

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA**

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SECURITIES AND EXCHANGE COMMISSION  
100 F Street, N.E.  
Washington, DC 20549

Plaintiff,

v.

Oscar H. Meza,

Defendant.

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**Civil Action No.**

**COMPLAINT**

Case: 1:09-cv-01648

Assigned To : Sullivan, Emmet G.

Assign. Date : 8/28/2009

Description: General Civil

Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows:

**SUMMARY**

1. This action arises from multiple violations of the anti-bribery provisions of the Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), and other provisions of the federal securities laws by Oscar Meza, the former Director of Asia-Pacific Sales for Faro Technologies, Inc. ("Faro"). Beginning in 2004, Defendant Meza authorized a former employee of Faro's subsidiary, Faro Shanghai Co., Ltd. ("Faro-China"), to make bribery payments termed "referral fees" to employees of Chinese state-owned companies in order to obtain contracts. As a result of the defendant's actions, Faro-China paid a total of \$444,492 in bribes during the period 2004 through 2006, generating approximately \$4.5 million in sales and approximately \$1.4 million in net profit.

2. Through his conduct, Defendant Meza violated the anti-bribery provisions of the FCPA which are codified in Section 30A of the Securities Exchange Act of 1934

("Exchange Act") [15 U.S.C. § 78dd-1], and violated the books and records and internal control provisions of Section 13(b)(5) of the Exchange Act and Exchange Act Rule 13b2-1 [15 U.S.C. § 78m(b)(5) and 17 C.F.R. § 240.13b2-1]. Defendant Meza, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)], aided and abetted Faro's violations of anti-bribery provisions of Exchange Act Section 30A, and the books and records and internal controls provisions of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78dd-1, 78m(b)(2)(A) and 78m (b)(2)(B)].

### **JURISDICTION**

3. This Court has jurisdiction over this action pursuant to Exchange Act Sections 21(d)(3) and 27 [ 15 U.S.C. §§ 78u(d)(3) and 78aa]. In connection with the conduct described herein, Defendant made use of the mails and/or the means or instrumentalities of interstate commerce.

### **DEFENDANT**

4. Defendant Meza is a U.S. citizen currently residing in Quebec, Canada. Defendant Meza began his employment with Faro in 2000. During the relevant time period, Meza was first, Vice-President for Asia-Pacific Sales for Faro, and then the Director of Asia-Pacific Sales. In those positions, Meza was the Faro executive responsible for managing Faro-China's sales efforts. Throughout the relevant time period, Meza received a base salary, plus a sales commission that was based on the value of all sales contracts awarded to Faro-China, including sales contracts awarded by Chinese government-owned companies.

## RELEVANT PARTY

5. Faro is a software development and manufacturing company with its headquarters located in Lake Mary, Florida. Faro's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is traded on the NASDAQ. On June 5, 2008, the Commission ordered Faro to cease-and-desist from committing or causing violations of Exchange Act Sections 30A, 13(b)(2)(A), and 13(b)(2)(B), and to pay disgorgement of \$1,411,306 plus prejudgment interest of \$439,637.32, in connection with the improper payments made by Faro-China and authorized by Meza.

## FACTS

6. In early 2003, Faro established Faro-China to sell its products in China. Previously, Faro relied on a Chinese distributor to sell Faro products to Chinese customers.

7. Shortly after establishing Faro-China, Faro promoted Meza, then Vice-President of Sales for the Asia-Pacific region, to the post of Director of Asia-Pacific Sales. In this capacity, Meza had oversight responsibility for sales at Faro-China, as well as other Faro subsidiaries and distributors in the region.

8. Subsequently, Meza recommended a former employee of Faro's Chinese distributor for the new Country Sales Manager position ("Country Manager") at Faro China, and in May 2003, Faro offered that individual an employment contract.

9. After receiving the proposed employment contract, the Country Manager communicated to three Faro officers, including Meza, requesting permission to "do business [on behalf of Faro] the Chinese way." After receiving that request, Meza

explained to the other two Faro officers that the Country Manager was requesting permission to pay kickbacks or other things of value to potential customers in order to obtain sales contracts with those customers.

10. After learning of the Country Manager's request to do business "the Chinese way," certain Faro officers sought a legal opinion from Faro's Chinese counsel as to whether such payments to customers violated Chinese law. Members of Faro management, including Meza, learned that such payments to customers likely violated China's anti-bribery laws, particularly where Faro-China's customers were Chinese state-owned companies.

11. After receiving this legal advice that noted the prevalence of state-owned companies in China, the same Faro officers orally directed both Meza and the Country Manager not to make any such payments.

#### **Meza Authorized the Bribery Scheme**

12. Soon after beginning Faro-China's operations, Meza authorized the Country Manager to make illegal cash payments, termed "referral fees," to employees of Chinese state-owned companies in order to obtain contracts. For example, in a November 2004 e-mail to Meza, the Country Manager requested permission to give a \$13,300 payment to an employee of a state-owned company. In the same e-mail, the Country Manager reiterated that "to have a good relationship with customers in China" you have to give them "money."

13. The Country Manager explained that taking customers to dinner or giving them travel opportunities was not enough to promote a good relationship with the potential customer in China. Instead, employees of companies, including state-owned

companies, wanted cash in order “to cooperate with [Faro] and help [Faro] get the order.” Meza responded to the Country Manager by e-mail, saying that he has “always understood” that this is how business was done in China, and approving the improper payment.

14. Throughout 2004 and 2005, Meza approved additional corrupt payments to employees of state-owned or state-controlled businesses in China in order to obtain sales contracts. Meza never instructed the Country Manager to cease the payments. Instead, Meza merely expressed concern that they would be caught making the payments. In the same November 2004 e-mail, Meza stated that the 20-30% “referral fee” is “a lot of money in China and someone will notice that one day and we may all be in trouble.” Meza instructed the Country Manager to “be careful” when making the improper payments, but to make the improper payments when he “really needed to do it.”

