

2. The USAO EDNC has informed ACADEMI LLC and its former affiliates that it will file a Criminal Information in the United States District Court for the Eastern District of North Carolina (the "Criminal Information"). The Criminal Information will charge ACADEMI and its former affiliates with violations of certain export control and firearms laws.

3. ACADEMI LLC and its former affiliates and the USAO EDNC agree that, upon the filing, with a request for temporary sealing, of the Criminal Information in accordance with the preceding paragraph, this Agreement shall be publicly filed in the United States District Court for the Eastern District of North Carolina.

4. The USAO EDNC has entered into this Agreement in significant part due to ACADEMI LLC's remedial efforts and cooperation with the investigation which have led to this Agreement, some of which are outlined below, as well as its willingness to continue with such remediation and cooperation including the following:

- a. Acknowledge responsibility for the conduct contained in the accompanying Statement of Facts ("Statement of Facts") See Attachment A;
- b. Continue to cooperate with the USAO EDNC and other law enforcement agencies working at its direction regarding the criminal investigation underlying the Criminal Information;
- c. ACADEMI LLC's agreement to employ an Export Compliance Monitor (as detailed in Paragraph 8) to monitor ACADEMI LLC's export compliance program;
- d. ACADEMI LLC's agreement to conduct annual audits to monitor compliance with federal firearms laws and regulations;
- e. ACADEMI LLC's consent to the payment of a 7.5 million dollar (\$7,500,000) fine subject to a credit of up to 2.5 million dollars (\$2,500,000) for compliance-related costs as described in Paragraph 6; and

- f. ACADEMI LLC having reached a \$42 million civil settlement with Department of State. (See Para. 6.a.)

5. The United States agrees that it shall defer prosecution of the Criminal Information and shall not during the term of this Agreement, except as contemplated by Paragraphs 17 and 18: (i) bring any criminal or civil case against ACADEMI LLC related in whole or in part to a violation of export laws (including those prohibitions or obligations set forth in the Arms Export Control Act ("AECA"), 22 U.S.C. §§ 2271-2781, the International Emergency Economic Powers Act ("IEEPA"), 50 U.S.C. §§ 1701-1706, and their corresponding controls authorized thereunder) or for violations of the federal firearms laws (including those prohibitions or obligations set forth in the Gun Control Act, 18 U.S.C. § 922, *et seq.*, and the National Firearms Act, 26 U.S.C. §§ 5841, 5861, *et seq.*, or for false statements related to such laws, that occurred before the date of this Agreement; or (ii) use any information related to the conduct described in the Criminal Information or the accompanying Statement of Facts ("Statement of Facts") against any of the Corporate entities covered by this Agreement in any criminal or civil proceeding. If the Court does not accept this Agreement, then (A) this Agreement shall be null and void, and the parties will revert to their pre-Agreement positions and may proceed as each deems appropriate, and (B) nothing in this Agreement or the Statement of Facts shall be used directly against any party hereto or otherwise be admissible in any criminal or civil proceeding based in whole or part on the conduct described in the Criminal Information or the Statement of Facts. This Agreement does not apply to the Foreign Corrupt Practices Act investigation independently under investigation by the United States Department of Justice.

6. ACADEMI LLC has made substantial efforts to ensure its compliance with federal law and regulations related both to export activity and the transfer, transport, storage and other handling of firearms. Steps taken to date include the following:

- a. Xe Services LLC (the predecessor entity of ACADEMI LLC) on its own behalf and on behalf of its

subsidiaries, divisions and affiliates, on August 18, 2010, entered into a Consent Agreement with the United States Department of State ("Consent Agreement") to resolve the administrative investigation of its historical noncompliance with the AECA and its implementing regulations, the International Traffic in Arms Regulations ("ITAR"). The Consent Agreement provides for a monetary penalty of forty-two million dollars (\$42,000,000). Xe timely has paid the first two installments of six million dollars (\$6,000,000) each. The Consent Agreement also required the appointment of a Special Compliance Officer ("SCO") to, among other things, oversee compliance with the terms of the Consent Agreement. The United States Department of State Directorate of Defense Trade Controls approved the SCO on October 7, 2010, and the SCO was appointed by Xe on October 19, 2010. The SCO has provided oversight of Xe's compliance program, has supervised an independent third party audit of the compliance program, and has filed reports with the United States Department of State consistent with requirements of the Consent Agreement;

