

1 MARC J. FAGEL (Cal. Bar No. 154425)  
MICHAEL S. DICKE (Cal. Bar No. 158187)  
2 ROBERT S. LEACH (Cal. Bar No. 196191)  
leachr@sec.gov  
3 MONIQUE C. WINKLER (Cal. Bar No. 213031)  
winklerm@sec.gov

4 Attorneys for Plaintiff  
5 SECURITIES AND EXCHANGE COMMISSION  
44 Montgomery Street, Suite 2600  
6 San Francisco, California 94104  
Telephone: 415-705-2500  
7 Facsimile: 415-705-2501

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NORTHERN DISTRICT OF CALIFORNIA

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

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13 SECURITIES AND EXCHANGE COMMISSION,  
14 Plaintiff,  
15 vs.  
16 VERAZ NETWORKS, INC.  
17 Defendant.

CV 10 2849  
Case No.

COMPLAINT

PVT

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

20 **SUMMARY OF ACTION**

21 1. This matter involves violations of the books and records and internal controls  
22 provisions of the Foreign Corrupt Practices Act ("FCPA") by Veraz Networks, Inc. ("Veraz" or  
23 "the Company"), a San Jose, California-based telecommunications company. From 2007 to 2008,  
24 Veraz resellers, consultants, and employees made and offered payments to employees of  
25 government-controlled telecommunications companies in China and Vietnam with the purpose  
26 and effect of improperly influencing these foreign officials to award or continue to do business  
27 with Veraz. A Veraz supervisor referred to one of the payments as the "gift scheme."  
28



1 direct sales force and indirect sales channels. The majority of the Company's revenue comes  
2 from sales generated by offices outside the United States.

### 3 FACTUAL ALLEGATIONS

#### 4 **A. Veraz Made Improper Payments to Chinese Government Officials.**

5 8. Veraz engaged a consultant in China to assist Veraz. On behalf of Veraz, the  
6 consultant sought to sell Veraz products to a telecommunications company controlled by the  
7 government of China ("Telecommunications Company 1").

8 9. In late 2007, Veraz's consultant in China provided approximately \$4,500 worth of  
9 gifts to officials at Telecommunications Company 1 in an attempt to secure a business deal for  
10 Veraz. The consultant requested that his Veraz supervisor approve the funding for these gifts via  
11 email. The supervisor approved what he described in an email as the "gift scheme."

12 10. In or around January 2008, the consultant also offered a separate improper  
13 payment to officials at Telecommunications Company 1 to secure a deal for Veraz valued at  
14 approximately \$233,000. In an email among individuals involved in the transaction, the fee was  
15 described as a "consultant fee," and was set at fifteen percent or approximately \$35,000.  
16 Telecommunications Company 1 awarded the contract to Veraz even though Veraz's bid was  
17 higher than other bids. Veraz discovered this improper offer of payment prior to receiving any  
18 money from the transaction and cancelled the sale.

19 11. Veraz did not make or keep books, records, and accounts which, in reasonable  
20 detail, accurately and fairly reflected the improper gifts provided by Veraz to  
21 Telecommunications Company 1. Veraz further failed to devise and maintain an effective  
22 system of internal controls to prevent or detect violations of the FCPA.

#### 23 **B. Veraz Made Improper Payments to Vietnamese Government Officials.**

24 12. In 2007 and 2008, Veraz sold products to a telecommunications company  
25 controlled by the government of Vietnam ("Telecommunications Company 2") through a  
26 Singapore-based reseller. A Veraz employee, through the Singapore-based reseller, at times  
27 made or offered illicit payments to the CEO of Telecommunications Company 2 in order to win  
28 business for Veraz.

1 13. Veraz also approved of and reimbursed its employee for questionable expenses  
2 related to Telecommunications Company 2, including gifts and entertainment for  
3 Telecommunications Company 2 employees and flowers for the wife of the CEO of  
4 Telecommunications Company 2.

5 14. Veraz did not make or keep books, records, and accounts which, in reasonable  
6 detail, accurately and fairly reflected the improper payments provided by Veraz to  
7 Telecommunications Company 2. Veraz further failed to devise and maintain an effective  
8 system of internal controls to prevent or detect violations of the FCPA.

9 **FIRST CLAIM FOR RELIEF**

10 *Violations of Section 13(b)(2)(A) of the Exchange Act (Books and Records)*  
11 *[15 U.S.C. § 78m(b)(2)(A)]*

12 15. The Commission realleges and incorporates by reference paragraphs 1 through  
13 14.

14 16. As described above, Veraz failed to make and keep books, records and accounts  
15 which, in reasonable detail, accurately and fairly reflected its transactions and dispositions of its  
16 assets.

17 17. By reason of the foregoing, Veraz violated, and unless restrained and enjoined  
18 will continue to violate, the books-and-records provision of the FCPA, codified as Section  
19 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

20 **SECOND CLAIM FOR RELIEF**

21 *Violations of Section 13(b)(2)(B) of the Exchange Act (Internal Controls)*  
22 *[15 U.S.C. § 78m(b)(2)(B)]*

23 18. The Commission realleges and incorporates by reference paragraphs 1 through  
24 17.

25 19. With respect to the offers and payments described above, Veraz failed to devise  
26 and maintain a system of internal accounting controls sufficient to provide reasonable assurances  
27 that: (i) transactions were executed in accordance with management's general or specific  
28 authorization; and (ii) transactions were recorded as necessary to permit preparation of financial

1 statements in conformity with generally accepted accounting principles or any other criteria  
2 applicable to such statements, and to maintain accountability for its assets.

3 20. By reason of the foregoing, Veraz violated, and unless restrained and enjoined  
4 will continue to violate, the internal-controls provision of the FCPA, codified as Section  
5 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

6 **PRAYER FOR RELIEF**

7 WHEREFORE, the Commission respectfully requests that this Court:

8 I.

9 Issue an order permanently restraining and enjoining Veraz and its agents, servants,  
10 employees, attorneys, and all persons in active concert or participation with them who receive actual  
11 notice of the order by personal service or otherwise from violating, directly or indirectly, Sections  
12 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

13 II.

14 Issue an order directing Veraz to pay a civil monetary penalty pursuant to Section 21(d)(3) of  
15 the Exchange Act [15 U.S.C. § 78u(d)(3)].

16 III.

17 Retain jurisdiction of this action in accordance with the principles of equity and the Federal  
18 Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that  
19 may be entered, or to entertain any suitable application or motion for additional relief within the  
20 jurisdiction of this Court.

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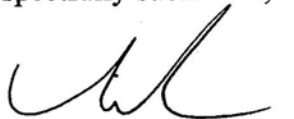
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IV.

Grant such further relief as this Court may determine to be just and necessary.

Dated: June 29, 2010

Respectfully submitted,



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Marc J. Fagel  
Michael S. Dicke  
Robert S. Leach  
Monique C. Winkler

Attorneys for Plaintiff  
SECURITIES AND EXCHANGE  
COMMISSION

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