



U.S. Department of Justice

Criminal Division

---

April 6, 2011

Daniel J. Horwitz, Esq.  
Lankler and Carragher, LLP  
415 Madison Avenue  
New York, New York 10017

**Re: Comverse Technology, Inc.**

Dear Mr. Horwitz:

On the understandings specified below, the United States Department of Justice, Criminal Division, Fraud Section and the United States Attorney's Office for the Eastern District of New York (collectively referred to as "the Department") will not criminally prosecute Comverse Technology, Inc. ("CTI"), Comverse, Inc., a wholly owned subsidiary of CTI ("Comverse Inc."), and the subsidiaries of Comverse Inc., including Comverse Ltd. (collectively referred to as "Comverse"), for any crimes (except for criminal tax violations, as to which the Department cannot and does not make any agreement) related to Comverse's knowing violation of the books and records provisions of the Foreign Corrupt Practices Act ("FCPA"), Title 15, United States Code, Sections 78m(b)(2)(A), 78(m)(b)(5), arising from and related to Comverse's failure accurately to record certain improper payments made by employees of Comverse Ltd. and certain subsidiaries of Comverse Ltd. and a third-party agent from 2003 to 2006, as described in Appendix A hereto, which is incorporated by reference herein. The Department enters into this Non-Prosecution Agreement based, in part, on the following factors: (a) Comverse's timely, voluntary, and complete disclosure of the facts described in Appendix A (the "Statement of Facts"); (b) Comverse's full cooperation with the Department and the U.S. Securities and Exchange Commission ("SEC"); and (c) the remedial efforts already undertaken and to be undertaken by Comverse.

It is understood that Comverse admits, and accepts and acknowledges responsibility for, the conduct set forth in Appendix A, and agrees not to make any public statement contradicting Appendix A.

This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to Comverse and not to any other entities except as set forth in this Agreement, including Appendix A, or to any individuals. Comverse expressly understands that the protections provided to Comverse under this Agreement shall not apply to any acquirer or successor entities unless and until such acquirer or successor formally adopts and executes this Agreement.

This Agreement shall have a term of two years from the date of this Agreement, except as specifically provided in the following paragraph. It is understood that for the two-year term of this Agreement, Comverse shall: (a) commit no crimes whatsoever; (b) truthfully and completely disclose non-privileged information with respect to the activities of Comverse, its officers and employees, and others concerning all matters about which the Department inquires of it, which information can be used for any purpose, except as otherwise limited in this Agreement; and (c) bring to the Department's attention all criminal conduct by, or criminal investigations of, Comverse or any of its employees that comes to the attention of Comverse or its senior management, as well as any administrative proceeding or civil action brought by any U.S. or foreign governmental authority that alleges fraud by or against Comverse.

Until the date upon which all investigations and prosecutions arising out of the conduct described in this Agreement are concluded, whether or not they are concluded within the two-year term of this Agreement, Comverse shall: (a) cooperate fully with the Department, the Federal Bureau of Investigation, the SEC, and any other law enforcement agency designated by the Department; (b) assist the Department in any investigation or prosecution arising out of the conduct described in this Agreement by providing logistical and technical support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (c) use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, agent, or employee at any meeting or interview or before the grand jury or at any trial or other court proceeding; and (d) provide the Department, upon request, all non-privileged information, documents, records, or other tangible evidence about which this Office or any designated law enforcement agency inquires.

It is understood that, if the Department in its sole discretion determines that Comverse has committed any crime after signing this Agreement, that Comverse has given false, incomplete, or misleading testimony or information at any time, or that Comverse otherwise has violated any provision of this Agreement, Comverse shall thereafter be subject to prosecution for any violation of federal law of which the Department has knowledge, including perjury and obstruction of justice. Any such prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against Comverse, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the expiration of the term of this agreement plus one year. Thus, by signing this Agreement, Comverse agrees that the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed, including all time tolled by the June 2010 Tolling Agreement, shall be tolled for the term of this Agreement plus one year.

