



presents **2009 Outstanding Director**

# H. Raymond Bingham

Bingham's decisive action and leadership were key to cleaning up options backdating at KLA-Tencor.

## DIRECTOR'S SNAPSHOT

### Born

Oct. 1945 in Heber, a small town next to Park City, Utah

### Education

BS from Weber State University and MBA from Harvard Business School

### Career highlights

Chairman, President and CEO, Cadence Design Systems;  
Chairman, Flextronics International;  
Managing Director, General Atlantic

### Family

Wife Kristin, 5 children,  
7 grandchildren

### Most memorable summer job

Three summers working on grandfather's cattle farm in Idaho

### Best book this year

*Hot, Flat and Crowded*  
by Thomas L. Friedman

### All-time favorite movie

*Judgment at Nuremberg*

### Most admired historical figure

Abraham Lincoln after reading  
*Team of Rivals: The Political  
Genius of Abraham Lincoln*  
by Doris Kearns Goodwin

### Favorite charities

Silicon Valley Education  
Foundation and National Park  
Conservation Association  
(recently joined the board)

### Idea of bliss

"My family wrapped around me."

### What's your motto?

"Just do it."

### Public Directorships

Flextronics International,  
KLA-Tencor (2000 – 2008), Oracle,  
STMicroelectronics



Ray Bingham as CEO of Cadence with his wife Kristin and Queen Elizabeth at the opening of Scotland's "Silicon Glen"

# Steadfast in a Storm: Ray Bingham N

On May 22, 2006, Ray Bingham opened the *Wall Street Journal* to every director's worst nightmare. "Five More Companies Show Questionable Options Patterns," read the headline of an article that went on to describe how a "highly improbable pattern of option grants" allowed KLA-Tencor executives to receive stock option grants on "unusually fortunate days."

Bingham, at that point a KLA-Tencor director for six years and audit committee chair, recalls his "utter disbelief" as he read the article. "KLA was one of the most buttoned down companies in terms of process and controls I had ever seen," he says. "It seemed to me impossible that the article could be correct."

Although the *Journal* article said its analysis didn't prove any wrongdoing, it did not hesitate to suggest that the dates of the options grants were gamed. KLA-Tencor — a high-flying semiconductor equipment maker — soon found itself embroiled in a far-reaching scandal that would ultimately implicate more than 130 companies and nearly 100 executives nationwide.

The KLA-Tencor board put Bingham at the helm of a special committee charged with conducting an internal investigation. Newly retired from his role as chairman and CEO of Cadence Design Systems, colleagues felt he had the time, experience and calm temperament for the job. "Ray has personal courage," says Kevin Kennedy, Avaya CEO and KLA-Tencor director. "He was seen as the ethical, focused person that could lead the board through intense, emotional and fragile times."

Together with forensic accountants and a crack legal team, Bingham's committee attacked the data. "There were mountains and mountains of paper that had to be reviewed," recalls Ned Barnholt, retired Agi-

lent Technologies chairman, president and CEO and current non-executive chairman of KLA-Tencor. "Ray was instrumental in driving that process and making sure we got what we needed from the many sources."

At the same time, Bingham faced a communications challenge. He made it a priority to fully cooperate and share results with government investigators, but it wasn't always possible for the special committee to be as forthcoming with the other directors. Certain findings had to stay under wraps until the investigation's conclusion. "It was a very scary time for the directors," Bingham admits. "But even without perfect information, I was able to convince them that we were trying to do the right thing."

In October 2006, less than five months after the *Journal* story broke, the committee made the determination that undisclosed backdating had occurred at KLA-Tencor from 1997 through 2002. "Ray acted quickly and decisively at a time when the company needed strong and steady leadership," says Barnholt, explaining that Bingham made one tough call after another, cooperating with regulatory authorities and handling the difficult personnel decisions.

All retroactively priced stock options were either cancelled or re-priced, and fi-



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# navigates with Calm and Intelligence

financial restatements were completed by early 2007. Beyond righting accounting wrongs and taking a non-cash charge of \$370 million for stock-based compensation expenses, Bingham and his team also saw to the departure of those involved in the scheme. Kenneth Schroeder, who was CEO from 1999 through 2005, saw his senior advisory role terminated and his stock options cancelled. The SEC later charged Schroeder — the biggest beneficiary of the pricing practices — with fraud, accusing the former CEO of backdating more than \$200 million worth of stock options without disclosing them to shareholders.

Particularly distressing for Bingham was learning that Schroeder continued to retroactively price options awards after a written warning by the company's general counsel, Stuart Nichols. Nichols's 2001 memo made it clear that the illicit practice put the company at risk of an accounting charge.

