

Fraud Charges Filed Against Former General Counsel

By Brooke Heath

Lisa C. Berry, former general counsel of KLA-Tencor Corporation and Juniper Networks, Inc., is under fire for allegedly backdating stock option grants. According to a press release from the U.S. Securities and Exchange Commission (SEC), the Bay Area former general counsel has been charged with backdating for the two companies from 1997 to 2003.

The SEC claims that Berry's actions resulted in the two companies concealing hundreds of millions of dollars in stock option compensation expenses relating to undisclosed options for company executives and employees.

"The commission's actions confirm that attorneys are no less bound by the securities laws than other public company executives," said Linda Chatman Thomsen, the SEC's director of enforcement. "At both KLA and Juniper, Ms. Berry was in a unique position to ensure that the companies accurately disclosed their stock option expenses; instead, she facilitated their fraud on investors."

Officials for the SEC filed the complaint against Berry last month with a federal district court in San Jose, California. They allege that while Berry was working for KLA, a San Jose-based semiconductor equipment company, she regularly backdated option grants to days with historically low stock prices, after which she moved to Juniper, an information technology company based in Sunnyvale, California.

The commission alleges that Berry then established a similar process for backdating grant options, all the while creating phony documents to falsify the dates. According to EDN.com, Berry even went so far as to affix the names of other committee members with a signature stamp.

According to the Associated Press, "backdating options make the rewards even more lucrative by retroactively setting the exercise price to a low point in the stock's value. Usually, a stock option's exercise price coincides with the market value at the time of a grant to give the recipient an incentive to drive the price higher. If companies backdate options without properly disclosing and accounting for the move, it can cause profits to be overstated and taxes to be underpaid."

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However, according to the Associated Press, Berry disputed the charges through her attorney.

“This case is unfounded, and the SEC’s allegations don’t make it otherwise,” Berry’s attorney, Melinda Haag, said in a statement. “Lisa had no responsibility for accounting at either company, had no idea that either company violated options accounting, and did not personally benefit from misdated options grants at either company.”

If found guilty, Berry, 49, of Los Gatos, California, will face unspecified civil fines and restitution as well as be barred from serving as a director or officer for any public company.

On The Net

SEC Charges Former General Counsel of KLA-Tencor and Juniper Networks for Fraudulent Stock Option Backdating

www.sec.gov/news/press/2007/2007-170.htm

KLA-Tencor Corporation

www.kla-tencor.com/j/servlet/HomePage?version=flash

Juniper Networks, Inc.

www.juniper.net