

SEC Charges Company and Former Executive with Improper Perks Disclosure

April 1, 2015 | Client Update | 2-minute read

The SEC charged that the former CEO of Polycom used corporate funds to pay for about \$190,000 of personal perks for several years that were not disclosed. During that time, the CEO's total compensation as reported ranged from more than \$4 to over \$7 million annually.

The SEC complaint contains numerous allegations that the former executive had falsified expense reports and provided fake business descriptions in order to obtain reimbursement for personal meals, clothing, entertainment and travel.

The company was charged with inadequate proxy disclosure from 2010 to 2013. It appears that at least one incident of the CEO's abuse of expense reporting was uncovered by the company in 2011, but the full scope was unknown to the company and the CEO's activities continued. In the same year that the company highlighted in its 2013 proxy statement that it provided "no excessive perquisites" to its executives, the entirety of the false reporting by the CEO was revealed.

The SEC alleged that the company did not adequately supervise the former CEO, including allowing him to book and charge flights without providing any description of their purpose. The SEC was also troubled by the executive's sole ability to approve payments made by his administrative assistants that were incurred at his request.

The SEC also charged the company with violating the rules regarding accurate annual reports, since the proxy statement disclosure is incorporated into Form 10-K, as well as the rules requiring companies to keep adequate books and records and devise and maintain a system of internal accounting controls.

The company settled with the SEC for \$750,000 while the case against the executive continues.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Ning Chiu

+1 212 450 4908

ning.chiu@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.