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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

In re Marvell Technology Group, Ltd. Securities Litigation	Master File No. C-06-06286 RMW CLASS ACTION **CONSOLIDATED CLASS ACTION COMPLAINT**
THIS DOCUMENT RELATES TO: All Actions	

Court-appointed Lead Plaintiffs Police and Fire Retirement System of the City of Detroit; Monte Paschi Asset Management S.G.R. S.p.A.; and Puerto Rico Government Employees Retirement System (collectively, "Lead Plaintiffs") bring this federal securities law Consolidated Class Action Complaint ("Complaint") individually on their own behalf, and as a class action on behalf of all other persons or entities who purchased Marvell Technology Group, Ltd. ("Marvell" or the "Company") securities between February 27, 2003 and October 2, 2006, inclusive (the "Class Period").

Lead Plaintiffs' allegations are based on information and belief, except for those allegations concerning Lead Plaintiffs, which are based on personal knowledge. Lead Plaintiffs' information and belief is based on, among other things: (1) the investigation conducted by and through their attorneys; (2) review and analysis of filings made by Marvell with the U.S. Securities and Exchange Commission ("SEC"); (3) review and analysis of press releases, public statements, news articles, securities analysts' reports and other publications disseminated by or concerning Marvell; (4) interviews with former Marvell employees; (5) publicly available information regarding investigations by the SEC and the Department of Justice ("DOJ") of Marvell's stock option grants and practices; (6) documents filed in certain legal proceedings regarding Marvell's stock option grants and practices; and (7) other publicly available information about Marvell. Many of the facts supporting the allegations contained herein are known only to Defendants or are within their control. Lead Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. NATURE OF THE ACTION

1. This case involves a long-running, pervasive fraudulent scheme whereby Defendants intentionally and/or with deliberate recklessness manipulated stock option grant dates in order to provide executive officers and other Marvell employees with lower stock option exercise prices that were selected "with the benefit of hindsight," in direct violation of the Company's shareholder-approved employee stock option plan.

2. In furtherance of this scheme, Defendants, *inter alia*, issued a series of false and

misleading statements regarding the terms of option grants and their conformity with the Company's stock option plan, and failure to record the required compensation expenses, resulting in the understatement of compensation expenses and overstatement of its earnings. This scheme, thus, operated as a fraud and deceit on class members by materially misleading them regarding (a) management's integrity; (b) officer and director compensation; (c) the Company's compliance with Generally Accepted Accounting Principles ("GAAP"); (d) the Company's financial results (including net earnings and earnings per share); and (e) the fact that the Company had failed to properly report its tax liabilities and would be subject to additional tax expenses and possible penalties – all material factors to Marvell's market valuation.

3. As a result of the scheme, the Company had been forced to restate its previously filed financial statements from the Company's 2000 Initial Public Offering ("IPO") through the first quarter of the Company's 2007 financial year. In total, the Restatement (defined below) conceded that the Company had understated the cumulative effect of its compensation expense by $327.3 million, and overstated net income by $309.4 million, for the period covered by the Restatement. The fraud and deceit artificially inflated the value of Marvell's securities.

4. As the Company has now admitted, a Special Committee appointed by Marvell's Board of Directors to investigate the fraudulent misconduct alleged herein found "[a]pproximately 74% of shares granted [from June 2000 through June 2006] were backdated or resulted in additional accounting charges." Furthermore, the improper backdating did not occur by mere happenstance. Rather, as made plainly evident by the Special Committee: "Of these re-measured grants, the stock prices on the original grant date were lower than the prices on the appropriate measurement dates for ***97% of such shares***," and "***grant dates were chosen with the benefit of hindsight, so as to provide exercise prices lower than the fair market value on the actual measurement date***." (emphasis added). In other words, the fraudulent misconduct was deliberate.

5. Most notably, Marvell's Chief Executive Officer ("CEO"), Sehat Sutardja

("Sutardja"), and his wife, Weili Dai ("Dai"), Marvell's Chief Operating Officer ("COO"), knowingly violated the express provisions of the Company's 1995 Stock Option Plan by doling out to Marvell's employees, prospective employees and even non-employees, millions of stock options with backdated exercise prices selected "with the benefit of hindsight." They were able to accomplish this because, as the sole members of the Stock Option Committee from June 2000 to June 2006, they awarded all stock options to non-executive employees.

6. To fraudulently conceal the scheme, Sutardja and Dai, *inter alia*, deliberately falsified Marvell's corporate business records and/or signed sham Stock Option Committee meeting minutes. The Special Committee determined that "***the Stock Option Committee conducted no meetings with respect to option grants and . . . minutes reflecting such meetings were false***." (emphasis added). Furthermore, "[o]f the 59 minutes of meetings of the Stock Option Committee . . . only the first set of minutes were separately prepared for each member's signature and signed by each of them; subsequently the minutes were only prepared for one member to sign, and only one member signed those minutes." The Special Committee also found:

> Weili Dai . . . played a central role in all Stock Option Committee grants. ***Ms. Dai participated in the selection of grant dates with the benefit of hindsight and signed false minutes and other employee related corporate documents.*** The Special Committee also found that she failed to establish proper internal controls and failed to exercise proper review and inquiry as an officer. Certain individuals involved in the process said that they did not feel able to provide her with frank advice. She signed inaccurate external documents, including 10-K's and proxy statements.

(emphasis added).

7. The Special Committee also determined that the Company's Chief Financial Officer ("CFO"), George Hervey ("Hervey"), knew about the fraudulent misconduct, but rather than reveal the truth, he consciously turned a blind eye and covered it up by signing "inaccurate external documents" including "SEC filings and financial statements." Specifically, the Special Committee determined:

> ***Mr. Hervey also was found to have been aware of awarding options to two employees prior to their start date.*** He also failed to establish a system of proper controls despite being on notice of repeated concerns raised by others regarding the stock option

> process. ***He signed inaccurate external documents, including our SEC filings and financial statements.***

(emphasis added).

8. "Marvell had an "Executive Compensation Committee" during the relevant time period that was responsible for administering stock option grants to the Company's executive officers, including millions of backdated stock option grants to defendants Sutardja and Wei. John M. Cioffi ("Cioffi"), a director of Marvell from March 2000 to April 1, 2006, was a member and Chairman of the Company's Executive Compensation Committee until April 1, 2006. Cioffi signed false and misleading Marvell filings during the Class Period, including the Form 10-Ks for the periods ending February 2, 2002, February 1, 2003, January 31, 2004 and January 29, 2005. While Marvell claims in its Restatement that the Special Committee found current members of the Board of Directors had "not engaged in impropriety or intentional backdating with the benefit of hindsight," Cioffi was not a "current board member" on the date of the Restatement.

9. In addition to the Company's own admissions that form an irrefutable basis to strongly infer that the Individual Defendants had actual knowledge of the fraud and took affirmative steps to conceal it, the Individual Defendants cashed in on the scam and obtained millions of shares of backdated options themselves, evincing a strong motive and opportunity to engage in the fraudulent misconduct.

10. Sutardja and Dai jointly, as husband and wife, obtained options to purchase over ten million shares of the Company's common stock at exercise prices that were deliberately backdated, netting them millions of dollars in ill-gotten gains when they exercised part of the options during the Class Period and sold as much of the tainted stock as they could, limited only by certain vesting restrictions. Hervey also obtained options to purchase over a million shares at exercise prices that were intentionally backdated with the benefit of hindsight.

11. The illicit backdating scheme began to unravel on May 22, 2006 when Merrill Lynch issued an analyst report on Marvell (and a handful of other companies), reporting on the remarkably fortuitous timing of stock options granted to Marvell's executive officers (*i.e.*, Sutardja, Dai and Hervey). According to the report, the stock options were granted when

Marvell's stock was trading at or near a low price in the period immediately preceding the grants, and just before the stock price increased.

12. On July 3, 2006, after the close of trading, the Company disclosed that it was the target of an informal inquiry by the SEC, which had requested certain documents related to the Company's historical stock option grants and accounting practices, and that the Company had also received a grand jury subpoena from the office of the U.S. Attorney for the Northern District of California.

13. On October 2, 2006, after the close of trading, Marvell finally announced that it would restate its historical financial statements to record additional charges for stock-based compensation expenses related to its historical stock option grant practices and accounting methods. The Company reported that the financial statements and all earnings press releases and similar communications issued by the Company relating to periods beginning on or after its IPO in June 2000 should no longer be relied upon.

14. Marvell's stock price was artificially inflated due to Defendants' misstatements and omissions related to stock option backdating and the Company's lack of management integrity. When the truth began to emerge, the stock price fell precipitously. On May 22, 2006, when Merrill Lynch questioned the timing of certain past stock options granted to Marvell's executive officers, the stock closed at $26.50, a drop of $1.61, or approximately 5.7%, from the closing price on the previous trading day. Following the Company's disclosure of the SEC and U.S. Attorney investigations, the stock price dropped further, from $22.41 where it closed on July 3, 2006, to close at $20.66 on July 5, 2006, the next trading day, a drop of $1.76 per share or approximately 7.8%. By October 3, 2006, the first trading day after Marvell finally disclosed the magnitude of its accounting fraud and investors learned of the complete absence of management integrity, the Company's stock closed at just $16.80 per share, a drop of $2.29 per share, or approximately 12% from the closing price on October 2, 2006.

II. JURISDICTION AND VENUE

15. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78aa. The claims asserted herein arise under and pursuant to Sections 10(b), 14(a) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78n(a) and 78t(a), and the rules and regulations promulgated thereunder, including SEC Rule 10b-5, 17 C.F.R. 240.10b-5.

16. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. §§ 1391 (b) and (c). At all times relevant to this Complaint, the Company's U.S. headquarters, its principal executive offices and its wholly owned operating subsidiary, Marvell Semiconductor, Inc. ("MSI"), was located within this District.

17. Venue is also proper in this District because many of the acts and transgressions alleged herein occurred in substantial part in this District, including the preparation and dissemination of materially false and misleading information.

18. In connection with the wrongful acts 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.

III. PARTIES

A. Lead Plaintiffs

19. Police and Fire Retirement System of the City of Detroit ("PFRS"), located in Detroit, Michigan, is an integrated program that provides pension, death, disability and withdrawal benefits to the City of Detroit's police officers and firefighters and their beneficiaries. As of June 30, 2004, PFRS had 5,060 active employee members and 8,328 retirees and beneficiaries. PFRS currently has approximately $4 billion in assets under management. As set forth in a certification that PFRS previously filed with the Court, PFRS purchased Marvell common stock during the Class Period at artificially inflated prices and suffered damages when the truth about Marvell's backdating scheme was revealed and the price of Marvell's common stock dropped significantly.

20. Puerto Rico Government Employees Retirement System ("PRGERS"), located in Hato Rey, Puerto Rico, represents approximately 330,000 current and former government employees and has approximately $2 billion in assets under management. As set forth in a certification that PRGERS previously filed with the Court, PRGERS purchased Marvell common stock during the Class Period at artificially inflated prices and suffered damages when the truth about Marvell's backdating scheme was revealed and the price of Marvell's common stock dropped significantly.

21. Monte Paschi Asset Management S.G.R. S.p.A. ("Monte Paschi"), is a Milan, Italy-based mutual fund manager with approximately $50 billion in assets under management. As set forth in a certification that Monte Paschi previously filed with the Court, Monte Paschi purchased Marvell common stock during the Class Period at artificially inflated prices and suffered damages when the truth about Marvell's backdating scheme was revealed and the price of Marvell's common stock dropped significantly.

22. By Order of this Court dated February 2, 2007, and amended February 7, 2007, PFRS, PRGERS and Monte Paschi were appointed Lead Plaintiffs in this action on behalf of a class of purchasers of Marvell common stock, in accordance with Section 21D(a)(3)(B) of the Exchange Act, 15 U.S.C. § 78u-4(a)(3)(B).

B. Defendants

1. Marvell

23. Marvell Technology Group Ltd. was incorporated in Bermuda in January 1995, and has a registered address of Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. According to the Company's results for the fiscal year ended January 28, 2006 filed with the SEC on Form 10-K on or about April 13, 2006 ("2006 10-K"), throughout the Class Period Marvell maintained its U.S. headquarters and its principal executive offices at 5488 Marvell Lane, Santa Clara, California 95054, where it conducted business within the U.S. through its wholly-owned subsidiary, Marvell Semiconductor, Inc. By contrast, Marvell has few, if any, major business operations in Bermuda.

24. According to the Company's financial results for the fiscal year ended January

29, 2005, filed with the SEC on Form 10-K on or around April 14, 2005 ("2005 10-K"), as of March 31, 2005, Marvell's principal operations were within this District:

> [Marvell's] primary facility, housing research and design functions as well as elements of sales, marketing, administration and operations, is located in Sunnyvale, California. This facility consists of approximately 213,000 square feet and has a lease term expiring in March 2006.
>
> * * *
>
> On November 17, 2003, [Marvell] completed the purchase of six buildings on 33.8 acres of land in Santa Clara, California. The location is currently intended to be the future location of our U.S. headquarters. The facility consists of approximately 876,000 square feet . . . five buildings are being renovated and will be used for research and design functions, operations, sales, marketing and administration.

25. At all times relevant herein, Marvell was engaged in the business of providing a wide range of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits to end users and others.

26. On February 25, 2004, the Company's Board of Directors approved a 2-for-1 split of the Company's common stock. Stock certificates representing one additional share for each share held were delivered on June 28, 2004 (payment date) to all shareholders of record at the close of business on June 14, 2004 (record date).

27. On February 21, 2006, the Company's Board of Directors approved another 2-for-1 split of the Company's common stock. Stock certificates representing one additional share for each share held were delivered on July 24, 2006 (payment date) to all shareholders of record at the close of business on July 10, 2006 (record date).

28. All share quantities and per share amounts set forth in this Consolidated Complaint have been adjusted to reflect the stock splits for all periods presented.

29. Marvell's fiscal year ends on the Saturday nearest January 31. The Company defines its "fiscal year" as the year in which the reporting period ends. For example, it referred to its fiscal year January 29, 2005 to January 28, 2006 as "fiscal 2006."

30. Throughout the Class Period, Marvell's common stock traded on the NASDAQ under the ticker symbol "MRVL."

2. Executive Defendants: Sutardja, Dai and Hervey

31. Defendant Sutardja and his wife, Defendant Dai, co-founded Marvell in 1995 and were instrumental in bringing about the Company's IPO in June 2000. Sutardja has been Marvell's President and CEO from the Company's inception through the present. He was also co-Chairman of the Company's Board of Directors from 1995 until December 2003, when he became the Company's sole Chairman, a position he held until May 2007.

32. Defendant Dai was a Director of the Company from 1995 through May 2007. She was appointed Executive Vice President in 1996, and was promoted to Executive Vice President and General Manager of the Communications Business Group in 1999. In or about April 2006, Dai became the COO, responsible for managing all of the Company's operations and leading the Company's Communications and Consumer Business Group. In May 2007, she was removed as a director and as COO because of her participation in the options backdating scheme. Despite the Special Committee's recommendation that Dai have no continuing role with the Company, she currently holds a non-managerial position, but no longer has any authority to undertake any decisions affecting the internal controls or financial matters of the Company.

33. From December 2000 through June 2006, Sutardja and Dai were the sole members of Marvell's "Stock Option Committee." According to the Company, from June 2000 to June 2006, the Stock Option Committee (*i.e.*, Sutardja and Dai) granted all stock options to non-executive employees, including the substantial number of backdated options.

34. As the sole members of the Stock Option Committee, Sutardja and Dai were integrally involved in perpetrating the fraud alleged herein. Indeed, as the Company disclosed in its year-end results for the fiscal year ended January 27, 2007 filed with the SEC on Form 10-K on or about July 2, 2007 (the "Restatement"):

> The Stock Option Committee awarded all grants to non-executive employees after its [June 2000] formation until June 9, 2006.
>
> * * *
>
> [T]he Special Committee determined that the Stock Option Committee conducted no meetings with respect to option grants and that ***minutes reflecting such meetings were false.***

* * *

> For the period from our initial public offering in June 2000 through June 2006, the Special Committee found a systemic failure in controls over the stock option process, and that corporate documents, including ***our SEC filings on Form 10-K and Form 10-Q and proxy statements, were false in relation to the accounting and related disclosure covering stock option matters.***
>
> * * *
>
> Ms. Dai participated in the selection of grant dates with the benefit of hindsight and signed false minutes and other employee related corporate documents. The Special Committee also found that she failed to establish proper internal controls and failed to exercise proper review and inquiry as an officer.
>
> * * *
>
> [Sutardja] was found to have had a limited role in the stock option process and to have participated in only a few instances in awards with incorrect measurement dates with respect to which he had received no or inadequate advice. ***He signed inaccurate external documents, including our SEC filings, financial statements, and proxy statements. The Special Committee found that he failed to establish proper internal controls and that certain individuals involved in the process to some extent did not feel able to provide him with frank advice.*** He did not personally benefit from any of the grants he approved***.***

See Restatement, pp.55-57 (emphasis added).

35. Defendant George Hervey was Marvell's Vice President of Finance and CFO from April 2000 through May 2, 2007, when he purportedly "resigned" in the wake of the findings of the Special Committee appointed by the Board to investigate the fraud alleged herein. The investigation by the Special Committee revealed that Hervey obtained improperly backdated option grants for more than a million shares of Company stock, spanning at least a five-year period. In connection with Hervey's resignation, the Company cancelled all unvested stock options that were previously awarded to him.

36. In addition to being the recipient of numerous grants of improperly backdated options, the Special Committee found that Hervey knew the Company had granted stock options to certain employees "prior to their start date" and that those grants were improperly accounted for in violation of basic GAAP precepts. The Special Committee also found that Hervey "failed to establish a system of proper controls despite being on notice of repeated

concerns raised by others regarding the stock option process," and that he "signed inaccurate external documents," including "SEC filings and financial statements."

