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

13 C 07 44311

15 SECURITIES AND EXCHANGE COMMISSION,  
16 Plaintiff,  
17 vs.  
18 LISA C. BERRY,  
19 Defendant.

Civil Action No. \_\_\_\_\_

COMPLAINT

RMW HRL

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

22 SUMMARY OF THE ACTION

23 1. From 1997 through 2003, the in-house corporate attorney for two different public  
24 companies caused each of those companies to report false financial information to the investing  
25 public by repeatedly backdating stock option grants and falsifying related paperwork. Defendant  
26 Lisa C. Berry devised the improper backdating scheme while serving as General Counsel of KLA-  
27 Tencor Corporation ("KLA"), and then implemented similar practices after assuming the position of  
28 General Counsel for Juniper Networks, Inc. ("Juniper"). By facilitating the selection of fabricated

1 option grant dates, Berry caused KLA, and then Juniper, to conceal hundreds of millions of dollars  
2 of employee and executive compensation from investors.

3         2. Under well-settled accounting principles in effect throughout the relevant period, KLA  
4 and Juniper were not required to record an expense in their financial statements for options granted to  
5 employees at the then-current market price of the company's stock ("at-the-money"), but *were*  
6 required to record expenses for any options granted below the current market price ("in-the-money").  
7 To help KLA and Juniper attract and retain executives and employees with more valuable "in-the-  
8 money" options, without disclosing to shareholders the hundreds of millions of dollars in  
9 compensation expenses associated with those grants, Berry, working with others, established  
10 procedures to falsify the options grant records to make it appear that the options had been granted at-  
11 the-money.

12         3. On repeated occasions from 1997 until she left KLA in 1999, Berry and others caused  
13 KLA to backdate stock option grants to dates when KLA's stock price closed much lower. Just prior  
14 to her departure from KLA, Berry provided "how to" instructions to other employees so that KLA  
15 could continue the improper backdating procedures. In 1999, when Berry moved to Juniper just  
16 before it became a public company, she immediately instituted similar backdating procedures. From  
17 mid-1999 through mid-2003, for dozens of different grants to groups of employees, Berry similarly  
18 caused Juniper to issue backdated options.

19         4. By selecting option grant dates and prices with hindsight, Berry and others at the  
20 respective companies caused KLA, and then Juniper, to issue to executives and employees valuable  
21 in-the-money options without disclosing them, and further caused each company to materially  
22 misrepresent their publicly-reported income (or losses), and to falsely represent in public filings with  
23 the Commission that each company had no expenses related to their stock option grants.

24         5. By engaging in the acts alleged in this Complaint, Berry, among other things, violated  
25 the antifraud provisions of the federal securities laws, falsified public companies' books and records,  
26 and caused both KLA and Juniper to falsely report their financial results. The Commission seeks an  
27 order enjoining Berry from future violations of the securities laws, requiring her to disgorge ill-gotten  
28

