ENF 40001

SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") is made by and between Zhongxing Telecommunications Equipment Corporation and its subsidiaries and affiliates, as well as ZTE Kangxun Telecommunications Ltd. and its subsidiaries and affiliates (collectively referred to hereafter as "ZTE" or "Respondent"), and the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC).

PARTIES

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and proliferators of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

ZTE is a company established under the laws of the People's Republic of China and is one of the world's largest international communication enterprises. ZTE has numerous subsidiaries and affiliates located throughout the world that conduct business for ZTE and on its behalf.

RECITALS

WHEREAS, OFAC has conducted an investigation into Respondent's activities involving apparent violations by Respondent of certain provisions of the sanctions regulations administered by OFAC.[1]

WHEREAS, OFAC administers and enforces a comprehensive trade embargo against Iran as set forth in the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (referred to hereafter as the ITSR or "Regulations"), issued under the authority of the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06 (IEEPA), and other statutes.[2]

WHEREAS, Respondent and OFAC wish to settle any apparent violations of the Regulations by Respondent that OFAC identifies during its investigation.

---

[1] "Sanctions regulations administered by OFAC" includes economic and trade sanctions enacted pursuant to Presidential national emergency powers or other specific legislation. Such "sanctions regulations administered by OFAC" include, but are not limited to, Executive Orders and regulations issued pursuant to 18 U.S.C. § 2332d; 21 U.S.C. §§ 1901-08; 22 U.S.C. § 287c; 22 U.S.C. § 2370(a); 31 U.S.C. § 321(b); 50 U.S.C. §§ 1701-06; § 4301-4341. *See generally* 31 C.F.R. ch. V.

[2] On October 22, 2012, OFAC changed the heading of 31 C.F.R. part 560 from the Iranian Transactions Regulations to the ITSR, amended the renamed ITSR, and reissued them in their entirety. *See* 77 Fed. Reg. 64,664 (Oct. 22, 2012). For the sake of clarity, all references herein to the ITSR shall mean the regulations in 31 C.F.R. part 560 at the time of the activity, regardless of whether such activity occurred before or after the regulations were reissued.

NOW THEREFORE, Respondent and OFAC hereby agree as follows:

I. Apparent Violations

Between October 2012 and November 2016, Respondent submitted information to OFAC (ENF 40001), the Department of Commerce's Bureau of Industry and Security (BIS), the Department of Homeland Security, and the Department of Justice (collectively referred to hereafter as the "U.S. government agencies") that identified transactions and conduct that appear to have violated the Regulations. From on or about January 2010 to on or about March 2016, Respondent engaged in: (i) the exportation, sale, or supply, directly or indirectly, from the United States of goods to Iran or the Government of Iran; (ii) the reexportation of U.S.-origin goods subject to the Export Administration Regulations (EAR) from a third-country with knowledge that the goods were intended specifically for Iran or the Government of Iran; and (iii) activity that evaded or avoided, attempted and/or conspired to violate, and/or caused violations of the prohibitions set forth in the ITSR. Specifically, Respondent appears to have engaged in at least 251 transactions in apparent violation of §§ 560.203, 560.204, and/or 560.205 of the ITSR. The total value of U.S.-origin goods in the 251 transactions constituting the apparent violations is $39,622,972. (*See* attached Penalty Calculation Spreadsheets 1 and 2).

II. Statement of Facts

a. Overview of Respondent's Relevant Conduct

For a number of years, including from on or about January 2010 to on or about March 2016, Respondent engaged in a pattern or practice whereby Respondent sought to evade and circumvent the ITSR. While engaged in such conduct, Respondent willfully violated U.S. economic sanctions regulations, including §§ 560.203, 560.204, and/or 560.205 of the ITSR.

From approximately as early as November 2010 to approximately March 2016, Respondent's senior leadership had been developing, and in fact did develop and adopt in whole or in part, a company-wide scheme to evade U.S. economic sanctions and export control laws. Respondent's actions were developed and approved by the highest levels of its management, and entailed the use of third-party companies to both conceal and facilitate its business with sanctioned jurisdictions, including Iran (referred to hereafter as "isolation companies").

Respondent's use of isolation companies was specifically intended to provide a pass-through and buffer entity for U.S.-origin goods[3] destined for Iran and to obscure

[3] The phrase "U.S.-origin goods" as used specifically in this document covers:

(1) U.S.-controlled items subject to the EAR and specifically described by an Export Control Classification Number (ECCN); and
(2) Items designated as EAR99 that were exported, directly or indirectly, from the United States or by a U.S. person.

Respondent's involvement with Iran, thereby reducing the risk of detection by U.S. regulators, law enforcement, or OFAC. Respondent developed and instituted an apparent evasion scheme to generate profits in Iran-related business and minimize the reputational and legal consequences of violating the ITSR, EAR, and/or IEEPA.

Pursuant to the schemes it developed and implemented in order to evade U.S. economic sanctions and export control laws, Respondent engaged in the following conduct, either persistently or periodically, from approximately January 2010 to approximately March 2016:

1. Obscuring, concealing, and/or otherwise failing to disclose to U.S. person suppliers the material fact that U.S.-origin goods were specifically intended for reexportation to Iran, or reexporting U.S.-origin goods subject to the EAR from China with knowledge that the goods were intended specifically for Iran;

2. Removing, attempting to remove, and/or conspiring to remove ZTE logos and other markings, references, and identifications from shipments and/or packages containing U.S.-origin goods destined for Iran with the purpose of obscuring their source and to give the appearance that ZTE was not involved or engaged in business with or in Iran, thereby minimizing detection by U.S. regulators, law enforcement, or OFAC;

3. Commingling U.S.-origin goods in packages with foreign-origin goods with the specific goal of concealing U.S.-origin items and minimizing detection by U.S. regulators, law enforcement, or OFAC;

4. Using various codenames at different times for Iran ("YL" and "Qatar"), Iranian customers ("YD," "YA," and "YC"), and U.S. embargoed countries and State Sponsors of Terrorism ("special areas" and "Category Z") in internal communications and documents to further avoid detection and conceal the fact that Respondent was conducting business with and in Iran and other embargoed countries;

5. Deleting and/or attempting to delete any references to Iran and Iranian customers in ZTE's internal communications and documents after the U.S. government agencies opened an investigation into ZTE;

6. Utilizing or attempting to utilize third-party isolation companies (such as Far East Cable and Beijing 8-Star International) that were effectively controlled by Respondent to serve as procurement and/or end-user intermediaries for U.S.-origin goods specifically destined for Iran and/or Iranian customers;

7. Referring to Iran generically as the "Middle East" in internal communications and documents to further obscure and conceal the fact Respondent was conducting business with and in Iran. The company otherwise maintained a

normal practice of identifying countries not subject to OFAC sanctions by their actual names.

Respondent's conduct included entering into substantial contracts and framework agreements with numerous Iranian companies, including Ertebatat Tamin Shams Novin ("Tamin") and the Telecommunications Company of Iran (TCI). Respondent executed a framework contract with Tamin on or about November 22, 2010 that was valued at approximately $1,973,790,750. Respondent executed a contract with TCI on or about December 28, 2010 that was valued at approximately $129,424,606. U.S.-origin goods made up a portion of the cost of each contract as detailed in the penalty calculation spreadsheets.

Essential to the performance of ZTE's contracts with Iran, including the contracts with Tamin and TCI, was ZTE's procurement of and delivery to Iran of U.S.-origin goods. ZTE was aware that the systems it was providing Iran required U.S.-origin goods.

Pursuant to the Iran-related contracts, Respondent ordered, procured, shipped, transferred, supplied, and/or facilitated or coordinated the delivery or supply of over 21,219,092 U.S.-origin goods to Iran. Approximately 274,735 of the U.S.-origin goods reexported or supplied to Iran were controlled and appeared on the Department of Commerce's Commerce Control List (CCL). ZTE supplied the goods to Iran in approximately 251 documented shipments and/or warehouse departures.