37. Throughout the Class Period, Sutardja and Hervey were principally responsible for establishing and evaluating Marvell's internal controls. This included controls as they related to stock option grants, as evidenced by their having certified, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, that the Company's annual and quarterly financial results filed with the SEC on Forms 10-K and 10-Q did not contain untrue statements of material fact, or omit material facts, and fairly presented in all material respects the Company's financial condition and results of operations. Their Sarbanes-Oxley Certifications also affirmed that Sutardja and Hervey were the persons primarily responsible for establishing and maintaining Marvell's disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e).

38. Sutardja, Dai and Hervey are at times collectively referred to herein as the "Individual Defendants."

3. The Executive Compensation Committee Defendant

39. Cioffi was a director of Marvell from March 2000 to April 1, 2006. Cioffi was a member and Chairman of the Company's Executive Compensation Committee until April 1, 2006. Cioffi signed false and misleading Marvell filings during the Class Period, including the Form 10-Ks for the periods ending February 2, 2002, February 1, 2003, January 31, 2004 and January 29, 2005. Cioffi is referred to herein as the "ECC Defendant."

IV. GROUP PLEADING DOCTRINE

40. As officers and/or directors 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 traded on the NASDAQ and governed by the provisions of the federal securities laws, the Individual Defendants and the ECC Defendant each had a duty to promptly disseminate 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

statement that had become materially misleading or untrue, so that the market price of the Company's publicly traded securities would be based upon truthful and accurate information. The Individual Defendants' and the ECC Defendant's material misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

41. The Individual Defendants and the ECC Defendant, by virtue of their positions of control and authority as officers or directors of Marvell, possessed the power and authority to control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. The Individual Defendants and the ECC Defendant were 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, they are responsible for the accuracy of the public reports and releases detailed herein.

V. CLASS ACTION ALLEGATIONS

42. Lead Plaintiffs bring this action on their own behalf and as a class action pursuant to Rule 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of all persons or entities who purchased or acquired Marvell securities on the open market between February 27, 2003 and October 2, 2006, inclusive, and who suffered damages thereby (the "Class"). Excluded from the Class are (i) the Defendants; (ii) members of the family of each Individual Defendant and the ECC Defendant; (iii) any person who was an officer or director of Marvell during the Class Period; (iv) any firm, trust, corporation, officer or other entity in which any Defendant has a controlling interest; and (v) the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party.

43. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Lead Plaintiffs at the present time and can only be ascertained from books and records maintained by Marvell and/or its agent(s), Lead Plaintiffs believe that there are, at a minimum, thousands of members of the Class who purchased Marvell common stock during the Class Period. As of May 31, 2007, Marvell had approximately 587,591,437 shares of common stock outstanding.

44. Throughout the Class Period, Marvell common stock was actively traded on the NASDAQ. Based on the volume of trading of Marvell common stock during the Class Period, it is believed thousands of persons and entities purchased Marvell securities on the open market during the Class Period, rendering joinder of all such purchasers impracticable.

45. Lead Plaintiffs will fairly and adequately protect the interests of the Class members and have retained counsel competent and experienced in class action and securities litigation. Lead Plaintiffs have no interests that are contrary to or in conflict with those of the Class members Lead Plaintiffs seek to represent.

46. Lead Plaintiffs' claims are typical of the claims of the Class members. Lead Plaintiffs and all Class members purchased Marvell securities at artificially inflated prices and have sustained damages as a result of the wrongful conduct complained of herein.

47. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Because the damages suffered by the individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for Class members to individually seek redress for the wrongful conduct alleged herein.

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

a. Whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;

b. Whether documents that Marvell filed with the SEC, press releases and public statements made by Defendants during the Class Period contained misstatements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

c. Whether Defendants acted with the requisite state of mind in

omitting and/or misrepresenting material facts in SEC filings, press releases and other public statements;

d. Whether the market price of Marvell's securities during the Class Period was artificially inflated due to the material misrepresentations and omissions complained of herein; and

e. Whether the Class members have sustained damages and, if so, the appropriate measure thereof.

49. Lead Plaintiffs know of no difficulty that will be encountered in the management of this litigation that would preclude its maintenance as a class action.

50. The names and addresses of the record owners of the shares of Marvell common stock purchased during the Class Period are available from Marvell and/or its transfer agent(s). Notice can be provided to persons who purchased or otherwise acquired Marvell securities by a combination of published notice and first class mail, using techniques and forms of notice similar to those customarily used in other class actions arising under the federal securities laws.

VI. SUBSTANTIVE ALLEGATIONS

A. BACKGROUND

1. Options Backdating

51. Publicly traded companies may, under certain specific circumstances, award their employees stock option grants. A stock option grant gives an employee the right to purchase shares of the company at a specific price (an "exercise price" or "strike price") on or after a specific date. Options that are properly granted have the beneficial purpose of aligning the interests of the officers, directors and employees of the company with those of the company's shareholders. This is because options that are granted with an exercise price that is the fair market value of the stock on the grant date focuses the recipient on improving the company's long-term performance, which translates into increased shareholder value.

52. For example, if a company grants an employee an option to purchase 100 shares at $10 per share, this means that the employee can buy 100 shares for a total of $1,000,

irrespective of what the price of the company's stock is on the date the employee exercises the option. Thus, if the stock is currently trading on the open market at a price greater than the exercise price, the employee can exercise the option to buy the stock at the exercise price and then sell the stock immediately for a gain. For example, if the current market price of the stock rose to $100 per share, the employee could exercise his or her option to buy the stock at $10 per share, and sell it immediately thereafter for an instant profit of $90 per share, or $9,000.

53. When a company grants stock options to an employee, it must do so under a written stock option plan filed with the SEC and disclosed to the public. Any grants awarded pursuant to such a plan must be properly accounted for and disclosed as required by GAAP.

54. At the time Marvell granted the improperly backdated options that form the basis of this action, the Company accounted for non-statutory stock option grants under the intrinsic value method pursuant to Accounting Principles Bulletin 25 ("APB 25"). Under ABP 25, the Company was not obliged to disclose and record non-statutory stock option grants as compensation if, and only if: (a) the exercise price was equivalent to the market price on the grant date, and (b) the measurement date of the grant was certain. The measurement date is certain when, and only when, the grant is: (a) fixed and (b) determinable. However, whenever Marvell granted options with an exercise price that was lower than the market price on the date of the grant, or the measurement date was not certain, the Company was required to account for and disclose any such grant as compensation expense under ABP 25.

55. Options where the exercise price is equal to the market price as of the date of the grant are referred to as "at-the-money" options. Options where the exercise price is lower than the market price as of the grant date are referred to as "in-the-money" options. Proper accounting is critical because when a stock option is granted "in-the-money," it is a form of extra compensation and, therefore, must be accounted for as such. For financial reporting purposes, companies are required to record compensation costs for granting in-the-money options because the company effectively receives a lower price than it could get for the shares on the open market. No compensation costs need be recorded for at-the-money options

because the exercise price is the same as the market price. Consequently, the date of the grant and/or the date when all terms and conditions of the grant became final (the "measurement date") are of immense importance. The failure to disclose and properly account for such options also raises questions about management's integrity, particularly where, as here, executive officers were the recipients of millions of shares of improperly backdated options.

56. Thus, it is imperative that when a company awards stock options to its employees it does so in compliance with the company's publicly filed stock option plan, and that it account for such grants appropriately under ABP 25 and other applicable GAAP provisions. Otherwise, investors will have an inaccurate picture of the company's compensation provided to officers, directors and employees and its finances. Investors will also have a false understanding of management's integrity and its adherence to the company's expressed compensation policies.

57. The practice of backdating options also provides the recipient with undisclosed and often significant paper profits. Consider, for example, Marvell's stock price for the period August 13, 2004 through October 13, 2004. During this 60-day period, Marvell's stock price increased almost 50 percent, from $19.77 on August 13, 2004, closing at $29.13 on October 13, 2004. Assuming that the Company gave stock options for 100,000 shares to a newly hired employee with a start date of August 13, 2004, the employee's exercise price for the options would be $19.77 per share. By October 13, 2004, the employee would have an "in-the-money" gain of $936,000. However, if the employee's options grant date was not until September 13, 2004, her exercise price would be $26.89 (the fair market value of Marvell's stock price on September 13, 2004) and her gain would be reduced by $712,000. Therefore, a change in the grant date of an employee's stock options of just 30 days could have a significant impact on the value of those options. By way of further example, for a prospective employee that Marvell sought to hire on October 13, 2004, the Company could artificially boost the proposed compensation package without spending additional capital by backdating the option grant to August 13, 2004. On the employee's start date, the stock option would already be "in-the-money" by $936,000, thus making the job offer that much more attractive.

58. In the context of a rapidly rising market for tech companies immediately preceding and during the Class Period, the granting of stock options, particularly non-statutory options, was the preeminent issue in the compensation of skilled labor. Given the enormous potential upside that stock options offered, without the cash investment and investment risk that typical investors experienced, many workers in the industry, particularly those working in the greater San Francisco Bay Area, were less concerned with their compensation than with the availability and particulars of stock option packages.

59. From the perspective of Marvell, a new public start-up tech company, options were a particularly important tool to allow it to meet the demands of the labor market. Like many high tech start-ups, Marvell was short on actual cash to pay salaries and taxes but was high on potential, and stock options allowed the Company to hire new employees without expending great sums of cash.

60. In 2006, it came to light that a number of publicly traded companies had been "backdating" the grant dates of options awarded to certain officers, directors and employees, particularly in high-tech growth companies. Backdating refers to the intentional setting of a grant date that precedes the actual date of the corporate action that effected the grant, to achieve a lower option exercise price and hence a higher value to the recipient. By selecting a grant date "with the benefit of hindsight," when the stock was trading at a lower price than on the actual grant date, the option would not be granted "at the money," but rather "in the money," and must should be properly disclosed and accounted for as additional compensation expense under ABP 25.

61. Backdating stock option grants without properly disclosing or accounting for such practices is particularly egregious. As Christopher Cox, Chairman of the SEC, testified before the U.S. Senate Committee on Banking, Housing and Urban Affairs on September 6, 2006:

> 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.

(Available at http://www.sec.gov/news/testimony/2006/ts090606cc.htm) (emphasis added).

62. Indeed, as the SEC Chairman also stated:

> [O]ptions backdating strikes at the heart of investor confidence in our capital markets. It deceives investors and the market as a whole about the financial health of companies that cheat in this way. It understates a company's compensation expenses and overstates the company's income. In many cases, it makes hash of the financial statements. It is poisonous to an efficient marketplace. The Securities and Exchange Commission is committed to bringing it to an end nationwide.

(*See* SEC Chairman Christopher Cox's speech entitled "SEC Chairman Cox Speaks on Actions Against Brocade Communications," July 20 2006).

63. During a hearing by the U.S. Senate Committee on Finance regarding the illicit nature of stock option backdating, Senator Chuck Grassley stated:

> Today, we will hear about behavior at some of our largest companies that is such a threat. It is behavior that, to put it bluntly, is disgusting and repulsive. It is behavior that ignores the concept of an "honest day's work for an honest days pay" and replaces it with a phrase that we hear all too often today, "I'm going to get mine." Even worse in this situation, most of the perpetrators had already gotten "theirs" in the form of six and seven-figure compensation packages of which most working Americans can only dream. But apparently that was not enough for some.
>
> Instead, shareholders and rank-and-file employees were ripped off by senior executives who rigged stock option programs – through a process called "back-dating" – to further enrich themselves. And as we have found far too often in corporate scandals of recent years, boards of directors were either asleep at the switch, or in some cases, willing accomplices themselves.

64. According to *The Wall Street Journal*, former SEC Chairman, Arthur Levitt, characterized stock option backdating as "ripping off shareholders in an unconscionable way" and that it "represents the ultimate in greed."

65. Former SEC Chairman Harvey Pitt recently opined:

> Many discussions of backdating start with the observation that backdating is not, per se, illegal. That is wrong. Options backdating frequently involves falsification of records used to gain access to corporate assets. That conduct violates the Foreign Corrupt Practices Act and its internal controls requirements . . .

Backdating is not only illegal and unethical, it points to a lack of integrity in a company's internal controls.

(emphasis added).

66. In addition to "ripping off shareholders in an unconscionable way," backdating stock options potentially has serious tax consequences. An option granted at less than fair market value does not qualify as an "incentive stock option" and therefore generally will be subject to income tax and withholding requirements. A stock option that is granted at less than fair market value on the day of the grant (*i.e.*, backdated to a more favorable price) will also not qualify as "performance based compensation" and thus must count toward the $1 million executive compensation deduction cap under Section 162(m) of the Internal Revenue Code ("IRC"). Finally, an option granted at less than fair market value that either vests in whole or in part after December 31, 2004 raises issues under the new deferred compensation rules set forth in IRC Section 409A. Under Section 409A, the recipient could be subject to acceleration of taxable income and additional taxes and penalties, and the company could be subject to special tax withholding and reporting requirements.

2. Marvell's 1995 Non-Statutory Stock Option Plan

67. Prior to and throughout the Class Period, Marvell reported that stock options granted to executive officers and non-executive employees were made in accordance with the provisions of Marvell's 1995 Stock Option Plan, as adopted in April 1995 and subsequently amended and approved by the Company's Board of Directors (the "SOP" or "Plan"). *See* Marvell's Form 10-K for the fiscal year ended January 31, 2004 filed with the SEC on April 14, 2004 ("2004 10-K"), p.81 n.8. The SOP was incorporated by reference into Marvell's Proxy Statements filed with the SEC before and during the Class Period, and was attached as Exhibit 10.20 to Marvell's quarterly report on Form 10-Q for the period ended August 2, 2003, as filed with the SEC on September 15, 2003. The SOP was operative at all times from the Company's June 2000 IPO through the end of the Class Period.

68. Paragraph 21 of the SOP defined the "Administrator" of the SOP as "the Board or a committee appointed by the Board under Section 4 [of the Plan]." Paragraph 4(a) of the SOP provided that "once appointed, a committee shall serve until otherwise directed by the

Board." Paragraph 4(c)(i-vii) of the SOP gave the Board or a committee appointed by the Board the sole authority to determine: (a) who received option grants; (b) the number of shares granted by such options; and (c) the exercise price for such options.

69. Paragraph 8 of the SOP mandated that the per share exercise price of an option grant shall be determined by the Board or its designated committee at the time of grant, and that "the per-Share exercise price shall be at least the Fair Market Value on the date of grant."

70. Paragraph 21 of the SOP defined "Fair Market Value" as follows:

> "Fair Market Value" means, as of any date, the value of common Stock determined as follows:
>
> (i) If the Common Stock is quoted on an established stock exchange or national market system, including without limitation the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") National Market System, Fair Market Value shall be the closing sales price (or the closing bid, if no sales are reported) as quoted on that exchange or system for the day of the determination, as reported in The Wall Street Journal or an equivalent source, or if the determination date is not a trading day, then on the most recent preceding trading day;
>
> (ii) If the Common Stock is quoted on NASDAQ (but not on the National Market System) or regularly quoted by a recognized securities dealer but selling prices are not reported, Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the day of the determination, or on the most recent preceding trading day if the determination date is not a trading day; or
>
> (iii) In the absence of an established market for the Common Stock, Fair Market Value shall be determined by the Administrator.

71. Proxy statements that the Company filed with the SEC between 2002 and 2006 falsely stated that the exercise prices for options granted during fiscal years 2001 through 2006 were "equal to the fair market value on the date of grant," and thus represented to investors that the Company did not issue backdated stock options.

72. Furthermore, the Company repeatedly assured investors that stock options granted to its executives became valuable only when the Company's long-term performance improved and its stock price increased. In other words, stock options were granted and priced at their fair market value on the grant date because this aligned the interests of the Company's

executive officers and employees with shareholders. For example, the 2005 Proxy included a "Joint report of the Executive Compensation Committee and Stock Option Committees" that stated:

> Stock option grants are intended to focus the attention of the recipient on the Company's long-term performance, which the Company believes results in improved shareholder value, and to retain the services of the Company's executive officers and employees in a competitive job market by providing significant long-term earnings potential.

73. Virtually identical language appeared in each one of Marvell's Proxy Statements filed with the SEC for fiscal years 2002 to 2006.

74. As discussed above, there are significant disclosure, reporting and filing implications when a company grants "in-the-money" options as opposed to "at-the-money" options. Like all publicly traded companies, Marvell was required to disclose, account for, and expense "in-the-money" options and the failure to do so violated the SOP, basic GAAP precepts, and rendered the Company's financial statements materially false and misleading in violation of the federal securities laws.

3. Marvell's Stock Option Committee

75. Pursuant to paragraph 4 of the SOP, the Board of Directors created the "Stock Option Committee" to administer the SOP and grant all stock options to non-officer or director employees, which the Stock Option Committee did from June 2000 through at least June 2006. For example, the Company's Proxy Statement filed with the SEC on April 29, 2005 explained that:

> The Stock Option Committee administers the Company's option plans and is solely responsible for awarding stock option grants to all of the Company's eligible employees. . . .

76. Similar language appeared in each Proxy Statement the Company filed with the SEC for fiscal years 2001 through 2006, and the Restatement confirmed that:

> The Stock Option Committee was formed by the Board of Directors in December 2000 and consisted of the Chief Executive Officer [Sutardja] and the former Executive Vice President and Chief Operating Officer [Dai]. Pursuant to authority delegated by the Board of Directors under Marvell's 1995 Stock Option Plan, the Stock Option Committee was empowered to act jointly. ***The***

> ***Stock Option Committee awarded all grants to non-executive employees after its formation until June 9, 2006.***

(emphasis added).

77. Each Proxy Statement that the Company filed with the SEC, including Proxy Statements filed on May 21, 2001 ("2001 Proxy"), May 17, 2002 ("2002 Proxy"), May 23, 2003 ("2003 Proxy"), April 26, 2004 ("2004 Proxy"), April 29, 2005 ("2005 Proxy") and May 8, 2006 ("2006 Proxy"), reported that the Company's Stock Option Committee consisted solely of two persons: Sutardja and Dai.