It is understood that Comverse has and will continue to strengthen its compliance, bookkeeping, and internal control standards and procedures, as set forth in Appendix B.

It is understood that, if the Department in its sole discretion determines that Comverse has committed any crime after signing this Agreement, or that Comverse has given false, incomplete, or misleading testimony or information at any time, or that Comverse has otherwise violated any provision of this Agreement: (a) all statements made by Comverse to the Department or other designated law enforcement agents, including Appendix A hereto, and any

testimony given by Comverse before a grand jury or other tribunal, whether prior or subsequent to the signing of this Agreement, and any leads from such statements or testimony, shall be admissible in evidence in any criminal proceeding brought against Comverse, its employees, and/or its agents; and (b) Comverse shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom are inadmissible or should be suppressed. By signing this Agreement, Comverse waives all rights in the foregoing respects.

It is understood that Comverse has agreed to pay a monetary penalty in the amount of \$1,200,000. Comverse agrees to pay this sum to the United States Treasury within ten days of executing this Agreement. Comverse acknowledges that no tax deduction may be sought in connection with this payment.

It is further understood that this Agreement does not bind any federal, state, local, or foreign prosecuting authority other than the Department. The Department will, however, bring the cooperation of Comverse to the attention of other prosecuting and investigative offices, if requested by Comverse.


It is further understood that Comverse and the Department may disclose this Agreement to the public.

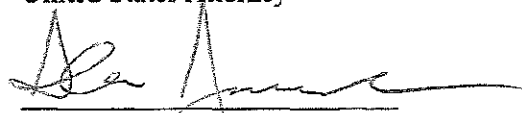
With respect to this matter, from the date of execution of this Agreement forward, this Agreement supersedes all prior, if any, understandings, promises, and/or conditions between the Department and Comverse. No additional promises, agreements, or conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by all parties.

Sincerely,

DENIS J. McINERNEY  
Chief, Fraud Section

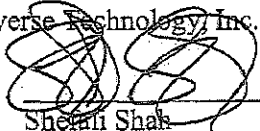
LORETTA E. LYNCH  
United States Attorney

By:   
Amanda Aikman  
Trial Attorney  
Fraud Section, Criminal Division  
U.S. Department of Justice

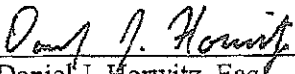
  
Ilene Jaroslaw  
Assistant United States Attorney  
U.S. Attorney's Office for the  
Eastern District of New York

AGREED AND CONSENTED TO:

Comverse Technology, Inc.

By:   
Sherah Shah  
Vice President and General Counsel

APPROVED:

By:   
Daniel J. Horwitz, Esq.  
Attorney for Comverse Technology, Inc.

## APPENDIX A

### STATEMENT OF FACTS

The following Statement of Facts is incorporated by reference as part of the Non-Prosecution Agreement, dated April 6, 2011, between the United States Department of Justice, Criminal Division, Fraud Section (“the Fraud Section”), the United States Attorney’s Office for the Eastern District of New York (“USAO”) (collectively referred to as “the Department”), and Comverse Technology Inc. (“CTI”), Comverse, Inc., and the subsidiaries of Comverse, Inc. (collectively referred to as “Comverse”). The Department and Comverse agree that the following facts are true and correct:

#### **I. Background**

1. CTI was a New York corporation headquartered in Woodbury, New York, until 2005, when it moved its headquarters to New York City. CTI, through its wholly owned subsidiary, Comverse, Inc., was a global provider of software and software systems for communication and billing services. CTI’s common stock was previously registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and publicly traded on the NASDAQ National Market System (“NASDAQ”). As a result of CTI’s disclosure in April 2006 that its prior financial statements should not be relied upon and its inability to timely restate and file its periodic reports with the United States Securities and Exchange Commission, CTI’s shares were suspended from trading on NASDAQ on February 1, 2007, and delisted on June 4, 2007. CTI’s common stock was then registered under Section 12(g) of the Exchange Act and quoted on the “Pink Sheets” (symbol: CMVT or CMVT.PK).