Respondent and/or its isolation companies procured and/or ordered goods from suppliers, including U.S. suppliers, on a monthly or weekly basis depending upon ZTE's specific and immediate supply needs during the corresponding time period. As such, when Respondent and/or its isolation companies ordered and/or procured U.S.-origin goods, it did so knowing that a portion of such items were specifically intended for export, reexport, or supply to Iran.

As revealed in internal documents and proposals, including a document ratified by ZTE's highest-level management, Respondent was specifically aware of and considered the legal risks and consequences of violating U.S. economic sanctions and export control laws. For example, Respondent was specifically aware of the following potential consequences if the U.S. government learned of Respondent's unauthorized reexportation of U.S.-origin goods to sanctioned countries, including Iran:

1. Respondent could be required to pay a large civil monetary penalty;

2. Respondent's senior leadership could be criminally charged and face terms of imprisonment; and

3. Respondent could be black-listed by the U.S. government and banned from purchasing U.S. products for a period of time.

Moreover, as revealed in internal documents and proposals, Respondent had previously suffered from self-described export control crises, including:

1. In 2005 a U.S. company discovered that Respondent had used its goods in sanctioned countries. The U.S. company subsequently conducted an intensive investigation into Respondent's misuse of its goods;

2. On four occasions, Hong Kong port authorities seized and confiscated goods Respondent was attempting to reexport to jurisdictions not authorized to receive such items. According to ZTE's own documents, Respondent was ultimately fined for its actions in this regard; and

3. In 2010, inquiries by the U.S. Department of Commerce into Respondent's management of U.S.-procured items.

The same internal documents and proposals reveal that Respondent was aware of specific Chinese nationals who had been criminally prosecuted and sentenced to prison for violating U.S. export controls. As expressly referenced in these documents, Respondent was aware that hundreds of companies and other organizations in China have been placed on U.S. government black-lists for abusing their privilege to receive U.S.-origin goods.

The same internal documents and proposals also reveal that Respondent was aware that its conduct was contrary to the national security interests and foreign policy objectives of the United States. As described in these internal documents and proposals, Respondent attributed, at least in part, its failed effort to secure a larger share of the U.S. telecommunications market to its business activities involving sanctioned countries. Respondent was also aware of similar reputational risks facing its competitors for similar sanctions-related issues.

As revealed in internal documents and proposals, Respondent was specifically aware that the U.S. government maintained a policy of denial for exports and reexports to countries such as Iran. These documents and proposals reveal that Respondent believed that obtaining such export and reexport authorizations was practically impossible. Respondent specifically understood and believed at all relevant times that violations of U.S. law would be "inevitable" if ZTE exported and/or reexported U.S.-origin goods to Iran.

Nevertheless, Respondent reexported and supplied a substantial volume of U.S.-origin goods to Iran from at least January 2010 to approximately March 2016. Instead of halting its activities with sanctioned jurisdictions or meaningfully developing and implementing a sanctions and export controls compliance policy, Respondent pursued and developed an evasive practice of "risk avoidance" by utilizing isolation companies and other concealment activities.

At least as early as March 2010, Respondent's international finance department acknowledged in internal communications that Iran posed a "special financing environment," alluding to the U.S. sanctions laws imposed against the country.

b. Initial Business with Iran (January 2010 to March 2012)

From on or about January 2010 to on or about March 2012, Respondent supplied, exported, or reexported and/or attempted to supply, export, or reexport a substantial volume of U.S.-origin goods to Iran.

During the initial timeframe (i.e. January 2010 to March 2012), ZTE identified and attempted to use an isolation company named Beijing 8 Star International Co. Ltd. The purpose of this isolation company was to purchase U.S.-origin goods from suppliers on ZTE's behalf, and to export and/or reexport the items to Iran in an effort to fully conceal ZTE's role in providing Iran with U.S.-origin goods. The initial plan soon proved to be unworkable because third-parties were unwilling to work with a relatively unknown company when handling and/or shipping sensitive U.S.-origin goods. Furthermore, for the same reason, it was believed that Beijing 8 Star's shipments would frequently be stopped by Chinese customs and port authorities.