78. Each Proxy Statement the Company filed with the SEC between 2001 and 2006 also reported that the Stock Option Committee met regularly during each fiscal year in furtherance of their duties and obligations to administer the SOP and grant stock options to non-executive employees in a manner that complied with provisions set forth in the SOP. Specifically, the Company's Proxy Statements falsely reported that the Stock Option Committee held five meetings during the period from December 2000 through the end of the Company's 2001 fiscal year; nine meetings during fiscal 2002; five meetings during fiscal 2003; nine meetings during fiscal 2004; eleven meetings during fiscal 2005; and fourteen meetings during fiscal 2006.

4. Marvell's Executive Compensation Committee.

79. The Executive Compensation Committee had the authority to approve salaries and bonuses and other compensation matters for the Company's executive officers and to administer the Company's stock option plans. Specifically, the committee administered the 1995 Stock Option Plan with respect to the Company's option grants to the Company's executive officers. Marvell's proxy statements generally provide that "[t]he [Executive] Compensation Committee has the authority to approve salaries and bonuses and other compensation matters for the Company's executive officers, to approve employee health and benefit plans and to administer the Company's stock option plans." The Company's proxy statements also state that "[t]he responsibility of the [Executive] Compensation Committee is to oversee compensation practices, levels and components for the Company's President and Chief Executive Officer, Executive Vice President, Vice President and Chief Financial Officer

and Chief Technology Officer." Indeed, the Company's Definitive Proxy Statement filed April 26, 2004, specifically states, on page 19, that the "Executive Compensation Committee granted Dr. Sehat Sutardja options to purchase 1,500,000 shares of the Company's Common Stock. In determining the size of this grant, the Executive Compensation Committee considered prior stock option grants to Dr. Sutardja by the Company and the stock option awards granted to the chief executive officers of comparable companies in the Company's industry." In fiscal 2004 Cioffi was on the Executive Compensation Committee.

80. The Company's proxy statements represented that the Executive Compensation Committee, during the fiscal years 2001, 2002, 2003, 2004, 2005 and 2006, met once, none, three, one, one and two times, respectively. In Marvell's Form Def 14A, it was falsely claimed that "[a]ll options granted to the Named Executive Officers were granted at the then fair market value as determined by the Company's Board of Directors on the date of grant."

B. THE TRUTH BEGINS TO EMERGE

81. On May 22, 2006, Merrill Lynch issued a research analyst report that examined the unusually fortuitous timing of stock option grants by semiconductor equipment companies comprising the Philadelphia Semiconductor Index ("SOX"). Marvell was one of the companies that Merrill Lynch's analyst report focused on.

82. Merrill Lynch reported that, from 1997 to 2002, the stock price of companies comprising the SOX had consistently generated excess returns during the 20-day period immediately following option grants to senior executives. The report stated, "[i]t is difficult to avoid concluding that the timing of options pricing for the period we studies [sic] has been very advantageous for executives that received options." The Merrill Lynch report ranked Marvell number three out of sixteen companies in terms of suspiciously increasing stock prices following stock option grants.

83. Marvell's stock price reacted negatively as a result of the Merrill Lynch report, dropping from $28.11, where it closed on May 19, 2006, the previous trading day, to close at $26.50 on May 22, 2006, a drop of $1.61 per share or approximately 5.7%.

84. On July 3, 2006, after the close of trading, Marvell filed a Form 8-K with the

SEC disclosing that the Company had "received a letter of formal inquiry from the [SEC] requesting certain documents relating to the Company's stock option grants and practices." The filing also revealed that the Company had "received a grand jury subpoena from the office of the U.S. Attorney for the Northern District of California requesting substantially similar documents," and indicated that a special committee of Marvell's Board of Directors, with the assistance of outside legal counsel, had commenced an internal review relating to past stock option grant practices, the timing of such grants and related accounting matters.

85. Marvell's stock price reacted negatively to the disclosure of this information related to the investigations by the SEC and United States Attorney for the Northern District of California into the Company's historical stock option practices. The stock price dropped from $22.41 where it closed on July 3, 2006, the previous trading day, to close at $20.66 on July 5, 2006, a drop of $1.76 per share or approximately 7.8%.

86. After the close of trading on August 17, 2006, Marvell announced its preliminary results for the second quarter of fiscal 2007 (ended July 29, 2006), and stated that it was unlikely the Company would timely file its second quarter 2007 results with the SEC on Form 10-Q because of the ongoing investigation into the Company's historical stock option practices and accounting matters:

> Net revenue for the second quarter of fiscal 2007 was $574.0 million, an increase of 47% over net revenue of $390.5 million for the second quarter of fiscal 2006 and a 10.1% sequential increase from net revenue of $521.2 million for the first quarter of fiscal 2007.
>
> * * *
>
> All results reported are preliminary because Marvell is in the midst of a previously announced internal review by a special committee of its Board of Directors relating to the Company's historical stock option practices and related accounting matters. The special committee is conducting its review with the assistance of independent legal counsel and outside accounting experts. The Company does not expect to be in a position to announce additional financial results for the second quarter until the special committee has completed its review. The special committee is working to complete its stock option review in a timely manner; however, in light of the review, Marvell does not expect to be in a position to file its Form 10-Q for the second fiscal quarter by the September 7, 2006 filing deadline or the permitted extension to September 12, 2006.

87. Marvell's stock price reacted negatively to the disclosure that the Company would not timely file its Form 10-Q for the second quarter of fiscal 2007 because of options backdating, dropping from $20.48 per share where it closed August 17, 2006, to close at $19.05 per share on August 18, 2006, a drop of $1.43 per share or approximately 7%.

88. On October 2, 2006, after the close of trading, Marvell finally admitted that the Company's executives had engaged in backdating stock options and that as a result the Company would restate its financial results for prior fiscal years, and that every single previously reported financial statement since the Company's inception could no longer be relied upon. Specifically, the Company acknowledged:

> As previously announced . . . a special committee of the Board of Directors has been conducting an internal review relating to the Company's historical stock option practices and related accounting matters. Although the committee is continuing its review of these matters, the committee has reached a preliminary conclusion that the actual measurement dates for financial accounting purposes of certain stock option grants awarded in the past likely differ from the recorded grant dates for such awards.
>
> Based on the report of the special committee . . . the Board of Directors has concluded that the Company will need to restate historical financial statements to record additional non-cash charges for stock-based compensation expense related to certain past option grants. . . . Accordingly, the financial statements and all earnings press releases and similar communications issued by the Company relating to periods beginning on or after its initial public offering in June 2000 should no longer be relied upon.

89. On this news, the per share price of Marvell's common stock plunged from $19.09, where it closed on October 2, 2006, to $16.80, where it closed on October 3, 2006, a difference of $2.29 per share or approximately 12%.

90. On January 4, 2007, Marvell filed a Form 8-K with the SEC and reported that the Special Committee charged with investigating the Company's historical stock option practices had determined that with respect to options to purchase millions of Marvell shares granted to Sutardja, Dai and Hervey, the exercise prices were significantly lower than the fair market value of the stock on the measurement date (*i.e.*, the true grant date). In other words, Sutardja, Dai (the sole members of the Stock Option Committee) and Hervey (the Company's CFO), sold millions of shares of stock received by exercising stock options that had been

improperly backdated. Specifically, the Company acknowledged:

> . . . [T]he Company has determined that the actual measurement dates for financial accounting purposes of certain stock options grants awarded in the past differ from the recorded grant dates used for such awards, and that in some of those cases the fair market value of the underlying shares of the Company's Common Stock was higher on the actual measurement date than on the recorded grant date. As set forth in detail below, the following executive officers were beneficiaries of one or more of such grants: Sehat Sutardja, Ph.D., the Company's Chairman of the Board, President and Chief Executive Officer; Weili Dai, the Company's Executive Vice President and Chief Operating Officer; Pantas Sutardja, Ph.D., the Company's Chief Technology Officer; and George Hervey, the Company's Vice President of Finance and Chief Financial Officer.

91. The January 4, 2007 Form 8-K included information contained in the following table that identified specific stock option grants awarded to Defendants Sutardja, Dai, and Hervey, in which the reported exercise price was lower than the fair market value on the date of the option grant, and thus were "in-the-money" when granted, but not properly accounted for as compensation expense:

Optionee	Recorded Option Grant Date	Shares Originally Subject to Option	Number of Shares Remaining Unexercised	Original Exercise Price per Share	Reformed Exercise Price per Share
Sutardja	12/26/2003	6,000,000	3,000,000	$9.13	$10.91
Dai	12/26/2003	4,000,000	2,083,334	$9.13	$10.91
Hervey	03/18/2005	24,212	24,212	$17.73	$18.64
	01/02/2004	10,552	10,552	$9.48	$9.81
	01/02/2004	269,448	269,448	$9.48	$9.81
	05/05/2003	7,896	7,896	$6.19	$9.00
	05/05/2003	192,104	192,104	$6.19	$9.00
	10/16/2002	28,836	28,836	$3.47	$5.13
	10/16/2002	251,164	251,164	$3.47	$5.13
	02/28/2002	6,668	6,668	$7.67	$10.09
	02/28/2002	153,332	None	$7.67	$10.09
	01/02/2001	160,000	None	$5.34	$6.88

92. The January 7, 2007 Form 8-K also disclosed that on December 27 and 28, 2006, Sutardja, Dai and Hervey agreed to "reform" the outstanding stock option agreements for backdated option grants such that the exercise price for those options was corrected to the

fair market value on the actual measurement dates when the options were granted. In other words, they agreed to pay back their ill-gotten gains. Sutardja agreed to return $5,355,001; Dai agreed to return $3,421,249; and Hervey agreed to return $615,673.

93. For options that remained unexercised, the applicable exercise price was corrected to equal the fair market value (*i.e.*, the closing price) of the Company's common stock on the actual measurement date, but in the case of Dai and Hervey, when the full magnitude of the fraud was finally revealed and the Special Committee had completed its investigation, they were effectively terminated from their positions and their unexercised options were cancelled.

94. On April 24, 2007, Marvell filed a Form 8-K with the SEC and disclosed that the SEC had notified the Company on April 20, 2007 that the previously disclosed "informal investigation" into the Company's historical stock option practices and accounting methods had been upgraded to a "formal investigation."

C. THE SPECIAL COMMITTEE FINDINGS AND RECOMMENDATIONS

95. The background of the investigation and findings of the Special Committee, as detailed below, are summarized in the Company's Restatement at pp.54-63.

1. The Special Committee Found That the Individual Defendants Intentionally Backdated Options

96. On July 2, 2007, Marvell filed the Restatement with the SEC on Form 10-K. The Restatement reported that on or about May 25, 2006, just three days after publication of the Merrill Lynch analyst report referenced above, Marvell's Board of Directors appointed a member of the Audit Committee to conduct an internal review of the Company's historical stock option practices and related accounting matters. The Audit Committee also retained outside legal counsel to assist with the internal review. According to the Restatement, in June and July 2006, the Audit Committee identified various stock option grants with exercise prices that were potentially selected "with the benefit of hindsight."

97. On July 19, 2006, the Board of Directors appointed a successor special committee to assume responsibility for the stock option review. The same member of the

Audit Committee continued as the sole member of the Special Committee and selected new, independent counsel to represent the Special Committee. The Special Committee subsequently retained a second independent law firm (collectively, "Independent Counsel"). Independent Counsel retained forensic accounting experts who assisted the Special Committee in its internal review.

98. On March 30, 2007, the independent director resigned from the Special Committee and the Board appointed two independent non-director members to the Special Committee to continue the review of the Company's historical stock option practices and related accounting matters. As a result, the Special Committee thereafter consisted of two non-directors, assisted by two outside law firms and forensic accountants.

99. On July 2, 2007, the Company filed its Restatement and reported the summary findings of the Special Committee, which revealed that Sutardja and Dai directly participated in the improper backdating, selecting exercise prices "by hindsight" and then taking affirmative steps to conceal the fraud, or at a minimum, knew about the misconduct and willfully turned a blind eye.

100. For example, in contrast to the Proxy Statements filed with the SEC for fiscal years 2001 to 2006, which reported that the Stock Option Committee (*i.e.*, Sutardja and Dai) convened no less than 53 times in furtherance of their duties and obligations to award stock options in a manner that complied with the mandate of the SOP, in truth, they ***never convened a single meeting and minutes reflecting such meetings were falsified.*** Specifically, the Special Committee found that "the Stock Option Committee ***conducted no meetings with respect to option grants*** and that ***minutes reflecting such meetings were false***." *See* Restatement, p.55 (emphasis added.) As sole members who comprised the Stock Option Committee, Sutardja and Dai knew, or at a minimum were reckless in not knowing, that the Stock Option Committee charged with administering the SOP and awarding option grants to all non-executive officers and directors had never convened a single meeting, in stark contrast to affirmative statements in the Proxy Statements to the contrary.

101. Furthermore, despite having failed to convene as much as a single meeting of

the Stock Option Committee between December 2000 and June 2006, Sutardja and Dai took it upon themselves to sign false Stock Option Committee meeting minutes to make it appear as though they had convened meetings, when they knew that such meetings never occurred. Specifically, the Special Committee charged with investigating the fraud determined that:

> Of the 59 minutes of meetings of the Stock Option Committee, all of which were prepared by or under the direction of the former General Counsel of MSI, only the first set of minutes were separately prepared for each member's signature and signed by each of them; subsequently . . . only one member signed those minutes.

102. The Special Committee investigating the fraud also found that "in a substantial number of instances ***grant dates were chosen with the benefit of hindsight***, so as to provide exercise prices ***lower than the fair market value on the actual measurement date***," and:

> . . . ***false documentation*** supporting new hires was employed to reflect start dates that preceded the actual first day of employment, and to reflect secondary grant authorizations as if they occurred on dates prior to the original grant date, ***which facilitated giving the employees favorable prices***. *Id*.

See Restatement, pp.55-57 (emphasis added).

103. The Special Committee placed the blame directly at the feet of Defendant Dai, and made it plainly evident that she knew about the fraud and had directly participated in it:

> ***Weili Dai . . . played a central role in all Stock Option Committee grants. Ms. Dai participated in the selection of grant dates with the benefit of hindsight and signed false minutes and other employee related corporate documents.*** The Special Committee also found that she failed to establish proper internal controls and failed to exercise proper review and inquiry as an officer. Certain individuals involved in the process said that they did not feel able to provide her with frank advice. She signed inaccurate external documents, including 10-K's and proxy statements. . . .

Id. (emphasis added).

104. The Special Committee also found that while Sutardja may have had a more "limited role" in the stock option backdating, he too participated in instances in granting stock options with incorrect measurement dates:

> [Sutardja] was found to have had a limited role in the stock option process and to have participated in only a few instances in awards with incorrect measurement dates with respect to which he had received no or inadequate advice. He signed inaccurate external

> documents, including our SEC filings, financial statements, and proxy statements. The Special Committee found that he failed to establish proper internal controls and that certain individuals involved in the process to some extent did not feel able to provide him with frank advice. . . .

105. In addition to Sutardja and Dai's direct involvement in backdating stock option grants and falsifying corporate records to conceal the fraud, the Special Committee determined that Defendant Hervey also had a role in the misconduct and that, on at least two occasions, he knew that stock option grants had been awarded to employees ***before they were even hired by the Company*** in clear violation of ABP 25 and the most basic GAAP provisions.

106. Specifically, the Special Committee charged with investigating the alleged fraud determined that:

> Mr. Hervey also was found to have been aware of awarding options to two employees prior to their start date. ***He also failed to establish a system of proper controls despite being on notice of repeated concerns raised by others regarding the stock option process.*** He signed inaccurate external documents, including our SEC filings and financial statements.

See Restatement, pp.55-57 (emphasis added).

107. The brazenness by which the Individual Defendants backdated stock option grants, and in the case of Sutardja and Dai, deliberately falsified corporate business records and/or signed sham meeting minutes to conceal the fraud, is surpassed only by the stunning frequency with which stock option grants were improperly backdated and the material impact that the backdating had on the Company's prior reported financial results. The Special Committee found that:

> Approximately 74% of shares granted [between June 2000 and June 2006] were backdated or resulted in additional accounting charges. Of these re-measured grants, the stock prices on the original grant date were lower than the prices on the appropriate measurement dates for 97% of such shares.

108. In terms of the actual number of option grants that were backdated, and the number of Company shares impacted by the scheme, the Special Committee determined that the Stock Option Committee (*i.e.*, Sutardja and Dai) had granted tens of millions of shares of backdated options to employees, prospective employees, and even to non-employees.

Specifically:

> The internal review identified ***4,669,200 options*** to 30 new hire recipients which required revision to reflect a later date. ***In all cases, the stock price on the original grant date was lower than the price on the appropriate measurement date.***
>
> * * *
>
> In addition to grants issued to new hires at the commencement of their employment, we occasionally issue secondary grants to employees for outstanding performance, retention or other discretionary reasons outside of the annual performance review cycle. During the Relevant Period, we granted new hire and secondary options on 86 different dates, excluding assumption of acquisition-related options. . . . As a result of the internal review, we recorded additional compensation costs for grants relating to 37 different grant dates, impacting approximately two-thirds of our new hire and secondary grants (totaling **48,708,478 options**). The original grant date with respect to such grants preceded the appropriate measurement date and ***in substantially all instances, the stock price on the former date was lower than the price on the appropriate measurement date.***
>
> * * *
>
> During the Relevant Period, there were eight Evergreen grant dates. Substantially all employees are entitled to these grants for retention purposes. There were two Evergreen grant dates in both fiscal 2003 and 2004. There was evidence of amendments to the recipients and/or the number of options subsequent to the original grant date. In all cases, the definitive lists of award recipients could not be reasonably determined until after the original grant date, impacting ***54,702,828 options***. . . . ***In substantially all instances, the stock price on the former date was lower than the price on the appropriate measurement date. . . .***

See, Restatement, pp. 58-60 (emphasis added).

