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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION**

) No.
██████████ Individually and on Behalf of)	
All Others Similarly Situated,)	<u>CLASS ACTION</u>
)	
Plaintiff,)	COMPLAINT FOR
)	VIOLATIONS OF THE
v.)	FEDERAL SECURITIES
)	LAWS
STEC, INC., MANOUCH MOSHAYEDI,)	
and MARK MOSHAYEDI,)	
)	
Defendants.)	<u>DEMAND FOR JURY TRIAL</u>

1 Plaintiff Fred Jean, by and through his attorneys, alleges the following upon
2 information and belief, except as to those allegations concerning Plaintiff, which are
3 alleged upon personal knowledge. Plaintiff's information and belief is based upon,
4 among other things, his counsel's investigation, which includes without limitation:
5 (a) review and analysis of regulatory filings made by STEC, Inc. ("STEC" or the
6 "Company") with the United States Securities and Exchange Commission ("SEC");
7 (b) review and analysis of press releases and media reports issued by and
8 disseminated by STEC; and (c) review of other publicly available information
9 concerning STEC.
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13 NATURE OF THE ACTION AND OVERVIEW

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15 1. This is a class action on behalf of purchasers of STEC's securities
16 between August 3, 2009 and November 3, 2009, inclusive (the "Class Period"),
17 seeking to pursue remedies under the Securities Exchange Act of 1934 (the
18 "Exchange Act").
19

20 2. STEC designs, manufactures and markets enterprise-class solid state
21 drives ("SSDs"), for use in high performance storage and server systems, and high
22 density dynamic random access memory ("DRAM"), modules for networking,
23 communications and industrial applications. STEC's ZeusIOPS SSD product family
24 offers an array of options for enterprise system architects. ZeusIOPS SSD provides
25 interface options, spanning Fibre Channel to SAS to SATA, as well as a range of
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1 capacity options, spanning 73GB to 1TB.

2
3 3. On November 3, 2009, STEC shocked investors when it announced that
4 one of its largest customers, which accounts for 90 percent of STEC's ZeusIOPS SSD
5 business and which had placed a \$120 million order for the second half of 2009,
6 would carry 2009 inventory into 2010, placing STEC's 2010 first quarter results at
7 risk.
8

9 4. On this news, shares of STEC declined \$9.01 per share, more than 38%,
10 to close on November 4, 2009, at \$14.14 per share, on unusually heavy volume.
11

12 5. Throughout the Class Period, Defendants made false and/or misleading
13 statements, as well as failed to disclose material adverse facts about the Company's
14 business, operations, and prospects. Specifically, Defendants made false and/or
15 misleading statements and/or failed to disclose: (1) that the Company over sold its
16 largest customer more inventory than it required; (2) that, as such, the Company
17 overstated the demand for its ZeusIOPS SSD products; (3) that the Company's
18 subsequent revenue and financial results for the following year would be negatively
19 impacted; and (4) that, as a result of the above, Defendants' statements during the
20 Class Period lacked a reasonable basis.
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24 6. As a result of Defendants' wrongful acts and omissions, and the
25 precipitous decline in the market value of the Company's securities, Plaintiff and
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1 other Class members have suffered significant losses and damages.

2
3 **JURISDICTION AND VENUE**

4 7. The claims asserted herein arise under Sections 10(b) and 20(a) of the
5 Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated
6 thereunder by the SEC (17 C.F.R. § 240.10b-5).
7

8 8. This Court has jurisdiction over the subject matter of this action
9 pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).
10

11 9. Venue is proper in this Judicial District pursuant to §28 U.S.C.
12 §1391(b), §27 of the Exchange Act (15 U.S.C. §78aa(c)).
13

14 10. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b)
15 and Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in
16 furtherance of the alleged fraud or the effects of the fraud have occurred in this
17 Judicial District. Many of the acts charged herein, including the preparation and
18 dissemination of materially false and/or misleading information, occurred in
19 substantial part in this District. Additionally, STEC is a California corporation and
20 maintains its principal executive offices within this Judicial District.
21

22 11. In connection with the acts, transactions, and conduct alleged herein,
23 Defendants directly and indirectly used the means and instrumentalities of interstate
24 commerce, including the United States mail, interstate telephone communications,
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1 and the facilities of a national securities exchange.

