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 FLIR Systems, Inc. (“FLIR” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), 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 it and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents 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 Respondent’s Offer, the Commission finds¹ that:

Summary

1. This matter concerns violations of the anti-bribery, books and records and internal controls provisions of the Foreign Corrupt Practices Act (“FCPA”) by FLIR. In 2009, employees of FLIR provided unlawful travel, gifts and entertainment to foreign officials in the Kingdom of Saudi Arabia to obtain or retain business. The travel and gifts included personal travel and expensive watches provided by employees in FLIR’s Dubai office to government officials with the Saudi Arabia Ministry of Interior (the “MOI”). The extent and nature of the travel and the value of the gifts were concealed by certain FLIR employees and, as a result, were falsely recorded in FLIR’s books and records. FLIR

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.
lacked sufficient internal controls to detect and prevent the improper travel and gifts. Also, from 2008 through 2010, FLIR provided significant additional travel to the same MOI officials, which was booked as business expenses, but for which there is insufficient supporting documentation to confirm the business purpose. As a result of the unlawful conduct, FLIR earned over $7 million in profits from the sales to the MOI.

Respondent

2. FLIR Systems, Inc. is an Oregon-based corporation 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, develops infrared technology for use in thermal imaging and other sensing products and systems, night vision, and camera systems for government and commercial customers. On September 30, 2002, in connection with a settled accounting fraud case, the Commission ordered FLIR to cease and desist from violations of the anti-fraud and related provisions of the federal securities laws.

FLIR’s Business with the Saudi Ministry of Interior

3. Stephen Timms ("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. Yasser Ramahi ("Ramahi") reported to Timms and worked in business development in Dubai. Both Timms and Ramahi were employees of FLIR.

4. In November 2008, FLIR entered into a contract with the MOI to sell binoculars using infrared technology 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 the binoculars, along with the creation of a FLIR service center, would lead to an additional order in 2009 or 2010.

“World Tour”

5. In February 2009, Ramahi and Timms began preparing for the July 2009 Factory Acceptance Test. Ramahi and Timms then made arrangements to send 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.

6. The trip proceeded as planned, with stops in Casablanca, Paris, Dubai and Beirut. While in the Boston area, the MOI officials spent a single 5-hour day at FLIR’s

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2 On November 17, 2014, the Commission instituted settled cease-and-desist proceedings against Timms and Ramahi for their role in this same conduct.

3 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.
Boston facility completing the equipment inspection. The agenda for their remaining seven 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. At the suggestion of Timms’ manager, a U.S.-based Vice President responsible for global sales to foreign governments, Ramahi also took the MOI on a weekend trip to New York while they were in Boston. In total, the MOI officials traveled for 20 nights on their “world tour,” with airfare and luxury hotel accommodations paid by FLIR. There was no business purpose for the stops outside of Boston.

7. Timms forwarded the air travel expenses for the MOI to his manager for approval, attaching a summary reflecting the full extended routing of the travel. The manager approved the travel, directing him to make the expenses appear smaller by “break[ing] it in 2 [submissions.]” Timms also forwarded the travel charges and an itinerary showing the Paris and Beirut stops, to FLIR’s finance department. FLIR’s finance department processed and paid the approved air expenses the next day. Neither Timms’ manager nor anyone in FLIR’s finance department questioned the itinerary or the travel expense, although the itinerary reflected travel to locations other than Boston.

8. After receiving questions from Timms’ manager, Ramahi and Timms later claimed that the MOI’s “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 then used FLIR’s third-party agent to give the appearance 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 finance as the “corrected” travel documentation. FLIR finance then made an additional payment to the Dubai travel agency for the remaining travel costs.

9. Following the equipment inspection in Boston, the MOI gave its permission for FLIR to ship the binoculars. The MOI later placed an order for additional binoculars for an approximate price of $1.2 million. In total, FLIR earned revenues of over $7 million in profits in connection with its sales of binoculars to the MOI.

Additional Travel

10. From 2008 through 2010, FLIR paid approximately $40,000 for additional travel by MOI officials. For example, Ramahi took the same MOI officials who went on the “world tour” to Dubai over the New Year holiday in December 2008 and again in 2009. FLIR paid for airfare, hotel, and expensive dinners and drinks. FLIR also paid for hotels, meals and first class flights for the MOI officials to travel within Saudi Arabia to help FLIR win business with other Saudi government agencies. Although the trips were booked as business expenses, the supporting documentation is incomplete and it is not possible to determine whether all the trips in fact had a business purpose.

11. Moreover, in June and July of 2011, a FLIR regional sales manager accompanied nine officials from the Egyptian Ministry of Defense on travel paid for by a FLIR partner. The travel centered on a legitimate Factory Acceptance Test at FLIR’s Stockholm factory. The travel, however, also included a non-essential visit to Paris, during which the officials spent only two days on demonstration and promotion activities relating to FLIR products. In total, the government officials traveled for 14 days and most of the officials only participated in legitimate business activities on four of those days. Three officials engaged in two additional days of training in Sweden. The total travel costs were approximately $43,000. FLIR subsequently reimbursed the partner for the majority of the travel costs, based upon cursory invoices which were submitted without supporting documentation.
Expensive Watches

12. 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). Ramahi and Timms gave the watches to MOI officials during a mid-March 2009 trip to Saudi Arabia to discuss several business opportunities with the MOI. The MOI officials who received the watches included two of the MOI officials who subsequently went on the “world tour” travel.

13. Within weeks of his visit to Saudi Arabia, Timms submitted an expense report to FLIR for reimbursement of the watches. The expense report clearly identified the watches as “EXECUTIVE GIFTS: 5 WATCHES” costing $1,425 each. Shortly thereafter, Timms specified that the watches were given to MOI officials, and identified the specific officials who received the watches.

14. Despite these red flags, the reimbursement was approved by Timms’ manager and, based on that approval and the submitted invoices, FLIR’s finance department paid the reimbursement to Timms.

15. 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) for the watches, rather than $7,000 as submitted. 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. In September 2009, at Timms’ direction, FLIR’s agent maintained the false cover story in response to emailed questions from FLIR’s finance department. Timms and Ramahi also obtained a false invoice reflecting that the watches cost 7,000 Saudi Riyal, which Timms submitted to FLIR finance in August 2009. The false, revised invoice was processed by FLIR.

FLIR’s FCPA-Related Policies and Training and Internal Controls

16. During the relevant time, FLIR had a code of conduct, as well as a specific anti-bribery policy, which prohibited FLIR employees from violating the FCPA. FLIR’s policies required employees to record information “accurately and honestly” in FLIR’s books and records, with “no materiality requirement or threshold for a violation.” FLIR employees, including Timms and Ramahi, received training on their obligations under the FCPA and FLIR’s policy, although the company did not ensure that all employees, including Ramahi, completed the required training.

17. FLIR had few internal controls over travel in its foreign sales offices at the time. Although FLIR had policies and procedures over travel for its domestic operations, there were no controls or policies in place governing the use of foreign travel agencies. Instead, FLIR foreign sales employees worked directly with FLIR’s foreign travel agencies to arrange travel for themselves and others. Sales managers, such as Timms, were solely responsible for expense approvals for their sales staff. Timms’ manager was responsible for approving travel-related expenses for all non-U.S.-based senior sales employees (such as Timms) and approving the payment of large invoices to the foreign travel agencies.

18. FLIR also had few controls over the giving of gifts to customers, including foreign government officials. Sales staff and managers were responsible for all expense approvals for gifts and accounts payable was not trained to flag expenses that were potentially problematic. To the contrary, the initial expense submission for the watches
was labeled in large English print “EXECUTIVE GIFTS: 5 WATCHES” for a total of $7,123, and was accompanied by email confirmation that the watches were provided to 5 MOI “officers,” when it was approved by Timms’ manager and processed and paid by FLIR accounts payable department.

**Remedial Efforts**

19. In November 2010, FLIR received a complaint letter from FLIR’s third-party agent, and began an investigation that led to the discovery of the improper watches and travel. FLIR subsequently self-reported the conduct to the Commission and cooperated with the Commission’s investigation.