2. As an issuer of a security registered pursuant to Section 12 of the Exchange Act, CTI was required to file periodic reports with the U.S. Securities and Exchange Commission

(“SEC”) pursuant to Section 13 of the Securities Exchange Act. Accordingly, CTI was an “issuer” within the meaning of the Foreign Corrupt Practices Act (“FCPA”), Title 15, United States Code, Section 78m(b)(2). By virtue of its status as an issuer within the meaning of the FCPA, CTI was required to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflected the transactions and disposition of assets of CTI and its subsidiaries, including Comverse, Inc. and its subsidiary Comverse Ltd.

3. Comverse, Inc., a wholly owned subsidiary of CTI, was a Delaware corporation headquartered in Wakefield, Massachusetts. Comverse Ltd., a wholly owned subsidiary of Comverse, Inc., was an Israeli company based in Tel Aviv, Israel. Comverse, Inc. and its subsidiaries, including Comverse Ltd., functioned as a single operating business known as Comverse Network Systems (“CNS”). CNS divided global sales territories into three regions: Europe, the Middle East, and Africa (“EMEA”); North and South Americas; and Asia and the Pacific. At all times relevant to the facts described herein, EMEA was CNS’s largest market by sales. Comverse, Inc. and its subsidiaries’ accounts, including those of Comverse Ltd., were consolidated into CTI’s quarterly and year-end results.

## **II. Relevant Individuals and Entities**

4. Employee A, an Israeli citizen, was the Chief Operations Officer of Comverse Ltd.’s EMEA division.

5. Employee B, an Italian citizen, served as the Managing Director of the Italian subsidiary of Comverse Ltd., the President of Comverse Europe, and the Executive Vice President of Strategic Customers and Alliances, respectively.

6. Employee C, an Israeli citizen, was an Account Manager for Comverse Ltd.’s EMEA division.

7. Employee D, an Israeli citizen, was the President of Comverse Ltd.'s EMEA Division.
8. Employee E, an Israeli citizen, was Comverse Ltd.'s head of Human Resources.
9. Employee F, an Israeli citizen, was the Director of Security at Comverse Ltd.
10. Agent G, an Israeli citizen, was engaged by Comverse Ltd. as early as 2000 as an independent consultant to Comverse Ltd., with a particular focus on Greece (formally known as the Hellenic Republic).
11. Corporation H was a Cyprus-based company created by Agent G at the direction of Comverse Ltd. employees to facilitate the payment of cash to representatives of certain Comverse Ltd. customers in exchange for securing purchase orders.
12. The Hellenic Telecommunications Organization S.A. ("OTE") was a telecommunications provider controlled and partially owned by the Greek government. The Greek government was OTE's largest single shareholder and maintained an interest in over one-third of OTE's issued share capital.

## **II. The Inaccurate Books and Records**

13. From in or around 2000 to in or around 2006, Comverse Ltd. paid Agent G monthly retainer fees of \$5,000 or \$5,500 per month. During approximately this same time period, Agent G also received commissions on purchase orders he helped to obtain for Comverse Ltd. Agent G would keep 15% of the total commission, and the remaining 85% was used to make improper payments. Comverse Ltd.'s payment arrangement with Agent G was unique, because most other sales agents hired by Comverse Ltd. received only commission payments and not monthly retainer fees. Moreover, unlike other agents used by Comverse Ltd., Agent G's

travel expenses were reimbursed and his travel arrangements were made and paid directly by the company.

14. In or around early 2003, certain EMEA employees from Comverse Ltd., including Employee C, directed Agent G to set up a shell company and corresponding bank account in Cyprus. Agent G was told that the shell company would be used to make cash payments to a senior executive of one of Comverse Ltd.'s Greek private customers.

15. In or around February 2003, with the assistance of a Cypriot lawyer, Agent G caused Corporation H to be incorporated in Cyprus. Agent G also caused a U.S. dollar-denominated bank account and a Euro-denominated bank account to be opened in Cyprus in the name of Corporation H. Corporation H had no offices or employees and was later described by Agent G as "purely a money laundering operation."

16. Between in or around 2003 and in or around 2006, Comverse Ltd. entered into at least five separate agreements with Corporation H, in which Corporation H agreed to provide consulting services to assist Comverse Ltd. in obtaining orders from customers. Corporation H entered into a sixth extension agreement with Comverse Ltd. in 2007. All of Comverse Ltd.'s agreements with Corporation H were approved and signed by senior executives of Comverse Ltd., including the President of Comverse Europe, the CFO of EMEA, and two different Presidents of EMEA.

17. In fact, Corporation H and its bank accounts in Cyprus were used by Agent G and senior employees of the EMEA division to make cash payments to employees of existing and prospective Comverse Ltd. customers in exchange for obtaining purchase orders for Comverse Ltd.'s products and services.



18. Employee A would provide a financial analyst in the EMEA division with a specific amount or with a percentage of the related purchase order to be paid to Corporation H as a “commission” for customers. The financial analyst would provide instructions to Agent G regarding the preparation of an invoice for this “commission” amount, which Corporation H was to bill Comverse Ltd. for the associated customer. After receiving these instructions, Agent G would issue a corresponding invoice for Corporation H. The financial analyst then opened a Purchase Requisition System Form for the amount of the “commission” to be paid to Corporation H, which would also specify which customer was associated with the payment, and obtained any approvals that were necessary in order for payment to be made. Comverse Ltd. would then cause the money to be transferred from its bank account in Israel to one of Corporation H’s Cyprus bank accounts.

19. Once the “commission” payment had been transferred to Corporation H’s bank account for a particular customer, Agent G or another Comverse Ltd. employee, such as Employee A or Employee C, would travel to Cyprus to withdraw the cash from Corporation H’s bank account. Agent G would generally deliver the cash he withdrew to Employee A in Israel, Italy, or Greece, to Employee B in Italy, or, in the case of one Comverse Ltd. private customer, directly to representatives of that customer in Greece. Employee B would deliver the cash he received to customers that were located in Italy, while Employee A or Employee C would generally pay all other customers.

20. In December 2005, Employee F was notified by a representative of an airline’s security department that Agent G had been questioned at the Rome airport about a same-day round-trip flight to Rome, Italy, from Tel Aviv, Israel. Agent G’s ticket had been purchased by Comverse Ltd. The airline representative further advised that Agent G frequently traveled to and

from Rome on the same flight. Further investigation by Employee F revealed that between May 2005 and December 2005, Agent G had taken six same-day, round-trip flights between Tel Aviv and Rome, ten same-day, round-trip flights between Tel Aviv and Larnaca, Cyprus, and had flown numerous additional times to Athens, Greece. All of these flights were booked and paid by Comverse Ltd.

21. After being instructed by Comverse Ltd. employees to investigate further the December 2005 incident involving Agent G, Employee F prepared a memorandum with his findings dated January 1, 2006, which was addressed to Employee D and Employee E (“memorandum”). The memorandum advised that all of the travel arranged by Comverse Ltd. was, in fact, undertaken by Agent G on Comverse Ltd.’s behalf; that Agent G was engaged as a money courier and that the amounts of cash involved exceeded a reasonable amount for a passenger entering Greece or Italy, which could implicate money laundering laws; and that envelopes with money had been transferred by Agent G to Employee B at the airport or near the airport. The memorandum concluded that the discovery of Agent G’s “money envelope” by law enforcement could result in “repercussions” for the company that “are clear” and recommended certain steps to minimize the risk posed by Agent G’s activities.

22. The memorandum’s recommendations included the following: that a travel agent not associated with Comverse Ltd. make Agent G’s travel arrangements, that Agent G stay at different hotels where he was not recognized as a Comverse Ltd. employee, that Agent G not return to Israel on the same outbound flight he had taken to leave the country, and that Agent G’s relationship with Comverse Ltd. gradually be “disconnect[ed]” and ultimately “terminat[ed]” because “he knows too much.” The memorandum concluded that “[a]s long as the current

system exists, Agent G will need an appropriate cover story, that is grounded and backed-up with documents that Comverse has no part in . . . .”

