

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

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UNITED STATES OF AMERICA

v.

ZTE CORPORATION

NO. 3:17-CR-_____

3-17 CR-0120K

FACTUAL RESUME

It is hereby agreed by and between ZTE Corporation (ZTEC), its attorneys, Clifford Chance LLP and Burselson, Pate & Gibson LLP, and the United States Attorney's Office for the Northern District of Texas and the United States Department of Justice, National Security Division (collectively, the Department), that the following is true, correct and can be used in support of the defendant's plea of guilty:

ELEMENTS OF THE OFFENSE

Count One

Conspiracy to Unlawfully Export

(Violation of 50 U.S.C. § 1705, 31 C.F.R. Part 560; and 15 C.F.R. Part 764.2(d))

In order to prove the offense of Unlawfully Conspiring to Export, the government must prove each of the following elements beyond a reasonable doubt:

First: That two or more persons came to a mutual understanding to try to accomplish a common and unlawful plan, as charged in the Information;

Second: That the Defendant, knowing the unlawful purpose of the plan, willfully joined in it;

Third: That the object of the unlawful plan was to export and cause the export of U.S. origin items from the United States to Iran without a license from the U.S. government.

Count Two

Corruptly Obstructing the Administration of Justice
(Violation of 18 U.S.C. §1503)

In order to prove the offense of Obstruction of Proceedings before Departments, Agencies or Congress, the government must prove each of the following elements beyond a reasonable doubt:

First: That on or about the dates in the Information, there was a proceeding pending before a grand jury;

Second: That the defendant knew of the pending proceeding; and

Third: That the defendant acted corruptly with the specific intent to influence, obstruct, or impede that judicial proceeding in its due administration of justice.

Count Three

False Statement to a Federal Agency
(Violation of 18 U.S.C. § 1001).

In order to prove the offense of False Statement to a Federal Agency, as alleged in Count Three of the Information, the government must prove each of the following elements beyond a reasonable doubt:

First: That the defendant made a false statement to an agency or department of the United States Government;

Second: That the defendant made the statement intentionally and willfully, knowing that it was false;

Third: That the statement was material; and

Fourth: That the defendant made the false statement for the purpose of misleading the agency or department of the United States Government.

STIPULATED FACTS

Introduction

1. This Factual Statement is made pursuant to, and is part of, the Plea Agreement dated _____, between the United States Attorney's Office for the Northern District of Texas and the National Security Division of the United States Department of Justice (collectively, "DOJ") and the defendant, ZTE Corporation ("ZTEC"). If this case were to go to trial, the government would be prepared to prove the following, and the Defendant now admits the following facts are true and correct:

2. ZTEC is the largest publicly-traded telecommunications manufacturer in the People's Republic of China (PRC), and the fourth largest telecommunications manufacturer in the world. ZTEC products are manufactured in Shenzhen, PRC, and sold to customers globally. ZTEC has subsidiaries located all over the world, including the United States.

3. Starting in January 2010, and continuing through March 2016 (the "relevant time period"), ZTEC violated U.S. law by causing the export of goods from the United States to the Islamic Republic of Iran (Iran) in violation of U.S. economic sanctions. ZTEC's most senior managers constructed an elaborate scheme to evade detection by U.S. authorities. The company, along with its co-conspirators, including ZTE Parsian, Beijing 8 Star, Chinese Company A, Iran Company A, and Iran Company

B, purchased U.S.-origin parts and then transshipped, exported, or reexported those parts, either as a component of a larger system or separately, from China to Iran without a license from the Department of Treasury's Office of Foreign Assets Control ("OFAC"). During the course of the conspiracy, ZTE Parsian and Beijing 8 Star acted as alter egos of ZTEC.

4. During the relevant time period, ZTEC was incorporated and headquartered in Shenzhen, China. It maintained a U.S. subsidiary, ZTE USA, located in Richardson, Texas, and a subsidiary in Tehran, Iran, ZTE Parsian. Its shares are listed on the Shenzhen and Hong Kong Stock Exchanges.

5. Beijing 8 Star Co. International ("8S") was registered in China in 2009 as a trading company. It was incorporated by two ZTEC employees as a side business for those employees and originally was not part of ZTEC. As described in greater detail below, beginning in 2010, ZTEC identified 8S as a possible vehicle for hiding its shipments of U.S.-origin items to Iran. It intended to use 8S to export U.S.-origin items from China to ZTEC customers in Iran. As part of this plan, ZTEC supplied 8S with necessary capital and took over control of the company.

6. Chinese Company A ("CCA") was registered in the PRC in 1990. Its principal place of business is in Jiangsu, China. It is a large manufacturer and its parent company is listed on the Shanghai Stock Exchange. Beginning in 2014, CCA began exporting U.S.-origin items from China to Iran on behalf of ZTEC.

7. During the relevant time period, neither ZTEC, nor 8S, nor CCA applied for or obtained an export license from OFAC for the U.S.-origin items they shipped to Iran.

Applicable Law

The International Emergency Economic Powers Act

8. The International Emergency Economic Powers Act (“IEEPA”), 50 U.S.C. § 1701 *et seq.*, gave the President of the United States broad authority to regulate exports and other international transactions in times of national emergency. IEEPA controls are triggered by an Executive Order declaring a national emergency based on an “unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States.” Pursuant to the authority under IEEPA, the President and the executive branch have issued orders and regulations governing and prohibiting certain practices and transactions with respect to various sanctioned nations by U.S. persons or involving U.S.-origin goods.

