

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

In the Matter of:

Zhongxing Telecommunications Equipment  
Corporation  
ZTE Plaza, Keji Road South  
Hi-Tech Industrial Park  
Nanshan District, Shenzhen  
China

ZTE Kangxun Telecommunications Ltd.  
2/3 Floor, Suite A, Zte Communication Mansion  
Keji (S) Road  
Hi-New Shenzhen, 518057  
China

Respondents

SUPERSEDING ORDER RELATING TO  
ZHONGXING TELECOMMUNICATIONS EQUIPMENT  
CORPORATION AND ZTE KANGXUN TELECOMMUNICATIONS LTD.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), previously notified Zhongxing Telecommunications Equipment Corporation, of Shenzhen, China (“ZTE Corporation”) and ZTE Kangxun Telecommunications Ltd. of Hi-New Shenzhen, China (“ZTE Kangxun”) (collectively, “ZTE”), of its intention to initiate an administrative proceeding against ZTE pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),<sup>1</sup> and Section 13(c) of the Export

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2018). The violations described in this Order occurred in 2010-2017. The Regulations governing the violations at issue are found in the 2010-2017 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2018 Regulations set forth the procedures that apply to this matter.

Administration Act of 1979, as amended (the “Act”),<sup>2</sup> through the issuance of a Proposed Charging Letter to ZTE, which is attached hereto and incorporated herein, that alleges that ZTE committed 380 violations of the Regulations.

WHEREAS, on March 23, 2017, I signed an order (the “March 23, 2017 Order”) approving the terms of the Settlement Agreement entered into in early March 2017, between BIS and ZTE (the “March 2017 Settlement Agreement”), to resolve the charges set forth in the Proposed Charging Letter, each of which ZTE admitted;

WHEREAS, on March 6, 2018, ZTE notified BIS that it had made false statements in two letters it sent to BIS on November 30, 2016 and July 20, 2017, respectively, regarding the discipline of a total of 39 employees involved in the violations that led to proposed charges settled via the March 2017 Settlement Agreement and March 23, 2017 Order;

WHEREAS, violations relating to the November 30, 2016 letter were not known to BIS or included in the Proposed Charging Letter or otherwise resolved as part of the March 2017 Settlement Agreement;

WHEREAS, after providing notice to ZTE and an opportunity to respond pursuant to the Regulations, I issued an order on April 15, 2018 (the “April 15, 2018 Order”), activating the suspended denial of export privileges set forth in the March 2017

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<sup>2</sup> 50 U.S.C. §§ 4601-4623 (Supp. III 2015). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2017 (82 Fed. Reg. 39,005 (Aug. 16, 2017)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq.) (2006 & Supp. IV 2010).

Settlement Agreement and the March 23, 2017 Order (*see* 83 Fed Reg. 17,644 (April 23, 2018));

WHEREAS, following issuance of the April 15, 2018 Order, BIS granted leave to ZTE to make a supplemental submission regarding the November 30, 2016 and July 20, 2017 letters, as well as the April 15, 2018 Order;

WHEREAS, BIS and ZTE have entered into a settlement agreement that would supersede the March 2017 Settlement Agreement (the “Superseding Settlement Agreement” or the “Agreement”), whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein;

WHEREAS, in reviewing the Superseding Settlement Agreement, I have taken into consideration the admissions of liability by ZTE concerning each of the allegations contained and violations alleged in the Proposed Charging Letter and the violations described in the April 15, 2018 Order;

WHEREAS, in reviewing the Superseding Settlement Agreement, I have also taken into consideration the guilty plea entered by ZTE Corporation in March 2017, pursuant to the plea agreement (the “March 2017 Plea Agreement”) entered into between ZTE Corporation and the U.S. Attorney’s Office for the Northern District of Texas and the United States Department of Justice, National Security Division (collectively, the “Department of Justice”), as well as the March 2017 Settlement Agreement entered into between ZTE Corporation and the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) related to this matter (the “OFAC Settlement Agreement”);

WHEREAS, the April 15, 2018 Order remains in full force and effect unless and until ZTE has fully and timely made the \$1,000,000,000 payment as set forth in

Paragraph First, and has complied with the escrow requirements as set forth therein relating to the \$400,000,000 suspended portion of the civil penalty, at which time BIS will terminate the denial of export privileges set forth in the April 15, 2018 Order, and remove ZTE from the Denied Persons List;

WHEREAS, ZTE understands and acknowledges that if it violates any of the probationary conditions set forth in the Superseding Settlement Agreement and this Order, BIS may activate the suspended denial order set forth below;

WHEREAS, I hereby approve of the terms of the Superseding Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, ZTE shall be assessed a civil penalty by BIS in the amount of \$1,761,000,000. ZTE has satisfied \$361,000,000 of this civil penalty amount through the payment that ZTE made on or about May 19, 2017, following issuance of the March 23, 2017 Order. ZTE shall pay \$1,000,000,000 of this civil penalty amount to the U.S. Department of Commerce within 60 days of the date of this Order. Payment shall be made in the manner specified in the attached instructions. The remaining \$400,000,000 of this civil penalty amount shall be placed, within 90 days of this Order, in an escrow account with a bank located and headquartered in the United States to be selected by ZTE and approved by BIS.

(i) The \$400,000,000 suspended portion shall remain in escrow and its payment suspended for a probationary period of ten years under the Agreement and this Order, and the escrow shall thereafter be terminated and payment of the \$400,000,000 thereafter waived, provided that during this ten-year probationary

period: ZTE has fully and timely made the \$1,000,000,000 payment as set forth above and has complied with the escrow requirements relating to the \$400,000,000 suspended portion of the civil penalty, has ensured that all records required to be maintained or retained under the Regulations are stored in or fully accessible from the United States, has fully and timely complied with the audit and reporting requirements set forth in the Agreement and this Order, and has otherwise complied with the provisions of the Agreement and this Order; has committed no other violation of the Act or the Regulations or any order, license or authorization issued thereunder; and has otherwise complied with the terms of the March 2017 Plea Agreement and the criminal sentence imposed in the criminal proceeding; has complied with the OFAC Settlement Agreement; and complies with any subsequent revision to the March 2017 Plea Agreement or any additional plea agreements agreed to as part of this matter as well as any amendments to the OFAC Settlement Agreement. If ZTE fails to comply with any of these probationary conditions, the \$400,000,000 suspended portion of the BIS civil penalty may immediately become due and owing in full or in part, at BIS's discretion. If BIS activates all or any portion of this suspended penalty, the escrow agent shall immediately disburse to the Department of Commerce the amount activated upon receipt of a copy of the activation order.

(ii) Upon ZTE's full and timely payment, as set forth above, of \$1,000,000,000 and compliance with the escrow requirements relating to the \$400,000,000 suspended portion of the civil penalty, BIS will terminate the denial provisions set forth in the April 15, 2018 Order and remove ZTE from the Denied Persons List.

SECOND, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and if payment is not made by the due date specified herein, ZTE will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, within 30 days of the date of the Order, BIS will select and ZTE shall retain at its expense an independent special compliance coordinator (“SCC”) to coordinate, monitor, assess, and report on compliance by ZTE and its subsidiaries and affiliates worldwide with the Act, the Regulations and the terms of the Agreement and this Order, including without limitation, but not limited to, ZTE’s compliance program and all related policies, practices, procedures, and systems regarding all exports, reexports, or transfers (in-country) or other activities that are subject to the Act, the Regulations, and the prevention, detection, and reporting of violations of U.S. export controls. The SCC will report to the chief executive officer and Board of Directors of ZTE and to BIS, equally, and shall perform his or her duties in consultation with BIS.

(i) The SCC shall serve for the duration of the ten-year probationary period under the Agreement and this Order, unless the SCC resigns or is removed by BIS for failing to satisfactorily perform his or her duties and responsibilities. If ZTE has a demonstrable rationale for removal of the SCC, such information shall be presented to BIS, which shall determine the proposed removal in its sole discretion. BIS’s determination shall be final. If the SCC resigns or is removed, a replacement shall

be retained within 30 days in the same manner as set forth above relating to the initial appointment of the SCC.

(ii) ZTE shall not hire, employ, or retain the SCC or any of his or her assistants or professional staff for a period of five (5) years from the date of termination of this Order. The SCC will not serve or function as an employee or agent of ZTE (or of BIS), or as legal counsel to ZTE. No attorney-client relationship shall be formed between ZTE and the SCC. No documents or information created, generated, or produced by the SCC will be considered privileged from disclosure to BIS or other U.S. federal government agencies, nor shall ZTE assert such a claim of privilege.

(iii) Within ten days of the SCC's appointment, ZTE shall provide to the directors, officers, and employees of ZTE and its subsidiaries and affiliates notice of the SCC's appointment, a description of the SCC's duties and responsibilities under the Agreement and this Order, and a directive to fully cooperate with the SCC. This notice shall remain posted on ZTE's internal website and be included in any ZTE employee compliance manuals or similar documents during the ten-year probationary period under the Agreement and this Order.

(iv) ZTE and its subsidiaries and affiliates shall cooperate with all requests of the SCC and shall take no action to interfere with or impede the SCC's ability to monitor ZTE's compliance with U.S. export control laws and the Agreement and this Order, or to carry out the SCC's other duties and responsibilities as set forth pursuant to the Agreement and this Order. The SCC shall notify BIS whenever the SCC encounters any difficulties in exercising his or her duties and responsibilities. ZTE shall not take any action to retaliate against the SCC for any such disclosures or for any other

reason. Subject to the foregoing, and subject to and without modifying the other provisions of the Agreement and this Order, if ZTE has a significant objection to any action or proposed action by the SCC as ineffective or as unduly burdensome, ZTE shall promptly raise and substantiate the objection with the SCC. If ZTE and the SCC are unable to promptly resolve the objection, the SCC shall notify BIS. BIS shall thereafter determine the issue following consultation with the SCC and ZTE. BIS's determination shall be final. ZTE acknowledges and understands the broad scope of its compliance obligations and the related oversight and other authority of the SCC under the terms of the Agreement and this Order, as well as that ZTE's compliance-related expenditures will increase from its current levels as a result of its obligations and commitments under the Agreement and this Order. ZTE understands and agrees that refusal to cooperate fully with the SCC may constitute a breach of the Agreement and this Order.

(v) It shall be a condition of the SCC's retention that the SCC is independent of ZTE and its subsidiaries and affiliates, that no attorney-client relationship shall be formed between the SCC and ZTE and its subsidiaries and affiliates, and that there shall be no limitations on any sharing of information between or among SCC and BIS and any other U.S. federal government agencies. With the understanding that nothing in the Agreement or this Order shall be interpreted to compel waiver of applicable attorney-client or work product protections, the SCC shall have full and complete access to all personnel, books, records, systems, documents, audits, reports, facilities and technical information related to compliance with the Act, the Regulations, the Agreement and this Order. ZTE understands and agrees that it will not assert attorney-client or attorney work product protections over the personnel, books, records,

systems, documents, audits, reports, facilities and technical information related to compliance with the Act, the Regulations, the Agreement and this Order that the SCC will seek to access.

(vi) The SCC shall, after consultation with ZTE and BIS and approval of BIS, have authority to employ at ZTE's expense as many assistants and other professional staff to provide support and services as are reasonable for the performance and fulfillment of the SCC's duties and responsibilities. The SCC shall have support from a minimum of six assistants or professional staff on a regular, ongoing basis. The SCC as well as the assistants and professional staff shall be paid for by ZTE. Failure by ZTE to timely pay the SCC and its assistants and professional staff may constitute a breach of the Agreement and this Order.