109. Astonishingly, the Special Committee conceded that improper stock option grants had been so widespread, options were granted to non-employees and erroneously accounted for under ABP 25 as if granted to actual employees. Specifically, the Special Committee found:

> Since the inception of the Company, 3,819,000 options were granted to 13 recipients who were not employees or directors of the Company. These grants were erroneously accounted for under APB 25 as if they had been made to employees.

2. The Special Committee Found That the Individual Defendants Obtained Millions of "In-the-Money" Backdated Options

110. In addition to falsifying business records and/or meeting minutes to conceal that Marvell had granted backdated stock options, or knowingly turning a blind eye to the fraud, the Individual Defendants personally benefited from backdated options that reportedly were granted by the Executive Compensation Committee and that were intentionally backdated by the Stock Option Committee, the Executive Compensation Committee and/or Cioffi.

(i) Sutardja and Dai

111. Sutardja and Dai obtained improperly backdated options from the Executive Compensation Committee and the ECC Defendant to purchase millions of Company shares at an exercise price significantly below the fair market of the Company's stock price on the grant date. They promptly exercised the options, sold the stock and reaped millions by virtue of the fraud. For example, the 2004 Proxy Statement reported that on December 26, 2003, Sutardja obtained an option to purchase six million shares and Dai obtained an option to purchase four million shares at an exercise price of $9.125 per share, representing the fair market value of Marvell stock at the close of trading on December 26, 2003 when the option was purportedly granted.

112. The Special Committee found that the December 26, 2003 options were in fact backdated, and that the proper measurement date was actually January 16, 2004, when the fair market value of the Marvell's common stock was $10.91 per share, a difference of $1.785 per share, or roughly 16% more. This difference was of enormous consequence. When applied to options to purchase ten million shares (six million shares to Sutardja and four million to Dai), the difference resulted in an immediate "in-the-money" gain of approximately $17.5 million on January 16, 2004 when the options were granted.

113. Aside from the fact that the Company now admits that the reported December 26, 2003 option grants to Sutardja and Dai were backdated to reflect the more favorable $9.125 exercise price, the likelihood that the backdating occurred by mere happenstance borders on the near impossibility, particularly when applied to such an enormous award that

should have warranted increased scrutiny.

114. A look-back from the January 16, 2004 measurement date reveals that the closing price of Marvell common stock on December 26, 2003 was at or near the lowest closing price ***over the previous five months***. Equally important, the December 26, 2003 closing price was just prior to the stock again rising in value. In fact, as reflected in the following table, during the 100 trading days from August 23, 2003 to January 16, 2004, Marvell's common stock price closed below $9.125, on just two occasions (December 9 and 10, 2003), and by mere pennies.

Date	Price	Date	Price	Date	Price	Date	Price
01/16/04	10.91	12/10/03	9.05	11/04/03	11.37	09/30/03	9.44
01/15/04	10.80	12/09/03	9.03	11/03/03	11.39	09/29/03	9.43
01/14/04	10.50	12/08/03	9.59	10/31/03	10.96	09/26/03	9.23
01/13/04	10.73	12/05/03	9.50	10/30/03	11.17	09/25/03	9.35
01/12/04	10.76	12/04/03	9.62	10/29/03	11.06	09/24/03	9.39
01/09/04	10.38	12/03/03	9.45	10/28/03	11.08	09/23/03	9.94
01/08/04	10.52	12/02/03	9.69	10/27/03	10.40	09/22/03	9.82
01/07/04	10.36	12/01/03	10.13	10/24/03	10.42	09/19/03	10.19
01/06/04	10.05	11/28/03	9.87	10/23/03	10.32	09/18/03	10.17
01/05/04	9.68	11/26/03	9.82	10/22/03	10.42	09/17/03	9.94
01/02/04	9.48	11/25/03	9.54	10/21/03	11.06	09/16/03	10.02
12/31/03	9.48	11/24/03	9.59	10/20/03	10.61	09/15/03	9.76
12/30/03	9.39	11/21/03	9.73	10/17/03	10.21	09/12/03	10.01
12/29/03	9.28	11/20/03	9.73	10/16/03	10.89	09/11/03	9.83
12/26/03	**9.12**	11/19/03	10.50	10/15/03	10.90	09/10/03	9.61
12/24/03	9.20	11/18/03	10.59	10/14/03	10.77	09/09/03	10.38
12/23/03	9.34	11/17/03	10.65	10/13/03	10.52	09/08/03	10.49
12/22/03	9.15	11/14/03	11.00	10/10/03	10.66	09/05/03	10.63
12/19/03	9.19	11/13/03	11.03	10/09/03	10.63	09/04/03	10.32
12/18/03	9.22	11/12/03	11.15	10/08/03	10.42	09/03/03	10.32
12/17/03	9.14	11/11/03	10.81	10/07/03	10.50	09/02/03	10.52
12/16/03	9.17	11/10/03	10.84	10/06/03	10.20	08/29/03	10.53
12/15/03	9.23	11/07/03	11.10	10/03/03	10.15	08/28/03	10.78
12/12/03	9.61	11/06/03	11.40	10/02/03	9.52	08/27/03	10.44
12/11/03	9.49	11/05/03	11.30	10/01/03	9.44	08/26/03	10.25

115. In addition to suspicious timing, indicating that backdating the January 16, 2004 grants to December 26, 2003 was no less deliberate than the Special Committee had found with respect to the non-executive employees, Sutardja and Dai enriched themselves by selling millions of shares of the backdated stock during the Class Period.

116. In contrast to the fact that the option to purchase ten million shares (six million

to Sutardja and four million to Dai) was exercisable over a ten-year period, the express intent being to align Sutardja and Dai's long-term interests with shareholders, Sutardja and Dai sold as many of the inflated shares as they could, restrained only by the amount of the option that was exercisable over time.

117. According to the 2004 Proxy, the option to purchase ten million shares purportedly granted on December 26, 2003 was "exercisable as to 25% on the first annual anniversary of the grant date and 1/48th each month over the remaining three years from the date of grant." As such, within two years from the purported grant date, Sutardja and Dai could have exercised and sold up to one-half of the backdated options, which is exactly what they did.

118. Between November 23, 2005 and January 10, 2006, Sutardja exercised backdated options and sold three million shares and Dai exercised backdated options and sold almost two million shares. Collectively, as husband and wife, they exercised backdated options and sold 4,916,666 shares, or virtually all of the five million shares that had then vested in the approximate two-year period between December 26, 2003 and January 10, 2006, reaping a windfall of over $144 million.

Shares of Marvell Stock Sutardja and Dai Sold From the December 26, 2003 Backdated Option Grants

Exercise Date	Number of Shares Exercised and Sold	Price Sold Per Share	Sale Proceeds (in dollars)
11/21/2005	202,756	28.40	5,760,095
11/22/2005	621,862	29.95	18,627,754
11/23/2005	92,836	28.43	2,639,327
11/28/2005	254,200	28.54	7,255,884
11/29/2005	167,122	28.65	4,788,546
12/01/2005	1,178,678	28.77	33,915,280
12/02/2005	622,272	28.77	17,905,254
12/05/2005	228,728	29.53	6,756,053
12/06/2005	564,616	29.87	16,865,079
12/12/2005	55,176	30.17	1,665,073
12/14/2005	129,208	30.26	3,910,027
01/06/2006	449,182	30.49	13,696,906
01/09/2006	345,424	31.09	10,741,909
01/10/2006	4,606	31.42	144,722
Total	**4,916,666**		**$144,671,909**

119. It is appropriate to treat Sutardja's and Dai's option exercises and sales jointly because they are husband and wife, their securities were jointly owned and they constituted

members of a "Group" for purposes of Section 13(d) of the Exchange Act. Furthermore, the rights granted under the option were owned directly and indirectly by each other, as indicated on Form 4's that they jointly filed with the SEC during the Class Period.

120. The $144.6 million windfall that Sutardja and Dai realized from the exercise and sale of 4,916,666 shares from backdated options was, of course, offset by acquisition costs paid to exercise the options. At an exercise price of $10.91, representing the fair market value on the actual grant date (January 16, 2004), the acquisition cost would have been approximately $53.6 million. However, backdating the exercise price to $9.125 per share reduced the acquisition cost to $44.8 million, thereby boosting their take-home profit by an undisclosed amount of approximately $8.8 million.

(ii) Hervey

121. In addition to knowing that stock options were awarded to at least two employees before their start date in blatant violation of ABP 25 and basic GAAP provisions, and in addition to having "failed to establish a system of proper controls despite being on notice of repeated concerns raised by others regarding the stock option process," as the Special Committee determined, Defendant Hervey also obtained option grants to purchase more than a million shares of improperly backdated Company stock at an exercise price that was on average approximately $1.60 per share ***less*** than what the exercise price would have been had the options been properly priced at the fair market value on the actual grant dates.

122. The backdating amounted to a total "in-the-money" gain of over $1.7 million dollars for Hervey on the dates when the options were actually granted. Furthermore, Hervey realized an actual gain of roughly $615,712 by virtue of having sold at least 313,332 shares of stock acquired by exercising the illicitly backdated options.

123. The following chart compiled from data contained in a report the Company filed with the SEC on Form 8-K on January 4, 2007 setting forth the Special Committee's findings with respect to backdated stock options that Defendant Hervey obtained reveals the astounding frequency that Hervey received improperly backdated options:

Summary of Backdated Options Granted to Defendant Hervey (2001 to 2005)

Actual Grant Date	Backdated Grant Date	Shares Subject to Option	Price Per Share on Backdated Grant Date	Fair Market Value on Actual Grant Date	Difference Between Backdated Price Per Share and Fair Market Value	Aggregate Value on Actual Grant Date
3/24/2005	3/18/2005	24,212	17.73	18.64	0.91	22,033
2/4/2004	1/2/2004	10,552	9.48	9.81	0.34	3,535
2/4/2004	1/2/2004	269,448	9.48	9.81	0.34	90,265
8/12/2003	5/5/2003	7,896	6.19	9	2.81	22,188
8/12/2003	5/5/2003	192,104	6.19	9	2.81	539,812
12/13/2002	10/16/2002	28,836	3.47	5.13	1.66	47,868
12/13/2002	10/16/2002	251,164	3.47	5.13	1.66	416,932
4/3/2002	2/28/2002	6,668	7.67	10.09	2.42	16,120
4/3/2002	2/28/2002	105,332	7.67	10.09	2.42	254,641
4/3/2002	2/28/2002	48,000	7.67	10.09	2.42	116,040
1/15/2001	1/2/2001	160,000	5.34	6.88	1.53	244,992
	Total	**1,104,212**				**$1,774,426**

124. In addition to the Special Committee's finding that "grant dates were chosen with the benefit of hindsight, so as to provide exercise prices lower than the fair market value on the actual measurement date," publicly available information demonstrates that each of the backdated grants to Hervey occurred on a date when Marvell stock was trading at or near its lowest point for the calendar month and, for certain grants, its lowest point in many months, and just prior to the stock again rising in value.

125. For example, the Special Committee found that on April 3, 2002, when the fair market value was $10.09, Hervey's options to purchase 160,000 shares had been backdated to February 28, 2002 when the fair market value was $7.67. With the exception of February 28, 2002, Marvell's stock price closed above $7.67 on each trading day between April 3, 2002 and November 30, 2001, as set forth in the following table:

Date	Price	Date	Price	Date	Price	Date	Price
04/03/02	10.09	03/04/02	9.56	01/30/02	10.16	12/28/01	8.94
04/02/02	10.32	03/01/02	8.85	01/29/02	10.63	12/27/01	9.09
04/01/02	10.99	**02/28/02**	**7.67**	01/28/02	11.17	12/26/01	9.11
03/28/02	10.95	02/27/02	8.52	01/25/02	11.24	12/24/01	8.88
03/27/02	10.77	02/26/02	8.83	01/24/02	10.97	12/21/01	8.96
03/26/02	10.21	02/25/02	8.91	01/23/02	10.71	12/20/01	8.70
03/25/02	9.66	02/22/02	8.39	01/22/02	10.88	12/19/01	9.10

03/22/02	10.23	02/21/02	7.76	01/18/02	10.61	12/18/01	9.24
03/21/02	10.28	02/20/02	8.50	01/17/02	10.55	12/17/01	9.40
03/20/02	9.77	02/19/02	8.14	01/16/02	9.66	12/14/01	9.57
03/19/02	10.18	02/15/02	8.84	01/15/02	9.92	12/13/01	8.49
03/18/02	9.89	02/14/02	9.28	01/14/02	9.91	12/12/01	9.77
03/15/02	9.65	02/13/02	9.69	01/11/02	10.38	12/11/01	9.49
03/14/02	9.59	02/12/02	9.70	01/10/02	10.17	12/10/01	9.12
03/13/02	9.68	02/11/02	9.62	01/09/02	10.08	12/07/01	9.27
03/12/02	10.08	02/08/02	9.11	01/08/02	9.81	12/06/01	9.61
03/11/02	10.01	02/07/02	8.81	01/07/02	9.72	12/05/01	9.43
03/08/02	10.35	02/06/02	8.94	01/04/02	9.71	12/04/01	8.36
03/07/02	9.56	02/05/02	9.42	01/03/02	9.94	12/03/01	7.84
03/06/02	9.50	02/04/02	9.52	01/02/02	9.18	11/30/01	7.89
03/05/02	9.58	01/31/02	10.03	12/31/01	8.95		

126. February 28, 2002 was the low price during this more than four month period. The chance that the April 3, 2002 option grant would be randomly backdated to the lowest closing price over a more than four-month time span simply defies the law of probabilities. Rather, the backdating was clearly intentional.

127. Furthermore, the Special Committee found that the grants to purchase 280,000 shares purportedly granted on October 16, 2002 when the fair market value was $3.47, had actually been granted on December 13, 2002, when the fair market value was $5.13. During this almost two-month period, the Company's stock price had never closed below $3.47. Furthermore, in the calendar year preceding the December 13, 2002 grant, Marvell's stock price closed below $3.47 on just three other occasions, and on two of those occasions the closing price was just pennies less ($3.42 and $3.44). The chance of randomly backdating to a price that was the third lowest closing price looking back almost a year defies mathematical probabilities. Rather, the backdating was clearly intentional on the part of the Individual Defendants and was at least deliberately reckless on the part of the Executive Compensation Committee, including the ECC Defendant Cioffi.

128. Likewise, the Special Committee found that the 200,000 shares purportedly granted on May 5, 2003 when the fair market value was $6.19, had been backdated and the actual measurement date when the option was granted was August 12, 2003, when the fair market value was $9.00. For the 70 trading days that occurred during the more than three month look-back from August 12, 2003 to May 5, 2003, Marvell stock closed below $6.19 on

just one occasion ($6.16 on May 6, 2003). Again, any random chance that the backdating occurred by happenstance strains credulity.

3. The Special Committee Found a Lack of Meaningful Internal Controls

129. In addition to the findings of the Special Committee, the Company now admits that its internal controls, particularly as they related to stock option grants, were virtually non-existent. Specifically:

> In assessing the findings of our internal review with respect to our historical stock option practices and related accounting matters, our management concluded that there were material weaknesses, as defined in Public Company Accounting Oversight Board Auditing Standard No. 2, in our internal control over financial reporting.
>
> * * *
>
> We did not maintain an effective control environment based on criteria established in the COSO framework and commensurate with our rapid growth and increasing complexity. Our management, including those individuals responsible for our Finance and Legal Departments, did not exercise the necessary rigor and commitment to internal control over financial reporting. Specifically, (1) internal control deficiencies were not remediated in a timely manner; (2) certain individuals involved in the stock option process said that they did not feel able to provide frank advice to senior management regarding controls over processing, recording and reporting of stock options transactions; and (3) we did not maintain a sufficient complement of personnel with a level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with our financial reporting requirements. ***This lack of an effective control environment contributed to the restatement of the consolidated financial statements of annual periods through fiscal 2006,*** each of the quarters of fiscal year 2006, as well as the first quarter of fiscal year 2007. Additionally, this lack of an effective control environment could result in misstatements of any of our financial statement accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected; this lack of effective control environment also contributed to the material weakness described below. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

130. These admissions stand in contrast to Sarbanes-Oxley Certifications that Sutardja and Hervey filed with the SEC in connection with Marvell's year-end and quarterly

financial results, certifying that they had established and designed disclosure controls and procedures and had periodically evaluated their effectiveness.

4. The Special Committee Recommended Certain Remedial Measures

131. In the wake of the findings of the Special Committee, the Company took certain, but not all, of the remedial actions against the Individual Defendants recommended by the Special Committee. Specifically, the Restatement announced:

> With respect to the following employees, the Special Committee made recommendations and Marvell's Implementation Committee has implemented or is in the process of implementing the following remedial steps:
>
> Marvell accepted the resignation of George A. Hervey on May 2, 2007. All unvested stock options previously awarded to him were canceled.
>
> The Implementation Committee of the Board of Directors determined, ***contrary to the recommendation of the Special Committee that Ms. Dai have no continuing role with the Company***, that retaining the services of Ms. Dai in a substantially reduced capacity as Director of Strategic Marketing and Business Development, an individual contributor in a non-managerial role, and under the auspices of the Implementation Committee better serves the interests of all shareholders. Ms. Dai will have no authority to undertake any decisions affecting our internal controls or financial matters. The Implementation Committee will provide periodic compliance updates to the Board of Directors on Ms. Dai's activities. Additionally, all of Ms. Dai's outstanding options that were unvested as of May 6, 2007 have been cancelled and the exercisability of already vested options have been limited, notwithstanding her continued employment.
>
> [Sutardja] will remain Chief Executive Officer and a member of the Board, but will step down as Chairman of the Board in favor of a non-executive Chairman. Dr. Sutardja agreed to reduce the number of shares received in his December 26, 2003 option grant by 500,000 pre-split shares (2,000,000 post-split shares), which is the amount of underlying shares mistakenly awarded by the Executive Compensation Committee in excess of that authorized under the applicable stock option plan.

See Restatement, pp.55-57 (emphasis added).

