taxes at the expense of shareholders; options granted to top executives; and options granted to rank and file employees. They involve actual personal gain to wrongdoers, and real harm to companies that failed to properly account for the options practices.

[...]

(<http://www.sec.gov/news/testimony/2006/ts090606cc.htm>).

98. As demonstrated *infra*, through an analysis of stock option grants made by Amkor during the Class Period, and, as effectively conceded by the Company in its October 6, 2006 Restatement, it is evident that the Company engaged in similar fraudulent option granting activity.

99. With respect to the backdating of option grants, Defendants have failed to comply with APB 25, the Generally Accepted Accounting Principle governing the reporting of stock-based compensation expense, and thus, Amkor's Class Period financial statements, earnings releases and annual proxy statements materially misrepresented, among other financial metrics, the Company's measure of net income, retained earnings/(accumulated deficit) and earnings per share.

100. Additionally, Defendants' practice of opportunistically granting executive and director stock options so that such grants preceded anticipated increases in the price of Amkor stock and/or followed anticipated stock price declines, has rendered statements regarding the Company's stock compensation plans, contained in Amkor's annual reports and proxy statements, materially misleading.

101. During the Class Period, Amkor's proxy statements and annual reports created the false impression that Defendants chose the grant dates for the options based on arbitrary or administrative factors, rather than, as was in fact the case, a calculation of what would most increase the likelihood of maximum gain for the executives and directors, maximize the cost to the corporation, and substantially diminish the risk associated with Amkor common stock for these option recipients relative to that faced by ordinary investors in Amkor common stock.

102. Thus, the Company represented in Amkor's proxy statements and annual reports throughout the class period that the "exercise price of the options is 100% of the fair market value of the common stock on the grant date," and "[g]enerally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant." By omitting any reference to the Defendants' opportunistic practices, these statements misleadingly imply that the risk and uncertainty associated with the options is the

same faced by any other Amkor shareholder who buys Amkor common stock at current fair market prices, when, in fact, as explained in detail below, the deck had been stacked for management by substantially reducing any such risk, based on an insider perspective as to the current and prospective fortunes of the Company and the likely movement of its stock price.

103. By gaming either the timing of the disclosure of material information or the timing of stock option grants to themselves, and other officers and directors, Defendants engaged in a hidden, and thus, unethical form of direct compensation.

5. Defendants' Improper Pricing of Stock Option Grants

104. Amkor's Restatement, along with an analysis of Amkor's suspect Class Period stock option grants, discussed *infra*, establishes that the Company, the Officer Defendants and the Compensation Committee Defendants knowingly and/or recklessly disregarded the express written requirements of the Company's stock option plans, and manipulated the dates upon which options were reported as granted under the plans, in order to award grants at lower exercise prices. Moreover, in order to hide their violations of the Company's stock option plans, Defendants deliberately accounted for the option grants improperly, in violation of GAAP and federal securities laws.

(i) Amkor's Special Committee's Review and Findings

105. As a result of a report by a third party financial analyst issued on May 25, 2006, Amkor commenced an initial review of its historical stock option granting practices. Following this initial review, on July 24, 2006, the Company's Board of Directors established a Special Committee, comprised of independent directors, to conduct a review of Amkor's historical stock option granting practices from 1998 through the second quarter of 2006.

106. In October 2006, the Special Committee identified, among other stock option accounting improprieties, a number of occasions on which the measurement date used for

financial accounting and reporting purposes for stock options granted to certain of Amkor's employees was different from the actual grant date. In addressing Amkor's use of incorrect measurement dates, the Company's 2005 10-K/A states, in pertinent part, as follows:

In accordance with Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" and related interpretations, with respect to the period through December 31, 2005, we should have recorded compensation expense in an amount per share subject to each option to the extent that the fair market value of our stock on the correct measurement date exceeded the exercise price of the option.

107. Due to the Special Committee's findings, the Company concluded that it needed to amend its Annual Report on Form 10-K for the year ended December 31, 2005, originally filed on March 16, 2006, to restate its consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related disclosures as well as "Management's Report on Internal Control Over Financial Reporting" as of December 31, 2005. The amended 2005 10-K/A also includes the restatement of selected consolidated financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, and the unaudited quarterly financial data for each of the quarters in the years ended December 31, 2005 and 2004. The Company also concluded that it needed to amend its Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, to restate its condensed consolidated financial statements for the quarters ended March 31, 2006 and 2005 and the related disclosures.

the face of a downturn in industry conditions and to avoid future compensation charges subsequent to the adoption of SFAS No. 123(R).

[...]

We determined that from 1998 through 2005, *we had not properly accounted for certain employee stock options granted prior to obtaining authorization of the grants.* These options included those granted as of November 9, 1998 in connection with the settlement of a deferred compensation liability to employees that had not been approved by our Board of Directors until November 10, 1998 as well as stock options granted to new hires and existing employees in recognition of achievements, promotions, retentions and other events. *As a result of these errors, we have restated our historical financial statements to increase stock-based compensation expense by a total of \$2.1 million recognized over the applicable vesting periods.* For certain of these option grants, the recognition of this expense was also accelerated under the 2002 Option Exchange Program or the 2004 Accelerated Vesting, as described under “Improper Measurement Dates for Annual Stock Option Grants.”

110. Moreover, based on its review, the Special Committee identified evidence that supports a finding: 1) of intentional manipulation of stock option pricing with respect to annual grants in 2001 and 2002 by a former executive; and 2) that other former executives may have been aware of, or participated in this conduct.

111. Specifically, the 2005 10-K/A identifies the following findings of the Special Committee with respect to misconduct by members of senior management:

There is evidence that supports a finding of intentional manipulation of stock option pricing and associated stock-based compensation by a former executive, including the preparation of Compensation Committee meeting minutes that misrepresented the actions taken at certain Compensation Committee meetings. Additionally, there is some evidence that supports a finding that two other former executives may have been aware of, or participated in, this conduct;

[...]

There is evidence that Compensation Committee meeting minutes prepared by a former executive misrepresented certain actions taken by the Compensation Committee....

112. In the course of conducting its internal investigation, Amkor and its Special Committee obtained extensive in depth information regarding the Company's stock option accounting practices. However, other than disclosing that there is "evidence that supports a finding of intentional manipulation," Defendants provide shareholders with virtually no detail as to which former executives were responsible for Amkor's improper and illegal stock option practices. Prior to filing this Complaint, Plaintiffs undertook an investigation to determine the identity of the executive or executives to which the Restatement refers in describing Defendants' sophisticated, fraudulent scheme. However, this information, deliberately omitted from Amkor's Restatement, remains in the exclusive control of Defendants. Nonetheless, information obtained from a confidential witness and from the Company's public filings supports a strong and reasonable inference that Defendants Boruch, John Doe #1, John Doe #2 and John Doe #3 knew, or were reckless in not knowing, that Amkor had improperly accounted for its stock option grants.

113. First, Defendant Boruch, unlike most of the other members of the Company's senior management in 2001 and 2002, is no longer an executive at Amkor. As reported in Amkor's 2005 10-K/A, Boruch, who served as the Company's President and Chief Operating Officer for a significant portion of the Class Period, entered into a "Retirement Separation Agreement and Release" with the Company on December 22, 2005.

114. Second, Defendant Boruch also had significant control over Amkor's stock option granting practices. Boruch's considerable control arose not only out of his high level position with the Company, but through his relationship with the Senior Vice President of Human Resources, Catherine Loucks – whom Defendant Boruch married during the Class Period. This relationship provides an even stronger basis for the inference of Defendant Boruch's

involvement in light of the Special Committee's finding that the "Company's Human Resources personnel were inappropriately allowed to control and administer the stock option grant process without adequate input or supervision."

115. Moreover, Defendant Boruch was known among Amkor personnel to be an executive who greatly favored the use of stock option grants as a form of employee compensation. In fact, a former Senior Vice President of North Asian Operations at Amkor, who knew most of the Company's executives for approximately nine years, explained that Boruch perceived stock based compensation as an important means of attracting high quality labor to the Company. Specifically, Confidential Witness A ("CW A") explained that Defendant Boruch often pushed for the issuance of stock based compensation because he felt that stock options were a good morale booster for employees, in light of Amkor's inability to increase the direct compensation of its employees during a significant portion of the Class Period.

116. CW A also stated that Defendant Boruch had direct control of Amkor's employee option grants, advising that Boruch, along with Catherine Loucks, bore the joint responsibility of notifying specific business departments throughout Amkor (*i.e.*, Product Department, Sales and Marketing Department, Manufacturing Operations, etc.) of the number of stock options that each department was allowed to grant to its employees in a particular year. CW A stated that each department manager would then issue the options to employees based on performance.

117. John Doe #1 was an executive of the Company who, as admitted by the Company, engaged in (1) intentional manipulation of stock option pricing and associated stock-based compensation; and (2) preparation of Compensation Committee meeting minutes that misrepresented the actions taken at certain Compensation Committee meetings. As noted, *infra*, the Company has also admitted that its historical control deficiencies permitted the Company's

Human Resources personnel inappropriate control and administration of the stock option grant process without adequate input or supervision. Consequently, enabling Defendants to engage in and conceal their misconduct. Defendants continue to conceal the identities of the perpetrators of the misconduct to this day.

118. As the Company has admitted, there is evidence to support a finding that two other executives - John Doe # 2 and John Doe #3 – may have participated in the misconduct of John Doe #1, which would include the intentional manipulation of stock option pricing. As noted above, despite the Company's admissions, the identities of John Doe #1, John Doe #2 and John Doe #3 remain in the exclusive control of the Defendants.

(2) Modifications to Stock Option Grants

119. In addition to improperly pricing stock option grants, the Special Committee found that the Company failed to properly identify the modification of option grants to full-time employees who subsequently converted to consultants or advisors to the Company.

Specifically, the Company's 2005 10-K/A states, in pertinent part, as follows:

We determined that from 1998 through 2005, we had not properly accounted for stock options modified for certain individuals who held consulting, transition or advisory roles with us. These included instances of continued vesting after an individual was no longer required to provide substantive services to Amkor after an individual converted from an employee to a consultant or advisory role, and extensions of option vesting and exercise periods. Some of these modifications were not identified in our financial reporting processes and were therefore not properly reflected in our financial statements. *As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of \$9.5 million recognized as of the date of the respective modifications.*

[emphasis added.]

(3) Stock Option Grants to Non-employees

120. Additionally, based upon the Special Committee's findings, the Company determined that, from 1998 to 2004, it had not properly accounted for stock option grants issued to employees of an equity affiliate, consultants, or other persons who did not meet the definition of an employee. Specifically, the Company erroneously accounted for such grants in accordance with APB No. 25 rather than SFAS No. 123 and related interpretations. As a result, Amkor restated its historical financial statements to increase stock-based compensation expense by a total of \$1.6 million.

(4) Material Weakness of Amkor's Internal Control

121. Finally, the Company also restated "Management's Report on Internal Control Over Financial Reporting," included in Amkor's originally filed 2005 10-K. In the originally filed 2005 10-K, Amkor's management, including its principal executive officer and principal financial officer, concluded that the Company maintained effective control over financial reporting as of December 31, 2005.

122. The existence of weak internal controls surrounding the Company's stock option granting practices was an intentional and necessary part of Defendants' scheme to manipulate Amkor's stock option grants. As disclosed in the Company's 2005 10-K/A, material weaknesses – defined as a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected – resulted in the following findings of the Special Committee:

- ***intentional manipulation of stock option pricing and associated stock-based compensation by a former executive***, including the preparation of Compensation Committee meeting minutes that misrepresented the actions taken at certain Compensation Committee meetings;

- *failure to verify purported actions of the Compensation Committee* and ensure that actions at such meetings were accurately and timely documented and periodically reported to the Board of Directors;
- that Human Resources personnel were *inappropriately allowed to control and administer* the Company's stock option grant process without adequate input or supervision;
- *Failure to assure that Amkor personnel received adequate supervision and training* on how to comply with the requirements of generally accepted accounting principles applicable to stock options.

(ii) **An Analysis of the Company's Highly Suspect Class Period Executive and Director Stock Option Grants**

123. The Defendants granted stock options to themselves and to the Company's executives, directors and employees on the precise dates at which Amkor stock had reached its lowest price in weeks, if not months. These grants almost invariably preceded gains – often sharp gains – in the Company's stock price.

124. The Compensation Committee determined the salaries and incentive compensation for executive officers of Amkor and administered the Company's stock option plans throughout the Class Period.

125. Table 1.0 lists options granted to Amkor Officers from 1998 to 2004:

Table 1.0
Amkor Stock Option Grants

<u>Grantee</u>	<u>Shares Underlying Options</u>	<u>Exercise Price</u>	<u>Purported Grant Date</u>
<u>John N. Boruch</u>	400,000	\$11.00	4/30/1998
	47,735	\$5.66	11/9/1998
	100,000	\$9.06	5/7/1999
	150,000	\$43.25	2/4/2000
	175,000	\$14.875	4/04/2001
	225,000	\$13.00	2/22/2002

<u>Grantee</u>	<u>Shares Underlying Options</u>	<u>Exercise Price</u>	<u>Purported Grant Date</u>
	350,000	\$10.79	6/16/2003
	150,000	\$10.79	6/16/2003
	175,000	\$10.79	6/16/2003
	225,000	\$10.79	6/16/2003
	225,000	\$12.40	6/26/2003
	60,000	\$5.31	11/12/2004
<u>Bruce Freyman</u>	150,000	\$14.875	4/04/2001
	200,000	\$13.00	2/22/2002
	150,000	\$10.79	6/16/2003
	150,000	\$10.79	6/16/2003
	200,000	\$10.79	6/16/2003
	150,000	\$12.40	6/26/2003
<u>Paul B. Grant, Corporate V.P.</u>	40,000	\$14.875	4/04/2001
<u>Kenneth T. Joyce</u>	8,000	\$9.06	5/7/1999
	40,000	\$43.25	2/4/2000
	40,000	\$14.875	4/04/2001
	70,000	\$13.00	2/22/2002
	40,000	\$10.79	6/16/2003
	40,000	\$10.79	6/16/2003
	70,000	\$10.79	6/16/2003
	100,000	\$12.40	6/26/2003
	45,000	\$5.31	11/12/2004
	30,000	\$7.00	2/13/2006
<u>Oleg Khaykin</u>	50,000	\$5.31	11/12/2004
	35,000	\$7.00	2/13/2006
<u>James J. Kim</u>	250,000	\$35.54	7/19/2000
	250,000	\$16.36	4/04/2001
	250,000	\$13.00	2/22/2002
	250,000	\$10.79	6/16/2003
	250,000	\$10.79	6/16/2003
	250,000	\$10.79	6/16/2003
	250,000	\$12.40	6/26/2003

<u>Grantee</u>	<u>Shares Underlying Options</u>	<u>Exercise Price</u>	<u>Purported Grant Date</u>
	60,000	\$5.31	11/12/2004
	95,000	\$7.00	2/13/2006
<u>JooHo Kim, Executive V.P.</u>	130,000	\$17.39	1/30/2004
	20,000	\$5.31	11/12/2004
<u>Michael R. Lamble, Corporate V.P.</u>	25,000	\$10.79	6/16/2003
	15,000	\$10.79	6/16/2003
	100,000	\$10.79	6/16/2003
	30,000	\$10.79	6/16/2003
	20,000	\$10.79	6/16/2003
	70,000	\$12.40	6/26/2003
	25,000	\$4.93	10/27/2004
<u>Eric R. Larson, Executive V. P.</u>	90,000	\$11.00	4/30/1998
	30,000	\$9.06	5/7/1999
	40,000	\$43.25	2/4/2000
	40,000	\$14.875	4/04/2001
	70,000	\$13.00	2/22/2002

126. According to the terms of the Company's shareholder-approved stock option plans, with limited exception, the per share exercise price of a granted option shall be no less than 100% of the fair market value per share on the date of grant.

127. Moreover, as discussed in detail above, pursuant to APB 25, the applicable GAAP provision at the time of the foregoing stock option grants, if the market price on the date of grant exceeded the exercise price of the options, which is the case with Defendants' backdated option grants, then the Company was required to recognize the difference as a compensation expense. In other words, since Defendants' backdated option grants were "in the money" at the time of grant, Defendants had an obligation to record as compensation expense, the difference between the market price of Amkor stock at the time of grant and the exercise price of the option.

128. The grants listed in Table 1.0 form a revealing pattern. Many of the foregoing grants were timed precisely at the bottom of a periodic decline in Amkor's stock price. That is to say, grants occurred precisely when Amkor had reached its lowest closing price in weeks, if not months, and were usually immediately prior to a gain – often a sharp gain – in the Company's stock price, or immediately following a significant drop in the price of Amkor common stock.

129. These perfectly-timed options grants, achieving maximum gains for management in numerous instances in which they were granted such options, could not have been and were not the result of mere coincidence. They were, in reality, the consequence of Defendants' improper and opportunistic option granting practices, including the backdating of option grants, and the opportunistic granting of executive and director stock options.

130. In a 2006 *Journal of Financial Economics* article, entitled “Does backdating explain the stock price pattern around executive stock option grants?”, Randall A. Heron and Erik Lie provide an analytical basis for the conclusion that backdating and the opportunistic timing of either grants and/or information releases around grants, are likely sources of abnormal stock return patterns relating to executive stock option grants. The article states, in relevant part, as follows:

Yermack (1997), Aboody and Kasznik (2000), Chauvin and Shenoy (2001), Lie (2005), and Narayanan and Seyhun (2005) find that firms' stock returns are abnormally high immediately after executive stock option grants. In addition, the latter three studies find that the returns are abnormally low leading up to the grants. ***Because stock options are generally granted at the money, past researchers have attributed the documented stock return pattern to opportunistic timing of either grants and/or information releases around grants.***

Yermack (1997) documents that the ***average abnormal stock return during the 50 trading days after 620 stock option grants to CEOs between 1992 and 1994 exceeds two percent, and he interprets this as evidence that executives opportunistically time grants to occur before anticipated stock price increases.*** Aboody and Kasznik (2000) focus on a sample of 2,039 grants to CEOs between 1992 and 1996 that appear to be

scheduled in an attempt to remove the effect of opportunistic grant timing. ***At least two percent, the average abnormal return is statistically positive even after these grants, which the authors interpret as evidence that executives opportunistically time the release of information around scheduled option grants.***

Based on a sample of 5,977 CEO stock option grants from 1992 through 2002, Lie (2005) reports negative abnormal returns before the grants and positive returns afterward, and finds that this pattern has intensified over time. Interestingly, even the portion of the stock returns that is predicted by overall market factors is negative before the option grants and positive afterward. This prompts Lie to conclude that ***“unless executives have an informational advantage that allows them to develop superior forecasts regarding the future market movements that drive these predicted returns, the results suggest that the official grant date must have been set retroactively.”***

[...]

Lie’s backdating hypothesis could potentially explain the bulk of the abnormal stock return pattern around executive stock option grants. Recent anecdotal evidence from the SEC’s investigation of Mercury Interactive and other cases (which we discuss later) supports this contention. However, Lie’s empirical evidence does not rule out alternative theories. Researchers using insider trading data, including, Lakonishok and Lee (2001), Seyhun (1988, 1992), and Narayanan and Seyhun (2005), present evidence consistent with the notion that some executives have the ability to forecast future market returns. ***Thus, it is possible that the patterns in predicted returns around option grants are attributable to executives timing grants to occur shortly before they expect upswings in the whole market.***

[emphasis added.]