**Meza Instructed Faro-China Staff to Alter Accounts and Conceal the True Nature of the Improper Payments and Approved the Use of Third-Party Intermediaries to Avoid Detection**

15. To conceal the bribes, Meza instructed Faro-China’s staff to alter account entries in order to delete the actual recipient of the improper payments. As Director of Asia-Pacific Sales, Meza was responsible for ensuring that Faro-China’s sales were accurately described and entered in Faro-China’s books and records. Yet, in an April 2004 e-mail, Meza instructed Faro-China accounting staff: “please do not use the words ‘customer referral fee’ but only ‘referral fee’” when describing the improper payments in the company’s books and records.

16. In the same e-mail, Meza explained that the reason for his instruction was that he “did not want to end up in jail” as a result of “this bribery.”

17. In February 2005, a new Faro officer e-mailed a news article to all international business units describing the prosecution of another U.S. company for payment of bribes in China, and stated that the article highlighted the fact that Faro must take precautions to “observe U.S. law” in their dealings in China.

18. The Faro officer specifically forwarded the e-mail to Meza and instructed him to have it translated for Faro-China’s staff. After reading the translated e-mail, the Country Manager e-mailed Meza and requested authorization to continue making the improper payments, albeit through third-party intermediaries or “distributors.”

19. In a February 16, 2005 e-mail response, Meza approved the Country Manager’s proposed use of an intermediary to funnel payments to customers, including state-owned customers, in order “to avoid exposure.” Faro-China funneled cash payments through these intermediaries for nearly one year, from early 2005 until early 2006.

**FIRST CLAIM**  
**(Bribery)**

**Violations of Exchange Act Section 30A**

20. Paragraphs 1-19 are hereby incorporated by reference.

21. As described above, Defendant Meza, acting on behalf of Faro and its subsidiaries, made use of the mails or any means of instrumentality of interstate commerce corruptly in furtherance of an offer, payment, or promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value, to foreign officials for the purposes of influencing their acts or decisions, securing an improper advantage, or inducing them to use their influence, to assist Faro in obtaining or retaining business.

22. By reason of the foregoing, Defendant Meza violated, and unless restrained will violate, Section 30A of the Exchange Act [15 U.S.C. § 78dd-1].

**SECOND CLAIM**  
**(Books and Records and Internal Controls)**

**Violations of Exchange Act Section 13(b)(5) and Rule 13b2-1**

23. Paragraphs 1-22 are hereby incorporated by reference.

24. As described above, Defendant Meza knowingly circumvented Faro-China and Faro's internal accounting controls and, directly or indirectly falsified, or caused to be falsified, books, records, or accounts of Faro subject to Exchange Act Section 13(b)(2) [15 U.S.C. § 78m(b)(2)].

25. By reason of the foregoing, Defendant Meza violated, and unless restrained will violate, Exchange Act Section 13(b)(5) and Exchange Act Rule 13b2-1 [15 U.S.C. §78m(b)(5) and 17 C.F.R. §240.13b2-1].

**THIRD CLAIM**  
**(Bribery)**

**Aiding and Abetting Violations of Exchange Act Section 30A**

26. Paragraphs 1-25 are hereby incorporated by reference.

27. As a consequence of the conduct described above, Faro violated the anti-bribery provisions of the Foreign Corrupt Practices Act as codified at Exchange Act Section 30A [15 U.S.C. § 78dd-1]. Pursuant to Exchange Act Section 20(e) [15 U.S.C. §78t(e)], Meza knowingly and substantially assisted Faro in its violations of these provisions.

28. By reason of the foregoing, Defendant Meza aided and abetted, and unless restrained, will aid and abet violations of Exchange Act Section 30A [15 U.S.C. § 78dd-1].

**FOURTH CLAIM**  
**(Books and Records and Internal Controls)**

**Aiding and Abetting Violations of Exchange Act Sections 13(b)(2)(A) and (B)**

29. Paragraphs 1-28 are hereby incorporated by reference.

30. Faro inaccurately recorded bribery payments as legitimate selling expenses in its consolidated books and records in violation of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)]. Pursuant to Section 20(e) [15 U.S.C. §78t(e)] of the Exchange Act, Defendant Meza knowingly provided substantial assistance to Faro in inaccurately recording these payments in Faro's books and records.

31. By reason of the foregoing, Defendant Meza aided and abetted, and unless restrained will aid and abet, violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].



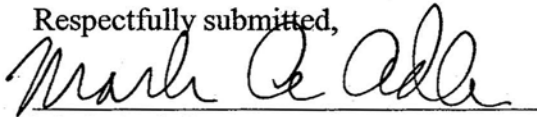
**REQUEST FOR RELIEF**

The Commission respectfully requests that the Court enter an Order:

1. permanently enjoining Defendant Meza from violating Exchange Act Sections 30A and 13(b)(5) [15 U.S.C. §§ 78dd-1 and 78m(b)(5)] and Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1], and from aiding and abetting violations of Sections 30A, 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78dd-1, 78m(b)(2)(A), and 78m(b)(2)(B)];
2. ordering Defendant Meza to disgorge, with prejudgment interest, ill-gotten gains that he received in connection with the bribery scheme;
3. ordering Defendant Meza to pay a civil monetary penalty under Exchange Act Sections 21(d)(3) and 32(c) [15 U.S.C. §§ 78u(d)(3) and 78ff(c)]; and
4. granting such other relief as is just and appropriate.

Dated: August 28, 2009

Respectfully submitted,



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