20. Subsequent to the conduct described herein, FLIR undertook significant remedial efforts including personnel and vendor terminations. FLIR broadened its relevant policies and trainings and implemented a gift policy. FLIR enhanced access by its employees to its anti-bribery policy by providing translations into languages spoken in all countries in which it has offices. FLIR is in the process of enhancing its travel approval system in its foreign offices, including requiring all non-employee travel to be booked through either one large, designated travel agency or a limited number of designated regional travel agencies after receiving advance written approval from senior business personnel and the legal department. All travel agencies will be vetted through FLIR’s full FCPA due diligence framework, be subject to all of FLIR’s current FCPA training obligations, and cannot be reimbursed for travel bookings for non-employees in the absence of appropriate approvals. FLIR added additional FCPA training and procedures for its finance staff, and enhanced its third-party diligence process and contracts. FLIR also engaged outside counsel and forensic accountants to conduct a compliance review of travel and entertainment expenses in its operations outside the U.S.

**Legal Standards and FCPA Violations**

21. 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.

22. Section 30A of the Exchange Act prohibits any issuer with a class of securities registered pursuant to Section 12 of the Exchange Act, or any officer, director, employee, or agent acting on behalf of such issuer, 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].

23. 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)].

24. Under Section 13(b)(2)(B) of the Exchange Act issuers are required to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary (I) to permit
preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. [15 U.S.C § 78m(b)(2)(B)].

25. As described above, FLIR 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. Respondent also violated Section 13(b)(2)(B) of the Exchange Act, by failing to devise and maintain a sufficient system of internal accounting controls to prevent the provision and approval of the watches and the travel and the falsification of FLIR’s books and records to conceal the conduct. As a result of this same conduct, FLIR failed to make and keep accurate books and records in violation of Section 13(b)(2)(A) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent’s Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A), 13(b)(2)(B) and 30A of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(2)(B), and 78dd-1].

B. Pursuant to Section 21(B)(a)(2) of the Exchange Act, Respondent shall, within 10 days of the entry of this Order, pay disgorgement of $7,534,000, prejudgment interest of $970,584 and a civil money penalty in the amount of $1,000,000, for a total payment of $9,504,584, to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 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 SEC 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 FLIR as the 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. Respondent shall report to the Commission staff periodically, at no less than nine-month intervals during a two-year term, the status of its compliance review of its overseas operations and the status of its remediation and implementation of compliance measures. During this two-year period, should Respondent discover credible evidence, not already reported to the Commission, that questionable or corrupt transfers of property or interests may have been offered, promised, paid or authorized by Respondent entity or person, or any entity or person acting on behalf of Respondent, or that related false books and records have been maintained, Respondent shall promptly report such conduct to the Commission staff. During this two-year period, Respondent shall: (1) conduct an initial review and submit an initial report, and (2) conduct and prepare at least two follow-up reviews and reports as described below:

1. Respondent shall submit to the Commission staff a written report within 180 calendar days of entry of this Order setting forth a complete description of its Foreign Corrupt Practices Act (“FCPA”) and anti-corruption related remediation efforts to date, its proposals reasonably designed to improve the policies and procedures of Respondent for ensuring compliance with the FCPA and other applicable anti-corruption laws, the parameters of the subsequent reviews, and the status and findings of its ongoing compliance review (the “Initial Report”). The Initial Report shall be transmitted to Charles E. Cain, Deputy Chief, FCPA Unit, Division of Enforcement, Securities and Exchange Commission, 100 F. Street, NE, Washington, DC, 20549-5030. Respondent may extend the time period for issuance of the Initial Report with prior written approval of the Commission staff.

2. Respondent shall undertake at least two follow-up reviews, incorporating any comments provided by the Commission staff on the previous report, to update on the status and findings of its ongoing compliance review and to further monitor and assess whether the policies and procedures of Respondent are reasonably designed to detect and prevent violations of the FCPA and other applicable anti-corruption laws (the “Follow-Up Report”).

3. The Follow-Up Report shall be completed no later than 270 days after the Initial Report. The second Follow-Up Report shall be completed no later than 270 days after the completion of the first Follow-Up Report. Each Follow-Up Report shall be transmitted to Charles E. Cain at the address listed above. Respondent may extend the time period for the issuance of the Follow-Up Report with prior written approval of the Commission staff.

4. The periodic reviews and reports submitted by Respondent will likely include proprietary, financial, confidential, and competitive business information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigation or undermine the objectives of the reporting.
requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed by the parties in writing, (3) to the extent the Commission staff determines in its sole discretion that disclosure would be in furtherance of the Commission’s discharge of its duties and responsibilities, or (4) is otherwise required by law.

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 Respondent, and further, any debt for civil penalty or other amounts due by Respondent 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 Respondent 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