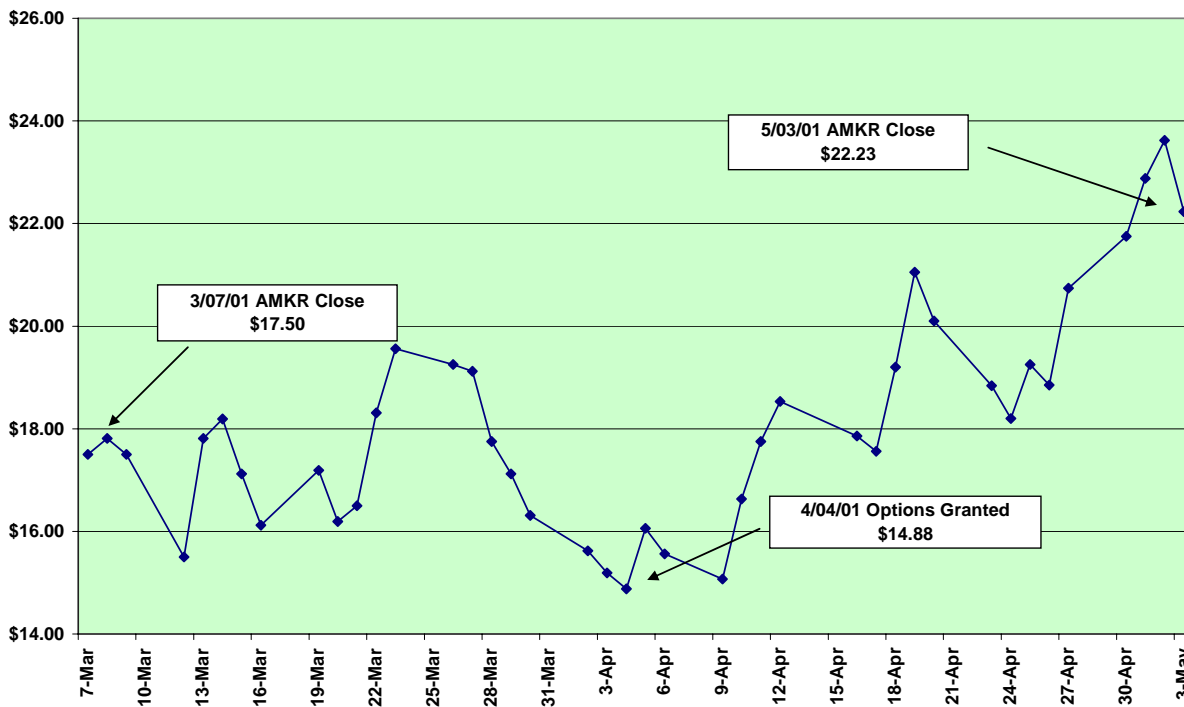
131. Table 2.0, shows how the Company’s 2001 and 2002 executive stock option grants are bracketed by significantly higher closing prices.

Table 2.0
20-Day Price Bracket - Amkor Option Grants

Purported Grant Date	Stock Price 20 Days Prior to Grant	Exercise Price	Stock Price 20 Days Following Grant	Percent Rise in Stock Price
4/04/01	\$17.50	\$14.88	\$22.23	49.4%
2/22/02	\$17.77	\$13.00	\$20.85	60.4%

132. The following figures further demonstrate graphically the Defendants’ improper and opportunistic selection of these grant dates:

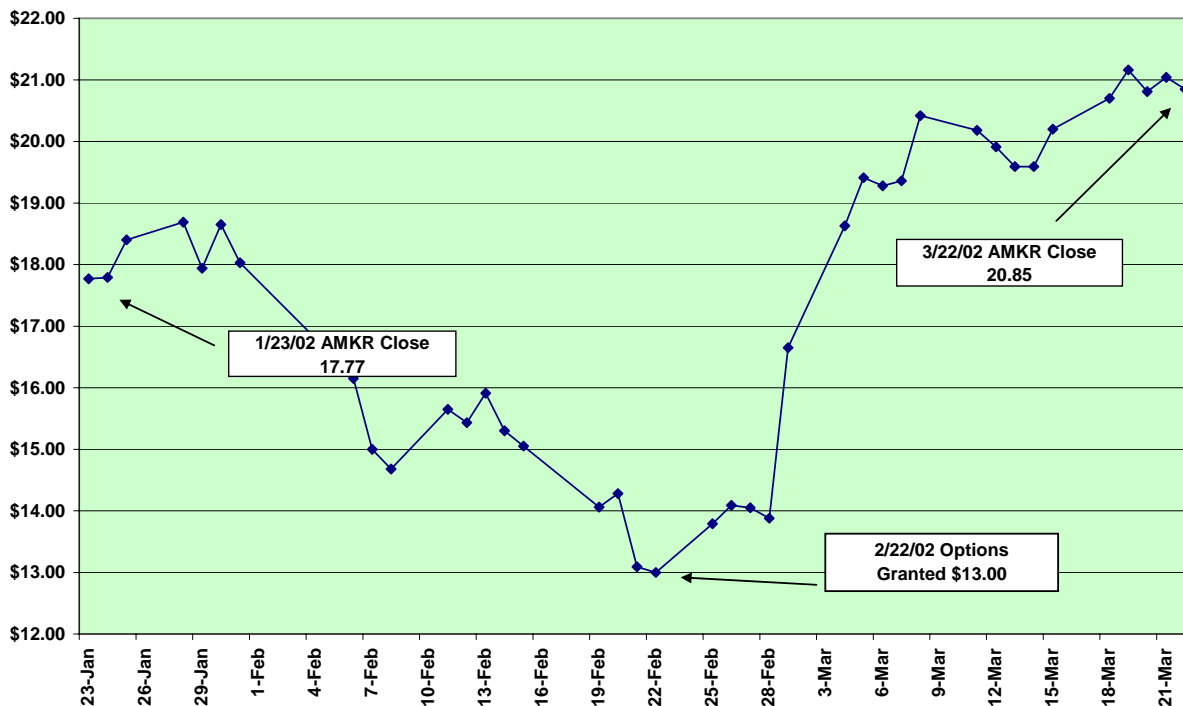
Figure 1.0
20-Day Price Bracket - 4/04/01 Options Grant



133. As Figure 1.0 shows, grants made on April 4, 2001 took place when Amkor shares had reached their lowest price within twenty trading days. As reproduced, *infra*, the 2002 Proxy reported that five of the Company’s six Named Executive Officers – Boruch, Freyman, Grant, Joyce and Larson – collectively received 445,000 options to purchase shares on this improperly selected grant date. That same day, Defendant Kim received 250,000 options to

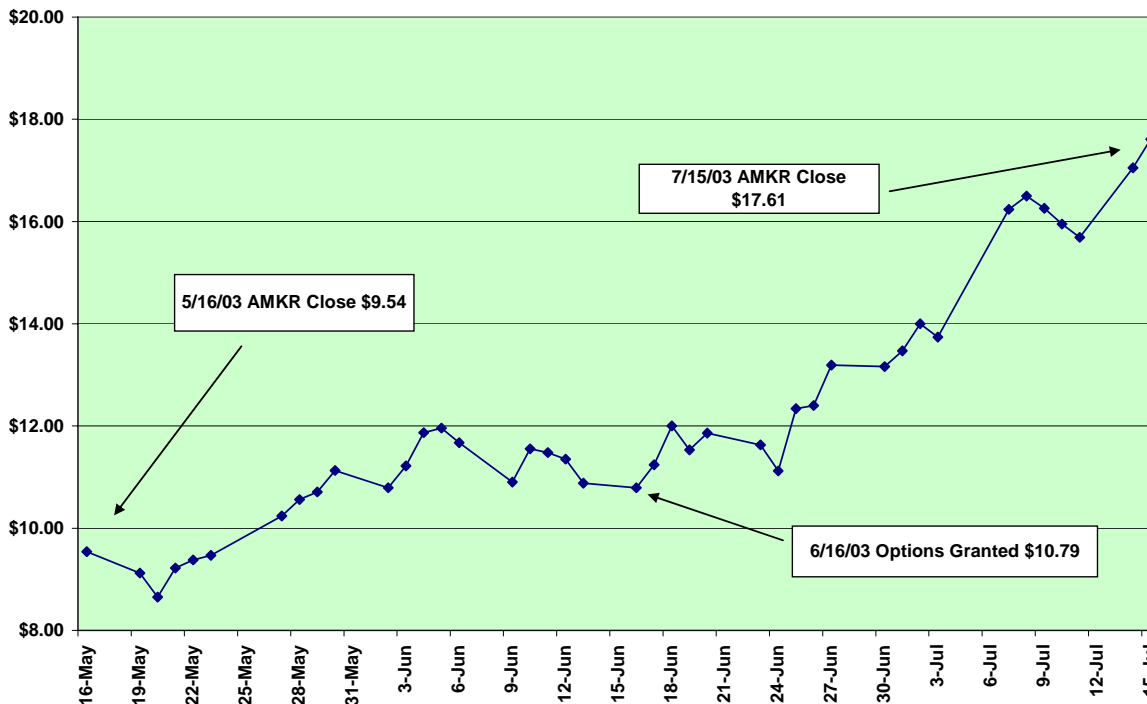
purchase shares at \$16.36, which equals the April 4, 2001 price plus a 10% premium. Even at this slightly increased price, Defendant Kim's options were in-the-money by April 10, 2001, only six days later, when Amkor shares closed at \$16.63.

Figure 2.0
20-Day Price Bracket - 2/22/02 Options Grant



134. Like Figure 1.0, Figure 2.0 shows the Defendants' well-timed options grant on February 22, 2002, which resulted in a 60.4% potential gain in just twenty trading days. As reproduced *infra*, the 2003 Proxy reported that the Company's five Named Executive Officers – Kim, Boruch, Freyman, Joyce and Larson – collectively received 815,000 options to purchase shares on this improperly selected grant date. Multiplying the 815,000 options granted by the \$7.85 per-share gain over those twenty trading days, results in compensation expense of nearly \$6.4 million.

Figure 3.0
20-Day Price Bracket - 6/16/03 Options Grant

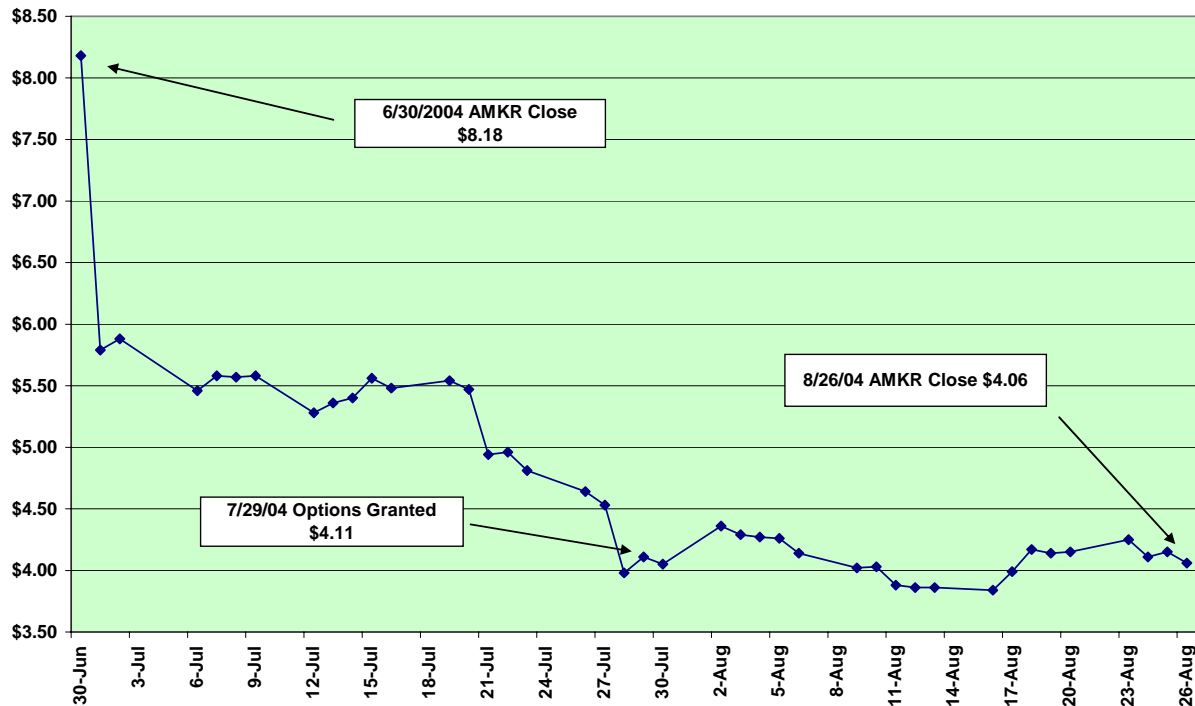


135. Figure 3.0 shows gains associated with the Defendants' June 16, 2003 options grant. Under this grant, as discussed *supra*, with the explicit approval of the Compensation Committee, the Defendants granted themselves and Amkor's directors and executives millions of options to replace outstanding options that were out-of-the-money. Pursuant to the voluntary stock option replacement program, instituted on November 8, 2002, the grant date of the new options was to be no earlier than June 12, 2003. Suspiciously, Defendants elected to execute the grant on June 16, 2003, when Amkor shares closed at \$10.79, which represented the lowest closing price for Amkor shares between June 12, 2003 and April 26, 2004. Significantly, the price of Amkor stock rose sharply immediately after the June 16, 2003 grant.

136. As reproduced *infra*, the 2004 Proxy reported that the Company's five Named Executive Officers – Kim, Boruch, Freyman, Joyce and Lamble – collectively received over 3.28

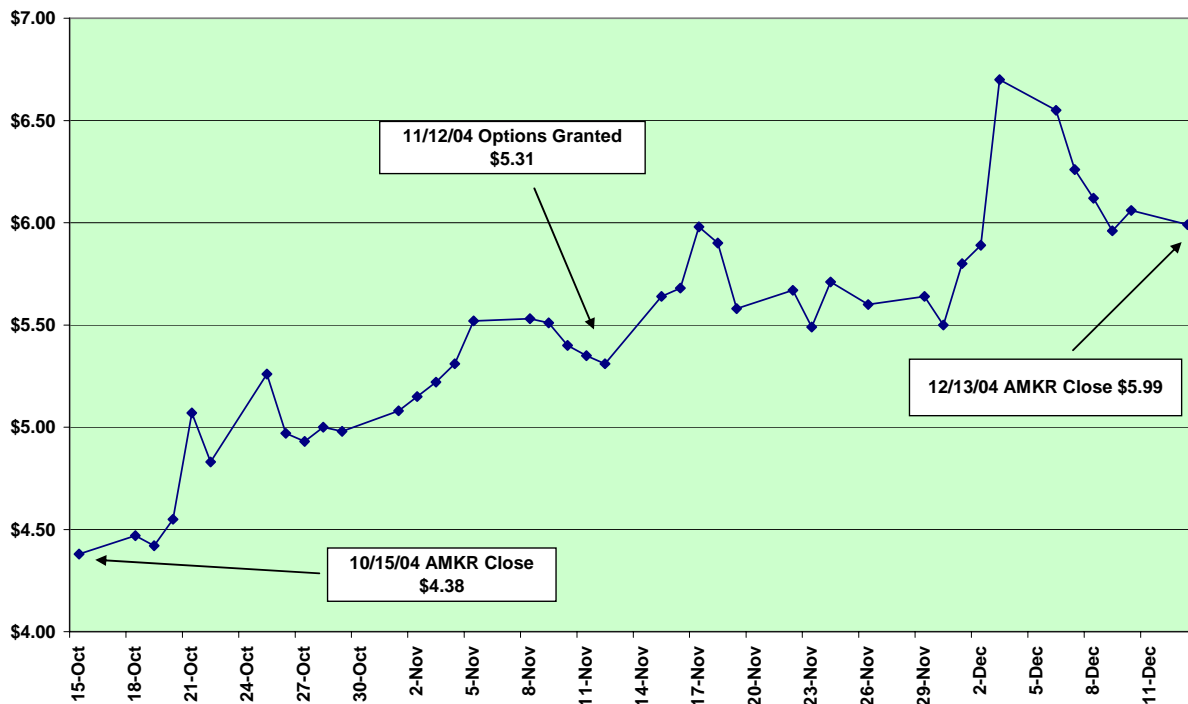
million options to purchase shares on this selected grant date. Of these options, 2.49 million represented options to replace out-of-the-money options granted when the Company's stock was at higher levels.

Figure 4.0
20-Day Price Bracket - 7/29/04 Options Grant



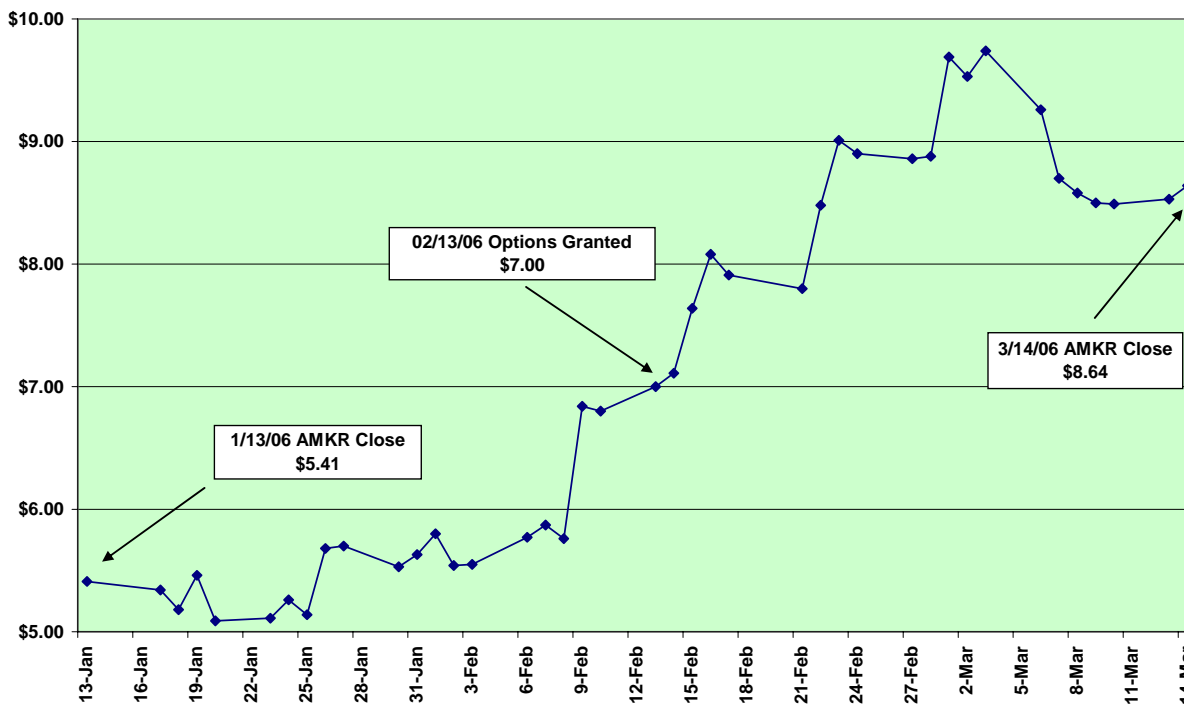
137. Figure 4.0 shows the steep stock price decline – the result of the market's reaction to several negative news announcements in July 2004, as explained *infra* at ¶¶ 293-298 – preceding Defendants' July 29, 2004 options grant to the Amkor Board of Directors. In Amkor's 2005 Proxy, the Company admitted that it failed to report this grant in a timely fashion, violating Section 16(a) of the Exchange Act. Although this grant did not conform to the pattern of the three previous grants, it was executed at a price level that was historically low, and it followed a decline of nearly fifty percent in the Company's share price.

