

**UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION**

DEFERRED PROSECUTION AGREEMENT

1. In connection with an investigation, the Division of Enforcement (“Division”) of the United States Securities and Exchange Commission (“Commission”) alleges that Yu Kai Yuan (“Respondent”), a former employee of Parametric Technology (Shanghai) Software Company Limited and Parametric Technology (Hong Kong) Ltd., from at least 2006 through 2011, caused violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 (“Exchange Act”), by causing the company to (a) fail to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of its assets, and (b) fail to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions (i) were executed in accordance with management’s general or specific authorization and (ii) were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets (“Investigation”). Prior to a public enforcement action being brought by the Commission against him, without admitting or denying these allegations, Respondent has offered to accept full responsibility for his conduct and to not contest or contradict the factual statements contained in Paragraph 6 in any future Commission enforcement action in the event he breaches this Agreement. Accordingly, the Commission and the Respondent enter into this deferred prosecution agreement (“Agreement”) on the following terms and conditions:

ELIGIBILITY

2. The Respondent certifies that he has never been charged or found guilty of violating the federal securities laws, or been a party to a civil action or administrative proceeding concerning allegations or findings of violations of the federal securities laws.

TERM

3. The Respondent understands and agrees that the provisions of this Agreement are in full force and effect from February 16, 2016 to February 15, 2019, (the “Deferred Period”), unless expressly stated otherwise.

COOPERATION

4. The Respondent agrees to cooperate fully and truthfully in the Investigation and any other related enforcement litigation or proceedings to which the Commission is a party (the “Proceedings”), regardless of the time period in which the cooperation is required. In addition, the Respondent agrees to cooperate fully and truthfully, when directed by the Division’s staff, in an official investigation or proceeding

by any federal, state, or self-regulatory organization (“Other Proceedings”). The full, truthful, and continuing cooperation of the Respondent shall include, but not be limited to:

- a. producing all non-privileged documents and other materials to the Commission as requested by the Division’s staff, wherever located, in the possession, custody, or control of the Respondent;
- b. appearing for interviews, at such times and places, as requested by the Division’s staff;
- c. responding fully and truthfully to all inquiries, when requested to do so by the Division’s staff, in connection with the Proceedings or Other Proceedings;
- d. testifying at trial and other judicial proceedings, when requested to do so by the Division’s staff, in connection with the Proceedings or Other Proceedings;
- e. accepting service by mail or facsimile transmission of notices or subpoenas for documents or testimony at depositions, hearings, trials or in connection with the Proceedings or Other Proceedings;
- f. appointing his undersigned attorney as agent to receive service of such notices and subpoenas;
- g. waiving the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, when requested to appear by the Division’s staff; and
- h. entering into tolling agreements, when requested to do so by the Division’s staff, during the period of cooperation.

STATUTE OF LIMITATIONS

5. The Respondent agrees that the running of any statute of limitations applicable to any action or proceeding against him authorized, instituted, or brought by or on behalf of the Commission arising out of the Investigation (“Proceeding”), including any sanctions or relief that may be imposed therein, is tolled and suspended during the Deferred Period.

- a. The Respondent and any of his attorneys or agents shall not include the Deferred Period in the calculation of the running of any statute of limitations or for any other time-related defense applicable to the Proceeding, including any sanctions or relief that may be imposed therein, in asserting or relying upon any such time-related defense.

b. This agreement shall not affect any applicable statute of limitations defense or any other time-related defense that may be available to Respondent before the commencement of the Deferred Period or be construed to revive a Proceeding that may be barred by any applicable statute of limitations or any other time-related defense before the commencement of the Deferred Period.

c. The running of any statute of limitations applicable to the Proceeding shall commence again after the end of the Deferred Period, unless there is an extension of the Deferred Period executed in writing by or on behalf of the parties hereto.

d. This agreement shall not be construed as an admission by the Commission relating to the applicability of any statute of limitations to the Proceeding, including any sanctions or relief that may be imposed therein, or to the length of any limitations period that may apply, or to the applicability of any other time-related defense.