2
3 **PARTIES**

4 12. Plaintiff [REDACTED] as set forth in the accompanying certification,
5 incorporated by reference herein, purchased STEC common stock during the Class
6 Period, and suffered damages as a result of the federal securities law violations and
7 false and/or misleading statements and/or material omissions alleged herein.
8

9 13. Defendant STEC is a California corporation with its principal executive
10 offices located at 3001 Daimler Street, Santa Ana, California, 92705.
11

12 14. Defendant Manouch Moshayedi was, at all relevant times, Chief
13 Executive Officer ("CEO") and Chairman of the Board of Directors of STEC.
14

15 15. Defendant Mark Moshayedi was, at all relevant times, President, Chief
16 Operating Officer, Chief Technical Officer, Secretary, and a Director, of STEC.
17

18 16. Defendants Manouch Moshayedi and Mark Moshayedi are collectively
19 referred to hereinafter as the "Individual Defendants." The Individual Defendants,
20 because of their positions with the Company, possessed the power and authority to
21 control the contents of STEC's reports to the SEC, press releases and presentations
22 to securities analysts, money and portfolio managers and institutional investors, *i.e.*,
23 the market. Each defendant was provided with copies of the Company's reports and
24 press releases alleged herein to be misleading prior to, or shortly after, their issuance
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1 and had the ability and opportunity to prevent their issuance or cause them to be
2 corrected. Because of their positions and access to material non-public information
3 available to them, each of these defendants knew that the adverse facts specified
4 herein had not been disclosed to, and were being concealed from, the public, and that
5 the positive representations which were being made were then materially false and/or
6 misleading. The Individual Defendants are liable for the false statements pleaded
7 herein, as those statements were each "group-published" information, the result of the
8 collective actions of the Individual Defendants.
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12 **SUBSTANTIVE ALLEGATIONS**

13 **Background**

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15 17. STEC designs, manufactures and markets enterprise-class SSDs, for use
16 in high performance storage and server systems, and high density DRAM, modules
17 for networking, communications and industrial applications. STEC's ZeusIOPS SSD
18 product family offers an array of options for enterprise system architects. ZeusIOPS
19 SSD provides interface options, spanning Fibre Channel to SAS to SATA, as well as
20 a range of capacity options, spanning 73GB to 1TB.
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23 18. On July 16, 2009, STEC issued a press release entitled, "STEC Signs a
24 \$120 Million Supply Agreement for ZeusIOPS SSDs for 2H 2009 and Now Forecasts
25 Sales of ZeusIOPS SSDs to Exceed \$220 Million in 2009." Therein, the Company,
26

1 in relevant part, stated:

2
3 **STEC and Its Major Enterprise Storage Customers Continue**
4 **Collaboration to Drive Adoption of SSD Technology**
5 **Into High-Performance Enterprise Storage Systems**

6 SANTA ANA, Calif., July 16, 2009 (GLOBE NEWSWIRE) -- STEC,
7 Inc. (Nasdaq:STEC), announced today that it has signed an agreement
8 with one of its largest enterprise storage customers for sales of \$120
9 million of ZeusIOPS SSDs in the second half of 2009. STEC believes
10 that this agreement reflects the enterprise storage manufacturer's
11 continued commitment to integrate STEC's SSD technology into the
12 manufacturer's systems and validates significant storage system
13 performance improvements enabled by STEC's ZeusIOPS SSDs in these
14 enterprise systems. With this agreement signed, STEC now forecasts
15 revenue from the sale of its ZeusIOPS drives will exceed \$220 million
16 in 2009.

17 "We are pleased to see that sales of our customer's enterprise storage
18 systems utilizing our ZeusIOPS drives have grown significantly over the
19 past few years," said Manouch Moshayedi, Chairman and Chief
20 Executive Officer of STEC. "Our customers have helped evangelize this
21 technology and we are glad to be partnered with them as we expect that
22 they will help drive further innovation in SSD usage in the highest-end
23 of the enterprise storage markets."