Figure 5.0
20-Day Price Bracket - 11/12/04 Options Grant



138. Figure 5.0 shows the stock option grant disclosed in the Company's 2005 Proxy. As shown in the chart, Amkor's shares rose steeply following the grant, closing at \$5.64 for a gain of \$0.33 or 6% within just ten trading days. By December 13, 2004, only ten trading days later, Amkor's stock price had risen an additional \$0.35 to \$5.99, which represented a \$0.68 or 12.8% gain above the November 12, 2004 grant price (and in between these dates, there were even sharper spikes in the price of the stock, including to \$6.70 on December 3, 2004).

Figure 6.0
20-Day Price Bracket - 2/13/06 Options Grant



139. Figure 6.0 shows the stock option grants disclosed by the Company in Form 4's filed with the SEC on February 13, 2006. Specifically, Defendant Kim received 95,000 stock options, Defendant Khaykin received 35,000 stock options, and Defendant Joyce received 30,000 stock options, each granted at an exercise price of \$7.00. As shown in the chart, shares of Amkor common stock rose sharply following the grant, closing at \$9.74 for a gain of \$2.74 or 39%, within only 13 trading days. Additionally, on February 7, 2006, the Company granted Roger Carolin, an Amkor director, 20,000 stock options at an exercise price of \$6.84. Significantly, just one day after the February 7th grant and three business days before the February 13th grants, Amkor issued a press release entitled "Amkor Reports Record Fourth Quarter Sales and Return to Profitability," disclosing record fourth quarter and year end 2005 results. Therein, the Company, in relevant part, stated:

CHANDLER, Ariz.--Feb. 8, 2006--Amkor Technology, Inc. (Nasdaq: AMKR) reported record fourth quarter sales of \$643 million, up 42% from the fourth quarter of 2004 and up 17% from the third quarter of 2005. Amkor's fourth quarter net income was \$54 million, or \$0.30 per diluted share, compared with net loss of \$36 million, or (\$0.21) per share, in the fourth quarter of 2004.

[...]

For the full year 2005, Amkor's sales were a record \$2.1 billion, up 10% over 2004. For 2005, Amkor's loss was \$137 million, or (\$.78) per share, and included a provision of \$50 million for legal settlements. For 2004, Amkor's net loss was \$38 million, or (\$.21) per share.

6. The Defendants' Scheme Caused the Company to Violate Generally Accepted Accounting Principles and SEC Regulations

140. The Defendants' options backdating scheme and the opportunistic granting of stock options caused the Company to run afoul of GAAP and SEC Regulations both for the proper reporting of its financial condition generally, and the reporting of its compensation costs specifically.

141. According to SEC regulations, public companies must prepare their financial statements in accordance with GAAP. By failing to comply with GAAP, Amkor's financial statements are presumptively in violation of those regulations.

142. GAAP are the principles recognized by the accounting profession as the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. They are the official standards accepted by the SEC and promulgated in part by the American Institute of Certified Public Accountants ("AICPA"), a private professional association, through three successor groups it established: the Committee on Accounting Procedure, the Accounting Principles Board, and the Financial Accounting Standards Board ("FASB") with the permission of the SEC (Accounting Series Release 150).

143. SEC Rule 4-01(a) of SEC Regulation S-X states that “[f]inancial statements filed with the Commission which are not prepared in accordance with [GAAP] will be presumed to be misleading or inaccurate, despite footnote or other disclosures, unless the Commission has otherwise provided.” 17 C.F.R. § 210.4-01(a)(1). Regulation S-X requires that interim financial statements must also comply with GAAP. 17 C.F.R. § 210.10-01(a).

144. As noted in AICPA auditing standard (“AU”), § 110.02, a public company’s management is responsible for preparing financial statements in conformity with GAAP:

The financial statements are management’s responsibility ... Management is responsible for adopting sound accounting policies and for establishing and maintaining internal controls that will, among other things, initiate, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements. The entity’s transactions and the related assets, liabilities and equity are within the direct knowledge and control of management.... Thus, the fair presentation of financial statements in conformity with generally accepted accounting principles is an implicit and integral part of management’s responsibility.

145. As seen clearly in their decision to backdate stock option grants during the Class Period, and, as the Company admits in its recent Restatement, Defendants wholly failed to adopt sound accounting policies and to maintain internal controls designed to ensure that the Company’s public filings were fairly presented.

146. The SEC also regulates statements by companies “that can reasonably be expected to reach investors and the trading markets, whoever the intended primary audience.” Public Statements by Corporate Representatives, Exchange Act Release No. 33-6504, 3 Fed. Sec. L. Rep. (CCH) ¶ 23,120B, at 17,096, 17 C.F.R. § 241.20560, 1984 WL 126134 (Jan. 13, 1984).

147. Under SEC regulations, the management of a public company has a duty “to make full and prompt announcements of material facts regarding the company’s financial condition.”

Timely Disclosure of Material Corporate Developments, Exchange Act Release No. 34-8995, 3 Fed. Sec. L. Rep. (CCH) ¶ 23,120A, at 17,095, 17 C.F.R. § 241.8995, 1970 WL 10576 (Oct. 15, 1970). The Defendants violated this regulation throughout the Class Period by deliberately and/or recklessly misrepresenting the specific terms and the annual costs of the Company's employee and director stock plans.

148. In Securities Act Release No. 6349, 23 S.E.C. Docket 962 (Sept. 28, 1981), the SEC stated that:

It is the responsibility of management to identify and address those key variables and other qualitative and quantitative factors which are peculiar to and necessary for an understanding and evaluation of the individual company.

149. The Defendants violated this basic precept by: 1) concealing from the public a complete understanding of material facts relating to Amkor's employee compensation expenses, specifically the costs the Company would have incurred had it properly accounted for stock options that the Defendants improperly backdated; and 2) concealing from the public a complete understanding of material facts relating to Defendants' practice of opportunistically granting options, specifically that: a) while the options granted to executives and directors of the Company appeared, based on the usual characteristics of such instruments, to be a form of "risk-based compensation," they were, instead, a disguised form of straight compensation, as Defendants' practices substantially eliminated the risks faced by these option recipients; and b) by means of this subterfuge, Defendants' compensation practices were performed in an unethical manner.

150. In Accounting Series Release 173 (July 2, 1975), the SEC reiterated the duty of management to present a true representation of a company's operations:

[I]t is important that the overall impression created by the financial statements be consistent with the business realities of the company's financial position and operations.

151. For the reasons stated above, the Defendants failed throughout the Class Period to present a correct impression of Amkor's business realities.

152. Item 7 of Form 10-K and Item 2 of Form 10-Q, Management's Discussion and Analysis of Financial Condition and Results of Operations, requires the issuer to furnish information required by Item 303 of Regulation S-K, 17 C.F.R. § 229.303.

153. On May 18, 1989, the SEC issued an interpretive release (Securities Act Release No. 6835, 54 Fed. Reg. 22427 (May 18, 1989)), which stated, in relevant part:

The MD&A requirements are intended to provide, in one section of a filing, material historical and prospective textual disclosure enabling investors and other users to assess the financial condition and results of operations of the registrant, with particular emphasis on the registrant's prospects for the future. As the Concept Release states:

The Commission has long recognized the need for a narrative explanation of the financial statements, because a numerical presentation and brief accompanying footnotes alone may be insufficient for an investor to judge the quality of earnings and the likelihood that past performance is indicative of future performance. MD&A is intended to give the investor an opportunity to look at the company through the eyes of management by providing both a short and long term analysis of the business of the company. The Item asks management to discuss the dynamics of the business and to analyze the financials.

154. As discussed, *infra*, Defendants nowhere explained in the MD&A sections of their annual and quarterly SEC filings that they had caused Amkor not to be in compliance with GAAP or the terms of its own option plans.

155. Pursuant to GAAP, as set forth in Accounting Principles Board Opinion No. 20 (“APB No. 20”),¹ restatements are required to correct material accounting errors, whether unintentional or fraud, that existed at the time the financial statements were issued, and are permitted for the purpose of correcting improper accounting only when it results in *material* misstatements. By restating Amkor’s financial statements, the Company admitted that each document publishing the original financial statements contained untrue statements and/or omissions of material fact. Similarly, by restating, the Company also conceded that each of the press releases disseminated to the investing public and each of the annual and quarterly reports on Form 10-K and Form 10-Q that were filed with the SEC during the Class Period, contained untrue statements of material fact, and/or failed to disclose material facts.

156. For the period beginning January 1, 1998 through June 30, 2006, Amkor’s Restatement reflects an aggregate increase in non-cash stock based compensation expense of \$108.8 million (prior to tax related effects) and a corresponding aggregate decrease in net income for the same period, resulting primarily from Defendants’ violations of APB No. 25. Approximately \$98 million of the aggregate decrease resulted from Defendants’ use of improper measurement dates in connection with its historical stock option grants.

157. As reflected in the Company’s Restatement, proper application of GAAP resulted in an increase to the Company’s year end December 31, 2003 operating expenses and a corresponding decrease to the Company’s operating and net income. Specifically, for year end 2003, the Company was forced to: 1) increase its cost of sales by over \$3 million; 2) increase its selling, general and administrative expense by nearly \$4 million; and 3) reduce its income from

¹ As of December 2005, APB No. 20 was replaced by Statement of Financial Accounting Standard No. 154, which carries forward without change the guidance contained in APB No. 20 for reporting the correction of an error in previously issued financial statements.

discontinued operations, net of tax, by \$396,000. As a result, the Company's restated financials reflect operating and net income figures that are over \$7 million less than originally reported. The materiality of the Restatement on the Company's financial position is demonstrated by the fact that Amkor's net income for 2003 swung from an income position of approximately \$2 million, to a net loss of over \$5 million. Similarly, as a result of the Restatement, Amkor's previously reported basic and diluted income per common share of \$.01, was decreased by \$.04, and now reflects a loss of (\$.03) per common share.

158. Amkor's Restatement also resulted in an increase to the Company's year end December 31, 2004 operating expenses and a corresponding decrease to the Company's operating and net income. Specifically, for year end 2004, the Company was forced to: 1) increase its cost of sales by over \$4.5 million; and 2) increase its selling, general and administrative expense by nearly \$3 million. As a result, the Company's restated financials reflect operating and net income figures that are nearly \$7.5 million less than originally reported. In 2004, the Company had reported a net loss of approximately \$37 million, and thus, the \$7.5 million restatement has deepened the previously reported loss by over 20%. Moreover, as a result of the Restatement, Amkor's previously reported basic and diluted loss per common share of (\$.21) was decreased by \$.05, resulting in an even larger loss per common share of (\$.26).

159. The Company's Restatement does not provide detailed information on a yearly or quarterly basis for that portion of the Class Period prior to January 1, 2003. However, the Company does disclose that the cumulative effect of Defendants' improper stock option accounting practices, prior to January 1, 2003, increased the Company's accumulated deficit by \$90.1 million. This increase to accumulated deficit was the result of incremental stock-based compensation charges, net of tax, totaling \$61.6 million, \$15.8 million, \$9.5 million, and \$3.2

million for the years ended December 31, 2002, 2001, 2000 and 1999. Amkor's incremental stock-based compensation charges of \$7.6 million, \$7.4 million and .3 million, for years ended 2003, 2004 and 2005, discussed above, also had the negative effect of increasing the Company's accumulated deficit.

160. Finally, Amkor's options accounting violated, *inter alia*, the following fundamental principles of GAAP:

- the principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions. (FASB Statement of Financial Accounting Concepts ("FASCON") No. 1);
- the principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events, and circumstances that change resources and claims to those resources. (*Id.*);
- the principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. (*Id.*);
- the principle that financial reporting should provide information about an enterprise's financial performance during a certain time period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are

commonly based at least partly on evaluations of past enterprise performance.

(Id.);

- the principle that the quality of reliability and, in particular, of representational faithfulness leaves no room for accounting representations that subordinate substance to form. (FASCON No. 2);
- the principle that information should be reliable as well as relevant is a notion that is central to accounting. The reliability of a measure rests on the faithfulness with which it represents what it purports to represent. *(Id.)*;
- the principle of completeness, that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions. *(Id.)*;
- the principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent. *(Id.)*; and
- the principle that recognition of revenues, expenses, gains and losses and the related increments or decrements in assets and liabilities... is the essence of using accrual accounting to measure performance of entities. (FASCON No. 6).

B. Amkor's Customer Forecasting and Cost Management

161. In general, Amkor functions in a subcontractor capacity. Amkor's customers provide the Company with silicon wafers, and, in turn, Amkor packages and tests the wafers for the customer. Although Amkor takes possession of the customer wafers, the Company does not consider the silicon wafer to be part of its inventory. Rather, Amkor's inventory consists

primarily of the raw materials the Company uses in packaging and testing its customers' wafers, including leadframes, laminate substrates and gold wire.

162. Since Amkor's services are dependent upon its customers' needs, Amkor's business relies heavily on customer forecasts.

163. Generally, Amkor uses a combination of factors to estimate raw material needs, primarily relying upon six-month customer forecasts. In practice, the six-month forecasts, which are often adjusted by customers on a monthly basis, allow Amkor to immediately purchase up to a 3 month supply of the raw materials needed to fulfill its customers' orders.

164. But Amkor personnel knew from experience that the Company's customer forecasts were unsupportable. According to numerous former Amkor employees, these initial six-month forecasts were often inflated and inaccurate. For instance, Confidential Witness 1 ("CW 1"), a former account specialist with Amkor from June 1997 to January 2003, explained that inflated forecasts occurred because senior management failed to implement a centralized and effective forecasting system. Specifically, CW 1 stated that there was no strategic direction from the top on how to fix the forecasting system and better manage account representatives, notwithstanding recurring problems, as described below.

165. Another former Amkor employee, Confidential Witness 2 ("CW 2"), a former customer service and account manager with Amkor from January 2002 to February 2004, stated that Amkor was suffering from internal and external communication difficulties in late 2003. For instance, CW 2 explained that there was frequent confusion among management as to who had responsibility over customer projects and specifically recalled e-mails wherein one manager announced his claim over a particular project only to be later usurped by another. CW 2 further explained that these inefficiencies rendered Amkor unable to adequately and effectively meet

customer demands, and in effect reduced the Company's revenue generating prospects, during a time when Amkor and its competitors were experiencing increased demand.

166. CW 2 explained that upper-level management was also ineptly communicating with: 1) the Company's suppliers, as evidenced by the deficient raw materials forecasts it provided to them, and 2) the Company's customers, by failing to fulfill orders on a timely basis. These inefficiencies resulted in less cost effective raw materials procurement, and ultimately a loss of business.

167. In particular, CW 2 faulted a "supplier backlash" in or around August 2003 with causing Amkor to experience strained relationships with its customers. CW 2 explained that the raw materials and/or substrate suppliers' "backlash," meaning the abrupt cancellation by suppliers of delivery on raw material orders crucial to the Company's production, resulted from Amkor's constant one-sided "renegotiations" for placed raw material orders, which were the result of weak internal forecasting controls and the inability to effectively forecast its raw material needs.

168. CW 2 explained that these abrupt supplier cancellations had a damaging effect on Amkor's business, causing Amkor to be unable to meet customer orders in a timely fashion. For instance, CW 2 explained that Amkor had great difficulty obtaining agreement by customers to pay for "over-ordered" raw materials, which they were under contract to do, as customers argued that Amkor was first to breach the underlying order contract by unfairly renegeing on multiple lead-times and shipping dates.

169. In addition to negatively impacting Amkor's relationship with its customers, it can be reasonably and strongly inferred that the "supplier backlash" forced Amkor to seek

immediate alternative means to procure raw materials, causing the Company to incur significantly increased raw material costs.

170. Further, as suppliers pushed Amkor to the “back of the line” in substrate deliveries, and even canceled material orders, Amkor’s customers began to use countermeasures to protect themselves from Amkor’s increased lead-times and shipping delays.

171. One such countermeasure described by CW 2 was “frontloading.” By “frontloading” their forecasts, customers would in essence provide Amkor with intentionally inflated forecasts for a particular six month period. According to CW 2, this practice allowed the customer to hedge against Amkor’s inability to meet orders on a timely basis.

172. CW 2 stated that customers would regularly provide forecasts for longer-than-normal periods. For example, rather than providing Amkor with their six month packaging and testing needs, customers would inflate their forecasts to include their needs for the upcoming nine month period. Rather than substantiate these “frontloaded” customer forecasts – which Amkor personnel knew to be inaccurate - the Company utilized such forecasts in providing false and misleading statements to the public with regard to its future growth, customer demand, and profitability.

173. Additionally, according to Confidential Witness 3 (“CW 3”), a former senior accounting specialist, Amkor’s raw material cost management and accounting systems were insufficient due to the fact that the Company suffered from widespread internal control weaknesses.

174. Specifically, CW 3, who was employed at Amkor between 2002 and March of 2005, stated that Amkor lacked a company-wide computer system.

175. In fact, Confidential Witness 4 (“CW 4”), an executive assistant on the Chief Financial Officer’s staff from September 2003 through September 2004, stated that in certain cases the cost of a particular customer’s product “varied” in Amkor’s accounting system, resulting in as many as three different costs for a customer product. CW 4’s immediate supervisor reported directly to Amkor’s CFO, Defendant Joyce.

176. Significantly, CW 4 stated that the frequency of errors in Amkor’s accounting and cost management system caused Amkor executives to commence a special project to “clean up” the cost variances resulting from the Company’s weak internal controls.

177. Another former Amkor employee, Confidential Witness 5 (“CW 5”), a Business Development/Finance Manager with the Company from 1995 to 2005, confirmed that the Company was suffering from weak internal controls. In particular, CW 5 stated that controls were deficient with respect to the supplies receiving department at Amkor’s Corporate office, demonstrating that Amkor’s internal control deficiencies were widespread and impacted several aspects of the Company’s business. CW 5 stated that he had routine contact with Amkor’s executive managers including Defendants Boruch and Joyce.

**Materially False And Misleading
Statements Issued During The Class Period**

A. Amkor’s Improper Stock Option Granting Practices

178. Throughout the Class Period, as demonstrated above, Defendants materially misrepresented the dates and terms of stock option grants to Amkor executives and directors. Moreover, by recording the impact of these grants improperly in Amkor’s financial statements, the Defendants materially misstated numerous crucial and oft-relied upon measures of profitability and financial strength.

1. Amkor's False and Misleading Definitive Proxy Statements

179. On May 24, 2002, Amkor filed with the SEC a Definitive Proxy Statement on form DEF 14A (the "2002 Proxy").

180. The 2002 Proxy contained the following false and misleading language:

1998 Director Option Plan: Our Board of Directors adopted the 1998 Director Option Plan (the "Director Plan") in January 1998. Our stockholders subsequently approved the Director Plan in April 1998. The Director Plan became effective immediately prior to our initial public offering on April 30, 1998.

