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## U.S. Securities and Exchange Commission

### U.S. SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 20414 / December 21, 2007

Accounting and Auditing Enforcement Release No. 2760 / December 21, 2007

*SEC v. Lucent Technologies Inc.*, Civ. Act. No. 1:07-cv-02301 (D.D.C.) (RBW) (filed December 21, 2007)

#### **SEC Files Settled Action Against Lucent Technologies Inc. in Connection With Payments of Chinese Officials' Travel and Entertainment Expenses; Company Agrees to Pay \$1.5 Million Civil Penalty**

The Securities and Exchange Commission today filed a settled complaint against Lucent Technologies Inc. ("Lucent") in the United States District Court for the District of Columbia alleging violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act. Lucent, a Delaware corporation that provides communications systems and services, is a wholly-owned subsidiary of Alcatel-Lucent, a French company. Lucent has agreed, without admitting or denying the allegations in the complaint, to the entry of a permanent injunction and to pay \$1.5 million in civil penalties.

The Commission's complaint alleges that, from at least 2000 to 2003, Lucent spent over \$10,000,000 for approximately 1,000 Chinese foreign officials, who were employees of Chinese state-owned or state-controlled telecommunications enterprises, to travel to the United States and elsewhere. The Commission alleges that the majority of the trips were ostensibly designed to allow the Chinese foreign officials to inspect Lucent's factories and to train the officials in using Lucent equipment. In fact, according to the complaint, during many of these trips, the officials spent little or no time in the United States visiting Lucent's facilities. Instead, they visited tourist destinations throughout the United States, such as Hawaii, Las Vegas, the Grand Canyon, Niagara Falls, Disney World, Universal Studios, and New York City. As set forth in the complaint, the Chinese government enterprises for whom the officials worked were either entities to which Lucent was seeking to sell its equipment and services or existing Lucent customers. The Chinese foreign officials who traveled at Lucent's expense were often identified by Lucent in its internal documents as "decision makers" with respect to awarding new business.

According to the Commission's complaint, Lucent improperly recorded many of the trips in its books and records. For example, over 160 trips were booked to Lucent's "Factory Inspection Account" even though the customers did not visit a Lucent factory at any time during the trip. The Commission also alleges that Lucent lacked the internal controls to detect

and prevent trips intended for sightseeing, entertainment and leisure, rather than business purposes. Moreover, Lucent failed, for years, to properly train its officers and employees to understand and appreciate the nature and status of its customers in China in the context of the Foreign Corrupt Practices Act. The Commission alleges that, in authorizing and improperly recording the payments for approximately 315 trips for Chinese government officials that had a disproportionate amount of sightseeing, entertainment and leisure, Lucent violated the books and records and internal controls provisions of the Foreign Corrupt Practices Act of 1977.

In the settlement, Lucent, without admitting or denying the allegations in the Commission's complaint, consented to the entry of a final judgment permanently enjoining Lucent from future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, and ordering Lucent to pay a civil penalty of \$1,500,000. Lucent has also entered into a non-prosecution agreement with the United States Department of Justice and has agreed to pay a \$1,000,000 fine pursuant to that agreement. The Commission acknowledges the assistance of the United States Department of Justice in this matter.

▶ [SEC Complaint in this matter](#)

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