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19 **UNITED STATES DISTRICT COURT**
20 **NORTHERN DISTRICT OF CALIFORNIA**

21 YUVAL LAPINER, Individually and on
22 Behalf of All Others Similarly Situated,

23 Plaintiff,

24 v.

25 CAMTEK, LTD., RAFI AMIT, RONIT
26 DULBERG, YOTAM STERN and
27 MOSHE AMIT,

28 Defendants.

Master File No. C 08-01327 MMC

CLASS ACTION

**SECOND CONSOLIDATED
AMENDED CLASS ACTION
COMPLAINT**

JURY TRIAL DEMANDED

Hon. Maxine M. Chesney

1 The Court-appointed Lead Plaintiff in this action, Yuval Lapiner (“Lead Plaintiff” or
 2 “Plaintiff”), individually and on behalf of all other persons similarly situated, by his undersigned
 3 attorneys, for his complaint against defendants, alleges the following based upon personal
 4 knowledge as to himself and his own acts, and information and belief as to all other matters, based
 5 upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among
 6 other things, a review of the defendants’ public documents, conference calls and announcements,
 7 United States Securities and Exchange Commission (“SEC”) filings, wire and press releases
 8 published by and regarding Camtek, Ltd. (“Camtek” or the “Company”), securities analysts’ reports
 9 and advisories about the Company, interviews, news articles, and other information readily
 10 obtainable. Plaintiff believes that additional evidentiary support will exist for the allegations set
 11 forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

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 13
 14 1. This is a securities fraud class action on behalf of all persons who purchased or
 15 otherwise acquired the securities of Camtek between November 22, 2005 and March 20, 2007,
 16 inclusive (the “Class Period”). Plaintiff brings this action pursuant to §§ 10(b) and 20(a) of the
 17 Securities Exchange Act of 1934 (the “Exchange Act”), and SEC Rule 10b-5 promulgated
 18 thereunder.

SUMMARY OF ALLEGATIONS

19
 20 2. Plaintiff alleges that Camtek and the individual defendants named herein engaged in
 21 a systematic scheme over the Class Period to inflate the price of Camtek common stock on the
 22 NASDAQ market by disseminating false and misleading information regarding the financial results
 23 of Camtek’s business operations. Defendants accomplished their scheme by publishing false and
 24 materially inflated reports of Camtek’s revenues, earnings, cash flow from operations (“CFFO”) and
 25 days sales outstanding (“DSO”), while at the same time failing to disclose that during the Class
 26 Period defendants had engaged in large-scale factoring of Camtek’s receivables in order to create the
 27 false impression that Camtek was collecting payments promptly from its customers when in fact its
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1 business prospects were rapidly diminishing during 2006 and the time for receiving payments on
2 new orders was rapidly extending to eight months or more and the time for receiving payments on
3 repeat orders was increasing as well.

4 3. Defendants only admitted that Camtek had been heavily involved in factoring
5 receivables three months after the end of the Class Period, by which time the price of Camtek
6 common stock had fallen from a Class Period high of \$8.40 per share on May 16, 2006 to close at
7 \$2.97 per share on June 29, 2007, a fall of almost 65%.

8 4. Defendants also engaged in other wrongful activities to artificially inflate the price of
9 Camtek shares through various financial transactions with companies affiliated with Camtek which
10 were designed to boost Camtek's revenues and give the false impression that such revenues were
11 derived from Camtek's core business.

12 5. Priortech is the parent and controlling stockholder of three companies: defendant
13 Camtek, PCB Technologies and Amitek. As of December 31, 2005, Priortech owned approximately
14 78% of Camtek shares, declining to approximately 63% after Priortech's sale of 2,440,000 shares of
15 Camtek stock on June 16, 2006 and Camtek's sale of 2,525,252 shares of its treasury stock on April
16 28, 2006. During the Class Period, defendant Rafi Amit ("Rafi Amit") served not only as Chairman
17 of the Board and Chief Executive Officer of Camtek but also as the Chairman of the Board and
18 Director of Priortech. Another key officer of Camtek, defendant Yotam Stern ("Stern"), served as
19 Executive Vice President and Director of Camtek during the Class Period while at the same time
20 serving as Chief Executive Officer of Priortech. Priortech's principal executive offices are located
21 at the Ramat Gavriel Industrial Zone, Migdal Ha'Emek 23150, Israel, the same site where Camtek's
22 principal executive offices are located. Various key officers of Camtek were also controlling
23 shareholders of Priortech. Thus throughout the Class Period, pursuant to a voting agreement
24 relating to a majority of Priortech's voting equity, Camtek's Chief Executive Officer, Rafi Amit, and
25 Camtek's Executive Vice President, Stern, controlled Camtek through their control of Priortech.
26
27
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1 6. Defendants were motivated in these wrongful activities by greed and self-interest at
 2 the expense of Plaintiff and the Class. Defendants planned, as early as the third or fourth quarter of
 3 2005, to inflate artificially the price of Camtek common stock on the NASDAQ by the unlawful
 4 means as described herein in order to be in a position to sell millions of dollars of stock of Camtek
 5 and its parent Priortech at artificially inflated prices that would never have been possible but for
 6 defendants' unlawful course of conduct. As a result of the successful artificial inflation of Camtek
 7 share prices on the NASDAQ, defendants, Priortech and other individuals affiliated with Priortech
 8 did in fact sell millions of shares of Camtek at inflated prices during the Class Period to the Plaintiff
 9 and other unsuspecting Class members, causing them material losses when the truth about Camtek's
 10 business prospects and financial status became known in the marketplace.

JURISDICTION AND VENUE

11
 12
 13 7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act,
 14 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. §
 15 240.10b-5.

16 8. This Court has jurisdiction over the subject matter of this action pursuant to 28
 17 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

18 9. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28
 19 U.S.C. § 1391(b). Camtek maintains offices in this District at 2000 Wyatt Drive, Suite #4, Santa
 20 Clara, California 95054, and many of the false and misleading statements alleged herein affected
 21 persons in this District.

22 10. In connection with the acts alleged herein, defendants, directly or indirectly, used the
 23 means and instrumentalities of interstate commerce, including, but not limited to, the mails,
 24 interstate telephone communications and the facilities of the national securities markets.

PARTIES

25
 26 11. Lead Plaintiff Yuval Lapiner purchased the common stock of Camtek at artificially
 27 inflated prices during the Class Period on the NASDAQ and has been damaged thereby, as
 28

1 evidenced, in part, by his certification pursuant to Local Civil Rule 3.7, dated February 26, 2008 and
2 first filed with this Court on March 7, 2008. Attached hereto as Exhibit A is a summary of all
3 transactions by Plaintiff in the shares of Camtek during the Class Period. All of these transactions
4 took place on the NASDAQ market in the United States. Attached hereto as Exhibit B are copies of
5 account statements for Plaintiff's account maintained at E*Trade Securities in Merrifield, Virginia
6 for the period from January 1, 2006 through July 31, 2006 and evidencing all of the transactions in
7 Camtek shares that Plaintiff made on the NASDAQ market in that account. Attached hereto as
8 Exhibit C are copies of account statements for Plaintiff's account maintained at Ameritrade
9 Securities in Omaha, Nebraska for the period from January 28, 2006 through February 28, 2007 and
10 evidencing all of the transactions in Camtek shares that Plaintiff made on the NASDAQ market in
11 that account. Lead Plaintiff Lapiner has never bought or sold any shares of Camtek other than on
12 the United States NASDAQ market as described in Exhibits A through C.

13 12. Defendant Camtek, Ltd. ("Camtek") is an Israeli corporation which maintains its
14 principal executive offices at Ramat Gavriel Industrial Zone, P.O. Box 544, Migdal Ha'Emek
15 23150, Israel and other marketing and sales offices throughout the world, including several in the
16 United States. On July 28, 2000, Camtek completed an initial public offering of 5,835,000 of its
17 shares on the United States NASDAQ National Market for proceeds of approximately \$35 million
18 pursuant to a Form F-1 Registration Statement filed with the Securities and Exchange Commission.
19 In that registration statement, Camtek listed a United States address for Camtek USA at 468
20 Industrial Way West, Eatontown, New Jersey. In August 2002, Camtek sold a further 5,926,730
21 shares for proceeds of approximately \$6.1 million on the NASDAQ National Market pursuant to a
22 rights offering filed on a Form F-3 Registration Statement filed with the Securities and Exchange
23 Commission. In that registration statement, Camtek listed a United States address for Camtek USA
24 at 2 Meridian Road, Eatontown, New Jersey. At the same time, Camtek also applied for and
25 received an exemption from the prospectus publication requirements under Israeli law, so that the
26 only operative offering documents for its shares were those prepared and filed in the United States.
27
28

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1 Furthermore, according to the dual-listing provisions under Israeli law, a dual-listed corporation
2 such as Camtek, where the securities offering documents for its shares were filed in the United
3 States, would be treated as a foreign corporation by Israeli courts to which United States law would
4 apply in the case of alleged securities law violations.

5 13. From the date of its public offering on July 28, 2000 until November 26, 2001,
6 Camtek's shares were traded only on the NASDAQ. From November 26, 2001 through October 21,
7 2003, Camtek's ordinary shares were traded on the NASDAQ and were also dual-listed on the Tel
8 Aviv Stock Exchange ("TASE"), but as reported by Camtek in its Form 20-F for 2006, such trading
9 activity on the TASE was "insignificant" and at Camtek's request, the shares were de-listed from the
10 TASE after October 21, 2003. From February 5, 2003 until April 24, 2004, Camtek's shares were
11 moved from the NASDAQ National Market to the NASDAQ Small Cap Market, and were
12 subsequently listed on the NASDAQ Global Market beginning on April 22, 2004, which since that
13 time has been the "primary trading market" for Camtek shares according to Camtek's Form 20-F for
14 2006.

15 14. At the beginning of the Class Period, shares of Camtek were traded only on the
16 NASDAQ. Beginning on December 21, 2005, Camtek's shares were again dual-listed on the TASE,
17 but once again the vast majority of Camtek shares continued to be traded in the NASDAQ market.
18 Attached hereto as Exhibit D is a table of reported transactions in Camtek shares on the TASE from
19 December 21, 2005 through the end of the class period on March 20, 2007, showing total volume of
20 5,671,299 shares. Attached hereto as Exhibit E is a table of reported transactions in Camtek shares
21 on the NASDAQ for the entire class period showing a total volume of 27,968,200 shares, of which
22 volume 26,152,800 shares, or 82.2% of all shares, were transacted on the NASDAQ during the time
23 when Camtek shares were dually-listed. During the entire Class Period, fully 83.1% of all Camtek
24 shares were transacted on the NASDAQ, and 1,815,400 shares of Camtek were transacted solely on
25 NASDAQ before Camtek's shares were re-listed on the TASE.
26

1 15. Defendant Rafi Amit (“Rafi Amit”) has served as Chief Executive Officer of Camtek
 2 since January 1998 and Chairman of the Board of Directors since 1987. Since 1981, Rafi Amit has
 3 also served as the President and director of Camtek’s controlling parent, Priortech, and has served as
 4 Chairman of the Board of Directors of Priortech since 1988. From 1981 until 2004, Rafi Amit also
 5 served as Priortech’s Chief Executive Officer.

6 16. Defendant Ronit Dulberg (“Dulberg”) has served as Camtek’s Chief Financial
 7 Officer and Vice President since March 2006.

8 17. Defendant Yotam Stern (“Stern”) has served as Camtek’s Executive Vice President
 9 for Business and Strategy since February 2001 and as a Director since 1987. From January 1998
 10 until February 2001, Stern served as Camtek’s Chief Financial Officer. Stern has also served as
 11 Priortech’s Chief Financial Officer since 1981 and as Priortech’s Chief Executive Officer since
 12 2004, as well as serving as a Director since 1985. According to the Camtek Form 20-F for the year
 13 2006, Stern spends 40% of his time performing his various roles at Priortech. Stern was a close
 14 associate of the other Individual Defendants before, during and after the Class Period, and actively
 15 participated in all of the important decision-making regarding Camtek, including the wrongful
 16 behavior as alleged herein. Stern is also Chairman of the Board of PCB Technologies.

17 18. Defendant Moshe Amit (“Moshe Amit”) is the brother of defendant Rafi Amit and
 18 has served as an executive officer of Camtek in one capacity or another since October 1994. From
 19 February 2001 through March 2006, Moshe Amit served as Camtek’s Chief Financial Officer, and
 20 since 2001 Moshe Amit also served as Executive Vice President and handles various tasks as a
 21 member of Camtek’s senior management.

22 19. The defendants referenced in ¶¶ 15-18 above are referred to herein as the “Individual
 23 Defendants.”
 24

GROUP PLEADING

25 20. Because of the Individual Defendants’ positions with the Company, they had access
 26 to the adverse undisclosed information about its core business, operations, products, operational
 27
 28

1 trends, financial statements, markets and present and future business prospects *via* access to internal
2 corporate documents (including the Company's operating plans, budgets and forecasts and reports of
3 actual operations compared thereto), conversations and connections with other corporate officers
4 and employees, attendance at management and Board of Directors meetings and committees thereof
5 and via reports and other information provided to them in connection therewith.

6 21. It is appropriate to treat the Individual Defendants as a group for pleading purposes
7 and to presume that the false, misleading and incomplete information conveyed in the Company's
8 public filings, press releases and other publications as alleged herein are the collective actions of the
9 narrowly defined group of defendants identified above. During the Class Period, each of the above
10 officers of Camtek, by virtue of their high-level positions with the Company, directly participated in
11 the management of the Company, was directly involved in the day-to-day operations of the
12 Company at the highest levels and was privy to confidential proprietary information concerning the
13 Company and its business, operations, products, growth, financial statements, and financial
14 condition, as alleged herein. The Individual Defendants were involved in drafting, producing,
15 reviewing and/or disseminating the false and misleading statements and information alleged herein.
16 The Individual Defendants were aware, or recklessly disregarded, that the false and misleading
17 statements were being issued regarding the Company, and approved or ratified these statements, in
18 violation of the federal securities laws.

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

3 23. The Individual Defendants participated in the drafting, preparation, and/or approval
4 of the various public and shareholder and investor reports and other communications complained of
5 herein and were aware of, or recklessly disregarded, the misstatements contained therein and
6 omissions therefrom, and were aware of their materially false and misleading nature. Because of
7 their Board membership and/or executive and managerial positions with Camtek, each of the
8 Individual Defendants had access to the adverse undisclosed information about Camtek's actual
9 operating cash flows, the extensive use of factoring, and the various measures taken by Camtek to
10 inflate artificially Camtek's reported revenues during the Class Period and to keep such activities
11 concealed from the marketplace.

12 24. The Individual Defendants, because of their positions of control and authority as
13 officers and/or directors of the Company, were able to and did control the content of the various
14 SEC filings, press releases and other public statements pertaining to the Company during the Class
15 Period. Each Individual Defendant was provided with copies of the documents alleged herein to be
16 misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent
17 their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is
18 responsible for the accuracy of the public reports and releases detailed herein and are therefore
19 primarily liable for the representations contained therein.
20

21 25. Each of the defendants is liable as a participant in a fraudulent scheme and course of
22 business that operated as a fraud or deceit on purchasers of Camtek common stock by disseminating
23 materially false and misleading statements and/or concealing material adverse facts. The scheme:
24 (a) deceived the investing public regarding Camtek's business, operations and the intrinsic value of
25 Camtek common stock; (b) caused Plaintiff and other members of the Class to purchase Camtek
26 common stock at artificially inflated prices during the Class Period; (c) enabled defendant Camtek to
27 sell \$15 million of its common stock in a private placement to unsuspecting investors at artificially
28

1 inflated prices during the Class Period; (d) enabled Camtek senior executives and employees to
 2 exercise 431,706 options at a weighted average exercise price of \$1.63 per share for an overall
 3 estimated profit of at least \$1,500,000; (e) enabled defendant Rafi Amit to dispose of at least
 4 125,000 shares of Priortech common stock at artificially inflated prices to the unsuspecting public
 5 during the Class Period; (f) enabled Priortech and other individuals involved in the management and
 6 control of Camtek to dispose of tens of millions of dollars of Camtek and Priortech common stock at
 7 artificially inflated prices during the Class Period; (g) enabled defendant Stern to dispose of at least
 8 150,000 shares of Priortech common stock at artificially inflated prices to the unsuspecting public
 9 during the Class Period; (h) enabled defendant Moshe Amit to dispose of at least 235,200 shares of
 10 Camtek common stock at artificially inflated prices to the unsuspecting public during the Class
 11 Period; and (i) enabled Priortech to sell \$15 million of Camtek’s common stock to unsuspecting
 12 investors at artificially inflated prices during the Class Period.

DEFENDANTS’ DUTIES AND RESPONSIBILITIES UNDER
THE SARBANES-OXLEY ACT

16 26. In an effort to protect investors from corporate wrongdoing by improving the
 17 accuracy and reliability of corporate disclosures made pursuant to the securities laws, § 302 of the
 18 Sarbanes–Oxley Act of 2002 (“SOA”), 15 U.S.C.A. § 7241, entitled “Corporate responsibility for
 19 financial reports,” directs that the SEC shall promulgate regulations requiring that, in relevant part,
 20 “for each company filing periodic reports under section 13(a) or 15(d) of the Securities Exchange
 21 Act of 1934 . . . the principal executive officer or officers and the principal financial officer or
 22 officers, or persons performing similar functions, certify in each annual or quarterly report filed or
 23 submitted under either such section of such Act that—

24 (1) the signing officer has reviewed the report;

25 (2) based on the officer’s knowledge, the report does not contain any untrue statement
 26 of a material fact or omit to state a material fact necessary in order to make the
 27 statements made, in light of the circumstances under which such statements were
 28 made, not misleading;

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1 (3) based on such officer's knowledge, the financial statements, and other financial
 2 information included in the report, fairly present in all material respects the financial
 3 condition and results of operations of the issuer as of, and for, the periods presented in
 the report;

4 (4) the signing officers—

5 (A) are responsible for establishing and maintaining internal controls;

6 (B) have designed such internal controls to ensure that material information relating to
 7 the issuer and its consolidated subsidiaries is made known to such officers by others
 8 within those entities, particularly during the period in which the periodic reports are
 being prepared;

9 (C) have evaluated the effectiveness of the issuer's internal controls as of a date
 10 within 90 days prior to the report; and

11 (D) have presented in the report their conclusions about the effectiveness of their
 12 internal controls based on their evaluation as of that date;

13 (5) the signing officers have disclosed to the issuer's auditors and the audit committee
 14 of the board of directors (or persons fulfilling the equivalent function)-

15 (A) all significant deficiencies in the design or operation of internal controls which
 16 could adversely affect the issuer's ability to record, process, summarize, and report
 financial data and have identified for the issuer's auditors any material weaknesses in
 internal controls; and

17 (B) any fraud, whether or not material, that involves management or other employees
 18 who have a significant role in the issuer's internal controls; and

19 (6) the signing officers have indicated in the report whether or not there were
 20 significant changes in internal controls or in other factors that could significantly
 21 affect internal controls subsequent to the date of their evaluation, including any
 corrective actions with regard to significant deficiencies and material weaknesses.

22 27. In a similar manner, § 906 of the Sarbanes–Oxley Act of 2002, 18 U.S.C.A. § 1350,
 23 entitled “Failure of corporate officers to certify financial reports,” requires, in relevant part, that:

24
 25 (a) Certification of periodic financial reports.--Each periodic report containing
 26 financial statements filed by an issuer with the Securities Exchange Commission
 27 pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.
 78m(a) or 78o(d)) shall be accompanied by a written statement by the chief executive
 28 officer and chief financial officer (or equivalent thereof) of the issuer.

1 (b) Content.--The statement required under subsection (a) shall certify that the
 2 periodic report containing the financial statements fully complies with the
 3 requirements of section 13(a) or 15(d) of the Securities Exchange Act of . . . 1934 (15
 4 U.S.C. 78m or 78o(d)) and that information contained in the periodic report fairly
 presents, in all material respects, the financial condition and results of operations of
 the issuer.

5 28. Pursuant to ¶ 404 of the Sarbanes-Oxley Act of 2002, on June 5, 2003, the SEC
 6 issued a final rule and amended Item 307 of Regulations S-K and S-B. See Management's Report
 7 on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act
 8 Periodic Reports, 2003 WL 21294970, at * 11 (S.E.C. Release No. 8238) (June 5, 2003).
 9 Specifically, as part of a company's corporate governance obligations, management is required "to
 10 include an internal control report of management that contains" the following in its annual report:

11 a. A statement of management's responsibility for establishing and
 12 maintaining adequate internal control over financial reporting for the
 13 company;

14 b. A statement identifying the framework used by management to conduct
 15 the required evaluation of the effectiveness of the company's internal control
 16 over financial reporting;

17 c. Management's assessment of the effectiveness of the company's internal
 18 control over financial reporting as of the end of the company's most recent
 19 fiscal year, including a statement as to whether or not the company's internal
 20 control over financial reporting is effective. The assessment must include
 21 disclosure of any 'material weaknesses' in the company's internal control
 22 over financial reporting identified by management. Management is not
 permitted to conclude that the company's internal control over financial
 reporting is effective if there are one or more material weaknesses in the
 company's internal control over financial reporting; and

23 d. A statement that the registered public accounting firm that audited the
 24 financial statements included in the annual report has issued an attestation
 25 report on management's assessment of the registrant's internal control over
 financial reporting.

26 Id.

27 **BACKGROUND AND ADDITIONAL SUBJECT MATTER JURISDICTION**

28 **ALLEGATIONS**

1 29. During the Class period, Camtek designed, developed, manufactured and marketed
2 automatic optical inspection (“AOI”) systems and related products. Camtek’s AOI systems were
3 used to enhance both production processes and yield for manufacturers in the printed circuit board
4 industry, the high density interconnect substrate industry and the semiconductor manufacturing and
5 packaging industry.

6 30. Camtek marketed its AOI systems and related products extensively in the United
7 States, and on February 20, 2001 had been issued Patent No. US 6192289 by the United States
8 Patent Office for an important component of what would then be incorporated into its Falcon line of
9 products that were then marketed throughout the United States during the Class Period. On July 14,
10 2005, a rival company, August Technology Corporation, sued Camtek for patent infringement in the
11 District of Minnesota federal court over the same component used in the Falcon line of products,
12 resulting in a jury verdict against Camtek in March 2009 for approximately \$6.8 million. In one of
13 the several reported decisions in that case, the Minnesota court described Camtek as “a multinational
14 company that competes directly with [U.S.] Plaintiffs in the secondary wafer market.” *August Tech.*
15 *Corp. v. Camtek, Ltd.*, 534 F.Supp.2d 969, 971 (D. Minn. 2008).

16 31. Camtek attempted in an early motion in the *August Technology* case to have the
17 matter transferred to New Jersey, where Camtek admitted to having physical office facilities, as well
18 as other facilities in California. In its memorandum of law in support of its motion, Camtek argued
19 as follows:
20

21 Camtek USA, a wholly owned subsidiary of Camtek Ltd., is a corporation
22 organized and existing under the laws of the State of New Jersey, which
23 has physical facilities both in New Jersey and in California. [Moshe] Amit
24 Dec. ¶ 2. For example, Camtek USA has sales, customer support and
25 accounting employees and facilities in an office in Neptune, New Jersey.
26 [Moshe] Amit Dec. ¶ 2. Camtek USA's New Jersey facility also houses a
27 spare parts inventory as well as sales and financial administration for
28 Camtek USA. [Moshe] Amit Dec. ¶ 2. Camtek USA's California facility
also houses a showroom containing a model of the Falcon system, which
is the Camtek Ltd. product accused of infringement. [Moshe] Amit Dec. ¶
2. The Falcon system may be demonstrated to customers at the Santa
Clara facility. [Moshe] Amit Dec. ¶ 2.

1 Memorandum of Law in Support of Defendant Camtek Ltd.'s Motion to Transfer Venue Pursuant to
2 28 U.S.C. § 1404(a), 2005 WL 2604909 at p.4 (D. Minn.). The declaration relied upon by Camtek
3 in the Minnesota proceeding is given defendant Moshe Amit, and the relevant time period is just
4 before the beginning of the Class Period.

5 32. Defendant Camtek also quotes that same declaration of defendant Moshe Amit for
6 the proposition that Camtek USA has sold and its parent Camtek Ltd. has already delivered 17
7 Falcon systems in the United States, and that Camtek USA usually instructs Camtek Ltd. to ship
8 Falcon systems directly to customers in the United States. *Id.* at p.5. The Falcon systems referred to
9 in this Moshe Amit declaration are the very same Falcon systems that figure prominently throughout
10 the Class Period as one of the main revenue-generators for Camtek. According to Camtek's Form
11 20-F filing for 2007, sales of Camtek systems in the United States accounted for \$11.484 million of
12 total revenues of \$63.032 million in 2005, or 18.2%, and \$15.622 million of total revenues of
13 \$100.055 million in 2006, or 15.6%. These sales levels represented a dramatic increase from pre-
14 Class period revenues for United States sales which totaled \$2.465 million or 7.9% of total revenues
15 in 2003 and \$8.116 million or 12.0% of total revenues in 2004. Thus Camtek purposefully targeted
16 the United States market for significant growth during the Class Period, and Camtek's resulting
17 sales in the United States market formed a material portion of the sales that were then improperly
18 and prematurely recognized as revenues by Camtek in order to create materially false impressions of
19 earnings and sales growth as alleged herein.

20 33. Thus not only did Camtek shares first become publicly traded in the United States
21 pursuant to a United States registration statement and thereafter traded over 82% of its total volume
22 of shares on the NASDAQ market, but Camtek also furthered its wrongful revenue recognition
23 practices as alleged herein by direct sales of its products in the United States through its several
24 United States offices.

25 34. Camtek depended upon developing new customers for its AOI systems in order to
26 increase revenues and to remain competitive in its field. Unlike with repeat customers, whose
27 orders could be filled and then normally within several months be booked as revenues, sales to new
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1 customers were made on a contingent basis. The sales process for new customers involved
2 demonstrations and testing against industry benchmarks at Camtek sales centers, sales and technical
3 presentations and presentations regarding Camtek's products' competitive advantages, and only then
4 installation of the systems at the customer's site for side-by-side competitive evaluations. Despite
5 Camtek's statements that such on-site evaluations might take as little as up to four months for its
6 own products, as stated in Camtek's Form 20-F filed on June 29, 2006, while at the same time
7 characterizing the rest of the semiconductor industry as needing eight months or more per defendant
8 Moshe Amit in a fourth quarter 2005 earnings call on March 2, 2006, the undisclosed truth was that
9 as the year 2006 progressed, such on-site evaluations for Camtek had bogged down to the point of
10 taking eight months or more as well, thus seriously impacting Camtek's actual financial
11 performance. Furthermore, as Camtek was aggressively seeking to expand its AOI system business
12 during the Class Period, especially with its Falcon unit, many of the AOI systems in the field were
13 undergoing first-time customer testing which invariably led to much longer product acceptance
14 times.

15
16 35. In order for Camtek to meet its aggressive growth goals and achieve the prominence
17 that it sought in the world of Israeli high tech companies, defendants needed to take all possible
18 steps to diminish the effects of these potentially long trial periods during which inventory ratios
19 could build to a dangerous level in the eyes of the marketplace, revenue growth could be impeded
20 and negative operating cash flows could impact Camtek's ability to achieve necessary financing for
21 further expansion.

22 36. During the Class Period, defendants deliberately mischaracterized or hid the alarming
23 growth of inventories from the Camtek financial statements in order to perpetuate the false
24 impression of robust earnings growth and successful business expansion. Thus in the Camtek Form
25 20-F for 2005 at page 5, defendants made no showing in their Selected Statement of Operations
26 Data for any write-offs of inventory for the years 2003, 2004 or 2005, and in the Camtek Form 20-F
27 for 2006 at page 6, defendants made no showing in their Selected Statement of Operations Data for
28

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1 any write-offs of inventory for the years 2003, 2004, 2005 or 2006. Nor were any additional
2 inventory write-offs disclosed in the Camtek Form 20-F for 2007. Only in Camtek's Form 20-F for
3 2008 at page F-16, did defendants belatedly announce for the first time that "Inventory write-offs
4 amounted to \$4,446, \$2,509 and \$3,052 thousand in 2008, 2007 and 2006, respectively." This
5 aggregate \$10 million write-off was only part of the unraveling of defendants' fraudulent and
6 deceptive accounting presentations during the Class Period. For example, if the massive \$3.052
7 million write-off for 2006 had been timely reported, it would have had a huge, negative impact on
8 reported income for that year, reducing the reported net income of \$11.6 million to \$8.6 million, a
9 material drop of approximately 26%. The results for 2007 would have been materially impacted as
10 well, increasing the reported loss of \$7.7 million to \$10.2 million, a material loss increase of over
11 32%. Well after the end of the Class Period, defendants also reclassified a massive amount of
12 inventories that had been carried as "current assets" and created a new category of inventory called
13 "long term assets" that effectively recognized that as of the date of the Form 20-F 2008 financial
14 statements, fully \$21.653 million of what had once been carried as "current assets" now had no
15 realistic possibility of being convertible into actual cash in the foreseeable future. In addition, a total
16 of \$3.7 million of inventory was reclassified during 2007-2008 from inventory to fixed assets. Thus
17 out of a total inventory backlog of \$35.4 million accumulated during the Class Period as a direct
18 result of defendants' wrongful revenue recognition practices, \$25.4 million was eventually
19 reclassified as long term inventory or fixed assets and \$10 million was written off. These
20 confirmations of material trouble with inventory levels were only made in Camtek's Form 20-F for
21 2008 filed more than two years after the end of the Class Period and long after the marketplace had
22 discovered that defendants had been improperly inflating Camtek's performance results .

24 37. This ever-mounting inventory problem was a direct result of Camtek's improper
25 practice of recognizing sales revenues from AOI machines still under evaluation, for when any of
26 those AOI machines were eventually not accepted by the customer, the revenues had to be reduced
27 and the AOI machine in question returned to inventory. Shortly after the end of the Class Period,
28

1 defendants put into clear tabular form for the first time the alarming growth in all categories of
2 inventory in the Camtek Form 20-F for 2006. Defendants revealed for the first time on page F-14
3 that inventories for “[c]ompleted systems, including systems not yet purchased, at customer
4 locations” stood at a staggering \$11.53 million at the end of 2005 and then grew a further 59.3%
5 during 2006 to \$18.372 million by the end of 2006. These crippling inventory levels, had they been
6 revealed to investors, would have had a devastating effect on Camtek’s share price during the Class
7 Period, as it would have become clear that Camtek’s much-touted revenue growth was based upon
8 the supposed sales of systems that were in fact technically still in inventory and still under customer
9 evaluation. At the same time that the completed systems inventory was growing out of control, the
10 same thing was happening with the components inventory, which went from \$9.020 million in 2005
11 to \$17.702 million by the end of 2006, an increase of 96.3%. While defendants revealed the total
12 amount of inventory before 2006, defendants never revealed the all-important breakdown between
13 completed systems, components and partially completed systems until after the end of the Class
14 Period in the Form 20-F for 2006.

15
16 **THE SCHEME TO INFLATE THE PRICE OF CAMTEK COMMON STOCK**

17 38. Beginning as early as November 2005, defendants developed a scheme whereby
18 Camtek would misrepresent its earnings and performance and wrongfully inflate its actual cash flow
19 from operations (“CFFO”) so as to create the impression in the marketplace that Camtek was
20 expanding rapidly and that its all-important performance benchmark of cash flow from operations
21 was growing commensurately with the purported expansion of its AOI system sales. Defendants
22 accomplished their scheme in part by embarking upon an extensive factoring program with at least
23 two banks, in order to make the false impression that Camtek’s revenue recognition was not as
24 aggressive as it actually was. Analysts look at two measures when evaluating whether a company’s
25 recognition policy is over-aggressive: increasing DSO (which is a ratio between receivables and
26 revenues) and increasing gaps between CFFO and operating earnings. By secretly factoring
27 receivables, defendants reduced Camtek’s reported receivables and increased incoming cash by
28

1 means of pure financing transactions with banks, while at the same time deceiving analysts and the
2 marketplace into believing that the cash raised from banks (actually the equivalent of loans) is
3 coming from customers who are allegedly satisfied with the AOI systems which they are
4 considering to purchase and are happy to pay promptly for them. Defendants never disclosed these
5 material facts relating to Camtek's core business operations to the marketplace during the Class
6 Period.

7 39. Camtek also had access to letters of credit whereby Camtek could finance its working
8 capital and manipulate its reported CFFO and DSO levels by cashing in the letters of credit before
9 the AOI systems orders for which the letters of credit had been generated had been finally accepted
10 by Camtek's customers. According to statements made by defendant Moshe Amit on a fourth
11 quarter 2005 earnings conference call held on March 2, 2006, about 70% of Camtek's Asian
12 business, which represented approximately 75% of Camtek's total business, was supported by such
13 letters of credit. This would mean, for example, that of Camtek's stated second quarter revenues for
14 2006 of \$27.9 million, over \$14.6 million could be factored, or almost 700% of Camtek's reported
15 CFFO for that quarter (\$2.1 million). Thus the stated \$2.1 million positive CFFO for Camtek's
16 second quarter 2006 could actually be hiding a negative \$12.5 million CFFO from pure operations if
17 defendants utilized the full positive cash flow from financing activities that was available. By never
18 providing any information about the sources for Camtek's reported CFFO, investors were
19 deliberately misled by defendants into believing that Camtek was maintaining an excellent
20 collection rate on its AOI system orders and that its business was rapidly expanding in a sustainable
21 and financial prudent manner.

22 40. Camtek never disclosed that it had in fact used these letter of credit arrangements
23 extensively to distort materially its reported CFFO, and never properly distinguished these cash
24 flows as arising from financing activities as opposed to operations. Defendants' strategy was to
25 deliberately mislead investors into thinking that the positive cash flows reported from the fourth
26 quarter 2005 through the third quarter 2006 were the result of "very good collection" procedures and
27
28

1 not artful financing arrangements designed to conceal the true state of Camtek's business. As
2 defendant Moshe Amit made clear in that same March 2, 2006 call regarding fourth quarter 2005
3 financial results: "As far as the cash flow and the cash burning, yes I'll answer it by a very good
4 collection. And I just want to remind you that the way I represent the numbers, the way I develop
5 and represent the numbers are all on a cash basis."

6 41. Factoring is a common source of financing where a company agrees to sell some or
7 all of its accounts receivable, at a discount, to a financial institution or other entity with the goal of
8 obtaining the cash more quickly, which would then under US GAAP show up as a positive cash
9 flow from financing activities. Analysts view these off-balance sheet facilities like debt because
10 they serve a financing function and often involve substantial recourse and indirect guarantees.

11 42. During the Class Period, Plaintiff and the Class, analysts and investors relied upon
12 Camtek's reported CFFO as an important measure of Camtek's performance. Because Camtek was
13 a foreign issuer, defendants were not required to break down Camtek's reported CFFO into its
14 financial and pure operations components as a matter of accounting practice, but were required to
15 make such disclosure to avoid making material misrepresentations about the nature and quality of
16 Camtek's CFFO and thus the overall health of its business operations.

17 43. Factoring was the key to defendants' successful fraud, because along with apparently
18 growing revenues, investors would expect to see increasingly positive CFFO, without which serious
19 questions would begin to arise regarding Camtek's ability to sustain earnings growth and collect on
20 its first-time AOI systems orders in a timely manner. The more frequently that defendants engaged
21 in revenues shifting and premature revenue recognition to bolster Camtek's reported earnings, the
22 more they needed to show an increasingly positive CFFO. Large-scale factoring provided
23 defendants with an ideal method of accomplishing their illegal scheme.

24 44. Defendants knew, or were reckless in not knowing, that Camtek intentionally hid
25 material amounts of factoring from analysts and investors. Defendants also knew, or were reckless
26 in not knowing, that from at least the fourth quarter of 2005 through the first three quarters of 2006,
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28

1 Camtek materially increased the amount of undisclosed factoring in order to meet stated
2 performance criteria.

3 45. Defendants materially misrepresented Camtek's financial performance during the
4 Class period by never revealing that Camtek was engaged in major factoring activities during the
5 Class Period until the filing of Camtek's Form 20-F for 2006 on June 29, 2007. In that report,
6 defendants disclosed for the first time only that:

7 The Company entered into accounts receivable factoring agreements with two
8 financial institutions (the "banks"). Under the terms of the agreements, the
9 Company has the option to factor receivables, with the banks on a nonrecourse
10 basis, provided that the banks approve the receivables in advance. In
11 some cases, the Company continues to be obligated in the event of commercial
12 disputes, (such as product defects) which are not covered under the credit
13 insurance policy, unrelated to the credit worthiness of the customer. The
14 Company accounts for the factoring of its financial assets in accordance with
15 the provisions of SFAS 140. The Company does not expect any
reimbursements to take place in the foreseeable future. The factoring fees of
the above mentioned agreements sums to \$ 51 thousands in 2006. As of
December 31, 2006 trade receivables amounting to approximately \$2.5
million, were factored.

16 46. While the Form 20-F disclosure states the alleged factoring balance as of the end of
17 2006, such number gives no indication of how high the factoring balance might have been at various
18 times prior to December 31, 2006. While defendants have revealed no further information regarding
19 their factoring activities during the Class Period, Plaintiff believes that the factoring balance might
20 well have reached a level of \$6 million and possibly as high as \$10 million to \$15 million during the
21 time of the Camtek private placement in May 2006 and the Priortech sale of Camtek stock in June
22 2006, thus greatly enhancing the purported strength of Camtek's financial performance at the very
23 time that potential investors were being courted by defendants to make substantial investments in
24 Camtek stock.

25 47. Defendants had a duty to Plaintiff and the Class to make full and fair disclosure of
26 Camtek's business operations and financial performance, and had defendants made full and fair
27 disclosure of its factoring activities on a timely basis, as well as its premature revenue recognition
28

1 practices regarding AOI system orders that were still under client review, Camtek's share price
2 would have never reached the levels that it achieved in 2006, and defendants would have never been
3 able to reap the profits that they did in selling Camtek and Priortech shares at prices artificially
4 inflated by the false Camtek performance information that they disseminated into the marketplace.

5 48. Defendants knew or were reckless in not knowing that Camtek's eventual decision to
6 disclose the \$2.5 million of factoring that was still outstanding at the end of 2006 in its 2006 Form
7 20-F filing was made with the intention of hiding the much higher levels of factoring and
8 receivables financing that were in place throughout 2006 and the last quarter of 2005 and that were
9 used to distort materially during those periods the CFFO and DSO numbers upon which investors
10 relied as an accurate benchmark of operational soundness and good business practice.

11 49. At the same time as defendants were engaging in large-scale factoring of aging
12 receivables, Camtek concealed the dangerously deteriorating state of its cash flow from operations,
13 which actually declined into a multi-million dollar negative flow during the Class Period.
14 Defendants further accomplished their improper scheme by arranging for Camtek affiliates to use
15 Camtek as a middleman for selling products not connected with ordinary business but which had the
16 effect of further inflating Camtek's reported revenue numbers.

17 50. During the course of 2006, defendants arranged to make several transactions through
18 their affiliate sister company PCB Technologies, also controlled by Priortech, in order to inflate
19 further Camtek's revenues. In the second quarter of 2006, Camtek sold a \$240,000 machine to PCB
20 Technologies, even though PCB Technologies was not involved in the core business of Camtek.
21 This amount, as reported in the Camtek 2006 Form 20-F, was actually materially understated, as
22 Camtek belatedly disclosed in its 2008 Form 20-F that the actual amount of sales to parents and
23 affiliates in 2006 was \$407,000. Furthermore, Plaintiff alleges that during a four-year period up
24 through 2006, PCB Technologies sold PCB boards to Camtek so that Camtek in turn could sell such
25 already finished products to PCB customers and thus pump Camtek revenues. In concert with
26 defendants' overall scheme to enhance revenues at all costs in 2006, this practice grew enormously,
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1 with PCB Technologies funneling approximately \$3,244,000 in revenues to Camtek in 2006 alone
2 (an over 500% increase from 2005), or approximately 5% of PCB Technologies total revenues for
3 the year and becoming the company's third largest customer among 260 customers, according to the
4 PCB Technologies 2006 Annual Report.

5 51. The purpose for engaging in this fraudulent course of conduct was to enable
6 defendants to sell shares of Camtek common stock or shares of stock in its publicly trading parent
7 company, Priortech, at artificially inflated levels to unsuspecting members of the public who relied
8 upon the efficiency of the markets and the truthfulness of Camtek's public disclosures. Thus, on or
9 about May 30, 2006, defendant Moshe Amit took full advantage of the market hype for Camtek
10 created by defendants and sold the majority (if not all) of his Camtek shares, selling 235,200 shares
11 at \$6.37 per share for a total of approximately \$1,500,000.

12 52. Defendant Camtek also benefited greatly from the alleged fraudulent scheme to
13 inflate the share price of Camtek common stock. On April 28, 2006, Camtek completed the private
14 placement of 2,525,252 shares of its common stock at a price of \$5.94 per share, or approximately
15 \$15,000,000, together with warrants for an additional 1,262,626 shares at a strike price of \$6.83 per
16 share during a period of four years.

17 53. The price performance of Priortech shares on the TASE was closely linked to the
18 price performance of Camtek shares, principally on the NASDAQ market. The chart attached hereto
19 as Exhibit F illustrates the relative price movements of Camtek common stock (CAMT) and
20 Priortech common stock (PRTC) on the TASE during the Class Period. The price movements of
21 CAMT and PRTC were first converted from Israeli shekels to dollars and were then correlated using
22 the Microsoft Excel correlation function, and produced a correlation of 86.3%. Normally, a
23 correlation of 50% or greater is considered statistically significant, while a correlation in excess of
24 85% is considered extremely strong. Thus, as defendants were successful in their scheme to drive
25 up the price of Camtek stock, so did the price of Priortech stock move up in a highly correlated
26 manner. As the truth began to come into the marketplace about the true state of Camtek's business
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28

1 operations and financial chicanery in late 2006 and early 2007, so did the share price of Priortech
2 plunge along with the share price of Camtek.

3 54. During the Class Period, defendants Rafi Amit and Stern made substantial sales of
4 Priortech stock at price levels that would not have occurred but for the contemporaneous, artificially
5 inflated prices of Camtek common stock. On September 27, 2006, defendant Rafi Amit sold 75,000
6 shares of Priortech for approximately \$750,000, and on October 5, 2006 sold an additional 50,000
7 shares for approximately \$528,500. On November 29, 2006, defendant Stern sold 150,000 shares of
8 Priortech for approximately \$1,590,000, just 18 trading days before Camtek's disastrous fourth
9 quarter preliminary earnings announcement and the collapse of its stock price by more than 22% in a
10 single day.

11 55. During this same period, at least four other Directors of Priortech also made sales of
12 Priortech common stock at similarly artificial price levels, including the following three individuals:
13 (a) Zehava Vinberg sold 17,000 shares at approximately \$11.60 per share on October 18, 2006 and a
14 further 4,000 shares at approximately \$11.62 per share on October 26, 2006; (b) Itzhak Krell
15 (pursuant to a share voting agreement with defendants Rafi Amit and Stern, the third control person
16 of Priortech and thereby Camtek) sold 42,010 shares at approximately \$11.48 per share on October
17 22, 2006; and (c) David Kishon sold 5,000 shares at approximately \$11.97 per share on June 7,
18 2006, 17,500 shares at approximately \$12.08 per share on June 16, 2006 and a further 4,000 shares
19 at approximately \$11.62 per share on October 26, 2006.

20 56. Defendants Rafi Amit and Stern and other Priortech stockholders also achieved a
21 huge financial windfall when, on June 16, 2006, Priortech managed to sell 2,440,000 shares of
22 Camtek stock to institutional investors at artificially inflated prices for approximately \$14,976,000,
23 together with warrants for an additional 1,220,000 shares at a strike price of \$7.05 per share for a
24 period of four years.

25 57. Camtek was a foreign issuer trading on the NASDAQ market, and was therefore
26 exempt from filing information regarding insider sales or purchases of Camtek securities on Form 4
27
28

1 under Section 16 of the Securities Exchange Act of 1934. 17 C.F.R. § 240.3a12-3(b). The alleged
 2 insider sales of Priortech (and possibly some or all of the Camtek insider sales) were made on the
 3 TASE. Thus investors in Camtek had no reasonable manner to learn of these insider sales and
 4 assess the implications to be drawn from them.

5 **MATERIALLY FALSE AND MISLEADING**
 6 **STATEMENTS ISSUED DURING THE CLASS PERIOD**

7 58. On November 22, 2005, Camtek issued a press release announcing the Company's
 8 third quarter 2005 financial results. The press release stated in part:

9 CAMTEK LTD. ANNOUNCES 2005 THIRD QUARTER RESULTS
 10 CONTINUED STRONG GROWTH IN SEMICONDUCTOR EQUIPMENT
 11 BUSINESS
 12 CAMTEK INTRODUCES REVENUE GUIDANCE FOR 2006

13 MIGDAL HAEMEK, Israel, November 22, 2005 – Camtek Ltd. (NASDAQ: CAMT),
 14 today announced results for the third quarter of 2005, which ended on September 30.
 15 The company also released initial guidance for the year 2006.

16 Revenues for the third quarter of 2005 were \$17.7 million, 8% below \$19.3 million in
 17 the third quarter of 2004, and up sequentially 5.8% from \$16.8 million reported in the
 18 second quarter of 2005. Revenue guidance issued for the quarter was between \$16-18
 19 million. The revenue breakdown in the third quarter of 2005 between the sales of
 20 PCB, HDI-S and Semiconductor Manufacturing and Packaging products was 53%,
 21 19% and 28%, respectively.

22

23 Rafi Amit, Camtek's CEO commented, "We are pleased with our revenues, coming in
 24 at the upper end of our expectations. We are particularly proud of our performance in
 25 the semiconductor business, having grown by over 25% from the previous quarter.
 26 This strong growth reflects the competitive and technological advantages of the
 27 Falcon, as well as the continuing implementation of our strategy, which aims to
 28 become a major player in the semiconductor inspection arena. The growth in our
 semiconductor revenue more than offsets the decline in revenues of PCB inspection
 products."

1 Mr. Amit continued, “We recently introduced new models of the Falcon which have
2 fed into our increasingly growing order pipeline. The Falcon has been qualified for a
3 number of different applications by some major integrated device manufacturers and
4 wafer foundries. We continue to win side-by-side evaluations against competitors and
5 our orders have included repeat and multiple orders, which are evidence of the
6 customer’s perception of the quality and the value of this product line. We believe that
7 the sale of current and future Falcon models will continue on its growth trend in 2006,
8 eventually contributing a greater portion of our revenues than our PCB inspection
9 systems. In the next quarter, we expect total revenues of between US\$18-20 million,
10 with continued strong growth from the Falcon.”

11 Mr. Amit concluded, “We believe 2006 PCB sector revenues will remain at around
12 the same level as those of 2005. However, given our significantly strengthening
13 pipeline of Falcon orders and evaluation requests for the next six months, and
14 assuming an unchanged trend in the global semiconductor market, we forecast 2006
15 Falcon sales growing by 100-150% over 2005. Thus based on these assumptions, we
16 expect total revenues for 2006 to be in the range of US\$85-95 million, representing
17 year-on-year growth of between 35-55%.”

18 59. On the same day, November 22, 2005, Camtek held a conference call (transcripts of
19 such conference calls were available contemporaneously on Camtek’s website and thus were
20 accessible by the investing public), during which defendant Moshe Amit repeated his brother’s
21 statements from the press release regarding revenue results and projections and added that, among
22 other things, “we generated a positive operating cash flow of 2.2 million.” These actions by
23 defendants set the stage for the launch of defendants’ illegal scheme to drive up the price of Camtek
24 common stock. Defendants Rafi and Moshe Amit knew at the time that they made such statements
25 that they were materially false and misleading, because they knew that such revenue projections
26 would only be achievable by undisclosed and improper revenue recognition techniques, such as
27 early recognition of revenues from AOI systems that were still under client evaluation or when not
28 all necessary terms to complete had been achieved, as well as inflating such revenues by washing
through millions of dollars of otherwise unrelated sales provided by sister company and Priortech
subsidiary PCB Technologies and not recognizing inventory write-offs as expenses and properly

1 reclassifying inventory on a timely and accurate basis. Defendant Moshe Amit further knew the
2 falsity of his statement regarding the generation of a positive operating cash flow, because he knew
3 that such positive cash flow was in fact generated from factoring and other financing activities and
4 not from pure operations.

5 60. On the day that this press release was made, Camtek stock opened at \$3.20 per share
6 and closed at \$3.40 per share on heavy volume of 242,800 after hitting \$3.45 per share. By
7 December 6, 2005, Camtek had hit a high of \$4.48 per share, a gain of 40% over the November 22,
8 2005 opening price.

9
10 61. On January 5, 2006, Camtek issued a press release giving preliminary guidance for
11 revenues in the first quarter of 2006:

12 **CAMTEK RELEASES PRELIMINARY Q1 2006 GUIDANCE OF \$20-23
13 MILLION**

14 Audited Full Year 2005 Results will be released on Thursday, March 2nd

15 MIGDAL HA'EMEK, Israel, January 5, 2006 – Camtek Ltd. (NASDAQ: CAMT,
16 TASE: CAMT) today announced that it expects to recognize revenues in the range of
17 \$20-23 million in the first quarter of 2006. This preliminary guidance is based on the
18 current backlog and prospects for Camtek's Falcon systems, which indicate another
19 strong quarter, and on the assumption that the PCB market remains at a similar level
20 as in the fourth quarter of 2005.

21 Mr. Rafi Amit, Camtek's CEO commented, "We are very pleased with the recent
22 momentum in our business driven by the success of the Falcon. The strong growth in
23 sales of Falcon in the fourth quarter of 2005, as well as our current backlog and
24 prospects, form the basis for our high confidence entering 2006."

25 62. This press release was false and misleading because as defendants well knew at the
26 time, such revenue projections would only be achievable by undisclosed improper revenue
27 recognition techniques, such as early recognition of revenues from AOI systems that were still under
28 client evaluation or when not all necessary terms to complete had been achieved, as well as inflating
such revenues by washing through millions of dollars of otherwise unrelated sales provided by sister
company and Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as
expenses and properly reclassifying inventory on a timely and accurate basis.

1 63. Two days before the press release was made, Camtek stock had traded as low as
2 \$4.34 per share. By the day following the press release, Camtek stock had hit a high of \$5.20 per
3 share, a gain of almost 20% in three days.

4 64. On March 2, 2006, Camtek issued a press release announcing the Company's fourth
5 quarter and full year financial results. The press release stated in part:

6 CAMTEK ANNOUNCES 2005 FOURTH QUARTER & FULL YEAR RESULTS

7 Revenues were \$19.4m for Q4, \$63.0m for 2005; EPS \$0.07
8 First quarter and full year revenues guidance revised upwards
9 to \$22-24m and \$90-100m respectively

10 MIGDAL HAEMEK, Israel – March 2nd, 2006 – Camtek Ltd. (NASDAQ: CAMT),
11 today announced results for the fourth quarter and twelve months ended December 31,
12 2005.