D. THE COMPANY'S RESTATEMENT

132. As a result of the Special Committee's investigation, Marvell restated its consolidated financial statements and related disclosures for fiscal years ended January 28, 2006 and January 29, 2005, and restated "Selected Consolidated Financial Data" in Item 6 for

fiscal years 2006, 2005, 2004 and 2003, and "Management's Discussion and Analysis of Financial Condition and Results of Operation" in Item 7 for fiscal years 2006 and 2005.

133. Marvell's Restatement is a public admission that all of the financial statements and press releases issued during the Class Period were materially false and misleading because they omitted material facts when made. The specific financial statements at issue are Marvell's SEC Form 10-K's filed with the SEC for fiscal years ended January 28, 2006 and January 29, 2005, and all of Marvell's SEC Form 10-Q's filed with the SEC during the Class Period, as well as numerous press releases issued by the Company during the Class Period, which incorporated the same financial information set forth therein.

134. As set forth on the following table that appeared in the Company's Restatement (excluding footnotes), the Company determined that the total cumulative, pre-tax, non-cash, stock-based compensation expense resulting from revised measurement dates under APB 25 was $327.3 million for periods through fiscal 2006 (set forth in thousands):

	Cumulative through January 28, 2006	Year Ended January 28, 2006	Year Ended January 29, 2005	Year Ended January 31, 2004	Year Ended February 1, 2003	Year Ended February 2, 2002	Year Ended January 27, 2001 and prior
Officer Grants	19,577	6,317	12,023	836	270	127	4
Re-priced Officer Grants	39,658	24,827	9,888	4,943	—	—	—
New Hire Grants-effective hire dates	19,879	249	1,530	2,729	4,754	7,278	3,339
Other New Hire	49,876	5,313	13,235	13,437	10,322	7,061	508
Secondary Grants	18,165	2,360	3,713	3,016	4,432	3,975	669
Re-priced New Hire Grants	100,575	49,798	23,727	25,254	(1,885)	3,681	—
Evergreen Grants	60,838	9,870	11,082	12,634	17,911	9,312	29
Non-employee Grants	8,800	121	486	1,166	(264)	1,884	5,407
Termination related charges	10,006	—	—	—	—	—	10,006
	$ 327,375	$ 98,856	$ 75,684	$ 64,015	$ 35,540	$ 33,318	$ 19,962

135. By virtue of the option backdating scheme implemented and carried out by the Individual Defendants, the Company had to account for additional adjustments, including payroll tax expenses and utilization of deferred tax assets pursuant to IRC Section 162(m), that, in addition to other provisions, increased the cumulative effect of the $327.3 additional stock-based compensation expense to $362.6 million, as set forth on the following table that appeared in the Company's Restatement:

	Net income as reported	Stock-based compensation expense	Estimated additional payroll tax expense	Additional deferred income tax benefit	Additional deferred income tax provision	Section 162(m) and utilization of deferred tax assets	Total Adjustments,net of tax	Net income as restated
Fiscal 2000 and prior		$ 1,255	$ —	$ —	$ —	$ —	$ 1,255	
Fiscal 2001		18,707	—	—	—	—	18,707	
Fiscal 2002		33,318	—	(259)	—	—	33,059	
Fiscal 2003		35,540	17	(405)	—	—	35,152	
Fiscal 2004		64,015	921	(1,170)	—	—	63,766	
Cumulative effect at January 31, 2004		152,835	938	(1,834)	—	—	151,939	
Fiscal 2005	$ 141,661	75,684	2,306	(1,150)	2,026	—	78,866	$ 62,795
Fiscal 2006	331,363	98,856	4,384	(1,822)	3,249	27,206	131,873	199,490
Cumulative effect at January 28, 2006		$ 327,375	$ 7,628	$ (4,806)	$ 5,275	$ 27,206	$ 362,678	

136. The Restatement also included the following chart setting forth the impact of the financial statement adjustments on the Company's previously reported Consolidated Statement of Operations for fiscal years ended January 31, 2004 and February 1, 2003. As indicated, Marvell's previously reported net income of $45.5 million, or $0.09 per share, for the fiscal year ended January 31, 2004 had been overstated by $63.7 million, or $0.13 per share. Previously reported net income loss of $72.2 million, or $0.15 per share, for fiscal year ended February 1, 2003, had been understated by $35.1 million, or $0.08 per share:

	Year Ended January 31, 2004			Year Ended February 1, 2003		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
			(Unaudited)			(Unaudited)
	(In thousands, except per share amounts)					
Net revenue	$ 819,762	$ —	$ 819,762	$ 505,285	$ —	$ 505,285
Operating costs and expenses:						
Cost of goods sold	382,206	4,322 A	386,528	233,039	2,750 A	235,789
Research and development and other	213,740	39,843 A	253,583	145,722	29,028 A	174,750
Selling and marketing	62,350	14,694 A	77,044	48,491	8,585 A	57,076
General and administrative	19,004	11,020 A	30,024	14,303	2,685 A	16,988
Amortization of stock-based compensation	4,943	(4,943) A	—	7,491	(7,491) A	—
Amortization and write-off of goodwill and acquired intangible assets and other	80,390	—	80,390	107,645	—	107,645
Acquired in-process research and development		—		—	—	—
Facilities consolidation charge		—		19,562	—	19,562
Total operating costs and expenses	762,633	64,936	827,569	576,253	35,557	611,810
Operating income (loss)	57,129	(64,936)	(7,807)	(70,968)	(35,557)	(106,525)
Interest and other income, net	6,223	—	6,223	7,318	—	7,318
Income (loss) before income taxes	63,352	(64,936)	(1,584)	(63,650)	(35,557)	(99,207)
Provision for income taxes	17,842	(1,170)	16,672	8,524	(405)	8,119
Net income (loss)	$ 45,510	$ (63,766)	$ (18,256)	$ (72,174)	$ (35,152)	$ (107,326)
Basic net income (loss) per share	$ 0.09	$ (0.13)	$ (0.04)	$ (0.15)	$ (0.08)	$ (0.23)
Diluted net income (loss) per share	$ 0.08	$ (0.12)	$ (0.04)	$ (0.15)	$ (0.08)	$ (0.23)
Weighted average shares — basic	503,108		503,108	476,962		476,962
Weighted average shares — diluted	552,966		503,108	476,962		476,962

A = Adjustments for additional stock-based compensation expense pursuant to Accounting Principles Board No. 25, Accounting for Stock Issued to Employees ("APB 25") and other interpretations, and reclassification of previously reported stock-based compensation expenses to the respective functional cost and expense line items.

137. The Restatement also included the following chart setting forth the impact of the financial statement adjustments on the Company's previously reported Consolidated Statement of Operations for fiscal years ended January 28, 2006 and January 29, 2005. As indicated, Marvell's previously reported net income of $331.3 million, or $0.59 per share, for the fiscal year ended January 28, 2006 had been overstated by $131.8 million, or $0.24 per share. Previously reported net income of $141.6 million, or $0.26 per share, for fiscal year ended January 29, 2005, had been overstated by $78.8 million, or $0.14 per share:

	Year Ended January 28, 2006			Year Ended January 29, 2005		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share amounts)					
Net revenue	$ 1,670,266	$ —	$ 1,670,266	$ 1,224,580	$ —	$ 1,224,580
Operating costs and expenses:						
Cost of goods sold	776,633	6,611 A	783,244	581,757	4,347 A	586,104
Research and development	311,498	55,242 A	366,740	263,261	41,030 A	304,291
Selling and marketing	88,822	15,896 A	104,718	76,570	14,349 A	90,919
General and administrative	35,397	27,647 A	63,044	32,220	22,241 A	54,461
Amortization of stock-based compensation	2,156	(2,156) A	—	3,977	(3,977) A	—
Amortization and write-off of goodwill and acquired intangible assets and other	91,738	—	91,738	102,534	—	102,534
Acquired in-process research and development	4,300	—	4,300	—	—	—
Facilities consolidation charge	—	—	—	2,414	—	2,414
Total operating costs and expenses	1,310,544	103,240	1,413,784	1,062,733	77,990	1,140,723
Operating income (loss)	359,722	(103,240)	256,482	161,847	(77,990)	83,857
Interest and other income, net	19,369	—	19,369	7,657	—	7,657
Income (loss) before income taxes	379,091	(103,240)	275,851	169,504	(77,990)	91,514
Provision for income taxes	47,728	28,633 B	76,361	27,843	876 B	28,719
Net income (loss)	$ 331,363	$ (131,873)	$ 199,490	$ 141,661	$ (78,866)	$ 62,795
Basic net income (loss) per share	$ 0.59	$ (0.24)	$ 0.35	$ 0.26	$ (0.14)	$ 0.12
Diluted net income (loss) per share	$ 0.52	$ (0.20)	$ 0.32	$ 0.24	$ (0.13)	$ 0.11
Weighted average shares — basic	565,870		565,870	539,375		539,375
Weighted average shares — diluted	631,289		631,289	597,653		597,653

A = Adjustments for additional stock-based compensation expense pursuant to APB 25 and other interpretations and reclassification of previously reported stock-based compensation expenses to the respective functional cost and expense line items.

B = Adjustments to deferred tax assets and income tax provision arising from the stock-based compensation charge and other.

138. By way of summary, the Restatement revealed that during the Class Period, and as a direct result of failing to properly account for stock option grants, the Company had massively overstated its net income previously reported during fiscal years ended February 1,

2003 through January 28, 2006 (in millions):

Fiscal Year Ended	Previously Reported (loss)	Restated (loss)	Reduction in Income
February 1, 2003	(72.1)	(107.3)	35.1
January 31, 2004	45.5	(18.2)	63.7
January 29, 2005	141.6	62.7	78.8
January 28, 2006	331.3	199.4	131.8
		Total Reduction to net income	**309.4**

139. By having overstated net income before and during the Class Period, the Company overstated basic (as well as diluted) earnings per share, a key metric that investors track, by the following amounts:

Fiscal Year Ended	As Previously Reported (loss)	As Restated (loss)	Difference
February 1, 2003	($0.15)	($0.23)	$0.08
January 31, 2004	$0.09	($0.04)	$0.13
January 29, 2005	$0.26	$0.12	$0.14
January 28, 2006	$0.58	$0.35	$0.23

140. The Restatement also set forth the impact of the financial statement adjustments on the previously reported Condensed Consolidated Statement of Operations for the quarters ended July 30, 2005 and April 30, 2005, revealing that Marvell had overstated net income by $30.2 million, or $0.06 per share, and $9.5 million or $0.01 per share, during those quarters, respectively, as indicated in the following chart that appeared in the Restatement:

	Quarter Ended July 30, 2005			Quarter Ended April 30, 2005		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share amounts)					
Net revenue	$ 390,454	$ —	$ 390,454	$ 364,770	$ —	$ 364,770
Operating costs and expenses:						
Cost of goods sold	183,646	1,805 A	185,451	175,244	541 A	175,785
Research and development	73,164	14,941 A	88,105	71,898	6,052 A	77,950
Selling and marketing	21,275	4,864 A	26,139	20,989	1,033 A	22,022
General and administrative	8,340	9,110 A	17,450	6,738	2,830 A	9,568
Amortization of stock-based compensation	517	(517) A	—	871	(871) A	—
Amortization and write-off of goodwill and acquired intangible assets and other	19,753	—	19,753	19,759	—	19,759
Total operating costs and expenses	306,695	30,203	336,898	295,499	9,585	305,084

Operating income	83,759	(30,203)	53,556	69,271	(9,585)	59,686
Interest and other income, net	4,384	—	4,384	3,612	—	3,612
Income before income taxes	88,143	(30,203)	57,940	72,883	(9,585)	63,298
Provision for income taxes	10,841	—	10,841	9,351	—	9,351
Net income	$ 77,302	(30,203)	$ 47,099	$ 63,532	(9,585)	$ 53,947
Basic net income per share	$ 0.14	$ (0.06)	$ 0.08	$ 0.11	$ (0.01)	$ 0.10
Diluted net income per share	$ 0.12	$ (0.04)	$ 0.08	$ 0.10	$ (0.01)	$ 0.09
Weighted average shares — basic	561,832		561,832	557,586		557,586
Weighted average shares — diluted	626,205		626,205	621,472		621,472

A = Adjustments for additional stock-based compensation expense pursuant to APB 25 and other interpretations, additional payroll tax expense, and reclassification of previously reported stock-based compensation expenses to the respective functional cost and expense line items.

141. The Restatement also set forth the impact of the financial statement adjustments on the previously reported Condensed Consolidated Statement of Operations for the quarters ended January 28, 2006 and October 29, 2005, revealing that Marvell had overstated net income by $82.3 million, or $0.14 per share, and $9.6 million or $0.01 per share, during those quarters, respectively, as indicated in the following chart that appeared in the Restatement:

	Quarter Ended January 28, 2006			Quarter Ended October 29, 2005		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share amounts)					
Net revenue	$ 489,016	$ —	$ 489,016	$ 426,026	$ —	$ 426,026
Operating costs and expenses:						
Cost of goods sold	220,666	3,762 A	224,428	197,077	503 A	197,580
Research and development	88,747	28,895 A	117,642	77,689	5,354 A	83,043
Selling and marketing	24,924	8,504 A	33,428	21,634	1,495 A	23,129
General and administrative	11,290	12,903 A	24,193	9,029	2,804 A	11,833
Amortization of stock-based compensation	303	(303) A	—	465	(465) A	—
Amortization and write-off of goodwill and acquired intangible assets and other	32,480	—	32,480	19,746	—	19,746
Acquired in-process research and development	4,300	—	4,300	—	—	—
Total operating costs and expenses	382,710	53,761	436,471	325,640	9,691	335,331
Operating income	106,306	(53,761)	52,545	100,386	(9,691)	90,695
Interest and other income, net	6,129	—	6,129	5,244	—	5,244
Income before income taxes	112,435	(53,761)	58,674	105,630	(9,691)	95,939
Provision for income taxes	14,952	28,633 B	43,585	12,584	—	12,584
Net income	$ 97,483	$ (82,394)	$ 15,089	$ 93,046	$ (9,691)	$ 83,355
Basic net income per share	$ 0.17	$ (0.14)	$ 0.03	$ 0.16	$ (0.01)	$ 0.15
Diluted net income per share	$ 0.15	$ (0.13)	$ 0.02	$ 0.15	$ (0.02)	$ 0.13
Weighted average shares — basic	576,752		576,752	567,310		567,310
Weighted average shares — diluted	645,137		645,137	632,424		632,424

A = Adjustments for additional stock-based compensation expense pursuant to APB 25 and other interpretations, additional payroll tax expense, and reclassification of previously reported stock-based compensation expenses to the respective functional cost and expense line items.

B = Adjustments to deferred tax assets and income tax provision arising from the stock-based compensation charge and other.

142. The Restatement serves as an express admission by Defendants that Marvell's

previously filed financial statements and its public statements regarding those results were false and misleading for the entire Class Period because, due to Marvell's improper accounting for its stock-based compensation expenses, Marvell's financial statements failed to disclose material facts necessary to make such statements not materially false and misleading and in violation of GAAP.

143. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. Regulation S-X, 17 C.F.R. §210A-01(a)(I), states that financial statements filed with the SEC that are not prepared in compliance with GAAP are presumed to be misleading and inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosures that would be duplicative of disclosures accompanying annual financial statements. Marvell's Restatement of earnings was clearly material. The decision as to whether to expense the grant of stock options to employees directly affects a company's earnings per share. Or better put, what outside shareholders' share of earnings are.

144. Furthermore, pursuant to GAAP, as set forth in APB 20, the type of restatement and revisions announced by Marvell were to correct for material errors in previously issued financial statements. APB 20, ¶¶ 7-13. Specifically, Marvell's Restatement was not due to a change in reporting entity or a change in accounting principle, but rather to correct material errors in previously issued financial statements; in particular, improper accounting regarding its stock-based compensation program that, when corrected, dramatically lowered Marvell's previously stated earnings and net income, and increased its compensation expense and related tax expenses.

145. Further evidence of the materiality of the Restatements is the fact that there was a restatement at all. GAAP notes that the restatement of past financial statements is a disfavored method of recognizing an accounting change as it dilutes confidence by investors in the financial statements, it makes it difficult to compare financial statements and it is often difficult, if not impossible, to generate the numbers when a restatement occurs, APB 20, ¶ 14.

Moreover, immaterial corrections are not required to be restated. APB 20, ¶ 38.

146. Thus, the Restatement concedes that all of the Company's financial statements issued during the Class Period were materially false and misleading because they omitted such material facts. The Restatement revealed that pervasive, massive and systematic accounting violations occurred for five straight years.

E. FALSE AND MISLEADING STATEMENTS

1. Fiscal 2003

147. On February 27, 2003, Marvell issued a press release reporting a net loss of $72.2 million, or $0.15 per share (diluted and split adjusted), for Marvell's fiscal year ended February 1, 2003 ("fiscal 2003"). Marvell filed the press release with the SEC on February 28, 2003 as an attachment to a Form 8-K that Defendant Hervey signed.

148. On May 2, 2003, Marvell filed a Form 10-K with the SEC, which each Individual Defendant and the ECC Defendant signed, reporting Marvell's Fiscal 2003 financial results ("2003 10-K"). The 2003 10-K indicated that Marvell's financial statements were prepared in conformance with GAAP, and reported substantially the same year-end financial information as previously reported in the February 27, 2003 press release, including net loss and diluted earnings per share. Additionally, with respect to its accounting for stock-based compensation, the 2003 10-K stated:

> The Company's employee stock based compensation is accounted for in accordance with Accounting Principles Board Opinion No. 25 . . .

149. The 2003 10-K also reported:

> We maintain disclosure controls and procedures that are designed to ensure that the information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the our [sic] management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c). . . .
>
> Within 90 days prior to the date of the report, we carried out an evaluation, under the supervision and with the participation of our

> management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective.

150. Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Defendants Sutardja and Hervey signed certifications indicating that they had reviewed the 2003 10-K and that it "fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934," and the information contained in 2003 10-K "fairly presents, in all material respects, the financial condition and result of operations of the Company."

