

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 73616 / November 17, 2014

ADMINISTRATIVE PROCEEDING

File No. 3-16281

In the Matter of

STEPHEN TIMMS and
YASSER RAMAHI,

Respondents.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Stephen Timms (“Timms”) and Yasser Ramahi (“Ramahi”) (collectively “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds¹ that:

Summary

1. During 2009, Stephen Timms and Yasser Ramahi arranged expensive travel, entertainment, and personal items for foreign government officials in the Kingdom of Saudi Arabia in order to influence the officials to obtain new business for their employer, FLIR Systems, Inc. and to retain existing business for FLIR with the Saudi Arabia Ministry of Interior (the "MOI"). Timms and Ramahi subsequently provided false explanations for the gifts to FLIR and attempted to conceal the gifts' true value by submitting false documentation to the company.

Respondents

2. **Stephen Timms**, age 51, is a United States citizen who resides in Thailand. FLIR hired Timms in November 2001. He was promoted to Middle East Business Development Director for FLIR'S Government Systems division in September 2007. Timms was the head of FLIR's Middle East office in Dubai during the relevant time period, and was one of the company executives responsible for obtaining business for FLIR's Government Systems division from the MOI.

3. **Yasser Ramahi**, age 53, is a United States citizen who resides in the United Arab Emirates. Ramahi was hired by FLIR in late 2005 and worked in business development in Dubai. During the relevant period, Ramahi's manager was Timms, the head of FLIR's Middle East office.

Other Relevant Entity

4. **FLIR Systems, Inc.** is an Oregon-based defense contractor whose common stock is registered under Section 12(b) of the Exchange Act and is listed on the NASDAQ Global Select Market. FLIR, founded in 1978, makes thermal imaging and other sensing products and systems, night vision, and infrared camera systems.

FLIR's Business with the Saudi Ministry of Interior

5. In November 2008, FLIR entered into a contract with the MOI to sell thermal binoculars for approximately \$12.9 million. Ramahi and Timms were the primary sales employees responsible for the contract on behalf of FLIR. In the contract, FLIR agreed to conduct a "Factory Acceptance Test," attended by MOI officials, prior to delivery of the binoculars to Saudi Arabia. The Factory Acceptance Test was a key condition to the fulfillment of the contract. FLIR anticipated that a successful delivery of

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

the binoculars, along with the creation of a FLIR service center, would lead to an additional order in 2009 or 2010.

6. At the same time, Ramahi and Timms were also involved in FLIR's negotiations to sell security cameras to the MOI. In May 2009, FLIR signed an agreement for the integration of its cameras into another company's products for use by the MOI. The contract was valued at approximately \$17.4 million and FLIR hoped to win additional future business with the MOI under this agreement.

"World Tour" for Saudi Officials

7. In February 2009, Ramahi and Timms began preparing for the Factory Acceptance Test, which was scheduled to occur in July 2009 in Billerica, Massachusetts. Timms requested the names of the MOI officials who would attend the test so that travel arrangements could be made for them by FLIR's travel agent in Dubai, UAE. Timms subsequently contacted the United States Embassy in Riyadh, Saudi Arabia, for assistance to obtain visas for the MOI officials to attend the Factory Acceptance Test.

8. Ramahi and Timms then sent MOI officials on what Timms later referred to as a "world tour" before and after the Factory Acceptance Test. Among the MOI officials for whom Ramahi and Timms provided the "world tour" were the head of the MOI's technical committee and a senior engineer on the committee, who played a key role in the decision to award FLIR the business.

9. In June 2009, Ramahi made arrangements for himself and MOI officials to travel from Riyadh to Casablanca, where they would stay for several nights at FLIR's expense. The MOI officials then traveled to Paris with FLIR's third-party agent, where they would also stay for several nights at a luxury hotel, also paid for by FLIR. Ramahi met the MOI officials and FLIR's third-party agent in Boston for the equipment inspection at FLIR's nearby facilities. On the way back from Boston, Ramahi traveled with most of the MOI officials to Dubai and arranged airfare and hotel accommodations for one MOI official to travel to Beirut before returning to Riyadh, all at FLIR's expense. Timms received the travel itinerary ahead of the officials' departure on the "world tour."

10. The trip proceeded as planned. In total, the MOI officials traveled for 20 nights on their "world tour," with airfare and hotel accommodations paid for by FLIR. In addition, while the MOI officials were in Boston, Ramahi and the third-party agent also took the MOI officials on a weekend trip to New York City at FLIR's expense. There was no business purpose for the stops outside of Boston.