(vii) In fulfilling the duties and responsibilities set forth in the Agreement and this Order, the SCC may, at his or her sole discretion, present any compliance or compliance-program related issue directly to any or all among the ZTE's Board of Directors or its Chair, or any special audit or compliance committee of the ZTE Board, or ZTE's chief executive officer, chief financial officer, chief legal officer, or chief operating officer. The SCC shall report to BIS, and thus may, in his or her sole discretion or at the request of BIS, raise any such issue with BIS. Should the SCC, during the course of his or her engagement, discover credible evidence that potentially unlawful transactions were not reported under the Act, the Regulations, this Agreement, the Order, or other applicable law, the SCC shall promptly notify BIS and ZTE.

(viii) The SCC will report to BIS and ZTE's CEO and Board of Directors concerning ZTE's compliance, including as to compliance program

enhancements and resource levels, at least quarterly during the first year following the SCC's appointment, and thereafter at least semi-annually. ZTE shall provide to the SCC at least quarterly during that first year, and semi-annually thereafter, accounting reports, certified as complete and accurate by ZTE's chief financial officer, of ZTE's compliance expenditures. BIS may require more frequent or additional reports as BIS determines may be necessary or appropriate after consultation with the SCC. ZTE's CEO or its Board or an audit or compliance committee of the Board may also request more frequent or additional reports; the SCC shall determine in the SCC's discretion whether to provide such more frequent or additional reports to ZTE.

(ix) BIS may, on its own initiative or at the request of the SCC, issue such guidance as BIS determines is necessary or appropriate to help ensure strict compliance with the Act, the Regulations, and the terms and conditions of the Agreement and this Order.

(x) ZTE understands and agrees that its employees and agents will not restrict or otherwise interfere with communications between the SCC and BIS, and that any such restriction or interference shall constitute a breach of the Agreement and this Order.

FOURTH, ZTE shall complete and submit nine audit reports of its compliance with U.S. export control laws, with respect to all exports, reexports, or transfers (in-country) that are subject to the Regulations, as further set forth in subparagraphs (i)-(iii) below.

(i) At the conclusion of the three-year term of the independent compliance monitor described in the March 2017 Plea Agreement and any related court orders, the SCC will be responsible for conducting the six remaining audits.

(ii) The audits required under the Agreement and this Order shall be in substantial compliance with the Export Management and Compliance Program sample audit module (currently available on the BIS web site at <https://www.bis.doc.gov/index.php/forms-documents/pdfs/1641-ecp/file>), and shall include an assessment of ZTE's compliance with the Regulations (including, but not limited to, the recordkeeping and retention requirements set forth in Part 762 of the Regulations) and other U.S. export control laws, as well as compliance with the Agreement and this Order. The results of the audits, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 225 E. John Carpenter Freeway, Suite 820, Irving, TX 75062 ("BIS Dallas Field Office").

(iii) The first three audit reports under the Agreement and this Order shall be satisfied through the timely completion and contemporaneous transmission to the BIS Dallas Field Office of a copy of the reports required under the March 2017 Plea Agreement and any related court orders, if the reports are performed and completed in accordance with the terms of the March 2017 Plea Agreement and subparagraph (ii) above. The first of these three audits was completed and a copy of the report submitted to the BIS Dallas Field Office in January 2018. After submission of the two remaining reports of the audits required under the March 2017 Plea Agreement, the remaining six of the nine audits required by this Agreement shall cover successive 12-month periods

following the end of the three-year term of the independent compliance monitor under the March 2017 Plea Agreement, and the corresponding audit report shall be completed and submitted to the BIS Dallas Field Office no later than two months after the end of the 12-month period that is covered by the audit. These audit reports shall include a certification to BIS, executed under penalty of perjury, from the chief executive officer and chief legal officer of ZTE that to the best of their knowledge, after reasonable inquiry, ZTE and its subsidiaries and affiliates are in compliance with the terms of the Agreement and this Order, including, but not limited to, the compliance program obligations set forth in subparagraph (v) of Paragraph Sixth below. In addition, where said audit identifies actual or potential violations of the Regulations, ZTE shall promptly provide copies of all related export control documents and other pertinent documentation to the BIS Dallas Field Office. Any disclosure by ZTE to the SCC concerning export control violations shall not relieve ZTE of its obligation to disclose truthfully such matters to BIS pursuant to this Agreement or this Order.

FIFTH, ZTE shall ensure that all records required to be kept or retained under the Regulations are stored in or fully accessible from the United States.

SIXTH, ZTE shall:

(i) allow the U.S. Government to verify ZTE's adherence to its export control compliance program and the Regulations, including agreeing to end-use verifications for shipments of items subject to the Regulations in the People's Republic of China ("PRC") and third countries. End-use verifications that occur in the PRC relating to transactions after March 2, 2017 are not subject to the understanding between the U.S. Department of Commerce and the PRC Ministry of Commerce.

(ii) provide extensive training on applicable export control requirements to (a) its leadership, management, and employees, and (b) the leadership, management and employees of its subsidiaries, affiliates, and other entities worldwide over which it has ownership or control.

(iii) inform its leadership, management, employees, contractors, suppliers, and others who deal in items subject to the Regulations that transfers of such items to Iran, North Korea, Syria, Sudan, and Cuba, including without limitation U.S.-origin items or non-U.S.-origin items containing more than the applicable de minimis content by value as set forth in the EAR, are generally prohibited unless authorized by the EAR or the regulations administered by OFAC, or by the U.S. Government through the issuance of a license.

(iv) provide copies directly to BIS of the materials to be used for such training, dates for such training, and information about the locations where such training occurred to BIS on a quarterly basis until January 1, 2021.

(v) provide and have fully implemented within six months of the date of this Order, a comprehensive and updated export control compliance program that transcends through all corporate levels of ZTE, its subsidiaries, affiliates, and other entities worldwide over which it has ownership or control, including a statement of corporate policy of export control compliance from the chief executive officers of ZTE Corporation and ZTE Kangxun to ensure compliance with the EAR. It will be distributed no less than annually to all relevant employees of ZTE Corporation and ZTE Kangxun and their subsidiaries and affiliates.

(vi) replace the entire Boards of Directors of ZTE Corporation and ZTE Kangxun within 30 days of the date of the Order.

(vii) terminate all current members of the senior leadership of ZTE Corporation and ZTE Kangxun at or above the senior vice president level as well as any executive or officer who participated in, oversaw, or was otherwise responsible for the conduct described in the Proposed Charging Letter or the April 15, 2018 Order, within 30 days of the date of this Order, and prohibit the re-hire of those employees by ZTE and any of its subsidiaries or affiliates. ZTE will promptly report to BIS on its implementation of this subparagraph. BIS, at its sole discretion, may grant exemptions to this subparagraph.

(viii) within 30 days of replacing the Boards of Directors of ZTE Corporation and ZTE Kangxun as set forth above, ZTE shall create special audit/compliance committees of the Boards of ZTE Corporation and ZTE Kangxun composed of three or more independent members of the new Boards of Directors. The committees shall maintain written descriptions of their roles, their membership, and their responsibilities, a copy of which shall be included in the annual audits set forth in Paragraph Fourth, above. The Chair of the Board of Directors can be an audit/compliance committee member, but cannot chair the audit/compliance committee. At least one member of the audit/compliance committee shall have recent and relevant compliance experience.

(ix) within 90 days of the date of this Order, identify in detail to BIS all Chinese Government ownership and control of ZTE, including as to public and private shares of the company.

(x) within 180 days of the issuance of this Order, ZTE will publish on its web site the classification under the Regulations, including applicable Export Control Classification Numbers as necessary to determine EAR licensing requirements, of all items, including parts and components, subject to the Regulations that ZTE or its subsidiaries and affiliates sell, supply, produce, manufacture, assemble, export, reexport, or transfer (in-country). The company should also include *de minimis* calculations relating to items that include controlled U.S.-origin content. This information shall be published in Chinese and English. This information shall also be shared in written or electronic form with customers of ZTE and its subsidiaries.

(xi) within four years of the date of this Order, ZTE will hold at its expense two public symposia in China regarding compliance with the Regulations, with a focus on best compliance practices for Chinese companies and their subsidiaries and affiliates.

SEVENTH, the full and timely payment of the civil penalty in accordance with the payment schedule set forth above, and full and timely compliance with each of the other probationary conditions set forth in Paragraph First, are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to ZTE. If ZTE violates any of the probationary conditions, BIS may revoke any licenses in which ZTE has an interest at the time BIS determines that such a violation has occurred.

EIGHTH, for a period of ten (10) years from the date of this Order, ZTE Corporation, with a last known address of ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, China, and ZTE Kangxun, with a last known

address of 2/3 Floor, Suite A, Zte Communication Mansion Keji (S) Road, Hi-New Shenzhen, 518057 China, and when acting for or on their behalf, their successors, assigns, directors, officers, employees, representatives, or agents (hereinafter each a “Denied Person”), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as “item”) exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- A. Applying for, obtaining, or using any license, license exception, or export control document;
- B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or engaging in any other activity subject to the Regulations; or
- C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or from any other activity subject to the Regulations.

NINTH, no person may, directly or indirectly, do any of the following:

- A. Export or reexport to or on behalf of a Denied Person any item subject to the Regulations;

- B. Take any action that facilitates the acquisition or attempted acquisition by a Denied Person of the ownership, possession, or control of any item subject to the Regulations that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby a Denied Person acquires or attempts to acquire such ownership, possession or control;
- C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from a Denied Person of any item subject to the Regulations that has been exported from the United States;
- D. Obtain from a Denied Person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or
- E. Engage in any transaction to service any item subject to the Regulations that has been or will be exported from the United States and which is owned, possessed or controlled by a Denied Person, or service any item, of whatever origin, that is owned, possessed or controlled by a Denied Person if such service involves the use of any item subject to the Regulations that has been or will be exported from the United States. For purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

TENTH, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to a Denied Person by affiliation, ownership, control, or position of responsibility in the

conduct of trade or related services may also be made subject to the provisions of this Order.

ELEVENTH, as authorized by Section 766.18(c) of the Regulations, the ten-year denial period set forth above shall be suspended during a probationary period of ten years under this Order, and shall thereafter be waived, provided that ZTE has made full and timely payment as set forth above, and has fully and timely complied with each of the other probationary conditions set forth above. If ZTE does not make full and timely payment as set forth above, or does not fully and timely comply with each of the other probationary conditions set forth above, during the ten-year probationary period under this Order, the suspension may be modified or revoked by BIS and a denial order including a ten-year denial period activated against ZTE from the date that it is determined that ZTE has failed to comply.

TWELFTH, ZTE shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter, the March 2017 Settlement Agreement, or this Agreement, or the Order. ZTE agrees that if it or any of its direct or indirect affiliates or subsidiaries issue a press release in connection with the Agreement or this Order, ZTE shall first consult BIS and the Department of Justice to determine whether (a) the text of the release is true and accurate, and (b) BIS and the Department of Justice have no objection to the release. Statements made by ZTE at any press conference or other public speaking event shall be consistent with the approved press release.