STATEMENT OF FACTS¹

6. If this case had gone to trial, the Commission would have presented evidence sufficient to prove the following facts:

a. Yuan, age 47, is a Chinese citizen and who resides in Shanghai, China. From 1996 until 2011, Yuan was employed as a sales executive at Parametric Technology (Hong Kong) Ltd. and Parametric Technology (Shanghai) Software Co., Ltd. (collectively, "PTC-China"). These two entities are subsidiaries of PTC Inc., a publicly traded Massachusetts corporation headquartered in Needham, Massachusetts.

b. From at least 2006 into 2011, PTC-China provided, through business partners, items of value to employees and officers of Chinese state owned entities ("SOE employees and officers"), where the SOE's were PTC customers. These items of value were made to obtain or retain business from the SOEs. Specifically, PTC-China provided, through business partners, non-business travel, primarily sightseeing and tourist activities, as well as improper gifts and entertainment, to the SOE employees and officers.

c. PTC-China provided these items of value in two primary ways: 1) by providing payments to third party agents, disguised as commission payments or sub-contracting fees, which were then used to pay for non-business related foreign travel for SOE employees and officers; and 2) by allowing its sales staff to provide SOE employees and officers with gifts and excessive entertainment.

d. For sales to Chinese SOE's, PTC-China routinely hired third parties – called "business partners" – both to find deals, for which PTC-China paid a

¹ The facts set forth in this section are made pursuant to settlement negotiations associated with the violations alleged by the Division in Paragraph 1 of this Agreement and are not binding in any other legal proceeding or on any other person or entity.

commission or “success fee,” as well as to provide information technology and other services, which PTC-China subcontracted to the business partner. Business partners were generally Chinese companies, purportedly with specific knowledge of, and relationships with, PTC-China’s customers.

e. Certain PTC employees knew that many of PTC-China’s customers were SOEs whose employees were Chinese government officials. Certain business partners had long standing relationships with these SOE employees and officers. Generally, the business partners provided PTC-China with lobbying or “influence services” (i.e., arranging seminars and meetings with officials of the SOEs) and information technology services. Often the SOE employees and officers chose the business partner with whom they wished to collaborate.

f. Senior PTC-China staff had discretion in setting the fee arrangements with business partners. PTC-China did not have a fixed success fee arrangement with its business partners, instead negotiating the fee for each particular deal. When PTC-China initially engaged the business partner, its sales team generally agreed to a price range for the business partners’ commission – from as low as 15% to as high as 30% of the contract price – if the deal was successful. PTC-China’s senior staff negotiated the commission with the business partner at or about the time a deal closed. PTC-China’s senior staff reported to a PTC employee who had authority over the commission approval process.

g. For information technology and other subcontracted services, PTC-China relied on sign-offs provided by the SOE’s officials as evidence that the agreed upon services had been performed. Once the business partner and/or the SOE employees and officers confirmed that the business partner had completed the services, PTC-China made the agreed-upon payments to the business partner.

h. Beginning in 2005, PTC-China recorded the commission and information technology subcontracting payments to business partners as “Complete Outsourced Deals” or “COD” expenses. After 2008, PTC-China began paying commissions to business partners as it received customer payment on the deals. PTC-China sales staff tracked the payments to business partners on spreadsheets that they kept on their computers, and which were separate from PTC-China’s electronic accounting records. These spreadsheets were used to track and monitor the arrangements and their payment status.

i. During contract negotiations with SOEs, SOE employees and officers, in conjunction with a business partner, often requested that PTC-China provide them with overseas “training,” which involved primarily tourist and sightseeing visits. The three parties would settle on a travel budget and the SOE employees and officers would typically agree to “gross up” the SOE’s contract price by the amount of the anticipated travel costs. PTC-China sales staff itemized the overseas travel costs in the initial contract documents for approval by senior PTC-China staff. Once approved, however, PTC-China’s practice was to remove the line item for overseas travel from the

final contract documents that were signed by PTC and the SOEs. Instead, the funds budgeted for the overseas travel were disguised by PTC-China personnel as COD expenses related to success fees or subcontracting payments for business partners.

j. Because PTC-China employees negotiated success fees with a business partner on a deal by deal basis, they were able to include the costs of the overseas travel as part of a business partner's fees without raising suspicion. In turn, the business partner used part of its success fee to pay for the overseas sightseeing trips. Alternatively, PTC-China employees sometimes put the overseas travel payments as a payment purportedly for providing information technology or other subcontracted services. The business partner (or customer) then provided PTC-China with documents indicating that it had performed the subcontracted services, and used a part of the subcontract fee to pay for the SOE employees' and officers' sightseeing trips. For certain more expensive trips, PTC-China employees spread the overseas travel payments over several contracts, each with its own COD budget. Because many deals with SOEs involved long term contracts that took several years to complete, the actual sightseeing trip sometimes occurred up to two to three years after the deal was negotiated.