ZTE quickly adapted its isolation plan and adopted a "partial isolation plan," whereby the companies' internal paperwork would continue to reflect that U.S. items were being shipped to Iran by Beijing 8 Star. However, in reality, all U.S. items would be procured and surreptitiously shipped to Iran by ZTE. ZTE accomplished this by commingling the U.S. items it procured in packages containing foreign-made items and purposefully failing to list the U.S.-origin items on the external packing list that was inspected by customs and port authorities. An internal packing list intended for the Iranian customers and ZTE's Iran-based staff would mention the U.S.-origin goods in the shipment but would only be seen if customs opened the package.

Given ZTE's relatively widely known name in the telecommunications industry (as compared to Beijing 8 Star), it appears that ZTE expected that its packages would face far less scrutiny than packages shipped by Beijing 8 Star. Moreover, for the same reason, suppliers were much more willing to work with and provide sensitive U.S. items to ZTE. ZTE further enhanced the illusion of isolation by having Beijing 8 Star contemporaneously ship foreign-made items to Iran with the same value as the U.S. items ZTE commingled in its packages.

The performance of Respondent's Iran-related contracts in the 2010 to 2012 time period required Respondent to export and/or reexport goods, services, and technology to Iran with the purpose of enhancing Iran's telecommunications infrastructure. Such enhancements to Iran's telecommunications infrastructure specifically included and required the following:

1. Supplying and/or attempting to supply Iran with U.S.-origin goods subject to the CCL for anti-terrorism, national security, regional stability, and encryption item purposes;

2. Supplying and/or attempting to supply Iran with other goods from the United States; and

3. Enhancing the law enforcement surveillance capabilities and features of Iran's telecommunications facilities and infrastructure.

Respondent intended to fulfill its Iran-related contractual obligations despite knowing that:

1. Performance of the contracts would necessarily require procuring a substantial volume of U.S.-origin goods;

2. The Iranian customers were specifically and/or expressly requiring Respondent to supply U.S.-origin goods to Iran in furtherance of the executed contracts; and

3. Respondent was prohibited under U.S. law from procuring goods that were either of U.S.-origin or from the United States, and supplying the same to Iran for the specific purpose of fulfilling project needs or contractual obligations in Iran without first obtaining a license from OFAC.

U.S.-origin goods were technically essential to the Iranian-related projects and/or end-users as there were no suitable foreign-made substitutes for many of them. Additionally, the Iranian customers expressly demanded and communicated their preference for U.S.-origin goods beyond what was technically essential to the projects. Respondent endeavored to meet the demands of its Iranian customers despite being aware of its legal obligations and the risk associated with such activities. Respondent's willingness to provide U.S.-origin goods to its Iranian customers helped it secure and win such contracts.

On or about March 2012, a special report published by Reuters described in detail some of Respondent's business dealings involving Iran, including Respondent's contract with its Iranian customer, TCI. The special report stated that Respondent circumvented U.S. economic sanctions by utilizing a third-party Chinese company to procure and reexport goods produced by U.S. companies to Iran. The report disclosed the existence of a 907-page ZTE packing list with numerous hardware and software products produced by U.S. companies that were destined for Iran.

Respondent temporarily ceased performance of its contract with TCI shortly after Reuters published its report in March 2012. Although ZTE subsequently engaged outside counsel, nothing in the record indicates that ZTE meaningfully sought to comply with its sanctions obligations after Reuters published its report.

ZTE was contemporaneously under investigation by the House Select Committee on Intelligence regarding ZTE's Iran-related activities, including its exportation, reexportation, or supply of goods to Iran. ZTE would not ultimately cease its unlawful activity or cooperate with the U.S. government until on or about March 2016.

OFAC, as well as the other U.S. government agencies, opened an investigation of Respondent in March 2012. As ZTE learned of the U.S. government agencies' investigation, an undisclosed person in ZTE's legal department in Shenzhen called at least one ZTE employee present within the United States to instruct him to leave the country. These instructions were provided on the same day or shortly after search warrants were executed upon ZTE's facilities located in the United States.

