UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 78825 / September 13, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3800 / September 13, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17535

In the Matter of **Jun Ping Zhang,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be and hereby are instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Jun Ping Zhang ("Ping" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. This matter concerns violations of the anti-bribery, books and records, and internal controls provisions of the Foreign Corrupt Practices Act ("FCPA") by Jun Ping Zhang ("Ping"), a United States citizen and former Chairman and CEO of Harris Corporation's ("Harris") wholly owned, China-based subsidiary Hunan CareFx Information Technology, LLC ("CareFx China"). Ping violated the anti-bribery provisions of the FCPA by facilitating an ongoing bribe scheme at CareFx China whereby illegal gifts were given to Chinese government officials to obtain and retain business. In so doing, Ping violated, and caused Harris to violate, the books and records provisions of the FCPA by knowingly allowing and facilitating the entry of false information in CareFx China's books and records, thereby circumventing Harris's system of internal accounting controls.

Respondent

2. **Jun Ping Zhang**, age 50, is a United States resident and citizen. Between April 2011 and July 2012, Ping was employed at Harris. For the bulk of this time period, Ping served as both Harris's Vice President of Technology and CareFx China's Chairman and CEO. However, in April 2012, Harris relieved Ping of his duties as Chairman and CEO of CareFx China, and later terminated his services at Harris in July 2012.

Relevant Entities

3. **Harris Corporation** is a Delaware corporation with its headquarters in Melbourne, Florida. Harris is an international communications and information technology company that provides services to both government and commercial markets in more than 125 countries. Harris's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange.

4. **CareFx Corporation** ("CareFx") was a wholly-owned subsidiary of Harris that delivered interoperability workflow solutions for primarily government healthcare providers in China. Before Harris acquired CareFx in April 2011, CareFx had been a privately-held corporation based in Scottsdale, Arizona. On December 17, 2011, Harris dissolved CareFx as a separate business entity. Before the dissolution, Harris consolidated CareFx's books and records into its financial statements. CareFx's revenues accounted for less than 1% of Harris's gross revenues.

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. **Hunan CareFx Information Technology, LLC** ("CareFx China") was registered by CareFx as a Chinese legal entity in April 2008 to develop software in support of CareFx's operations in the United States. In late 2009, CareFx China also began to pursue opportunities to sell its electronic medical records software in China. CareFx China's customers were primarily Chinese state-owned hospitals and local Chinese Departments of Health. After the acquisition of CareFx, Harris operated CareFx China as a wholly-owned subsidiary of CareFx and consolidated CareFx China's books and records into its financial statements through CareFx. In September 2012, Harris sold all of CareFx China's outward facing operations. On June 12, 2015, Harris terminated all employees in CareFx China and no longer has any active China-based business operations.

Facts

6. Harris acquired CareFx in April 2011. At that time, Ping was CareFx's Executive Vice President and Chief Technology Officer. He also served as the Chairman and CEO for CareFx China. After the acquisition, Ping's title at Harris was Vice President of Technology.

7. From at least April 2011 through April 2012, Ping facilitated a pattern and practice at CareFx China of giving gifts to Chinese government officials to obtain or retain a business advantage. Specifically, Ping directly authorized or indirectly allowed between $200,000 and $1 million in improper gifts to government officials at Chinese state-owned hospitals and regional Departments of Health.

8. With Ping's knowledge and under his management, CareFx China sales staff submitted bogus expense receipts labeled as "entertainment," "office expenses," or "transportation" to CareFx China's accounting department for cash reimbursement. CareFx China's sales staff used the cash generated from these sham expense reimbursements to pay for gifts to government officials. Ping and the supervisors that he managed authorized the bogus expense claims, knowing that they were fabricated and that the "reimbursed" funds were used to pay for gifts to government officials to influence their decisions to purchase CareFx China's products and services.