24 The STEC ZeusIOPS SSD product family offers a comprehensive array
25 of options for enterprise system architects. ZeusIOPS SSD provides a
26 wide range of interface options, spanning Fibre Channel to SAS to
27 SATA, as well as the widest range of capacity options, spanning 73GB
28 to 1TB. Fundamental to the ZeusIOPS product family is the proprietary
SSD architecture which renders an enterprise-optimized storage device
with an unprecedented combination of performance and energy
efficiency.

(Emphasis in original).

1 implementation of our restructuring plan and grant incentive income
2 received from the Malaysian government. Non-GAAP results are
3 explained and reconciled to GAAP results in tables included in this
4 release.

5 Additional highlights for the second quarter of 2009 include:

- 6 * signed a recently-announced \$120 million contract to supply
7 ZeusIOPS SSDs to a major Enterprise-Storage customer for the second
8 half of 2009;
- 9 * signed a \$28 million, 12-month contract to supply the ruggedized
10 MACH8 SSD to a leading defense systems contractor, extending reach
11 of one our key product lines beyond the traditional storage market;
- 12 * accelerated adoption of the ZeusIOPS SSDs into major
13 Enterprise-Storage and Enterprise-Server OEM customers, including
14 IBM, Fujitsu, Compellent and HP;
- 15 * increased cash and cash equivalents, and short-term investments at
16 the end of the second quarter of 2009 to approximately \$94 million,
17 a 49% increase from the end of the prior quarter;
- 18 * decreased inventory to approximately \$38 million at the end of the
19 second quarter of 2009, a 16% decrease from the end of the prior
20 quarter; and
- 21 * successfully transitioned 100% of the Company's manufacturing from
22 California to Malaysia.

23 Business Outlook

24 "It is exciting to share such outstanding results today and to deliver
25 significant revenue, gross profit margin and EPS growth for the second
26 quarter of 2009," said Manouch Moshayedi, STEC's Chairman and
27 Chief Executive Officer. "We have shown a significant improvement in
28 our already strong balance sheet -- particularly in the generation of cash
and effective management of inventory - added four more major
Enterprise-Storage OEMs to our blue chip customer list, and surpassed
our stated year-end 2009 non-GAAP gross profit margin goal of 40%,
expanding it to 50% in the second quarter of 2009.

1 "In our prior quarter's earnings announcement we had estimated that
2 ZeusIOPS revenue for the first half of 2009 would surpass \$53 million.
3 I am pleased to report that we have actually achieved \$83 million in
4 ZeusIOPS revenue for this period. Although we are still early in the
5 process of the adoption of SSDs into the Enterprise-Storage market, I
6 believe that the \$120 million supply agreement that we signed for the
7 second half of 2009 is a further indication of future SSD growth and
8 customers' acceptance of SSDs into this growing market. I am very
9 excited about our product road map -- specific to the Enterprise-Storage,
10 Enterprise-Server and related markets."

11 Guidance

12 "We currently expect third quarter of 2009 revenue to range from \$95
13 million to \$97 million with diluted non-GAAP earnings per share to
14 range from \$0.45 to \$0.47."

15 (Emphasis in original).

16 20. On August 3, 2009, STEC filed its Quarterly Report with the SEC on
17 Form 10-Q for the 2009 fiscal second quarter. The Company's Form 10-Q reaffirmed
18 the Company's financial results previously announced on August 3, 2009. Therein,
19 the Company, in relevant part, stated:

20 We expect continued growth in the sales of our Flash-based SSD
21 ZeusIOPS products through 2009 based on the accelerated adoption of
22 our ZeusIOPS SSDs by most of our major enterprise-storage and
23 enterprise-server OEM customers into their systems. As part of this
24 expected growth, on July 16, 2009 we announced an agreement with one
25 of our largest enterprise storage customers for sales of \$120 million of
26 ZeusIOPS SSDs in the second half of 2009.