Respondent subsequently informed the U.S. government agencies and the public in 2012 that it was winding down its reexports of U.S.-origin goods to Iran. However, approximately one year later in November 2013, ZTE would surreptitiously resume its unlawful business activities with Iran without updating or informing the U.S. government agencies of this change until on or about April 6, 2016.

c. Resumption of Business with Iran (November 2013 to March 2016)

In approximately November 2013, Respondent's highest-level leadership decided to resume performance of Respondent's prior contracts with Iranian customers. The resumption of business with Iran included resuming the supply, exportation, and/or reexportation of U.S.-origin goods to Iran. Respondent's resumption of business with Iran occurred despite the fact that Respondent was under investigation by the U.S. government agencies for engaging in substantially similar conduct and practices in the 2010 to 2012 timeframe.

Respondent's Iranian customers and Respondent's own sales division in Iran urged Respondent to resume performance of the company's prior contracts with Iranian customers, including its contracts with TCI and Tamin. Respondent and its highest-level leadership acquiesced without meaningfully developing or implementing an effective sanctions and export controls compliance policy or program prior to resumption, and entered into new contracts (that largely covered the same projects from the prior contracts) but included a new, more capable third-party to serve as the isolation company.

Respondent's decision to resume business with Iran was made despite the fact that:

1. Respondent was in the midst of a U.S. federal investigation regarding its prior Iran-related business;

2. Respondent was fully aware of the unlawful nature of reexporting U.S.-origin goods subject to the EAR to Iran; and

3. Respondent had initially informed the U.S. government agencies and the public that it was winding down performance of any Iran-related contracts that involved the exportation, reexportation, or supply to Iran of U.S.-origin goods.

In connection with the decision to resume its Iran-related business in approximately November 2013, Respondent's highest-level leadership instituted directives authorizing various divisions of the company to surreptitiously resume business with Iran, including by using a new third-party isolation company to conceal the resumption of prohibited activities from U.S. government investigators, the media, and others outside of Respondent.

Despite being aware of its sanctions and export controls obligations for several years, Respondent's resumption of business with Iran was carried out in much the same way its prior Iran-related business was intended to be carried out (e.g., the use of an isolation company for U.S.-origin goods destined for Iran). Specifically, to avoid the practical and logistical difficulties arising from ZTE's prior use of Beijing 8 Star, particularly its lack of logistics capabilities, small size, and unknown name in the industry, ZTE looked for and identified a larger, more capable isolation company.

The new, more capable isolation company was identified by a committee specifically assembled by ZTE's senior leadership to undertake the task. The committee evaluated potential isolation companies based on the following criteria: (1) sales volume; (2) willingness to cooperate with ZTE; (3) size; and (4) cost. Ultimately, ZTE's goal appears to have been to identify an isolation company that ZTE could effectively control that had the capacity to acquire, reexport, and supply U.S.-origin goods to Iran. The committee identified Far East Cable Co. Ltd. ("Far East Cable") as the new isolation company it would utilize for its resumption of business with and in Iran.

As was attempted before, the apparent purpose of Far East Cable was to supply U.S.-origin goods to Iran on behalf of ZTE. ZTE would procure such U.S.-origin goods under the guise that such goods were to be used domestically in China by Far East Cable. However, under the direction of ZTE, Far East Cable would supply such U.S.-origin goods to ZTE's customers in Iran on ZTE's behalf. The purpose of the circuitous path of exportation and supply was to fully conceal ZTE's role in providing Iran with U.S.-origin goods. ZTE and Far East Cable did in fact directly and/or indirectly supply, export, and/or reexport U.S.-origin goods to Iran in apparent violation of the ITSR.

By late 2013 or early 2014 Respondent resumed its business with Iranian customers, including resumption of its reexportation and supply of U.S.-origin goods to Iran. Respondent deliberately failed to update and misled the U.S. government agencies regarding Respondent's resumption of Iran-related business until on or about April 6, 2016 after Respondent had been added to the Entity List maintained by BIS at the Department of Commerce.[4]

---

[4] *See* Additions to the Entity List, 81 Fed. Reg. 12,004 (Mar. 8, 2016) (to be codified at 15 C.F.R. Part 744).

