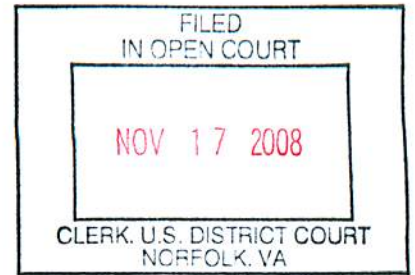


IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION



UNITED STATES OF AMERICA)
)
 v.) CRIMINAL NO. 2:08cr194
)
 SHU QUAN-SHENG,)
)
 Defendant.)

STATEMENT OF FACTS

If this case were to proceed to trial, the evidence presented by the United States would establish the following beyond a reasonable doubt:

Background

1. SHU QUAN-SHENG (hereinafter "SHU"), is a citizen and resident of the United States, born in Shanghai, China on May 21, 1940. SHU received his bachelor's degree from the China University of Science and Technology, Beijing, China, in July, 1963, and earned his PhD in Physics from the Institute of Low Temperature, Hangzhou, China, in September, 1970. SHU remained at the Institute of Low Temperature until September 1977 when he became an Associate Professor of Physics at Zhejiang University, Hangzhou, China and remained in that position until February 1983. In 1985, SHU obtained a full professorship at Zhejiang University while working at the U.S. Department of Energy's Fermi National Accelerator Laboratory.
2. SHU first entered the United States in March of 1983 to conduct research in ultra-low temperature physics at the University of Washington, Seattle, Washington. SHU became a naturalized U.S. citizen on May 13, 1998 and incorporated AMAC INTERNATIONAL, INC.

AMS B
G
KT

(AMAC) in the Commonwealth of Virginia on October 14, 1998. SHU currently serves as the President, Secretary and Treasurer of AMAC.

3. AMAC is a high tech company that performs research through grants funded by the Small Business Innovative Research program on behalf of the Department of Energy, and the National Aeronautics and Space Administration (NASA). AMAC is located at the Applied Research Center on the grounds of the Department of Energy's Thomas Jefferson National Accelerator Facility in Newport News, Virginia. AMAC also has an office location in Beijing, People's Republic of China (PRC). Through one research grant in particular, AMAC developed cryogenic transfer and storage technology for liquid propellants used in aerospace applications. In that instance, AMAC developed an energy efficient cryogenic transfer line with magnetic suspension for NASA's Kennedy Space Center offering a potential advantage of extending space missions, saving cryogenic fuel, and reducing overall launch mass.
4. Through its branch office in Beijing, AMAC facilitates transactions between U.S. and European technology companies as sellers and government entities in the PRC as buyers. These technology companies specialize in cryogenic systems, including hydrogen and helium liquefiers, equipped tanks, pumps, valves, and transfer lines, as well as power amplifiers, precision measurement equipment, vacuum and flow instrumentation, gas detection, and advanced telecommunications products.
5. A French Company, hereinafter referred to as French Company A, supplies industrial gases and related services to a variety of industries, including aerospace. French Company A is headquartered in Paris, France, with operations in more than 70 countries including

AMS B [Signature] RFP

significant operations in the United States. French Company A's stock trades on the Paris stock exchange (Euronext). French Company A's American Depositary Receipts are registered with the Securities and Exchange Commission (SEC) pursuant to 15 U.S.C. § 78(g) and traded on the over the counter exchange. Accordingly, French Company A was an issuer as that term is used in the FCPA. A specific division of French Company A, identified as French Company Division I, develops and maintains ultra-low temperature products and services for aeronautical applications.

6. SHU and AMAC entered into a written agency agreement dated December 1, 2003, with French Company Division I to be the division's sole representative in the PRC. In that role, as outlined below, SHU is tasked by PRC government entities to facilitate the procurement effort, provide technical expertise, and negotiate price and contract terms.

Assistance to Foreign Persons in the Development of a Launch Facility

7. Beginning in or around January of 2003, SHU provided technical assistance and foreign technology acquisition expertise to several PRC government entities involved in the design, development, engineering and manufacture of a space launch facility in the southern island province of Hainan, PRC. This facility will house liquid-propelled heavy payload launch vehicles designed to send space stations and satellites into orbit, as well as provide support for manned space flight and future lunar missions.
8. SHU is an expert in cryogenics and has provided technical assistance, as well as foreign technology acquisition of equipment and technologies relating to production, transfer and storage of liquefied hydrogen. Liquefied hydrogen will be used as the propellant for the heavy payload launch vehicles at the Hainan launch facility.

AMS B Q KTI

9. Several PRC government entities are involved in the space launch facility project, including the People's Liberation Army's General Armaments Department and the 101st Research Institute (101 Institute), which is one of many research institutes that make up the China Academy of Launch Vehicle Technology, as overseen by the Commission of Science Technology and Industry for the National Defense. The Beijing Special Engineering Design Research Institute (BSEDRI) is the governmental entity responsible for the procurement of cryogenic liquid storage tanks for the Hainan launch facility.
10. The 101 Institute is located in the Changxindian area of Beijing and is the final assembly and testing location for liquid rocket engines. In addition to testing rocket propulsion systems, the 101 Institute is involved in developing rocket ground support equipment technology, cryogenic technology, automation control and automated testing technology, chemical technology and environmental protection technology, along with numerous commercial products also associated with integrated space testing and research activities.
11. The People's Liberation Army's General Armaments Department has planned and implemented a phased approach to the Hainan launch facility project. In conjunction with the construction of the launch facility in Hainan, the 101 Institute will use its production and testing facility in Beijing to study the capabilities of hydrogen propelled engines and ground support equipment, including the equipment procured by SHU and AMAC.
12. By his efforts, Shu assisted the PRC in its systematic effort to upgrade its space exploration and satellite technology capabilities by providing technical expertise and foreign technology acquisition in the fields of cryogenic pumps, valves, transfer lines and refrigeration equipment, components critical for the use of liquefied hydrogen in a launch facility. SHU

AMS B Q KTP

has also been instrumental in arranging for PRC officials to visit various European space launch facilities and hydrogen production/storage facilities.

13. SHU's efforts include the successful brokering of a January, 2007 contract between the 101 Institute and French Company A for the production and supply of a 600 liter per hour hydrogen liquefier. This liquefier will be part of the 101 Institute's comprehensive research, development, and test base for liquid-propelled engines and space vehicle components, and at the time, the liquefier represented the first in as many as five additional projects to be undertaken by AMAC and French Company A, all to be used as ground based support for the launch vehicles at the Hainan launch facility.
14. The People's Liberation Army's General Armaments Department has expressed interest in producing liquefied hydrogen at a gas-to-liquid conversion rate of up to 4000 liters per hour for use in a large scale launch vehicle. AMAC and SHU have expended enormous amounts of time and resources on the procurement effort for small capacity equipment for research and development purposes in anticipation of a larger effort to meet the PRC's extraordinary need for converted fuel for the Hainan launch facility.
15. The culmination of efforts undertaken by SHU and AMAC on behalf of the PRC will result in the new Hainan launch facility having capabilities at least as advanced, if not more advanced than, as the Ariane-5 Launch Site at the European Space Agency's Guiana Space Center, Kourou, French Guiana, the benchmark facility after which the Hainan launch facility is being modeled.



AMS B Q MTP

Launch Vehicle Fuel Storage Tanks and Associated Equipment

16. On January 17, 2003, SHU traveled from Norfolk, Virginia to the PRC. A compact disc discovered during a court authorized search was labeled, "Dr. Shu Travel to China, 01/16/2003, AMAC." The compact disc contained a Microsoft Power Point Presentation (presentation) dated January 18, 2003. The presentation, entitled, "Liquid LH & LOX Technologies - Storage and Transfer in Large Scale," contained several pictures of launch facilities, and included multiple references to liquid hydrogen (LH) and liquid oxygen (LOX) applications in launch vehicle technology. The presentation also contained specific technical information on LH and LOX tanks, as well as information on cryogenic pumps, cryogenic valves, high vacuum cryostats, and temperature and liquid level sensors.
17. On July 31, 2003, SHU traveled to the PRC again to discuss a cooperation proposal between AMAC and the BSEDRI. A "Proposal for Intended Cooperation," prepared by BSEDRI and dated August 14, 2003, outlined BSEDRI's requirements for "the design and manufacture of the large-scale liquid hydrogen storage container," specifically sought AMAC's technological cooperation, and invited AMAC to preside over the proof plan and perform technological design work for this project.
18. In November of 2003, the BSEDRI formally invited AMAC to "attend the bidding session concerning the first phase product manufacturing and testing for the storage tank system of liquid hydrogen and liquid oxygen," for the Hainan Launch Facility, along with air and manual operation thermal insulating valves and filters.
19. On December 1, 2003, SHU contacted a representative of French Company A, referred to herein as Representative A, via e-mail to notify the company of the PRC's interest in

AMS B A RTI

- obtaining the design specifications on a 100 cubic meter liquid hydrogen mobile storage tank and the design specifications on a 30 cubic meter liquid oxygen storage tank, complete with specifications on cryogenic valves, testing facilities and test procedures. In the same e-mail, SHU warned Representative A that, with this level of technical detail, the PRC could use the design specifics to fabricate the items inside the PRC.
20. On December 17, 2003, SHU contacted French Company A representatives, Representative A and another representative employed by French Company A, referred to herein as Representative B, via fax and explained that they had until December 20, 2003 to submit their proposal for the PRC's liquid hydrogen system, and that the PRC officials needed general design information with pictures and plots for the two tanks as well as a vaporization system for transferring liquid hydrogen at a rate of five thousand liters per minute. At that time, SHU stated the three phases of this project were worth more than \$20 million, and to win some of phase one, the proposal needed to contain specific technical information.
21. On December 20, 2003, SHU submitted to the BSEDRI a package of information entitled "Commercial Information, Technical Proposal & Budgetary Offer - Design, Supply, Engineering, Fabrication, Testing & Commissioning of 100m³ Liquid Hydrogen Tank and Various Special Cryogenic Pumps, Valves, Filters & Instruments." The package of documents, numbering approximately 50 pages, contained technical design drawings of the tanks, as provided by French Company A, along with other technical information relating to their performance, testing, and use. The package also contained a quotation for a 100 cubic meter liquid hydrogen tank and other cryogenic components.
22. On February 20, 2004, AMAC employees met in Beijing with a foreign government official

AMS   ATP

from the BSEDRI (PRC Official A), and several other engineers to discuss technological requirements for the liquid hydrogen storage tank project.

23. An internal AMAC report, drafted after the February 20, 2004 meeting, entitled "Status Report to Project '110m³ LH₂ Tank,'" indicates that, if funded, the "project" would facilitate the purchase of a liquid hydrogen tank in 2005. The document states that the information was provided by "Dr. [PRC Official A]" from the BSEDRI. The document also gives a tentative time line for the tank project, and includes hand-written references to similar steps taken for the liquefier, valves, and pumps. According to the document, for the purchasing of large equipment, PRC Official A suggests technical cooperation between three parties: (a) the BSEDRI; (b) AMAC and French Company A; and (c) one "war industry company" in the PRC.
24. On July 6, 2004, AMAC U.S. Employee A sent an e-mail to Representative B informing Representative B that the BSEDRI notified AMAC that the Institute had a new plan to produce two 50 cubic meter tanks, three 330 cubic meter tanks, and one 1200 cubic meter tank.
25. On July 7, 2004, Representative B responded to AMAC U.S. Employee A's e-mail, stating that French Company A sold two 360 cubic meter semi mobile tanks to the Kourou site in 1990 and 2002 respectively. Representative B indicated that a tank of this grade and capacity could meet the request.
26. On February 23, 2005, the BSEDRI submitted to AMAC a document entitled "Require [sic] Quotation about LH₂ Tanks for Hydrogen Liquefied Equipment." This document states, "Our institute would like to use a 320 m³ moving tank (the references are same to the

AMS B CL HP

Ariane 5's) as the LH2 receiving Tanks. Please give us the quotation for the following two kinds: 1) LH2 tank which can be moved with LH2; 2) LH2 Tank which can only be moved empty."

27. On February 24, 2005, AMAC submitted a Required Quotation, numbered 0502 AL SEDI 801, to French Company A for one 320 cubic meter liquid hydrogen storage tank with specifications resembling the tank at the Kourou launch facility.
28. On March 9, 2005, French Company A submitted to AMAC a document entitled, "COMMERCIAL AND TECHNICAL INFORMATION" addressed to the BSEDRI. Under the heading, "Purpose of the 360 M3 LH2 Standard Tank," the document states, "This proposal is [French Company A]'s answers to BSEDRI China concerning the design, supply, engineering, fabrication, testing, and commission of a 360 m³ Liquid Hydrogen Tank." The document states that "the scope of [French Company Division I] is based on similar tank already manufactured for European Space Launch Pad in French Guyana whose drawings are attached in annex."
29. On December 19, 2005, SHU and AMAC U.S. Employee A participated in a conference call to Representative A regarding the final budget proposal for the 101 Institute. During that phone conference, SHU stated to Representative A that the current liquefaction project is related to the "Special Design and Research Group" storage tank project which will be delayed approximately eighteen months. SHU also stated that this project is directly related to manned space flight, and, if this smaller project is won, so too will a larger project.
30. From approximately December 2005 until January 2007, SHU brokered a deal between the 101 Institute and French Company Division I for the production and supply of one 600 liter

AMS JS Q HP

per hour hydrogen liquefier. The 101 Institute is the final assembly and testing location for liquid rocket engines, and, as indicated in paragraph ²⁹41 above, this 600 liter per hour hydrogen liquefier project is directly related to the BSEDRI project at Hainan Island. SHU's efforts resulted in French Company Division I being awarded the contract, dated January 15, 2007, for which AMAC was to be paid a commission of 295,425 Euros (approximately \$425,000 USD). On June 21, 2007, AMAC received a wire transfer from French Company Division I, which included a commission payment in the amount of \$37,776.16 USD. On September 24, 2007, AMAC received a second wire transfer from French Company Division I in the amount of \$122,669.32 USD. On March 17, 2008, AMAC received a third wire transfer from French Company Division I in the amount of \$112,298.05 USD. On April 18, 2008, AMAC received a fourth wire transfer from French Company Division I in the amount of \$113,996.74 USD.

31. On July 6, 2007, SHU placed a telephone call to AMAC Beijing Employee B to introduce her to the project. At that time, SHU stated to AMAC Beijing Employee B that this project involves a 360 cubic meter storage tank and a 3-4 cubic meter per hour (3000-4000 ltr/hr) hydrogen liquefier. AMAC Beijing Employee B asked SHU if Institute 408 was involved in the project, since Institute 408 deals in nitrogen liquefaction. SHU responded negatively stating that nitrogen liquefaction has nothing to do with hydrogen liquefaction. SHU stated, "The liquid hydrogen and liquid oxygen will burn . . . then the missile is launched. This . . . is for the Lunar Mission Launch Facility on Hainan Island. . . .For use . . . in the large-scale . . . lunar landing rockets' launch facility. . . . this project has been established for three years, that is, and we have followed it for three years."

AMS
FB
CS

AMS
FB
CS
RAB

32. On August 18, 2007, SHU sent an e-mail to AMAC Beijing Employee B offering background information on the project, stating that "AMAC has followed this project for about 3 years and we have had many meetings with the Beijing Special Design and Research Institute and developed a working relationship with their engineering team of the project. We also meet their former directors and give our technical proposal and some estimation of the cost to them about one and a half years ago. We have arranged [French Company A]'s engineer to discuss with their technical leader. . . . We understand the Institute leader and technical team has visited the European launch site in Central America Kourou, where the LH2 purifier and tank were made by [French Company A]. And they enjoy the high quality of these products. AMAC would like to make our contribution to this project."

