

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

In the Matter of:

General Technology Systems Integration Corporation  
2071 Del Rio Way  
Ontario, CA 91761

Respondent

ORDER RELATING TO  
GENERAL TECHNOLOGY SYSTEMS INTEGRATION CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified General Technology Systems Integration Corporation, of Ontario, California (“GTSI”), of its intention to initiate an administrative proceeding against GTSI pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (the “Act”),<sup>2</sup> through the issuance of a Proposed Charging Letter to GTSI that alleges that GTSI committed one violation of the Regulations. Specifically, the charge is:

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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 (2011). The charged violation occurred in 2008-2009. The Regulations governing the violation at issue are found in the 2008-2009 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2011 Regulations set forth the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 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 12, 2011 (76 Fed. Reg. 50,661 (Aug. 16, 2011)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*).

**Charge 1 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation**

Between in or around October 2008 and in or around June 2009, GTSI ordered, bought, and sold design and testing technologies to be exported from the United States with knowledge that a violation of the Regulations was occurring, was about to occur or was intended to occur in connection with the items.

Specifically, for a price of \$1 million, GTSI contracted with representatives of China Electronics Technology Corporation's 24<sup>th</sup> Research Institute in the People's Republic of China ("China") to (1) design and test technologies for an 8-Bit 1.5 Giga Samples Per Second Analog to Digital Converter, ADC081500, ("8-Bit ADC") and a Quad Channel 14-Bit 125 Mega Samples Per Second Analog to Digital Converter, ADS6445-EP, ("14-Bit ADC"), (2) export the technologies required for the development, production, and use of the 8-Bit ADC and 14-BIT ADC from the United States to China, and (3) provide training on how to manufacture the 8-Bit ADC and 14-Bit ADC to engineers affiliated with the 24<sup>th</sup> Research Institute. The 8-Bit ADC and 14-Bit ADC technologies were subject to the Regulations, classified under Export Control Classification Number ("ECCN") 3E001, and controlled for export to China for National Security reasons. These exports required licenses pursuant to Section 742.4 of the Regulations.

GTSI had knowledge that a violation was occurring, was about to occur or was intended to occur in connection with the items as evidenced by, *inter alia*, a conference call on or about November 20, 2008 between GTSI's President, York Yuan Chang, a.k.a. York Chang, a.k.a. David Zhang, a.k.a. Yuan Zhang ("Chang") and Chairman Zhang Zhenfan of the 24<sup>th</sup> Research Institute, during which Chang told Chairman Zhang that the items were controlled for export to China.

Nonetheless, in or around February 2009, Chang and GTSI's General Manager and co-owner, Leping Huang, who is Chang's wife, arranged for two engineers to travel from the United States to Chongqing, China to meet representatives from the 24<sup>th</sup> Research Institute regarding the design and specifications of the ADCs. Subsequently, Chang continued to meet and correspond with representatives from the 24<sup>th</sup> Research Institute regarding the design and specifications of the ADCs. During those meetings, GTSI agreed to conditions and goals for the ADC projects, and on or about March 2, 2009, the 24<sup>th</sup> Research Institute agreed to pay \$1 million for the 8-Bit ADC and 14-Bit ADC technologies. On or about May 15, 2009, GTSI signed a formal contract with a representative of the 24<sup>th</sup> Research Institute. Under the terms of the contract, GTSI agreed to transfer and sell the design and testing technologies for the 8-Bit and 14-Bit ADCs and agreed to guide the 24<sup>th</sup> Research Institute to complete the system design, circuit design, and layout design of the 8-Bit and 14-Bit ADCs. GTSI also agreed to provide technical guidance on test system development and satisfy the 24<sup>th</sup> Research Institute's technical parameter requirements for the ADCs.

That same day, on or about May 15, 2009, GTSI contracted with the two U.S.-based engineers to design the ADCs and to provide technical expertise and training to the 24<sup>th</sup>

Research Institute on GTSI's behalf. On or about June 18, 2009, GTSI paid the engineers \$73,000 USD as a first payment in fulfillment of the contract.