[...]

We reserved a total of 300,000 shares of our common stock for issuance under the Director Plan. The exercise price of the initial grant of 15,000 options to our non-employee directors who were serving as directors on the date of our initial public offering was 94% of the \$11.00 price per share of the shares of our common stock sold in our initial public offering. **The exercise price of each option under the Director Plan issued after our initial public offering was, and will continue to be, 100% of the fair market value of our common stock on the grant date.** The term of each option issued under the Director Plan is ten years.

[...]

Long-Term Incentive Compensation

Long-term incentive compensation currently consists solely of stock options. The Committee is responsible for the administration of the Company's stock option program. **Option grants are made under the Stock Option Plan, as amended, at the fair market price on the date of grant and expire up to ten years after the date of the grant.** The Committee believes that stock options are a competitive necessity in the electronics industry.

[emphasis added.]

[...]

OPTION GRANTS IN FISCAL 2001

The following table provides information concerning each grant of options to purchase our common stock made during 2001 to the Named Executive Officers.

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE MINUS EXERCISE PRICE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE (\$/SH) (2)	EXPIRATION DATE	OPTION TERM(1)	
					5%	10%
James J. Kim..... Chief Executive Officer and Chairman	250,000	5.8%	\$ 16.36	4/4/06	\$1,129,992	\$2,496,986
John N. Boruch..... Chief Operating Officer and President	175,000	4.1%	\$14.875	4/4/11	\$1,637,091	\$4,148,711
Bruce J. Freyman..... Executive Vice President, Manufacturing and Product Operations	150,000	3.5%	\$14.875	4/4/11	\$1,403,221	\$3,556,038
Paul B. Grant..... Corporate Vice President and Country Manager, Japan	40,000	0.9%	\$14.875	4/4/11	\$ 374,192	\$ 948,277
Kenneth T. Joyce..... Executive Vice President and Chief Financial Officer	40,000	0.9%	\$14.875	4/4/11	\$ 374,192	\$ 948,277
Eric R. Larson..... Executive Vice President, Corporate Development and Wafer Fab	40,000	0.9%	\$14.875	4/4/11	\$ 374,192	\$ 948,277

(1) Potential realizable value is based on the assumption that: (1) our common stock will appreciate at the compound annual rate shown from the date of grant until the expiration of the option term and (2) that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price. We assume stock appreciation of 5% and 10% pursuant to rules promulgated by the Securities and Exchange Commission, and these percentages do not reflect our estimate of future stock price growth.

(2) All options shown granted in fiscal 2001 become exercisable as to 25% of the share subject to the option exercisable starting one year after the date of grant and an additional 1/48 of such shares subject to the option becoming exercisable each month thereafter.

181. As demonstrated above, Amkor's 2002 Proxy was materially false and misleading because: (1) the exercise price of options granted to the Company's directors under the Director Plan was not 100% of the fair market value of Amkor's common stock on the actual grant date; it was, instead, the lower fair market value of Amkor's stock on the reported date, which the Defendants improperly selected for the purpose of backdating these grants; and (2) the exercise price for options granted to the Company's Named Executive Officers under the Stock Option Plan was not 100% of the fair market value of Amkor's common stock on the actual grant date; it

was, instead, the lower fair market value of Amkor's stock on the reported date, which the Defendants improperly selected for the purpose of backdating these grants.

182. Additionally, as explained above, Amkor's 2002 Proxy was materially misleading because Defendants improperly and opportunistically selected the exercise price of the executive and director stock options granted, without adequately disclosing such practices. Specifically, Amkor's 2002 Proxy created the false impression that Defendants chose the grant dates for the options based on arbitrary or administrative factors, rather than, as was in fact the case, a calculation of what would most increase the likelihood of maximum gain for the executives and directors, maximize the cost to the corporation, and substantially diminish the risk associated with Amkor common stock for these option recipients relative to that faced by ordinary investors in Amkor common stock.

183. On July 10, 2003, Amkor filed with the SEC a Definitive Proxy Statement on form DEF 14A (the "2003 Proxy").

184. The 2003 Proxy contained the following false and misleading language:

1998 Director Option Plan: Our Board of Directors adopted the 1998 Director Option Plan (the "Director Plan") in January 1998. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. As of January 1, 2003, the Director Plan provides for an initial grant of options to purchase 20,000 shares of common stock to each new non-employee director of the Company when such individual first becomes a non-employee director. In addition, each non-employee director will automatically be granted subsequent options to purchase 10,000 shares of common stock on each date on which such director is re-elected by the stockholders of the Company, provided that as of such date such director has served on the Board of Directors for at least six months. **The exercise price of the options is 100% of the fair market value of the common stock on the grant date.** The term of each option is ten years and each option granted to a non-employee director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the Board of Directors.

[...]

Long-Term Incentive Compensation

Long-term incentive compensation currently consists solely of stock options. The Committee is responsible for the administration of the Company's stock option program. **Option grants are made under the Stock Option Plan, as amended, at the fair market price on the date of grant and expire up to ten years after the date of the grant.** The Committee believes that stock options are a competitive necessity in the electronics industry.

[emphasis added.]

[...]

OPTION GRANTS IN FISCAL 2002

The following table provides information concerning each grant of options to purchase our common stock made during 2002 to the Named Executive Officers.

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE MINUS EXERCISE PRICE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE (\$/SH)	EXPIRATION DATE	OPTION TERM(2)	
					5%	10%
James J. Kim..... Chief Executive Officer and Chairman	250,000(3)	6.3%	\$13.00	2/22/12	\$2,043,908	\$5,179,663
John N. Boruch..... Chief Operating Officer and President	225,000(3)	5.6%	\$13.00	2/22/12	\$1,839,517	\$4,661,697
Bruce J. Freyman..... Executive Vice President, Manufacturing and Product Operations	200,000(3)	5.0%	\$13.00	2/22/12	\$1,635,126	\$4,143,731
Kenneth T. Joyce..... Executive Vice President and Chief Financial Officer	70,000(3)	1.75%	\$13.00	2/22/12	\$ 572,295	\$1,450,306
Eric R. Larson(4)..... Executive Vice President, Corporate Development and Wafer Fab	70,000(3)	1.75%	\$13.00	2/22/12	\$ 572,295	\$1,450,306

(1) All options shown granted in fiscal 2002 become exercisable as to 25% of the share subject to the option exercisable starting one year after the date of grant and an additional 1/48 of such shares subject to the option becoming exercisable each month thereafter.

(2) Potential realizable value is based on the assumption that: (1) our common stock will appreciate at the compound annual rate shown from the date of grant until the expiration of the option term and (2) that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price. We assume stock appreciation of 5% and 10% pursuant to rules promulgated by the Securities and Exchange Commission, and these percentages do not reflect our estimate of future stock price growth.

(3) Each of the Named Executive Officers surrendered these options pursuant to a voluntary stock option replacement program initiated on November 8, 2002. This program allowed employees and members of our Board of Directors to surrender their existing options and to receive new option grants six months and one day after the tendered options were cancelled. We will issue new option grants equal to the same number of shares surrendered by the employees and members of our Board of Directors. The exercise price will equal the fair market value of common stock as of the new grant date which is expected to be no earlier than June 12, 2003.

(4) Mr. Larson ceased to be an executive officer of the Company in March 2003.

185. As demonstrated above, Amkor's 2003 Proxy was materially false and misleading because: (1) the exercise price of options granted to the Company's directors under the Director Plan was not 100% of the fair market value of Amkor's common stock on the actual grant date, but was instead the lower fair market value of Amkor's stock on the reported date, which the Defendants improperly selected for the purpose of backdating these grants; and (2) the exercise price for options granted to the Company's Named Executive Officers under the Stock Option Plan was not 100% of the fair market value of Amkor's common stock on the actual grant date, but was instead the lower fair market value of Amkor's stock on the reported date, which the Defendants improperly selected for the purpose of backdating these grants.

186. Additionally, as explained above, Amkor's 2003 Proxy was materially misleading because Defendants improperly and opportunistically selected the exercise price of the executive and director stock options granted, without adequately disclosing such practices. Specifically, Amkor's 2003 Proxy created the false impression that Defendants chose the grant dates for the options based on arbitrary or administrative factors, rather than, as was in fact the case, a calculation of what would most increase the likelihood of maximum gain for the executives and directors, maximize the cost to the corporation, and substantially diminish the risk associated with Amkor common stock for these option recipients relative to that faced by ordinary investors in Amkor common stock.

187. On July 2, 2004, Amkor filed with the SEC a Definitive Proxy Statement on form DEF 14A (the "2004 Proxy").

188. The 2004 Proxy contained the following false and misleading language:

1998 Director Option Plan: Our Board of Directors adopted the 1998 Director Option Plan (the "Director Plan") in January 1998. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. As of January 1, 2003, the Director Plan provides for an initial grant of options to purchase 20,000 shares of common stock to each new non-employee director of the Company when such individual first becomes a non-employee director. In addition, each non-employee director will automatically be granted subsequent options to purchase 10,000 shares of common stock on each date on which such director is re-elected by the stockholders of the [C]ompany, provided that as of such date such director has served on the Board of Directors for at least six months. **The exercise price of the options is 100% of the fair market value of the common stock on the grant date.** The term of each option is ten years and each option granted to a non-employee director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the Board of Directors.

[...]

Long-Term Incentive Compensation

Long-term incentive compensation currently consists solely of stock options. The Compensation Committee is responsible for the administration of our stock option program. **Option grants are made under the 1998 Stock Option Plan, as amended, at the fair market price on the date of grant and expire up to ten years after the date of the grant.** The Compensation Committee believes that stock options are a competitive necessity in the electronics industry.

[emphasis added.]

[...]

OPTION GRANTS IN FISCAL 2003

The following table provides information concerning each grant of options to purchase our common stock made during 2003 to our Chief Executive Officer and our four other most highly compensated employees, which include all three of our executive officers as of December 31, 2003 other than our Chief Executive Officer:

Name	Individual Grants			Expiration Date	Potential Realizable Value Minus Exercise Price at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share (\$/sh)		5%	10%
James J. Kim Chief Executive Officer and Chairman	250,000(3)	2.2%	\$ 10.79	7/19/11	\$ 1,305,555	\$ 3,134,873
	250,000(3)	2.2%	\$ 10.79	4/4/12	\$ 1,447,126	\$ 3,544,597
	250,000(3)	2.2%	\$ 10.79	2/22/13	\$ 1,629,993	\$ 4,093,914
	250,000(1)	2.2%	\$ 12.40	6/26/13	\$ 1,949,573	\$ 4,940,602
John N. Boruch Vice Chairman	350,000(3)	3.1%	\$ 10.79	5/1/09	\$ 1,253,348	\$ 2,833,919
	150,000(3)	1.3%	\$ 10.79	2/4/11	\$ 730,939	\$ 1,733,352
	175,000(3)	1.6%	\$ 10.79	4/4/12	\$ 1,012,988	\$ 2,481,218
	225,000(3)	2.0%	\$ 10.79	2/22/13	\$ 1,466,994	\$ 3,684,522
Bruce J. Freyman Chief Operating Officer and President	225,000(1)	2.0%	\$ 12.40	6/26/13	\$ 1,754,616	\$ 4,446,541
	150,000(3)	1.3%	\$ 10.79	2/4/11	\$ 730,939	\$ 1,733,352
	150,000(3)	1.3%	\$ 10.79	4/4/12	\$ 868,276	\$ 2,126,758
	200,000(3)	1.8%	\$ 10.79	2/22/13	\$ 1,303,995	\$ 3,275,131
Kenneth T. Joyce Executive Vice President and Chief Financial Officer	150,000(1)	1.3%	\$ 12.40	6/26/13	\$ 1,169,744	\$ 2,964,361
	40,000(3)	0.4%	\$ 10.79	2/4/11	\$ 194,917	\$ 462,227
	40,000(3)	0.4%	\$ 10.79	4/4/12	\$ 231,540	\$ 567,135
	70,000(3)	0.6%	\$ 10.79	2/22/13	\$ 456,398	\$ 1,146,296
Michael J. Lamble Corporate Vice President, Worldwide Sales	100,000(1)	0.9%	\$ 12.40	6/26/13	\$ 779,829	\$ 1,976,241
	25,000(3)	0.2%	\$ 10.79	2/4/11	\$ 121,823	\$ 288,892
	15,000(3)	0.1%	\$ 10.79	10/26/11	\$ 81,533	\$ 197,257
	100,000(3)	0.9%	\$ 10.79	1/2/12	\$ 558,368	\$ 1,357,934
	30,000(3)	0.3%	\$ 10.79	4/4/12	\$ 173,655	\$ 425,352
	70,000(1)	0.6%	\$ 12.40	6/26/13	\$ 545,881	\$ 1,383,368
	20,000(3)	0.2%	\$ 10.79	9/5/13	\$ 139,542	\$ 355,895

- (1) 25% of shares subject to the option become exercisable one year after the date of grant and an additional 1/48 of such shares subject to the option becoming exercisable each month thereafter.
- (2) Potential realizable value is based on the assumption that: (1) our common stock will appreciate at the compound annual rate shown from the date of grant until the expiration of the option term and (2) that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price. We assume stock appreciation of 5% and 10% pursuant to rules promulgated by the Securities and Exchange Commission, and these percentages do not reflect our estimate of future stock price growth.
- (3) These options were granted pursuant to a voluntary stock option replacement program initiated on November 8, 2002. This program allowed employees and members of our Board of Directors to surrender their existing options and to receive new option grants six months and one day after the tendered options were cancelled. On June 16, 2003, we issued these new option grants equal to the same number of shares surrendered by the employees and members of our Board of Directors. The exercise price is \$10.79 per share, equal to the fair market value of common stock as of the new grant date. The vesting term of these new options are similar to the tendered options except the new options contain an additional one-year vesting period prior to any options becoming exercisable.

189. As explained above, Amkor's 2004 Proxy was materially misleading because Defendants improperly and opportunistically selected the exercise price of the executive and director stock options granted, without adequately disclosing such practices. Specifically, Amkor's 2004 Proxy created the false impression that Defendants chose the grant dates for the

options based on arbitrary or administrative factors, rather than, as was in fact the case, a calculation of what would most increase the likelihood of maximum gain for the executives and directors, maximize the cost to the corporation, and substantially diminish the risk associated with Amkor common stock for these option recipients relative to that faced by ordinary investors in Amkor common stock.

190. On July 28, 2005, Amkor filed with the SEC a Definitive Proxy Statement on form DEF 14A (the "2005 Proxy").

191. The 2005 Proxy contained the following false and misleading language:

1998 Director Option Plan: Our [B]oard of [D]irectors adopted the 1998 Director Option Plan (the "Director Plan") in January 1998. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. As of January 1, 2003, the Director Plan provides for an initial grant of options to purchase 20,000 shares of common stock to each new non-employee director of the Company when such individual first becomes an outside director. In addition, each non-employee director will automatically be granted subsequent options to purchase 10,000 shares of common stock on each date on which such director is re-elected by the stockholders of the [C]ompany, provided that as of such date such director has served on the [B]oard of [D]irectors for at least six months. **The exercise price of the options is 100% of the fair market value of the common stock on the grant date.** The term of each option is ten years and each option granted to a non-employee director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the [B]oard of [D]irectors. As of December 31, 2004, there are no shares available for future grant under the Director Plan. However, future grants to non-employee directors may be granted under the 1998 Stock Plan.

[...]

Long-Term Incentive Compensation

Long-term incentive compensation currently consists solely of stock options. The Compensation Committee is responsible for the administration of our stock option program. **Option grants are made under the 1998 Stock Option Plan, as amended, at the fair market price on the date of grant and expire up to ten years after the date of**

the grant. The Compensation Committee believes that stock options are a competitive necessity in the electronics industry.

[emphasis added.]

[...]

OPTION GRANTS IN FISCAL 2004

The following table provides information concerning each grant of options to purchase our common stock made during 2004 to our Named Executive Officers as of December 31, 2004:

Name	Individual Grants				Potential Realizable Value Minus Exercise Price at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share (\$/sh)	Expiration Date	5%	10%
James J. Kim Chief Executive Officer and Chairman	60,000(1)	2.0%	\$ 5.31	11/12/14	\$ 200,366	\$ 507,766
John N. Boruch President, Chief Operating Officer and Director	60,000(1)	2.0%	5.31	11/12/14	200,366	507,766
Kenneth T. Joyce Executive Vice President and Chief Financial Officer	45,000(1)	1.5%	5.31	11/12/14	150,274	380,825
Oleg Khaykin Executive Vice President, Corporate Development	50,000(1)	1.7%	5.31	11/12/14	166,972	423,139
Jooho Kim Executive Vice President of Corporate Strategy	130,000(1) 20,000(1)	4.3% 0.7%	17.39 5.31	1/30/14 11/12/14	1,421,742 66,789	3,602,974 169,255
Michael J. Lamble Corporate Vice President, Worldwide Sales	25,000(1)	0.8%	4.93	10/27/14	77,511	196,429

- (1) 25% of shares subject to the option become exercisable one year after the date of grant and an additional 1/48 of such shares subject to the option becoming exercisable each month thereafter.
- (2) Potential realizable value is based on the assumption that: (1) our common stock will appreciate at the compound annual rate shown from the date of grant until the expiration of the option term and (2) that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price. We assume stock appreciation of 5% and 10% pursuant to rules promulgated by the Securities and Exchange Commission, and these percentages do not reflect our estimate of future stock price growth.

192. As explained above, Amkor's 2005 Proxy was materially misleading because Defendants improperly and opportunistically selected the exercise price of the executive and

director stock options granted, without adequately disclosing such practices. Specifically, Amkor's 2005 Proxy created the false impression that Defendants chose the grant dates for the options based on arbitrary or administrative factors, rather than, as was in fact the case, a calculation of what would most increase the likelihood of maximum gain for the executives and directors, maximize the cost to the corporation, and substantially diminish the risk associated with Amkor common stock for these option recipients relative to that faced by ordinary investors in Amkor common stock.

193. Amkor Director Thomas D. George, who had served on the Compensation Committee since 1998, did not stand for re-election to the Board through the 2005 Proxy. Although the Company gave no reason for his departure, the 2005 Proxy stated: "We thank Mr. George for his years of service to Amkor and wish him well following the election of the new directors at our Annual Meeting."

194. On July 14, 2006, Amkor filed with the SEC a Definitive Proxy Statement on form DEF 14A (the "2006 Proxy").

195. The 2006 Proxy contained the following language:

The 1998 Director Option Plan (the "Director Plan") was adopted by our Board of Directors in January 1998. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. As of January 1, 2003, the Director Plan provides for an initial grant of options to purchase 20,000 shares of common stock to each new non-employee director of the Company when such individual first becomes an outside director. In addition, each non-employee director will automatically be granted subsequent options to purchase 10,000 shares of common stock on each date on which such director is re-elected by the stockholders of the Company, provided that as of such date such director has served on the Board of Directors for at least six months. As of December 31, 2005, there were 105,000 shares available for future grants under the Director Plan. Future grants to non-employee directors may also be granted under the 1998 Stock Plan, which was adopted by our Board of Directors in

January 1998 (the “1998 Stock Plan”), and has terms substantially similar to the Director Plan.

196. The 2006 Proxy also states:

Long-Term Incentive Compensation

Long-term incentive compensation currently consists solely of stock options. The Compensation Committee is responsible for the administration of our stock option program. While the Compensation Committee believes that stock options are a competitive necessity in the electronics industry, no stock options were granted to executive officers in 2005.

197. The Company stated in the 2006 Proxy that: “There were no option grants to the Chief Executive Officer or other Named Executive Officers in 2005.”

2. Amkor’s False and Misleading Periodic Financial Statements

198. Throughout the Class Period, Defendants filed Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and numerous earnings releases with the SEC that contained materially false and misleading statements. As explained more fully above, these statements were materially false and misleading because, in violation of GAAP and Amkor’s own internal accounting policies, they misrepresented the effects that the Company’s improper option granting practices had on Amkor’s financial results, and failed to disclose these practices.

199. Thus, the Company’s quarterly reports, annual reports, earnings releases, and each document that incorporated those documents by reference, materially misstated, *inter alia*, the Company’s compensation expense and its net income.

(i) The Company’s Annual and Quarterly Reports For Fiscal Year Ended 2001

200. On May 15, 2001, Amkor filed a quarterly report with the SEC for the fiscal quarter ending March 31, 2001 on Form 10-Q (the “Q1 2001 10-Q”). The financial results for the quarter ended March 31, 2001 were earlier reported in an earnings release filed on Form 8-K,

dated April 26, 2001. The Q1 2001 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$4,623,000);
- Total operating expenses of \$86,408,000;
- Net Income (loss) of (\$69,214,000); and
- Basic net income (loss) per common share of (\$0.45).

201. On August 14, 2001, Amkor filed a quarterly report with the SEC for the fiscal quarter ending June 30, 2001 on Form 10-Q (the "Q2 2001 10-Q"). The financial results for the quarter ended June 30, 2001 were earlier reported in an earnings release filed on Form 8-K, dated July 24, 2001. The Q2 2001 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$72,062,000);
- Total operating expenses of \$80,073,000;
- Net Income (loss) of (\$116,291,000); and
- Basic net income (loss) per common share of (\$0.76).

202. On November 14, 2001, Amkor filed a quarterly report with the SEC for the fiscal quarter ending September 30, 2001 on Form 10-Q (the "Q3 2001 10-Q"). The financial results for the quarter ended September 30, 2001 were earlier reported in an earnings release issued October 24, 2001. The Q3 2001 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$90,484,000);
- Total operating expenses of \$78,845,000;
- Net Income (loss) of (\$128,744,000); and

- Basic net income (loss) per common share of (\$0.80).

203. On April 1, 2002, Amkor filed its Annual Report for the fiscal year ended December 31, 2001 with the SEC on Form 10-K405 (the “2001 10-K”). The financial results for the fourth quarter and full year 2001 were earlier reported in an earnings release issued January 30, 2002. The 2001 10-K was signed by Defendants Kim, Boruch, Joyce, Churchill, and George.

204. The 2001 10-K reported the following full year financial metrics in the Company’s Consolidated Financial Statements:

- Operating Income (loss) of (\$268,683,000);
- Total operating expenses of \$338,481,000;
- Net Income (loss) of (\$450,861,000); and
- Basic net income (loss) per common share of (\$2.87).

205. The Notes to the Consolidated Financial Statements in the 2001 10-K include the following language with respect to the Company’s Stock Compensation Plans:

15. STOCK COMPENSATION PLANS

1998 Director Option Plan. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. Generally, the Director Plan provides for an initial grant of options to purchase 15,000 shares of common stock to each new non-employee director of the company when such individual first becomes an Outside Director. In addition, each non-employee director will automatically be granted subsequent options to purchase 5,000 shares of common stock on each date on which such director is re-elected by the stockholders of the company, provided that as of such date such director has served on the Board of Directors for at least six months. **The exercise price of the options is 100% of the fair market value of the common stock on the grant date.** The term of each option is ten years and each option granted to a non-employee director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the Board of Directors.

1998 Stock Plan. The 1998 Stock Plan generally provides for the grant to employees, directors and consultants of stock options and stock

purchase rights. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. A total of 5,000,000 shares are reserved for issuance under the 1998 Stock Plan, and there is a provision for an annual replenishment to bring the number of shares of common stock reserved for issuance under the plan up to 5,000,000 as of each January 1.

Unless determined otherwise by the Board of Directors or a committee appointed by the Board of Directors, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee.

Generally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant. In general, the options granted will vest over a four year period and the term of the options granted under the 1998 Plan may not exceed ten years.

[emphasis added.]

206. The Company noted in the 2001 10-K the following accounting procedure for stock-based compensation:

We account for our stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and the Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB No. 25." **Accordingly, compensation cost for stock-based plans is generally measured as the excess, if any, of the quoted market price of our company's stock at the date of the grant over the amount an employee must pay to acquire the stock.**

[emphasis added.]

207. In addition, the 2001 10-K stated:

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information regarding executive compensation appearing under the heading "Executive Compensation" in our proxy statement to be delivered to stockholders in connection with the 2002 annual meeting of stockholders, which information is hereby incorporated by reference.

208. As explained above, the preceding statements and financial metrics contained in the Q1 2001 10-Q, Q2 2001 10-Q, Q3 2001 10-Q, 2001 10-K and related earnings releases were

materially false and misleading and were known by Defendants to be false and misleading at that time, or were recklessly disregarded as such, for the following reasons, among others:

(a) the Company improperly backdated grants of Amkor stock options in violation of the Company's shareholder-approved option plans;

(b) the Company improperly and opportunistically granted options to the Individual Defendants and other executives and directors so that such grants preceded anticipated increases in the price of Amkor stock and/or followed anticipated stock price declines, without properly disclosing such practices; and

(c) the Company improperly accounted for compensation expense in connection with the improperly dated stock options, in violation of Generally Accepted Accounting Principles.

209. As explained *supra*, to the extent the Company failed to record, as a compensation expense, the difference between the price of Amkor stock on the date of the actual grant and the "backdated" exercise price of the options, this deliberate omission resulted in the material understatement of the Company's reported compensation expense measures and a material overstatement of its reported income measures throughout the Class Period.

210. Thus, the Company's net income, retained earnings/(accumulated deficit), and net income per common share, for the interim fiscal quarters and year end 2001, were materially misstated.

(ii) **The Company's Annual and Quarterly Reports For Fiscal Year Ended 2002**

211. On May 15, 2002, Amkor filed a quarterly report with the SEC for the fiscal quarter ending March 31, 2002 on Form 10-Q (the "Q1 2002 10-Q"). The financial results for the quarter ended March 31, 2002 were earlier reported in an earnings release issued May 2,

2002. The Q1 2002 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$72,228,000);
- Total operating expenses of \$58,757,000;
- Net Income (loss) of (\$187,808,000); and
- Basic net income (loss) per common share of (\$1.15).

212. On August 14, 2002, Amkor filed a quarterly report with the SEC for the fiscal quarter ending June 30, 2002 on Form 10-Q (the "Q2 2002 10-Q"). The financial results for the quarter ended June 30, 2002 were earlier reported in an earnings release filed on Form 8-K, dated July 30, 2002. The Q2 2002 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$317,342,000);
- Total operating expenses of \$329,723,000;
- Net Income (loss) of (\$383,528,000); and
- Basic net income (loss) per common share of (\$2.33).

213. Additionally, the Company's Q2 2002 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q2 2002 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor, as follows:

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Kim, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Amkor Technology, Inc. on Form 10-Q for the quarterly period ended June 30, 2002 fully complies with the requirements

of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor Technology, Inc.

/s/ JAMES J. KIM

By: James J. Kim

Title: Chief Executive Officer

I, Kenneth T. Joyce, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Amkor Technology, Inc. on Form 10-Q for the quarterly period ended June 30, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor Technology, Inc.

/s/ KENNETH T. JOYCE

By: Kenneth T. Joyce

Title: Chief Financial Officer

214. On November 14, 2002, Amkor filed a quarterly report with the SEC for the fiscal quarter ending September 30, 2002 on Form 10-Q (the "Q3 2002 10-Q"). The financial results for the quarter ended September 30, 2002 were earlier reported in an earnings release filed on Form 8-K, dated October 29, 2002. The Q3 2002 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$17,971,000);
- Total operating expenses of \$70,344,000;
- Net Income (loss) of (\$59,307,000); and
- Basic net income (loss) per common share of (\$0.36).

215. Additionally, the Company's Q3 2002 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q3 2002 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

216. On March 27, 2003, Amkor filed its Annual Report for the fiscal year ended December 31, 2002 with the SEC on Form 10-K (the "2002 10-K"). The financial results for the fourth quarter and full year 2002 were earlier reported in an earnings release filed on Form 8-K, dated January 29, 2003. The 2002 10-K was signed by Defendants Kim, Boruch, Joyce, Churchill, and George.

217. Additionally, the Company's 2002 10-K contained certifications by Defendants Kim and Joyce which attest that the information contained in the 2002 10-K fairly presents in all material respects the financial condition and results of operations of Amkor.

218. The 2002 10-K reported the following full year financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$403,394,000);
- Total operating expenses of \$521,214,000;
- Net Income (loss) of (\$826,759,000); and
- Basic net income (loss) per common share of (\$5.04).

219. The Notes to the Consolidated Financial Statements in the 2002 10-K include the following language with respect to the Company's Stock Compensation Plans:

19. STOCK COMPENSATION PLANS

1998 Director Option Plan. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. As of January 1, 2003, the Director Plan provides for an initial grant of options to purchase 20,000 shares of common stock to each new non-employee director of the company when such individual first becomes an outside director. In addition, each non-employee

director will automatically be granted subsequent options to purchase 10,000 shares of common stock on each date on which such director is re-elected by the stockholders of the company, provided that as of such date such director has served on the board of directors for at least six months. **The exercise price of the options is 100% of the fair market value of the common stock on the grant date.** The term of each option is ten years and each option granted to a non-employee director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the board of directors.

1998 Stock Plan. The 1998 Stock Plan generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. A total of 5,000,000 shares are reserved for issuance under the 1998 Stock Plan, and there is a provision for an annual replenishment to bring the number of shares of common stock reserved for issuance under the plan up to 5,000,000 as of each January 1.

Unless determined otherwise by the board of directors or a committee appointed by the board of directors, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee. **Generally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant.** In general, the options granted will vest over a four year period and the term of the options granted under the 1998 Plan may not exceed ten years.

[emphasis added.]

220. The Company noted in the 2002 10-K the following accounting procedure for stock-based compensation:

We apply Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, to our stock option plans. These stock option plans are discussed more fully in Note 19, "Stock Compensation Plans." No compensation expense has been recognized for our employee stock options that have been granted.

221. As explained above, the preceding statements and financial metrics contained in the Q1 2002 10-Q, Q2 2002 10-Q, Q3 2002 10-Q, 2002 10-K and related earnings releases were materially false and misleading and were known by Defendants to be false at that time, or were recklessly disregarded as such, for the following reasons, among others:

- (a) the Company improperly backdated grants of Amkor stock options in violation of the Company's shareholder-approved option plans;
- (b) the Company improperly and opportunistically granted options to the Individual Defendants and other executives and directors so that such grants preceded anticipated increases in the price of Amkor stock and/or followed anticipated stock price declines, without properly disclosing such practices; and
- (c) the Company improperly accounted for compensation expense in connection with the improperly dated stock options, in violation of Generally Accepted Accounting Principles.

222. As explained *supra*, to the extent the Company failed to record, as a compensation expense, the difference between the price of Amkor stock on the date of the actual grant and the "backdated" exercise price of the options, this deliberate omission resulted in the material understatement of the Company's reported compensation expense measures and a material overstatement of its reported income measures throughout the Class Period.

223. Thus, the Company's net income, retained earnings/(accumulated deficit), and net income per common share, for the interim fiscal quarters and year end 2002, were materially misstated.

(iii) **The Company's Annual and Quarterly Reports For Fiscal Year Ended 2003**

224. On May 9, 2003, Amkor filed a quarterly report with the SEC for the fiscal quarter ending March 31, 2003 on Form 10-Q (the "Q1 2003 10-Q"). The financial results for the quarter ended March 31, 2003 were earlier reported in an earnings release filed on Form 8-K, dated April 29, 2003. The Q1 2003 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$4,562,000);
- Total operating expenses of \$51,131,000;
- Net Income of \$14,536,000; and
- Basic net income per common share of \$0.09.

225. Additionally, the Company's Q1 2003 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q1 2003 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

226. On August 14, 2003, Amkor filed a quarterly report with the SEC for the fiscal quarter ending June 30, 2003 on Form 10-Q (the "Q2 2003 10-Q"). The financial results for the quarter ended June 30, 2003 were earlier reported in an earnings release filed on Form 8-K, dated July 28, 2003. The Q2 2003 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$22,623,000;
- Total operating expenses of \$51,638,000;
- Net Income (loss) of (\$50,747,000); and
- Basic net income (loss) per common share of (\$0.31).

227. Additionally, the Company's Q2 2003 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q2 2003 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

228. On November 3, 2003, Amkor filed a quarterly report with the SEC for the fiscal quarter ending September 30, 2003 on Form 10-Q (the "Q3 2003 10-Q"). The financial results for the quarter ended September 30, 2003 were earlier reported in an earnings release filed on Form 8-K, dated October 27, 2003. The Q3 2003 10-Q, signed by Defendant Joyce, reported the

following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$47,669,000;
- Total operating expenses of \$53,746,000;
- Net Income (loss) of \$15,770,000; and
- Basic net income (loss) per common share of (\$0.09).

229. Additionally, the Company's Q3 2003 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q3 2003 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

230. On March 4, 2004, Amkor filed its Annual Report for the fiscal year ended December 31, 2003 with the SEC on Form 10-K (the "2003 10-K"). The financial results for the fourth quarter and full year 2003 were earlier reported in an earnings release filed on Form 8-K, dated January 28, 2004. The 2003 10-K was signed by Defendants Kim, Boruch, Freyman, Joyce, Churchill, and George.

231. Additionally, the Company's 2003 10-K contained certifications by Defendants Kim and Joyce which attest that the information contained in the 2003 10-K fairly presents in all material respects the financial condition and results of operations of Amkor.

232. The 2003 10-K reported the following full year financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$123,008,000;
- Total operating expenses of \$213,458,000;
- Net Income of \$2,198,000; and
- Basic net income per common share of \$.01.

233. The Notes to the Consolidated Financial Statements in the 2003 10-K include the following language with respect to the Company's Stock Compensation Plans:

19. STOCK COMPENSATION PLANS

1998 Director Option Plan. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. As of January 1, 2003, the Director Plan provides for an initial grant of options to purchase 20,000 shares of common stock to each new non-employee director of the company when such individual first becomes an outside director. In addition, each non-employee director will automatically be granted subsequent options to purchase 10,000 shares of common stock on each date on which such director is re-elected by the stockholders of the company, provided that as of such date such director has served on the board of directors for at least six months. **The exercise price of the options is 100% of the fair market value of the common stock on the grant date.** The term of each option is ten years and each option granted to a non-employee director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the board of directors.

1998 Stock Plan. The 1998 Stock Plan generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. A total of 5,000,000 shares are available for issuance under the 1998 Stock Plan, and there is a provision for an annual replenishment to bring the number of shares of common stock reserved for issuance under the plan up to 5,000,000 as of each January 1.

Unless determined otherwise by the board of directors or a committee appointed by the board of directors, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee. **Generally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant.** In general, the options granted will vest over a four year period and the term of the options granted under the 1998 Plan may not exceed ten years.

[emphasis added.]

234. The Company noted in the 2003 10-K the following accounting procedure for stock-based compensation:

We apply Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, to our stock option plans. These stock option plans are discussed more fully in Note 19, "Stock Compensation Plans." No compensation expense has been recognized for our employee stock options that have been granted.

235. As explained above, the preceding statements and financial metrics contained in the Q1 2003 10-Q, Q2 2003 10-Q, Q3 2003 10-Q, 2003 10-K and related earnings releases were materially false and misleading and were known by Defendants to be false at that time, or were recklessly disregarded as such, for the following reasons, among others:

(a) the Company improperly backdated grants of Amkor stock options in violation of the Company's shareholder-approved option plans;

(b) the Company improperly and opportunistically granted options to the Individual Defendants and other executives and directors so that such grants preceded anticipated increases in the price of Amkor stock and/or followed anticipated stock price declines, without properly disclosing such practices; and

(c) the Company improperly accounted for compensation expense in connection with the improperly dated stock options, in violation of Generally Accepted Accounting Principles.

236. As explained *supra*, to the extent the Company failed to record, as a compensation expense, the difference between the price of Amkor stock on the date of the actual grant and the "backdated" exercise price of the options, this deliberate omission resulted in the material understatement of the Company's reported compensation expense measures and a material overstatement of its reported income measures throughout the Class Period.

237. Thus, the Company's net income, retained earnings/(accumulated deficit), and net income per common share, for the interim fiscal quarters and year end 2003, were materially misstated.

(iv) **The Company's Annual and Quarterly Reports For Fiscal Year Ended 2004**

238. On May 5, 2004, Amkor filed a quarterly report with the SEC for the fiscal quarter ending March 31, 2004 on Form 10-Q (the "Q1 2004 10-Q"). The financial results for the quarter ended March 31, 2004 were earlier reported in an earnings release filed on Form 8-K, dated April 27, 2004. The Q1 2004 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$47,857,000;
- Total operating expenses of \$63,991,000;
- Net Income of \$10,910,000; and
- Basic net income per common share of \$0.06.

239. Additionally, the Company's Q1 2004 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q1 2004 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

240. On August 6, 2004, Amkor filed a quarterly report with the SEC for the fiscal quarter ending June 30, 2004 on Form 10-Q (the "Q2 2004 10-Q"). The financial results for the quarter ended June 30, 2004 were earlier reported in an earnings release filed on Form 8-K, dated July 27, 2004. The Q2 2004 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$29,165,000;
- Total operating expenses of \$65,610,000;

- Net Income of \$9,980,000; and
- Basic net income per common share of \$0.06.

241. Additionally, the Company's Q2 2004 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q2 2004 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

242. On November 9, 2004, Amkor filed a quarterly report with the SEC for the fiscal quarter ending September 30, 2004 on Form 10-Q (the "Q3 2003 10-Q"). The financial results for the quarter ended September 30, 2004 were earlier reported in an earnings release filed on Form 8-K, dated October 26, 2004. The Q3 2003 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$24,292,000;
- Total operating expenses of \$63,475,000;
- Net Income (loss) of (\$22,334,000); and
- Basic net income (loss) per common share of (\$0.13).

243. Additionally, the Company's Q3 2004 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q3 2004 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

244. On March 29, 2005, Amkor filed its Annual Report for the fiscal year ended December 31, 2004 with the SEC on Form 10-K (the "2004 10-K"). The financial results for the fourth quarter and full year 2004 were earlier reported in an earnings release filed on Form 8-K, dated February 8, 2005. The 2004 10-K was signed by Defendants Kim, Boruch, Joyce, Churchill, and George.

245. Additionally, the Company's 2004 10-K contained certifications by Defendants Kim and Joyce which attest that the information contained in the 2004 10-K fairly presents in all material respects the financial condition and results of operations of Amkor.