13 The company reported near-record revenues for the fourth quarter of 2005 at \$19.4
14 million, up 10% from \$17.6 million in the fourth quarter of 2004, and sequentially up
15 10% from \$17.7 million in the quarter ended September 30, 2005.

16

17 Revenues for the twelve-month period ended December 31, 2005 were \$63 million,
18 down 6.5% from \$67.4 million for the twelve-month period ended December 31,
19 2004. Gross profit margin for the year 2005 was 48.0%, compared to a 53.5% margin
20 in 2004. Net profit for the twelve-month period ended December 31, 2005 was \$2.7
21 million or \$0.10 per share, compared to \$10.8 million, or \$0.39 per share for the
22 twelve-month period ended December 31, 2004.

23 Rafi Amit, Camtek's CEO, commented, "2005 was a good year for us in spite of its
24 slow start. It marked our breakthrough into the semiconductor manufacturing and
25 packaging industry with Falcon sales reaching \$19.8 million. In the fourth quarter
26 alone, revenues from Falcon sales reached \$9.1 million. We carried out our ambitious
27 penetration plan and won orders from major semiconductor firms worldwide,
28 including 6 of the top-15 manufacturers. These customers chose the Falcon
predominantly for its performance and for Camtek's responsiveness to their needs.
Qualification by such corporations with their multiple sites represents a significant
potential for follow-on orders with a shorter selling cycle."

.....

Mr. Amit concluded, "2006 has started stronger than anticipated in both our core
markets. We are therefore adjusting our previous first quarter revenue guidance
upward from \$20-23 million to \$22-24 million. Moreover, our strong pipeline and the
market feedback we receive, allow us to increase our revenue guidance for the year
2006 from \$85-95 million to \$90-100 million. We believe that most of the expected

1 growth will come from the semiconductor manufacturing and packaging industry,
2 while our revenues from the PCB industry should grow moderately.”

3 The company is also announcing that as of March 19, 2006, Mrs. Ronit Dulberg will
4 replace Mr. Moshe Amit as Chief Financial Officer of the Company. Moshe Amit will
5 maintain his current position as Executive Vice President and will handle various
6 tasks as an active member of Camtek’s senior management.

65. On the same day, March 2, 2006, Camtek held a conference call, during which
7 defendant Moshe Amit repeated his brother’s statements from the press release regarding revenue
8 results and projections. Defendants Rafi Amit and Moshe Amit knew at the time that they made
9 such statements that they were materially false and misleading, because they knew that such revenue
10 projections would only be achievable by undisclosed improper revenue recognition techniques, such
11 as early recognition of revenues from AOI systems that were still under client evaluation or when
12 not all necessary terms to complete had been achieved, as well as inflating such revenues by
13 washing through millions of dollars of otherwise unrelated sales provided by sister company and
14 Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as expenses and
15 properly reclassifying inventory on a timely and accurate basis. Furthermore, as defendants Rafi
16 Amit and Moshe Amit well knew as senior officers of Camtek, defendants were inflating CFFO and
17 maintaining a low DSO through extensive use of undisclosed factoring.

66. On the day before that this press release was made, Camtek stock had traded as low
19 as \$5.04 per share. On the day of the press release, Camtek stock reached a high of \$5.49 per share
20 on a volume of 158,200 shares, or a gain of almost 9%.

67. Camtek filed its audited financial statements for 2005 that would appear in the 2005
23 Form 20-F in a Form 6-K dated April 6, 2006. In Note 2 (i) to those audited statements, Camtek
24 described its revenue recognition policy as follows:

25 The Company recognizes revenue from sales of its products when the products are
26 installed at the customer’s premises and are operating in accordance with its
27 specifications, signed documentation of the arrangement, such as a signed contract
28 or purchase order, has been received, the price is fixed or determinable, and
collectability is reasonably assured.

1 As defendants well knew, this statement was materially incomplete and misleading, because it failed
 2 to state that defendants had implemented another means of material revenue recognition from the
 3 sale of its products through revenue shifting and premature revenue recognition and before all
 4 necessary terms to complete had been achieved, thereby causing inventory increases later on when
 5 AOI systems were rejected by customers and hiding increasingly problematic inventory backlogs
 6 (backlogs that Camtek would eventually reclassify or write off) and the lengthening times for
 7 completing AOI system testing by clients far beyond the advertised one to four month period. These
 8 improper revenue recognition techniques were never disclosed during the Class Period, and would
 9 have never met the tests that the Company claimed to be applying for revenue recognition in Note
 10 2(i) of its 2005 Form 20-F financial statements. Defendants successfully diverted attention away
 11 from their illegal scheme by improperly manipulating Camtek's reported CFFO and DSO levels to
 12 give the false impression that its financial operations were confirming the success of its purported
 13 business expansion. Defendants were only able to succeed in their fraudulent scheme through the
 14 use of undisclosed and extensive factoring arrangements that were never disclosed during the Class
 15 Period, and only partly revealed in Camtek's Form 20-F for 2006 filed on June 28, 2007.

16 68. On April 24, 2006, Camtek issued a press release announcing an upward revision in
 17 the Company's previously issued second quarter revenue guidance. The press release stated:

18 **CAMTEK EXPECTS Q1 REVENUES TO EXCEED PREVIOUS EXPECTATIONS**
 19 **Anticipates Second Quarter Record Revenues between \$26 and 29 Million**

20 MIGDAL HA'EMEK, Israel, April 24, 2006 – Camtek Ltd. (NASDAQ: CAMT,
 21 TASE: CAMT) today announced that it expects its revenues in the first quarter of
 22 2006 to exceed its previously announced range of \$22-24 million and reach \$24.5-25
 23 million. That forecast was previously revised upwards from preliminary first quarter
 guidance, issued in January 2006. For the second quarter of 2006 the Company
 anticipates revenues of \$26-29 million.

24 Mrs. Ronit Dulberg, Camtek's CFO commented, "These results derived from strong
 25 performance in the PCB market that exceeded our previous estimates, and from the
 26 continuing growth of our sales to the semiconductor industry. In the semiconductor
 inspection market, Camtek has won a number of new and repeat orders from leading
 semiconductor manufacturers, including new Japanese and European customers."

1 69. This press release was false and misleading because as defendants well knew at the
2 time, such revenue projections would only be achievable by undisclosed improper revenue
3 recognition techniques, such as early recognition of revenues from AOI systems that were still under
4 client evaluation or when not all necessary terms to complete had been achieved, as well as inflating
5 such revenues by washing through millions of dollars of otherwise unrelated sales provided by sister
6 company and Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as
7 expenses and properly reclassifying inventory on a timely and accurate basis.

8
9 70. In response to this news, the price of Camtek shares shot up nearly 23% from the
10 previous day's close of \$4.89 per share, to close on April 24, 2006 at \$6.01 per share on a volume of
11 810,800 shares.

12 71. On April 28, 2006, the Company issued a press release announcing the successful
13 completion of a private placement of 2,525,252 ordinary shares at a price of \$5.94 per share, for
14 proceeds of approximately \$15 million, together with warrants which were exercisable into an
15 additional 1,262,626 ordinary shares at \$6.83 per share during a period of four years, to be issued to
16 the investors following approval of registration for trading of the shares by the TASE. In the press
17 release, defendant Dulberg claimed that "[t]he Company's strong performance in recent quarters and
18 the potential future growth, enabled us to raise the funds from a position of strength." In addition,
19 defendant Rafi Amit stated that: "This offering is a testament to the confidence by the capital
20 markets in Camtek future prospects ... The trends we are seeing in the market and the acceptance of
21 our products lead us to be optimistic about the future of the company and its growth prospects."

22
23 72. The price established for the private placement, \$5.94 per share, was based upon the
24 closing price of Camtek shares on the NASDAQ market on April 26, 2006. As a direct result of the
25 continuing scheme to tout huge earnings growth without full disclosure of massive inventory
26 backups and other cash flow warning signs, as evidenced by the Camtek press release on April 24,
27 2006, defendants were able to price the private placement at a price that was a \$1.05 per share
28

1 higher than the closing price the day before the April 24, 2006 announcement, resulting in over \$2.5
 2 million in additional offering proceeds for defendants in the space of three days' market activity.

3 73. On May 16, 2006, Camtek issued a press release announcing the Company's first
 4 quarter 2006 financial results. The press release stated in part:

5 CAMTEK LTD. ANNOUNCES RECORD FIRST QUARTER 2006 RESULTS

6 Record quarterly revenues of \$24.9 million
 7 Net income of \$4.4 million, up 115% sequentially

8 Adjusts 2006 revenue guidance upwards to \$100 – 110 million

9 MIGDAL HAEMEK, Israel - May 16, 2006 - Camtek Ltd. (NASDAQ: CAMT),
 10 today announced results for the first quarter ended March 31, 2006.

11

12 Revenues for the first quarter of 2006 were \$24.9 million, 172% above the \$9.1
 13 million as reported in the first quarter of last year, and sequentially up 28% from the
 14 \$19.4 million as reported in the fourth quarter of 2005.

15

16 "This was another record quarter – our third in a row," commented Rafi Amit,
 17 Camtek's CEO. "We increased our sales both to the PCB/HDI and to the
 18 semiconductor industries and registered a positive cash flow. The Falcon, our line of
 19 wafer inspection systems for the semiconductor industry, continued its penetration in
 20 the market and solidified its position as a leading product among top-tier
 21 manufacturers. In parallel to our continuing activity in developing the Falcon's future
 22 generations, we are focusing R&D efforts in the high-end of the PCB industry, where
 23 margins are higher and our technological advantages give us an edge. This positions
 24 us very well for the coming years. "

25 Ronit Dulberg, Camtek's CFO added, "Our current order stream allows us to
 26 comfortably reiterate our revenue guidance of \$26-29 million for the second quarter.
 27 Furthermore, based on the satisfying results of the first quarter, the demand levels for
 28 our products, and our reading of the marketplace, we estimate at this point that our
 revenues in 2006 are likely to exceed our previous guidance and fall in the range of
 \$100-110 million."

74. This press release was false and misleading because as defendants Rafi Amit and
 Dulberg well knew at the time, such revenue projections would only be achievable by undisclosed
 improper revenue recognition techniques, such as early recognition of revenues from AOI systems
 that were still under client evaluation or when not all necessary terms to complete had been

1 achieved, as well as inflating such revenues by washing through millions of dollars of otherwise
2 unrelated sales provided by sister company and Priortech subsidiary PCB Technologies and not
3 recognizing inventory write-offs as expenses and properly reclassifying inventory on a timely and
4 accurate basis.

5 75. On the same day, May 16, 2006, Camtek held a conference call, during which
6 Camtek's Director of Finance, Yuval Attias ("Attias"), stated that: "[d]uring the first quarter of
7 2006, we had a positive operating cash flow of \$1.3 million and the receivable – our DSO [days
8 sales outstanding] decreased to 112 days, which is within our target range, down from 124 days in
9 the first quarter of 2005." Defendants knew that Attias' statement regarding the generation of a
10 positive operating cash flow and a reduction in DSO were materially false and misleading when
11 made, because they knew that such positive cash flow and reduction in DSO were in fact generated
12 from undisclosed factoring and other financing activities and not from pure operations, but none of
13 the defendants ever attempted to correct such materially false information that Attias had
14 disseminated on the conference call.

15
16 76. On that same conference call held on May 16, 2006, defendant Dulberg then repeated
17 the same false statements made by her and defendant Rafi Amit in the May 16, 2006 press release
18 regarding revenue results and projections. Defendant Dulberg knew at the time that she made such
19 statements on the conference call that they were materially false and misleading, because she knew
20 that such revenue projections would only be achievable by undisclosed improper revenue
21 recognition techniques, such as early recognition of revenues from AOI systems that were still under
22 client evaluation or when not all necessary terms to complete had been achieved, as well as inflating
23 such revenues by washing through millions of dollars of otherwise unrelated sales provided by sister
24 company and Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as
25 expenses and properly reclassifying inventory on a timely and accurate basis. Defendant Dulberg
26 also knew at the time that defendants were inflating reported CFFO and maintaining a low reported
27 DSO through extensive use of undisclosed factoring.
28

1 Revenues for the second quarter of 2006 were \$27.9 million, 67% above \$16.8
 2 million in the second quarter of 2005, and up 12% sequentially from \$24.9 million
 3 reported in the first quarter of 2006.

4

5 Rafi Amit, Camtek's CEO, commented: "Camtek's operational and financial
 6 performance excelled this quarter. We continued building our strong position in the
 7 semiconductor manufacturing and packaging industry as our revenues from this
 8 industry reached \$13 million and contributed 47% of our total revenues. We continue
 9 to see the same level of activity as last quarter in the PCB and HDI-S markets, which
 10 contributed \$14.9 million to our revenues."