THIRTEENTH, during the ten-year probationary period under the Agreement and this Order, ZTE shall continue to cooperate fully with BIS, the Department of Justice,

and OFAC, including with regard to the production of documents and making witnesses available, in any and all matters concerning any act within the scope of or related to the conduct described in the Proposed Charging Letter, the April 15, 2018 Order, or related to other potential violations of U.S. export control laws occurring during the ten-year probationary period, subject to applicable law and regulations. At the request of BIS, ZTE shall also cooperate fully with other domestic or foreign law enforcement authorities and agencies in any investigation of ZTE, its subsidiaries or affiliates, or any of its present and former officers, directors, employees, agents, and consultants, or any other party in any and all matters concerning any act within the scope of or related to the conduct described in the Proposed Charging Letter or relating to potential violations of U.S. export control laws that occur during the ten-year probationary period. ZTE agrees that its cooperation shall include, but is not limited to, the following:

a. ZTE shall truthfully disclose, upon request, all factual information not protected by a valid claim of attorney-client privilege, attorney work product doctrine protection, or PRC state secrets privilege with respect to its activities, those of its subsidiaries and affiliates, and those of its present and former directors, officers, employees, agents, and consultants concerning all matters relating to the conduct described in the Proposed Charging Letter or relating to other potential violations of U.S. export control laws about which ZTE has any knowledge or about which BIS may inquire, including by third parties or other persons related or unrelated to ZTE. This obligation of truthful disclosure includes the obligation of ZTE to provide to BIS, upon request, any such non-privileged or non-protected document, record, or other tangible evidence, including producing translations of non-English documents. Further, if, in

response to a request for documents from BIS, ZTE makes a claim of attorney-client privilege, work product doctrine protection, or PRC state secrets privilege, ZTE will provide in writing: (a) the number of documents pertaining to each claim(s); (b) a description of each document; (c) and, in the event of a claim for PRC state secrets privilege, confirmation that ZTE has promptly sought the PRC's authorization to release the relevant document(s). ZTE acknowledges and agrees that the types or categories of documents or information produced to BIS, to the Department of Justice or to OFAC, during the course of the investigation of this matter or otherwise relating to the allegations contained in the Proposed Charging Letter, including, but not limited to, contracts, purchase orders, invoices, letters of credit, credit advices, internal reports and memoranda, and emails and other correspondence related to the foregoing or similar documents or information, were determined by ZTE, based on the advice of local counsel, not to contain PRC state secrets, and were produced after the PRC Government did not object to the production.

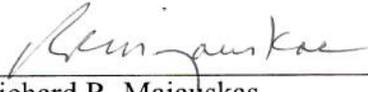
b. ZTE shall make available for interview, deposition, or other sworn testimony, as requested or required by BIS and at ZTE's expense, present or former officers, directors, employees, agents, and consultants concerning the conduct described in the Proposed Charging Letter or related to any potential violations of U.S. export control laws occurring during the ten-year probationary period. This obligation includes, but is not limited to, providing sworn testimony in federal civil or administrative proceedings in addition to interviews with BIS or other U.S. law enforcement authorities, including testimony or information relating to the authenticity or admissibility of any documents or other evidence. Cooperation under this paragraph shall include, at the

request of BIS, identification of witnesses who, to ZTE's knowledge, may have material information concerning the conduct described in the Proposed Charging Letter or related to any potential violations of U.S. export control laws occurring during the ten-year probationary period.

c. ZTE shall notify BIS of credible evidence of any violations of U.S. export control laws occurring during the ten-year probationary period committed by ZTE or any of its subsidiaries or affiliates worldwide. ZTE further agrees that it will provide the requisite notification to BIS of potential violations of U.S. export control laws promptly upon learning of the underlying credible evidence. ZTE waives all defenses based on issues germane to statute of limitations, venue, and any and all constitutional and non-jurisdictional defenses with respect to any civil or administrative prosecution of ZTE for violations of a U.S. export control law that was not time-barred as of March 2, 2017.

FOURTEENTH, the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.

  
Richard R. Majauskas  
Acting Assistant Secretary of Commerce  
for Export Enforcement

Issued this 8<sup>th</sup> day of June, 2018.

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

In the Matter of:

Zhongxing Telecommunications Equipment  
Corporation  
ZTE Plaza, Keji Road South  
Hi-Tech Industrial Park  
Nanshan District, Shenzhen  
China

ZTE Kangxun Telecommunications Ltd.  
2/3 Floor, Suite A, Zte Communication Mansion  
Keji (S) Road  
Hi-New Shenzhen, 518057  
China

SUPERSEDING SETTLEMENT AGREEMENT

This superseding settlement agreement (“Agreement”) is made by and between Zhongxing Telecommunications Equipment Corporation, of Shenzhen, China (“ZTE Corporation”), and ZTE Kangxun Telecommunications Ltd. of Hi-New Shenzhen, China (“ZTE Kangxun”) (collectively, “ZTE”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (the “Regulations” or the “EAR”),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup>

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2018) (available at <https://www.govinfo.gov/app/collection/CFR>). The 2018 Regulations set forth the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (available at <http://uscode.house.gov>). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 15, 2017 (82 Fed. Reg. 39,005 (August 15, 2017)), has continued the Regulations in effect under

WHEREAS, BIS previously notified ZTE of its intention to initiate an administrative proceeding against ZTE, pursuant to the Act and the Regulations, and issued a Proposed Charging Letter to ZTE alleging that ZTE committed 380 violations of the Regulations;

WHEREAS, on March 23, 2017, the Acting Assistant Secretary for Export Enforcement signed an order (the "March 23, 2017 Order") approving the terms of the Settlement Agreement entered into in early March 2017, between BIS and ZTE (the "March 2017 Settlement Agreement"), to resolve the charges set forth in the Proposed Charging Letter, each of which ZTE admitted;

WHEREAS, on March 6, 2018, ZTE notified BIS that it had made false statements in two letters it sent to BIS on November 30, 2016 and July 20, 2017, respectively, regarding the discipline of a total of 39 employees involved in the violations that led to proposed charges settled via the March 2017 Settlement Agreement and March 23, 2017 Order;

WHEREAS, violations relating to the November 30, 2016 letter were not known to BIS or included in the Proposed Charging Letter or otherwise resolved as part of the March 2017 Settlement Agreement;

WHEREAS, after providing notice to ZTE and an opportunity to respond pursuant to the Regulations, BIS issued an order on April 15, 2018 (the "April 15, 2018 Order"), activating the suspended denial of export privileges set forth in the March 2017

Settlement Agreement and the March 23, 2017 Order (*see* 83 Fed Reg. 17,644 (April 23, 2018));

WHEREAS, following issuance of the April 15, 2018 Order, BIS granted leave to ZTE to make a supplemental submission regarding the November 30, 2016 and July 20, 2017 letters, as well as the April 15, 2018 Order;

WHEREAS, the Parties have agreed to additional and enhanced terms, as set forth *infra*, have agreed to request that the Assistant Secretary for Export Enforcement (“Assistant Secretary”) approve this Agreement to supersede the March 2017 Settlement Agreement, and have agreed to request that the Assistant Secretary issue a corresponding order;

WHEREAS, ZTE fully understands the terms of this Agreement and the order (“Order”) that the Assistant Secretary will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, ZTE enters into this Agreement voluntarily and with full knowledge of its rights, after having consulted with counsel;

WHEREAS, the Parties enter into this Agreement having taken into consideration the guilty plea ZTE entered into in March 2017 (the “March 2017 Plea Agreement”), pursuant to the plea agreement entered into between the ZTE Corporation and the U.S. Attorney’s Office for the Northern District of Texas and the United States Department of Justice, National Security Division (collectively, the “Department of Justice”), as well as the March 2017 Settlement Agreement entered into between ZTE Corporation and the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) related to this matter (the “OFAC Settlement Agreement”);

WHEREAS, if the Order issues and ZTE has fully and timely made the \$1,000,000,000 payment as set forth in Paragraph 3.a, and has complied with the escrow requirements relating to the \$400,000,000 suspended portion of the civil penalty, BIS will terminate the denial of export privileges set forth in the April 15, 2018 Order, and remove ZTE from the Denied Persons List;

WHEREAS, ZTE understands and acknowledges that if it violates any of the probationary conditions set forth in this Agreement and the Order, if issued, BIS may activate the suspended denial order set forth below;

WHEREAS, ZTE states that no promises or representations have been made to it other than the agreements and considerations herein expressed; and

WHEREAS, ZTE agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Agreement, as follows:

1. BIS has jurisdiction over ZTE, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter and the April 15, 2018 Order.
2. ZTE admits each of the allegations contained and the violations described and/or incorporated in the March 2017 Settlement Agreement and the April 15, 2018 Order.
3. The following sanctions shall be imposed against ZTE:
  - a. **Civil Penalty.** ZTE shall be assessed a civil penalty by BIS in the amount of \$1,761,000,000. ZTE has satisfied \$361,000,000 of this civil penalty amount through the payment that ZTE made on or about May 19, 2017, following issuance of the March 23, 2017 Order. ZTE shall pay another \$1,000,000,000 of

this civil penalty amount to the U.S. Department of Commerce within 60 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions. The remaining \$400,000,000 of this civil penalty amount shall be placed, within 90 days of the Order, in an escrow account with a bank located and headquartered in the United States to be selected by ZTE and approved by BIS. This \$400,000,000 shall remain in escrow and its payment suspended for a probationary period of ten years under this Agreement and the Order, and the escrow shall thereafter be terminated and payment of the \$400,000,000 thereafter waived, provided that during this ten-year probationary period: ZTE has fully and timely made the \$1,000,000,000 payment as set forth above and has complied with the escrow requirements relating to the \$400,000,000 suspended portion of the civil penalty, has ensured that all records required to be maintained or retained under the Regulations are stored in or fully accessible from the United States, has fully and timely complied with the audit and reporting requirements set forth in this Agreement and the Order, and has otherwise complied with the provisions of this Agreement and the Order; has committed no other violation of the Act or the Regulations or any order, license or authorization issued thereunder; and has otherwise complied with the terms of the March 2017 Plea Agreement and the criminal sentence imposed in the criminal proceeding; has complied with the OFAC Settlement Agreement; and complies with any subsequent revision to the March 2017 Plea Agreement or any additional plea agreements agreed to as part of this matter as well as any amendments to the OFAC Settlement Agreement. If ZTE fails to comply with

any of these probationary conditions, the \$400,000,000 suspended portion of the BIS civil penalty may immediately become due and owing in full or in part, at BIS's discretion. If BIS activates all or any portion of this suspended penalty, the escrow agent shall immediately disburse to the Department of Commerce the amount activated upon receipt of a copy of the activation order.

b. **Special Compliance Coordinator.** Within 30 days of the date of the Order, BIS will select and ZTE shall retain at its expense an independent special compliance coordinator ("SCC") to coordinate, monitor, assess, and report on compliance by ZTE and its subsidiaries and affiliates worldwide with the Act, the Regulations and the terms of this Agreement and the Order, including without limitation, but not limited to, ZTE's compliance program and all related policies, practices, procedures, and systems regarding all exports, reexports, or transfers (in-country) or other activities that are subject to the Act, the Regulations, and the prevention, detection, and reporting of violations of U.S. export controls. The SCC will report to the chief executive officer and Board of Directors of ZTE and to BIS, equally, and shall perform his or her duties in consultation with BIS.

(i) The SCC shall serve for the duration of the ten-year probationary period under this Agreement and the Order, unless the SCC resigns or is removed by BIS for failing to satisfactorily perform his or her duties and responsibilities. If ZTE has a demonstrable rationale for removal of the SCC, such information shall be presented to BIS, which shall determine the proposed removal in its sole discretion. BIS's determination shall be final. If the SCC

resigns or is removed, a replacement shall be retained within 30 days in the same manner as set forth above relating to the initial appointment of the SCC.

(ii) ZTE shall not hire, employ, or retain the SCC or any of his or her assistants or professional staff for a period of five (5) years from the date of termination of the Order. The SCC will not serve or function as an employee or agent of ZTE (or of BIS), or as legal counsel to ZTE. No attorney-client relationship shall be formed between ZTE and the SCC. No documents or information created, generated, or produced by the SCC will be considered privileged from disclosure to BIS or other U.S. federal government agencies, nor shall ZTE assert such a claim of privilege.