246. The 2004 10-K reported the following full year financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$109,210,000;
- Total operating expenses of \$258,622,000;
- Net Income (loss) of (\$37,536,000); and
- Basic net income (loss) per common share of (\$0.21).

247. The Notes to the Consolidated Financial Statements in the 2004 10-K include the following language with respect to the Company's Stock Compensation Plans:

19. STOCK COMPENSATION PLANS

1998 Director Option Plan. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. As of January 1, 2003, the Director Plan provides for an initial grant of options to purchase 20,000 shares of common stock to each new non-employee director of the company when such individual first becomes an outside director. In addition, each non-employee director will automatically be granted subsequent options to purchase 10,000 shares of common stock on each date on which such director is re-elected by the stockholders of the company, provided that as of such date such director has served on the board of directors for at least six months. **The exercise price of the options is 100% of the fair market value of the common stock on the grant date.** The term of each option is ten years and each option granted to a non-employee director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the board of directors. As of December 31, 2004, there are no shares available for future grant under the Director Plan. However, future grants to non-employee directors are permitted to be granted, and are expected to be granted as consistent with the Director Plan, under the 1998 Stock Plan.

1998 Stock Plan. The 1998 Stock Plan generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. Unless terminated sooner, the 1998 Plan will terminate

automatically in January 2008. A total of 5,000,000 shares are available for issuance under the 1998 Stock Plan, and there is a provision for an annual replenishment to bring the number of shares of common stock reserved for issuance under the plan up to 5,000,000 as of each January 1. On January 1, 2005, the 1998 Stock Plan was replenished to 5,000,000 available shares.

Unless determined otherwise by the board of directors or a committee appointed by the board of directors, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee.

Generally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant. In general, the options granted will vest over a four year period and the term of the options granted under the 1998 Plan may not exceed ten years.

248. The Company noted in the 2004 10-K the following accounting procedure for stock-based compensation:

We apply Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, to our stock option plans. These stock option plans are discussed more fully in Note 19, "Stock Compensation Plans." Generally, no compensation expense has been recognized for our employee stock options that have been granted.

249. As explained above, the preceding statements and financial metrics contained in the Q1 2004 10-Q, Q2 2004 10-Q, Q3 2004 10-Q, 2004 10-K and related earnings releases were materially false and misleading and were known by Defendants to be false at that time, or were recklessly disregarded as such, for the following reasons, among others:

(a) the Company improperly backdated grants of Amkor stock options in violation of the Company's shareholder-approved option plans;

(b) the Company improperly and opportunistically granted options to the Individual Defendants and other executives and directors so that such grants preceded anticipated increases in the price of Amkor stock and/or followed anticipated stock price declines, without properly disclosing such practices; and

(c) the Company improperly accounted for compensation expense in connection with the improperly dated stock options, in violation of Generally Accepted Accounting Principles.

250. As explained *supra*, to the extent the Company failed to record, as a compensation expense, the difference between the price of Amkor stock on the date of the actual grant and the “backdated” exercise price of the options, this deliberate omission resulted in the material understatement of the Company’s reported compensation expense measures and a material overstatement of its reported income measures throughout the Class Period.

251. Thus, the Company’s net income, retained earnings/(accumulated deficit), and net income per common share, for the interim fiscal quarters and year end 2004, were materially misstated.

(v) **The Company’s Annual and Quarterly Reports For Fiscal Year Ended 2005**

252. On May 16, 2005, Amkor filed a quarterly report with the SEC for the fiscal quarter ending March 31, 2005 on Form 10-Q (the “Q1 2005 10-Q”). The financial results for the quarter ended March 31, 2005 were earlier reported in an earnings release filed on Form 8-K, dated May 4, 2005. The Q1 2005 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company’s Consolidated Financial Statements:

- Operating Income (loss) of (\$75,971,000);
- Total operating expenses of \$119,366,000;
- Net Income (loss) of (\$119,070,000); and
- Basic net income (loss) per common share of (\$0.68).

253. Additionally, the Company's Q1 2005 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q1 2005 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

254. On August 8, 2005, Amkor filed a quarterly report with the SEC for the fiscal quarter ending June 30, 2005 on Form 10-Q (the "Q2 2005 10-Q"). The financial results for the quarter ended June 30, 2005 were earlier reported in an earnings release filed on Form 8-K, dated July 27, 2005. The Q2 2005 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income (loss) of (\$10,291,000);
- Total operating expenses of \$76,789,000;
- Net Income (loss) of (\$52,403,000); and
- Basic net income (loss) per common share of (\$0.30).

255. Additionally, the Company's Q2 2005 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q2 2005 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

256. On November 8, 2005, Amkor filed a quarterly report with the SEC for the fiscal quarter ending September 30, 2005 on Form 10-Q (the "Q3 2005 10-Q"). The financial results for the quarter ended September 30, 2005 were earlier reported in an earnings release filed on Form 8-K, dated October 26, 2005. The Q3 2005 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$21,892,000;
- Total operating expenses of \$68,452,000;

- Net Income (loss) of (\$19,417,000); and
- Basic net income (loss) per common share of (\$0.11).

257. Additionally, the Company's Q3 2004 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q3 2004 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

258. On March 16, 2006, Amkor filed its Annual Report for the fiscal year ended December 31, 2005 with the SEC on Form 10-K, the 2005 10-K. The financial results for the fourth quarter and full year 2005 were earlier reported in an earnings release filed on Form 8-K, dated February 8, 2006. The 2005 10-K was signed by Defendants Kim, Joyce, Khaykin, and Churchill.

259. Additionally, the Company's 2005 10-K contained certifications by Defendants Kim and Joyce which attest that the information contained in the 2005 10-K fairly presents in all material respects the financial condition and results of operations of Amkor.

260. The 2005 10-K reported the following full year financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$29,859,000;
- Total operating expenses of \$326,094,000;
- Net Income (loss) of (\$136,889,000); and
- Basic net income (loss) per common share of (\$0.78).

261. The Notes to the Consolidated Financial Statements in the 2005 10-K include the following language with respect to the Company's Stock Compensation Plans:

12. STOCK COMPENSATION PLANS

1998 Director Option Plan. A total of 300,000 shares of common stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. As of

January 1, 2003, the Director Plan provides for an initial grant of options to purchase 20,000 shares of common stock to each new non-employee director of the company when such individual first becomes an outside director. In addition, each non-employee director will automatically be granted subsequent options to purchase 10,000 shares of common stock on each date on which such director is re-elected by the stockholders of the company, provided that as of such date such director has served on the Board of Directors for at least six months. **The exercise price of the options is 100% of the fair market value of the common stock on the grant date.** The term of each option is ten years and each option granted to a non-employee director vests over a three-year period. The Director Plan will terminate in January 2008 unless sooner terminated by the Board of Directors. As of December 31, 2005, there are 105,000 shares available for future grant under the Director Plan. Future grants to non-employee directors are permitted to be granted, and may to be granted under the Director Plan or the 1998 Stock Plan.

1998 Stock Plan. The 1998 Stock Plan generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. A total of 5 million shares are available for issuance under the 1998 Stock Plan, and there is a provision for an annual replenishment to bring the number of shares of common stock reserved for issuance under the plan up to 5 million as of each January 1. On December 31, 2005, we had 6,157,761 shares available for grant; therefore, an annual replenishment in January 2006 was not required.

Unless determined otherwise by the Board of Directors or a committee appointed by the Board of Directors, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee. **Generally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant.** In general, the options granted will vest over a four year-period and the term of the options granted under the 1998 Plan may not exceed ten years.

[emphasis added.]

262. The Company noted in the 2005 10-K the following accounting procedure for stock-based compensation:

We apply Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” and related Interpretations, to our stock option plans. These stock option plans are discussed more fully in Note 12, “Stock Compensation Plans.” Generally, no

compensation expense has been recognized for our employee stock options that have been granted.

263. As explained above, the preceding statements and financial metrics contained in the Q1 2005 10-Q, Q2 2005 10-Q, Q3 2005 10-Q, 2005 10-K and related earnings releases were materially false and misleading and were known by Defendants to be false at that time, or were recklessly disregarded as such, for the following reasons, among others:

(a) the Company improperly backdated grants of Amkor stock options in violation of the Company's shareholder-approved option plans;

(b) the Company improperly and opportunistically granted options to the Individual Defendants and other executives and directors so that such grants preceded anticipated increases in the price of Amkor stock and/or followed anticipated stock price declines, without properly disclosing such practices; and

(c) the Company improperly accounted for compensation expense in connection with the improperly dated stock options, in violation of Generally Accepted Accounting Principles.

264. As explained *supra*, to the extent the Company failed to record, as a compensation expense, the difference between the price of Amkor stock on the date of the actual grant and the "backdated" exercise price of the options, this deliberate omission resulted in the material understatement of the Company's reported compensation expense measures and a material overstatement of its reported income measures throughout the Class Period.

265. Thus, the Company's net income, retained earnings/(accumulated deficit), and net income per common share, for the interim fiscal quarters and year end 2005, were materially misstated.

(vi) **The Company's Quarterly Reports For Fiscal Year 2006**

266. On May 9, 2006, Amkor filed a quarterly report with the SEC for the fiscal quarter ending March 31, 2006 on Form 10-Q. The financial results for the quarter ended March 31, 2006 were earlier reported in an earnings release filed on Form 8-K, dated April 26, 2006. The Q1 2006 10-Q, signed by Defendant Joyce, reported the following unaudited quarterly financial metrics in the Company's Consolidated Financial Statements:

- Operating Income of \$84,337,000;
- Total operating expenses of \$70,681,000;
- Net Income of \$34,673,000; and
- Basic net income per common share of \$0.20.

267. Additionally, the Company's Q1 2006 10-Q contained certifications by Defendants Kim and Joyce which attest that the information contained in the Q1 2006 10-Q fairly presents in all material respects the financial condition and results of operations of Amkor.

268. On July 26, 2006, Amkor issued a press release, filed on Form 8-K, entitled "Amkor Reports Record Second Quarter Sales" announcing its financial results for the second quarter of 2006, the period ending June 30, 2006, as follows:

- Operating Income of \$100,211,000;
- Total operating expenses of \$69,470,000;
- Net Income of \$24,062,000; and
- Basic net income per common share of \$0.14.

269. As explained above, the preceding statements and financial metrics contained in the Q1 2006 10-Q, the April 26, 2006 earnings release and the Company's July 26, 2006 earnings release were materially false and misleading and were known by Defendants to be false at that time, or were recklessly disregarded as such, for the following reasons, among others:

(a) the Company improperly backdated grants of Amkor stock options in violation of the Company's shareholder-approved option plans;

(b) the Company improperly and opportunistically granted options to the Individual Defendants and other executives and directors so that such grants preceded anticipated increases in the price of Amkor stock and/or followed anticipated stock price declines, without properly disclosing such practices; and

(c) the Company improperly accounted for compensation expense in connection with the improperly dated stock options, in violation of Generally Accepted Accounting Principles.

270. As explained *supra*, to the extent the Company failed to record, as a compensation expense, the difference between the price of Amkor stock on the date of the actual grant and the "backdated" exercise price of the options, this deliberate omission resulted in the material understatement of the Company's reported compensation expense measures and a material overstatement of its reported income measures throughout the Class Period.

271. Thus, the Company's net income, retained earnings/(accumulated deficit), and net income per common share, for the interim fiscal quarters of 2006, were materially misstated.

B. Amkor's Purported Return to Profitability, Sustainable Growth and Accelerating Demand

272. On October 27, 2003, Amkor issued a press release entitled "Amkor Reports Third Quarter 2003 Results," announcing its financial results for the third quarter of 2003, the period ending September 30, 2003. The release stated that the third quarter of 2003 represented Amkor's "Return to Profitability Following [an] Extended Industry Downturn," and that Defendants were "Expecting Continued Growth in Fourth Quarter and 2004," with specific details as follows:

Amkor Technology, Inc. (Nasdaq: AMKR) reported third quarter sales of \$424 million, up 12% sequentially and up 8% over the third quarter of 2002. Amkor returned to profitability in the third quarter, with net income of \$16 million, or \$0.09 per share, compared with a loss of \$59 million, or (\$0.36) per share, in the third quarter of 2002.

Amkor's third quarter net income includes a non-cash gain of \$10 million, or \$0.06 per share, in connection with the reversal of a tax accrual related to tax periods that have closed. Third quarter results also include a charge, with no tax effect, of \$2 million, or \$0.01 per share, for debt retirement costs in connection with open market purchases of \$28 million in 9¼% Senior Notes due 2008. Amkor's results for the third quarter of 2002 included \$11 million in after-tax charges associated with factory consolidation and operating efficiency initiatives.

273. The release specifically quoted Defendants Kim, Boruch and Joyce, who touted the Company's "strengthening customer forecasts," "accelerating demand," and cost management, as follows:

"This was a landmark quarter, in which we achieved record unit shipments in most of our ten factories and returned the corporation to positive net income after an unprecedented industry downturn," said James Kim, Amkor's chairman and chief executive officer.

"We believe the outsourced semiconductor assembly and test industry is poised for a period of sustainable growth, at a rate that will outpace the semiconductor industry. *We are encouraged that strengthening customer forecasts may partially offset the seasonal weakness typical of our first calendar quarter.* Looking broadly at 2004, we are positioning our organization to achieve annual revenues in the neighborhood of \$2 billion, and to reach a peak quarterly gross margin of 27% to 30% during the second half of 2004. We remain committed to improve productivity and profitability, maintain strong liquidity, reduce debt and enhance shareholder value," said Kim. [emphasis added.]

"During the third quarter we saw accelerating demand, particularly from customers supplying the cell phone industry, for a wide range of advanced packages, including stacked CSP, ChipArray BGA, MicroLeadFrame™ and camera modules," said John Boruch, Amkor's president and chief operating officer. *"Business strengthened as the quarter progressed, with a large number of customers over-supporting their forecasts as demand materialized faster than initially projected.* As customer forecasts continued to strengthen, we accelerated our investment in leading-edge assembly and test equipment, and now expect total 2003 capital expenditures to exceed \$200 million. As previously announced,

Amkor's bank credit facility has been modified to accommodate this increased capital budget." [emphasis added.]

"Third quarter gross margin rose to 23.9% from 19.6% in the second quarter. Third quarter operating margin rose to 11.2% from 6.0% in the second quarter reflecting the positive operating leverage in our business and the continued high utilization of assets supporting our high growth package families," said Ken Joyce, Amkor's chief financial officer. ***"Over the past two years we have made substantial progress enhancing the profitability of our business by improving operating efficiencies, increasing manufacturing capacity in strategic growth areas and managing costs."*** [emphasis added.]

274. Additionally, Defendants provided the following positive guidance for the fourth quarter of 2003:

Our customers' forecasts have continued to build through most of the third quarter. On the basis of these forecasts, we have the following expectations for the fourth quarter: Sequential revenue increase in the range of 5% to 8%; Gross margin around 25%; Net income in the range of 7 to 10 cents per diluted share.

275. Immediately following publication of the Company's earnings announcement and forward guidance, the price of Amkor stock surged, rising from \$16.19 per share to \$19.38 per share, an increase of almost 20% on October 28, 2003. Significantly, on October 28, 2003, trading volume spiked to over 8.4 million shares traded, which is several times the Company's average daily trading volume.

276. On or about November 3, 2003, Defendants filed with the SEC the Company's third quarter 2003 Form 10-Q, for the quarter ended September 30, 2003, signed by Defendant Joyce and certified by Defendants Kim and Joyce. In addition to making substantially similar statements concerning the Company's operations and financial condition as had been published previously, the Company's third quarter 2003 Form 10-Q also contained representations that attested to the effectiveness and sufficiency of the Company's controls and procedures, as follows:

ITEM 4. CONTROLS AND PROCEDURES

(a) Amkor carried out an evaluation as of the end of the quarter covered by this report, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the fiscal quarter covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to our company (including its consolidated subsidiaries) required to be included in our Exchange Act filings.

(b) There were no significant changes in our company's internal control over financial reporting during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, Amkor's control over financial reporting.

277. The statements contained in Amkor's October 27, 2003 release and those statements contained in the Company's third quarter 2003 Form 10-Q, referenced above, were each materially false and misleading when made, and were known by Defendants to be materially false and misleading or were recklessly disregarded as such thereby, for the following reasons, among others:

(a) demand for Amkor's products and services was not accelerating and materializing at the pace stated by Defendants, as Defendants knew or recklessly disregarded that Amkor's customers were "frontloading" their forecasts to circumvent Amkor's inability to meet demand on a timely basis;

(b) Defendants knew or recklessly disregarded that Amkor was experiencing rapidly rising material costs due to "supplier backlash," negatively impacting the Company's profitability;

(c) Defendants knew or recklessly disregarded that Amkor's weak internal controls and accounting systems prevented the Company from efficiently managing material costs and accurately forecasting demand; and

(d) as a consequence of the foregoing, Defendants knew or recklessly disregarded that their positive statements about Amkor's then current financial condition lacked any reasonable basis, and knew that their future guidance lacked any reasonable basis.

278. Defendants acted quickly to take advantage of the price inflation caused by their materially false and misleading statements. On November 3, 2003, Amkor issued a press release announcing that it had priced a follow-on stock offering of 7 million shares of common stock and that it had granted the underwriters an option to purchase up to 1,050,000 additional shares to cover over-allotments. In total, Amkor raised approximately \$152 million. Subsequently, the Company applied much of the proceeds from that offering to repurchase outstanding convertible notes.

279. Amkor issued the additional common stock pursuant to: a) a Form S-3 Shelf Registration Statement ("Registration Statement") initially filed with the SEC on January 24, 2002, as amended on April 9, 2002 and April 25, 2002; and b) a Prospectus Supplement ("Prospectus") that was filed with the SEC on November 4, 2003.

280. The Registration Statement and Prospectus incorporate by reference the following: Amkor's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002; Amkor's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003, and September 30, 2003; Amkor's Current Reports on Form 8-K, dated April 1, 2002, April 25, 2002, January 1, 2003, March 27, 2003, April 23, 2003, May 6, 2003,

and October 2, 2003; and Amkor's Proxy Statement on Form 14A filed with the SEC on July 10, 2003.

281. The Registration Statement and Prospectus were untrue in a number of material respects, as they:

(a) incorporated by reference the Company's Annual Reports on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002, which contained false and misleading financial statements, as explained *supra*;

(b) incorporated by reference the Company's Quarterly Reports on Form 10-Q for the periods ending March 31, 2003, June 30, 2003, and September 30, 2003, each of which contained false and misleading financial statements; as explained *supra*;

(c) incorporated by reference the Company's Quarterly Report on Form 10-Q for the period ending September 30, 2003, which as explained in ¶ 276, contained statements that were each materially false and misleading when made;

(d) contained statements, which were materially false and misleading when made, including: a) that Amkor had the ability to "absorb large orders and accommodate quick turn-around times," and b) that Amkor was in a "position to obtain low pricing on materials and manufacturing equipment."

282. On December 17, 2003, to further capitalize on the inflated price of Amkor shares, caused by the dissemination of Defendants' materially false and misleading statements, Defendants announced that they had implemented a "securities trading plan" pursuant to SEC Rule 10b5-1:

Amkor Technology, Inc. (Nasdaq: AMKR) said that it has established a plan under Rule 10b5-1 of the Securities and Exchange Commission to provide for the Company's Executive Officers and Directors to engage in a pre-determined exercise of a portion of their exercisable stock options to

purchase common stock, with concurrent sale of the shares, subject to certain price restrictions and other contingencies. Amkor also said that its Chairman and Chief Executive Officer, James Kim, has elected not to participate in this plan at this time.