9. Ping knew that these bogus expenses were improperly recorded in CareFx China's books and records as legitimate sales expenses or consulting fees and that, as a result, their true nature would not be disclosed to Harris. After the Harris acquisition, it was Ping's responsibility to review CareFx China's monthly expense summary reports before they were submitted to Harris. Ping consistently permitted these monthly expense summary reports to be submitted despite knowing that they contained false information. By doing so, Ping enabled CareFx China to cloak its illicit gifts to government officials in the guise of legitimate business expenses and, thereby, hide the practice from Harris.

10. Moreover, Ping did not disclose this bribery scheme to Harris's attorneys during the pre-acquisition due diligence process. Ping failed to disclose to Harris any information about the improper gifts or the use of bogus expense invoices used to pay for them. In addition, Ping

cautioned employees not to give gifts that were too large and told them not to get caught. Harris nonetheless discovered the illicit conduct at CareFx within a few months of the acquisition.

11. Although Ping did not need to authorize every payment (sales staff had blanket approval for smaller gifts), he was aware that CareFx sales staff were giving gifts to government officials, and he authorized several of them.

12. On March 23, 2011, a CareFx China sales manager sent an email, on which Ping was copied, to other managers requesting approval for 20-30,000 Yuan (approximately $3,000 to $4,600) to buy the director of Zhongnan Hospital of Wuhan University ("Zhongnan Hospital") replacements for his recently stolen laptop, cell phone, and camera. The sales manager noted that "if we don't do this, sooner or later some other company will. This is how the business environment is in China." The sales manager further stated that some of the funds would also be used to cover the vacation travel of other high-level staff at Zhongnan Hospital. Ping responded to the email that same day with the message "You are doing a great job. This is very exciting. Thanks." On April 19, 2011, the sales manager submitted a reimbursement form for 30,000 Yuan, (approximately $4,600), which included a note stating that Ping and another manager had authorized the claim and which falsely characterized the expenses as "business meeting receipts." This amount was subsequently increased to 36,100 Yuan (approximately $5,600), on July 21, 2011, to include additional funds to cover vacation travel and entertainment expenses for several Zhongnan Hospital government officials. On August 31, 2011, CareFx China incorrectly recorded these illicit gifts on its books and records as "office expenses" and "conference expenses." In August and December 2011, CareFx China signed contracts with Zhongnan hospital worth approximately $165,000.

13. On October 18, 2011, Ping received an email from a CareFx China sales manager regarding a potential upcoming project for the Nansha District Health Bureau ("Nansha District"). The sales manager had just purchased meals for several of the Nansha District government officials responsible for awarding the Nansha District project. He was told that the Nansha District's Deputy Director "made a promise [to] let [CareFx China] have the project." On October 21, 2011, the CareFx China sales manager requested approval of approximately $2,300 for three iPhones because "the Nan'sha project has currently entered its bidding stage" " and "we will need strong cooperation and support from [the Nansha District officials]." On January 2, 2012, Ping responded to an email regarding the sales staff's plan to use government officials to manipulate the Nansha Project bidding process by noting the "great significance of Nansha District Project for our business." On January 12, 2012, CareFx China won the Nansha District contract, which was worth $93,000.

14. On November 17, 2011, Ping authorized a sales manager's request to "overspend by several thousand yuan this month" to purchase gifts for "leaders in the Health Department" and "hospital leaders."

15. On December 25, 2011, Ping received a request from a CareFx China sales member for approval of approximately $2,600 to pay for gifts, shopping cards, and entertainment for government officials at the Yuelu District Health Bureau. On December 26, 2011, Ping instructed

his second in command, CareFx China's Executive Deputy Manager, to "please solve this problem."

16. On December 30, 2011, CareFx China's sales director requested $6,500 to provide "bonuses" to government officials at several hospitals and health offices in the Hubei Province. On December 31, 2011, Ping instructed the sales director to discuss the amounts with Ping's second in command.

17. On January 9, 2012, Ping authorized $775 in gifts to the Director and Vice Director of the Shanghai Shenkang Hospital Development Center, who were "responsible for the government's major projects in 2012."