9. It is a crime for a person to willfully commit, willfully attempt to commit, willfully conspire to commit, or willfully cause a violation of any license, order, regulation, or prohibition issued under IEEPA, 50 U.S.C. § 1705.

Iranian Transactions and Sanctions Regulations

10. On March 15, 1995, the President issued Executive Order 12957, finding that “the actions and policies of the Government of Iran constitute an unusual and

extraordinary threat to the national security, foreign policy, and economy of the United States and ... declare[d] a national emergency to deal with that threat.”

11. On May 6, 1995, the President issued Executive Order 12959 to take additional steps with respect to the national emergency declared in Executive Order 12957 and to impose comprehensive trade and financial sanctions on Iran. These sanctions prohibited, among other things, the exportation or reexportation to Iran or the Government of Iran of any goods, technology, or services from the United States.

12. On August 17, 1997, the President issued Executive Order 13059 consolidating and expanding upon Executive Orders 12957 and 12959 (collectively, “Executive Orders”). In addition to the prohibitions contained in Executive Orders 12957 and 12959, Executive Order 13059 prohibited the exportation, reexportation, sale, or supply, directly or indirectly from the United States, or by a United States person, wherever located. This prohibition included the exportation, reexportation, sale, or supply of goods, technology, or services to a person in a third country with knowledge or reason to know that such goods, technology, or services were intended specifically for supply, transshipment, or reexportation, directly or indirectly, to Iran or the Government of Iran. The Executive Orders authorized the United States Department of the Treasury to promulgate rules and regulations necessary to carry out the Executive Orders.

Pursuant to this authority, the Secretary of the Treasury issued the Iranian Transactions

Regulations, later renamed the Iranian Transactions and Sanctions Regulations (“ITSR”), 31 C.F.R. Part 560.¹ The ITSR prohibit, among other things:

a. Any transaction by any United States person or within the United States that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions contained in the ITSR. 31 C.F.R. § 560.203.

b. The exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any goods, technology, or services to Iran or the Government of Iran without the prior authorization or license from OFAC, including the exportation, reexportation, sale, or supply of any goods, technology, or services to a person in a third country undertaken with knowledge or reason to know that such goods, technology, or services are intended specifically for supply, transshipment, or reexportation, directly or indirectly, to Iran or the Government of Iran. 31 C.F.R. § 560.204.

c. The reexportation from a third country, directly or indirectly, by a person other than a United States person of any goods, technology or services that have been exported from the United States if: (a) such reexportation is undertaken with knowledge or reason to know that the reexportation is intended specifically for Iran or the Government of Iran; and (b) the exportation of such goods, technology, or services from

¹ On October 22, 2012, the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) changed the heading of the “Iranian Transactions Regulations” to the “Iranian Transactions and Sanctions Regulations,” amended the renamed ITSR, and reissued them in their entirety. The provisions prohibiting the activities set forth herein were in effect under the ITR and remain in full force and effect under the ITSR.

the United States to Iran was subject to export license application requirements under any United States regulations in effect on May 6, 1995, or thereafter was made subject to such requirements imposed independently of the ITSR. 31 C.F.R. § 560.205.

13. The ITSR were in effect during the relevant time period and at no time did ZTEC or any of its subsidiaries, business segments, or affiliates apply for, receive, or possess a license from OFAC for the conduct described below.

The Export Administration Regulations

14. The United States Department of Commerce is responsible for reviewing and controlling the export of certain goods and technologies from the United States to foreign countries. The Export Administration Act (“EAA”), 50 U.S.C. App. §§ 2101-2420, authorized the Department of Commerce to prohibit or curtail the export of any goods and technology as necessary, to protect, among other things, the national security and foreign policy of the United States. The Department of Commerce, through the Bureau of Industry and Security (“BIS”), implemented that authority through the Export Administration Regulations (“EAR”), 15 C.F.R. Parts 730-774. Although the EAA has lapsed, the EAR continue to be in effect under the provisions of IEEPA by virtue of Executive Order 13222 (August 17, 2001), as extended by successive Presidential notices, the most recent being on August 4, 2016. *See, e.g.*, 81 Fed. Reg. 52,587 (Aug. 8, 2016).

15. Through the EAR, BIS reviews and controls the export from the United States to foreign countries of certain U.S.-origin items. 15 C.F.R. §§ 734.2-3. In particular, BIS places restrictions on the export and reexport of items that it determines

could make a significant contribution to the military potential or nuclear proliferation of other nations or that could be detrimental to the foreign policy or national security of the United States. Under the EAR, such restrictions depend on several factors, including the technical characteristics of the item, the destination country, the end user, and the end use.

16. The most sensitive items subject to EAR controls are identified on the Commerce Control List, or "CCL," set forth in Title 15, Code of Federal Regulations, Part 774, Supplement Number 1. Items listed on the CCL are categorized by Export Control Classification Number ("ECCN"), each of which has export control requirements depending on destination, end use, and end user. All items not on the CCL and not subject to specific export controls are designated as EAR 99.

17. The EAR make it unlawful to engage in or attempt to engage in conduct prohibited by, or contrary to, or refrain from engaging in any conduct required by, the EAR. It is also unlawful to violate any order, license or authorization issued thereunder and to cause, aid, abet, solicit, attempt, or conspire to commit a violation of the EAR, or any order, license, or authorization issued thereunder. The EAR prohibit the ordering, buying, removing, concealing, storing, use, sale, loan, disposition, transfer, transport, financing, forwarding, or other servicing, in whole or in part, of any item exported or to be exported from the United States, that is subject to the EAR, with knowledge that a violation of the EAR, or any order, license, or authorization issued thereunder, has occurred. *See* 15 C.F.R. § 764.2(a)-(e).

18. Exporters and reexporters are not required under the EAR to seek authorization from both the Commerce Department and OFAC for exports or reexports subject to both the EAR and the ITSR. Instead, an authorization granted by OFAC is considered authorization for purposes of the EAR as well.

Illegal Transactions with Iran, Pre-March 2012

19. In or around early 2010, ZTEC began bidding on two different Iranian projects. One was with Iran Company A (ICA), the other with Iran Company B (ICB). Each contract was worth hundreds of millions of U.S. Dollars (USD) and required U.S.-origin components – both controlled and EAR 99 commodities – for use in the final products.

Iran Company A Contract

20. ICA is a telecommunications company located in Tehran, Iran. It has a monopoly over Iran's fixed line infrastructure, and until 2010 was Iran's largest cellular operator, Internet service provider, and data communication operator.

21. On or about February 23, 2010, ICA and ZTEC reached an initial agreement in which ZTEC would provide equipment to ICA to expand the existing telecommunication networks in Iran within three years.

22. On or about December 28, 2010, the parties finalized and signed a supply contract. The contract is signed by four parties: ICA (signed for by its Vice Chairman and Managing Director), ZTEC (signed for by its Commercial Manager), 8S (signed for by its Manager), and ZTE Parsian (signed for by its Managing Director). According to the contract, ZTEC agreed to supply the “self-developed equipment” to ICA, collect

payment for the project, and manage the whole network. 8S was responsible for “relevant third-party equipment,” which primarily meant parts that would be subject to U.S. export laws. ZTE Parsian was to provide locally purchased materials and all services. The ICA project is described as a “network optimization” and required several pieces of network equipment, including Internet Protocol multimedia systems, Next Generation Network, Switches, Optical Access, digital subscriber line access multiplexers (DSLAM), Routers, LAN Switches, Transmissions, Terminals, Value Added Service, Internet Protocol Televisions, Core networks, 2G/3G/LTE BTS, and operational support systems. It also included a law enforcement surveillance function and accompanying software, the ZTEC-manufactured ZXMT system.

23. According to the terms of the contract, the contract was to remain valid until December 31, 2015. The contract price was €98,639,361 (equivalent to approximately \$129,584,000). The original contract was subsequently modified in two amendments. The first amendment increased the value of the contract to approximately \$160 million. The final amendment decreased the amount of ZTEC-manufactured parts to be included and increased the number of U.S.-origin items to be included, without changing the value of the contract.

24. ZTEC was well aware that it required U.S.-origin component parts to fulfill its contract with ICA. It was also aware that U.S. export laws prohibited ZTEC from transshipping or reexporting U.S.-origin component parts to Iran without a license from the U.S. government, and that it was highly unlikely that the U.S. government would grant such a license. Consequently, ZTEC intended for 8S to be an “isolation

company,” that is, ZTEC intended for 8S (rather than ZTEC) to purchase the embargoed equipment from suppliers and provide that equipment under the contract in an effort to distance ZTEC from U.S. export-controlled products and insulate ZTEC from U.S. export violations. However, 8S had no purchasing or shipping history and no real business reputation. Ultimately, although 8S was a party to the ICA contract, ZTEC itself purchased and shipped the embargoed goods under the contract.

25. Given its market reputation, ZTEC concluded that, unlike 8S, its shipments were unlikely to be stopped and searched, and thus it assumed the risk of shipping the U.S.-origin items. In its shipping containers, it packaged the U.S.-origin items with its own self-manufactured items to hide the U.S.-origin items. ZTEC did not specifically identify the U.S.-origin items on the customs declaration forms, though it did identify the U.S.-origin items on the packing lists included inside of the shipments.

26. From January 2010 through December 2012, ZTEC sent approximately 131 shipments to ICA. The total cost incurred by ZTE for the items shipped to ICA was approximately \$19.8 million, and the total cost of the U.S.-origin items was approximately \$11.5 million (see Appendix A). The items included various component parts from various U.S. manufacturers. The shipments also included numerous products that were on the CCL and thus controlled (see Appendix B, listing the pertinent ECCNs for controlled products shipped under the ICA contract).

27. The U.S.-origin items that ZTEC shipped to ICA in Iran were procured by ZTEC as part of bulk orders from its suppliers. ZTEC placed the orders with its suppliers based on its monthly procurement needs. Its monthly procurement numbers

reflected amounts that were necessary to fulfill the company's needs across all of its contracts around the globe, including its Iranian customers. Therefore, when ZTEC purchased the U.S.-origin items, it did so knowing that some number of the U.S.-origin items were necessarily destined for the Iranian contracts, either as a component part of a larger ZTE system or shipped separately.

28. Neither ZTEC, nor ICA, nor 8S ever sought or obtained licenses from OFAC to reexport or transship these U.S.-origin items to Iran, though they knew at the time that licenses were required.

29. On or about July 21, 2011, July 28, 2011, and August 31, 2011, ZTEC received payments totaling approximately \$26,990,694 from ICA as advance payment on the contract. In March and April 2013, ICA paid ZTEC an additional \$41,164,384 for the shipments it received from ZTEC and 8S during January 2010 through March 2012.

30. For its shipments and services to ICA during January 2010 through December 2012, ZTEC was paid a total of \$68,155,078 from ICA.

Iran Company B Contract

31. During much of the same time that ZTEC was negotiating with ICA, it also was negotiating with another Iranian company, Iran Company B (ICB). ICB was established in May 2007 and is a wholly owned subsidiary of its parent company. ICB is located in Tehran, Iran. In 2010, ICB was awarded Iran's Third Mobile Network License, which allowed it to establish a 3G (voice and digital business) network that utilizes third generation mobile communication technology, UMTS+GSM. ZTEC was bidding to be one of its vendors.

32. The contract—called a “framework agreement”—between ZTEC and ICB was signed November 22, 2010. The framework agreement states that ICB was to create and operate the first 2G/3G and 4G ready private mobile telecommunications network in Iran. The framework agreement was valued at €1,450,000,000 (approximately \$1,986,355,000). ZTEC was awarded a piece of the overall framework agreement, and was to supply ICB with the equipment and services necessary to set up 1000 cell tower sites around Iran. The agreement between ZTEC and ICB was signed by the Chairman of ICB; the Commercial Manager for ZTEC; the Manager of 8S; and the Managing Director of ZTE Parsian.

33. As with the ICA contract, ZTEC was responsible for, among other things, providing the necessary “self-developed products.” 8S’s responsibilities included providing U.S.-origin equipment. ZTE Parsian was to provide services and locally made equipment for the project.

34. 8S was intended to play the same “isolation” role that it was intended to have in the ICA contract. It was supposed to sign a purchasing contract with ZTE Kangxun, which is ZTEC’s international procurement arm. ZTE Kangxun would serve as a purchasing agent for 8S, buying the embargoed goods from the United States and reselling them to 8S. 8S was then responsible for exporting those goods from China to Iran.

35. As with the ICA contract, however, 8S’s lack of business reputation made it a poor choice to serve as the isolation company, and ZTEC itself wound up shipping the U.S.-origin items from China to Iran.

36. ICB issued the first purchase order for ZTEC on or about December 26, 2010, which specified 1,002 radio access network (“RAN”) sites ZTEC would manufacture and install for ICB. The total price for the purchase order, after a discount, was approximately \$165,000,000. In May 2011, ICB and ZTEC modified the purchase order. Instead of supplying equipment for 1000 sites, ZTEC would manufacture and install equipment for only 500 sites. That number was further decreased in March 2012 to 150 RAN sites and again in April 2012 to 130 RAN sites. Though the number of sites decreased, the U.S. dollar value of the purchase order remained the same at approximately \$165,000,000.

37. From January 2010 through December 2012, ZTEC sent approximately 20 shipments to ICB. The total cost incurred by ZTEC for the items it shipped to ICB was approximately \$25.4 million, and the total cost of the U.S.-origin items was approximately \$11.8 million (*see* Appendix C). The items included various component parts from U.S. manufacturers. The shipments also included numerous products that were on the CCL and thus controlled (*see* Appendix D, listing the pertinent ECCNs for controlled products shipped under the ICB contract).

38. The U.S.-origin items that ZTEC shipped to ICB in Iran were procured by ZTEC in the same manner as those sent to ICA – as part of bulk orders from its suppliers, which ZTEC placed monthly or weekly depending on its global needs. When ZTEC purchased the U.S.-origin items, it did so knowing that some number of each U.S.-origin item would be sent to Iran pursuant to the Iranian contracts, either as a component part of a larger ZTEC system or shipped separately.

39. Neither ZTEC, nor ICB, nor 8S ever sought or obtained licenses from OFAC to transship or reexport these U.S.-origin items to Iran, though they knew at the time that licenses were required.

Changing the Structure

40. In early 2011, ZTEC determined that the use of 8S was insufficient to hide ZTEC's connection to the export of U.S.-origin goods to Iran. Senior management of ZTEC ordered that a company-level export control project team study, handle, and respond to the company's export control risks. By September 2, 2011, four senior managers had signed a proposal addressing these issues. Among the primary goals established by the proposal was to identify and establish new isolation companies (also described as "cut-off companies"), which would be responsible for supplying U.S. component parts necessary for projects in embargoed countries. The isolation companies would conceal ZTEC's role in the scheme and would insulate ZTEC from export control risks. The document was signed by the ZTEC General Counsel; Executive Vice President for Sales; Executive Vice President of Logistics; and ZTEC CEO.

41. Among other things, the document states:

At present, the biggest risk is Iran's ongoing project(s). . . . [I]n 2010, the U.S. passed the "Comprehensive Iran Sanctions, Accountability, and Divestment Act," applying stronger sanctions against Iran. At the end of 2010, our company signed a four-party project contract with Iran customer(s), adopting semi cut-off method, i.e. our company provides our self-manufactured equipments [sic] to the customer(s) and our company's cooperating company provides sensitive U.S. procured items to the customer(s). . . . Since the capital credit and capability of our company's cooperating company are weak, the project execution is more difficult. Therefore, currently most of the operations are actually done by ZTE Corporation; the risk cut-off is not effective.

42. This proposal also stated that ZTEC had been sending U.S.-origin parts to numerous sanctioned countries, such as Iran, Sudan, North Korea, Syria and Cuba, without the necessary licenses from the U.S. government.

