

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60017 / June 1, 2009

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2983 / June 1, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13500

<p>In the Matter of</p> <p style="text-align:center">SHARLENE ABRAMS, CPA</p> <p>Respondent.</p>

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO RULE
102(e) OF THE COMMISSION'S RULES OF
PRACTICE, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (the "Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Sharlene Abrams (the "Respondent" or "Abrams") pursuant to Rule 102(e)(3) of the Commission's Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

herein, except as to the Commission's jurisdiction over her and the subject matter of these proceedings, and the findings contained in Section III.3. below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions (the "Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Sharlene Abrams, age 51, is a resident of the state of Nevada. Abrams served as Chief Financial Officer, Vice-President of Finance and Administration, and Secretary of Mercury Interactive Corporation ("Mercury") between November 1993 and November 2001. Prior to her tenure at Mercury, she was employed at Price Waterhouse LLP, rising to the position of senior manager. Abrams was, beginning on or about July 1, 1981, a CPA licensed in the state of Massachusetts, but that license lapsed no later than June 30, 2003 and she is no longer licensed as a CPA in any state.

2. Mercury was acquired by the Hewlett-Packard Company ("HP") by an agreement consummated on November 8, 2006, and is now Mercury Interactive, LLC, a non-trading subsidiary of HP. Prior to the consummation of the merger, Mercury was a corporation headquartered in Mountain View, California, and organized under the laws of Delaware. Mercury made software used to test and optimize information technology systems and software applications. At the time of the conduct described in this Order, the company's common stock was registered with the Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act") and listed on the NASDAQ under the symbol MERQ.

3. On March 24, 2009, a final judgment was entered by consent against Abrams in the civil action entitled Securities and Exchange Commission v. Mercury Interactive, et. al, Civil Action Number C 07-2822 (JF), in the United States District Court for the Northern District of California. The final judgment permanently enjoined Abrams from future violations of Section 17(a) of the Securities Act of 1933, Sections 10(b), 13(b)(5), 14(a), and 16(a) of the Securities Exchange Act of 1934 ("Exchange Act"), and Exchange Act Rules 10b-5, 13a-14, 13b2-1, 13b2-2, 14a-9, and 16a-3, and from aiding and abetting violations of Section 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, and 13a-13. The final judgment also prohibited Abrams from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act, and ordered her to pay disgorgement of \$2,287,914, prejudgment interest in the amount of \$112,086, and a \$425,000 civil penalty.

4. The Commission's Complaint alleged, among other things, that no later than 1997, Abrams engaged in a fraudulent scheme with Mercury's former Chief Executive Officer, former General Counsel and others to grant undisclosed, in-the-money stock options to themselves and others, by backdating stock option grants to coincide with historically low closing prices for Mercury's stock. According to the Complaint, Abrams' fraudulent misconduct caused Mercury,

between 1997 and 2005, (i) to file materially false and misleading financial statements that materially understated its compensation expenses and materially overstated its quarterly and annual net income and earnings per share, and (ii) to make disclosures in its periodic filings and proxy statements that falsely portrayed Mercury's options as having been granted at exercise prices equal to the fair market value of Mercury's common stock on the date of the grant. According to the Complaint, Abrams also misled Mercury's outside auditors in an attempt to hide the scheme. The Complaint alleged that Abrams, and others, filed Forms 3 and 4 with the Commission that contained false or misleading statements with regard to the options' grant dates and the exercise prices. The Complaint also alleged that from 1998 through 2001, Abrams and others fraudulently backdated the dates of option exercises of certain senior Mercury officers, including Abrams, to low-points of the company's stock price, in order to minimize the officers' taxable gain on exercise or receive more favorable long-term capital gains treatment on profits they earned upon the later sale of the stock acquired through exercise. The benefits reaped from the backdated exercises were concealed through fraudulent proxy disclosures and in Forms 4 filed with the Commission. The Complaint further alleged that during at least 1997 through 2001, Abrams participated in a scheme to manipulate Mercury's reported earnings per share ("EPS") by holding shipping of its products once revenue targets for a period had been achieved, pushing the recognition of the revenue into subsequent periods, while concealing these practices from the public through fraudulent and misleading disclosures and omissions. The Complaint additionally alleged that between 1999 and 2005, Abrams and others participated in the fraudulent structuring of overseas employee stock option exercise transactions to conceal the variable accounting consequences of those transactions, causing the company to fail to report the approximately \$24 million in compensation expense required under variable accounting.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Abrams' Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

Abrams is suspended from appearing or practicing before the Commission as an accountant.

By the Commission.

Elizabeth M. Murphy
Secretary