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ORIGINAL
FILED
07 JUL 25 AM 9:12
RICHARD W. WIEMING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

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

JW

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13 SECURITIES AND EXCHANGE COMMISSION,

Case No. _____

14 Plaintiff,

COMPLAINT

15 v.

16 KENNETH L. SCHROEDER,

17 Defendant.

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

20 SUMMARY OF THE ACTION

21 1. From mid-1999 to mid-2002, and once again in 2005, defendant Kenneth L.
22 Schroeder, the former Chief Executive Officer of KLA-Tencor Corporation ("KLA" or "the
23 Company"), a San Jose semiconductor company, engaged in a scheme to illegally backdate stock
24 options granted to KLA executives and employees. Schroeder used dates and prices for stock option
25 grants chosen with hindsight and concealed this practice, causing KLA to hide millions of dollars in
26 expenses from investors and to significantly overstate the Company's income. Schroeder continued
27 to engage in this practice even after being specifically instructed by Company counsel that
28 retroactively selecting grant dates without adequate disclosure was improper.