27 21. The statements contained in ¶¶19-20 were materially false and/or

1 misleading when made because defendants failed to disclose or indicate the
2 following: (1) that the Company over sold its largest customer more inventory than
3 it required; (2) that, as such, the Company overstated the demand for its ZeusIOPS
4 SSD products; (3) that the Company's subsequent revenue and financial results for
5 the following year would be negatively impacted; and (4) that, as a result of the
6 above, Defendants' statements during the Class Period lacked a reasonable basis.
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9 **Disclosures At The End Of The Class Period**

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11 22. On November 3, 2009, STEC issued a press release entitled, "STEC
12 Announces Third Quarter 2009 Results." Therein, the Company, in relevant part,
13 stated:

14 "One of our customers entered into a \$120 million supply agreement
15 with us for shipments covering the second half of 2009. We recently
16 received preliminary indications that our customer might carry inventory
17 of our ZeusIOPS at the end of 2009 which they will use in 2010. In light
18 of this development, we have jointly initiated a strategic sales and
19 marketing incentive program designed to promote the integration of
20 STEC's SSDs into their systems. As of September 30, 2009, we have
21 accrued \$1.5 million of estimated costs for this marketing incentive
22 program. Both companies believe that we will be successful in
23 increasing the pace of the replacement of HDDs with SSDs. If our
24 marketing program is not successful in increasing the demand flow of
25 SSDs, our first quarter of 2010 orders from this customer will be
26 negatively affected; however, the actual impact cannot be quantified at
27 this time.

28 "We are also working on implementing sales and marketing incentive
programs at our other major customers to further proliferate the use of
our SSDs in their systems. We believe that it is just a matter of time

1 before these customers become more significant to our overall sales of
2 SSDs. In addition, we continue to qualify our ZeusIOPS into new
3 platforms at our customers and are working closely with them to
4 promote integration of SSDs into their systems by participating in sales
5 conferences and end-user training programs both in the U.S. and in
6 Europe. We believe these activities will help accelerate the adoption of
7 our SSDs over the course of 2010.

8 "Longer-term, we believe that SSDs in the Enterprise market are here to
9 stay and will grow to become a very significant market within the next
10 five years. Further, we believe that as this market grows, there will be
11 room for a few additional players and that STEC will remain the
12 dominant player in Enterprise-class SSDs."

13 23. On this news, shares of STEC declined \$9.01 per share, or 38.92%, to
14 close on November 4, 2009, at \$14.14 per share, on unusually heavy volume.

15 CLASS ACTION ALLEGATIONS

16 24. Plaintiff brings this action as a class action pursuant to Federal Rule of
17 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who
18 purchased STEC's securities between August 3, 2009 and November 3, 2009,
19 inclusive (the "Class Period") and who were damaged thereby. Excluded from the
20 Class are Defendants, the officers and directors of the Company, at all relevant times,
21 members of their immediate families and their legal representatives, heirs, successors
22 or assigns and any entity in which Defendants have or had a controlling interest.

23 25. The members of the Class are so numerous that joinder of all members
24 is impracticable. Throughout the Class Period, STEC's securities were actively
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26

1 traded on National Association of Securities Dealers Automated Quotations Market
2 ("NASDAQ"). While the exact number of Class members is unknown to Plaintiff at
3 this time and can only be ascertained through appropriate discovery, Plaintiff believes
4 that there are hundreds or thousands of members in the proposed Class. Millions of
5 STEC shares were traded publicly during the Class Period on the NASDAQ and as
6 of October 16, 2009, STEC had 50,264,383 shares of common stock outstanding.
7 Record owners and other members of the Class may be identified from records
8 maintained by STEC or its transfer agent and may be notified of the pendency of this
9 action by mail, using the form of notice similar to that customarily used in securities
10 class actions.
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15 26. Plaintiff's claims are typical of the claims of the members of the Class
16 as all members of the Class are similarly affected by Defendants' wrongful conduct
17 in violation of federal law that is complained of herein.
18