18. In total, CareFx China employees made approximately $200,000 to $1 million in improper gifts to Chinese government officials between April 2011 and April 2012. These payments were incorrectly recorded in CareFx China's books as legitimate sales expenses and consulting fees and were subsequently consolidated into Harris's financial statements. CareFx China sales staff made these gifts to Chinese government officials who ultimately awarded CareFx China over $9.6 million in contracts with state-owned entities.

Legal Standards and Violations

19. Under Section 21C(a) of the Exchange Act, the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Exchange Act or any rule or regulation thereunder, and upon any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation.

20. Section 30A of the Exchange Act sets forth the anti-bribery provisions of the FCPA. It prohibits an issuer, or any officer, director, employee or agent of such issuer or any stockholder thereof acting on behalf of such issuer from using the "mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment" of money to any foreign official for purposes of influencing any act or decision of such foreign official in order to assist the issuer in obtaining or retaining business.

21. As a result of the conduct describe above, Ping violated Section 30A of the Exchange Act. Ping, in his capacity as Vice President of Technology for Harris, and Chairman and CEO of CareFx China, violated Section 30A when he knowingly facilitated and authorized the giving of improper gifts to Chinese government officials in an effort to obtain and retain business. Ping's corrupt intent is evidenced by his concealment of the bribe scheme from Harris.

22. Under Section 13(b)(2)(A) of the Exchange Act, issuers are required to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the issuer.

23. As a result of the conduct described above, Harris violated the FCPA's books and records provisions by incorporating CareFx China's false reimbursement claims into Harris's books and records. Harris's books and records violations are evidenced by the mischaracterization in CareFx China's general ledger of the illicit payments to government officials as legitimate sales expenses and consulting fees.

24. Ping caused Harris to violate Section 13(b)(2)(A) of the Exchange Act. Under Ping's watch and with Ping's approval, Harris's wholly-owned subsidiary, CareFx China, made improper payments to government officials at Chinese state-owned health-care providers and improperly recorded these payments as legitimate sales expenditures and consulting fees. Accordingly, Ping caused Harris's failure to make and keep accurate books, records, and accounts, as required by Section 13(b)(2)(A) of the Exchange Act.

25. Section 13(b)(5) of the Exchange Act provides that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls or knowingly falsify any book, record or account of an issuer described in Section 13(b)(2) of the Exchange Act. Exchange Act Rule 13b2-1 prohibits any person from, directly or indirectly, falsifying or causing to be falsified any book, record, or account subject to Exchange Act Section 13(b)(2)(A).

26. As a result of the conduct described above, Ping violated Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder. Ping knowingly permitted Harris's books and records to be falsified by facilitating a scheme to hide illicit gifts to Chinese government officials to be financed through the submission and approval of fabricated expense reimbursement requests. Ping also knowingly circumvented Harris's system of internal controls. As the top manager of CareFx China, Ping was responsible for maintaining and ensuring compliance with Harris's internal accounting controls. Instead, Ping knowingly circumvented Harris's system of controls by permitting the submission of expense reports that contained fabricated expense claims. Ping was Harris' gatekeeper at CareFx China, but he nonetheless authorized false expense claims that he knew were going to be used to provide gifts to government officials. Moreover, Ping helped his subordinates at CareFx China hide the bribe scheme from Harris auditors and employees. Accordingly, Ping violated Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder.

Findings

27. Based on the foregoing, the Commission finds that Ping violated Sections 30A and 13(b)(5) of the Exchange Act, and Rule 13b2-1 thereunder, and caused violations of Section 13(b)(2)(A).

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Ping's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Ping shall cease and desist from committing or causing any violations and any future violations of Sections 30A, 13(b)(2)(A), and 13(b)(5) of the Exchange Act and Rule 13b2-1.

B. Respondent shall, within thirty (30) days of the entry of this Order, pay a civil penalty of $46,000 to the Securities and Exchange Commission for transfer to the general fund of the United States treasury in accordance with Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Ping as the Respondent in these proceedings, and the file number of these proceedings. A copy of the cover letter and check or money order must be sent to Ansu Banerjee, Assistant Regional Director, Los Angeles Regional Office, United States Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary