

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 90052 / September 30, 2020**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 4182 / September 30, 2020**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20109**

**In the Matter of**

**HILTON WORLDWIDE  
HOLDINGS INC.,**

**Respondent.**

**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 Hilton Worldwide Holdings Inc. (“Hilton” 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, 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 finds<sup>1</sup> that:

#### **Summary**

1. This matter arises from Hilton Worldwide Holdings Inc.'s failure to disclose in its definitive proxy statements approximately \$1.7 million worth of certain travel-related perquisites and personal benefits it paid to, or on behalf of, its Chief Executive Officer, President, and member of its board of directors (the "CEO") and certain other executives who were eligible for travel-related benefits (together with the CEO, the "Named Executive Officers"), from 2015 through 2018. The Board-authorized perquisites included, among other things, expenses associated with the CEO's personal use of Hilton's corporate aircraft and the Named Executive Officers' hotel stays. In connection with this conduct, Hilton violated Sections 13(a) and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, and 14a-3 thereunder.

#### **Respondent**

2. Respondent Hilton Worldwide Holdings Inc. is a Delaware corporation headquartered in McLean, Virginia. Hilton is a global hospitality company with significant operations in the United States. Hilton's common stock is registered under Section 12(b) of the Exchange Act and trades on the New York Stock Exchange under the ticker symbol "HLT."

#### **Background**

3. Section 14(a) of the Exchange Act makes it unlawful to solicit any proxy in respect of any security (other than an exempted security) registered pursuant to Section 12 of the Exchange Act in contravention of such rules and regulations as the Commission may prescribe. Rule 14a-3 prohibits issuers with securities registered pursuant to Section 12 of the Exchange Act from soliciting proxies without furnishing proxy statements containing the information specified in Schedule 14A, including executive compensation disclosures pursuant to Item 402 of Regulation S-K. Item 402 of Regulation S-K requires disclosure of the total value of all perquisites and other personal benefits provided to named executive officers who receive at least \$10,000 worth of such items in a given year. Item 402 of Regulation S-K also requires identification of all perquisites and personal benefits by type, and quantification of any perquisite or personal benefit that exceeds the greater of \$25,000 or 10% of total perquisites.

4. In 2006, the Commission adopted amendments to executive compensation disclosure rules, including Item 402 of Regulation S-K. *See* Commission's Executive Compensation and Related Person Disclosure Final Rule adopting release, Release Nos. 33-8732A; 34-54302A; IC-27444A; File No. S7-03-06 (August 29, 2006) (the "Adopting Release").

---

<sup>1</sup> 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.

According to the Adopting Release, “an item is not a perquisite or personal benefit,” and does not need to be reported, “if it is integrally and directly related to the performance of the executive’s duties. Otherwise, an item is a perquisite or personal benefit if it confers a direct or indirect benefit that has a personal aspect, without regard to whether it may be provided for some business reason or for the convenience of the company, unless it is generally available on a non-discriminatory basis to all employees.” The Adopting Release also states that “the concept of a benefit that is ‘integrally and directly related’ to job performance is a narrow one,” which “draws a critical distinction between an item that a company provides because the executive needs it to do the job, making it integrally and directly related to the performance of duties, and an item provided for some other reason, even where that other reason can involve both company benefit and personal benefit.”

5. According to the Adopting Release, even where the company “has determined that an expense is an ‘ordinary’ or ‘necessary’ business expense for tax or other purposes or that an expense is for the benefit or convenience of the company,” that determination “is not responsive to the inquiry as to whether the expense provides a perquisite or other personal benefit for disclosure purposes.” Indeed, “business purpose or convenience does not affect the characterization of an item as a perquisite or personal benefit where it is not integrally and directly related to the performance by the executive of his or her job.”

### **Facts**

6. Contrary to Item 402 of Regulation S-K and the Commission’s guidance in the Adopting Release, Hilton’s system for identifying, tracking and calculating perquisites incorrectly applied a standard whereby a business purpose would be sufficient to determine that certain items were not perquisites or personal benefits that required disclosure.