(iii) Within ten days of the SCC's appointment, ZTE shall provide to the directors, officers, and employees of ZTE and its subsidiaries and affiliates notice of the SCC's appointment, a description of the SCC's duties and responsibilities under this Agreement and the Order, and a directive to fully cooperate with the SCC. This notice shall remain posted on ZTE's internal website and be included in any ZTE employee compliance manuals or similar documents during the ten-year probationary period under this Agreement and the Order.

(iv) ZTE and its subsidiaries and affiliates shall cooperate with all requests of the SCC and shall take no action to interfere with or impede the SCC's ability to monitor ZTE's compliance with U.S. export control laws and this Agreement and the Order, or to carry out the SCC's other duties and responsibilities as set forth pursuant to this Agreement and the Order. The SCC

shall notify BIS whenever the SCC encounters any difficulties in exercising his or her duties and responsibilities. ZTE shall not take any action to retaliate against the SCC for any such disclosures or for any other reason. Subject to the foregoing, and subject to and without modifying the other provisions of this Agreement and the Order, if ZTE has a significant objection to any action or proposed action by the SCC as ineffective or as unduly burdensome, ZTE shall promptly raise and substantiate the objection with the SCC. If ZTE and the SCC are unable to promptly resolve the objection, the SCC shall notify BIS. BIS shall thereafter determine the issue following consultation with the SCC and ZTE. BIS's determination shall be final. ZTE acknowledges and understands the broad scope of its compliance obligations and the related oversight and other authority of the SCC under the terms of this Agreement and the Order, as well as that ZTE's compliance-related expenditures will increase from its current levels as a result of its obligations and commitments under this Agreement and the Order. ZTE understands and agrees that refusal to cooperate fully with the SCC may constitute a breach of this Agreement and the Order.

(v) It shall be a condition of the SCC's retention that the SCC is independent of ZTE and its subsidiaries and affiliates, that no attorney-client relationship shall be formed between the SCC and ZTE and its subsidiaries and affiliates, and that there shall be no limitations on any sharing of information between or among SCC and BIS and any other U.S. federal government agencies. With the understanding that nothing in this Agreement or the Order shall be interpreted to compel waiver of applicable attorney-client or work product

protections, the SCC shall have full and complete access to all personnel, books, records, systems, documents, audits, reports, facilities and technical information related to compliance with the Act, the Regulations, this Agreement and the Order. ZTE understands and agrees that it will not assert attorney-client or attorney work product protections over the personnel, books, records, systems, documents, audits, reports, facilities and technical information related to compliance with the Act, the Regulations, this Agreement and the Order that the SCC will seek to access.

(vi) The SCC shall, with the approval of BIS after consultation with the Parties, have authority to employ at ZTE's expense as many assistants and other professional staff to provide support and services as are reasonable for the performance and fulfillment of the SCC's duties and responsibilities. The Parties expect that the SCC will need support from a minimum of six assistants or professional staff on a regular, ongoing basis. The SCC as well as the assistants and professional staff shall be paid for by ZTE. Failure by ZTE to timely pay the SCC and its assistants and professional staff may constitute a breach of this Agreement and the Order.

(vii) In fulfilling the duties and responsibilities set forth in this Agreement and the Order, the SCC may, at his or her sole discretion, present any compliance or compliance-program related issue directly to any or all among the ZTE's Board of Directors or its Chair, or any special audit or compliance committee of the ZTE Board, or ZTE's chief executive officer, chief financial officer, chief legal officer, or chief operating officer. ZTE understands and agrees

that as set forth above, the SCC reports to BIS, and thus may, in his or her sole discretion or at the request of BIS, raise any such issue with BIS. Should the SCC, during the course of his or her engagement, discover credible evidence that potentially unlawful transactions were not reported under the Act, the Regulations, this Agreement, the Order, or other applicable law, the SCC shall promptly notify BIS and ZTE.

(viii) The SCC will report to BIS and ZTE's CEO and Board of Directors concerning ZTE's compliance, including as to compliance program enhancements and resource levels, at least quarterly during the first year following the SCC's appointment, and thereafter at least semi-annually. ZTE shall provide to the SCC at least quarterly during that first year, and semi-annually thereafter, accounting reports, certified as complete and accurate by ZTE's chief financial officer, of ZTE's compliance expenditures. BIS may require more frequent or additional reports as BIS determines may be necessary or appropriate after consultation with the SCC. ZTE's CEO or its Board or an audit or compliance committee of the Board may also request more frequent or additional reports; the SCC shall determine in the SCC's discretion whether to provide such more frequent or additional reports to ZTE.

(ix) BIS may, on its own initiative or at the request of the SCC, issue such guidance as BIS determines is necessary or appropriate to help ensure strict compliance with the Act, the Regulations, and the terms and conditions of this Agreement and the Order.

(x) ZTE understands and agrees that its employees and agents will not restrict or otherwise interfere with communications between the SCC and BIS, and that any such restriction or interference shall constitute a breach of this Agreement and the Order.

c. **Audits.** ZTE shall complete and submit nine audit reports of its compliance with U.S. export control laws, with respect to all exports, reexports, or transfers (in-country) that are subject to the Regulations, as further set forth in subparagraphs (i)-(iii) below.

(i) At the conclusion of the term of the independent compliance monitor described in the March 2017 Plea Agreement and any related court orders, the SCC will be responsible for conducting the six remaining audits.

(ii) The audits required under this Agreement and the Order shall be in substantial compliance with the Export Management and Compliance Program sample audit module (currently available on the BIS web site at <https://www.bis.doc.gov/index.php/forms-documents/pdfs/1641-ecp/file>), and shall include an assessment of ZTE's compliance with the Regulations (including, but not limited to, the recordkeeping and retention requirements set forth in Part 762 of the Regulations) and other U.S. export control laws, as well as compliance with this Agreement and the Order. The results of the audits, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 225 E. John Carpenter Freeway, Suite 820, Irving, TX 75062 ("BIS Dallas Field Office").

(iii) The first three audit reports under this Agreement and the Order shall be satisfied through the timely completion and contemporaneous transmission to the BIS Dallas Field Office of a copy of the reports required under the March 2017 Plea Agreement and any related court orders, if the reports are performed and completed in accordance with the terms of the March 2017 Plea Agreement and subparagraph (ii) above. The first of these three audits was completed and a copy of the report submitted to the BIS Dallas Field Office in January 2018. After submission of the two remaining reports of the audits required under the March 2017 Plea Agreement, the remaining six of the nine audits required by this Agreement shall cover successive 12-month periods following the end of the three-year term of the independent compliance monitor under the March 2017 Plea Agreement, and the corresponding audit report shall be completed and submitted to the BIS Dallas Field Office no later than two months after the end of the 12-month period that is covered by the audit. These audit reports shall include a certification to BIS, executed under penalty of perjury, from the chief executive officer and chief legal officer of ZTE that to the best of their knowledge, after reasonable inquiry, ZTE and its subsidiaries and affiliates are in compliance with the terms of this Agreement and the Order, including, but not limited to, the compliance program obligations set forth in Paragraph 3.e(v) below. In addition, where said audit identifies actual or potential violations of the Regulations, ZTE shall promptly provide copies of all related export control documents and other pertinent documentation to the BIS Dallas Field Office. Any disclosure by ZTE to the SCC concerning export control

violations shall not relieve ZTE of its obligation to disclose truthfully such matters to BIS pursuant to this Agreement or the Order.

d. ZTE will ensure that all records required to be kept or retained under the Regulations are stored in or fully accessible from the United States.

e. ZTE shall:

(i) Allow the U.S. Government to verify ZTE's adherence to its export control compliance program and the Regulations, including agreeing to end-use verifications for shipments of items subject to the Regulations in the People's Republic of China ("PRC") and third countries. End-use verifications that occur in the PRC relating to transactions after March 2, 2017 are not subject to the understanding between the U.S. Department of Commerce and the PRC Ministry of Commerce.

(ii) Provide extensive training on applicable export control requirements to (a) its leadership, management, and employees, and (b) the leadership, management and employees of its subsidiaries, affiliates, and other entities worldwide over which it has ownership or control.

(iii) Inform its leadership, management, employees, contractors, suppliers, and others who deal in items subject to the Regulations that transfers of such items to Iran, North Korea, Syria, Sudan, and Cuba, including without limitation U.S.-origin items or non-U.S.-origin items containing more than the applicable de minimis content by value as set forth in the EAR, are generally prohibited unless authorized by the EAR or the regulations administered by OFAC, or by the U.S. Government through the issuance of a license.

(iv) Provide copies directly to BIS of the materials to be used for such training, dates for such training, and information about the locations where such training occurred to BIS on a quarterly basis until January 1, 2021.

(v) Provide and have fully implemented within six months of the date of the Order, a comprehensive and updated export control compliance program that transcends through all corporate levels of ZTE, its subsidiaries, affiliates, and other entities worldwide over which it has ownership or control, including a statement of corporate policy of export control compliance from the chief executive officers of ZTE Corporation and ZTE Kangxun to ensure compliance with the EAR. It will be distributed no less than annually to all relevant employees of ZTE Corporation and ZTE Kangxun and their subsidiaries and affiliates.

(vi) Replace the entire Boards of Directors of ZTE Corporation and ZTE Kangxun within 30 days of the date of the Order.

(vii) Terminate all current members of the senior leadership of ZTE Corporation and ZTE Kangxun at or above the senior vice president level as well any executive or officer who participated in, oversaw, or was otherwise responsible for the conduct described in the Proposed Charging Letter or the April 15, 2018 Order, within 30 days of the date of the Order, and prohibit the re-hire of those employees by ZTE and any of its subsidiaries or affiliates. ZTE will promptly report to BIS on its implementation of this sub-paragraph. BIS, at its sole discretion, may consider exemptions to this sub-paragraph.

(viii) Within 30 days of replacing the Boards of Directors of ZTE Corporation and ZTE Kangxun as set forth above, ZTE shall create special audit/compliance committees of the Boards of ZTE Corporation and ZTE Kangxun composed of three or more independent members of the new Boards of Directors. The committees shall maintain written descriptions of their roles, their membership, and their responsibilities, a copy of which shall be included in the annual audits set forth in Paragraph 3.c, above. The Chair of the Board of Directors can be an audit/compliance committee member, but cannot chair the audit/compliance committee. At least one member of the audit/compliance committee shall have recent and relevant compliance experience.

(ix) Within 90 days of the date of the Order, identify in detail to BIS all Chinese Government ownership and control of ZTE, including as to public and private shares of the company.

(x) Within 180 days of the issuance of the Order, ZTE will publish on its web site the classification under the Regulations, including applicable Export Control Classification Numbers as necessary to determine EAR licensing requirements, of all items, including parts and components, subject to the Regulations that ZTE or its subsidiaries and affiliates sell, supply, produce, manufacture, assemble, export, reexport, or transfer (in-country). The company should also include *de minimis* calculations relating to items that include controlled U.S.-origin content. This information shall be published in Chinese and English. This information shall also be shared in written or electronic form with customers of ZTE and its subsidiaries.

(xi) Within four years of the date of the Order, ZTE will hold at its expense two public symposia in China regarding compliance with the Regulations, with a focus on best compliance practices for Chinese companies and their subsidiaries and affiliates.

f. The full and timely payment of the civil penalty agreed to in Paragraph 3.a, above, and full and timely compliance with each of the other probationary conditions set forth in Paragraph 3.a, are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to ZTE. If ZTE violates any of the probationary conditions, BIS may revoke any licenses in which ZTE has an any interest at the time BIS determines that such a violation has occurred.

g. For a period of ten (10) years from the date of the Order, ZTE Corporation, with a last known address of ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, China, and ZTE Kangxun, with a last known address of 2/3 Floor, Suite A, Zte Communication Mansion Keji (S) Road, Hi-New Shenzhen, 518057 China, and when acting for or on their behalf, their successors, assigns, directors, officers, employees, representatives, or agents (hereinafter each a "Denied Person"), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

i. Applying for, obtaining, or using any license, license exception, or export control document;

ii. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or engaging in any other activity subject to the Regulations; or

iii. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or from any other activity subject to the Regulations.

h. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the denial period set forth in Paragraph 3.g, above, shall be suspended during a probationary period of ten years under the Order, and shall thereafter be waived, provided that during this probationary period ZTE has made full and timely payment in accordance with Paragraph 3.a, above, and has otherwise complied with each of the probationary conditions set forth in Paragraph 3.a. If ZTE does not fully and timely comply with any of the probationary conditions, then the suspension may be modified or revoked by BIS and a denial order including a ten-year denial period activated against ZTE from the date that it is determined that ZTE has failed to comply.

