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10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SAN JOSE DIVISION

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14 SECURITIES AND EXCHANGE COMMISSION,
15 Plaintiff,
16 vs.
17 INTEGRATED SILICON SOLUTION, INC. and
18 GARY L. FISCHER,
19 Defendants.

Case No.

COMPLAINT

20
21 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

22 **SUMMARY OF THE ACTION**

23 1. This matter involves improper stock option backdating at Integrated Silicon Solution,
24 Inc. ("ISSI" or the "Company"), a Silicon Valley semiconductor company, resulting in the
25 Company's issuance of false financial statements concealing millions of dollars in compensation
26 expenses. Between 1997 and 2005, ISSI issued over sixty option grants to officers and employees
27 using incorrect grant dates, resulting in a failure to report nearly \$32 million in expenses to investors.
28 Defendant Gary L. Fischer, ISSI's then-Chief Financial Officer, President and member of the Board

1 of Directors, picked the backdated option grant dates and directed others to prepare grant documents
2 using the incorrect dates. Fischer personally benefited from the backdating, receiving over \$350,000
3 in compensation that was not disclosed in proxy statements as a result of the backdated options.

4 2. Under well-settled accounting principles in effect throughout the relevant period, ISSI
5 was not required to record an expense in its financial statements for options granted at the market
6 price (“at-the-money”), but *was* required to record expenses for any options granted below the current
7 market price (“in-the-money”). ISSI engaged in a recurring practice of granting in-the-money
8 options to its officers and employees. Fischer backdated the grants to dates on which the stock was
9 trading at significantly lower prices. Fischer directed others to create company records that gave the
10 appearance that the options had been granted at the market price on an earlier date – including the
11 creation of numerous minutes for ISSI’s Compensation Committee meetings and numerous
12 resolutions for the Stock Option Committee. In reality, the Compensation Committee rarely met on
13 the purported dates of the minutes, and the Stock Option Committee rarely took any action on the
14 dates of the purported resolutions.

15 3. As a result, Fischer’s actions caused ISSI to materially understate its expenses,
16 overstate its income, and misrepresent in numerous SEC filings that ISSI had incurred no expense for
17 option grants.

18 4. By engaging in the acts alleged in this Complaint, defendants ISSI and Fischer, among
19 other things, violated the antifraud provisions of the federal securities laws, made or caused to be
20 made materially false or misleading statements to ISSI’s auditors, falsified books and records, and
21 caused ISSI to falsely report its financial results. The Commission seeks an order enjoining
22 defendants from future violations of the securities laws, requiring defendant Fischer to disgorge ill-
23 gotten gains with prejudgment interest and to pay civil monetary penalties, barring Fischer from
24 serving as an officer or director of a public company, and providing other appropriate relief.

25 JURISDICTION AND VENUE

26 5. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the
27 Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77t(b) and 77t(d)] and Sections 21(d) and
28 21(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d) and 78u(e)].