7. In definitive proxy statements disclosing executive compensation paid for 2015 through 2018, which were filed in 2016 through 2019, Hilton mistakenly disclosed a total of approximately \$587,000 worth of “All Other Compensation” provided to its Named Executive Officers, with an annual average of approximately \$146,750. The disclosed “All Other Compensation” consisted predominately of 401(k) contributions, insurance premiums, tax reimbursements, and certain personal travel and lodging costs.

8. However, these same definitive proxy statements failed to disclose approximately \$1.7 million worth of travel-related perquisites and personal benefits provided to its Named Executive Officers, thereby understating the “All Other Compensation” portion of its Named Executive Officers’ compensation by an annual average of approximately \$425,000.

9. Items that Hilton incorrectly viewed as business expenses and paid for on behalf of its Named Executive Officers, but did not disclose, include, in the case of the CEO, expenses associated with personal use of corporate aircraft, and in the case of Named Executive Officers, expenses associated with hotel stays, as well as taxes related to such items.

10. From 2016 through 2019, Hilton incorporated its definitive proxy statements into its annual reports by reference.

11. After receipt of a written document and information request from the Commission staff, Hilton conducted an internal review of its perquisite disclosures and its system for identifying, tracking and calculating perquisites. On April 24, 2020, Hilton filed a definitive proxy statement, which, among other things, provided revised disclosures regarding perquisites and personal benefits provided to its CEO in 2017 and 2018 and to other Named Executive Officers for the same time period.

### **Violations**

12. Section 14(a) of the Exchange Act makes it unlawful to solicit any proxy in respect of any security (other than an exempted security) registered pursuant to Section 12 of the Exchange Act in contravention of such rules and regulations as the Commission may prescribe. Rule 14a-3 prohibits issuers with securities registered pursuant to Section 12 of the Exchange Act from soliciting proxies without furnishing proxy statements containing the information specified in Schedule 14A, including executive compensation disclosures pursuant to Item 402 of Regulation S-K. Item 402 of Regulation S-K requires disclosure of the total value of all perquisites and other personal benefits provided to named executive officers (including chief executive officers) who receive at least \$10,000 worth of such items in a given year. Item 402 of Regulation S-K also requires disclosure of all perquisites and personal benefits by type, and specific identification of any perquisite or personal benefit that exceeds the greater of \$25,000 or 10% of the total perquisites. No showing of scienter is required to establish a violation of Section 14(a) of the Exchange Act and Rule 14a-3 thereunder. *See, e.g., Gerstle v. Gamble-Skogmo, Inc.*, 478 F.2d 1281, 1299-1300 (2d Cir. 1973). As a result of the conduct described above, Hilton violated Section 14(a) of the Exchange Act and Rule 14a-3 thereunder.

13. Section 13(a) of the Exchange Act and Rule 13a-1 thereunder require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission, among other things, annual reports as the Commission may require. The Commission need not prove scienter to establish a violation of Section 13(a) of the Exchange Act (or Exchange Act Rules 12b-20 and 13a-1). *See, e.g., SEC v. McNulty*, 137 F.3d 732, 740-41 (2d Cir. 1998). As a result of its incorporation of deficient proxy statements by reference in its annual reports, Hilton violated Section 13(a) of the Exchange Act and Rule 13a-1 thereunder.

14. As a result of the conduct described above, Hilton violated Rule 12b-20 under the Exchange Act, which requires that, in addition to the information expressly required to be included in a statement or report filed with the Commission, there shall be added such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

### **Respondent's Remedial Efforts**

15. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

#### IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Hilton cease and desist from committing or causing any violations and any future violations of Sections 13(a) and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, and 14a-3 thereunder.

B. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$600,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). 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 SEC website 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 Hilton Worldwide Holdings Inc. 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 Brendan P. McGlynn, Assistant Regional Director, Philadelphia Regional Office, Division of Enforcement, Securities and Exchange Commission, 1617 JFK Blvd., Suite 520, Philadelphia, PA 19103.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a

Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

D. Respondent acknowledges that the Commission is not imposing a civil penalty in excess of \$600,000 based upon its cooperation in a Commission investigation. If at any time following the entry of the Order, the Division of Enforcement ("Division") obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay an additional civil penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Vanessa A. Countryman  
Secretary