k. PTC-China sales staff tracked on spreadsheets kept separate from PTC-China's regularly maintained books and records the overseas travel payments made by business partners to or for the benefit of PTC's SOE customers. Senior PTC-China sales staff used the spreadsheets to understand the composition of, and negotiate, the success and other fees with the business partners.

l. PTC-China employees and the business partners typically arranged the overseas sightseeing trips in conjunction with a visit to a PTC facility. Most often, PTC-China sales staff arranged for SOE employees and officers to visit PTC's corporate headquarters in Massachusetts, for PTC to market and demonstrate the company's products and services. The trips typically consisted of one day of business activities at PTC's facility, followed or preceded by additional days of sightseeing visits that lacked any business purpose, all of which were paid for by the business partners using funds from their grossed up success fees and subcontracting payments. Some PTC employees in the United States generally understood that SOE officials were spending additional days in the country, including for tourist activities. And certain PTC employees based in China were aware that PTC-China employees were accompanying SOE employees and officers to tourist destinations.

m. Typical travel destinations in the United States included New York, Las Vegas, San Diego, Los Angeles, and Honolulu, and involved guided tours, golfing, and other leisure activities. PTC-China staff usually accompanied the SOE employees and officers on these trips. The SOE employees and officers who went on the trips often were signatories on the purchase agreements with PTC.

PROHIBITIONS

7. During the Deferred Period, the Respondent understands and agrees to comply with the following prohibitions:
- a. to refrain from violating the federal and state securities laws; and
 - b. to refrain from violating the applicable rules promulgated by any self regulatory organization or professional licensing board.

UNDERTAKINGS

8. During the Deferred Period, the Respondent understands and agrees to perform the following undertakings:
- a. to provide written notification to the Division, within five days, if he has been questioned about, charged with, or convicted of an offense by any federal, state, or local law enforcement organization or regulatory agency;
 - b. to provide written notification to the Division, within five days, if he has been questioned about, a formal or informal complaint has been made against him, or disciplinary action has been taken against him by any self-regulatory organization or professional licensing board;
 - c. to provide the Division with a written certification of compliance with the prohibitions and undertakings in this Agreement between forty-five and sixty days before the end of the Deferred Period.

PUBLIC STATEMENTS

9. After the Deferred Period begins, on February 16, 2016, the Respondent agrees not to take any action or to make or permit any public statement through present or future attorneys, employees, agents, or other persons authorized to speak for him, except in legal proceedings in which the Commission is not a party, denying, directly or indirectly, any aspect of this Agreement or creating the impression that the allegations made by the Division in Paragraph 6 of this Agreement are without factual basis. If it is determined by the Commission that a public statement by the Respondent or any related person contradicts in whole or in part this Agreement, at its sole discretion, the Commission may bring an enforcement action in accordance with Paragraphs 12 through 14.
10. Prior to issuing a press release concerning this Agreement, the Respondent agrees to have the text of the release approved by the staff of the Division.

SERVICE

11. The Respondent agrees to serve by hand delivery or by next-day mail all written notices and correspondence required by or related to this Agreement to Kara Brockmeyer, 100 F Street, NE, Washington, DC 20549 (202) 551-4767, unless otherwise directed in writing by the staff of the Division.

VIOLATION OF AGREEMENT

12. The Respondent understands and agrees that it shall be a violation of this Agreement if he knowingly provides false or misleading information or materials in connection with the Proceedings or Other Proceedings. In the event of such misconduct, the Division will advise the Commission of the Respondent's misconduct and may make a criminal referral for providing false information (18 U.S.C. § 1001), perjury (18 U.S.C. § 1621), making false statements or declarations in court proceedings (18 U.S.C. § 1623), contempt (18 U.S.C. §§ 401-402) and/or obstructing justice (18 U.S.C. § 1503 *et seq.*).