151. Statements contained in the February 27, 2003 press release and the 2003 10-K regarding Marvell's net loss and earnings per share were materially false and misleading when made because, as the Company now admits by virtue of the Restatement, Defendants had understated Marvell's Fiscal 2003 net loss by $35.1 million, or approximately 50%, and overstated Marvell's diluted earnings per share by $0.08.

152. The 2003 10-K was also materially false and misleading because it failed to disclose that (a) the timing of stock options and corresponding exercise prices granted to the Individual Defendants and other Company employees had been deliberately backdated to earlier periods; (b) the Company's financial statements violated basic GAAP provisions, including, among others, ABP 25; (c) the Company lacked proper internal controls necessary to prevent the improper manipulation of stock option grants; and (d) the Stock Option Committee (*i.e.*, Sutardja and Dai) had granted massive stock options to employees, prospective employees, and even non-employees, in clear violation of Marvell's SOP, and they had signed sham meeting minutes and/or falsified other corporate records in connection with illicit stock option grants.

153. On May 23, 2003, Marvell filed its 2003 Proxy with the SEC on Form DEF 14A, pursuant to Section 14(a) of the Exchange Act. The 2003 Proxy Statement included a "Joint Report of the Executive Compensation and Stock Option Committees," and reported that Stock Option Committee had "held five meetings during fiscal 2003." The 2003 Proxy Statement also claimed that stock options were granted "at an exercise price of not less than

100% of the fair market value of the Common Stock on the date of grant." These statements were materially false and misleading when made because, as the Special Committee found, the Stock Option Committee (*i.e.* Sutardja and Dai), never even convened a single meeting of the Stock Option Committee between 2000 and 2006, and had signed fraudulent meeting minutes to conceal this fact. Furthermore, stock options were not granted at or above fair market value on the date of grant, but had been backdated to prices that were selected "with the benefit of hindsight."

154. The 2003 Proxy also reported that on February 28, 2002, Hervey received an option to purchase 160,000 shares at $7.67 per share, and on October 16, 2002 received another option to purchase 280,000 shares at $3.47 per share (split adjusted). These statements were materially false and misleading because they misrepresented that the grants complied with the Company's compensation and accounting policies, and they misrepresented the true value of the grants to Hervey. The falsity is evidenced by the fact that the Special Committee found that the appropriate measurement date for the February 28, 2002 option was April 13, 2002, when the fair market value was $10.09 per share, and the appropriate measurement date for the October 16, 2002 option was December 13, 2002, when the fair market value was $5.13 per share (split adjusted).

2. Fiscal 2004

155. On February 26, 2004, Marvell issued a press release announcing Marvell's financial results for the fiscal year ended January 31, 2004 ("fiscal 2004"). The Company reported net income of $45.5 million, or $0.08 per share (diluted and split adjusted), for fiscal 2004. Marvell filed the press release with the SEC on February 26, 2004 as an attachment to a Form 8-K that Defendant Hervey signed.

156. On April 13, 2004, Marvell filed its 2004 Form 10-K with the SEC, which each Individual Defendant and the ECC Defendant signed, reporting Marvell's fiscal 2003 financial results. The 2004 10-K indicated that Marvell's financial results were prepared in conformance with GAAP, and reported substantially the same year-end financial information as previously reported in the February 26, 2004 press release, including net income and

diluted earnings per share. Additionally, with respect to its accounting for stock-based compensation, the 2004 10-K stated:

> The Company's employee stock based compensation is accounted for in accordance with Accounting Principles Board Opinion No. 25 . . .

157. The 2004 10-K also reported:

> We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure . . .
>
> Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that . . . our disclosure controls and procedures were effective to ensure that material information relating to us, including our consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this Annual Report on Form 10-K was being prepared.

158. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Defendants Sutardja and Hervey signed certifications indicating that they had reviewed the 2004 10-K and that it did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report. They also certified that (a) they were "responsible for establishing and maintaining disclosure controls and procedures . . . [and] internal control over financial reporting . . ."; (b) had "[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed"; and (c) had "[e]valuated the effectiveness of the . . . disclosure controls and procedures . . ." to ensure that material information relating to Marvell, including its consolidated subsidiaries, was made known to them by others within those entities. They also certified that the information contained in the 2004 10-K "fairly present, in all material

respects the financial condition [and] results of operations . . . [of Marvell]."

159. Statements contained in the February 26, 2004 press release and the 2004 10-K regarding Marvell's net income and earnings per share were materially false and misleading when made. As the Company now admits by virtue of the Restatement, Defendants overstated Marvell's Fiscal 2004 net income by $63.7 million, and overstated Marvell's diluted earnings per share by $0.12.

160. The 2004 10-K was also materially false and misleading because it failed to disclose that (a) the timing of stock options and corresponding exercise prices granted to the Individual Defendants and other Company employees had been deliberately backdated to earlier periods; (b) the Company's financial statements violated basic GAAP provisions, including, among others, ABP 25; (c) the Company lacked proper internal controls necessary to prevent the improper manipulation of stock option grants; (d) the Stock Option Committee (*i.e.*, Sutardja and Dai) had granted massive amounts of stock options to employees, prospective employees, and even non-employees, in clear violation of Marvell's SOP, and had signed sham meeting minutes and/or falsified other corporate records in connection with illicit stock option grants; and (e) the Executive Compensation Committee, including the ECC Defendant, had granted massive amounts of stock options that were backdated to Sutardja and Dai, in clear violation of Marvell's SOP and Proxy Statements.

161. On April 26, 2004, Marvell filed its 2004 Proxy with the SEC on Form DEF 14A, pursuant to Section 14(a) of the Exchange Act. The 2004 Proxy Statement reported that the Stock Option Committee "held nine meetings during fiscal 2004," and that stock options granted in fiscal 2004 have exercise prices "equal to the fair market value of a share of the Company's common stock on the grant date thereof." These statements were materially false and misleading when made because, as the Special Committee found, the Stock Option Committee (*i.e.*, Sutardja and Dai), never convened as much as a single meeting of the Stock Option Committee between 2000 and 2006, and had signed fraudulent meeting minutes to conceal this fact. Furthermore, stock options were not granted at or above fair market value on the date of grant, but were backdated to prices that were selected "with the benefit of

hindsight."

162. The 2004 Proxy also reported that Sutardja and Dai, respectively, received options to purchase six million and four million shares of Company stock on December 26, 2003 at an exercise price of $9.125 per share (split adjusted). Page 19 of the 2004 Proxy Statement states that "the Executive Compensation Committee granted Dr. Sutardja options to purchase [6,000,000] shares of the Company's Common Stock." Statements regarding these options were materially false and misleading because they misrepresented that the grants complied with the Company's internal compensation and accounting policies, and they misrepresented the true value of the grants to Sutardja and Dai. The falsity is evidenced by the fact that the Special Committee found that the appropriate measurement date for the option was January 16, 2004, when the fair market value of Marvell stock was $10.91 per share.

163. The 2004 Proxy also reported that on January 2, 2004, Hervey received an option to purchase 280,000 shares at $9.48 per share, and on May 5, 2003 received an option to purchase 200,000 shares at $6.19 per share. These statements were materially false and misleading because thewy misrepresented that the grants complied with the Company's internal compensation and accounting policies, and they misrepresented the true value of the grants to Hervey. The falsity is evidenced by the fact that, as the Special Committee found, the appropriate measurement date for the January 2, 2004 option was February 4, 2004, when the fair market value was $9.81 per share, and the appropriate measurement date for the May 5, 2004 option was August 12, 2003, when the fair market value was $9.00 per share.

3. Fiscal 2005

164. On February 24, 2005, Marvell filed a Form 8-K with the SEC that Defendant Hervey signed. This Form 8-K attached a Company press release announcing Marvell's financial results for the fourth quarter and fiscal year ended January 29, 2005 ("fiscal 2005"). The Company reported net income of $54.9 million, or $0.09 (diluted and split adjusted) per share, for the fourth quarter, and net income of $141.6 million, or $0.24 per share (diluted and split adjusted), for fiscal 2005. The press release quoted Defendant Sutardja as stating: "We are pleased to announce the results of another outstanding year and fourth quarter for

Marvell."

165. On April 14, 2005, Marvell filed its 2005 10-K with the SEC, which each Individual Defendant and the ECC Defendant signed. The 2005 10-K reported Marvell's fiscal 2005 financial results and indicated that the financial results were prepared in conformance with GAAP. The 2005 10-K provided substantially the same year-end financial information as previously reported in the February 24, 2005 press release. Additionally, with respect to its accounting for stock-based compensation, the 2005 10-K stated:

> We currently account for stock-based awards to employees in accordance with Accounting Principles Board Opinion No. 25. . . .

166. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Defendants Sutardja and Hervey signed certifications indicating that they had reviewed the 2005 10-K and that it did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report. They also certified that (a) they were "responsible for establishing and maintaining disclosure controls and procedures . . . [and] internal control over financial reporting . . ."; (b) had "[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed"; and (c) had "[e]valuated the effectiveness of the . . . disclosure controls and procedures . . ." to ensure that material information relating to Marvell, including its consolidated subsidiaries, was made known to them by others within those entities. They also certified that the information contained in the 2005 10-K "fairly present, in all material respects the financial condition [and] results of operations . . . [of Marvell]."

167. Statements contained in the February 24, 2005 press release and the 2005 10-K regarding Marvell's net income and earnings per share were materially false and misleading when made because, as the Company now admits by virtue of the Restatement, Defendants had overstated Marvell's Fiscal 2005 net income by $78.8 million, or approximately 55%, and overstated Marvell's diluted earnings per share by $0.13.

168. The 2005 10-K was also materially false and misleading because it failed to

disclose that (a) the timing of stock options and corresponding exercise prices granted to the Individual Defendants and other Company employees had been deliberately backdated to earlier periods; (b) the Company's financial statements violated basic GAAP provisions, including, among others, ABP 25; (c) the Company lacked proper internal controls necessary to prevent the improper manipulation of stock option grants; (d) the Stock Option Committee (*i.e.*, Sutardja and Dai) had granted massive amounts of stock options to employees, prospective employees, and even non-employees, in clear violation of Marvell's SOP, and they had signed sham meeting minutes and/or falsified other documents in connection with illicit stock option grants; and (e) the Executive Compensation Committee, including the ECC Defendant, had granted massive amounts of stock options that were backdated to Sutardja and Dai, in clear violation of Marvell's SOP and Proxy Statements.

169. On April 29, 2005, Marvell filed its 2005 Proxy with the SEC on Form DEF 14A, pursuant to Section 14(a) of the Exchange Act. The 2005 Proxy included a "Joint Report of the Executive Compensation and Stock Option Committees," and reported that the Stock Option Committee had "met eleven times throughout fiscal year 2005 to determine stock option grants for the Company's eligible employees."

170. This statement was materially false and misleading when made because, as the Special Committee found, the Stock Option Committee (*i.e.,* Sutardja and Dai), never convened as much as a single meeting of the Stock Option Committee between 2000 and 2006, and had signed fraudulent meeting minutes to conceal this fact.

171. With respect to stock option grants awarded during fiscal 2005, the 2005 Proxy Statement reported: "We used the grant date price (the closing price on the Nasdaq National Market on the date of grant) in determining the value of the options granted to [Defendant Hervey] in fiscal year 2005." This statement was materially false and misleading when made because they misrepresented that the grant complied with the Company's internal policies on compensation and accounting policies, and the true value of the grant to Hervey. The falsity is evidenced by the fact that the Special Committee determined that, on February 4, 2004, when the fair market value of Marvell stock was $9.81 per share, Defendant Hervey was granted an

option to purchase 280,000 shares. The option was then backdated to January 2, 2004, when the fair market value was $9.48 per share.

172. With respect to stock option grants to all employees, the 2005 Proxy Statement claimed:

> Options have an exercise price equal to the fair market value of a share of the Company's common stock on the grant date thereof . . . [T]he principal factors considered by the Stock Option Committee in granting stock options to non-executive officer employees of the Company are the employee's prior performance, prior stock option grants, level of responsibility and other compensation, the employee's ability to influence the Company's long-term growth and profitability, and comparison with comparable awards granted to similar situated employees in comparable companies in the Company's industry.

173. This statement was materially false and misleading when made because, as the Special Committee found, the Stock Option Committee, which granted all non-executive officer stock options between at least December 2000 and June 2006, granted improperly backdated stock options to attract or retain prospective or current employees.

4. Fiscal 2006

174. On May 19, 2005, Marvell filed a Form 8-K with the SEC that Defendant Hervey signed, which attached a press release announcing Marvell's quarterly financial results for the first fiscal quarter of fiscal 2006 ended April 30, 2005. The Company reported that net income under GAAP was $63.5 million or $0.10 per share (diluted and split adjusted). Commenting on these results, Defendant Sutardja stated that the first quarter of fiscal 2006 "was another very strong quarter for Marvell with record revenues and profits."

175. On June 9, 2005, Marvell filed a Form 10-Q with the SEC reporting its quarterly financial results for the first quarter of fiscal 2006. The Form 10-Q reported substantially similar financial information as previously reported in the May 19, 2005 press release, including that net income was $63.5 million or $0.10 per share (diluted and split adjusted) for the second quarter of fiscal 2006.

176. Defendant Hervey signed the Form 10-Q and Defendants Sutardja and Hervey each signed certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002,

indicating that they had reviewed the filing and that it did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report. They also certified that (a) they were "responsible for establishing and maintaining disclosure controls and procedures . . . [and] internal control over financial reporting . . ."; (b) had "[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed"; and (c) had "[e]valuated the effectiveness of the . . . disclosure controls and procedures . . ." to ensure that material information relating to Marvell, including its consolidated subsidiaries, was made known to them by others within those entities. They also certified that the information contained in the filing "fairly present, in all material respects the financial condition [and] results of operations . . . [of Marvell]."

177. Statements contained in the May 19, 2005 press release and the Form 10-Q for the first quarter of fiscal 2006 regarding Marvell's net income and earnings per share were materially false and misleading when made because, as the Company now admits by virtue of the Restatement, Defendants had overstated Marvell's fiscal 2006 first quarter net income by $9.5 million, or approximately 15%, and overstated Marvell's diluted earnings per share by $0.01, or approximately 10%.

178. On August 18, 2005, Marvell filed a Form 8-K with the SEC that Defendant Hervey signed, which attached a press release announcing Marvell's quarterly financial results for the second quarter of fiscal 2006, ended July 30, 2005. The Company reported that for the second quarter, net income under GAAP was $77.3 million or $0.12 per share (diluted and split adjusted).

179. On September 8, 2005, Marvell filed a Form 10-Q with the SEC reporting its quarterly financial results for the second quarter of fiscal 2006. The Form 10-Q reported substantially similar financial information as previously reported in the August 18, 2005 press release, including that net income under GAAP was $77.3 million or $0.12 per share (diluted and split adjusted) for the second quarter of fiscal 2006.

180. Defendant Hervey signed the Form 10-Q and Defendants Sutardja and Hervey each signed certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, indicating that they had reviewed the filing and that it did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report. They also certified that (a) they were "responsible for establishing and maintaining disclosure controls and procedures . . . [and] internal control over financial reporting . . ."; (b) had "[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed"; and (c) had "[e]valuated the effectiveness of the . . . disclosure controls and procedures . . ." to ensure that material information relating to Marvell, including its consolidated subsidiaries, was made known to them by others within those entities. They also certified that the information contained in the filing "fairly present, in all material respects the financial condition [and] results of operations . . . [of Marvell]."

181. Statements contained in the August 18, 2005 press release and Form 10-Q for the second quarter of fiscal 2006 regarding Marvell's net income and earnings per share were materially false and misleading when made because, as the Company now admits by virtue of the Restatement, Defendants had overstated Marvell's fiscal 2006 second quarter net income by $28.6 million, or approximately 37%, and overstated Marvell's diluted earnings per share by $0.04, or approximately 33%.

182. On November 17, 2005, Marvell filed a Form 8-K with the SEC that Defendant Hervey signed, which attached a press release announcing Marvell's quarterly financial results for the third quarter of fiscal 2006, ended October 29, 2005. The Company reported that for the third quarter net income under GAAP was $93 million or $0.15 per share (diluted and split adjusted).

183. On December 7, 2005, Marvell filed a Form 10-Q with the SEC reporting its quarterly financial results for the third quarter of fiscal 2006. The Form 10-Q reported substantially similar financial information as previously reported in the November 17, 2005

press release, including that net income under GAAP was $93 million or $0.15 per share (diluted and split adjusted) for the third quarter of fiscal 2006.

184. Defendant Hervey signed the Form 10-Q and Defendants Sutardja and Hervey each signed certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, indicating that they had reviewed the filing and that it did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report. They also certified that (a) they were "responsible for establishing and maintaining disclosure controls and procedures . . . [and] internal control over financial reporting . . ."; (b) had "[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed"; and (c) had "[e]valuated the effectiveness of the . . . disclosure controls and procedures . . ." to ensure that material information relating to Marvell, including its consolidated subsidiaries, was made known to them by others within those entities. They also certified that the information contained in the filing "fairly present, in all material respects the financial condition [and] results of operations . . . [of Marvell]."

185. Statements contained in the November 17, 2005 press release and Form 10-Q for the third quarter of fiscal 2006 regarding Marvell's net income and earnings per share were materially false and misleading when made because, as the Company now admits by virtue of the Restatement, Defendants had overstated Marvell's fiscal 2006 third quarter net income by $9.6 million, or approximately 10%, and overstated Marvell's diluted earnings per share by $0.02, or approximately 15%.

186. On February 23, 2006, Marvell filed a Form 8-K with the SEC that Defendant Hervey signed, which attached a Company press release announcing Marvell's financial results for the fourth quarter and fiscal 2006. The Company reported net income of $97.5 million, or $0.15 (diluted and split adjusted) per share, for the fourth quarter, and net income of $331.4 million, or $0.52 per share (diluted and split adjusted), for fiscal 2006.