23. Following the December 2005 Rome airport incident and the January 1, 2006, memorandum, Comverse Ltd. continued to compensate Agent G through monthly retainer fees and commission payments and continued to make improper payments to customer representatives through Agent G and Corporation H that were inaccurately characterized as “commissions.”

24. Between 2003 and 2006, Comverse Ltd. made approximately \$536,000 in cash payments to Corporation H with the intent that the money would be passed on to individuals connected to OTE, including employees of OTE’s subsidiaries Cosmote, Cosmofon, and Cosmorom, in order to obtain purchase orders from those companies for Comverse Ltd. products and services, resulting in approximately \$1,250,000 in adjusted operating income.

25. From in or around 2003 through in or around 2007, Comverse Ltd. employees including Employee A, Employee B, Employee C, and others caused the above-described cash payments to be characterized falsely in Comverse Ltd.’s books, records, and accounts as “commission” expenses, when, in fact, they were improper payments to obtain purchase orders.

26. The books, records, and accounts of CTI’s wholly owned subsidiaries, including those of Comverse Ltd. containing the false characterizations of the payments to Comverse Ltd. customers, were incorporated into the books, records, and accounts of CTI for purposes of preparing CTI’s quarterly and year-end financial statements for the periods ending October 31, 2005 and January 31, 2005, respectively.

## APPENDIX B

### CORPORATE COMPLIANCE PROGRAM

In order to address deficiencies in its internal controls, policies, and procedures regarding compliance with the Foreign Corrupt Practices Act ("FCPA"), Title 15, United States Code, Section 78dd-1, *et seq.*, and other applicable anti-corruption laws, Comverse Technology, Inc. and its wholly owned and controlled subsidiaries (collectively, "Comverse") agree to continue to conduct, in a manner consistent with all of their obligations under this Agreement, appropriate reviews of their existing internal controls, policies, and procedures.

Where necessary and appropriate, Comverse agrees to adopt new or to modify existing internal controls, policies, and procedures in order to ensure that it maintains: (a) a system of internal accounting controls designed to ensure that Comverse makes and keeps fair and accurate books, records, and accounts; and (b) a rigorous anti-corruption compliance code, standards, and procedures designed to detect and deter violations of the FCPA and other applicable anti-corruption laws. At a minimum, this should include, but not be limited to, the following elements, to the extent they are not already part of Comverse's existing internal controls, policies, and procedures:

1. Comverse will develop and promulgate a clearly articulated and visible corporate policy against violations of the FCPA, including its anti-bribery, books and records, and internal controls provisions, and other applicable foreign law counterparts (collectively, the "anti-corruption laws,"), including strong, explicit, and visible support and commitment from senior management to the program.

2. Comverse will develop and promulgate compliance standards and procedures designed to reduce the prospect of violations of the anti-corruption laws and Comverse's compliance code and will take appropriate measures to encourage and support the observance of ethics and compliance standards and procedures against foreign bribery at all levels of the company. These standards and procedures shall apply to all directors, officers, and employees and, where necessary and appropriate, outside parties acting on behalf of Comverse in a foreign jurisdiction, including but not limited to, agents and intermediaries, consultants, representatives, distributors, teaming partners, contractors and suppliers, consortia, and joint venture partners (collectively, "agents and business partners"), and shall notify all employees that compliance with the standards and procedures is the duty of individuals at all levels of the company. Such standards and procedures shall include policies governing:

- a. Gifts;
- b. Hospitality, entertainment, and expenses;
- c. Customer travel;
- d. Political contributions;
- e. Charitable donations and sponsorships;
- f. Facilitation payments; and
- g. Solicitation and extortion.

3. Comverse will develop these compliance standards and procedures, including internal controls, ethics, and compliance programs on the basis of a risk assessment addressing the individual circumstances of the company, in particular the foreign bribery risks facing the company, including, but not limited to, its geographical organization, interaction with governments, and industrial sector of operation.

