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07 AUG 28 AM 9:16

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CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN JOSE DIVISION

C 07 4430
JW RS

12 SECURITIES AND EXCHANGE COMMISSION,
13 Plaintiff,
14 v.
15 JUNIPER NETWORKS, INC.,
16 Defendant.

Civil Action No. _____
COMPLAINT

17
18 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

19 SUMMARY OF THE ACTION

20 1. From mid-1999 through mid-2003, Juniper Networks, Inc. ("Juniper" or the
21 "Company"), a Sunnyvale, California company that sells Internet Protocol networking solutions,
22 concealed hundreds of millions of dollars in expenses from investors, and significantly overstated the
23 Company's income, by backdating employee stock option grants and failing to properly disclose and
24 account for its true compensation expenses.

25 2. Under well-settled accounting principles in effect throughout the relevant period,
26 Juniper was not required to record an expense in its financial statements for options granted to
27 employees at the market price ("at-the-money"), but was required to record expenses for any options
28 granted below the current market price ("in-the-money"). To help Juniper attract and retain

1 executives and employees with potentially far more lucrative “in-the-money” options, without
2 disclosing to shareholders hundreds of millions of dollars in compensation expenses, Juniper
3 established a scheme to grant in-the-money options while falsifying records to make it appear that the
4 options had been granted at-the-money.

5 3. By using option grant dates and exercise prices selected with hindsight, Juniper
6 materially understated its expenses, overstated its income (or understated its losses), and falsely
7 represented in certain Commission filings that Juniper had incurred no expense for option grants.
8 The Commission seeks an order enjoining Juniper from future violations of the securities laws, and
9 providing other appropriate relief.

10 **JURISDICTION AND VENUE**

11 4. The Commission brings this action pursuant to Section 20(b) and 20(d) of the
12 Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77t(b) and 77t(d)] and Sections 21(d) and
13 21(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d) and 78u(e)].

14 5. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the
15 Securities Act [15 U.S.C. § 77t(b) and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act
16 [15 U.S.C. § 78u(d), 78u(e), and 78aa].

17 6. Juniper, directly or indirectly, made use of the means or instrumentalities of interstate
18 commerce, or of the mails, or of the facilities of a national securities exchange in connection with the
19 transactions, acts, practices, and courses of business alleged herein.

20 7. This Court is a proper venue for this action pursuant to Section 22 of the Securities
21 Act [15 U.S.C. § 77v], and Section 27 of the Exchange Act [15 U.S.C. § 77aa] because acts,
22 transactions, practices, and courses of business constituting the violations alleged in this Complaint
23 occurred within this district.

24 **INTRADISTRICT ASSIGNMENT**

25 8. Intradistrict assignment to the San Jose Division is proper pursuant to Civil Local Rule
26 3-2(c) and (d) because acts or omissions giving rise to the Commission’s claims occurred, among
27 other places, in Santa Clara County, California.