State Department License Determinations

33. On December 3, 2007, the Directorate of Defense Trade Controls, United States Department of State, issued a licensing determination certifying all of the following:
- a. The "Standard 100 M3 Liquid Hydrogen (LH) 2 Tank" described in the document entitled "Commercial Information, Technical Proposal & Budgetary Offer - Design, Supply, Engineering, Fabrication, Testing & Commissioning of 100m3 Liquid Hydrogen Tank and Various Special Cryogenic Pumps, Valves, Filters & Instruments" is a defense article covered by Category IV(h) on the United States Munitions List.
 - b. The document entitled "Commercial Information, Technical Proposal & Budgetary Offer - Design, Supply, Engineering, Fabrication, Testing & Commissioning of 100m3 Liquid Hydrogen Tank and Various Special Cryogenic Pumps, Valves, Filters

AMS B Q KTP

- & Instruments" contains technical data covered by Category IV(i) on the United States Munitions List.
- c. Negotiating or arranging a contract, purchase, sale or transfer of the "Standard 100 M3 LH2 Tank," a defense article, to the "Heavy Payload Launch Facility" in the PRC in return for a fee, commission, or other consideration constitutes brokering activity as defined in Section 129.2 of the International Traffic in Arms Regulations.
 - d. A proposal to sell or transfer a defense article to the PRC, a proscribed country under Section 126.1(a) of the International Traffic in Arms Regulations, requires a license or written approval of the Directorate of Defense Trade Controls in accordance with Section 126.1(e) of the International Traffic in Arms Regulations.
 - e. Providing assistance to foreign persons in the design, development, assembly, operation, testing or modification of the "Standard 100 M3 LH2 Tank," and related components of fueling systems for a foreign launch facility constitutes a defense service and is covered by Category IV(I) on the United States Munitions List.
 - f. A proposal to sell or transfer a defense service to the PRC requires a license or written approval of the Directorate of Defense Trade Controls in accordance with Section 126.1(e) of the International Traffic in Arms Regulations.
34. On September 5, 2008, the Directorate of Defense Trade Controls, United States Department of State, issued a licensing determination certifying that the document entitled "Additional Technical Information of Design & Manufacture of a Mobile 100-m3 LH2 Tank" dated March 8, 2004 (sections 3.1-8.6 and sections 13.2-13.5) contains technical data covered by Category IV(i) on the United States Munitions List.

AMS B S ATP

35. The United States maintains an arms embargo on the PRC, and, accordingly, it is the policy of the United States to deny licenses and other approvals for exports of defense articles and defense services destined for the PRC (22 C.F.R. § 126.1 (a) & (e)).
36. A registration and licensing search was conducted on SHU and AMAC. No record has been found of any registration application, application for an export license, or any other written approval granted to SHU and/or AMAC with respect to brokering, export of defense articles or proposals to provide defense services to the PRC.

Evidence of SHU's Willfulness

37. On or about February 3, 2005, SHU had a meeting in the PRC with officials from the Commission of Science Technology and Industry for the National Defense. In a subsequent e-mail sent on that same date to another representative of French Company A, referred to herein as Representative C, SHU summarized this meeting and detailed several points about the launch facility project. This e-mail goes on to state the group would like the launch base to be developed like Kennedy Space Center. SHU strongly encouraged the officials to visit French Company A and the launch facility in Kourou.
38. On November 8, 2005, SHU and a number of other AMAC employees attended a meeting at the 101 Institute in Beijing. At this time, the leaders of the 101 Institute discussed the launch facility project, and stated specifically that they were interested in procuring a set of hydrogen liquefiers with an output of 600 liters per hour. On the same date, SHU and his wife discussed the project, and SHU specifically stated that the project is being overseen by the General Armaments Department, the acquisition arm of the People's Liberation Army.
39. On November 30, 2005, SHU stated in a telephone conversation with AMAC Beijing

AMS B Q AP

Employee C, that SHU is well connected to senior leaders of the General Armaments Department. During the same conversation, SHU requested that AMAC Beijing Employee C send all correspondence to SHU via fax instead of e-mail because SHU does not let his American employees know all the details regarding his business with the PRC military. SHU also criticized AMAC Beijing Employee C for revealing the true identity of a PRC end-user to AMAC U.S. Employee A, instructing AMAC Beijing Employee C that, in the future, the employee should make up an end-user when dealing with the PRC military because of U.S. restrictions on military technology being sent to the PRC.