4. Comverse shall review its compliance standards and procedures, including internal controls, ethics, and compliance programs, no less than annually, and updated as appropriate, taking into account relevant developments in the field and evolving international and industry standards, and update and adapt as necessary to ensure the continued effectiveness of the company's internal controls, ethics, and compliance programs.

5. Comverse will assign responsibility to one or more senior corporate executives of Comverse for the implementation and oversight of compliance with policies, standards, and procedures regarding the anti-corruption laws. Such corporate official(s) shall have direct reporting obligations to independent monitoring bodies, including internal audit, Comverse's Board of Directors, or any appropriate committee of the Board of Directors, and shall have an adequate level of autonomy from management as well as sufficient resources and authority to maintain such autonomy.

6. Comverse will ensure that it has a system of financial and accounting procedures, including a system of internal controls, reasonably designed to ensure the maintenance of fair and accurate books, records, and accounts to ensure that they cannot be used for the purpose of foreign bribery or concealing such bribery.

7. Comverse will implement mechanisms designed to ensure that the policies, standards, and procedures of Comverse regarding the anti-corruption laws are effectively communicated to all directors, officers, employees, and, where appropriate, agents and business partners. These mechanisms shall include: (a) periodic training for all directors, officers, and employees, and, where necessary and appropriate, agents and business partners; and (b) annual certifications by all such directors, officers, and employees, and, where necessary and appropriate, agents, and business partners, certifying compliance with the training requirements.

8. Comverse will establish an effective system for:

- a. Providing guidance and advice to directors, officers, employees, and, where appropriate, agents and business partners, on complying with Comverse's compliance policies, standards, and procedures, including when they need advice on an urgent basis on difficult situations in foreign jurisdictions;
- b. Internal and, where possible, confidential reporting by, and protection of, directors, officers, employees, and, where appropriate, agents and business partners, not willing to violate professional standards or ethics under instructions or pressure from hierarchical superiors, as well as for directors, officers, employee, and, where appropriate, agents and business partners, willing to report breaches of the law or professional standards or

ethics concerning anti-corruption occurring within the company, suspected criminal conduct, and/or violations of the compliance policies, standards, and procedures regarding the anti-corruption laws for directors, officers, employees, and, where necessary and appropriate, agents and business partners; and

- c. Responding to such requests and undertaking appropriate action in response to such reports.

9. Comverse will institute appropriate disciplinary procedures to address, among other things, violations of the anti-corruption laws and Comverse's compliance and ethics program by Comverse's directors, officers, and employees. Comverse shall implement procedures to ensure that where misconduct is discovered, reasonable steps are taken to remedy the harm resulting from such misconduct, and to ensure that appropriate steps are taken to prevent further similar misconduct, including assessing the internal controls, ethics, and compliance program and making modifications necessary to ensure the program is effective.

10. Comverse will institute appropriate due diligence and compliance requirements pertaining to the retention and oversight of all agents and business partners, including:

- a. Properly documented risk-based due diligence pertaining to the hiring and appropriate and regular oversight of agents and business partners;
- b. Informing agents and business partners of Comverse's commitment to abiding by laws on the prohibitions against foreign bribery, and of Comverse's ethics and compliance standards and procedures or other measures for preventing and detecting such bribery; and
- c. Seeking a reciprocal commitment from agents and business partners.

11. Where appropriate, Comverse will include standard provisions in agreements, contracts, and renewals thereof with all agents and business partners that are reasonably calculated to prevent violations of the anti-corruption laws, which may, depending upon the circumstances, include: (a) anti-corruption representations and undertakings relating to compliance with the anti-corruption laws; (b) rights to conduct audits of the books and records of the agent or business partner to ensure compliance with the foregoing; and (c) rights to terminate an agent or business partner as a result of any breach of anti-corruption laws, and regulations or representations and undertakings related to such matters.

12. Comverse will conduct periodic review and testing of the compliance code, standards, and procedures designed to evaluate and improve their effectiveness in preventing and detecting violations of anti-corruption laws and Comverse's compliance and ethics programs, taking into account relevant developments in the field and evolving international and industry standards.