19 27. Plaintiff will fairly and adequately protect the interests of the members
20 of the Class and has retained counsel competent and experienced in class and
21 securities litigation.
22

23 28. Common questions of law and fact exist as to all members of the Class
24 and predominate over any questions solely affecting individual members of the Class.
25 Among the questions of law and fact common to the Class are:
26

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

3
4 (b) Whether statements made by Defendants to the investing public
5 during the Class Period omitted and/or misrepresented material facts about the
6 business, operations, and prospects of STEC; and
7

8 (c) To what extent the members of the Class have sustained damages
9 and the proper measure of damages.
10

11 29. A class action is superior to all other available methods for the fair and
12 efficient adjudication of this controversy since joinder of all members is
13 impracticable. Furthermore, as the damages suffered by individual Class members
14 may be relatively small, the expense and burden of individual litigation makes it
15 impossible for members of the Class to individually redress the wrongs done to them.
16 There will be no difficulty in the management of this action as a class action.
17
18

19 **UNDISCLOSED ADVERSE FACTS**

20 30. The market for STEC's securities was open, well-developed and
21 efficient at all relevant times. As a result of these materially false and/or misleading
22 statements, and/or failures to disclose, STEC's securities traded at artificially inflated
23 prices during the Class Period. Plaintiff and other members of the Class purchased
24 or otherwise acquired STEC's securities relying upon the integrity of the market price
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1 of the Company's securities and market information relating to STEC, and have been
2 damaged thereby.

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4 31. During the Class Period, Defendants materially misled the investing
5 public, thereby inflating the price of STEC's securities, by publicly issuing false
6 and/or misleading statements and/or omitting to disclose material facts necessary to
7 make Defendants' statements, as set forth herein, not false and/or misleading. Said
8 statements and omissions were materially false and/or misleading in that they failed
9 to disclose material adverse information and/or misrepresented the truth about
10 STEC's business, operations, and prospects as alleged herein.

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13 32. At all relevant times, the material misrepresentations and omissions
14 particularized in this Complaint directly or proximately caused or were a substantial
15 contributing cause of the damages sustained by Plaintiff and other members of the
16 Class. As described herein, during the Class Period, Defendants made or caused to
17 be made a series of materially false and/or misleading statements about STEC's
18 financial well-being and prospects. These material misstatements and/or omissions
19 had the cause and effect of creating in the market an unrealistically positive
20 assessment of the Company and its financial well-being and prospects, thus causing
21 the Company's securities to be overvalued and artificially inflated at all relevant
22 times. Defendants' materially false and/or misleading statements during the Class
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1 Period resulted in Plaintiff and other members of the Class purchasing the Company's
2 securities at artificially inflated prices, thus causing the damages complained of
3 herein.
4

5 **LOSS CAUSATION**

6
7 33. Defendants' wrongful conduct, as alleged herein, directly and
8 proximately caused the economic loss suffered by Plaintiff and the Class.

9
10 34. During the Class Period, Plaintiff and the Class purchased STEC's
11 securities at artificially inflated prices and were damaged thereby. The price of the
12 Company's securities significantly declined when the misrepresentations made to the
13 market, and/or the information alleged herein to have been concealed from the
14 market, and/or the effects thereof, were revealed, causing investors's losses.
15

16 **SCIENTER ALLEGATIONS**

17
18 35. As alleged herein, Defendants acted with scienter in that Defendants
19 knew that the public documents and statements issued or disseminated in the name
20 of the Company were materially false and/or misleading; knew that such statements
21 or documents would be issued or disseminated to the investing public; and knowingly
22 and substantially participated or acquiesced in the issuance or dissemination of such
23 statements or documents as primary violations of the federal securities laws. As set
24 forth elsewhere herein in detail, Defendants, by virtue of their receipt of information
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1 reflecting the true facts regarding STEC, his/her control over, and/or receipt and/or
2 modification of STEC's allegedly materially misleading misstatements and/or their
3 associations with the Company which made them privy to confidential proprietary
4 information concerning STEC, participated in the fraudulent scheme alleged herein.
5