Respondent and its highest-level leadership took the following measures to conceal the fact that it had resumed performance of its Iran-related contracts, including resuming its unlawful exportation, reexportation, or supply of U.S.-origin goods from the United States to Iran:

1. Reinstituting in whole or in part Respondent's prior strategy of evading U.S. economic sanctions and export control laws and avoiding detection of its activities, including Respondent's use and/or attempted use of an isolation company to serve as an intermediary for the reexportation or supply of U.S.-origin goods specifically destined for Iran;

2. Assembling and authorizing a team of IT employees to engage in a project to alter, process, sanitize, and/or remove references to Iran in the company's internal databases regarding its resumption of business with Iran. The IT team coordinated with various relevant divisions throughout the company, including the sales, procurement, and finance divisions, to locate and remove any reference to Respondent's resumption of business with Iran. The employees executing this IT project were instructed to, and did in fact, delete their emails related to the project;

3. Providing, in January 2016, incomplete and/or otherwise altered information to Respondent's forensic consultant during the course of the U.S. government agencies' investigation. Respondent knew or reasonably should have understood that the incomplete and/or otherwise altered information would eventually be shared with the U.S. government agencies through Respondent's defense counsel or forensic consultant;[5] and

4. Requiring employees involved in Respondent's resumption of business with Iran, including members of the above-mentioned IT team, to sign non-disclosure agreements containing a 1,000,000 renminbi (USD equivalent) penalty for breaching the agreement.

Many of the employees comprising Respondent's highest-level leadership who were responsible for planning, authorizing, and/or carrying out Respondent's violative conduct remained employed with the company in various high-level capacities for several years.

Maximum Penalty:

Pursuant to IEEPA, 50 U.S.C. §§ 1701-06, Respondent could be subject to a statutory maximum civil monetary penalty totaling $106,180,280.[6]

---

[5] Respondent's defense counsel and forensic consultant were not complicit in Respondent's efforts to alter information and mislead the U.S. government.

[6] Pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74 (FCPIA), OFAC adjusted its civil monetary penalty amounts on August 1, 2016. *See* 81

Base Penalty:

OFAC has determined that the Respondent did not make a voluntary self-disclosure of the apparent violations to OFAC, and that the apparent violations constitute an egregious case. Accordingly, the base civil monetary penalty for the apparent violations equals the sum of the maximum statutory civil monetary penalty amount for each apparent violation, which in this case is $106,180,280.

See attached Penalty Calculation Spreadsheet 1 and 2.

III. Terms of Settlement

OFAC and Respondent agree as follows:

1. In consideration of the undertakings of Respondent in paragraph 2 below, OFAC agrees to release and forever discharge Respondent, without any finding of fault, from any and all civil liability in connection with the Apparent Violations[7] arising under the legal authorities that OFAC administers.

2. In consideration of the undertakings of OFAC in paragraph 1 above, Respondent agrees:

   A. Within fifteen (15) days of the date Respondent receives the unsigned copy of this Agreement, to:

   (i) sign, date, and mail an original signed copy of this Agreement to: [redacted], Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Respondent should retain a copy of the signed Agreement and a receipt or other evidence that shows the date that Respondent mailed the signed Agreement to OFAC; and

   (ii) pay or arrange for the payment to the U.S. Department of the Treasury the amount of **$100,871,266**. Respondent's payment must be made either by electronic funds transfer in accordance with the enclosed "Electronic Funds Transfer (EFT) Instructions," or by cashier's or certified check or

---

Fed. Reg. 43,070 (July 1, 2016). The adjusted civil monetary penalty amounts are applicable only to civil monetary penalties assessed after August 1, 2016, whose associated violations occurred after November 2, 2015, the date of enactment of the FCPIA. Any violations occurring on or before November 2, 2015, are subject to OFAC's prior civil monetary penalty amounts, *e.g.,* $250,000 or an amount that is twice the amount of the transaction for violations of orders or regulations issued pursuant to IEEPA.

