U.S. SECURITIES AND

EXCHANGE COMMISSION

SEC: Tech Company Bribed Chinese Officials

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Washington D.C., Feb. 16, 2016 —
The Securities and Exchange Commission today announced that a Massachusetts-based technology company and its Chinese subsidiaries agreed to pay more than $28 million to settle parallel civil and criminal actions involving violations of the Foreign Corrupt Practices Act (FCPA).

An SEC investigation found that two Chinese subsidiaries of PTC Inc. provided non-business related travel and other improper payments to various Chinese government officials in an effort to win business. PTC agreed to pay $11.858 million in disgorgement and $1.764 million in prejudgment interest to settle the SEC's charges and its two China subsidiaries agreed to pay a $14.54 million fine in a non-prosecution agreement announced today by the U.S. Department of Justice.

"PTC failed to stop illicit payments despite indications of potential corruption by agents working with its Chinese subsidiaries, and the misconduct continued unabated for several years," said Kara Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit.

The SEC also announced its first deferred prosecution agreement (DPA) with an individual in an FCPA case. DPAs facilitate and reward cooperation in SEC investigations by foregoing an enforcement action against an individual who agrees to cooperate fully and truthfully throughout the period of deferred prosecution. FCPA charges will be deferred for three years against Yu Kai Yuan, a former employee at one of PTC's Chinese subsidiaries, as a result of significant cooperation he has provided during the SEC's investigation.

According to the SEC's order instituting a settled administrative proceeding against PTC:

- From at least 2006 to 2011, two PTC China-based subsidiaries provided improper travel, gifts, and entertainment totaling nearly $1.5 million to Chinese government officials who were employed by state-owned entities that were PTC customers.
- PTC gained approximately $11.8 million in profits from sales contracts with state-owned entities whose officials received the improper payments.
- Chinese officials were compensated directly and through third-party agents for sightseeing and tourist activities.
- Third-party agents typically arranged overseas sightseeing trips in conjunction with a visit to a PTC facility, typically the corporate headquarters in Massachusetts. After one day of business activities, the additional days of sightseeing visits lacked any business purpose.
- Typical PTC-paid travel destinations for Chinese officials included New York, Las Vegas, San Diego, Los Angeles, and Honolulu. Officials enjoyed guided tours, golfing, and other leisure activities.
- Employees of PTC's Chinese subsidiaries also provided improper gifts and entertainment to Chinese government officials, including small electronics such as cell phones, iPods, and GPS systems as well as gift cards, wine, and clothing.
- The improper payments were disguised as legitimate commissions or business expenses in company books and records.

The SEC's order finds that PTC violated the anti-bribery, internal controls, and books and records provisions of the Securities Exchange Act of 1934. In the settlement, the SEC considered PTC's self-reporting of its misconduct as well as the significant remedial acts the company has since undertaken.

The SEC's investigation was conducted by Asita Obeyesekere, Kathleen Shields, and Rory Alex of the Boston Regional Office. The case was supervised by Paul G. Block of the FCPA Unit. The SEC appreciates the assistance of the Fraud Section of the U.S. Department of Justice.

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