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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. VERAZ NETWORKS, INC. Defendant.	Case No. CV 10 2849 COMPLAINT

PVT

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

SUMMARY OF ACTION

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

2. Veraz failed to accurately record these improper payments on the Company's books and records, and failed to implement or maintain a system of effective internal accounting controls to prevent them in violation of the FCPA which requires public companies to keep books and records that accurately reflect their operations, and to put in place internal controls that are reasonably designed to ensure that their books and records are accurate.

3. The Commission seeks an order permanently enjoining Veraz from violations of the books and records and internal controls provisions of the FCPA, and requiring Veraz to pay a civil monetary penalty.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this action pursuant to Sections 21(d) and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and 78aa]. Defendant has, directly or indirectly, made use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, transactions, practices and courses of business alleged in this Complaint.

5. Venue in this District is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because Defendant maintains its headquarters and transacts business within the Northern District of California.

6. Intradistrict assignment to the San Jose Division is proper pursuant to Civil L.R. 3-2(c) because a substantial part of the events or omissions that give rise to this action occurred in the County of Santa Clara.

DEFENDANT

7. Veraz Networks, Inc. is a Delaware corporation with headquarters in San Jose, California. Veraz conducted an initial public offering ("IPO") of its stock in April 2007. Veraz's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the NASDAQ Global Market under the symbol "VRAZ." The Company sells telecommunications products that assist telecommunications service providers in transporting and managing data. Veraz sells its telecommunications products through both a

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

FACTUAL ALLEGATIONS

A. Veraz Made Improper Payments to Chinese Government Officials.

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

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

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

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

B. Veraz Made Improper Payments to Vietnamese Government Officials.

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

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

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

FIRST CLAIM FOR RELIEF

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

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

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

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

SECOND CLAIM FOR RELIEF

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

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

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

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

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

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue an order permanently restraining and enjoining Veraz and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise from violating, directly or indirectly, Sections 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)].

II.

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

III.

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

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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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Robert S. Leach
Monique C. Winkler

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SECURITIES AND EXCHANGE COMMISSION