40. On December 13, 2005, SHU had a telephone conversation with PRC Official C, Deputy Chief of the 101 Institute, in which SHU informed the official that SHU would like to contact the official directly because SHU does not want AMAC employees in Beijing to know about certain unspecified matters. In response, PRC Official C provided SHU with his home telephone number so that SHU could contact him discreetly.
41. In a February 3, 2006, phone conversation, SHU stated to Representative A, referencing the 101 Institute, "[w]e have to make deal with them. . . . [t]his is kind of a military company . . . for the rockets."
42. On April 5, 2006, the 101 Institute Chief Engineer, PRC Official D, told SHU during a telephone conversation that representatives from French Company A should make a trip to Beijing as soon as possible to have final technology discussions with the 101 Institute. PRC Official D stated during that phone conversation that, if all goes well, the 101 Institute will sign an aeronautics cooperation agreement between the 101 Institute and French Company A.
43. On April 10, 2006, SHU stated in a telephone conversation with AMAC Beijing Employee C

AMS
D
Q
KAP

that the 101 Institute would not tell everything to [French Company A], which meant that some of the 101 Institute's real usage for the product which "involve the military aspect" would not be released to outsiders.

44. On May 18, 2006, SHU telephoned the Chief of the 101 Institute, PRC Official E, to invite him, along with other officials from the 101 Institute and the Commission of Science Technology and Industry for the National Defense (the "bureau" which oversees the 101 Institute in general and this project in particular), to visit France and the launching factory in Kourou, French Guyana, because a great deal of the hydrogen equipment from French Company A applies to the rocket launching base.
45. On May 31, 2006, AMAC Beijing Employee C sent an e-mail to Representative C regarding the necessary invitation letter from French Company A to the leaders of the 101 Institute for the purpose of obtaining a visa to visit France. In this e-mail, AMAC Beijing Employee C stated that, "because of confidential request, 101 Institute can not appear in the letter. It will be replaced by China Great Wall Industry Corporation." On June 1, 2006, another representative of French Company A, Representative D, complied with the request and forwarded an invitation letter addressed to the China Great Wall Industry Corporation.
46. On June 24, 2006, SHU stated to an unidentified female in the PRC that French Company A should be preferred over its competitor since the competitor's technology is adequate for hydrogen production for civilian use, but 95% of the low temperature products in Europe for rockets are produced by French Company A. SHU specifically stated that, "So this advantage is obvious . . . [French Company A's competitor] mainly is for civilian use while . . . Europe is for military use . . . so it pretty much fits in."

AMS B O MP

47. On July 21, 2006, two Special Agents from the Department of Commerce, Office of Export Enforcement, walked into AMAC's office at the Applied Research Center in Newport News, Virginia, for purposes of delivering an Outreach briefing. This briefing was given to SHU and AMAC U.S. Employee A and included the specific direction that brokering a deal between an entity in a foreign country and an end-user in China may require a license depending on the same criteria which would be used if the export was directly from the United States.
48. On April 10, 2007, SHU spoke with AMAC Beijing Employee D over the telephone, and, with regard to technology destined for military radar applications in an unrelated deal, instructed her to falsify end-user information in order to circumvent U.S. laws. SHU stated that, "The 101 thing, if, if we said that was for launching satellites, we wouldn't be able to get the 101 deal that's worth three million . . . you need to find a reason. Everyone hides it. . . . in the end, the manufacturers also help to hide it. The French, also. If you said you wanted to launch, eh, rockets or something, then France won't be able to sell to you. . . . France belongs to the NATO. . . . Let me tell you, that's how the military industry buys things. Right, we've done military industry business."