In so doing, GTSI committed one violation of Section 764.2(e) of the Regulations.

WHEREAS, BIS and GTSI have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations, whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein; and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, GTSI shall be assessed a civil penalty in the amount of \$300,000. The payment of \$50,000 shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment of the remaining \$250,000 shall be suspended for a period of two years from the date of the Order, and thereafter shall be waived, provided that during this two-year payment probationary period under the Order, GTSI has committed no violation of the Act, or any regulation, order, license or authorization issued thereunder and has made full and timely payment of \$50,000 as set forth above.

SECOND, that, 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, GTSI 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, GTSI shall complete three external audits of its export controls compliance program. GTSI shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S.

export control laws (including recordkeeping requirements), with respect to all exports or reexports that are subject to the Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 2601 Main Street, Suite 310, Irvine, CA 92614 (“BIS Los Angeles Field Office”). The audits shall cover the six-year period beginning on the date of the Order, and the related reports shall be due to the BIS Los Angeles Field Office. The first external audit shall cover April 1, 2012 through December 31, 2013; the results of the audit are due to the BIS Los Angeles Field Office by April 1, 2014. The second external audit shall cover January 1, 2014 through December 31, 2015; the results of the audit are due to the BIS Los Angeles Field Office by April 1, 2016. The third external audit shall cover January 1, 2016 through April 1, 2018; the results of the audit are due to the BIS Los Angeles Field Office by June 1, 2018. Said audit shall be in substantial compliance with the EMS sample audit module, and shall include an assessment of GTSI’s compliance with the Regulations. The EMS sample audit module is available on the BIS web site at [http://www.bis.doc.gov/complianceandenforcement/revise\\_emcp\\_audit.pdf](http://www.bis.doc.gov/complianceandenforcement/revise_emcp_audit.pdf). In addition, where said audits identify actual or potential violations of the Regulations, GTSI must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Los Angeles Field Office.

FOURTH, GTSI’s president, all other GTSI officer(s), and any GTSI employee(s) responsible for export control compliance shall complete an export compliance training on the Regulations within twelve months from the date of the Order. Before each individual attends a training course or program, GTSI shall notify the Office of Export Enforcement, Special Agent in Charge of the Los Angeles Field Office, of the course or

program each individual has selected to attend. No later than one month after attending the compliance course or program, GTSI shall submit a certification of attendance from the training provider to the Office of Export Enforcement, 2601 Main Street, Suite 310, Irvine, CA 92614.

FIFTH, that the full and timely payment of the civil penalty in accordance with the payment schedule set forth above, the completion and submission of the results of the audits as set forth above, the completion and submission of verifications of attendance at an export compliance training as set forth above, and compliance with the plea agreement and any sentence imposed upon GTSI following the entry of GTSI's plea and conviction 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 GTSI.

SIXTH, that for a period of twelve (12) years from the date of this Order, GTSI, with a last known address of 2071 Del Rio Way, Ontario, CA 91761, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as "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 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 in any other activity subject to the Regulations.

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

- A. Export or reexport to or on behalf of the Denied Person any item subject to the Regulations;
- B. Take any action that facilitates the acquisition or attempted acquisition by the 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 the 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 the Denied Person of any item subject to the Regulations that has been exported from the United States;
- D. Obtain from the 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 the Denied Person, or service any item,

of whatever origin, that is owned, possessed or controlled by the 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.

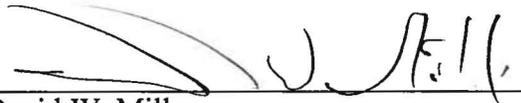
EIGHTH, that, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to the Denied Person by affiliation, ownership, control, or position of responsibility in the conduct of trade or related services may also be made subject to the provisions of the Order.