4. Subject to the approval of this Agreement pursuant to Paragraph 11 hereof, ZTE hereby waives all rights to further procedural steps in this matter (except the procedural steps set forth in Sections 766.17(c) and 766.18(c) of the Regulations with respect to the possible activation of suspended sanctions due to a violation or violations of this Agreement or the Order, if issued), including, without limitation, any right to: (a) receive an administrative hearing regarding the allegations in any charging letter, the March 2017 Settlement Agreement or this Agreement and Order; (b) request a refund of any civil penalty paid pursuant to the March 2017 Settlement Agreement or this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of the March 2017 Settlement Agreement or this Agreement or the Order, if issued. ZTE further understands and agrees that it is not entitled to any administrative appeal or additional administrative process, formal or informal, of any decision by BIS to activate the denial order in response to any violation of this Agreement and Order. ZTE also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled, in connection with any violation of the Act or the Regulations arising out of the transactions identified in the Proposed Charging Letter or in connection with collection of the civil penalty or enforcement of this Agreement and the Order, if issued, from the date of the Order until the later of the date ZTE has completed compliance in full with all of the probationary conditions and other terms of this Agreement and the Order and has complied in full with the March 2017 Plea Agreement and the criminal sentence imposed following entry of its plea.

5. ZTE shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter,

the March 2017 Settlement Agreement, or this Agreement, or the Order. ZTE agrees that if it or any of its direct or indirect affiliates or subsidiaries issue a press release in connection with this agreement or the Order, ZTE shall first consult BIS and the Department of Justice to determine whether (a) the text of the release is true and accurate, and (b) BIS and the Department of Justice have no objection to the release. Statements made by ZTE at any press conference or other public speaking event shall be consistent with the approved press release.

6. During the ten-year probationary period under this Agreement and the Order, ZTE shall continue to cooperate fully with BIS, the Department of Justice, and OFAC, including with regard to the production of documents and making witnesses available, in any and all matters concerning any act within the scope of or related to the conduct described in the Proposed Charging Letter, the April 15, 2018 Order, or related to other potential violations of U.S. export control laws occurring during the ten-year probationary period, subject to applicable law and regulations. At the request of BIS, ZTE shall also cooperate fully with other domestic or foreign law enforcement authorities and agencies in any investigation of ZTE, its subsidiaries or affiliates, or any of its present and former officers, directors, employees, agents, and consultants, or any other party in any and all matters concerning any act within the scope of or related to the conduct described in the Proposed Charging Letter or relating to potential violations of U.S. export control laws that occur during the ten-year probationary period. ZTE agrees that its cooperation shall include, but is not limited to, the following:

a. ZTE shall truthfully disclose, upon request, all factual information not protected by a valid claim of attorney-client privilege, attorney work product doctrine

protection, or PRC state secrets privilege with respect to its activities, those of its subsidiaries and affiliates, and those of its present and former directors, officers, employees, agents, and consultants concerning all matters relating to the conduct described in the Proposed Charging Letter or relating to other potential violations of U.S. export control laws about which ZTE has any knowledge or about which BIS may inquire, including by third parties or other persons related or unrelated to ZTE. This obligation of truthful disclosure includes the obligation of ZTE to provide to BIS, upon request, any such non-privileged or non-protected document, record, or other tangible evidence, including producing translations of non-English documents. Further, if, in response to a request for documents from BIS, ZTE makes a claim of attorney-client privilege, work product doctrine protection, or PRC state secrets privilege, ZTE will provide in writing: (a) the number of documents pertaining to each claim(s); (b) a description of each document; (c) and, in the event of a claim for PRC state secrets privilege, confirmation that ZTE has promptly sought the PRC's authorization to release the relevant document(s). ZTE acknowledges and agrees that the types or categories of documents or information produced to BIS, to the Department of Justice or to OFAC, during the course of the investigation of this matter or otherwise relating to the allegations contained in the Proposed Charging Letter, including, but not limited to, contracts, purchase orders, invoices, letters of credit, credit advices, internal reports and memoranda, and emails and other correspondence related to the foregoing or similar documents or information, were determined by ZTE, based on the advice of local counsel, not to contain PRC state secrets, and were produced after the PRC Government did not object to the production.

b. ZTE shall make available for interview, deposition, or other sworn testimony, as requested or required by BIS and at ZTE's expense, present or former officers, directors, employees, agents, and consultants concerning the conduct described in the Proposed Charging Letter or related to any potential violations of U.S. export control laws occurring during the ten-year probationary period. This obligation includes, but is not limited to, providing sworn testimony in federal civil or administrative proceedings in addition to interviews with BIS or other U.S. law enforcement authorities, including testimony or information relating to the authenticity or admissibility of any documents or other evidence. Cooperation under this paragraph shall include, at the request of BIS, identification of witnesses who, to ZTE's knowledge, may have material information concerning the conduct described in the Proposed Charging Letter or related to any potential violations of U.S. export control laws occurring during the ten-year probationary period.

c. ZTE shall notify BIS of credible evidence of any violations of U.S. export control laws occurring during the ten-year probationary period committed by ZTE or any of its subsidiaries or affiliates worldwide. ZTE further agrees that it will provide the requisite notification to BIS of potential violations of U.S. export control laws promptly upon learning of the underlying credible evidence. ZTE waives all defenses based on issues germane to statute of limitations, venue, and any and all constitutional and non-jurisdictional defenses with respect to any civil or administrative prosecution of ZTE for violations of a U.S. export control law that was not time-barred as of March 2, 2017.

7. ZTE agrees that its obligations under this Agreement shall be binding upon any acquirer or successor in interest to ZTE or substantially all of ZTE's assets and liabilities or business. ZTE agrees that, in the event ZTE Corporation or ZTE Kangxun merges with another entity, sells or transfers all or substantially all of its assets or operations, or sells or transfers a business division or segment that exports, reexports, or transfers (in-country) any items subject to the Regulations or engages in any other activities subject to the Regulations, during the ten-year probationary period under this Agreement, whether such sale is structured as a stock or asset sale, merger, or transfer, it shall include in any contract for sale, merger or transfer provisions binding the acquirer or any successor-in-interest thereto to the obligations described in this Agreement. ZTE expressly understands that Paragraph 10 of this Agreement shall not apply to any acquirer or successor entities unless and until such acquirer or successor formally adopts and accepts this Agreement.

8. ZTE agrees to waive (i) any claim by or on behalf of ZTE, whether asserted or unasserted, against BIS, the U.S. Department of Commerce, and/or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in the March 2017 Settlement Agreement, this Agreement, including but not limited to BIS's investigation and issuance of the Proposed Charging Letter, and (ii) any possible legal objection to the March 2017 Settlement Agreement, this Agreement or the Order at any future date.

9. ZTE waives all rights, whether asserted directly or by a representative, to request or receive from BIS and the U.S. Department of Commerce any records pertaining to the investigation or prosecution of this case, including without limitation

any records that may be sought under the Freedom of Information Act, 5 U.S.C. § 552, or the Privacy Act, 5 U.S.C. § 552(a).

10. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 3.a, above, and full and timely compliance with each of the other probationary conditions set forth in Paragraph 3.a, BIS will not initiate any further administrative proceeding against ZTE in connection with any violation of the Act or the Regulations arising out of the violations described in the Proposed Charging Letter, or any violations truthfully and completely disclosed in writing by ZTE to BIS as part of this investigation during the time period from April 6, 2016, to March 2, 2017.

11. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

12. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

13. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the Order, which

will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

14. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public. BIS may also issue a press release relating to this matter, the contents of which will be determined by BIS in its discretion.

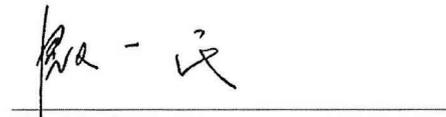
15. Each signatory affirms that he/she has authority to enter into this Settlement Agreement and to bind his or her respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND  
SECURITY  
U.S. DEPARTMENT OF COMMERCE

  
\_\_\_\_\_  
Douglas R. Hassebrock  
Director, Office of Export Enforcement

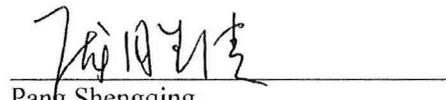
Date: June 7, 2018

ZHONGXING TELECOMMUNICATIONS  
EQUIPMENT CORPORATION

  
\_\_\_\_\_  
Yin Yimin  
Chairman

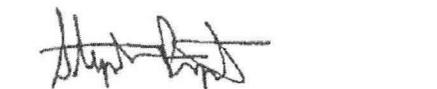
Date: June 7, 2018

ZTE KANGXUN  
TELECOMMUNICATIONS LTD.

  
\_\_\_\_\_  
Pang Shengqing  
Chairman

Date: June 7, 2018

Reviewed and approved by:

  
\_\_\_\_\_

Stephen Propst, Esq.  
J. Evans Rice, III, Esq.  
Hogan Lovells US LLP  
Counsel for Zhongxing Telecommunications  
Equipment Corporation and ZTE Kangxun  
Telecommunications Ltd.  
Date: June 7, 2018

PROPOSED CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Zhongxing Telecommunications Equipment Corporation  
ZTE Plaza, Keji Road South  
Hi-Tech Industrial Park  
Nanshan District, Shenzhen  
China

*Attention: Zhao Xianming, President*

ZTE Kangxun Telecommunications Ltd.  
2/3 Floor, Suite A, Zte Communication Mansion Keji (S) Road  
Hi-New Shenzhen, 518057  
China

*Attention: Ye Weimin, Chairman*

Dear Dr. Zhao and Mr. Ye:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Zhongxing Telecommunications Equipment Corporation, of Shenzhen, China (“ZTE Corporation”) and ZTE Kangxun Telecommunications Ltd. of Hi-New Shenzhen, China (“ZTE Kangxun”) (collectively, “ZTE”) committed 380 violations of the Export Administration Regulations (the “Regulations”),<sup>1</sup> which issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup> Specifically, BIS charges the following violations:

**Charge 1      15 C.F.R. § 764.2(d) – Conspiracy**

Background, Formation, and Development of the Conspiracy

1. From no later than in or around January 2010, and continuing until in or around April 2016, ZTE Corporation and ZTE Kangxun conspired and acted in concert with others, known and unknown, to bring about or do acts that constitute violations of the Regulations. The purpose of the conspiracy was to evade the long-standing and widely known U.S. embargo against Iran in order to obtain contracts with and related sales from

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2016). The charged violations occurred in 2010-2016. The Regulations governing the violation at issue are found in the 2010-2016 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2010-2016)). The 2016 Regulations set forth the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (available at <http://uscode.house.gov>). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 4, 2016 (81 Fed. Reg. 52,587 (August 8, 2016)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.* (2006 and Supp. IV 2010)).

Iranian entities, including entities directly or indirectly affiliated with the Iranian Government, to supply, build, operate, and/or service large-scale telecommunications networks in Iran, the backbone of which would be and were U.S.-origin equipment and software. As a result of the conspiracy, ZTE was able to obtain hundreds of millions of dollars in contracts with and sales from such Iranian entities.