6
7 36. Additionally, during the Class Period, and with the Company's securities
8 trading at artificially inflated prices, on or around August 11, 2009, the Company
9 conducted a secondary public offering in which the Individual Defendants sold
10 approximately 9,000,000 shares of STEC's common stock at a price of \$31.00 per
11 share, for gross proceeds to the Individual Defendants of approximately \$279 million.
12

13
14 37. Given the timing, magnitude, and deviation from their prior trading
15 history, the Individual Defendants' transactions were highly unusual and suspicious.
16 Defendant Manouch Moshayedi sold 4,112,618 shares of his 7,321,889 beneficially
17 owned shares of the Company's stock, or approximately 56.17%, and Defendant
18 Mark Moshayedi sold 4,887,382 of his 10,331,778 beneficially owned shares of the
19 Company's common stock, or approximately 47.3%.
20

21
22 38. Moreover, the Individual Defendants' transactions were highly unusual
23 and suspicious in that the Individual Defendants abandoned their recently adopted
24 10b5-1 trading plans. Despite STEC announcing on May 29, 2009, that the
25 Individual Defendants had adopted pre-arranged 10b5-1 trading plans "provid[ing]
26

1 for potential sales of common stock over a period of 18 months, if pre-determined
2 price thresholds and other conditions set forth in the plans are met” and stating that
3 “[s]ales under stock trading plans have the effect of spreading stock trades over an
4 extended period of time and are thereby intended to reduce market impact,” the
5 Individual Defendants inexplicably decided approximately two months later to
6 terminate their 10b5-1 trading plans and unload all at once 9,000,000 shares of the
7 Company’s common stock.
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11 **APPLICABILITY OF PRESUMPTION OF RELIANCE**
12 **(FRAUD-ON-THE-MARKET DOCTRINE)**

13 39. The market for STEC’s securities was open, well-developed and
14 efficient at all relevant times. As a result of the materially false and/or misleading
15 statements and/or failures to disclose, STEC’s securities traded at artificially inflated
16 prices during the Class Period. On September 10, 2009, the price of the Company’s
17 common stock closed at a Class Period high of \$41.84 per share. Plaintiff and other
18 members of the Class purchased or otherwise acquired the Company’s securities
19 relying upon the integrity of the market price of STEC’s securities and market
20 information relating to STEC, and have been damaged thereby.
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24 40. During the Class Period, the artificial inflation of STEC’s stock was
25 caused by the material misrepresentations and/or omissions particularized in this
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1 Complaint causing the damages sustained by Plaintiff and other members of the
2 Class. As described herein, during the Class Period, Defendants made or caused to
3 be made a series of materially false and/or misleading statements about STEC's
4 business, prospects, and operations. These material misstatements and/or omissions
5 created an unrealistically positive assessment of STEC and its business, operations,
6 and prospects, thus causing the price of the Company's securities to be artificially
7 inflated at all relevant times, and when disclosed, negatively affected the value of the
8 Company stock. Defendants' materially false and/or misleading statements during
9 the Class Period resulted in Plaintiff and other members of the Class purchasing the
10 Company's securities at such artificially inflated prices, and each of them has been
11 damaged as a result.

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16 41. At all relevant times, the market for STEC's securities was an efficient
17 market for the following reasons, among others:

18
19 (a) STEC stock met the requirements for listing, and was listed and
20 actively traded on the NASDAQ, a highly efficient and automated market;

21
22 (b) As a regulated issuer, STEC filed periodic public reports with the
23 SEC and the NASDAQ;

24
25 (c) STEC regularly communicated with public investors *via*
26 established market communication mechanisms, including through regular

1 dissemination of press releases on the national circuits of major newswire services
2 and through other wide-ranging public disclosures, such as communications with the
3 financial press and other similar reporting services; and

4
5 (d) STEC was followed by securities analysts employed by major
6 brokerage firms who wrote reports about the Company, and these reports were
7 distributed to the sales force and certain customers of their respective brokerage
8 firms. Each of these reports was publicly available and entered the public
9 marketplace.
10
11