The Officers and Directors currently participating in the plan may exercise an aggregate of 1,200,000 options to purchase common stock over a one-year period from the time the plan was established on November 19, 2003. This aggregate number of options represents approximately seven tenths of one percent (0.007) of Amkor's currently outstanding common stock.

Rule 10b5-1 permits implementation of a written plan of selling company stock at times when insiders are not in possession of material non-public information. It allows them to sell shares on a regular basis, regardless of any subsequent material non-public information they receive and irrespective of the price of the stock at the time of sale.

283. On January 28, 2004, Amkor issued a press release announcing its financial results for the fourth quarter of 2003 and fiscal year 2003, the periods ending December 31, 2003. The Company reported that its fourth quarter net income was \$23 million, or \$0.13 per share, and raised near-term guidance. The January 28, 2004 release stated, in pertinent part, as follows:

Amkor Reports Fourth Quarter 2003 Results; Increases Revenue Outlook for First Quarter and Full Year 2004

CHANDLER, Ariz., Jan. 28 -- Amkor Technology, Inc. (Nasdaq: AMKR) reported fourth quarter sales of \$459 million, up 8% sequentially and up 23% over the fourth quarter of 2002. Amkor's fourth quarter net income was \$23 million, or \$0.13 per share, compared with a loss of \$196 million, or (\$1.19) per share, in the fourth quarter of 2002.

Amkor's fourth quarter 2003 net income includes a \$7 million gain on the sale of a marketable security partially offset by \$5 million in debt retirement costs associated with the repurchase of convertible notes. Amkor's \$196 million loss in the fourth quarter of 2002 included \$172 million in non-cash charges associated with (i) establishment of a \$129 million valuation allowance against deferred tax assets; (ii) a \$33 million impairment in Amkor's investment in Anam Semiconductor, Inc. and (iii) \$10 million of estimated costs to consolidate two factories.

For the full year, revenue was \$1.6 billion compared with \$1.4 billion in 2002. Amkor's net income in 2003 was \$2 million, or \$0.01 per share, compared with a loss of \$827 million, or (\$5.04) per share, in 2002.

284. The release specifically quoted Defendants Kim and Joyce, who touted Amkor's "exceptional growth opportunities," strengthening "customer forecasts," and "broad-based customer demand," as follows:

"We have completed a year of significant accomplishment and believe that **2004 will present exceptional growth opportunities for Amkor**," said James Kim, Amkor's chairman and chief executive officer. "Our 2003 results exceeded our initial expectations and were achieved during a year in which we realigned our operating structure, enhanced our balance sheet and strengthened our product development, sales and support organizations. These strategic initiatives place Amkor in an excellent position to drive continued expansion of the outsourcing model for semiconductor assembly and test."

"Since 2001 we have cautiously managed our business in an environment of economic uncertainty and cloudy visibility," continued Kim. "This environment began to change during 2003 as customer demand improved. We believe the semiconductor industry is now entering a period of strong expansion. We are seeing strength in the communications, computer and consumer markets. **During the fourth quarter our customer forecasts continued to strengthen**, and we now expect to achieve revenue growth in the first quarter of 2004, which is a significant reversal of what is normally a seasonally down quarter. Historically, a sequential increase in our first quarter sales has always signaled a strong year for Amkor. Last quarter I said we were positioning Amkor to achieve \$2 billion in revenue in 2004; I now believe we will exceed \$2 billion."

"In response to **broad-based customer demand we have re-ignited Amkor's growth engine** and are aggressively moving to increase production capacity to meet demand that our customers are already forecasting," continued Kim. "We are focused on asserting our leadership position in key package technologies. We have budgeted first quarter capital expenditures of \$200 million to accommodate robust customer demand and expand our operational footprint in Taiwan and China. We will most likely spend between \$300 and \$500 million for 2004."

"**We see 2004 as a year of great promise for Amkor**. We intend to accommodate growth opportunities while improving our capital structure, and we remain committed to de-levering the balance sheet," said Kim.

[...]

Fourth quarter gross margin was 25%. As our business expansion program moves into high gear in Q1 and Q2, our goal will be to increase production capacity to get ahead of customer demand,” said Ken Joyce, Amkor’s chief financial officer. “We expect the associated depreciation expenses and to a lesser extent factory operating expenses to put some downward pressure on gross margin in the first quarter of 2004, with minimal impact on operating margin as first quarter SG&A expenses should increase only modestly.”

“During 2003 we strengthened our capital structure -- reducing debt by \$129 million and increasing shareholders equity by \$147 million through the issuance of common stock. Our 2003 initiatives have yielded annualized interest expense savings of \$15 million,” said Joyce.

“As Jim Kim stated, we expect to grow significantly this year, and to support this robust growth we continue to evaluate strategies to further enhance our capital structure. We are prepared to supplement our cash resources with proceeds from capital market activities depending on the pace of our capital expenditure program,” said Joyce.

[emphasis added.]

285. Additionally, Defendants provided the following positive guidance for the first quarter of 2004:

Our customers’ forecasts have continued to build through most of the fourth quarter. On the basis of these forecasts, we have the following expectations for the first quarter of 2004: Sequential revenue increase in the range of 2% to 4%; Gross margin around 24%; and Net income in the range of 8 to 11 cents per diluted share.

286. On March 4, 2004, Defendants filed the Company’s 2003 Form 10-K with the SEC for the fourth quarter and full year ended December 31, 2003, signed and certified by Defendants Kim and Joyce. In addition to making substantially similar statements as had been made by Defendants previously concerning the Company’s operations, costs, expenses, revenues and earnings, the 2003 Form 10-K also contained statements concerning the purported effectiveness of the Company’s controls and procedures, as follows:

ITEM 9A. CONTROLS AND PROCEDURES

During the fourth quarter of 2003, Amkor management, including the principal executive officer and principal financial officer, evaluated Amkor's disclosure controls and procedures related to the recording, processing, summarization and reporting of information in its periodic reports that Amkor files with the SEC. These disclosure controls and procedures have been designed to ensure that (a) material information relating to Amkor, including its consolidated subsidiaries, is made known to Amkor's management, including these officers, by other employees of Amkor and its subsidiaries, and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. Amkor's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Accordingly, as of December 31, 2003, these officers (principal executive officer and principal financial officer) concluded that Amkor's disclosure controls and procedures were effective to accomplish their objectives. Amkor continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting and to maintain dynamic systems that change as conditions warrant. There was no change in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

287. The statements contained in the Company's January 28, 2004 press release, and in the Company's 2003 Form 10-K, were materially false and misleading and were known by Defendants to be false at that time, or were recklessly disregarded as such, for the following reasons, among others:

(a) demand for Amkor's products and services was not accelerating and materializing at the pace stated by Defendants, as Defendants knew or recklessly disregarded that Amkor's customers were "frontloading" their forecasts to circumvent Amkor's inability to meet demand on a timely basis;

(b) Defendants knew or recklessly disregarded that Amkor was experiencing rapidly rising material costs due to “supplier backlash,” negatively impacting the Company’s profitability;

(c) Defendants knew or recklessly disregarded that Amkor’s weak internal controls and accounting systems prevented the Company from efficiently managing material costs and accurately forecasting demand; and

(d) as a consequence of the foregoing, Defendants knew or recklessly disregarded that their positive statements about Amkor’s then current financial condition lacked any reasonable basis, and knew that their future guidance lacked any reasonable basis.

288. On March 12, 2004, Amkor issued a press release entitled “Amkor Technology Closes Offering of 7 1/8% Senior Notes Due 2011.” Therein, the Company, in relevant part, stated:

CHANDLER, Ariz., March 12 -- Amkor Technology, Inc. (Nasdaq: AMKR) announced today that it has closed an offering of \$250 million of its 7 1/8% Senior Notes due 2011.

The 7 1/8% Senior Notes were sold to qualified institutional buyers in reliance on Rule 144A and outside the United States in compliance with Regulation S under the Securities Act of 1933. The 7 1/8% Senior Notes have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

\$169 million of the net proceeds of the Senior Notes will be used to prepay the entire term loan outstanding under Amkor’s senior secured credit facility. The remaining proceeds will be used for general corporate purposes.

289. Subsequently, on July 13, 2004, Amkor issued a press release entitled “Amkor Technology Completes Exchange Offer for its 7 1/8% Senior Notes Due 2011.” Therein, the Company, in relevant part, stated:

CHANDLER, Ariz., July 13 -- Amkor Technology, Inc. (Nasdaq: AMKR) today announced that it has successfully completed its exchange offer (the "Exchange Offer") to exchange \$250 million in aggregate principal amount of its 7 1/8% Senior Notes due 2011 (the "Exchange Notes") that have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for the same principal amount of its outstanding unregistered 7 1/8% Senior Notes due 2011 (the "Original Notes"). The Original Notes were originally issued in a private placement in compliance with Rule 144A and Regulation S under the Securities Act.

The Exchange Offer expired, as scheduled, at 5:00 pm, New York City time, on July 6, 2004. All \$250 million outstanding aggregate principal amount of the Original Notes were validly tendered and exchanged pursuant to the Exchange Offer. Wells Fargo Bank, National Association acted as the exchange agent for the Exchange Offer.

**Amkor's True Financial And
Operational Condition Begins To Emerge**

A. Amkor's Demand, Growth and Profitability Fail to Materialize

290. On April 27, 2004, Amkor issued a press release entitled "Amkor Reports First Quarter 2004 Results," announcing its financial results for the period ending March 31, 2004.

Therein, the Company, in relevant part, stated:

Amkor Technology, Inc. (Nasdaq: AMKR) reported first quarter sales of \$465 million, up 1% sequentially and up 36% over the first quarter of 2003. Amkor's first quarter net income was \$12 million, or \$0.07 per share, compared with \$15 million, or \$0.09 per share, in the first quarter of 2003.

Amkor's first quarter 2004 net income includes a pre-tax charge of \$2.7 million, in connection with the prepayment of Amkor's term loan under its senior secured credit facility. In the first quarter 2003 Amkor's net income included a loss from continuing operations of \$40 million, or (\$0.24) per share, which was offset by income of \$55 million, or \$0.33 per share, in connection with its divested wafer fabrication services business.

291. The release specifically quoted Defendants Kim, Freyman and Joyce, who for the first time disclosed that Amkor was suffering from deficient customer forecasts and high material costs. Specifically, the April 27, 2004 press release, in relevant part, stated:

“While first quarter revenue came in slightly below our forecasted range, we nonetheless were pleased to achieve sequential revenue growth, in contrast to what is normally a seasonally down first quarter,” said James Kim, Amkor’s chairman and chief executive officer. “The increase in Q1 revenue and continued growth in our customers’ long range forecasts suggest that we are in the midst of a broad-based industry recovery, and we remain confident of exceeding \$2 billion revenue in 2004. This recovery, combined with what we believe is an acceleration in the outsourcing of semiconductor assembly and test, presents compelling opportunities for Amkor to strengthen our operational capabilities and expand our customer penetration.”

“Due to relative weakness in our cell phone products and production constraints at foundries, first quarter ***demand for some advanced package products did not materialize as forecast***,” said Bruce Freyman, Amkor’s president and chief operating officer. “During the first quarter we increased capacity in several package products which were on allocation for much of 2003 in order to get ahead of demand, and we are now in a more favorable position to support expected growth of these package products through 2004. We also experienced strong growth in our legacy package products during the quarter, which further suggests that integrated device manufacturers (IDMs) have generally not invested in additional assembly capacity.” [emphasis added.]

“First quarter gross margin of 24% was down 1% sequentially ***due principally to higher material costs***,” said Ken Joyce, Amkor's chief financial officer. “We anticipate that second quarter gross margin will remain at 24%, despite higher sales volume, due to higher depreciation and labor costs as we continue to expand production space, add equipment and increase factory workforce in advance of what we expect will be a strong second half. These costs include expenses associated with equipping lines and qualifying new business in our newly acquired facility in Taiwan. We currently expect gross margin to improve in the second half of 2004. [emphasis added.]

292. Additionally, Defendants provided the following positive guidance for the second quarter of 2004:

Our customer forecasts continue to rise for both advanced and legacy package products, however, it is possible that some customers will experience capacity constraints at their wafer foundries. On the basis of current forecasts, we have the following expectations for the second quarter of 2004: Sequential revenue increase in the range of 5% to 8%; Gross margin around 24%; Net income in the range of 17 to 22 cents per diluted share, which includes an after-tax gain of \$20 million, or \$0.11 per share, from the sale of 10.1 million shares of ASI common stock.

293. In response to this announcement, which revealed, among other adverse developments, that: 1) the Company was experiencing weakness in demand for its cell phone products; 2) customer forecasts did not materialize; and 3) the Company had experienced higher material costs than budgeted, the price of Amkor common stock declined from \$13.42 per share to \$9.16 per share, or nearly 32%, on extremely heavy trading volume. Defendants, however, continued to conceal the true condition of the Company's business, as well as the undisclosed scheme to manipulate its stock option program, and thus, the Company's common stock price continued to be artificially inflated.

294. On July 1, 2004, prior to the opening of trading, Defendants issued a press release announcing that the Company's results would be far below prior guidance, reducing both gross margin and earnings expectations. The release stated, in relevant part, as follows:

Amkor Technology, Inc. (Nasdaq: AMKR) said today that revenues for the second quarter ended June 30, 2004 are expected to be approximately 6% higher than the first quarter of 2004, compared with prior guidance of up 5% to 8%. Amkor expects gross margin for the second quarter to be around 19% compared with prior guidance of around 24%. Net income for the second quarter is expected to be approximately 6 cents per diluted share, compared with prior guidance of 17 to 22 cents, principally due to lower than anticipated gross margin. Both the prior and revised EPS guidance include an after-tax gain of 11 cents per share from the sale of 10.1 million shares of ASI common stock.

295. The release specifically quoted Defendants Freyman and Joyce, who disclosed that the Company's gross margins were suffering from an overall "rise in material costs," and finally admitted that Amkor needed to accelerate its efforts to procure lower cost materials. Defendant Joyce, Amkor's Chief Financial Officer, also disclosed that the Company was continuing to suffer from "weaker than normal support of customer forecasts." Specifically, the July 1, 2004 press release, in relevant part, stated as follows:

"Our second quarter *gross margin shortfall is primarily attributable to a very unfavorable product mix*," said Ken Joyce, Amkor's Chief Financial

Officer. Our revenue from several high-margin advanced packages, including MicroLeadFrame(R), Stacked CSP and ChipArray(R)BGA, was less than we expected, *reflecting weaker-than-normal support of customer forecasts* in the wireless sector and some shortages of high-end wafers from the foundries. The *soft demand in our higher margin advanced packages* was offset by stronger than anticipated support of forecasts in our lower margin PBGA business. In addition, we are still absorbing higher factory costs related to our capacity expansion initiatives, as well as an *overall rise in material costs*.

“In order to improve our margins during the second half of 2004, we are focusing our efforts on enriching our product mix, selectively raising prices, *accelerating our movement to lower cost material vendors and negotiating lower prices with our existing laminate substrate vendors*,” said Bruce Freyman, Amkor's president and chief operating officer. “While forecasting the product mix has been difficult so far this year, if normal seasonal trends hold, we would expect an improvement in our product mix in the second half of 2004.”

[emphasis added.]

296. In response to this announcement the price of Amkor common stock declined from \$8.18 per share to \$5.79 per share, or over 29%, on extremely heavy trading volume. Defendants, however, continued to conceal their option granting tactics, and thus, the Company's common stock price continued to be artificially inflated.

297. On July 27, 2004, Amkor issued a press release announcing its financial results for the second quarter of 2004, the period ending June 30, 2004. Therein, the Company, in relevant part, stated:

Amkor Technology, Inc. (Nasdaq: AMKR) reported second quarter sales of \$493 million, up 6% sequentially and up 30% over the second quarter of 2003. Amkor's second quarter net income was \$10 million, or \$0.06 per share, and included after-tax gains of \$14 million, or \$0.08 per share, from the sale of 10.1 million shares of Anam Semiconductor, Inc. common stock and \$2.5 million, or \$0.01 per share, on the settlement of litigation with a software provider. In the second quarter of 2003 Amkor reported a net loss of \$51 million, or (\$0.31) per share, which included a charge, with no tax effect, for debt retirement costs of \$31 million, or (\$0.19) per share.

298. The release specifically quoted Defendant Joyce, who reaffirmed “softness in demand,” and finally admitted that Amkor’s margins will “remain under pressure.” Specifically, the July 27, 2004 press release, in relevant part, stated as follows:

“During the second quarter we experienced softer than expected demand for several of our advanced package families which carry higher-than-average gross margins, said Ken Joyce, Amkor's chief financial officer. “We believe the softness in demand for our advanced packages was due to absorption of semiconductor inventory that was built-up in prior periods. Gross margin was also impacted by continued absorption of higher factory and labor costs related to our capacity expansion initiatives, particularly in Taiwan, where we acquired a new factory in March of this year, and in China, where we are in the process of facilitizing our second 75,000 square foot building.

“Near term, *our margins should remain under pressure* in connection with absorption of our new acquisitions and continued under-utilization of lines supporting advanced packages as the supply chain burns excess inventory,” said Joyce. “We are committed to improving the profitability of our core business while absorbing the costs associated with our growth initiatives. Our model has a high degree of operating leverage, and gross margin will be heavily dependent on business volume and mix. We are working to enhance the product mix and have selectively raised package prices. *We are qualifying lower cost material vendors and have negotiated lower prices with our existing laminate substrate vendors.*”

[emphasis added.]

299. Having already traded down from \$5.79 to \$4.53, between July 1, 2004 and July 27, 2004, as the market had time to digest the Company’s revised second quarter guidance, the price of Amkor stock again plummeted over 12% as a result of the July 27, 2004 press release, closing at \$3.98 on July 28, 2004. As noted *supra*, Amkor granted each of its directors 10,000 options on July 29, 2004.

B. Amkor Initiates an Internal Investigation of the Company's Stock Option Grants and Fails to Timely File its Second Quarter 2006 Results With the SEC

1. Amkor Announces its Internal Investigation of the Company's Stock Option Practices and the Special Committee's Preliminary Findings

300. On July 26, 2006, the Company disclosed that its board of directors, assisted by an independent counsel, would engage in a voluntary review of the Company's historical stock options practices. This internal investigation, in effect, confirmed that the inferences drawn from the suspect option granting patterns demonstrated above are well founded.

301. During an earnings conference call that same day, Defendant Kim reiterated the Company's announcement, and Defendant Joyce added that the Company had not been contacted by any regulatory or enforcement agency.

302. Significantly, despite reporting record sales in the quarter, the Company's stock options announcement caused investors to punish Amkor shares, driving their price down by approximately 17% from the prior day's closing price of \$7.51 per share to \$6.25 per share, in effect, reducing the Company's market capitalization by over \$222 million.

303. The Associated Press reported on July 26, 2006, as follows:

Amkor Technology shares gave up regular session gains after the Chandler, Ariz. company said its board formed a special committee to review its historical stock option practices. Amkor is the latest in a slew of companies to become involved in stock-option probes, joining more than a dozen that have announced voluntary reviews and more than 60 that have acknowledged receiving inquiries from the Securities and Exchange Commission, the Department of Justice or both.