- b. ACADEMI LLC has implemented an extensive and effective company-wide export compliance and auditing program (the "export compliance program") within the Regulatory & Compliance Office ("RCO"). Those efforts included in October, 2008, the hiring of a full-time Director, Export Compliance, and the establishment of an independent Export Compliance Committee (the "ECC"). The ECC, which was given broad powers to investigate all corporate activities and to ban any activities they believed posed compliance problems, oversaw and monitored Xe Services LLC's export compliance program until the execution of the Consent Agreement in August, 2010. To measure the effectiveness of the export compliance program at completion of its initial twelve (12) month term, the ECC directed an independent audit of Xe Services LLC's export compliance program. In October, 2009, the ECC presented to the U.S. Department of State Directorate of Defense Trade Controls (DDTC), the results of this audit, as

well as a comprehensive report of the ECC's oversight activities and remedial measures implemented during the first twelve (12) months of its mandate. The SCO possesses much of the same monitoring authority that had been vested in the ECC to ensure adherence to the export compliance program;

- c. ACADEMI LLC has created an Office of Firearms Control ("OFC"), a firearms & explosives control program within the RCO, hired a full-time Director, Firearms & Explosives Control, and has undertaken a number of firearms compliance measures (collectively, the "firearms compliance program"). Specifically, Xe Services LLC has done the following: (1) transitioned its firearms Acquisition & Disposition log from hardcopy to electronic format, allowing for more accurate, reliable and extensive record-keeping; (2) introduced robust searching capabilities of the nearly nine thousand (9,000) individual acquisition and disposition records; (3) implemented a procedure whereby the OFC is notified of newly arrived firearms upon delivery. This procedure verifies all shipping documents against FFL records to ensure accurate recordation and includes a verifiable firearm sign-out procedure; (4) put security measures in place that require all weapons to be stored only in secure spaces, and has implemented monthly audits of weapons maintained at all locations, overseas and domestic, with written records submitted to the OFC;
- d. ACADEMI LLC replaced all of its executive leadership, including its CEO, COO, and General Counsel, as well as several of the Company's Vice Presidents; hired an executive-level Chief Regulatory & Compliance Officer who has a direct reporting line to the Board of Directors, and formed a Board of Directors with several independent members;
- e. ACADEMI LLC has hired a full-time Director, Regulatory & Compliance, within the RCO, responsible for the areas of governance, quality, and security and instituted a company-wide

whistle-blower "hotline" for its officers, agents, and employees, including personnel for its subsidiaries and affiliates, to report any perceived or suspected export compliance problems. Complaints and issues raised through this process are quickly brought to the attention of upper management as well as the Director, Export Compliance. This "hotline" is accessible by email as well as by telephone and written communication. The establishment and importance of this hotline will be reinforced in all relevant training efforts; and

- f. ACADEMI LLC has completed a review of the involvement, if any, of former officers of ACADEMI LLC and its former affiliates and other relevant current and former employees concerning possible violations of the export control and firearms laws, and has reported its findings to the USAO EDNC.

7. ACADEMI LLC shall maintain and continue to implement all aspects of its export compliance and firearms compliance programs under the RCO throughout the term of this Agreement subject to ACADEMI LLC's ability, with notice to the USAO EDNC or Monitor (see paragraph 8 below), to modify or supplement such program to improve its effectiveness.

8. ACADEMI LLC agrees that for the duration of this Agreement it will retain and pay an Export Compliance Monitor ("Monitor") for the purpose of monitoring ACADEMI LLC's compliance with the export control laws. Such Monitor shall be an individual experienced in foreign trade regulation and, with regard to the external monitor, independent of ACADEMI LLC's corporate structure or ownership. ACADEMI LLC will nominate a proposed Monitor and the USAO EDNC will retain the authority to approve or disapprove of the candidate in its reasonable discretion. The person fulfilling the role of Monitor for purposes of this Agreement may, if the USAO EDNC agrees, be the same person serving as Special Compliance Officer pursuant to the Consent Agreement. Notwithstanding the above, with the approval of USAO EDNC, the position of Monitor under this Agreement may be assumed by the same employee approved to serve as the Internal Special Compliance Officer pursuant to paragraphs 10 and 11 of the Consent Decree.

