

## UPDATE 2-Tyco to pay \$50 mln to settle US SEC fraud charges

(Adds Breen comment, background, byline)

By Kevin Drawbaugh

WASHINGTON, April 17 (Reuters) - Tyco International Ltd. <TYC.N>, the conglomerate whose former chief was convicted of looting the company, will pay \$50 million to settle accounting fraud charges, U.S. authorities said on Monday.

The penalty stems from an alleged \$1 billion overstatement of Tyco's results between 1996 and 2002 in an accounting fraud "orchestrated at the highest levels of the company," the Securities and Exchange Commission said.

The lurid details of how former Chief Executive Dennis Kozlowski spent Tyco's money -- on a \$2 million birthday party for his wife in Sardinia and a \$6,000 shower curtain for his \$18 million Manhattan apartment, for instance -- came to symbolize corporate excess during a time of scandals.

"This enforcement action shows that, in addition to looting the company, Tyco's Kozlowski-era management lied about the company's financial results," SEC Enforcement Director Linda Thomsen said in a statement.

Kozlowski is serving a prison sentence for stealing more than \$150 million from Tyco in a case that also led to the conviction of former Chief Financial Officer Mark Swartz.

The Bermuda-based company said the \$50-million SEC settlement, the cost of which it had previously reported, closed the agency's probe of its former officials' accounting practices.

"This investigation was one of several legacy matters inherited by the current management team as a result of alleged wrongdoing on the part of previous management," Tyco Chairman Ed Breen said in a statement.

"We have cooperated fully with the SEC and are pleased to be able to close this chapter in Tyco's history."

Tyco neither admitted nor denied wrongdoing, as is customary in SEC settlement agreements.

The SEC said Tyco inflated operating profit by at least \$500 million through improper accounting for some of the many corporate acquisitions it made from 1996 to 2002.

Tyco boosted profits by a further \$567 million from fiscal 1998 through late 2002 by improperly booking connection fees charged by its ADT Security Services unit, the SEC also said.

In 2003, Tyco restated results related to the fees, the agency said.

The SEC also said Tyco from late 1996 through early 2002 failed to disclose a number of pay, loan and other transactions with executives, and broke anti-bribery laws by paying off Brazilian officials for business.

Breen, who took over in mid-2002, said the company had expected the amount of the settlement and it would have no financial impact beyond that disclosed nearly a year ago.

He said Tyco has replaced its entire senior management team and its board, doubled its audit staff, disclosed its methods for setting executive pay and made other internal reforms.

Shares in Tyco were down 12 cents at \$25.89 in midday New York Stock Exchange trading, slightly above a two-year low of \$24.67 per share set in early February.

(Additional reporting by Karey Wutkowski in Washington and Nick Zieminski in New York)

---

© Reuters 2006. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.

[Close This Window](#)