11. While in the Boston area, the MOI officials spent a single 5-hour day at FLIR's Boston facility completing the equipment inspection. The agenda for their remaining 7 days in Boston included just three other 1-2 hour visits to FLIR's Boston facility, some additional meetings with FLIR personnel at their hotel, and other leisure activities, all at FLIR's expense.

12. Timms approved expenses incurred by Ramahi and the MOI officials in connection with the extended travel, and Timms' manager approved the expenses for the

air travel provided to the MOI officials in connection with their “world tour.” FLIR’s finance department processed and paid the approved air expenses the next day.

Expensive Watches for Saudi Officials

13. In March 2009, while Ramahi was present, Timms provided expensive gifts to five MOI officials. At Timms’ and Ramahi’s instruction, in February 2009, FLIR’s third-party agent purchased five watches in Riyadh, paying approximately 26,000 Saudi Riyal (about U.S. \$7,000).

14. In mid-March 2009, Ramahi and Timms traveled to Saudi Arabia for a nine-day business trip to discuss several business opportunities with MOI officials. According to Timms’ expense report, the purpose of the trip was to meet with MOI officials regarding FLIR’s efforts to sell its security cameras. During the trip, Timms, with Ramahi’s knowledge, gave the five watches to MOI officials. Ramahi and Timms believed the MOI officials to be important to sales of both the binoculars and the security cameras. The MOI officials who received the watches included two of the MOI officials who subsequently went on the “world tour” travel.

15. Within weeks of his visit to Saudi Arabia, Timms submitted an expense report to FLIR for reimbursement of the watches. At the time of his submittal, Timms confirmed that each watch cost \$1,425 and was for “Executive Gifts.” Shortly thereafter, Timms identified the names of the MOI officials who received the watches. The reimbursement was approved by Timms’ manager and paid out to Timms.

The Cover Up

16. In July 2009, in connection with an unrelated review of expenses in the Dubai office, FLIR’s finance department flagged Timms’ reimbursement request for the watches. In response to their questions, Timms claimed that he had made a mistake and falsely stated that the expense report should have reflected a total of 7,000 Saudi Riyal (about \$1,900) rather than \$7,000 as submitted.

17. At his supervisors’ request, Ramahi secured a second, fabricated invoice reflecting that the watches cost 7,000 Saudi Riyal, which Timms submitted to FLIR finance in August 2009. Ramahi also told FLIR investigators that the watches were each purchased for approximately 1,300-1,400 Saudi Riyal (approximately \$377) by FLIR’s third-party agent.

18. In September 2009, the FLIR finance department attempted to contact FLIR’s third-party agent. In e-mail correspondence, the FLIR finance department asked the agent a series of questions about the watches. Unknown to the finance department, Timms drafted responses to the questions on behalf of the agent. At Timms’ direction, the agent maintained the false cover story: that the watches cost a total of 7,000 Saudi Riyal, not U.S. \$7,000.

19. In July 2009, Ramahi and Timms claimed that the MOI’s luxury travel and “world tour” had been a mistake. They told the FLIR finance department that the

MOI had used FLIR's travel agent in Dubai to book their own travel and that it had been mistakenly charged to FLIR. They promised to send an invoice to the MOI to pay for the "world tour" travel. Instead, however, Ramahi and Timms used FLIR's agent to give the appearance that that the MOI paid for their travel. Timms also oversaw the preparation of false and misleading documentation of the MOI travel expenses that was submitted to FLIR's finance department. For example, Timms obtained an invoice from the Dubai travel agency showing direct flights from Boston to Riyadh—a route not taken by the MOI officials on their "world tour." Timms submitted the false invoice to FLIR finance as the "corrected" travel documentation.

FLIR Profits from Sales to the Saudi Ministry of Interior

20. Following the equipment inspection in Boston, the MOI gave its permission for FLIR to ship the thermal binoculars. The MOI later placed an order for additional binoculars for an approximate price of \$1.2 million. In total, FLIR received payments from the MOI for the binoculars that exceeded \$10 million.

21. From September 2009 through August 2012, FLIR also shipped the security cameras and related accessories to the MOI. FLIR received payments for the cameras exceeding \$18 million. FLIR subsequently submitted a bid to sell additional security cameras to the MOI. The bid expired before the contract was awarded by the MOI.