2. The lynchpin of the conspiracy throughout was the procurement, sale, delivery, and use of U.S.-origin items, without which the Iranian entities would not have entered into large-scale network agreements with ZTE or purchased related items and services as part of those agreements. The deal- and network-critical U.S.-origin items included, for example, routers, microprocessors, servers, databases, and other items listed on the Commerce Control List (“CCL”) and controlled under the Regulations on national security, encryption, regional security, and/or anti-terrorism grounds, as well as items designated EAR99 under the Regulations.<sup>3</sup> These items also were subject to the Iranian Transactions and Sanctions Regulations (“ITSR”), 31 C.F.R. Part 560, administered by the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”).<sup>4</sup>
3. During the conspiracy, ZTE employed multiple strategies in an attempt to conceal or obscure the true nature and extent of its role in the transactions and thereby facilitate its evasion of U.S. export controls, of which ZTE had detailed knowledge. A key aspect of the conspiracy was the use of a ZTE affiliate or alter ego, or another Chinese company acting in concert with ZTE, to procure equipment and software, including from well-known U.S. hardware and software technology companies, without disclosing that the items were intended for transshipment or reexport to Iran.
4. The U.S.-origin items procured and transshipped to Iran, either separately or as or for use as components of larger systems, included items controlled under Export Control Classification Numbers (“ECCNs”) 3A001, 3A991, 3A992, 3A999, 4A994, 5A001, 5A002, 5A991, 5A992, 5B991, 5D002, 5D991, 5D992, or 7A994. At all times pertinent hereto, Section 746.7 of the Regulations imposed a BIS license requirement for the export or reexport to Iran of these CCL items, including transshipments through a third country, such as China. Section 742.8 also applied to items controlled under the Regulations on anti-terrorism grounds.
5. In addition, pursuant to Section 746.7 of the Regulations, no person could lawfully export or reexport any item subject to the Regulations, whether an item on the CCL or designated EAR99, if the transaction was prohibited by the ITSR. This additional prohibition under Section 746.7 applied whether or not the Regulations otherwise imposed a license requirement for the transaction. At all times pertinent hereto, the ITSR

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<sup>3</sup> EAR99 is a designation for items subject to the Regulations but not listed on the CCL. *See* 15 C.F.R. §§ 734.3(c) and 772.1.

<sup>4</sup> The ITSR were formerly known as the Iranian Transaction Regulations or “ITR.” On October 22, 2012, OFAC renamed and reissued the Iranian Transactions Regulations as the Iranian Transactions and Sanctions Regulations. *See* 77 Fed. Reg. 64,664 (Oct. 22, 2012). 31 C.F.R. part 560 remained the same in pertinent part at all times relevant hereto.

prohibited, *inter alia*, the unauthorized exportation, reexportation, sale or supply, directly or indirectly, from the United States to Iran of any goods, technology, or services. This broad prohibition included the exportation, reexportation, sale or supply of any goods, technology, or services from the United States to a third country, such as China, undertaken with knowledge or reason to know that (a) they were intended for supply, transshipment, or reexportation, directly or indirectly, to Iran, or (b) they were intended specifically for use in the production of, for commingling with, or for incorporation into goods, technology, or services to be directly or indirectly supplied, transshipped, or reexported predominantly or exclusively to Iran. 31 C.F.R. § 560.204. Like the Regulations, the ITSR also prohibited a conspiracy to violate any of its prohibitions, as well as any transactions that evaded or were intended to evade, or caused or attempted a violation of, any of its prohibitions. 31 C.F.R. § 560.203.

6. At all times pertinent hereto, a license had to be obtained from BIS for any transaction that involved items that were subject to the Regulations, but not the ITSR, and required a license under Section 746.7 or 742.8 of the Regulations. However, in order to avoid duplication regarding transactions involving items subject to both the Regulations and the ITSR, whether CCL or EAR99 items, Section 746.7 provided that authorization did not need to be obtained from both BIS and OFAC, but instead that authorization by OFAC under the ITSR was considered authorization for purposes of the Regulations as well.
7. No authorization was sought or obtained from BIS, or from OFAC, in connection with any of the transactions or activities described herein. To the contrary, during the course of and in furtherance of the conspiracy and the Iranian network contracts, ZTE, *inter alia*, ordered, bought, sold, concealed, transferred, transported, forwarded, used, financed, and/or serviced items subject to the EAR, or directed and caused such activities to occur, with knowledge that a violation of the Regulations had occurred or was about or intended to occur.
8. Beginning in no later than 2010, ZTE began transshipments and/or reexports to Iran in violation of the U.S. embargo, including to Ertebatat Tamin Shams Novin, subsequently known as Rightel (“Tamin/Rightel”), and to the Telecommunications Company of Iran (“TCI”). Publically available information indicates that Tamin/Rightel was established in or about May 2007, by the Iranian Social Security Investment Company, which is a state-owned fund and investment vehicle for the Iranian social security system, while TCI is majority-owned by a consortium owned or controlled by the Iranian Revolutionary Guard Corps.
9. Tamin/Rightel was awarded Iran’s Third Mobile Network License in 2009, and sought thereafter in 2010 to contract for the development and operation of a Global System for Mobile Communications (GSM)/UMTS Terrestrial Radio Access Network (UTRAN), which would cover numerous sites in Tehran and eight other main Iranian cities.
10. In seeking this network contract, ZTE Corporation’s then-CEO at all times pertinent hereto met with Tamin/Rightel officials on or about July 29, 2010. During the meeting, the then-CEO highlighted ZTE’s connection to the Chinese government and ZTE’s

ability to facilitate Tamin/Rightel's acquisition of financing for the project through Chinese banks.

11. ZTE subsequently finalized and signed a contract with Tamin/Rightel on or about November 22, 2010 for "Project: GSM/UTRAN Network in I.R. [of] Iran," to supply, build, operate, and service Iran's first 2G/3G- and 4G-ready mobile telecommunication network. The contract was signed by not only Tamin/Rightel and ZTE, but also by ZTE's Iranian representative office, ZTE Parsian, and a ZTE-controlled Chinese entity, Beijing 8 Star International Co. Ltd. ("Beijing 8 Star" or "8S"). ZTE agreed to deliver "Geo-Marketing, Engineering, Build, Operate, Maintenance and Transfer solutions," and agreed that it was "liable, responsible and [the] coordinator for the full performance of the whole GSM/UTRAN network under this Contract." ZTE was to supply equipment and parts, either directly or through Beijing 8 Star, while ZTE Parsian would handle local equipment and service logistics. ZTE also agreed to provide 85% of the financing under the contract.
12. While negotiating with Tamin/Rightel, ZTE also was negotiating a similar network contract with TCI, which owned or controlled Iran's fixed line telecommunications infrastructure and was Iran's largest Internet service provider and cellular and data communications operator. By in or about February 2010, ZTE and TCI had come to a "mutual cooperation agreement" concerning the expansion of TCI's existing networks under which ZTE would be the "sole vendor" to "collaborate" with TCI, including with regard to obtaining financing through Chinese banking institutions.
13. On or about December 28, 2010, the contract for TCI's "Network Optimization Project" was finalized by ZTE and TCI. As with the Tamin/Rightel network contract, this contract also was structured as a four-party agreement, with ZTE Parsian and Beijing 8 Star again signing in addition to ZTE and TCI. Under the stated terms of this contract, ZTE was to supply "self-developed equipment," manage the network, and collect payment. Beijing 8 Star was to supply "relevant third-party equipment" and ZTE Parsian to provide services and handle local supply and logistics. The TCI network contract included a surveillance function.
14. As ZTE's Iran business grew during the course of 2010, and as the network contract negotiations with Tamin/Rightel and TCI neared completion in the fourth quarter of the year, ZTE took steps to expand and systematize its efforts to evade the U.S. embargo and avoid detection by the U.S. Government. For example, a ZTE corporate memorandum entitled "Iran's Logistics Implementation," and marked "highly confidential," was emailed among ZTE employees on or about October 27, 2010. The memorandum began by referencing that ZTE had projects underway in each of (at that time) Iran's 30 provinces, listed the U.S. embargo as one of the "main risks" in executing ZTE's Iran contracts, including with regard to "follow-up maintenance of the equipment[.]" and instructed employees that "orders for [recognizable U.S. brand] products shall be placed in batches in the name of other clients[.]"

15. ZTE Corporation also created a team of employees dubbed the “YL Front Line,” using “YL” as a coded reference for Iran. The YL Front Line was tasked with finding ways to enable ZTE to further the conspiracy and fulfill the network contracts by procuring, and shipping on to Iran, U.S.-origin equipment and software without the required U.S. Government authorization, which ZTE knew in all likelihood could not be obtained.
16. The initial strategy developed by the YL Front Line centered on using Beijing 8 Star, which had been formed by two ZTE employees in 2009, rather than by ZTE itself. As a front or “carve out” company, Beijing 8 Star would be staffed and controlled by ZTE, but would appear from the outside to be separate and independent. Beijing 8 Star would be used to purchase U.S.-origin equipment and software from suppliers on ZTE’s behalf and then transship the items to Iran.
17. This initial, carve out company scheme was reflected in the structure of ZTE’s network contracts with Tamin/Rightel and TCI. However, given the high value and large volumes of items that ZTE needed to procure and then supply to execute its Iran network contracts, this scheme quickly became problematic, as third-party companies declined to deal or work with Beijing 8 Star because it had no established credit or operational history or business reputation within even China.
18. ZTE thus altered its scheme to adopt what it described as the “partial isolation effect,” under which ZTE Kangxun (rather than Beijing 8 Star) would serve as the purchasing agent, procuring the U.S.-origin items and related items, including ZTE-produced equipment, but would not itself ship the items to Iran. ZTE Corporation would then transship the more sensitive U.S.-controlled items to Iran based on ZTE’s view that its shipments were less likely to be stopped, searched, or detained by customs officials than shipments by Beijing 8 Star. Less sensitive U.S.-origin items and foreign-origin items generally were to be shipped together to Iran by Beijing 8 Star.
19. Subsequently, ZTE changed the scheme again, including under the Tamin/Rightel and TCI network contracts, in response to further problems faced by Beijing 8 Star. As a result, in executing these contracts, the U.S.-origin items typically were shipped by ZTE Corporation itself. Nonetheless, ZTE continued to staff and direct the activities of Beijing 8 Star.
20. ZTE took and directed additional steps to conceal and further the conspiracy. For example, whether shipped by ZTE or by Beijing 8 Star, U.S.-origin items were sandwiched between foreign-origin items to decrease the risk that the U.S.-origin items would be detected if a container was opened by customs officials. The packing lists for items being shipped by ZTE to Iran were not to contain any ZTE markings, the signatory on export documentation for ZTE had to differ from the signatory on documentation for Beijing 8 Star, and such documentation for Beijing 8 Star could only bear the Beijing 8 Star seal. ZTE’s Export Department also was ordered to pay special attention so that “sensitive materials shall be packed in the place not easily [detected], and shall not have any ZTE mark [on the] packing list[.]” Even after the “sensitive” items were packed,

additional checks had to be performed by ZTE's Contract Performance Department, which was ordered to "carefully examine" each shipment a second time.