Reuters Article and Decision to Resume Shipments to Iran

43. In or about March 2012, *Reuters* published an article detailing ZTEC's sale of equipment to ICA, and it highlighted the ZXMT surveillance system. The article stated that the ZXMT system contained U.S.-origin component parts. In response, the Department of Commerce, BIS, served ZTE USA with an administrative subpoena, asking for the ICA contract and packing list mentioned in the article. The U.S. Attorney's office for the Northern District of Texas subsequently opened its grand jury investigation and the FBI served ZTE USA with criminal subpoenas as detailed below.

44. In response to the article and investigations, ZTEC shipped back to China from Iran several U.S.-origin items that ZTEC had shipped to ICA. It did not return any U.S. equipment that it had shipped to ICB. In the summer of 2012, ZTEC made a decision to temporarily cease sending new U.S. equipment to Iran.

45. Beginning in or around mid-2013, however, ZTE Parsian began urging ZTEC to resume business with ZTEC's Iranian customers. The ZTE Parsian sales team in Iran invited a small group of ZTEC executives to Tehran to have ZTEC better understand the pressure the Iran office was under from ZTEC's Iranian customers. Following that visit, senior management at ZTEC, including the CEO and Executive Vice Presidents, decided to resume business with the Iranian customers. ZTEC feared they would be subject to penalty provisions in their Iranian contracts. Also of concern was

maintaining their bank performance guarantees. By November 2013, ZTEC had resumed its business with Iran, and beginning in July 2014, ZTEC began shipping U.S.-origin parts to Iran once again without the necessary licenses.

Identifying Other Isolation Companies

46. Given the weaknesses associated with 8S and the proposal signed by senior management in September 2011, ZTEC sought out and identified other intermediary companies that would be better able to obfuscate ZTEC's role in the illegal exports.

47. ZTEC established a committee in 2013 to identify and evaluate possible options. The committee used various criteria to analyze the options, including the candidate company's (1) sales volume, (2) willingness to cooperate with ZTE, (3) size, and (4) cost. Ultimately, ZTEC identified CCA.

48. CCA was utilized mostly for shipments related to the ICA and ICB contracts, between 2013 and 2016. As described above, CCA is a large manufacturer in China. Its parent company is listed on the Shanghai Stock Exchange. In 2013, CCA was looking to expand and had an established import/export business that ZTEC could leverage.

49. On or around December 2, 2013, ZTEC and CCA signed a framework agreement. The scope of work described in the agreement was for a period of three years, with an option to renew for an additional year. The contract value was approximately \$163,000,000. ZTEC was identified in the agreement as the seller, with CCA as the buyer. According to the terms of the agreement, the seller would notify the buyer when the goods were ready. The buyer was then responsible for collecting the

goods from the seller. A provision in the agreement admonished the CCA to follow all export laws, including those of the United States.

50. CCA was fully aware of the U.S. government's investigation into ZTEC's shipments to Iran. The primary purpose of the contract was for CCA to obtain products from ZTEC and export them to the Iranian customer. The agreement, though, says nothing about ICA, ICB, or Iran. It was signed by the CEO of CCA and the Commercial Manager for ZTE Parsian. The ZTEC Chairman had authorized the Commercial Manager to sign on behalf of ZTEC.

51. CCA, in turn, signed contracts with ICA and ICB. The ICA contract was signed in or around February 2014. It stated that ICA would purchase from CCA the telecommunications items for various Iranian provinces according to three purchase orders totaling approximately \$95,169,000.

52. Under the plan, CCA placed purchase orders with ZTEC for all parts ordered by ICA – both U.S.-origin items and ZTEC-manufactured items. ZTEC then purchased or manufactured the requisite items, which CCA picked up from ZTEC's warehouse. CCA then shipped all of the items to ICA. ZTEC stripped its logo off of all communications with ICA and all items shipped to ICA.

53. Between January 2014 and January 2016, ZTEC prepared 10 shipments for CCA that included U.S.-origin items, knowing and intending that CCA would then ship those items to ICA in Iran (see Appendix A). The total cost incurred by ZTEC of the items shipped to ICA was approximately \$13.7 million dollars, including approximately \$6.3 million worth of U.S.-origin items. The shipments included U.S. cellular-network

parts from various U.S. companies. The last date that goods left the ZTEC warehouse for CCA destined for ICA was on or about January 20, 2016. Neither ZTEC, nor CCA, nor ICA applied for or received the necessary export licenses from the U.S. government.

54. ZTEC and CCA established the same system for sales to ICB. On or about March 19, 2014, ICB and CCA signed a contract worth approximately \$100,154,880. The stated contract term was three years. The ICB contract called for the installation of 553 cell sites. Additional items were to be delivered to ICB's warehouse in Iran. To fulfill the contract, CCA placed purchase orders with ZTEC. As with the ICA contract, ZTEC purchased or manufactured all relevant equipment – both U.S.-manufactured and ZTEC-manufactured – and prepared them for pick-up at its warehouse by CCA.

55. Between July 2014 and January 2016, ZTEC prepared 24 shipments for CCA, knowing and intending that CCA would then ship those items to ICB in Iran (see Appendix C). The cost incurred by ZTEC of the items shipped in these shipments was approximately \$11.1 million, including approximately \$2.7 million of U.S.-origin items. The shipments included U.S. cellular-network parts from various U.S. companies. The last date that goods left the ZTEC warehouse for CCA destined for ICB was on or about January 29, 2016. Neither ZTEC, nor CCA, nor ICB applied for or received the necessary export licenses from the U.S. government.