Bribe Offered by SHU to Induce the Award of the Hydrogen Liquefier Project

49. On December 1, 2003, AMAC, by SHU, and French Company A, entered into an agency agreement establishing AMAC as French Company A's exclusive sales agent for "China to the exclusion of Taiwan." The agency agreement provided that AMAC was entitled to a success fee of ten to fifteen percent on sales in [territory], or higher if necessary.
50. Prior to the ultimate decision to award the hydrogen liquefaction project to French



AMS 3 Q RTP

- Company A, SHU, acting as the representative of French Company A, offered payments to PRC officials within the 101 Institute to induce said officials to award the contract to French Company A over the primary competitor, and to earn SHU and AMAC a commission. The contract for the hydrogen liquefier is believed to total approximately four million dollars.
51. On December 7, 2005, SHU and AMAC Beijing Employee C spoke by telephone about the importance of forming a better relationship with the Deputy Director of the 101 Institute, PRC Official C. AMAC Beijing Employee C stated that he would determine whether French Company A's German competitor had given "kickbacks" to the 101 Institute for prior purchases. After learning that both PRC Officials C and D had children, SHU also advised that he could help their children study abroad. SHU reminded PRC Official C not to discuss such things on the office telephone.
52. On February 19, 2006, SHU spoke by telephone with the Chief Engineer of the 101 Institute, PRC Official D, and told PRC Official D that he could be generous with certain key people if necessary to obtain the contract for French Company A. SHU advised that contact with regard to this matter should be between SHU and PRC Official D.
53. On April 7, 2006, SHU discussed with his wife how to best offer percentage points to the 101 Institute Deputy Director, PRC Official C, to induce him to select French Company A for the hydrogen liquefier project. SHU's wife stressed the importance of communicating to PRC Official C that the "kickbacks" would only go through AMAC and not any third party, that there would be no need for a signature or receipt from PRC Official C, and, with that, there would be no trace left behind.
54. On April 7, 2006, SHU called 101 Institute Deputy Director PRC Official C, and stated that

AMS B Q KIP

AMAC's typical practice is to distribute a certain "percentage" of the contract value to leaders after the conclusion of a project for the leaders to use for either scientific research or other uses at their discretion. In response, PRC Official C stated that SHU was very thoughtful.

55. On April 8, 2006 SHU told his wife about his conversation with PRC Official C the previous day. SHU stated that PRC Official C did not refuse SHU's offer. SHU, referencing also the need to call PRC Official D, stated that "the three percent to be shared between the two is pretty solid. . . . More than 40,000 U.S. dollars a person."
56. On April 11, 2006, SHU spoke by telephone with the Chief Engineer of the 101 Institute, PRC Official D, during which SHU asked whether PRC Official D had discussed the percentage point issue with the Deputy Director of the 101 Institute, PRC Official C. PRC Official D replied that he had not discussed the issue with PRC Official C, and suggested that SHU contact PRC Official C prior to the next round of negotiations.
57. On April 11, 2006, SHU spoke by telephone with PRC Official C and asked whether three percentage points would be sufficient for PRC Official C to expend on other activities after the completion of the bidding process. In response, PRC Official C stated that he did not want to consider the percentage point issue at that time.
58. On May 10, 2006, SHU spoke by telephone with Norfolk Individual A to obtain her advice regarding how to negotiate with the PRC officials at the 101 Institute to obtain the contract for French Company A. SHU told Norfolk Individual A that AMAC was going to give 3% of the project price to PRC Official C, PRC Official D and a third foreign official, if the 101 Institute would award the contract to French Company A. SHU explained, however, that

AMS   ATP

French Company A's price quotation was higher than its competitor's price quotation. SHU stated that if French Company A had to reduce its final price, then the PRC officials also would receive less money through a reduction in their "percentage."