NINTH, that, as authorized by Section 766.18(c) of the Regulations, the 12-year denial period set forth above shall be suspended during a probationary period of twelve years under the Order, and shall thereafter be waived, provided that GTSI has made full and timely payment as set forth above, has completed and submitted the results of the audits as set forth above, has completed and submitted verifications of attendance at export compliance training as set forth above, has complied with the plea agreement and any sentence imposed upon GTSI following the entry of GTSI's plea and conviction, and has committed no other violation of the Act or the Regulations or any order, license or authorization issued thereunder. If GTSI does not make full and timely payment as set forth above, has not completed and submitted the results of the audits as set forth above, has not completed and submitted verifications of attendance at export compliance training as set forth above, does not comply with the plea agreement and sentence, or commits another violation of the Act or the Regulations or any order, license or authorization issued thereunder, during the 12-year probationary period under the Order,

the suspension may be modified or revoked by BIS and a denial order including a 12-year denial period activated against GTSI.

TENTH, that 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.



David W. Mills  
Assistant Secretary of Commerce  
for Export Enforcement

Issued this 12<sup>th</sup> day of June, 2012.

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

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General Technology Systems Integration Corporation  
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Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between General Technology Systems Integration Corporation, of Ontario, California (“GTSI”) 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”),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup>

WHEREAS, BIS has notified GTSI of its intentions to initiate an administrative proceeding against GTSI, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a Proposed Charging Letter to GTSI that alleges that GTSI committed one violation of the Regulations, specifically:

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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 (2011). The charged violation occurred in 2008-2009. The Regulations governing the violation at issue are found in the 2008-2009 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2011 Regulations set forth the procedures that apply to this matter.

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**Charge 1 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation**

Between in or around October 2008 and in or around June 2009, GTSI ordered, bought, and sold design and testing technologies to be exported from the United States with knowledge that a violation of the Regulations was occurring, was about to occur or was intended to occur in connection with the items.

Specifically, for a price of \$1 million, GTSI contracted with representatives of China Electronics Technology Corporation's 24<sup>th</sup> Research Institute in the People's Republic of China ("China") to (1) design and test technologies for an 8-Bit 1.5 Giga Samples Per Second Analog to Digital Converter, ADC081500, ("8-Bit ADC") and a Quad Channel 14-Bit 125 Mega Samples Per Second Analog to Digital Converter, ADS6445-EP, ("14-Bit ADC"), (2) export the technologies required for the development, production, and use of the 8-Bit ADC and 14-Bit ADC from the United States to China, and (3) provide training on how to manufacture the 8-Bit ADC and 14-Bit ADC to engineers affiliated with the 24<sup>th</sup> Research Institute. The 8-Bit ADC and 14-Bit ADC technologies were subject to the Regulations, classified under Export Control Classification Number ("ECCN") 3E001, and controlled for export to China for National Security reasons. These exports required licenses pursuant to Section 742.4 of the Regulations.

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Nonetheless, in or around February 2009, Chang and GTSI's General Manager and co-owner, Leping Huang, who is Chang's wife, arranged for two engineers to travel from the United States to Chongqing, China to meet representatives from the 24<sup>th</sup> Research Institute regarding the design and specifications of the ADCs. Subsequently, Chang continued to meet and correspond with representatives from the 24<sup>th</sup> Research Institute regarding the design and specifications of the ADCs. During those meetings, GTSI agreed to conditions and goals for the ADC projects, and on or about March 2, 2009, the 24<sup>th</sup> Research Institute agreed to pay \$1 million for the 8-Bit ADC and 14-Bit ADC technologies. On or about May 15, 2009, GTSI signed a formal contract with a representative of the 24<sup>th</sup> Research Institute. Under the terms of the contract, GTSI agreed to transfer and sell the design and testing technologies for the 8-Bit and 14-Bit ADCs and agreed to guide the 24<sup>th</sup> Research Institute to complete the system design, circuit design, and layout design of the 8-Bit and 14-Bit ADCs. GTSI also agreed to provide technical guidance on test system development and satisfy the 24<sup>th</sup> Research Institute's technical parameter requirements for the ADCs.