11 Mr. Amit continued, "In parallel to our activities of supporting our growth, we have
 12 been developing new capabilities for all our served markets. We will announce a few
 13 of these capabilities in the near future."

14 Mrs. Ronit Dulberg, Camtek's CFO, added, "We are very pleased to have achieved
 15 the targets we have set for ourselves in terms of revenues, margins and profitability,
 16 which are the highest quarterly results we have ever recorded . It is worth noting that
 17 while we have been investing significant resources in expanding the organization, we
 18 were still able to record a positive operating cash flow of \$3.4 million since the
 19 beginning of the year."

20 Mr. Amit concluded, "Given our performance in the first half of the year, our current
 21 activity level and the signals we are receiving from our marketplaces, we feel
 22 comfortable with our previously updated guidance of \$100-110 million revenues for
 23 the year. At this point we can estimate our third quarter revenues at the range of \$26-
 24 30 million". [emphasis supplied]

25 82. This press release was false and misleading because as defendants Rafi Amit and
 26 Dulberg well knew at the time, such revenue projections would only be achievable by undisclosed
 27 improper revenue recognition techniques, such as early recognition of revenues from AOI systems
 28 that were still under client evaluation or when not all necessary terms to complete had been
 achieved, as well as inflating such revenues by washing through millions of dollars of otherwise
 unrelated sales provided by sister company and Priortech subsidiary PCB Technologies and not
 recognizing inventory write-offs as expenses and properly reclassifying inventory on a timely and
 accurate basis. Furthermore, defendants Rafi Amit and Dulberg also knew at the time that

1 defendants were inflating reported CFFO and maintaining a low reported DSO through extensive
2 use of undisclosed factoring.

3 83. On the same day, August 7, 2006, Camtek held a conference call, during which
4 Camtek's Director of Finance, Yuval Attias, stated that Camtek had achieved: "a positive operating
5 cash flow of about \$2 million" in the second quarter. He also stated that: "[o]ur DSO decreased to
6 110 days which is within our target range, down from 112 days in the previous quarter." Defendants
7 knew that Attias' statements regarding the generation of a positive operating cash flow and a
8 reduction in DSO were materially false and misleading when made, because they knew that such
9 positive cash flow and reduction in DSO were in fact generated from undisclosed factoring and
10 other financing activities and not from pure operations, but none of the defendants ever attempted to
11 correct such materially false information that Attias had disseminated on the conference call.

12 84. On that same conference call held on August 7, 2006, defendant Dulberg repeated the
13 same false statements made by her and defendant Rafi Amit in the August 7, 2006 press release
14 regarding revenue results and projections. Defendant Dulberg also asserted that "[w]e recorded
15 positive operation cash flow of \$3.4 million since the beginning of the year, along with the
16 expanding organization." Defendant Dulberg knew at the time that she made such statements on the
17 conference call that they were materially false and misleading, because she knew that such revenue
18 projections would only be achievable by undisclosed improper revenue recognition techniques, such
19 as early recognition of revenues from AOI systems that were still under client evaluation or when
20 not all necessary terms to complete had been achieved, as well as inflating such revenues by
21 washing through millions of dollars of otherwise unrelated sales provided by sister company and
22 Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as expenses and
23 properly reclassifying inventory on a timely and accurate basis. Furthermore, she knew that her
24 statement regarding the generation of a positive operating cash flow was false when made, because
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26
27
28

1 they knew that such positive cash flow was in fact generated from undisclosed factoring and other
2 financing activities and not from pure operations.

3 85. On that same conference call on August 7, 2006, CIBC World Market analyst Sergey
4 Vastchenok questioned defendant Rafi Amit as to why his revenue guidance for the next quarter was
5 the same range for the second quarter, especially if business was doing so well. Rather than reveal
6 the growing problems with inventory from AOI system orders still under review and problems
7 caused by prematurely recognizing revenues from such orders and other operational bottlenecks,
8 defendant Rafi Amit gave the following response:
9

10 Maybe I answer you too, especially with the Falcon. As you know, during the last
11 12 months we have installed over 60 Falcons worldwide. All Falcons were
12 accepted and have qualified you by the customer and their site. Following such an
13 intensive penetration process, we have to support our install base and complete
14 custom application. We also have to finish the process of establishing the
15 procedure of the communication between our Falcon and customer main server.

16 Defendant Rafi Amit knew at the time that he made such statements on the conference call that they
17 were materially false and misleading, because he knew that regardless of whatever claimed level of
18 success with the Falcon, Camtek was experiencing a dramatic increase in inventories while at the
19 same time CFFO without the financing activity offset was growing increasingly negative. Thus the
20 real reason to give out a flat projection for the coming quarter was not for the reasons stated but in
21 reality to deflect scrutiny from the deteriorating business environment for Camtek products and
22 Camtek's worsening financial condition.

23 86. On August 25, 2006, RBC Capital Markets initiated coverage of Camtek with an
24 "Outperform" rating on Camtek and set a price target of \$9.00 per share.

25 87. On November 9, 2006, Camtek issued a press release announcing the Company's
26 third quarter 2006 financial results. The press release stated in part:

27 CAMTEK LTD. ANNOUNCES RESULTS FOR THIRD QUARTER OF 2006
28 Revenues \$26.3 Million; Gross Profit \$14 million; Net Income \$4.2 million

Reaffirming 2006 Revenue Guidance

MIGDAL HAEMEK, Israel, November 9, 2006 - Camtek Ltd. (NASDAQ: CAMT; TASE: CAMT), today announced financial results for the third quarter ended September 30, 2006.

Revenues for the third quarter of 2006 were \$26.3 million, 48% above \$17.7 million in the third quarter of 2005, and sequentially 6% below the \$27.9 million reported in the second quarter of 2006.

.....

“We are excited about our further progress toward achieving our revenue goal for this year,” commented Rafi Amit, Camtek’s CEO. “This quarter’s results reaffirm that we are well poised to achieve that ambitious target. Based on our current view of our markets, we expect revenues in the next quarter to come within 5% of the third quarter revenue level, bringing Camtek’s expected annual growth to 65%-70% over 2005 revenues. Furthermore, we have supported the expansion of our organization without sacrificing our profitability.”

88. This press release was false and misleading because as defendant Rafi Amit well knew at the time, such revenue projections would only be achievable by undisclosed improper revenue recognition techniques, such as early recognition of revenues from AOI systems that were still under client evaluation or when not all necessary terms to complete had been achieved, as well as inflating such revenues by washing through millions of dollars of otherwise unrelated sales provided by sister company and Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as expenses and properly reclassifying inventory on a timely and accurate basis.

89. On the same day, November 9, 2006, Camtek held a conference call, during which Camtek’s Director of Finance, Yuval Attias, stated that: “[w]e recorder a positive operating cash flow totalling \$4.5 million since the beginning of the year.” He further stated that: “[w]e had a positive operating cash flow of \$1.5 million in the third quarter of 2006.” He also asserted that: “[o]ur DSO [decreased] to 109 days, which is within our target range, down from 111 days in the previous quarter.” Defendants knew that Attias’ statements regarding the generation of a positive operating cash flow and a reduction in DSO were false when made, because they knew that such positive cash flow and reduction in DSO were in fact generated from undisclosed factoring and

1 other financing activities and not from pure operations, but none of the defendants ever attempted to
2 correct such materially false information that Attias had disseminated on the conference call.

3 90. On that same conference call held on November 9, 2006, defendant Dulberg then
4 repeated the same false statements made by her and defendant Rafi Amit in the May 16, 2006 press
5 release regarding revenue results and projections. Defendant Dulberg knew at the time that she
6 made such statements on the conference call that they were materially false and misleading, because
7 she knew that such revenue projections would only be achievable by undisclosed improper revenue
8 recognition techniques, such as early recognition of revenues from AOI systems that were still under
9 client evaluation or when not all necessary terms to complete had been achieved, as well as inflating
10 such revenues by washing through millions of dollars of otherwise unrelated sales provided by sister
11 company and Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as
12 expenses and properly reclassifying inventory on a timely and accurate basis. Furthermore,
13 defendant Dulberg also knew at the time that defendants were inflating reported CFFO and
14 maintaining a low reported DSO through extensive use of undisclosed factoring.

15
16 91. Furthermore, in response to questioning by Sergey Vastchenok from CIBC World
17 Market on the November 9, 2006 conference call, defendants Rafi Amit and Dulberg deliberately
18 refused to answer direct questions regarding backlog, book-to-bill ratios and the method by which
19 Camtek distinguished inventory from finished goods. Nathan Pollar, an analyst from Pollar
20 Investments also asked a series of questions on the call regarding Camtek's increasing inventory
21 levels while accounts payable was decreasing: "Another question I have, something that really
22 struck me when I look at the Accounts Payable number. It went down from like \$17 million to \$14.7
23 million between Q2 and Q3. Your inventory level rose like by \$6 million. How do you explain
24 this?" Defendants Rafi Amit and Dulberg and Attias all provided evasive and unresponsive answers
25 to these important questions, and deliberately concealed what they knew to be at the time an ever-
26 worsening financial situation for Camtek.
27
28

SCHUBERT JONCKHEER KOLBE &
KRALOWEC LLP
Three Embarcadero Center, Suite 1650
San Francisco, CA 94111
(415) 788-4220

1 92. Attached as Exhibit G hereto is a graph which compares inventory levels, revenues
2 and accounts payable for Camtek during the Class Period. The chart clearly demonstrates the
3 growing anomaly of ever-increasing inventory levels from still-pending or failed AOI system orders
4 (some of which orders Camtek had already recognized as revenues), while accounts payable
5 continue to decrease when one would logically expect them to be growing in tandem with inventory
6 levels. The gap between accounts payable and inventory that “really struck” analyst Nathan Pollar
7 after the announcement of third quarter 2006 results was getting bigger and bigger in the fourth
8 quarter of 2006 and the first quarter of 2007. In this manner defendants were able to continue to
9 report falsely positive business results for Camtek by manipulating the usual CFFO warning signs
10 that investors would be watching for.

11 93. Despite defendants’ best attempts at dissimulation, the marketplace reacted to
12 Camtek’s disappointing news. On November 9, 2006, Camtek’s share price fell from the previous
13 day’s close of \$6.60 per share to close at \$5.59 per share, a loss of over 15%, on huge volume of
14 1,204,600 shares.

15 94. On December 21, 2006, Camtek issued a press release announcing preliminary
16 financial results for the fourth quarter 2006. The Company announced that fourth quarter revenue
17 and earnings were expected to be lower than anticipated “due to lower revenues in the
18 semiconductor segment.” Among other things, the Company announced expected fourth quarter
19 revenues to range between \$19 million and \$21 million. The press release stated in relevant part as
20 follows:
21

22 CAMTEK REPORTS PRELIMINARY INFORMATION
23 ON EXPECTED REVENUES FOR THE FOURTH QUARTER OF 2006
24 Fourth Quarter Expected Revenue Range: \$19 to \$21 Million

25 MIGDAL HA’EMEK, Israel, December 21, – Camtek Ltd. (NASDAQ, TASE:
26 CAMT) reported today that it expects to report revenues for fourth quarter of 2006
27 between \$19 and \$21 million. The revenues for the fourth quarter are expected to be
28 lower than anticipated due to lower revenues in the semiconductor segment.

 Camtek will report its financial results for the fourth quarter and full year of 2006 in
 mid February 2007.

1 Rafi Amit, Camtek's CEO, commented: "Our fourth quarter decline in anticipated
2 revenues is a result of lower than expected sales in our semiconductor business, which
3 is characterized by a small number of orders, each of substantial size. After a year of
4 exceptional growth in semiconductor capacity, we encountered a situation where a
5 few of our customers delayed their purchasing decisions, while a few others requested
6 to defer delivery of their orders to subsequent quarters. We believe this lower revenue
7 level in our semiconductor business is not indicative of the upcoming quarters.
8 Nevertheless we are taking precautionary steps to ensure that we maintain our
9 profitability in the coming quarters. This includes a tight monitoring of our expense
10 levels such as a temporary freeze of hiring activities."

11 Mr. Amit continued, "2006 has still been a very good year for us and the strongest in
12 our history from a revenue and profitability point of view. Despite our revised
13 guidance range for the fourth quarter, we exceeded our original expectations by a
14 wide margin. Our growth in revenues has been about 60% over that of last year."

15 95. This news shocked the market, causing shares of Camtek to plummet \$1.28 per share,
16 a drop of more than 22% from the previous day's closing price of \$5.77 per share, to close on
17 December 21, 2006 at \$4.49 per share on unusually heavy volume of 1,458,300 shares.

18 96. Major Camtek research analyst CIBC World Market was reported in the Israeli
19 newspapers as saying "they were disappointed by the company's lack of ability to forecast revenue."
20 On December 26, 2006, CIBC reduced its price target on Camtek from \$8.00 per share to \$5.00 per
21 share.