12 42. As a result of the foregoing, the market for STEC's securities promptly
13 digested current information regarding STEC from all publicly available sources and
14 reflected such information in STEC's stock price. Under these circumstances, all
15 purchasers of STEC's securities during the Class Period suffered similar injury
16 through their purchase of STEC's securities at artificially inflated prices and a
17 presumption of reliance applies.
18
19

20 **NO SAFE HARBOR**

21
22 43. The statutory safe harbor provided for forward-looking statements under
23 certain circumstances does not apply to any of the allegedly false statements pleaded
24 in this Complaint. The statements alleged to be false and misleading herein all relate
25 to then-existing facts and conditions. In addition, to the extent certain of the
26

1 statements alleged to be false may be characterized as forward looking, they were not
2 identified as “forward-looking statements” when made and there were no meaningful
3
4 cautionary statements identifying important factors that could cause actual results to
5 differ materially from those in the purportedly forward-looking statements. In the
6
7 alternative, to the extent that the statutory safe harbor is determined to apply to any
8 forward-looking statements pleaded herein, Defendants are liable for those false
9 forward-looking statements because at the time each of those forward-looking
10 statements was made, the speaker had actual knowledge that the forward-looking
11 statement was materially false or misleading, and/or the forward-looking statement
12 was authorized or approved by an executive officer of STEC who knew that the
13 statement was false when made.
14
15

16 **FIRST CLAIM**
17 **Violation of Section 10(b) of**
18 **The Exchange Act and Rule 10b-5**
19 **Promulgated Thereunder Against All Defendants**

20 44. Plaintiff repeats and realleges each and every allegation contained above
21 as if fully set forth herein.

22 45. During the Class Period, Defendants carried out a plan, scheme and
23 course of conduct which was intended to and, throughout the Class Period, did: (i)
24 deceive the investing public, including Plaintiff and other Class members, as alleged
25
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1 herein; and (ii) cause Plaintiff and other members of the Class to purchase STEC's
2 securities at artificially inflated prices. In furtherance of this unlawful scheme, plan
3 and course of conduct, defendants, and each of them, took the actions set forth herein.
4

5 46. Defendants (i) employed devices, schemes, and artifices to defraud; (ii)
6 made untrue statements of material fact and/or omitted to state material facts
7 necessary to make the statements not misleading; and (iii) engaged in acts, practices,
8 and a course of business which operated as a fraud and deceit upon the purchasers of
9 the Company's securities in an effort to maintain artificially high market prices for
10 STEC's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5.
11 All Defendants are sued either as primary participants in the wrongful and illegal
12 conduct charged herein or as controlling persons as alleged below.
13
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15

16 47. Defendants, individually and in concert, directly and indirectly, by the
17 use, means or instrumentalities of interstate commerce and/or of the mails, engaged
18 and participated in a continuous course of conduct to conceal adverse material
19 information about STEC's financial well-being and prospects, as specified herein.
20
21

22 48. These defendants employed devices, schemes and artifices to defraud,
23 while in possession of material adverse non-public information and engaged in acts,
24 practices, and a course of conduct as alleged herein in an effort to assure investors of
25 STEC's value and performance and continued substantial growth, which included the
26

1 making of, or the participation in the making of, untrue statements of material facts
2 and/or omitting to state material facts necessary in order to make the statements made
3 about STEC and its business operations and future prospects in light of the
4 circumstances under which they were made, not misleading, as set forth more
5 particularly herein, and engaged in transactions, practices and a course of business
6 which operated as a fraud and deceit upon the purchasers of the Company's securities
7 during the Class Period.
8

9
10 49. Each of the Individual Defendants' primary liability, and controlling
11 person liability, arises from the following facts: (i) the Individual Defendants were
12 high-level executives and/or directors at the Company during the Class Period and
13 members of the Company's management team or had control thereof; (ii) each of
14 these defendants, by virtue of their responsibilities and activities as a senior officer
15 and/or director of the Company, was privy to and participated in the creation,
16 development and reporting of the Company's internal budgets, plans, projections
17 and/or reports; (iii) each of these defendants enjoyed significant personal contact and
18 familiarity with the other defendants and was advised of, and had access to, other
19 members of the Company's management team, internal reports and other data and
20 information about the Company's finances, operations, and sales at all relevant times;
21 and (iv) each of these defendants was aware of the Company's dissemination of
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1 information to the investing public which they knew and/or recklessly disregarded
2 was materially false and misleading.