That same day, on or about May 15, 2009, GTSI contracted with the two U.S.-based engineers to design the ADCs and to provide technical expertise and training to the 24<sup>th</sup> Research Institute on GTSI's behalf. On or about June 18, 2009, GTSI paid the engineers \$73,000 USD as a first payment in fulfillment of the contract.

In so doing, GTSI committed one violation of Section 764.2(e) of the Regulations.

WHEREAS, GTSI has reviewed the Proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

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

WHEREAS, GTSI 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 a plea agreement entered between GTSI and the U.S. Attorney’s Office for the Central District of California;

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

WHEREAS, GTSI neither admits nor denies the allegations contained in the Proposed Charging Letter;

WHEREAS, GTSI wishes to settle and dispose of all matters alleged in the Proposed Charging Letter by entering into this Agreement; and

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

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

1. BIS has jurisdiction over GTSI, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.

2. The following sanctions shall be imposed against GTSI in complete settlement of the alleged violation of the Regulations relating to the transaction specifically detailed in the Proposed Charging Letter:

a. GTSI shall be assessed a civil penalty in the amount of \$300,000. The payment of \$50,000 shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining \$250,000 shall be suspended for a period of two years from the date of the Order, and thereafter shall be waived, provided that during this two-year payment probationary period under the Order, GTSI has committed no violation of the Act, or any regulation, order, license or authorization issued thereunder and has made full and timely payment of \$50,000 as set forth above.

b. GTSI shall complete three external audits of its export controls compliance program. GTSI shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports or reexports that are subject to the Regulations. 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, 2601 Main Street, Suite 310, Irvine, CA 92614 ("BIS Los Angeles Field Office"). The audits shall cover the six-year period beginning on the date of the Order, and the related reports shall be due to the BIS Los Angeles Field Office. The first external audit shall cover April 1, 2012 through December 31, 2013; the results of this audit are due to the BIS Los Angeles Field Office by April 1, 2014. The second external audit shall cover January 1, 2014 through

December 31, 2015; the results of this audit are due to the BIS Los Angeles Field Office by April 1, 2016. The third external audit shall cover January 1, 2016 through April 1, 2018; the results of this audit are due to the BIS Los Angeles Field Office by June 1, 2018. Said audits shall be in substantial compliance with the EMS sample audit module, and shall include an assessment of GTSI's compliance with the Regulations. The EMS sample audit module is available on the BIS web site at [http://www.bis.doc.gov/complianceand enforcement/ revised\\_emcp\\_audit.pdf](http://www.bis.doc.gov/complianceand enforcement/ revised_emcp_audit.pdf). In addition, where said audits identify actual or potential violations of the Regulations, GTSI shall promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Los Angeles Field Office.

c. GTSI's president, all other GTSI officer(s), and any GTSI employee(s) responsible for export control compliance shall complete an export compliance training on the Regulations within twelve months from the date of the Order. Before each individual attends a training course or program, GTSI shall notify the Office of Export Enforcement, Special Agent in Charge of the Los Angeles Field Office, of the course or program each individual has selected to attend. No later than one month after attending the compliance course or program, GTSI shall submit a certification of attendance from the training provider to the Office of Export Enforcement, 2601 Main Street, Suite 310, Irvine, CA 92614.

d. The full and timely payment of the civil penalty agreed to in Paragraph 2.a, the timely completion and submission of the results of the audits in Paragraph 2.b, the timely completion and submission of verifications of attendance at export compliance training in Paragraph 2.c, and compliance with the plea agreement and any sentence imposed upon GTSI following the entry of GTSI's plea and conviction 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 GTSI.