[7] "Apparent Violations" is defined to include all Iran-related apparent violations of economic sanctions administered by OFAC referenced in this document that may have occurred from on or about January 2010 to on or about March 2016. Transactions that occurred prior to January 1, 2010 are given consideration for settlement purposes only.

money order payable to the "U.S. Treasury" and referencing **ENF 40001**. Unless otherwise arranged with the U.S. Department of the Treasury's Bureau of Fiscal Service, Respondent must either: (1) indicate payment by EFT, by checking the box on the signature page of this Agreement; or (2) enclose with this Agreement the payment by cashier's or certified check or money order.

B. To waive (i) any claim by or on behalf of Respondent, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, and/or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in this Agreement, including but not limited to OFAC's investigation of the Apparent Violations, and (ii) any possible legal objection to this Agreement at any future date.

C. That Respondent has terminated the conduct that led to the Apparent Violations described in this Agreement and has established, and agrees to maintain, policies and procedures that prohibit, and are designed to minimize the risk of the occurrence of, similar conduct in the future.

D. To provide OFAC with copies of all reports and other submissions in the same form as provided to the Departments of Justice and Commerce as prescribed in Respondent's agreements with the Departments of Justice and Commerce arising from this matter and/or investigation. Respondent will reference ENF 40001 when submitting such documents to OFAC.

Should OFAC determine, in the reasonable exercise of its discretion, that Respondent has willfully and materially breached its obligations under paragraph 2 above, OFAC shall provide written notice to Respondent of the alleged breach and provide Respondent with 30 days from the date of Respondent's receipt of such notice, or longer as determined by OFAC, to demonstrate that no willful and material breach has occurred or that any breach has been cured. In the event that OFAC determines that a willful and material breach of this Agreement has occurred, OFAC will provide notice to Respondent of its determination, and this Agreement shall be null and void, and the statute of limitations applying to activity occurring on or after January 1, 2010 shall be deemed tolled until a date 180 days following Respondent's receipt of notice of OFAC's determination that a breach of this Agreement has occurred.

This Agreement does not constitute a final agency determination that a violation has occurred.

This Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil penalties, with respect to any activities by Respondent other than those set forth in the Apparent Violations.

OFAC may, in its sole discretion, post on OFAC's Web site this entire Agreement and/or issue a public statement about the facts of this Agreement, including the identity

of any entity involved, the settlement amount, and a description of the Apparent Violations and relevant General Factors. OFAC also may in its sole discretion issue a press release including this information, and any other information it deems appropriate.

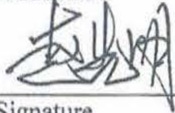
This Agreement consists of 13 pages and two spreadsheets, and expresses the complete understanding of OFAC and Respondent regarding resolution of OFAC's enforcement matter involving the Apparent Violations. No other agreements, oral or written, exist between OFAC and Respondent regarding resolution of this matter.

This Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns. Use of facsimile signatures shall not delay the approval and implementation of the terms of this Agreement. In the event any party to this Agreement provides a facsimile signature, the party shall substitute the facsimile with an original signature. The Agreement may be signed in multiple counterparts, which together shall constitute the Agreement. The effective date of the Agreement shall be the latest date of execution.

Respondent accepts the terms of this Settlement Agreement this 7th day of March, 2017.

ZTE Corporation
ZTE Plaza
No.55, South Keji Road
Hi-Tech Industrial Park
Nanshan District, Shenzhen
Guangdong, China

AGREED:



Signature

赵先明/Zhao Xianming

Printed Name of Respondent
Duly Authorized Representative

Chairman and president of ZTE Corporation

Printed Title of Respondent
Duly Authorized Representative

☐ Payment by EFT

Office of Foreign Assets Control
U.S. Department of the Treasury
Attn: Office of Enforcement
1500 Pennsylvania Ave., N.W.
Washington, DC 20220

Andrea Gacki
Acting Deputy Director
Office of Foreign Assets Control