

Brocade's ex-CEO convicted in stock options case

March 27 2010, By PAUL ELIAS , Associated Press Writer

(AP) -- The former chief executive of networking gear maker Brocade Communications Inc. was convicted Friday of felony charges connected to backdating stock options.

A [federal jury](#) in San Francisco deliberated for four days before deciding Gregory Reyes was guilty of nine charges of fraud and making false statements. The jury acquitted him of a conspiracy charge.

Reyes was originally convicted of similar charges in 2008 and sentenced to one year and nine months in prison and fined \$15 million. But the 9th U.S. Circuit Court of Appeals ordered a new trial, citing prosecutorial misconduct during the first.

U.S. District Court Judge Charles Breyer scheduled sentencing for June 24. Reyes' attorneys say they plan to ask the judge for a new trial.

Brocade's former human resources manager Stephanie Jensen was convicted on similar charges at a separate trial in 2008. She lost the appeal of her conviction, but had her original sentence reduced from four months to two months in prison. She was also fined \$1.25 million.

Brocade, which makes switches that connect companies' servers to their data storage systems, paid \$160 million to settle a [class action lawsuit](#) filed by investors angered that the company's backdating scheme and its failure to report it wiped out hundreds of millions of dollars in profits the company had reported for 1999 through 2004.

The company, based in San Jose, also paid \$7 million in 2007 to settle fraud charges alleged in a lawsuit filed by the [Securities and Exchange Commission](#).

Hundreds of public companies have been investigated over [stock options](#) backdating. The practice, which is legal when properly accounted for, involves manipulating the dates and stock prices on options awards to boost the potential windfall for the recipients. Companies have run into legal difficulties when they kept charges for the true amount of the awards off their books.

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