187. On April 13, 2006, Marvell filed its 2006 10-K with the SEC, which each

Individual Defendant signed. The 2006 10-K reported Marvell's fiscal 2006 financial results and indicated that the financial results were prepared in conformance with GAAP. The 2006 10-K provided substantially the same year-end financial information as previously reported in the February 23, 2006 press release. Regarding the Company's accounting for stock-based compensation, the 2006 10-K stated:

> The Company's employee stock based compensation is accounted for in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation.

188. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Defendants Sutardja and Hervey signed certifications indicating that they had reviewed the 2006 10-K and that it did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report. They also certified that (a) they were "responsible for establishing and maintaining disclosure controls and procedures . . . [and] internal control over financial reporting . . ."; (b) had "[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed"; and (c) had "[e]valuated the effectiveness of the . . . disclosure controls and procedures . . ." to ensure that material information relating to Marvell, including its consolidated subsidiaries, was made known to them by others within those entities. They also certified that the information contained in the 2006 10-K "fairly present, in all material respects the financial condition [and] results of operations . . . [of Marvell]."

189. Statements contained in the February 23, 2006 press release and the 2006 10-K regarding Marvell's net income and earnings per share were materially false and misleading when made because, as the Company now admits by virtue of the Restatement, Defendants had overstated Marvell's fiscal 2006 net income by $131.8 million, or approximately 39%, and overstated Marvell's diluted earnings per share by $0.20.

190. The 2006 10-K was also materially false and misleading because it failed to

disclose that (a) the timing of stock options and corresponding exercise prices granted to the Individual Defendants and other Company employees had been deliberately backdated to earlier periods; (b) the Company's financial statements violated basic GAAP provisions, including, among others, ABP 25; (c) the Company lacked proper internal controls necessary to prevent the improper manipulation of stock option grants; (d) the Stock Option Committee (*i.e.*, Sutardja and Dai) had granted massive amounts of stock options to employees, prospective employees, and even non-employees, in clear violation of Marvell's SOP, and they had signed sham meeting minutes and/or falsified other corporate records to hide their scheme; and (e) the Executive Compensation Committee, including the ECC Defendant, had granted massive amounts of stock options that were backdated to Sutardja and Dai, in clear violation of Marvell's SOP and Proxy Statements.

191. On May 8, 2006, Marvell filed its 2006 Proxy with the SEC on Form DEF 14A, pursuant to Section 14(a) of the Exchange Act. The 2005 Proxy included a "Joint Report of the Executive Compensation and Stock Option Committees," and reported that Stock Option Committee had "met fourteen times throughout fiscal year 2006 to determine stock option grants for the Company's eligible employees."

192. This statement was materially false and misleading when made because, as the Special Committee found, the Stock Option Committee (*i.e.*, Sutardja and Dai), never convened as much as a single meeting of the Stock Option Committee between 2000 and June 2006, and had signed fraudulent meeting minutes to conceal this fact.

193. With respect to stock options granted during fiscal 2006, the 2006 Proxy reported: "Options have an exercise price equal to the fair market value of a share of the Company's common stock on the grant date thereof," and that all such grants "are currently made under the Company's Amended and Restated 1995 Stock Option Plan."

194. These statements were materially false and misleading when made because, as the Special Committee determined, on March 24, 2005, when the fair market value of Marvell stock was $18.64 per share, Defendant Hervey was granted an option to purchase 24,212 shares. The option was then backdated to March 18, 2005, when the fair market value was

$17.72 per share.

5. Fiscal 2007

195. On May 18, 2006, Marvell filed a Form 8-K with the SEC that Defendant Hervey signed, which attached a press release announcing Marvell's quarterly financial results for the first quarter of fiscal 2007, ended April 29, 2006 ("fiscal 2007"). The Company reported that for the first quarter net income under GAAP was $75.3 million or $0.12 per share (diluted and split adjusted).

196. On June 8, 2006, Marvell filed a Form 10-Q with the SEC reporting its quarterly financial results for the third quarter of fiscal 2006. The Form 10-Q reported substantially similar financial information as previously reported in the May 18, 2006 press release, including that net income under GAAP was $75.3 million or $0.12 per share (diluted and split adjusted) for the third quarter of fiscal 2006.

197. Defendant Hervey signed the Form 10-Q and Defendants Sutardja and Hervey each signed certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, indicating that they had reviewed the filing and that it did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report. They also certified that (a) they were "responsible for establishing and maintaining disclosure controls and procedures . . . [and] internal control over financial reporting . . ."; (b) had "[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed"; and (c) had "[e]valuated the effectiveness of the . . . disclosure controls and procedures . . ." to ensure that material information relating to Marvell, including its consolidated subsidiaries, was made known to them by others within those entities. They also certified that the information contained in the filing "fairly present, in all material respects the financial condition [and] results of operations . . . [of Marvell]."

198. Statements contained in the May 18, 2006 press release and Form 10-Q for the first quarter of fiscal 2007 regarding Marvell's net income and earnings per share were

materially false and misleading when made because, as the Company now admits by virtue of the Restatement, Defendants had overstated Marvell's diluted earnings per share by $0.01, or approximately 8%.

VII. CLAIMS FOR RELIEF

COUNT I

Against All Defendants for Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder

199. Lead Plaintiffs repeat and reallege each and every allegation above, as set forth fully herein. This Count is brought pursuant to Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. 240.10b-5, on behalf of all Class members against Marvell, the Individual Defendants and the ECC Defendant.

200. Throughout the Class Period, the Defendants named in this Count directly and indirectly, by the use of means and instrumentalities of interstate commerce, the United States mails and national securities exchange, employed devices, schemes and artifices to defraud, made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and engaged in acts, practices and a course of business which operated as a fraud and deceit upon Lead Plaintiffs and the members of the Class.

201. The Individual Defendants, as directors and/or the most senior officers of Marvell during the Class Period, and defendant Cioffi, as a member of the Executive Compensation Committee, are liable as direct participants in the wrongs complained of herein. Through their positions of control and authority, as well as their stock ownership, the Individual Defendants and the ECC Defendant were in a position to control the Company's false and misleading statements and omissions during the periods that they held their respective positions, including the contents of the SEC filings and press releases, as set forth above. In addition, all of these false and misleading statements constitute "group published information," which the defendants named in this Count were responsible for creating.

202. As detailed herein, during the Class Period, each of the Individual Defendants,

and the ECC Defendant named in this Count acted with scienter with respect to the materially false and misleading statements or omissions they made during the Class Period, in that they had actual knowledge of their falsity or acted with reckless disregard for the truth.

203. Defendants employed devices, schemes and artifices to defraud and engaged in acts, practices and a course of conduct as alleged herein to misinform Marvell's shareholders about the true value of its securities by misleading them regarding (a) the integrity of management; (b) the manner in which it compensates its executive officers and the value of managerial compensation; (c) effectiveness of its internal controls; (d) the Company's compliance with its own internal controls and GAAP; (e) the Company's financial results; and (f) the fact that the Company would be subject to additional expenses.

204. Such schemes, devices, acts and artifices included (a) making or participation in the making of untrue statements of material facts about Marvell and its financial condition, the methods by which the Company compensates its executive officers, its stock option program and the effectiveness of its internal controls and corporate governance; (b) the omission of material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading as set forth herein; and (c) engaging in a course of conduct that operated as a fraud and deceit upon the purchasers of Marvell's securities during the Class Period.

205. Defendants' material misrepresentations were made knowingly or with severe recklessness for the purpose of (a) misrepresenting to the investing public Marvell's financial condition, stock option granting practices, methods of executive and non-executive compensation and internal controls and corporate governance; (b) supporting the artificially inflated prices of its securities; and (c) concealing the fact that certain executive officers of the Company had received compensation to which they were not entitled by manipulating the terms of their option grants.

A. Defendants Acted With Scienter

206. The facts alleged herein, taken collectively, give rise to a strong inference that the Defendants named in this Count knew that Marvell had improperly backdated its stock

options "with the benefit of hindsight" and that the exercise prices did not reflect the fair market value on the actual date of the grant.

207. As an initial matter, management is responsible for preparing financial statements conforming to GAAP. The American Institute of Certified Public Accountants Professional Standards provide:

> The financial statements are management's responsibility... Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control 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.

See, AU § 110.02 (2006).

208. In that regard, Defendants Sutardja and Hervey each affirmed in their Sarbanes-Oxley Certifications that they were the persons primarily responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and that each had "designed" and "evaluated the effectiveness" of the Company's disclosure controls and procedures to ensure that material information relating to Marvell was made known to them.

209. Marvell's subsequent admission of the virtually non-existent internal controls and procedures, particularly as they related to stock-based compensation, directly contradicts Defendants Sutardja and Hervey's Sarbanes-Oxley Certifications. This contradiction gives rise to a strong inference that they had knowledge of the falsity of the materially misleading financial results reported during the Class Period, or at a minimum acted with complete reckless disregard for the truth.

210. The following facts also give rise to a strong inference of scienter:

(i) Sutardja and Dai

211. The Restatement and Proxy Statements Marvell filed with the SEC between 2001 and 2006 reported that Sutardja and Dai, as sole members of Marvell's Stock Option

Committee, were directly responsible for all of the stock option grants to non-executive employees between June 2000 and June 2006.

212. According to the Special Committee, between June 2000 and June 2006, 74% of the granted were improperly backdated. Because in almost every instance (97% of the time) they were backdated to a lower exercise price, as the Special Committee found, it is plainly evident that the backdating did not occur by random chance. Rather, it was a deliberate act to manipulate exercise prices. Thus, there is a strong inference that Sutardja and Dai, as sole members of the Stock Option Committee, knew of and participated in the options backdating, or at a minimum they acted with reckless disregard for the truth.

213. Other findings of the Special Committee also give rise to a strong inference of scienter, particularly to the extent the Special Committee specifically names Dai as an active, knowing participant in the improper backdating scheme, and found that she falsified corporate records to conceal the misconduct:

> ***Ms. Dai participated in the selection of grant dates with the benefit of hindsight and signed false minutes and other employee related corporate documents.*** The Special Committee also found that she failed to establish proper internal controls and failed to exercise proper review and inquiry as an officer. Certain individuals involved in the process said that they did not feel able to provide her with frank advice. She signed inaccurate external documents, including 10-K's and proxy statements. . . .

(emphasis added).

214. Furthermore, the fact that the Special Committee recommended that Dai "have no continuing role with the Company" because of her participation in options backdating and falsification of corporate records to conceal the fraud, evidences a strong inference of Dai's scienter. Additionally, that the Company cancelled all of Dai's "outstanding options that were unvested as of May 6, 2007" gives rise to a strong inference of Dai's scienter.

215. The Special Committee determined that Sutardja, although perhaps having a "more limited role" in the misconduct, "participated in . . . a few instances in [stock option] awards with incorrect measurement dates," and that he also "signed inaccurate external documents," including "SEC filings, financial statements, and proxy statements." The Special

Committee also found that certain individuals "did not feel able to provide [Sutardja] with frank advice." That Sutardja participated in at least "a few instances" of granting improperly backdated stock options gives rise to a strong inference that he knew, or at a minimum recklessly disregarded that stock options were improperly backdated. That he also signed inaccurate documents, including SEC filings, despite being aware of the backdating, and that individuals did not feel able to provide him with frank advice, is further evidence of his scienter.

216. Proxy Statements reported that the Stock Option Committee (*i.e.*, Sutardja and Dai) had convened 53 meetings from June 2000 to May 2006 in furtherance of its duties to grant stock options in a manner that adhered to the Company's SOP, yet the Special Committee determined that the Stock Option Committee had never convened a single meeting "with respect to option grants and that ***minutes reflecting such meetings were false.***" That the Stock Option Committee never convened a single meeting, in stark contrast to the Company's Proxy Statements, and that minutes reflecting such meetings were falsified, gives rise to a strong inference of Sutardja's and Dai's scienter.

217. That Sutardja and Dai signed the false Stock Option Committee meeting minutes is also strong evidence of their scienter. According to the Special Committee:

> Of the 59 minutes of meetings of the Stock Option Committee, all of which were prepared by or under the direction of the former General Counsel of MSI, only ***the first set of minutes were separately prepared for each member's signature and signed by each of them***; subsequently the minutes were only prepared for one member to sign, and only one member signed those minutes.

(emphasis added).

218. The Executive Compensation Committee and the ECC Defendant were responsible for approving salaries and bonuses and other compensation matters for the Company's executive officers and to administer Marvell's stock option plan. The fact that Sutardja and Dai received options to purchase ten million shares, collectively, and that the options had been improperly backdated so they were $17.5 million "in-the-money" when actually granted, gives rise to a strong inference of Sutardja's and Dai's and the ECC

Defendant's scienter. Furthermore, that Sutardja and Dai exercised the options and sold as many tainted shares as possible during the two-year period following the backdated grant gives rise to their scienter. Indeed, that they personally profited from the poisonous fruit of their misconduct is evidence of their motive and opportunity to engage in the fraud.

219. Additionally, Section 16(a) of the Exchange Act, and the rules promulgated thereunder, require that officers, directors and persons who beneficially own more than 10% of a publicly traded company file a report with the SEC on Form 4 disclosing any change in ownership with respect to all equity securities of the company. The report must be filed with the SEC within two days of the change in ownership that would trigger such a filing. In fact, as the 2004 Proxy acknowledged:

> Pursuant to Section 16(a) of the Exchange Act and the rules promulgated thereunder and requirements of the National Association of Securities Dealers, officers and directors of the Company and persons who beneficially own more than 10% of the Common Stock of the Company are required to file with the SEC and the NASD and furnish to the Company reports of ownership and change in ownership with respect to all equity securities of the Company.
>
> Based solely on its review of the copies of such reports received by it during or with respect to the fiscal year ended January 31, 2004, and written representations from such reporting persons, the Company believes that its officers, directors and 10% shareholders complied with all Section 16(a) filing requirements applicable to such individuals, ***with the exception of the following late filings*** . . . Dai was late filing her Form 4 with respect to one transaction, which was subsequently reported on a Form 4 . . . Sutardja was late filing his Form 4 with respect to three transactions, which were subsequently reported on a Form 4 . . .

(emphasis added).

220. Sutardja and Dai did not file a Form 4 with the SEC disclosing the purported December 26, 2003 grant until March 9, 2004. That they violated express SEC reporting provisions in connection with the improperly backdated option to purchase ten million shares is further evidence of their scienter.

(ii) Hervey

221. At all times relevant to this Consolidated Complaint, Hervey was Marvell's CFO. In that position, he was primarily responsible for designing, implementing and

evaluating the Company's accounting policies, and was directly responsible for the preparation and accuracy of the Company's financial statements.

222. Despite his accounting and financial responsibilities, the Special Committee specifically found that from June 2000 to at least June 2006, Hervey ". . . failed to properly advise upper management, including . . . Sutardja and . . . Dai, about their responsibilities and duties regarding stock options and other financial filings." The Special Committee also determined that Hervey ". . . was found to have had "been aware of awarding options to two employees prior to their start date."

223. That the Special Committee found that Hervey was aware of the backdating, at least on two occasions, yet he still failed to properly advise upper management about their responsibilities and duties regarding stock options and other financial filings, provides strong circumstantial evidence of Hervey's knowledge of the fraud, or at a minimum his reckless disregard for the truth.

224. The Special Committee also found that Hervey:

> [F]ailed to establish a system of proper controls ***despite being on notice of repeated concerns raised by others regarding the stock option process.*** He signed inaccurate external documents, including our SEC filings and financial statements.

(emphasis added).

225. The fact that Hervey executed Sarbanes Oxley Certifications attesting to having established proper internal controls, yet he failed to establish such controls even after being on notice of ***repeated concerns*** raised by others regarding the stock option process, evidences that he knew about the backdating, or at a minimum acted with reckless disregard for the truth.

226. That Hervey received backdated options over at least a five year period, as discussed *supra*, gives rise to a strong inference of his scienter. Furthermore, that he resigned from the Company in the wake of the findings of the Special Committee, and all his unvested stock options were cancelled, is further evidence of his scienter.

(iii) Cioffi

227. Cioffi was on the Executive Compensation Committee, which was responsible for granting millions of backdated options to the Individual Defendants. The summary of the Special Committee's findings in the Restatement excluded Cioffi from the Executive Compensation Committee members who the Special Committee reportedly found had not backdated stock options with the benefit of hindsight or had committed impropriety, which strongly suggests that Cioffi knew or was reckless in not knowing about millions of backdated stock options to the Individual Defendants and the false and misleading statements made about (a) the timing of stock options and corresponding exercise prices granted to the Individual Defendants and other Company employees that had been deliberately backdated to earlier periods; (b) the Company's financial statements violated basic GAAP provisions, including, among others, APB 25; (c) the Company lacked proper internal controls necessary to prevent the improper manipulation of stock option grants; and (d) Marvell's expenses were understated and its earnings overstated because of the undisclosed options backdating.

228. The following facts further support a strong inference that the ECC Defendant acted with the requisite scienter: (a) the Special Committee concluded that, in the absence of a meeting, grant approvals by the Executive Compensation Committee were documented via written consents, which were dated "as of" a specified date but signed at a later time; (b) stock options do not backdate themselves; (c) the Executive Compensation Committee was responsible for granting stock options to executives; (d) the magnitude of the fraud; (e) the pervasiveness of the GAAP violations; (f) the wrongdoing blatantly violated Marvell's publicly stated stock options practices as set forth in the 1995 Stock Options Plan and the proxy statements; and (g) Cioffi was aware of the requirements of the APB 25 since explanations were contained in the Form 10-K's signed by Cioffi.

B. Loss Causation

229. As a direct and proximate result of the wrongful conduct described herein, Lead Plaintiffs and other members of the Class suffered damages in connection with their purchases of Marvell securities. Had Lead Plaintiffs and the other members of the Class known of the

material adverse information not disclosed by the Defendants named in this Count, or been aware of the truth behind the Defendants' material misstatements, they would not have purchased Marvell securities at artificially inflated prices.

230. Throughout the Class Period, the prices of the Company's securities were artificially inflated as a direct result of the Individual Defendants' and the ECC Defendant's scheme to fraudulently misrepresent the Company's financial condition and results.