13. The Respondent understands and agrees that it shall be a violation of this Agreement if he violates the federal securities laws after entering into this agreement. It is further understood and agreed that should the Division determine that the Respondent has failed to comply with any term or condition of this Agreement, the Division will notify the Respondent or his counsel of this fact and provide an opportunity for the Respondent to make a submission consistent with the procedures set forth in the Securities Act of 1933 Release No. 5310. Under these circumstances, the Division may, in its sole discretion and not subject to judicial review, recommend to the Commission an enforcement action against the Respondent for any securities law violations, including, but not limited to, the substantive offenses relating to the Investigation. Nothing in this agreement limits the Division's discretion to recommend to the Commission an enforcement action against the Respondent for future violations of the federal securities laws, without notice, to protect the public interest.

14. The Respondent understands and agrees that in any future enforcement action resulting from his violation of the Agreement, any documents, statements, information, testimony, or evidence provided by him during the Proceedings or Other Proceedings, and any leads derived there from, may be used against him in future legal proceedings.

15. In the event he breaches this Agreement, the Respondent agrees not to contest or contradict in any future Commission enforcement action the factual statements contained in Paragraph 6 above as admissions pursuant to Federal Rule of Evidence 801(d)(2).

COMPLIANCE WITH AGREEMENT

16. Subject to the full, truthful, and continuing cooperation of the Respondent, as described in Paragraph 4, and compliance by Respondent with all obligations, prohibitions and undertakings in the Agreement during the Deferred Period, the Commission agrees not to bring any enforcement action or proceeding against the Respondent arising from the Investigation, after the conclusion of the Deferred Period.

17. The Respondent understands and agrees that this Agreement does not bind other federal, state or self-regulatory organizations, but the Commission may, at its discretion, issue a letter to these organizations detailing the fact, manner, and extent of his cooperation during the Proceedings or Other Proceedings, upon the written request of the Respondent.

18. The Respondent understands and agrees that the Agreement only provides protection against enforcement actions arising from the Investigation and does not relate to any other violations or any individual or entity other than the Respondent.

VOLUNTARY AGREEMENT

19. The Respondent's decision to enter into this Agreement is freely and voluntarily made and is not the result of force, threats, assurances, promises, or representations other than those contained in this Agreement.

20. The Respondent has read and understands this Agreement. Furthermore, he has reviewed all legal and factual aspects of this matter with his attorney and is fully satisfied with his attorney's legal representation. The Respondent has thoroughly reviewed this Agreement with his attorney and has received satisfactory explanations concerning each paragraph of the Agreement. After conferring with his attorney and considering all available alternatives, the Respondent has made a knowing decision to enter into the Agreement.

ENTIRETY OF AGREEMENT

21. This Agreement constitutes the entire agreement between the Commission and the Respondent, and supersedes all prior understandings, if any, whether oral or written, relating to the subject matter herein.

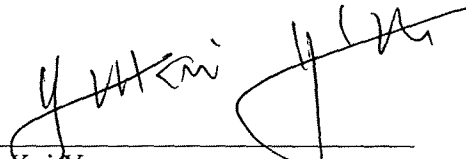
22. This Agreement cannot be modified except in writing, signed by the Respondent and a representative of the Commission.

23. In the event an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring the Commission or the Respondent by virtue of the authorship of any of the provisions of the Agreement.

The signatories below acknowledge acceptance of the foregoing terms and conditions.

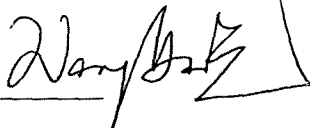
RESPONDENT

Nov 18, 2015
Date


Yu Kai Yuan

WITNESS'S CERTIFICATION

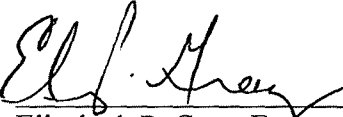
On November 18, 2015, Yu Kai Yuan, who is personally known to me, appeared before me and affirmed that he is signing the foregoing document of his own free will.

WANG, Yi 
Name of Witness printed:

RESPONDENT'S COUNSEL

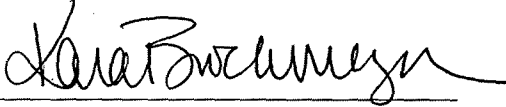
Approved as to form:

11/20/15
Date


Elizabeth P. Gray, Esq.
Willkie Farr & Gallagher LLP
1875 K Street, NW
Washington, D.C. 2006

SECURITIES AND EXCHANGE COMMISSION
DIVISION OF ENFORCEMENT

12/10/15
Date


Kara Brockmeyer
Chief, FCPA Unit