Amkor also said it swung to a profit in the second quarter, and offered a forecast for the third quarter that edged the low end of analyst views.

304. Then, on August 16, 2006, Amkor confirmed its shareholders' earlier concerns that the Company had improperly accounted for its stock-based compensation. Specifically, in a press release, filed on Form 8-K, the Company disclosed that:

In the course of furnishing information to the special committee, *Amkor has identified a number of occasions on which the measurement date used for financial accounting and reporting purposes for option awards granted to certain Amkor employees was different from the actual grant date*. Under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (“APB 25”) the Company should have recorded compensation expense for the difference in the values between these two dates, over their original vesting periods. In order to correct these accounting errors, Amkor expects to restate financial statements to record additional non-cash, stock-based compensation expense related to these options in fiscal years 1998 through 2005 and the first quarter of 2006.

As a result, on August 15, 2006, *Amkor concluded that the range of potential adjustments resulting from the Company's internal review would likely be material to the most recent financial statements and possibly to prior periods resulting in a restatement of the Company's previously issued financial statements*, including those contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, the Company's Quarterly Reports on Form 10-Q filed during 2005, and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006. Accordingly, these financial statements should no longer be relied upon.

2. The SEC Investigates Amkor's Stock-Option Practices

305. On October 12, 2004, Amkor issued a press release entitled “Amkor Discloses Informal SEC Inquiry.” Therein, the Company, in relevant part, stated:

The company believes that the inquiry relates to transactions in the company's securities by certain individuals, which may include certain insiders, during 2004. In connection with the informal inquiry, the company has received requests from the SEC to voluntarily produce documents and other relevant information concerning these matters, and Amkor is cooperating with these requests.

306. Subsequently, on August 22, 2005, Amkor issued a press release entitled “Amkor Discloses Formal SEC Investigation.” Therein, the Company, in relevant part, stated that:

[T]he Securities and Exchange Commission (SEC) has issued a formal order of investigation arising from the previously announced informal inquiry concerning certain trading in Amkor securities. Amkor believes that the investigation continues to relate to transactions in the company's securities by certain individuals, including certain insiders or former insiders and persons associated with them. The primary focus of the

investigation appears to be activities during the period from June 2003 to July 2004. Amkor has cooperated fully with the SEC on the informal inquiry and will continue to do so with the formal investigation.

307. On September 15, 2006, Amkor announced that the SEC was expanding its investigation, and, that it had requested documents related to the Company's stock-option practices. The Company addressed the expansion of the SEC's investigation in its recently filed 2005 10-K/A, stating as follows:

In July 2006, the Board of Directors established a Special Committee to review Amkor's historical stock option practices and informed the SEC of these efforts. The SEC recently informed us that it is expanding the scope of its investigation and has requested that Amkor provide documentation related to these matters. We have cooperated fully with the SEC on the formal investigation and the informal inquiry that preceded it. We cannot predict the outcome of the investigation. In the event that the investigation leads to SEC action against any current or former officer or director of Amkor, or Amkor itself, our business (including our ability to complete financing transactions) or the trading price of our securities may be adversely impacted. In addition, if the SEC investigation continues for a prolonged period of time, it may have the same impact regardless of the ultimate outcome of the investigation.

3. Nasdaq Delisting and the Possibility of Default Under the Indentures Governing Amkor's Bond Issuances

308. On August 9, 2006, Amkor announced that due to the ongoing review of the Company's stock option grants, it would not be able to meet the SEC deadline for filing its quarterly results for the second quarter of 2006.

309. Shortly thereafter, on August 11, 2006, Amkor received a letter from U.S. Bank National Association ("US Bank") as trustee for the holders of several of the Company's notes, stating that US Bank, as trustee, had not received Amkor's financial statements for fiscal quarter ended June 30, 2006, and, informing the Company that it has 60 days from the date of the letter to file its June 30, 2006 quarterly report, or it will be considered an "Event of Default" under the indentures governing each of the notes.

310. On the same day, Wells Fargo Bank National Association (“Wells Fargo”), as trustee for the holders of Amkor’s 7.125% Senior Notes due 2011, sent a similar letter to the Company informing it that if Amkor does not file its June 30, 2006 quarterly report within 60 days of the date of the letter, the delayed filing will be considered an “Event of Default” under the indenture governing the notes.

311. On August 14, 2006, Amkor received a written Staff Determination notice from the Nasdaq Stock Market stating that it was not in compliance with Nasdaq’s Marketplace Rule 4310(c)(14) because it had not timely filed its June 30, 2006 quarterly report, and that, therefore, Amkor’s securities are subject to delisting. On August 21, 2006, the Company appealed the Staff’s delisting determination to the Nasdaq Listings Qualifications Panel (“Panel”) and requested an oral hearing before the Panel. On August 24, 2006, the Nasdaq Staff confirmed that Amkor’s appeal had stayed the delisting action pending a final written decision by the Panel. A hearing before the Panel took place on September 26, 2006. On October 19, 2006, only after the Company filed its delayed June 30, 2006 quarterly report, the Panel found that Amkor was in compliance with all applicable listing standards.

312. As explained by the Company in its recently filed Q1 2006 10-Q/A, “[i]f an ‘Event of Default’ were to occur under any of the notes described above, the trustees or holders of at least 25% in aggregate principal amount of such series then outstanding could attempt to declare all related unpaid principal and premium, if any, and accrued interest on such series of notes then outstanding to be immediately due and payable. As of August 31, 2006, there was approximately \$1.62 billion of aggregate unpaid principal outstanding on the above mentioned notes.”

313. On September 14, 2006, to thwart the catastrophic financial impact of an “Event of Default,” the Company commenced the solicitation of consents from the holders of the notes, seeking approval for a waiver of certain defaults and events of default, and the consequences thereof, that may occur under the indenture governing each series of notes from Amkor’s failure to file with the SEC and deliver to the trustee and the holders of the notes any reports, including the Company’s quarterly report for the quarter ended June 30, 2006. On September 28, 2006 and October 5, 2006, Amkor amended the terms of the consent solicitation to extend the expiration date of the solicitation for each series of notes.

314. Then, on October 6, 2006, within a day of filing its long overdue June 30, 2006 quarterly report and issuing its Restatement, Amkor threatened that, if bondholders seek to accelerate the Company’s debt, it would file for Chapter 11 bankruptcy protection, which would have had the effect of substantially lowering the value of the Company’s bonds.

315. In light of these events, caused primarily by Amkor’s failure to timely file its June 30, 2006 quarterly report, the Company’s stock price dropped to \$5.05 at the close of market on October 6, 2006 – \$1.20 (or nearly 20%) lower than its closing price on July 27, 2006, following the Company’s disclosure that it would be restating seven years of financial results due to improper stock option accounting.

C. Amkor’s Restatement and the Filing of Its June 30, 2006 Quarterly Report

316. After the close of the market on October 6, 2006, Amkor finally issued its long awaited June 30, 2006 quarterly report, and, in effect, eliminated substantial investor concerns that: 1) Amkor’s shares would be delisted, 2) bondholders would force an acceleration of the Company’s debt; and 3) the Company would file for Chapter 11 bankruptcy protection. In light of the significant downward pressure these concerns placed upon Amkor shares, it is no surprise

that the Company's share price rose immediately following the filing of its June 30, 2006 quarterly report.

317. At the same time that the Company filed its quarterly report for the quarter ended June 30, 2006, it also filed its 2005 10-K/A and its 1Q 2006 10-Q/A, which set forth: 1) the Special Committee's findings with respect to the Company's stock option granting practices, and 2) the Company's restatement of its financial results for the period January 1, 1998 through June 30, 2006, resulting in a staggering \$106 million aggregate restatement of net income.

318. As discussed in detail above, the Special Committee's findings and Amkor's internal review confirmed, *inter alia*, that: 1) in numerous instances, Amkor had improperly accounted for its stock option grants in violation of GAAP, and 2) several former executives knew of or intentionally participated in the manipulation of the Company's stock option pricing with respect to annual grants in 2001 and 2002. Specifically, the Special Committee found that:

(a) There is evidence that supports a finding of intentional manipulation of stock option pricing and associated stock-based compensation by a former executive, including the preparation of Compensation Committee meeting minutes that misrepresented the actions taken at certain Compensation Committee meetings;

(b) There is evidence that supports a finding that two other former executives may have been aware of, or participated in, this conduct;

(c) Compensation Committee policies and procedures were inadequate and the Company failed to verify purported actions of the Compensation Committee and ensure that actions at such meetings were accurately and timely documented and periodically reported to the Board of Directors;

(d) The Company's Human Resources personnel were inappropriately allowed to control and administer the stock option grant process without adequate input or supervision.

UNDISCLOSED ADVERSE FACTS

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

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

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

common stock to be overvalued and artificially inflated at all relevant times. When Defendants revealed the true facts about the Company, the price inflation caused by their prior misrepresentations and omissions was removed from the price of Amkor stock. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiffs and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

LOSS CAUSATION

322. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiffs and the Class.

323. During the Class Period, Plaintiffs and the Class purchased Amkor common stock at artificially inflated prices and were damaged thereby. The price of Amkor common stock declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

ADDITIONAL SCIENTER ALLEGATIONS

324. As alleged herein, Defendants acted with *scienter* in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the truth regarding Amkor, their control over, and/or receipt and/or modification of Amkor's allegedly materially misleading misstatements and/or their

associations with the Company which made them privy to confidential proprietary information concerning Amkor, participated in the fraudulent scheme alleged herein.

325. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

326. With respect to Defendants' false and misleading statements and omissions of material fact regarding Amkor's profitability, "robust growth" and "robust demand," there is ample evidence of Defendants' fraudulent conduct and intent, including but not limited to the following allegations:

(a) Defendants knew and/or recklessly disregarded that weaknesses existed with respect to the Company's cost management and accounting controls, since executives at the Company were aware of the existence of cost discrepancies in Amkor's accounting system.

(b) Defendants knew and/or recklessly disregarded the fact that the Company's deficient raw material forecasts led to a "supplier backlash," including cancellations of orders by suppliers, which would cause Amkor's raw material costs to materially increase.

(c) Defendants knew and/or recklessly disregarded the fact that as a result of a "supplier backlash," leaving Amkor unable to fulfill customer orders on a timely basis, many customers, including some of Amkor's largest clients, were intentionally "frontloading" their production forecasts to circumvent Amkor's production delays.

327. With respect to Defendants' false and misleading statements and omissions of material fact regarding manipulation of the Company's stock options plans, there is ample

evidence of Defendants' fraudulent conduct and intent, including but not limited to the following allegations:

(a) The Compensation Committee Defendants were aware of the precise terms under which the Company's stock options were granted because they were charged with the responsibility of administering the stock option plans, as set forth in ¶ 74;

(b) Defendants were collectively responsible for the dissemination of the false and misleading information regarding executive compensation contained in Amkor's proxy statements and other SEC filings;

(c) Defendants knew that, despite expressly representing the Company's full compliance with APB No. 25 and its own stock options plans, the Defendants' practice of backdating options violated both;

(d) Defendants were direct beneficiaries of the fraud they committed, having received stock options, the exercise price of which they improperly backdated, and thus, knew or were reckless in not knowing that this fraud was taking place;

(e) Defendants had strong personal motives to manipulate the exercise price of the Company's stock options, as that manipulation inured to their direct financial benefit, and to those of their peers and employees;

(f) Defendants had a clear opportunity to engage in the stock option fraud alleged herein as they were responsible for both the issuance of the Company's stock option grants, and, for the misrepresentation of the terms of those grants in the Company's public filings;

(g) Amkor expressly admits, in its October 6, 2006 Restatement, that the Special Committee reviewing the Company's stock option practices identified evidence: 1) that

supports a finding of intentional manipulation of stock option pricing with respect to annual grants in 2001 and 2002 by a former executive and that other former executives may have been aware of, or participated in the conduct; and 2) that Compensation Committee meeting minutes prepared by a former executive misrepresented certain actions taken by the Compensation Committee; and

(h) Internal controls and procedures in connection with the Company's stock option granting practices, which were laden with material weaknesses, were a crucial part of Defendants' deliberate conduct to manipulate option grants and were maintained to facilitate that scheme. As the Special Committee specifically found, the Company's inadequate controls allowed:

(i) for the intentional manipulation of stock option pricing and associated stock-based compensation by a former executive;

(ii) for the preparation of Compensation Committee meeting minutes, by a former executive, that misrepresented the actions taken at certain Compensation Committee meetings; and

(iii) Human Resources personnel to inappropriately control and administer the Company's stock option grant process without adequate input or supervision.

328. Defendants were motivated to materially misrepresent, to the SEC and investors, the true financial condition of the Company in order to benefit from the implementation of a plan under SEC Rule 10b5-1. Specifically, the plan provides that the Company's executive officers and directors may engage in a pre-determined exercise of a portion of their exercisable stock options to purchase common stock. Significantly, the plan allows executive officers and

directors to sell their shares of Amkor on a regular basis, regardless of any subsequent material non-public information they receive and irrespective of the price of the stock at the time of sale.

329. Additionally, Defendants were motivated to materially misrepresent, to the SEC and investors, the true financial condition of the Company because it: (i) deceived the investing public regarding Amkor's business, operations, management and the intrinsic value of Amkor common stock; and (ii) enabled Defendants to complete a secondary stock offering of 8,050,000 shares for gross proceeds of \$152 million, while in possession of material adverse non-public information about the Company.

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD ON THE MARKET DOCTRINE**

330. At all relevant times, the market for Amkor's common stock was an efficient market for the following reasons, among others:

- (a) Amkor's common stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;
- (b) As a regulated issuer, Amkor filed periodic public reports with the SEC and the NASDAQ;
- (c) Amkor regularly communicated with public investors *via* established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and
- (d) Amkor was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain

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

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

NO SAFE HARBOR

332. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Amkor who knew that those statements were false when made.

FIRST CLAIM
Violation of Section 10(b) of the
Exchange Act and Rule 10b-5(a), (b), and (c) Promulgated
Thereunder Against the Officer Defendants and Defendant Amkor

333. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

334. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Amkor common stock; and (iii) cause Plaintiffs and other members of the Class to purchase Amkor common stock at artificially inflated prices.

335. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, jointly and individually, took the actions set forth herein. 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 to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Amkor's common stock in violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

336. In addition to the duties of full disclosure imposed on the Defendants as a result of their making affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they had a duty to promptly disseminate truthful information that would be material to investors, in compliance with GAAP and 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. §§ 229.01 *et seq.*) and other SEC regulations, including truthful, complete and accurate information with respect to the Company's operations and performance so that the market prices of the Company's common stock would be based on truthful, complete and accurate information.

337. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Amkor as specified herein.

338. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Amkor'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 Amkor 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 Amkor common stock during the Class Period.

339. Each of the Officer Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Officer Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the

creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these Defendants enjoyed significant personal contact and familiarity with the other Defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these Defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

340. The Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Amkor's true operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by Defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

341. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Amkor's common stock was artificially inflated during the Class Period. Unaware that market prices of Amkor's publicly-traded common stock 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 common stock trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiffs and the other members of the Class acquired Amkor common stock during the Class Period at artificially high prices and were damaged thereby.

342. At the time of said misrepresentations and omissions, Plaintiffs and other members of the Class were unaware of their falsity, and believed them to be true. Had Plaintiffs and the other members of the Class and the marketplace known the truth regarding Amkor's financial results, which were not disclosed by Defendants, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their Amkor common stock, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

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

344. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

SECOND CLAIM
Violation of Section 10(b) of the Exchange
Act and Rule 10b-5 (a), (b), and (c) Promulgated Thereunder
Against the Compensation Committee Defendants and the John Doe Defendants
With Respect to Defendants' Improper Stock Option Grants

345. Plaintiffs repeat and reallege allegations contained in ¶¶ 1-10, 16-160, 178-271, 278-282, 300-325, and 327-332, as if fully set forth herein.

346. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing

public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Amkor common stock; and (iii) cause Plaintiffs and other members of the Class to purchase Amkor common stock at artificially inflated prices.

347. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, jointly and individually, took the actions set forth herein. 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 to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Amkor's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

348. In addition to the duties of full disclosure imposed on the Defendants as a result of their making affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they had a duty to promptly disseminate truthful information that would be material to investors, in compliance with GAAP and 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. §§ 229.01 *et seq.*) and other SEC regulations, including truthful, complete and accurate information with respect to the Company's operations and performance so that the market prices of the Company's common stock would be based on truthful, complete and accurate information.

349. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a

continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Amkor as specified herein.

350. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Amkor'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 Amkor 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 Amkor common stock during the Class Period.

351. Each of the Compensation Committee Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Compensation Committee Defendants were directors at the Company during the Class Period and were members of the Company's Compensation Committee; (ii) each of these Defendants, by virtue of his responsibilities and activities as a director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these Defendants enjoyed significant personal contact and familiarity with the other Defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these Defendants was aware

of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

352. The Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Amkor's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by Defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

353. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Amkor's common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of Amkor's publicly-traded common stock 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 common stock trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiffs and the other members of the Class acquired Amkor common stock during the Class Period at artificially high prices and were damaged thereby.

354. 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 the truth regarding Amkor's financial results, which were not disclosed by Defendants, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their Amkor common stock, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

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

356. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

THIRD CLAIM
Violation of Section 20(a) of
the Exchange Act Against the Officer Defendants

357. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

358. The Officer Defendants acted as controlling persons of Amkor within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, substantial participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Officer Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiffs contend are false and misleading. The Officer Defendants

were provided with or had unlimited access to copies of the Company's 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.

359. In particular, each of the Officer Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

360. As set forth above, Amkor and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Officer Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

FOURTH CLAIM
Violation of Section 20(a) of the Exchange Act
Against the Compensation Committee Defendants and the John Doe Defendants
With Respect to Defendants' Improper Stock Option Grants

361. Plaintiffs repeat and reallege allegations contained in ¶¶ 1-10, 16-160, 178-271, 278-282, 300-325, and 327-332, as if fully set forth herein.

362. The Compensation Committee Defendants acted as controlling persons of Amkor within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their ownership and contractual rights, substantial participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Compensation Committee Defendants

had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiffs contend are false and misleading. The Compensation Committee Defendants were provided with or had unlimited access to copies of the Company's 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.

363. As set forth above, Amkor and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Compensation Committee Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

- (a) Determining that this action is a proper class action, certifying Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure and Plaintiffs' counsel as Lead Counsel;
- (b) Awarding compensatory damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

DATED: November 21, 2006

Respectfully submitted,

GOLDMAN SCARLATO & KARON, P.C.

By: /s/ Paul J. Scarlato

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**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA**

)	Civil Action No. 2:06-CV-298 (LP)
)	
)	<u>CLASS ACTION</u>
)	
IN RE AMKOR TECHNOLOGY, INC. SECURITIES LITIGATION)	SECOND AMENDED AND CONSOLIDATED COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS
)	
)	
)	<u>JURY TRIAL DEMANDED</u>

CERTIFICATE OF SERVICE

I, Paul J. Scarlato, hereby certify that I caused a copy of the Second Amended And Consolidated Complaint For Violation Of The Federal Securities Laws to be served via first class mail, postage prepaid, on the counsel listed below:

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