56. Between January 2010 through January 2016, ZTEC, either directly or indirectly through 8S and CCA, shipped approximately \$32.2 million of U.S.-origin items to Iran without obtaining the proper export licenses from the U.S. government.

Obstructing the United States Government Investigation

57. As mentioned above, the FBI began its investigation into ZTEC shortly after the *Reuters* article was published. The FBI served a seizure warrant on ZTE USA on or about July 20, 2012, for a laptop the FBI had already imaged and returned. On or about August 13, 2012, the FBI served the first grand jury subpoena on ZTE USA for documents and records related to all sales to Iran. The FBI served two additional subpoenas for documents and records on the company and its outside counsel on or about September 17, 2012, and January 27, 2015. In addition, on or about October 4, 2014, October 17, 2014, and November 12, 2014, the FBI conducted searches of various ZTE USA offices. Law enforcement agents also served subpoenas to appear before the grand jury on several senior ZTE USA and ZTEC managers during 2013 and 2014.

58. Despite its knowledge of the ongoing grand jury investigation, ZTEC took several steps to conceal relevant information from the U.S. government and, moreover, took affirmative steps to mislead the U.S. government.

59. In the summer of 2012, ZTEC asked each of the employees who were involved in the Iran sales to sign nondisclosure agreements in which the employees agreed to keep confidential all information related to the company's exports to Iran.

60. During meetings on or about August 26, 2014, December 2, 2014, November 20, 2015, December 21, 2015, January 8, 2016, and March 18, 2016, defense counsel for ZTEC, unaware that the statements ZTEC had given to counsel for communication to the government were false, represented to the Department of Justice and federal law enforcement agents that the company had stopped doing business with

Iran, and therefore was no longer violating U.S. export controls and sanctions laws. In advance of defense counsel's meetings with the U.S. government, senior managers at ZTEC had reviewed the statements made by defense counsel and approved them, knowing then and there that the statements were false.

61. Similarly, on July 8, 2015, in-house counsel for ZTEC accompanied outside counsel in a meeting with the Department of Justice and federal law enforcement agents and reported that ZTEC was complying with the regulations and laws of the United States. That statement was false.

62. Additionally, ZTEC, pursuant to defense counsel's request, hired an outside firm ("Forensic Accounting Firm") to review ZTEC's computer systems and identify information related to Iran sales. During the years 2013-2016, the Forensic Accounting Firm conducted an ongoing review of ZTEC's data and systems and provided an analysis of ZTEC's sales to Iran. The dollar figures and shipping information identified in the analysis conducted by the Forensic Accounting Firm were presented by defense counsel to the U.S. government on several occasions. ZTEC was aware of why the Forensic Accounting Firm was reviewing its systems and knew that the analysis was being reported to the Department of Justice and U.S. law enforcement. ZTEC was also aware that the government had been seeking the sort of information the Forensic Accounting Firm was gathering and that the government would likely present such information to the grand jury.

63. On or about April 6, 2016, defense counsel, at the direction of ZTEC, advised attorneys for the Department of Justice that ZTEC senior management had lied to

defense counsel and, consequently, to the U.S. government in the meetings at which defense counsel had made factual representations to the government. To avoid detection of its 2013-2016 resumed sales to Iran, ZTEC had taken steps to hide data related to those transactions in its computer systems from the Forensic Accounting Firm.

64. In January 2016, when defense counsel asked that the Forensic Accounting Firm be given greater access to all of ZTEC's systems to finalize the internal investigation for purposes of providing information to the U.S. government, ZTEC's then-CEO advised three senior managers that the IT department needed to hide all information related to the post-March 2012 Iran business from the Forensic Accountant Firm.

65. To accomplish this, ZTEC formed the "contract data induction team" ("CDIT"). The team was comprised of approximately 13 people whose job it was to "sanitize the databases" of all information related to the 2013-2016 Iran business. The team identified and removed from the databases all data related to those sales.

66. In addition, ZTEC established an auto-delete function for the email accounts of those 13 individuals on the CDIT, so their emails were deleted every night—a departure from its normal practices—to ensure there were no communications related to the hiding of the data. The members of the CDIT also signed nondisclosure agreements agreeing not to share information about the CDIT or suffer a 1 million RMB penalty.

67. As a result, when defense counsel presented what was supposed to be final information about ZTEC's sales to Iran to the U.S. government on or about January 8, 2016, and March 18, 2016, the numbers defense counsel presented were false. Senior

managers at ZTE had reviewed the numbers before defense counsel presented them and approved them, knowing then and there that those numbers were false.

68. Because ZTEC and ZTEC senior managers created an elaborate system to hide the 2013-2016 Iran data, authorized the false information that ZTEC defense counsel unwittingly provided to attorneys for the Department of Justice and federal law enforcement agents, and took steps to delete all communications related to this cover-up, the company obstructed the due administration of justice.

[NO FURTHER INFORMATION ON THIS PAGE]

AGREED TO AND SIGNED this 6TH day of MARCH, 2017.