e. For a period of twelve (12) years from the date of the Order, GTSI, with a last known address of 2071 Del Rio Way, Ontario, CA 91761, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as "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 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 in any other activity subject to the Regulations.

f. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the 12-year denial period set forth in Paragraph 2.e shall be suspended during a probationary period of twelve years under the Order, and shall thereafter be waived, provided that

GTSI has made full and timely payment in accordance with Paragraph 2.a above, has completed and submitted the results of the audits in Paragraph 2.b, has completed and submitted verifications of attendance at export compliance training in Paragraph 2.c, has complied with the plea agreement and any sentence imposed upon GTSI following the entry of GTSI's plea and conviction, and has committed no other violation of the Act or any regulation, order, license or authorization issued thereunder. If GTSI does not make full and timely payment in accordance with Paragraph 2.a above, has not completed and submitted the audits in Paragraph 2.b, has not completed and submitted verifications of attendance at export compliance training in Paragraph 2.c, does not comply with the plea agreement and sentence, or commits another violation of the Act or any regulation, order, license or authorization issued thereunder, during the 12-year probationary period under the Order, the suspension may be modified or revoked by BIS and a denial order including a 12-year denial period activated against GTSI.

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, GTSI hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if issued), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued. GTSI 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 GTSI pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement, has completed and submitted the results of the audits in Paragraph 2.b, or has completed and submitted verification of attendance at export compliance training in Paragraph 2.c.

4. GTSI 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 or the Order. The foregoing does not affect GTSI's testimonial obligations in any proceeding, nor does it affect its right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

5. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a above, completion and submission of the audits in Paragraph 2.b, completion and submission of verifications of attendance at an annual export compliance training in Paragraph 2.c, and compliance with the plea agreement and any sentence imposed upon GTSI following the entry of GTSI's plea and conviction, BIS will not initiate any further administrative proceeding against GTSI in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

6. 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.

7. 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,

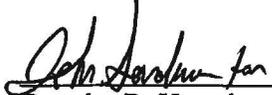
if issued; nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. 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.

9. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.

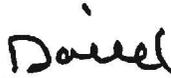
10. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

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

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

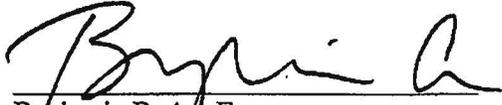
Date: 6/11/12

GENERAL TECHNOLOGY SERVICES  
INTEGRATION CORPORATION

  
\_\_\_\_\_  
York Yuan Chang  
President

Date: 6/5/12

Reviewed and approved by:

  
\_\_\_\_\_  
Benjamin B. Ayl, Esq.  
Caldwell Leslie & Proctor, PC

Counsel for GTSI

Date: 6/5/12

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

General Technology Systems Integration Corporation  
1259 E. Locust Street  
Ontario, CA 91761

Attn: *York Yuan Chang, a.k.a. York Chang, a.k.a. David Zhang, a.k.a. Yuan Zhang*  
*President*

Dear Mr. Chang:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that General Technology Systems Integration Corporation (“GTSI”), of Ontario, California, has committed one violation of the Export Administration Regulations (the “Regulations”),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup> Specifically, BIS charges that GTSI committed the following violation:

**Charge 1      15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation**

Between in or around October 2008 and in or around June 2009, GTSI ordered, bought, and sold design and testing technologies to be exported from the United States with knowledge that a violation of the Regulations was occurring, was about to occur or was intended to occur in connection with the items.

Specifically, for a price of \$1 million, GTSI contracted with representatives of China Electronics Technology Corporation’s 24<sup>th</sup> Research Institute in the People’s Republic of China (“China”) to (1) design and test technologies for an 8-Bit 1.5 Giga Samples Per Second Analog to Digital Converter, ADC081500, (“8-Bit ADC”) and a Quad Channel 14-Bit 125 Mega Samples Per Second Analog to Digital Converter, ADS6445-EP, (“14-Bit ADC”), (2) export the technologies required for the development, production, and use of the 8-Bit ADC and 14-BIT ADC from the United States to China, and (3) provide training on how to manufacture the 8-Bit ADC and 14-

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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 (2011). The charged violation occurred in 2009. The Regulations governing the violation at issue are found in the 2009 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2009)). The 2011 Regulations set forth the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. app. §§ 2401-2420 (2000). 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 12, 2011 (76 Fed. Reg. 50661 (Aug. 16, 2011)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.* (2000)).