With the company's founder and chairman Kenneth Levy — KLA originally stood for Kenneth Levy Associates — the board took a softer tone, announcing his departure but giving him *emeritus* status. "Asking a company founder to go is one of the hardest things a board member will ever do," says Bingham. "But relationships can't get in the way of doing your duty as a director." Barnholt succeeded Levy as non-executive chairman. Rick Wallace, who had been CEO for less than a year when the scandal broke, remained in the role.

On the bright side, the SEC declined to charge the company itself with fraud or seek a monetary penalty. Marc Fagel, associate regional director of the SEC's San Francisco Regional Office, stated, "KLA-Tencor went to great lengths to clean house after discovering the fraud, and their cooperation greatly facilitated the government's investigation." His

report strongly complimented Bingham and his committee's work, including the far-reaching remedial measures put in place to prevent the recurrence of fraudulent conduct.

Bob Calderoni, Ariba chairman and CEO and KLA-Tencor director says, "I believe the Department of Justice's decision not to fine the company was a direct result of the quality and seriousness of the work performed by Ray and his committee."

In early 2008, KLA-Tencor settled a class action suit for \$65 million. Bingham says putting the debacle behind them was uplifting for the company and gratifying for him personally.

Bingham stepped down from the KLA-Tencor board in 2008, but the legacy of his important contribution lives on. "Ray's hard work and diligence on the backdating effort really contributed to getting the company back on track as quickly as possible," says Barnholt appreciatively.

## Fast Times at Oracle

Bingham's hard work and diligence have also played an important role in the tremendous growth and success at Oracle, where he has been a director since 2002. He has developed a reputation as something of a "lion tamer" for his close working relationship with Oracle's famously spirited CEO Larry Ellison. But Bingham calls Ellison's reputation for being difficult "a media invention" while conceding, "Larry is a powerful leader and personality. Because he and the board are charged with different roles, they can sometimes come into conflict."

"Larry realizes that Ray brings a lot to the table," says Oracle chairman and former CFO Jeff Henley of Bingham's ability to work so effectively with Ellison.

Henley reports that Bingham has consistently put in the time and effort it takes

to be a guiding force on the Oracle board. In the early days of Bingham's directorship, Oracle launched a \$5.1 billion uninvited takeover bid for PeopleSoft. PeopleSoft fought back, with its CEO working hard to paint Oracle's Ellison as a villain in the press and in the courts. But in 2005, after a bitter court battle, Oracle acquired PeopleSoft for approximately \$10.3 billion.

During the 18 months that the takeover lasted, Bingham, along with a few other star board members, worked doggedly, closely examining presentations and information,

Bingham was named non-executive chairman in 2008, but fellow director, and founder and chairman of Walden International, Lip-Bu Tan says he has been playing a leadership role for much longer. "Ray has worked tirelessly to strengthen the company's governance without squelching its entrepreneurial spirit," says Tan.

The world's second-largest electronics manufacturing services firm since acquiring competitor Solectron in 2007, Flextronics is working to reshape its business model under the guidance of its second-ever CEO

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**Kevin Kennedy, CEO, Avaya**

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asking pointed questions, and even playing the devil's advocate when necessary.

Since the PeopleSoft takeover, Oracle has continued its bold expansion into the enterprise application software business with the acquisition of Siebel, BEA and, most recently, Sun. Henley says Bingham has continued to be a steadfast and valued board member. "He puts in a lot of time," he says. "When you make that kind of investment, your value goes up because, as issues come up, you're prepared to ask the right questions and offer advice."

Fellow Oracle director Michael Boskin, professor of economics at Stanford University, is up for facing any board challenge with Bingham. "Ray is thoughtful, calm, experienced, hard-working and knowledgeable. Add his excellent grasp of board dynamics, and you get a terrific director."

### **More Fast Times at Flextronics**

All of these qualities have been deeply appreciated at Flextronics International as well, where change has been the constant for the five years since he joined the board.

Mike McNamara. McNamara succeeded 15-year chief Michael Marks in 2006. "With a new CEO comes a bevy of fresh ideas," says Bingham, who is helping McNamara execute on a strategy to beef up manufacturing services and diversify into more specialized production areas.

In an effort to upgrade the board, Bingham has recruited two new directors and candidly spoken to all board members about time commitment, committee service and ways they can add value. "Ray has done a great job mentoring our new CEO and helping directors determine if they should stay on the board," confirms Tan. "He is chairman in much more than name."

With a cool head and a keen mind, Bingham remains a welcome shipmate on technology's high seas.

— *Bonnie Bauman*

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**Ray Bingham spoke about "A New Era in Compensation: How Boards Are Responding" at ODX San Francisco in March. For information on upcoming ODX events, please call 212.542.1255**

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