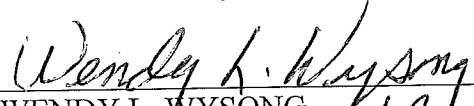
JOHN R. PARKER
UNITED STATES ATTORNEY



DEFENDANT

By: 赵先明 / Zhao Xianming

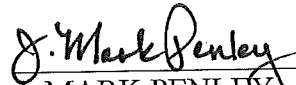
Its: Chairman and President
of ZTE Corporation



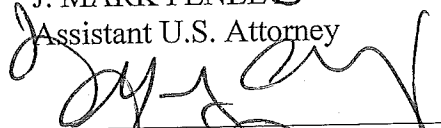
WENDY L. WYSONG
Attorney for Defendant

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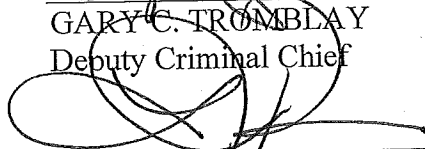
for



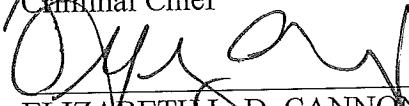
J. MARK PENLEY
Assistant U.S. Attorney



GARY C. TROMBLAY
Deputy Criminal Chief



LISA J. DUNN
Criminal Chief



ELIZABETH L. D. CANNON
Trial Attorney, National Security Division

Appendix A
ICA Shipment Summary

Shipment Date	Value of US Goods (USD)	Total Shipment Value (USD)
16-JAN-2010	\$4	\$63
18-JAN-2010	\$0	\$99
19-JAN-2010	\$309	\$520
22-JAN-2010	\$125	\$283
29-JAN-2010	\$0	\$224
15-FEB-2010	\$6	\$9,243
20-FEB-2010	\$4,877	\$29,499
25-FEB-2010	\$26	\$26
03-MAR-2010	\$405	\$582
30-MAR-2010	\$177,766	\$331,779
09-APR-2010	\$768	\$768
20-APR-2010	\$5,227	\$11,693
29-APR-2010	\$90,504	\$238,233
10-MAY-2010	\$1,061	\$53,304
19-MAY-2010	\$26,011	\$27,785
19-MAY-2010	\$6,750	\$6,756
06-JUN-2010	\$189	\$397
23-JUN-2010	\$17,562	\$40,126
01-JUL-2010	\$69,565	\$149,851
08-JUL-2010	\$182,722	\$519,257
14-JUL-2010	\$96,839	\$161,609
24-JUL-2010	\$14,209	\$17,118
05-AUG-2010	\$26,024	\$30,130
07-AUG-2010	\$4,629	\$6,776
16-AUG-2010	\$211	\$211
24-AUG-2010	\$102,458	\$273,773
10-SEP-2010	\$6,531	\$8,652
19-SEP-2010	\$5,855	\$9,657
22-SEP-2010	\$93	\$361
24-SEP-2010	\$21,577	\$39,455
27-SEP-2010	\$3	\$17
29-SEP-2010	\$7,888	\$21,679
19-OCT-2010	\$98	\$98
20-OCT-2010	\$22,390	\$62,189

24-OCT-2010	\$438	\$590
28-OCT-2010	\$3,232	\$6,473
01-NOV-2010	\$0	\$187
14-NOV-2010	\$3,755	\$5,536
18-NOV-2010	\$63,911	\$154,837
30-NOV-2010	\$233,275	\$454,970
01-DEC-2010	\$0	\$2,005
22-DEC-2010	\$0	\$26,702
29-DEC-2010	\$0	\$16,068
31-DEC-2010	\$34,557	\$39,324
09-JAN-2011	\$226,951	\$353,856
27-JAN-2011	\$0	\$28,869
12-FEB-2011	\$61,909	\$141,690
18-FEB-2011	\$0	\$31,602
21-FEB-2011	\$0	\$1,664
22-FEB-2011	\$98	\$141
22-FEB-2011	\$0	\$25
23-FEB-2011	\$132,724	\$367,666
01-MAR-2011	\$0	\$0
03-MAR-2011	\$4,578	\$6,247
04-MAR-2011	\$30,620	\$53,609
09-MAR-2011	\$1,661	\$2,227
25-MAR-2011	\$69,612	\$182,073
08-APR-2011	\$365,650	\$481,881
13-APR-2011	\$3,188	\$4,440
13-APR-2011	\$34,329	\$77,781
28-APR-2011	\$0	\$0
03-MAY-2011	\$4,079	\$4,746
04-MAY-2011	\$37,117	\$105,124
04-MAY-2011	\$98,885	\$142,530
17-MAY-2011	\$3,908	\$5,244
31-MAY-2011	\$7,391	\$9,582
08-JUN-2011	\$239	\$323
11-JUN-2011	\$1,577	\$10,412
13-JUN-2011	\$525	\$723
15-JUN-2011	\$2,743	\$3,491
17-JUN-2011	\$294	\$663
17-JUN-2011	\$294	\$634
18-JUN-2011	\$63,567	\$149,634
25-JUN-2011	\$9,134	\$33,955