22 97. Three months later, Camtek continued its downward slide when the Company issued
23 a press release dated March 20, 2007, announcing disappointing financial results for the fourth
24 quarter 2006. The Company reported a net loss of \$2.2 million, or \$0.07 per share – compared with
25 a third quarter net profit of \$4.2 million, or \$0.14 per share, and a net profit of \$2.1 million, or \$0.07
26 per share, for the same period in 2005. Defendant Rafi Amit commented on the disappointing
27 results as follows:
28

"In 2006 we set a new record for Camtek both in revenues of \$100 million, nearly
60% over 2005. What makes this growth noteworthy is that we accomplished it by
expanding our business while maintaining healthy margins and profitability."

1 98. This press release was false and misleading because as defendant Rafi Amit well
2 knew at the time, such revenue results were only achieved by undisclosed improper revenue
3 recognition techniques, such as early recognition of revenues from AOI systems that were still under
4 client evaluation or when not all necessary terms to complete had been achieved, as well as inflating
5 such revenues by washing through millions of dollars of otherwise unrelated sales provided by sister
6 company and Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as
7 expenses and properly reclassifying inventory on a timely and accurate basis.

8 99. On the same day, March 20, 2007, Camtek held a conference call, during which
9 defendant Dulberg repeated the same false statements made by defendant Rafi Amit in the March
10 20, 2007 press release regarding revenue results. Defendant Dulberg knew at the time that she made
11 such statements on the conference call that they were materially false and misleading, because she
12 knew that such revenue results were only achieved by undisclosed improper revenue recognition
13 techniques, such as early recognition of revenues from AOI systems that were still under client
14 evaluation or when not all necessary terms to complete had been achieved, as well as inflating such
15 revenues by washing through millions of dollars of otherwise unrelated sales provided by sister
16 company and Priortech subsidiary PCB Technologies and not recognizing inventory write-offs as
17 expenses and properly reclassifying inventory on a timely and accurate basis.

18 100. Defendant Dulberg then made the further knowingly false and misleading statement
19 on that conference call that “[d]uring 2006, we recorded a positive operating cash flow of
20 \$761,000.” Defendant Dulberg well knew at the time that Camtek had only achieved a positive
21 operating cash flow for 2006 by financing transactions, and that in fact with the proper inclusion of
22 the hidden factoring arrangements, Camtek had actually incurred a negative operating cash flow of
23 millions of dollars for 2006. She then continued on to state that: “[w]e had negative operating cash
24 flow of \$3.5 million in the fourth quarter,” and that “[o]ur DSO increased to 128 days, up from 109
25 days in the previous quarter.” Defendant Dulberg made no attempt to explain how cash flow from
26 operations could have suffered such a sudden and severe reversal, still trying to hide the effects of
27
28

1 extensive factoring and other financial chicanery employed by Camtek earlier in 2006 during the
 2 time when defendants and their associates sold millions of shares of Camtek stock to unsuspecting
 3 Class members at inflated prices.

4 101. During that same conference call on March 20, 2007, RBC Capital Markets analyst
 5 Mahesh Sangneria voiced scepticism as to how Camtek's business prospects could have come
 6 unravelled so quickly: "It seems like the weakness you saw in the December quarter was a surprise.
 7 When is it you found out that the business was turning south? Can you give us more color on exactly
 8 what happened? Because it seems like your expenses have ballooned, and the revenues even in Q1
 9 looks like it is not recovering. So what exactly happened? Can you give us some more idea about
 10 that?" After lamely suggesting that defendants only saw "specific signals from the market" in mid-
 11 December, the best explanation that defendant Rafi Amit could come up with on the call for the
 12 cause of the dramatic reversal of fortune for Camtek was to blame it on the Chinese New Year.

13 102. In reaction to this news, Camtek shares fell from a closing price of \$4.36 on March
 14 19, 2006 to as low as \$3.90 per share on March 20, 2006, a drop of over 10%, on volume of 707,200
 15 shares.
 16

17 **DISCLOSURES AND EVENTS AFTER THE CLASS PERIOD**

18 103. On March 21, 2007, RBC Capital Markets' expected rating downgrade was
 19 announced, reducing Camtek's rating from "Outperform" to "Sector Perform" and cutting RBC's
 20 price target from \$7.00 per share to \$5.00 per share, citing concerns over valuation. On that date,
 21 Camtek stock closed at \$3.95 per share.
 22

23 104. Then, on April 10, 2007, Camtek issued a press release announcing a downward
 24 revision of the Company's first quarter 2007 revenue guidance, with defendant Rafi Amit in the
 25 press release and following conference call still blaming Camtek's woes on the Chinese New Year:

26 **CAMTEK REPORTS PRELIMINARY INFORMATION** 27 **ON EXPECTED REVENUES FOR THE FIRST QUARTER OF 2007**

28 **First Quarter Revenues Expected to be approximately \$14 Million**

1
 2 MIGDAL HA'EMEK, Israel, April 10, 2007. - Camtek Ltd. (NASDAQ, TASE:
 3 CAMT) reported today that it expects to report revenues for first quarter of 2007 of
 4 approximately \$14 million. The exact amount of revenues is subject to final
 5 adjustment and review by the Company's auditors.

6 Rafi Amit, Camtek's CEO, commented: "One of the main reasons to our shortfall of
 7 revenues to the PCB market was a longer than anticipated sales process into China
 8 following the Chinese New Year holidays, which were late this year. This pushed a
 9 number of sales to the end of the quarter, and we were not able to achieve all the
 10 needed criteria to recognize revenues within the quarter. Orders of semiconductor
 11 systems were also delayed, which added to the revenue shortfall.

12 As we previously reported, we believe that, based on inputs from our customers, we
 13 see a shift in the PCB market and expect an increased demand for our products in the
 14 second quarter of 2007 and a further increase in demand for our semiconductor
 15 products in the second half of the year".

16 105. As the truth about Camtek's illusory earnings growth that had been trumpeted during
 17 2006 continued to leak out into the market, Camtek issued a further press release on May 24, 2007,
 18 announcing the results for the first quarter 2007:

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CAMTEK LTD. ANNOUNCES FIRST QUARTER 2007 RESULTS
 Revenues \$14.5 million; Net Loss \$4.3 million

MIGDAL HAEMEK, Israel - May 24, 2007 - Camtek Ltd. (NASDAQ: CAMT ;
 TASE: CAMT) today announced results for the first quarter ended March 31, 2007.

Revenues for the first quarter of 2007 were \$14.5 million, 41.8% below the \$24.9
 million as reported in the first quarter of last year, and 31% below the \$21.0 million as
 reported in the fourth quarter of 2006.

.....

Operating loss for the first quarter of 2007 was \$4.4 million compared with the
 operating loss of \$2.4 million as reported in the previous quarter. In the first quarter of
 2006 the Company reported an operating profit of \$4.4 million.

First quarter net loss was \$4.3 million or (14) cents per share on a fully diluted basis.
 This compares with a net profit of \$4.4 million, or 16 cents per share on a fully
 diluted basis, as reported in the first quarter of 2006. Fourth quarter 2006 net loss was
 \$2.2 million, or (7) cents per basic share.

.....

Mr. Amit concluded, "Based on our current information, we expect to report in the
 second quarter between \$15 and 17 million in revenues."

1 106. Only later on that day on the conference call did defendant Dulberg reveal that: “[w]e
2 had a negative operating cash of \$5.9 million in the first quarter,” and that “[o]ur DSO increased to
3 174 days, up from 128 days in the previous quarter mainly because of longer payment terms.” In a
4 stunning reversal of previous strategy when defendants were trying to pump up Camtek’s stock price
5 in 2006, defendant Dulberg then stated that: “[o]ur guidance is as of today and we make no
6 commitment to update our guidance on an ongoing basis.” As a final coda to defendants’ wrongful
7 course of conduct, defendant Dulberg added near the end of the conference call: “[a]nd as for cash
8 flow, we are not focusing any cash flow numbers.” [sic].

9
10 107. By the end of trading on June 29, 2007, Camtek stock closed at \$2.97 per share,
11 approximately \$0.23 per share lower than where Camtek stock opened at the beginning of the Class
12 Period on November 22, 2005.

VIOLATIONS OF THE SARBANES-OXLEY ACT

13
14 108. As alleged herein, defendants failed to disclose extensive factoring arrangements and
15 material information regarding CFFO and DSO results, including accurate and complete information
16 regarding the extensive use of cash flow from financial activities, while at the same time materially
17 misrepresenting and misstating important financial information regarding CFFO and DSO results.
18 Defendants also failed to disclose the material fact that they were engaging in accelerated revenue
19 recognition and other steps to artificially enhance revenues, thereby misleading investors as to the
20 true financial condition and future business prospects of Camtek. As a direct consequence of
21 defendants’ wrongful actions, the June 29, 2006 Form 20-F certifications made by defendants Rafi
22 Amit as Chief Executive Officer and Dulberg as Chief Financial Officer, as follows, and as required
23 under Sections 302 and 906 of the Sarbanes-Oxley Act, were made without any reasonable or good
24 faith basis.

- 25
26 1. I have reviewed this annual report on Form 20-F of Camtek Ltd.;
- 27 2. Based on my knowledge, this report does not contain any untrue statement of a
28 material fact or omit to state a material fact necessary to make the statements

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1 made, in light of the circumstances under which such statements were made, not
 2 misleading with respect to the period covered by this report;

3 3. Based on my knowledge, the financial statements, and other financial
 4 information included in this report, fairly present in all material respects the
 5 financial condition, results of operations and cash flows of the registrant as of,
 and for, the periods presented in this report;

6 4. The registrant's other certifying officer(s) and I are responsible for establishing
 7 and maintaining disclosure controls and procedures (as defined in Exchange Act
 Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

8 (a) Designed such disclosure controls and procedures, or caused such disclosure
 9 controls and procedures to be designed under our supervision, to ensure that
 10 material information relating to the registrant, including its consolidated
 11 subsidiaries, is made known to us by others within those entities, particularly
 during the period in which this report is being prepared;

12 (b) Evaluated the effectiveness of the registrant's disclosure controls and
 13 procedures and presented in this report our conclusions about the effectiveness of
 14 the disclosure controls and procedures, as of the end of the period covered by this
 report based on such evaluation; and

15 (c) Disclosed in this report any change in the registrant's internal control over
 16 financial reporting that occurred during the registrant's most recent fiscal quarter
 (the registrant's fourth fiscal quarter in the case of an annual report) that has
 17 materially affected, or is reasonably likely to materially affect, the registrant's
 internal control over financial reporting; and

18 5. The registrant's other certifying officer(s) and I have disclosed, based on our
 19 most recent evaluation of internal control over financial reporting, to the
 20 registrant's auditors and the audit committee of the registrant's board of directors
 (or persons performing the equivalent functions):

21 (a) All significant deficiencies and material weaknesses in the design or
 22 operation of internal control over financial reporting which are reasonably likely
 23 to adversely affect the registrant's ability to record, process, summarize and
 report financial information; and

24 (b) Any fraud, whether or not material, that involves management or other
 25 employees who have a significant role in the registrant's internal control over
 financial reporting.

26 109. The Form 20-F was also certified as compliant with the Sections 302 and 906 of the
 27 Sarbanes-Oxley Act by defendants Rafi Amit and Dulberg. However, for the reasons stated in the
 28

1 immediately preceding paragraph and as elsewhere pled herein, there was no good faith or
 2 reasonable basis for defendants Rafi Amit and Dulberg to certify that the Form 20-F was compliant
 3 with Sections 302 and 906 of the Sarbanes Oxley Act, and to the extent relevant, any of the many
 4 Form 6-Ks filed by defendants during the Class Period that contained similar financial information
 5 were also submitted in violation of the provisions of the Sarbanes-Oxley Act.
 6

PLAINTIFF'S CLASS ACTION ALLEGATIONS

7
 8 110. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
 9 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise
 10 acquired the securities of Camtek between November 25, 2005 and March 20, 2007, inclusive (the
 11 "Class Period") and who were damaged thereby. Excluded from the Class are defendants, the
 12 officers and directors of the Company, at all relevant times, members of their immediate families
 13 and their legal representatives, heirs, successors or assigns and any entity in which defendants have
 14 or had a controlling interest.
 15

16 111. The members of the Class are so numerous that joinder of all members is
 17 impracticable. Throughout the Class Period, shares of Camtek common shares were actively traded
 18 on the NASDAQ. The average daily trading volume in Camtek common stock during the Class
 19 Period was in the tens of thousands of shares per day and sometimes reached into the hundreds of
 20 thousands and millions of shares traded in a day. Record owners and other members of the Class
 21 may be identified from records maintained by Camtek or its transfer agent and may be notified of
 22 the pendency of this action by mail, using the form of notice similar to that customarily used in
 23 securities class actions.
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1 112. Plaintiff's claims are typical of the claims of the members of the Class as all
2 members of the Class are similarly affected by defendants' wrongful conduct in violation of federal
3 law that is complained of herein.