Fulfillment of the Tamin/Rightel and TCI Contracts and Systemization of the Scheme

21. The ZTE-Tamin/Rightel network contract included annexes setting unit prices and provided that Tamin/Rightel could issue purchase orders without any prior quotation. It also provided that ZTE would prepare equipment pro forma invoices in accordance with a breakdown of the contract prices, subject only to a three working-day comment period, and submit them to Tamin/Rightel for the establishment of letters of credit for payment purposes. The first purchase order issued under this contract no later than on or about December 26, 2010. This extensive purchase order covered good and services totaling approximately \$165 million and included references to payments to be made totaling the same amount for fulfilling the order. ZTE issued a corresponding pro forma invoice dated April 4, 2011.<sup>5</sup>
22. Subsequently, ZTE issued invoices in June 2011, one in its name and the other under Beijing 8 Star's name, totaling approximately \$46.8 million under the Tamin/Rightel network contract.
23. ZTE also made extensive shipments under the TCI network contract, including, for example, one shipment on or about July 23, 2011, that involved a 907-page packing list. The TCI network contract had a stated value of approximately \$130.2 million when signed on December 28, 2010. In July and August 2011, ZTE was paid at least approximately \$26.5 million by TCI, and in March and April 2013, received another approximately \$41.2 million in payments from TCI for shipments that had occurred in 2011-2012.
24. As its Iran business expanded rapidly during 2011, including significantly due to the Tamin/Rightel and TCI network contracts and related sales, ZTE continued to develop revised strategies to evade the Regulations, including through further efforts to systematize its schemes.
25. Using "YL" as code for Iran in an internal document entitled "Proposal for Import and Export Control Risk Avoidance – YL as an Example" and marked "Top Secret Highly Confidential," ZTE analyzed in detail the "serious import and export control risks" associated with its violations of U.S. trade embargoes and related export control laws, including countries such as Iran that the U.S. had designated as "State Sponsor of

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<sup>5</sup> This pro forma invoice's stated amount in Euros was unchanged from the December 2010 purchase order. Due to the currency conversion rates applicable to the two dates, this amount had risen by April 2011 to approximately \$166.3 million. For ease of reference, all monetary amounts associated with this invoice and other documents relating to the November 22, 2010 Tamin/Rightel network contract or to other contracts alleged in this proposed charging letter, including, *inter alia*, purchase orders, commercial invoices, and credit advices, will be set out only in dollar terms based on the Euro-U.S. Dollar conversion rate on the applicable date.

Terrorism.” The analysis continued by discussing the differences between the “partial isolation” or “semi-detached” model—which ZTE summarized as a model under which the “trading relationship on the surface between exporter and importer involves non-controlled commodities”—and a “completely detached business” model—under which additional layers of intermediary companies would be created or used such that a “trading relationship does not exist at all on the surface between exporter and importer.” The analysis also noted that ZTE had entered into many agreements with Iranian clients, which “had all entered the project execution phase,” and then warned:

[The] Semi-Detached Model is the cooperation model used on these agreements, and the contract(s) were signed by four parties, YL Client, ZTE, ZTE YL, and 8S. However, in the actual execution process, our company did not strictly follow the requirements of the Semi-Detached Model . . . . Instead, ZTE directly assumed the rights and obligations of 8S, and ZTE exported controlled-commodities directly to YL. Such [an] operating model would directly expose our company to the import and export control risks, which will easily lead to the U.S. Government’s notice and investigation and it’ll go against our company’s preliminary argument and defense.

Since the above mentioned risks exist in our company’s current operating model in YL, our company urgently needs to choose a proper Detached Model and strictly follow the [selected] model during operation, severing contacts with the YL Client, and to the best of [our] ability, preventing our company from being identified as having trade activities with YL; thus effectively avoiding the import and export control risks.

26. Furthermore, in or around late August and early September 2011, a ZTE document entitled “Report Regarding Comprehensive Reorganization and Standardization of the Company Export Control Related Matters” which had been drafted by ZTE Corporation’s Legal Department, was ratified and signed by four high-ranking ZTE Corporation executives, including ZTE Corporation’s CEO, who ratified and signed on or about September 2, 2011. The ratified report described the risks of violating U.S. export control laws in connection with exporting U.S.-origin items to embargoed destinations, including because ZTE had “many technologies and components that came from suppliers in the U.S., [and] therefore, when our export or re-export involves technologies and products of the U.S., they are all monitored and restricted by the U.S. Government” and require that export or reexport licenses be sought and obtained from the U.S. Government. The report specifically discussed the risks of large civil penalties against ZTE, prison sentences for high-level managers, and placement “on the Blacklist and be[ing] banned from purchasing U.S. products directly or indirectly for a period of time,” and even included specific examples of Chinese companies that had been placed on the “Blacklist” and a Chinese corporate executive who had been sentenced to a long jail term in the U.S. for violating U.S. export control laws.
27. The ratified report also identified and described specific legal constraints on doing business in Iran, the risk of detection the company had already faced through inquiries

from U.S. companies, and a possible strategy for dealing with the growing U.S. export control risks associated with ZTE's rapid expansion of its dealings with U.S.-embargoed destinations. The report then laid out a ZTE "response plan" to, *inter alia*, further standardize the operation of its Iran projects and manage potential risks, including the creation of a number of cross-department project teams or committees with regard to its embargoed projects. The plan specifically named more than 70 individual ZTE employees, from a total of more than 20 different departments, as members of various committees and described the role and responsibilities of each. The plan also established an award of 400,000 Renminbi ("RMB"), or approximately \$64,000, to encourage team members to successfully complete project assignments.

#### Revisions to and Renewal of the Scheme During the U.S. Government's Investigation

28. ZTE continued its Iran dealings in furtherance of the conspiracy for the remainder of 2011 and into 2012, albeit without implementing or fully implementing the "completely detached business" model in connection with at least the Tamin/Rightel and TCI network contracts. Despite the various schemes and extensive efforts ZTE had used to conceal its expanding Iran business, a news media report about some of its Iranian dealings published in March 2012, and BIS's service of an administrative subpoena on its U.S. affiliate, ZTE USA, Inc., led ZTE to slow its unlawful shipments to Iran. Those shipments continued into May 2012, at which time ZTE suspended them, while continuing to provide ongoing services and support through ZTE Parsian.
29. Shortly thereafter, during the summer of 2012, ZTE required all employees involved in Iranian sales to sign a non-disclosure agreement ("NDA") relating to ZTE's operations in Iran. Any employee in breach of the NDA would face a penalty of 1 million RMB (or approximately \$150,000), payable to ZTE.
30. Subsequently, in the summer of 2013, ZTE executives, including a team of in-house attorneys, traveled to Iran to assess the state of ZTE's Iranian projects and to determine whether ZTE should resume its shipments to Iran. Upon its return from Iran in or around August 2013, the ZTE legal team, including the Executive Vice-President who headed ZTE's Legal Department, was not in favor of resuming shipments to Iran.
31. Despite the views of ZTE's legal team, in November 2013, following a meeting of senior managers chaired by its then-CEO, ZTE made plans to resume transshipments to Iran. The head of the ZTE Parsian office in Iran was directed to find an established third party with a history of selling to Iran that would agree to sign contracts with Iranian entities directly, enter into a separate contract with ZTE, and then act as shipper to Iran at a reasonable price to ZTE. A committee of ZTE employees was formed to find a willing third party. This strategy was designed to enable ZTE to have a low profile in the transactions while resuming its shipments to Iran in violation of U.S. export control laws, including of the U.S.-origin goods without which the ZTE equipment could not function as called for under their Iranian network contracts. ZTE would in effect begin using a strategy closer to the "Detached Model" discussed in its "Proposal for Import and Export

Control Risk Avoidance,” described in Paragraph 25, *supra*. Under that model, ZTE would insulate itself, at least on paper, from dealings with embargoed destinations by using other Chinese entities as go-betweens with ZTE’s Iranian customers.

32. ZTE solicited and selected an established Chinese company, Chinese Company A (“CCA”), based in Yixing, China, to serve as its intermediary in furtherance of the conspiracy. On or about November 20, 2013, a Power of Attorney was signed by ZTE’s then-Chairman that authorized a senior ZTE manager in Beijing to sign contract agreements with CCA.
33. Soon after, on or about December 2, 2013, ZTE Corporation and CCA signed a “Telecommunication Equipment Framework Agreement (System Equipment),” purportedly for domestic Chinese sales. CCA then signed a separate agreement with TCI in or around February 2014, to supply equipment in three Iranian provinces to further the network project described in Paragraphs 12-13, *supra*. The February 2014 agreement was valued at approximately \$95.2 million and provided that it would be fulfilled pursuant to three purchase orders. The agreement specifically identified each of the purchase orders by its amount (in Euros) and listed the Iranian provinces that would be covered by the supplies provided under each of the purchase orders. The contract also specified that a letter of credit would be issued for each purchase order “in accordance with pro forma invoices issued by the supplier.”
34. CCA then entered into a contract with Tamin/Rightel in March 2014, to supply GSM/UTRAN network equipment to further the network project described in Paragraph 11, *supra*. This contract, valued at approximately \$94.3 million, included annexes setting unit prices and provided that Tamin/Rightel could issue purchase orders without any prior quotation. It also provides that Tamin/Rightel had to open an irrevocable letter of credit in ZTE’s favor upon ZTE’s submission of a pro forma invoice in accordance with a breakdown of the contract prices, subject only to a three working-day comment period. As part of this March 2014 contract, spare parts would be provided to Tamin/Rightel in Iran for a period of ten years.
35. Using CCA to implement its revised scheme, ZTE resumed shipments to Iran for the Tamin/Rightel and TCI projects in furtherance of the conspiracy no later than in or around July 2014. ZTE aggressively pursued completion of these contracts. By in or around October 2014, ZTE had delivered its first batch of equipment to Tamin/Rightel and anticipated that the remaining equipment would be delivered within a month.
36. Furthermore, ZTE’s founder and then-Chairman met with Iranian Government officials and Tamin/Rightel’s CEO on or about November 25, 2014, in order to further rebuild Tamin/Rightel’s strategic cooperation with them, increase ZTE’s Iranian market share, and highlight ZTE’s experience in operating and maintaining the Tamin/Rightel network. Similarly, on or about March 2, 2015, ZTE met with the CEO of TCI.
37. ZTE continued to make or direct shipments to Iran under the Tamin/Rightel and TCI contracts in knowing violation of the U.S. embargo through at least January 2016.

38. ZTE took a number of steps designed to reduce the risk of detection of its renewed and continuing shipments to Iran. Whereas ZTE previously had routinely used “YL” as code for Iran, it now substituted the country of Qatar as code for Iran. Still unsure how the media had learned in March 2012, of some of its dealings with Iran, ZTE also implemented procedures to silo the information within the company. For example, by 2014, ZTE’s sale system omitted the names of its customers when those customers were Iranian; all other customers’ names remained in the system. ZTE also omitted its logo from items or documentation sent to Iran, including shipping boxes and correspondence.
39. By January 2016, however, ZTE had become increasingly concerned that the U.S. Government’s criminal/administrative investigation was progressing. In an effort to further the conspiracy and prevent detection by the U.S. Government, ZTE Corporation’s then-CEO met with a group of four ZTE Corporation executives in or around January 2016. At that meeting, a senior executive was tasked with ensuring that the forensic accounting firm that ZTE had hired, at its outside counsel’s request, in connection with the U.S. Government’s investigation was prevented from discovering ZTE’s resumption of shipments to Iran during the U.S. Government’s investigation.
40. As a result, a 13-member team dubbed the “Contract Data Induction Team” was formed. The team members were ordered to delete from ZTE databases any references to shipments of U.S.-origin items to Iran. These deletions were designed to conceal ZTE’s post-March 2012 sales to Iran from the forensic accounting firm and, thus, its outside counsel and the U.S. Government. ZTE knew that the results of forensic accounting firm’s work were to be, and did in fact become, the basis of statements and presentations made to U.S. law enforcement through ZTE’s outside counsel. Once the deletions were made, ZTE gave the forensic auditor access to a falsified version of its database that made no mention of exports to Iran after 2012. ZTE had, in fact, continued shipments to Iran in violation of the Regulations and U.S. export control laws into at least in or around January 2016.
41. Moreover, emails from all Contract Data Induction Team members were auto-deleted on a daily basis until in or around March 2016, in order to conceal their cover up efforts. Furthermore, ZTE obtained a NDA from each member of the Contract Data Induction Team. Any team member in breach of the NDA would face a penalty of 1 million RMB (or approximately \$150,000), payable to ZTE.
42. As alleged in Paragraph 7, *supra*, none of the transactions and activities alleged herein were authorized by BIS or OFAC.
43. In so doing, ZTE Corporation and ZTE Kangxun violated Section 764.2(d) of the Regulations, for which they are jointly and severally liable.