25-JUN-2011	\$335	\$261,480
30-JUN-2011	\$6,290	\$10,606
23-JUL-2011	\$3,964,989	\$5,933,510
27-JUL-2011	\$2,139	\$2,198
28-JUL-2011	\$97	\$230
29-JUL-2011	\$97	\$230
30-JUL-2011	\$0	\$93
05-AUG-2011	\$102,162	\$393,668
09-AUG-2011	\$83	\$239
18-AUG-2011	\$742	\$979
23-AUG-2011	\$316,188	\$617,263
26-AUG-2011	\$309	\$441
26-AUG-2011	\$5,445	\$7,596
30-AUG-2011	\$0	\$186
04-SEP-2011	\$6,525	\$30,438
05-SEP-2011	\$0	\$667
12-SEP-2011	\$2,378	\$4,852
14-SEP-2011	\$28,917	\$32,782
21-SEP-2011	\$2,297,323	\$3,293,050
27-SEP-2011	\$42,216	\$116,132
27-SEP-2011	\$0	\$19
30-SEP-2011	\$1,951	\$4,970
18-OCT-2011	\$832,411	\$2,107,316
21-OCT-2011	\$667	\$781
04-NOV-2011	\$79,049	\$138,328
05-NOV-2011	\$22,465	\$33,690
20-NOV-2011	\$564,663	\$722,125
21-NOV-2011	\$793	\$954
23-NOV-2011	\$1,086	\$1,359
25-NOV-2011	\$61,177	\$141,871
06-DEC-2011	\$0	\$25,910
07-DEC-2011	\$596	\$746
08-DEC-2011	\$19,387	\$30,317
12-DEC-2011	\$3,543	\$4,154
13-DEC-2011	\$27,316	\$48,103
16-DEC-2011	\$370	\$370
19-DEC-2011	\$118	\$157
22-DEC-2011	\$10,301	\$15,150
24-DEC-2011	\$614,583	\$614,583
28-DEC-2011	\$0	\$7

06-JAN-2012	\$6,581	\$8,324
07-JAN-2012	\$20,890	\$57,958
12-JAN-2012	\$857	\$1,050
17-JAN-2012	\$2,888	\$4,970
02-FEB-2012	\$1,827	\$1,827
10-FEB-2012	\$27,576	\$85,592
15-FEB-2012	\$1,176	\$1,350
23-FEB-2012	\$4,667	\$5,068
02-MAR-2012	\$1,225	\$1,731
14-MAR-2012	\$1,082	\$1,082
21-MAR-2012	\$1,757	\$4,351
31-MAR-2012	\$11,053	\$15,336
07-APR-2012	\$0	\$1,732
14-APR-2012	\$3,405	\$5,284
27-APR-2012	\$34	\$73
04-MAY-2012	\$1,829	\$5,803
04-MAY-2012	\$102	\$301
19-AUG-2014	\$8,080	\$8,080
30-SEP-2014	\$1,952,760	\$4,886,630
14-OCT-2014	\$757	\$939
28-DEC-2014	\$20,132	\$43,566
16-FEB-2015	\$1,112,357	\$1,861,337
29-APR-2015	\$3,214,182	\$6,856,375
22-MAY-2015	\$2,906	\$12,355
28-JUL-2015	\$6,429	\$13,964
20-APR-2012	\$240	\$382
20-JAN-2016	\$4,912	\$7,699

Appendix B
ECCNs in the ICA Contract

3A001
3A001.b.2
3A001.b.3
3A991
3A992
3A999
4A994
5A002
5A991
5B991
5A992
5D992
5D002
5A002.a.1
5A002.c.1
5D002.c.1
7A994

Appendix C
ICB Shipment Summary

Shipment Date Value (USD)	Value of US Goods (USD)	Total Shipment
24-AUG-2010	\$298,956	\$454,964
19-OCT-2010	\$900	\$1,041
09-NOV-2010	\$220,949	\$553,289
29-DEC-2010	\$130,989	\$314,014
11-JUL-2011	\$9,104,528	\$16,901,295
03-AUG-2011	\$334,058	\$1,123,606
26-AUG-2011	\$172,253	\$291,846
05-SEP-2011	\$55	\$55
07-SEP-2011	\$166	\$166
20-SEP-2011	\$1,443,047	\$5,474,400
26-SEP-2011	\$0	\$276,695
02-NOV-2011	\$0	\$104
29-NOV-2011	\$1,203	\$1,447
29-NOV-2011	\$92	\$784
06-DEC-2011	\$0	\$1,544
19-DEC-2011	\$1,781	\$2,404
26-DEC-2011	\$1,521	\$1,905
06-JAN-2012	\$42,764	\$42,764
06-JAN-2012	\$6,109	\$6,109
19-JAN-2012	\$199	\$307
31-JUL-2014	\$4,057	\$6,328
19-AUG-2014	\$3,697	\$4,722
07-SEP-2014	\$13,222	\$20,638
12-SEP-2014	\$19,686	\$23,030
24-SEP-2014	\$232,620	\$699,427
28-SEP-2014	\$35,556	\$63,512
15-OCT-2014	\$222	\$390
25-OCT-2014	\$40,960	\$72,001
15-NOV-2014	\$1,254,396	\$3,216,097
27-NOV-2014	\$2,609	\$3,727
28-NOV-2014	\$4,678	\$13,860
30-NOV-2014	\$655,483	\$6,366,598
26-JAN-2015	\$6,560	\$10,933

12-MAR-2015	\$7,646	\$12,745
29-MAR-2015	\$0	\$24,705
08-APR-2015	\$7,640	\$12,737
03-MAY-2015	\$81,174	\$116,064
22-MAY-2015	\$5,263	\$8,079
10-JUL-2015	\$3,223	\$9,202
18-SEP-2015	\$0	\$182
21-SEP-2015	\$0	\$182
04-NOV-2015	\$1,470	\$2,137
27-JAN-2016	\$919	\$3,555
29-JAN-2016	\$282,701	\$362,582

Appendix D
ECCNs in the ICB Contract

3A001
3A001.b.2
3A001.b.3
3A991
3A992
3A999
4A994
5A991
5A002
5B991
5A992
5D992
5D002
5A002.a.1
5D002.c.1