231. The Company's financial condition and results, including its net income, earnings per share and compensation expenses, were material information to Lead Plaintiffs and the other members of the Class. Had the truth been disclosed to the market at or before the end of the Class Period, Lead Plaintiffs and the other Class members would not have purchased Marvell securities at all, or would have done so only at substantially lower prices than the artificially inflated prices which they had actually paid.

232. The Company failed to reveal the truth that Marvell's stock options had been improperly backdated, resulting in underreporting of net income and earnings per share, and was attributable to the Individual Defendants' decision, before and during the Class Period, to grant backdated stock options to themselves and others, and the ECC Defendant's decision to grant backdated stock options to the Individual Defendants.

233. As set forth above, Marvell's stock price dropped significantly following publication of the May 22, 2006 Merrill Lynch report regarding the possibility that Marvell and other companies comprising part of the SOX may have engaged in improper stock option backdating. Specifically, the stock closed at $26.50, a drop of $1.61, or approximately 5.7%, from the closing price on the previous trading day.

234. Immediately following the Company's disclosure of the SEC and U.S. Attorney investigations, the stock price dropped further, from $22.41 where it closed on July 3, 2006, to close at $20.66 on July 5, 2006, the next trading day, a drop of $1.76 per share or approximately 7.8%.

235. Then, following the October 2, 2006 revelation that the Special Committee had reached a preliminary conclusion that the actual measurement dates for financial accounting

purposes of certain stock option grants that Marvell awarded in the past likely differed from the recorded grant dates for such awards, and that the Company would restate historical financial statements to record additional non-cash charges for stock-based compensation expenses, misrepresentation and omissions regarding the Company's improper stock option backdating was swiftly eliminated from the price of the Company's securities, causing significant losses to Lead Plaintiffs and the other Class members. Indeed, the Company's common stock price dropped from $19.09, where it closed on October 2, 2006, to $16.80, where it closed on October 3, 2006, a difference of $2.29 per share or approximately 12%.

236. The decline in the Company's stock price following the issuance of the October 2, 2006 press release, and the resulting losses suffered by Lead Plaintiffs and the other members of the Class, are directly attributable to the market's reaction to disclosures that Marvell improperly backdated stock options, and that Marvell would need to restate its prior financial results.

237. The resulting decline in Marvell's stock price was foreseeable at the time of Defendants' misrepresentations. Indeed, despite being aware of the consequences of their fraudulent conduct, Defendants nevertheless knowingly and/or recklessly backdated options and engaged in the other alleged misconduct, which, when the truth emerged, caused the stock price to decline.

238. Marvell's stock had been negatively affected by the growing stock option backdating controversy. The declines in Marvell's stock price after the first partial disclosure was a direct result of Defendants' fraudulent conduct alleged herein finally being revealed to Marvell's investors and the market. A company's ultimate destiny is dependant on the integrity of management. In this particular case, the backdating of stock option grants to increase the profitability of the options is a classic example of loss of confidence on the part of investors since management is effectively taking and/or knowingly receiving unlawful compensation from the Company in order to line their own pockets.

239. By virtue of the foregoing, the Defendants named in this Count violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and are liable to Lead

Plaintiffs and the members of the Class, each of whom has been damaged as a result of such violations.

COUNT II

Against the Individual Defendants and the ECC Defendant
For Violations of Section 20(a) of The Exchange Act

240. Lead Plaintiffs repeat and reallege each and every allegation above as though set forth fully herein. This Count is brought pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), on behalf of all Class Members against the Individual Defendants and the ECC Defendant.

241. For all of the reasons set forth above in Count One above, Marvell is liable to Lead Plaintiffs and members of the Class who purchased Marvell securities based on the materially false and misleading statements and omissions set forth above, pursuant to Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder.

242. Throughout the Class Period, the Individual Defendants and the ECC Defendant were controlling persons of Marvell within the meaning of Section 20(a) of the Exchange Act, as more particularly set forth below, and were culpable participants in Marvell's fraud, as more particularly set forth in and encompassed by the scienter allegations in Count One above.

243. By virtue of their executive positions or Board membership positions, the Individual Defendants and the ECC Defendant had the power to influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements that Lead Plaintiffs contend are false and misleading. The Individual Defendants and the ECC Defendant were provided with or had unlimited access to copies of the Company's internal reports, press releases, public filings and other statements alleged by Lead Plaintiffs to be misleading, prior to and/or shortly after they were issued, and they had the ability to prevent the issuance of the statements or cause the statements to be corrected.

244. The Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the

particular transactions giving rise to the securities violations as alleged herein.

245. In addition, the following facts demonstrate the control that the Individual Defendants and the ECC Defendant had over Marvell's day-to-day operations and the activities at issue here.

(i) Sutardja

246. During the Class Period, Sutardja played a major role in and participated directly in the management of Marvell, its business dealings, and its day to day operations. Because of his senior position in the Company and status as a founding member, he knew the adverse non-public information about the Company including its financial condition, its methods of executive compensation, the deficiencies in the Company's oversight mechanisms and the resulting false and misleading nature of the Company's financial statements.

247. Sutardja had the duty to provide accurate and truthful information about the Company's financial condition, its methods of executive compensation, the effectiveness of the Company's oversight mechanisms, and to correct any false and misleading publicly disseminated material statement regarding the Company.

248. Sutardja's control and influence over the Company that resulted from his position as President and CEO as well as founding member enabled him to control the contents of publicly disseminated information including filings with the SEC and press releases regarding the Company's financial condition. Sutardja also exercised his control and influence over Marvell during the Class Period in his position as one of Marvell's two-member Stock Option Committee in which he served with the committee's other member, his wife, Defendant Dai. Marvell's Form 10-K filed on April 13, 2006 acknowledged Sutardja's control over the Company when it stated:

> Our officers and directors own a large percentage of our voting stock, and three existing directors, who are also significant shareholders, are related by blood or marriage. These factors may allow the officers and directors as a group or the three related directors to greatly influence the election of directors and the approval or disapproval of significant corporate actions.

249. Sutardja's power over the Company was utilized during the Class Period to engage in the wrongful conduct alleged herein that had the effect of artificially inflating the

market price of the Company's securities. Sutardja, therefore, was a "controlling person" of the Company within the meaning of Section 20(a) of the Exchange Act.

(ii) Dai

250. During the Class Period, Dai played a major role in and participated directly in the management of Marvell, its business dealings, and its day to day operations. Because of her senior position in the Company and status as a founding member, she knew the adverse non-public information about the Company including its financial condition, its methods of executive compensation, the deficiencies in the Company's oversight mechanisms and the resulting false and misleading nature of the Company's financial statements.

251. Dai had the duty to provide accurate and truthful information about the Company's financial condition, its methods of executive compensation, the effectiveness of the Company's oversight mechanisms, and to correct any false and misleading publicly disseminated material statement regarding the Company.

252. Dai's control and influence over the Company that resulted from her position as Executive Vice President, COO as well as founding member enabled her to control the contents of publicly disseminated information including filings with the SEC and press releases regarding the Company's financial condition. Dai also exercised her control and influence over Marvell during the Class Period in her position as one of Marvell's two-member Stock Option Committee in which she served with the committee's other member, her husband, Defendant Sutardja. Marvell's Form 10-K filed on April 13, 2006 acknowledged Dai's control over the Company when it stated:

> Our officers and directors own a large percentage of our voting stock, and three existing directors, who are also significant shareholders, are related by blood or marriage. These factors may allow the officers and directors as a group or the three related directors to greatly influence the election of directors and the approval or disapproval of significant corporate actions.

253. Dai's power over the Company was utilized during the Class Period to engage in the wrongful conduct alleged herein that had the effect of artificially inflating the market price of the Company's securities. Dai, therefore was a "controlling person" of the Company

within the meaning of section 20(a) of the Exchange Act.

(iii) Hervey

254. During the Class Period, Hervey played a major role in and participated directly in the management of Marvell, its business dealings, and its day to day operations. Because of his senior position in the Company, he knew the adverse non-public information about the Company including its financial condition, its methods of executive compensation, the deficiencies in the Company's oversight mechanisms and the resulting false and misleading nature of the Company's financial statements.

255. Hervey had the duty to provide accurate and truthful information about the Company's financial condition, its methods of executive compensation, the effectiveness of the Company's oversight mechanisms, and to correct any false and misleading publicly disseminated material statement regarding the Company.

256. Hervey's control and influence over the Company that resulted from his position as CFO enabled him to control the contents of publicly disseminated information including filings with the SEC and press releases regarding the Company's financial condition. Hervey, therefore, was a "controlling person" of the Company within the meaning of section 20(a) of the Exchange Act.

(iv) Ciotti

257. The ECC Defendant was a member of the Board of Directors and a member of the Executive Compensation Committee. As such he played a major role in the granting of options to the executives, including the Individual Defendants, and preparation of the Joint Reports included in the Proxy Statements.

COUNT III

Negligent Violations of Section 14(a) of the Exchange Act and Rule 14a-9 Promulgated Thereunder Against All Defendants

258. Lead Plaintiffs repeat and restate the allegation contained in the foregoing paragraphs, with the exception of the allegations contained in Count I and Count II and any and all allegations of fraud or intent (which are not necessary to assert this claim), as if fully

set forth herein. More specifically, for purposes of this claim only, Lead Plaintiffs assert negligence claims and expressly disclaim any claim of fraud or intentional misconduct.

259. Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a), provides that "[it] shall be unlawful for any person, by the use of the mails or by any means of instrumentality of interstate commerce or of any facility of a national securities exchange or otherwise, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors, to solicit or to permit the use of his name to solicit any proxy or consent or authorization in respect of any security (other than an exempted security) registered pursuant to section 12 of this title [15 U.S.C. § 781]." Rule 14a-9, promulgated pursuant to § 14(a) of the Exchange Act, provides that no Proxy Statement shall contain "any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading." 17 C.F.R. § 240. 14a-9(a).

260. In the 2004 and 2005 Proxy Statements, Lead Plaintiffs and other Marvell shareholders were solicited to vote to elect certain directors, among other proposals. A shareholder vote was required to approve these proposals and elect these directors. Thus, the Proxy Statements were an essential link to the accomplishment of these proposals.

261. The 2004 and 2005 Proxy Statements violated § 14(a) and Rule 14a-9 because they (a) contained false and misleading statements regarding the terms of Marvell's grants of stock options pursuant to Marvell's stock option plans; (b) misrepresented that the stock options exercise prices would be the Company's stock price market price on the date of the grants, when in fact the options were backdated to a date when the Company's stock price was lower than on the actual grant date; (c) contained false and misleading statements regarding the compensation of key officers and directors; (d) misrepresented that the Company complied with § 162(m) of the Internal Revenue Code, 26 U.S.C. §162(m); (e) contained false and misleading statements regarding the stated philosophy of Marvell's Stock Option Committee and Compensation Committee on executive compensation; and (f) misled the Marvell shareholders regarding management's integrity. As the Company's Special Committee found "[a]pproximately 74% of shares granted [from June 2000 through June 2006] were backdated

or resulted in additional accounting charges." Indeed, the Special Committee found that, "[o]f these re-measured grants, the stock prices on the original grant date were lower than the prices on the appropriate measurement dates for 97% of such shares."

262. At the time of the materially false and misleading 2004 and 2005 Proxy Statements, Marvell shareholders were ignorant of the true facts. These facts would have been material to a reasonable investor or shareholder in considering how to vote on the election of directors and the approvals of the Company's Amended and Restated 1995 Stock Option Plan. Thus, the shareholders corporate suffrage rights were violated.

263. Each of the Individual Defendants permitted the use of his or her name to solicit the proxies. In the exercise of reasonable care, Defendants should have known that the Proxy Statements were materially false and misleading:

(a) As members of the Special Option Committee responsible for option grants, defendants Surtadja and Dai both failed to exercise reasonable care in permitting the above-referenced statements to be included in the Proxy Statements.

(b) The Company's Special Committee expressly found that Hervey learned that options were awarded to two employees prior to their state date and failed to establish a system of proper controls despite being on notice of concerns by others regarding the stock option process. Thus, Hervey failed to exercise reasonable care in permitting the above-referenced statements to be included in the Proxy Statements.

(c) As a member of the Executive Compensation Committee responsible for executive compensation, defendant Cioffi failed to exercise reasonable care in permitting the above-referenced statements to be included in the Proxy Statements.

264. The misrepresentations in the Proxy Statements were material to Marvell shareholders in voting on each Proxy Statement. The false and misleading Proxy Statements were essential to the accomplishment of the continuation of defendants' unlawful stock option backdating scheme, as revelations of the truth would have immediately thwarted a continuation of shareholders' endorsement of the directors' elections and positions as well as approvals of the Company's Amended and Restated 1995 Stock Option Plan.

265. Lead Plaintiff and other members of the Class suffered injury as a result of the material misrepresentations and omissions in the 2004 and 2005 Proxy Statements.

COUNT IV

Fraudulent Violations of Section 14(a) of the Exchange Act and Rule 14a-9 Promulgated Thereunder Against All Defendants

266. Lead Plaintiffs allege a separate and distinct claim herein under Section 14(a) of the Exchange Act for Defendants' fraudulent conduct, as opposed to the prior Count, which alleges claims for negligent misrepresentations. Lead Plaintiffs repeat and restate each and every allegation contained in the paragraphs up to Count Three as if fully set forth herein. For purposes of this Claim, Lead Plaintiffs assert violations of Section 14(a) for conduct that was solely fraudulent in nature.

267. While Section 14(a) of the Exchange Act gives rise to liability for negligent misrepresentation, Lead Plaintiffs also argue that Defendants' intentional violation of Section 14(a) gives rise to a claim under Section 14(a) as well.

268. During the Class Period, Lead Plaintiffs and Marvell shareholders were solicited to vote to elect certain directors, among other proposals. In 2003, in addition to voting on the election of directors, Marvell shareholders were also solicited to approve the Company's Amended and Restated 1995 Stock Option Plan. A shareholder vote was required to approve these proposals and elect these directors. Thus, the Proxy Statements were an essential link to the accomplishment of these proposals.

269. The 2002 through 2005 Proxy Statements violated Section 14(a) and Rule 14a-9 because they (a) contained false and misleading statements regarding the terms of Marvell's grants of stock options pursuant to Marvell's stock option plans; (b) misrepresented that the stock options exercise prices would be the Company's stock price market price on the date of the grants, when in fact the options were backdated to a date when the Company's stock price was lower than on the actual grant date; (c) contained false and misleading statements regarding the directors' compensation; (d) misrepresented that the Company complied with IRC Section 162(m), 28 U.S.C. § 162(m); (e) contained false and misleading statements

regarding the stated philosophy of Marvell's Stock Option Committee and Compensation Committee on executive compensation; and (f) misled Marvell shareholders regarding management's integrity.

270. At the time of the materially false and misleading 2002 though 2005 Proxy Statements, Marvell shareholders were ignorant of the true facts. These facts would have been material to a reasonable investor or shareholder in considering how to vote on the election of directors and the wapprovals of the Company's Amended and Restated 1995 Stock Option Plan. Thus, the shareholders corporate suffrage rights were violated.

271. Each of the Individual Defendants permitted the use of his or her name to solicit the proxies. As detailed above, Defendants knew and/or were deliberately reckless in not knowing that the Proxy Statements were materially false and misleading.

272. The misrepresentations in the Proxy Statements were material to Marvell shareholders in voting on each Proxy Statement. The false and misleading Proxy Statements were essential to the accomplishment of the continuation of Defendants' unlawful stock option backdating scheme, as revelations of the truth would have immediately thwarted a continuation of shareholders' endorsement of the directors' elections and positions as well as approvals of the Amended and Restated 1995 Stock Option Plan.

273. Lead Plaintiff and other members of the Class suffered injury as a result of the material misrepresentations and omissions in the 2002 to 2005 Proxy Statements.

VIII. PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET DOCTRINE

274. At all relevant times, the market for Marvell common stock was an efficient market for the following reasons, among others:

a. Marvell stock was traded on the NASDAQ, a highly efficient market.

b. As a regulated issuer, Marvell filed periodic public reports with the SEC.

c. Marvell securities were followed by numerous securities analysts employed by major brokerage firms, including, *inter alia*, Deutsche Bank, Prudential Equity Group LLC, Thomas Weisel Partners, Legg

Mason Wood Walker Inc., CIBC World Markets, Corp., Merrill Lynch, Pierce Fenner & Smith Inc., and JP Morgan Chase & Co.

d. Marvell regularly issued press releases, which were carried by national and international news wires. Each of these releases was publicly available and entered into the public marketplace.

e. The market price of Marvell's securities reflected the effect of new information entering the market.

f. As a result, the market for Marvell securities promptly digested current information with respect to Marvell from all publicly available sources and reflected such information in Marvell's stock price.

275. As a result of the false and misleading statements and omissions alleged herein, the market price of Marvell securities was artificially inflated. Under such circumstances, the presumption of reliance available under the "fraud-on-the-market doctrine" applies. The members of the Class relied upon either the integrity of the market or upon the statements and reports of the Defendants in purchasing Marvell securities at artificially inflated prices.

IX. PRAYER FOR RELIEF

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

A. Declaring the action to be a proper class action and certifying Lead Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Lead Plaintiffs and the other Class members against all Defendants, jointly and severally, for the damages sustained as a result of the wrongdoings of defendants, together with interest thereon;

C. Awarding Lead Plaintiffs fees and expenses incurred in this action, including reasonable allowance of fees for Lead Plaintiffs' attorney, and experts; and

D. Granting such other further relief as the Court may deem just and proper.

X. JURY TRIAL DEMANDED

Lead Plaintiffs demand a jury of trial of all issues so triable.

DATED: August 16, 2007

Respectfully submitted,

_____/S/_____

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E-Filing Attestation

I, Nicole Lavallee, am the ECF User whose ID and password are being used to file this document. In compliance with General Order 45 X.B., I hereby attest that Michael K. Yarnoff, whose e-filing signature appears above, has concurred in the filing of this document.