**Charges 2 - 284: 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation in Connection with Unlicensed Shipments of Telecommunications Items to North Korea via China**

44. BIS re-alleges and incorporates herein the allegations set forth in Paragraphs 1- 43, *supra*.
45. On 283 occasions between on or about February 10, 2010, and on or about June 25, 2015, ZTE ordered, bought, stored, used, sold, transferred, and/or forwarded telecommunications equipment subject to the Regulations, with knowledge that a violation of the Regulations had occurred or was about or was intended to occur in connection with these items.
46. ZTE procured parts and components subject to the Regulations, classified under Export Control Classification Numbers 3A001, 3A991, 4A994, 5A002, 5A991, 5A992, and controlled for national security, encryption, or anti-terrorism reasons, as well as items designated as EAR99. ZTE incorporated these parts and components into telecommunications items that ZTE transferred and/or forwarded from its facilities in China to employees or agents of the Korea Posts and Telecommunications Co., a North Korea state-owned entity, knowing that the items would be driven to North Korea without the required U.S. Government authorization.
47. Pursuant to Section 746.4 of the Regulations, a BIS license was required at all times pertinent hereto to export or reexport any item subject to the Regulations to North Korea. ZTE knew of the long-standing and well-known U.S. embargo against North Korea, including that U.S. Government authorization was required to ship the items to North Korea. For example, in its “Report Regarding Comprehensive Reorganization and Standardization of the Company Export Control Related Matters,” alleged in further detail in Paragraph 26, *supra*, ZTE specifically discussed that under “U.S. export control laws, our company must apply for reexport licenses when exporting controlled items to these five major embargoed countries—Iran, Sudan, North Korea[], Syria, and Cuba.” The report, which had been ratified and signed by ZTE’s CEO and three other high-ranking executives, also specifically discussed the fact that violations of U.S. law in connection with North Korea transactions (or transactions involving any of the other U.S.-embargoed destinations) would subject ZTE to “large” civil penalties, its “high-level managers [could] face prison sentences in a criminal case,” and ZTE could be “placed on the Blacklist” and “banned from purchasing U.S. products directly or indirectly for a period of time.” The report also noted that ZTE faced additional legal risks because high-level company managers “are also [on] the board of directors of our subsidiary company in the U.S.”
48. ZTE also knew that items to be used in the project were U.S.-origin and subject to the Regulations because, *inter alia*, its U.S. subsidiary, ZTE USA, Inc., signed a Framework Agreement for Chipset Procurement with a major U.S.-based supplier, in January 2011. This agreement modified an existing long-term supply contract with that supplier, which specified that the products and certain technical information provided under the supply

contract were subject to U.S. export control laws.

49. In so doing, ZTE Corporation and ZTE Kangxun committed 283 violations of Section 764.2(e) of the Regulations, for which they are jointly and severally liable.

**Charges 285 - 380: 15 C.F.R. § 764.2(h) – Evasion**

50. BIS re-alleges and incorporates herein the allegations set forth in Paragraphs 1- 49, *supra*.
51. Between in or around 2014 and on or about April 6, 2016, ZTE engaged in conduct prohibited by, or failed to engage in conduct required by, the Regulations, with intent to evade the Regulations. ZTE made knowingly false and misleading representations and statements to BIS or other U.S. law enforcement agencies during the course of an investigation or other action subject to the Regulations, and failed to correct those representations and statements, which were continuing in effect, as required by the Regulations. ZTE also destroyed, deleted, or concealed documents and information material to the U.S. Government's parallel criminal/administrative investigation of ZTE, and altered or failed to retain other documents relating to transactions and activities subject to Regulations.
52. This course of evasive conduct was designed, *inter alia*, to prevent BIS and other U.S. law enforcement agencies from detecting ZTE's continuing conspiracy to violate the U.S. trade embargo against Iran and related provisions of the Regulations, and to reduce ZTE's exposure for its extensive, long-running violations of U.S. law.
53. At all times pertinent hereto, the Regulations prohibited any person from making any false or misleading representation, statement, or certification, or falsifying or concealing any material fact, either directly to BIS or an official of any other United States agency, or indirectly through any other person, "[i]n the course of an investigation or other action subject to the EAR" or "[f]or the purpose of or in connection with effecting an export, reexport or other activity subject to the EAR." 15 C.F.R. § 764.2(g)(1). All such representations, statements, and certifications were "deemed to be continuing in effect." 15 C.F.R. § 764.2(g)(2). Moreover, any person who had either directly or through another indirectly made a false or misleading representation, statement, or certification was required to notify "BIS and any other relevant agency, in writing," of the actual material facts and circumstances. *See id.*
54. In addition, Part 762 of the Regulations imposed detailed recordkeeping requirements relating to all transactions subject to the Regulations, with a retention period of a minimum of five years. *See* 15 C.F.R. §§ 762.1-762.5. Furthermore, no records formally or informally requested by BIS or another U.S. Government agency could be destroyed or disposed of without the written authorization of BIS and other agencies involved, including documents that had been retained longer than the minimum retention period. *See* 15 C.F.R. §§ 762.6-762.7.

55. During a series of meetings between on or about August 26, 2014, and at least on or about January 8, 2016, ZTE represented and stated to BIS special agents and/or to other federal law enforcement agents and agency officials, that the company had previously stopped shipments to Iran as of March 2012, and was no longer violating U.S. export control laws. In doing so, ZTE acted through outside counsel who was representing ZTE in connection with the U.S. Government's investigation. ZTE's outside counsel was unaware that the representations and statements that ZTE had given to counsel for communication to the U.S. Government were false and misleading. In addition, and in advance of counsel's meetings with the U.S. Government, senior executives or managers at ZTE had reviewed the representations and statements made by defense counsel on the company's behalf and approved them knowing that they were false and misleading.
56. Contrary to this series of representations and statements, ZTE had, in fact, continued to violate the U.S. embargo against Iran and related provision of the Regulations during 2014-2016.
57. ZTE also took other evasive steps, as alleged in further detail in Paragraphs 28-38, *supra*, in connection with its Iran transactions, including using "Qatar" as code for "Iran" in documents relating to Iranian transactions, omitting the names of customers from its sales system when those customers were Iranian, and removing or avoiding the use of its logo from or on items, boxes, or documents sent to Iran. ZTE also failed to retain, or produce documents relating to various Iran transactions, including, *inter alia*, purchase orders, pro forma invoices, (commercial) invoices, credit advices or other account or financial records, bills of lading, waybills, and/or correspondence relating to the Tamin/Rightel and TCI contracts and related allegations detailed in Paragraphs 28-38, *supra*.
58. In addition to these repeated, continuing false and misleading representations and statements, ZTE sought to falsify and conceal facts that were material, and in fact central, to the U.S. Government's investigation. As set forth in further detail in Paragraphs 39-41, *supra*, ZTE engaged in an elaborate scheme to prevent disclosure to and affirmatively mislead the U.S. Government, by deleting and concealing documents and information from the outside counsel and forensic accounting firm that ZTE had retained with regard to the investigation. This scheme included forming and operating a 13-member "Contract Data Induction Team" within ZTE between January and March 2016, that destroyed, removed, or sanitized all materials relating to any transactions or other activities relating to ZTE's Iran business that post-dated March 2012; deleting on a nightly basis all of the team's emails to conceal the team's activities; and requiring each of the team members to sign a non-disclosure agreement prohibiting any disclosure relating to the ZTE transactions and activities that the team was tasked with hiding, subject to a penalty of 1 million RMB (or approximately \$150,000) payable to ZTE if it determined that a disclosure occurred.
59. ZTE's evasive course of conduct also was designed to enable ZTE to evade the Regulations in connection with its addition to BIS's Entity List, Supplement No. 4 to Part 744 of the Regulations, on March 8, 2016, by which BIS imposed a comprehensive

license requirement relating to ZTE pursuant to Section 744.11 of the Regulations and Supplement No. 4. As of that Entity List listing, a BIS license was required in connection with any transaction in which items subject to the Regulations were proposed for export, reexport, or transfer (in-country) to ZTE, or with regard to any other transaction in which ZTE was to act as a purchaser, intermediate consignee, ultimate consignee, or end user of items subject to the Regulations. Any such license application was subject to a license review policy of a presumption of denial. The effect of ZTE's Entity List listing was modified through the issuance of a temporary general license on March 24, 2016, that restored ZTE to the *status quo ante* that existed just prior to the listing. Thus, for example, an export to ZTE that would not have required a license or was authorized by a license exception as of March 7, 2016, could occur per the temporary general license without application of the license requirement or license review policy imposed as part of the listing. As a result of its evasive conduct, ZTE was able, for example, to renew its receipt of exports, reexports, and/or transfers (in country) of items subject to the Regulations that would not have been permitted under the terms of ZTE's addition to the Entity List on March 8, 2016.

60. ZTE did not notify BIS (or the other agencies) of the false and misleading nature of its prior representations and statements until doing so, via outside counsel, on or about April 6, 2016.
61. In so doing with intent to evade the Regulations, ZTE Corporation and ZTE Kangxun committed 96 violations of Section 764.2(h) of the Regulations, for which they are jointly and severally liable.

\* \* \* \* \*

Accordingly, ZTE Corporation and ZTE Kangxun are hereby notified that an administrative proceeding is instituted against them pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$289,238 per violation,<sup>6</sup> or twice the value of the transaction that is the basis of the violation;<sup>7</sup>
- Denial of export privileges;
- Exclusion from practice before BIS; and/or

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<sup>6</sup> See 15 C.F.R. § 6.4(b)(4). This amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015.

<sup>7</sup> See International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

- Any other liability, sanction, or penalty available under the law.

If ZTE Corporation or ZTE Kangxun fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If ZTE Corporation or ZTE Kangxun defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to ZTE Corporation and ZTE Kangxun. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

ZTE Corporation and ZTE Kangxun are further notified that they are entitled to an agency hearing on the record if they file a written demand for one with its answer. *See* 15 C.F.R. § 766.6. ZTE Corporation and ZTE Kangxun are also entitled to be represented by counsel or other authorized representative who has power of attorney to represent them. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should ZTE Corporation and ZTE Kangxun have a proposal to settle this case, ZTE Corporation and ZTE Kangxun or their representative should transmit it to the attorney representing BIS named below.

ZTE Corporation and ZTE Kangxun are further notified that under the Small Business Regulatory Enforcement Flexibility Act, ZTE Corporation and ZTE Kangxun may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, ZTE Corporation's and ZTE Kangxun's answers must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center  
40 S. Gay Street  
Baltimore, Maryland 21202-4022

In addition, a copy of ZTE Corporation and ZTE Kangxun's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security  
Attention: Adrienne Frazier, Esq. and Brian Volsky, Esq.  
Room H-3839  
United States Department of Commerce  
14th Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

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Adrienne Frazier and Brian Volsky are the attorneys representing BIS in this case; any communications that ZTE Corporation and ZTE Kangxun may wish to have concerning this matter should occur through them. They may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock  
Director  
Office of Export Enforcement