Bit ADC to engineers affiliated with the 24<sup>th</sup> Research Institute. The 8-Bit ADC and 14-Bit ADC technologies were subject to the Regulations, classified under Export Control Classification Number (“ECCN”) 3E001, and controlled for export to China for National Security reasons. These exports required licenses pursuant to Section 742.4 of the Regulations.

GTSI had knowledge that a violation was occurring, was about to occur or was intended to occur in connection with the items as evidenced by, *inter alia*, a conference call on or about November 20, 2008 between GTSI’s President, York Yuan Chang, a.k.a. York Chang, a.k.a. David Zhang, a.k.a. Yuan Zhang (“Chang”) and Chairman Zhang Zhenfan of the 24<sup>th</sup> Research Institute, during which Chang told Chairman Zhang that the items were controlled for export to China.

Nonetheless, in or around February 2009, Chang and GTSI’s General Manager and co-owner, Leping Huang, who is Chang’s wife, arranged for two engineers to travel from the United States to Chongqing, China to meet representatives from the 24<sup>th</sup> Research Institute regarding the design and specifications of the ADCs. Subsequently, Chang continued to meet and correspond with representatives from the 24<sup>th</sup> Research Institute regarding the design and specifications of the ADCs. During those meetings, GTSI agreed to conditions and goals for the ADC projects, and on or about March 2, 2009, the 24<sup>th</sup> Research Institute agreed to pay \$1 million for the 8-Bit ADC and 14-Bit ADC technologies. On or about May 15, 2009, GTSI signed a formal contract with a representative of the 24<sup>th</sup> Research Institute. Under the terms of the contract, GTSI agreed to transfer and sell the design and testing technologies for the 8-Bit and 14-Bit ADCs and agreed to guide the 24<sup>th</sup> Research Institute to complete the system design, circuit design, and layout design of the 8-Bit and 14-Bit ADCs. GTSI also agreed to provide technical guidance on test system development and satisfy the 24<sup>th</sup> Research Institute’s technical parameter requirements for the ADCs.

That same day, on or about May 15, 2009, GTSI contracted with the two U.S.-based engineers to design the ADCs and to provide technical expertise and training to the 24<sup>th</sup> Research Institute on GTSI’s behalf. On or about June 18, 2009, GTSI paid the engineers \$73,000 USD as a first payment in fulfillment of the contract.

In so doing, GTSI committed one violation of Section 764.2(e) of the Regulations.

\* \* \* \* \*

Accordingly, GTSI is hereby notified that an administrative proceeding is instituted against it 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 \$250,000 per violation or twice the value of the transaction that is the basis of the violation;<sup>3</sup>

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<sup>3</sup> International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If GTSI 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 GTSI defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to GTSI. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

GTSI is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. GTSI is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *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 GTSI have a proposal to settle this case, GTSI or its representative should transmit it to the attorney representing BIS named below.

GTSI is further notified that under the Small Business Regulatory Enforcement Flexibility Act, GTSI 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, GTSI's answer 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 GTSI's answer must be served on BIS at the following address:

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

Adrienne Frazier is the attorney representing BIS in this case; any communications that GTSI may wish to have concerning this matter should occur through her. Ms. Frazier may be contacted by telephone at (202) 482-5301.

General Technology Systems Integration Corporation  
Proposed Charging Letter  
Page 4 of 4

Sincerely,

Douglas R. Hassebrock  
Director  
Office of Export Enforcement