FLIR's FCPA-Related Policies and Training

22. At all relevant times, FLIR had in place a code of conduct which prohibited FLIR employees from violating the FCPA. The policy required employees to record information "accurately and honestly" in FLIR's books and records, with "no materiality requirement or threshold for a violation."

23. Both Ramahi and Timms received training on their obligations under the FCPA and FLIR's policy prior to the provision of expensive gifts of travel, entertainment, and personal items to the MOI. On or around May 13, 2007 and on or around December 2, 2008, Timms completed FLIR's two-part FCPA-specific online training courses, including courses focused on "Understanding the Law" and "Dealing with Third Parties." Ramahi only completed part one of the two-part series in May 2007. The training course completed by both Ramahi and Timms, entitled "Understanding the Law," gave examples of prohibited gifts under the FCPA and specifically identified gifts of luxury watches, vacations and side trips during official business travel.

Legal Standards and FCPA Violations

A. Under Section 21C(a) of the Exchange Act, the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Exchange Act or any rule or regulation thereunder, and upon any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation.

B. Section 30A of the Exchange Act prohibits any officer, director, employee, or agent acting on behalf of an issuer with a class of securities registered pursuant to Section 12 of the Exchange Act, in order to obtain or retain business, from corruptly giving or authorizing the giving of, anything of value to any foreign official for the purposes of influencing the official or inducing the official to act in violation of his or her lawful duties, or to secure any improper advantage, or to induce a foreign official to use his influence with a foreign governmental instrumentality to influence any act or decision of such government or instrumentality. [15 U.S.C. § 78dd-1].

C. Section 13(b)(5) of the Exchange Act prohibits any person from knowingly falsifying any book, record, or account required to be kept by a reporting company under Section 13(b)(2) of the Exchange Act, or from knowingly circumventing a system of internal accounting controls or knowingly failing to implement a system of internal accounting controls. [15 U.S.C. § 78m(b)(5)]. Rule 13b2-1 thereunder prohibits any person from directly or indirectly falsifying any book, record, or account required to be kept by a reporting company under Section 13(b)(2)(A) of the Exchange Act. [17 C.F.R. § 240.13b2-1].

D. Under Section 13(b)(2)(A) of the Exchange Act issuers are required to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the issuer. [15 U.S.C. § 78m(b)(2)(A)].

E. As described above, Respondents violated Section 30A of the Exchange Act by corruptly providing expensive gifts of travel, entertainment, and personal items to the MOI officials to retain and obtain business for FLIR. Respondents also violated Section 13(b)(5) of the Exchange Act, and Rule 13b2-1 thereunder, by knowingly circumventing FLIR's existing policies and controls, placing a fabricated invoice for the watches into FLIR's books and records and falsifying FLIR's records regarding the MOI officials' extended personal travel paid by FLIR. As a result of this same conduct, Respondents caused FLIR's books and records to be not accurately maintained in violation of Section 13(b)(2)(A) of the Exchange Act.

Undertakings

In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Respondents (i) agree to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoint Respondents' attorneys as agents to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Respondents' travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consent to

personal jurisdiction over Respondents in any United States District Court for purposes of enforcing any such subpoena.

In determining whether to accept the Offers, the Commission has considered these Undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondents cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A), 13(b)(5), and 30A of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), and 78dd-1] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1].

B. Pursuant to Section 21B(a)(2) of the Exchange Act, Respondent Stephen Timms shall pay a civil money penalty in the amount of \$50,000 to the Securities and Exchange Commission. Payment shall be made in the following installments: (i) \$30,000 within 10 days of the entry of the Order; (ii) \$5,000 within 90 days of entry of the Order; (iii) \$5,000 within 180 days of entry of the Order; (iv) \$5,000 within 270 days of entry of the Order; and (v) the final \$5,000 payment within 360 days of entry of the Order. If any payment is not made by the date the payment is required by the Order, the entire outstanding balance, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the Commission Web site at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Stephen Timms as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Tracy L. Davis, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, CA 94104.

C. Pursuant to Section 21B(a)(2) of the Exchange Act, Respondent Yasser Ramahi shall pay a civil money penalty in the amount of \$20,000 to the Securities and Exchange Commission. Payment shall be made within 14 days of the entry of the Order. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the Commission Web site at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Yasser Ramahi as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Tracy L. Davis, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, CA 94104.

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V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondents, and further, any debt for civil penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Brent J. Fields
Secretary