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4 50. The defendants had actual knowledge of the misrepresentations and/or
5 omissions of material facts set forth herein, or acted with reckless disregard for the
6 truth in that they failed to ascertain and to disclose such facts, even though such facts
7 were available to them. Such defendants' material misrepresentations and/or
8 omissions were done knowingly or recklessly and for the purpose and effect of
9 concealing STEC's financial well-being and prospects from the investing public and
10 supporting the artificially inflated price of its securities. As demonstrated by
11 Defendants' overstatements and/or misstatements of the Company's business,
12 operations, financial well-being, and prospects throughout the Class Period,
13 Defendants, if they did not have actual knowledge of the misrepresentations and/or
14 omissions alleged, were reckless in failing to obtain such knowledge by deliberately
15 refraining from taking those steps necessary to discover whether those statements
16 were false or misleading.
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22 51. As a result of the dissemination of the materially false and/or misleading
23 information and/or failure to disclose material facts, as set forth above, the market
24 price of STEC's securities was artificially inflated during the Class Period. In
25 ignorance of the fact that market prices of the Company's securities were artificially
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1 inflated, and relying directly or indirectly on the false and misleading statements
2 made by Defendants, or upon the integrity of the market in which the securities
3 trades, and/or in the absence of material adverse information that was known to or
4 recklessly disregarded by Defendants, but not disclosed in public statements by
5 Defendants during the Class Period, Plaintiff and the other members of the Class
6 acquired STEC's securities during the Class Period at artificially high prices and were
7 damaged thereby.
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11 52. At the time of said misrepresentations and/or omissions, Plaintiff and
12 other members of the Class were ignorant of their falsity, and believed them to be
13 true. Had Plaintiff and the other members of the Class and the marketplace known
14 the truth regarding the problems that STEC was experiencing, which were not
15 disclosed by Defendants, Plaintiff and other members of the Class would not have
16 purchased or otherwise acquired their STEC securities, or, if they had acquired such
17 securities during the Class Period, they would not have done so at the artificially
18 inflated prices which they paid.
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22 53. By virtue of the foregoing, Defendants have violated Section 10(b) of
23 the Exchange Act and Rule 10b-5 promulgated thereunder.

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25 54. As a direct and proximate result of Defendants' wrongful conduct,
26 Plaintiff and the other members of the Class suffered damages in connection with

1 their respective purchases and sales of the Company's securities during the Class
2 Period.

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4 **SECOND CLAIM**
5 **Violation of Section 20(a) of**
6 **The Exchange Act Against the Individual Defendants**

7 55. Plaintiff repeats and realleges each and every allegation contained above
8 as if fully set forth herein.

9 56. The Individual Defendants acted as controlling persons of STEC within
10 the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of
11 their high-level positions, and their ownership and contractual rights, participation
12 in and/or awareness of the Company's operations and/or intimate knowledge of the
13 false financial statements filed by the Company with the SEC and disseminated to the
14 investing public, the Individual Defendants had the power to influence and control
15 and did influence and control, directly or indirectly, the decision-making of the
16 Company, including the content and dissemination of the various statements which
17 Plaintiff contends are false and misleading. The Individual Defendants were provided
18 with or had unlimited access to copies of the Company's reports, press releases,
19 public filings and other statements alleged by Plaintiff to be misleading prior to
20 and/or shortly after these statements were issued and had the ability to prevent the
21 issuance of the statements or cause the statements to be corrected.
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(c) Awarding Plaintiff 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

Plaintiff hereby demands a trial by jury.

DATED: November 6, 2009