4 113. Plaintiff will fairly and adequately protect the interests of the members of the Class
5 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has
6 no interests antagonistic to or in conflict with those of the Class.

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

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

12 (b) whether statements made by defendants to the investing public during the
13 Class Period misrepresented or omitted material facts about the business, operations and
14 management of Camtek;

15 (c) whether defendants acted with knowledge or recklessness when issuing false
16 and misleading statements during the Class Period;

17 (d) whether the market prices of the Company's securities during the Class
18 Period were artificially inflated because of the defendants' conduct complained of herein; and

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

21 115. A class action is superior to all other available methods for the fair and efficient
22 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
23 damages suffered by individual Class members may be relatively small, the expense and burden of
24 individual litigation make it impossible for members of the Class to individually redress the wrongs
25 done to them. There will be no difficulty in the management of this action as a class action.
26
27
28

APPLICABILITY OF PRESUMPTION OF RELIANCE:

FRAUD ON THE MARKET DOCTRINE

116. At all relevant times, the market for Camtek's securities was an efficient market for the following reasons, among others:

(a) Camtek's stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Camtek filed periodic public reports with the SEC and the NASDAQ;

(c) Camtek regularly communicated with public investors via established market communication mechanisms, including, but not limited to, the filing of many reports with the SEC on Form 6-K and annual reports on Form 20-F, the regular dissemination of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Camtek was followed by a number of securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

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

118. At all relevant times, the material misrepresentations and omissions particularized in this complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading

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1 statements about Camtek's business, prospects and operations. These material misstatements and
 2 omissions had the cause and effect of creating in the market an unrealistically positive assessment of
 3 Camtek and its business, prospects and operations, thus causing the Company's securities to be
 4 overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading
 5 statements during the Class Period resulted in Plaintiff and other members of the Class purchasing
 6 the Company's securities at artificially inflated prices. Class members' losses from these purchases
 7 were proximately caused by the disclosures of the true facts, and were directly caused by their
 8 justifiable reliance on defendants' fraudulent and material statements, misrepresentations and
 9 omissions.

NO SAFE HARBOR

11
 12 119. The statutory safe harbor provided for forward-looking statements under certain
 13 circumstances does not apply to any of the allegedly false statements pleaded in this complaint.

14 120. Many of the specific statements pleaded herein were not identified as "forward-
 15 looking statements" when made. To the extent there were any forward-looking statements, there
 16 were no meaningful cautionary statements identifying important factors that could cause actual
 17 results to differ materially from those in the purportedly forward-looking statements. Alternatively,
 18 to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded
 19 herein, defendants are liable for those false forward-looking statements because at the time each of
 20 those forward-looking statements was made, the particular speaker knew that the particular forward-
 21 looking statement was false, and/or the forward-looking statement was authorized and/or approved
 22 by an executive officer of Camtek who knew that those statements were false when made.

ADDITIONAL ALLEGATIONS OF SCIENTER

24
 25 121. As alleged herein, defendants acted with scienter in that defendants knew that the
 26 public documents and statements issued or disseminated in the name of the Company were
 27 materially false and misleading, knew that such statements or documents would be issued or
 28

1 disseminated to the investing public, and knowingly and substantially participated or acquiesced in
2 the issuance of dissemination of such statements or documents in primary violations of the federal
3 securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of
4 information reflecting the true facts regarding Camtek, their control over and/or receipt and/or
5 modification of Camtek's allegedly materially misleading misstatements and/or their associations
6 with the Company which made them privy to confidential proprietary information concerning
7 Camtek, participated in the fraudulent scheme alleged herein.

8
9 122. Because of their executive and managerial positions with Camtek, each of the
10 Individual Defendants had access to the adverse non-public information about the business,
11 finances, markets and present and future business prospects of Camtek particularized herein via
12 access to internal corporate documents, conversations or connections with corporate officers or
13 employees, attendance at management meetings and committees thereof and/or via reports and other
14 information provided to them in connection therewith.

15 123. Defendants had a duty to disseminate promptly accurate and truthful information
16 with respect to Camtek's operations and financial condition or to cause and direct that such
17 information be disseminated and to promptly correct any previously disseminated information that
18 was misleading to the market. As a result of their failure to do so, the price of Camtek's common
19 stock was artificially inflated during the Class Period, damaging Plaintiff and the Class when the
20 truth about Camtek's true financial condition was revealed and the price of Camtek stock fell almost
21 65% from its Class Period high of \$8.40 per share on May 16, 2006 to its close at \$2.97 per share on
22 June 29, 2007.

23
24 124. The Individual Defendants, because of their positions with Camtek, controlled the
25 contents of the quarterly reports and press releases disseminated throughout the Class Period. Each
26 Individual Defendant was provided with or had access to copies of the reports and press releases
27 alleged herein to be false and/or misleading prior to or shortly after their issuance and had the ability
28 and opportunity to prevent their issuance or cause them to be corrected. Because of their positions

1 and access to material non-public information, each of the Individual Defendants knew or recklessly
2 disregarded that the adverse facts specified herein had not been disclosed to and were being
3 concealed from the public and that the positive representations which were being made were false
4 and misleading. As a result, each of the Individual Defendants is responsible for the accuracy of
5 Camtek's corporate releases detailed herein and is therefore responsible and liable for the
6 representations contained therein.

7
8 125. Each defendant is liable as a primary violator in making false and misleading
9 statements, and for participating in a fraudulent scheme and course of business that operated as a
10 fraud or deceit on purchasers of Camtek common stock during the Class Period.

11
12 126. As alleged herein, defendants acted with scienter in that each defendants knew or
13 recklessly disregarded that the public documents and statements, issued or disseminated by or in the
14 name of the Company were materially false and misleading, knew or recklessly disregarded that
15 such statements or documents would be issued to the investing public, and knowingly and
16 substantially participated or acquiesced in the issuance or dissemination of such statement or
17 documents as primary violators of the federal securities laws. Defendants, by virtue of their receipt
18 of information reflecting the true facts regarding Camtek and its business practices, their control over
19 and/or receipt of Camtek's allegedly materially misleading misstatements, and/or their associations
20 with the Company which made them privy to confidential proprietary information concerning
21 Camtek, were active and culpable participants in the fraudulent scheme alleged herein. Defendants
22 knew and/or recklessly disregarded the falsity and misleading nature of the information which they
23 caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this
24 complaint could not have been perpetuated over a substantial period of time, as has occurred,
25 without the knowledge and complicity of the personnel at the highest level of the Company,
26 including the Individual Defendants.

27
28 127. Among other things, defendants participated in Board meetings where problems
regarding increasing inventories, increasing accounts receivable and decreasing operating cash flows

1 were discussed and where plans were made to keep the full truth of such matters from being
 2 revealed to the public until such time as defendants had managed to profit improperly from their
 3 various securities sales as alleged herein.

4 128. Further, defendants actively participated in the preparation and authorized the release
 5 of public filings and press releases which materially misstated and omitted facts related to the real
 6 condition of Camtek's ongoing business.

7 129. In part, defendants were motivated to engage in the fraudulent practices alleged
 8 herein because their successful scheme allowed them to make the following known sales (and
 9 possibly many other sales as yet unknown to Plaintiff and the Class) of the common stock of
 10 Camtek and its parent Priortech during the Class Period to Plaintiff and other unsuspecting Class
 11 members at artificially inflated prices: (a) defendant Camtek sold \$15 million of its common stock
 12 in a private placement; (b) Camtek senior executives and employees exercised 431,706 options at a
 13 weighted average exercise price of \$1.63 per share for an overall estimated profit of at least
 14 \$1,500,000; (c) defendant Rafi Amit sold at least 125,000 shares of Priortech common stock; (d)
 15 Priortech and other individuals involved in the management and control of Camtek sold of tens of
 16 millions of dollars of Camtek and Priortech common stock; (e) defendant Stern sold at least 150,000
 17 shares of Priortech common stock; (f) defendant Moshe Amit sold at least 235,200 shares of Camtek
 18 common stock; and (g) Priortech sold \$15 million of Camtek's common stock.
 19
 20

21 FIRST CLAIM

22 Violation of Section 10(b) Of The Exchange Act And

23 Rule 10b-5 Promulgated Thereunder Against All Defendants

24 130. Plaintiff repeats and realleges each and every allegation contained above as if fully
 25 set forth herein.

26 131. During the Class Period, defendants carried out a plan, scheme and course of conduct
 27 which was intended to and, throughout the Class Period, did: (i) deceive the investing public,
 28

1 including Plaintiff and other Class members, as alleged herein; (ii) enable defendants to sell Camtek
2 and Priortech common stock at inflated prices to the unsuspecting public; and (iii) cause Plaintiff
3 and other members of the Class to purchase Camtek's securities at artificially inflated prices. In
4 furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took
5 the actions set forth herein.

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

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

25
26 134. The defendants had actual knowledge of the misrepresentations and omissions of
27 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
28

1 ascertain and to disclose such facts, even though such facts were available to them. Such
2 defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for
3 the purpose and effect of concealing Camtek's internal cash flow and revenue recognition problems,
4 operating condition and future business prospects from the investing public and supporting the
5 artificially inflated price of its securities. As demonstrated by defendants' misleading statements of
6 the Company's business, management and operations throughout the Class Period, defendants, if
7 they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless
8 in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to
9 discover whether those statements were false or misleading.
10

11 135. As a result of the dissemination of the materially false and misleading information
12 and failure to disclose material facts, as set forth above, the market price of Camtek's common stock
13 was artificially inflated during the Class Period. In ignorance of the fact that market prices of
14 Camtek's publicly-traded common stock were artificially inflated, and relying directly or indirectly
15 on the false and misleading statements made by defendants, or upon the integrity of the market in
16 which the common stock trades, and/or on the absence of material adverse information that was
17 known to or recklessly disregarded by defendants but not disclosed in public statements by
18 defendants during the Class Period, Plaintiff and the other members of the Class acquired Camtek
19 common stock during the Class Period at artificially high prices and were subsequently damaged
20 when the truth of defendants' misrepresentations and omissions and other wrongful conduct was
21 revealed to the marketplace.
22

23 136. At the time of said misrepresentations and omissions, Plaintiff and other members of
24 the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other
25 members of the Class and the marketplace known the truth regarding the problems that Camtek was
26 experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class
27 would not have purchased or otherwise acquired their Camtek common stock, or, if they had
28

1 acquired such securities during the Class Period, they would not have done so at the artificially
2 inflated prices which they paid.

3 137. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange
4 Act, and Rule 10b-5 promulgated thereunder.

5 138. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the
6 other members of the Class suffered damages in connection with their respective purchases of the
7 Company's common stock during the Class Period when the truth of defendants' wrongful conduct
8 was revealed in the marketplace and the price of Camtek common stock precipitously declined.

9 **SECOND CLAIM**

10 **Violation Of Section 20(a) Of**

11 **The Exchange Act Against Individual Defendants**

12 139. Plaintiff repeats and realleges each and every allegation contained above as if fully
13 set forth herein.

14 140. The Individual Defendants acted as controlling persons of Camtek within the
15 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level
16 positions, and their ownership and contractual rights, participation in and/or awareness of the
17 Company's operations and/or intimate knowledge of the false financial statements filed by the
18 Company with the SEC and disseminated to the investing public, the Individual Defendants had the
19 power to influence and control and did influence and control, directly or indirectly, the decision-
20 making of the Company, including the content and dissemination of the various statements which
21 Plaintiff contends are false and misleading. The Individual Defendants were provided with or had
22 unlimited access to copies of the Company's reports, press releases, public filings and other
23 statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were
24 issued and had the ability to prevent the issuance of the statements or cause the statements to be
25 corrected.
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1 141. In particular, each of these defendants had direct and supervisory involvement in the
2 day-to-day operations of the Company and, therefore, is presumed to have had the power to control
3 or influence the particular transactions giving rise to the securities violations as alleged herein, and
4 exercised the same.

5 142. As set forth above, Camtek and the Individual Defendants each violated Section
6 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their
7 positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the
8 Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and other
9 members of the Class suffered damages in connection with their purchases of the Company's
10 securities during the Class Period when the truth of defendants' wrongful conduct was revealed in
11 the marketplace and the price of Camtek common stock precipitously declined.

12 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:

13 A. Determining that this action is a proper class action and certifying Plaintiff as
14 class representative under Rule 23 of the Federal Rules of Civil Procedure;

15 B. Declaring and determining that defendants violated the federal securities laws
16 by reason of their conduct as alleged herein;

17 C. Awarding compensatory damages in favor of Plaintiff and the other Class
18 members against all defendants, jointly and severally, for all damages sustained as a result of
19 defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

20 D. Awarding Plaintiff and the Class their reasonable costs and expenses incurred
21 in this action, including counsel fees and expert fees; and

22 E. Such other and further relief as the Court may deem just and proper.

23 **JURY TRIAL DEMANDED**

24 Plaintiff hereby demands a trial by jury.
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1 DATED: July 10, 2009

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