59. On May 10, 2006, SHU spoke by telephone with the Chief Engineer, PRC Official D, as Norfolk Individual A listened to the telephone conversation. SHU asked PRC Official D whether three percent at the completion of the deal should be paid directly in cash or be placed into an account. PRC Official D then stated that SHU should communicate AMAC's percentage point offer directly to the Chief of the 101 Institute, PRC Official E. PRC Official D then told SHU that French Company A's price quotation was substantially higher than the price quotation made by two other competitors, and further explained that French Company A's German and Russian competitors each had offered five percent. He advised SHU that AMAC should also offer five percent.
60. On May 13, 2006, SHU spoke by telephone with PRC Official D and explained that he discussed with representatives of French Company A the need to increase their percentage award offer to five percent from the previously offered three percent. SHU told PRC Official D to advise PRC Official C that the offer represented half for both PRC Official D and PRC Official C. SHU also asked PRC Official D to disclose to him the exact total price offered by French Company A's competitor. PRC Official D agreed to obtain the information for SHU.
61. On May 17, 2006, SHU spoke by telephone with PRC Official D. During this conversation, PRC Official D suggested that SHU contact the Chief of the 101 Institute, PRC Official E, and to separately offer him two percent. PRC Official D provided PRC Official E's home

AMS [initials] KTP

and cellular telephone numbers to SHU and advised SHU not to disclose to PRC Official E the percentage point payments offered to PRC Official D and PRC Official C. PRC Official D advised SHU to emphasize to PRC Official E that the only two people involved in the percentage point offer would be SHU and PRC Official E.

62. On May 18, 2006, SHU had a telephone conversation with PRC Official D. During this conversation, PRC Official D explained that PRC Official C was in favor of awarding the contract to French Company A's competitor, but that the Chief of the 101 Institute, PRC Official E, would make the final decision. PRC Official D again urged SHU to call PRC Official E immediately and tell PRC Official E that a two percent benefit would be provided directly to PRC Official E if the 101 Institute awarded the contract to French Company A. PRC Official D again emphasized that SHU should tell PRC Official E that the percentage transaction only involved the two of them.
63. On May 18, 2006, SHU spoke by telephone with the Chief of the 101 Institute, PRC Official E. After identifying himself, SHU explained that, as President of AMAC, he would like to provide two percentage points to PRC Official E to use at PRC Official E's discretion. PRC Official E declined SHU's offer.
64. On January 17, 2007, SHU informed representatives of French Company A that together they had been selected by the 101 Institute to supply the 600 liter per hour hydrogen liquefier. A signed contract for the deal was then e-mailed from Representative C to SHU on January 25, 2007, and listed the buyer as the Beijing Leader Corporation and the seller as French Company A, Division I. As indicated in Paragraph 30 above, to date, French Company A has made four commission payments to AMAC totaling \$386,740.27 USD.

AMS
B
G
LTP

DANA BOENTE
ACTING UNITED STATES ATTORNEY

By: Alan M. Salsbury
Alan M. Salsbury
Assistant United States Attorney
Virginia State Bar No. 15682
Attorney for the United States
United States Attorney's Office
101 West Main Street, Suite 8000
Norfolk, VA 23510
Office Number - 757-441-6331
Facsimile Number - 757-441-6689
E-Mail Address - alan.salsbury@usdoj.gov

STEVEN A. TYRRELL
CHIEF, FRAUD SECTION
CRIMINAL DIVISION
U.S. DEPARTMENT OF JUSTICE

By: Robertson T. Park
Robertson T. Park
Assistant Chief, Fraud Section
Criminal Division, U.S. Department of Justice
1400 New York Avenue, N.W.
Washington, D.C. 20005
Telephone Number - 202-514-4335

I hereby stipulate that the above Statement of Facts is true and accurate, and that if this case had proceeded to trial, the United States would have proved the same beyond a reasonable doubt.

Shu Quan-Sheng
Shu Quan-Sheng

I have reviewed the above Statement of Facts with Shu Quan-Sheng and his decision to stipulate to the accuracy of these facts is an informed and voluntary one.

James O. Broccoletti
James O. Broccoletti
Counsel for the defendant

AMS
KTP