9. The parties will proceed promptly and in good faith with the process of appointing the Monitor. The Monitor shall:

- a. Have access to all aspects of ACADEMI LLC's exporting operations, both foreign and domestic. Such access shall include the ability to interview any and all officers, directors, and employees, and to review any and all documentation or data, in whatever form;
- b. Be required to judge the effectiveness of ACADEMI LLC's export compliance program and record in writing and address all failures and deficiencies and make recommendations for improvement; and
- c. Be required on a twice-yearly basis, and at least 45 calendar days prior to the scheduled expiration of this Agreement, to submit a comprehensive written report as to all observations, findings, and recommendations related to ACADEMI LLC's export compliance efforts. ACADEMI LLC and the USAO EDNC shall make their best efforts to align the schedules for the submission of reports required under this paragraph of the Agreement and for the reports required under the Consent Agreement so that the same reports may be submitted to the respective government agencies on a twice-yearly basis.

10. The Monitor need not be given access to such portions of ACADEMI LLC's internal documentation, data, and communications that are protected by the attorney-client or work-product privileges. However, the assertion of any such privilege shall be noted in the Monitor's twice-yearly written reports and the Monitor's own communications and recommendations shall not be deemed subject to such privileges.

11. The Monitor's twice-yearly report may be distributed to any governmental law enforcement agency deemed appropriate by the USAO EDNC. Absent the necessity of litigation concerning an alleged breach of this Agreement or a Court Order, the United States will treat the Monitor's reports as "confidential commercial information" as that term is used in the Freedom of Information Act, as amended, Title 5, United States Code, § 552, 22 C.F.R. Part 171 ("FOIA"), and accordingly exempt from FOIA disclosure.

12. ACADEMI LLC agrees to engage one or more outside consultants with expertise in federal firearms matters, approved by the USAO EDNC, to perform annual audits during the term of this Agreement. Within six (6) months from the date of this Agreement, a draft audit plan for the initial audit of federal firearms compliance shall be submitted to the USAO EDNC for approval. Within eleven (11) months from the date of this Agreement, the first audit shall be completed along with a written report containing recommendations for improvements, if any, with respect to federal firearms compliance. Such audit report and subsequent audit reports, to be completed on an annual basis, shall be submitted to the USAO EDNC during the term of this Agreement.

13. ACADEMI LLC shall be responsive to any and all reasonable requests for information from the USAO EDNC in the interim between the issuance of written reports by the Monitor or by the firearms consultant(s), including a request for a supplemental report. ACADEMI LLC agrees to provide any such supplemental reports in a timely fashion.

14. ACADEMI LLC shall receive a credit against the 7.5 million dollars (\$7,500,000) in payments described in Attachment B for any and all of the costs and expenses incurred by it with respect to export control and international trade compliance, as well as the acquisition, transfer, transport, storage and other handling of firearms, including costs and expenses incurred implementing the items described in Paragraphs 6, 7, 8, 9 and 12 up to a maximum amount of 2.5 million dollars (\$2,500,000). The fact that costs and expenses related to ACADEMI LLC's export compliance program are allocated as remedial compliance expenditures pursuant to paragraph 38 of the Consent Agreement shall not preclude the Company from receiving credit for those expenses against the 7.5 million dollar (\$7,500,000) fine provided for in this Agreement. ACADEMI LLC is precluded from applying any portion of the 7.5 million dollar (\$7,500,000) fine penalty, except for credited amounts pursuant to this paragraph, as costs in any contract with any agency of the U.S. Government or in any other contract where the result would be the application of any portion of the 7.5 million dollars (\$7,500,000) penalty, except for credited amounts under this paragraph.

15. By entering into this Agreement, ACADEMI LLC and its former affiliates accept responsibility for the facts set forth in the Statement of Facts attached hereto as Attachment A and incorporated by reference herein.

16. Furthermore, ACADEMI LLC and its former affiliates agree that in the event that future criminal proceedings are brought by the United States through the USAO EDNC, they will not contest the admissibility of the Statement of Facts in any such proceedings. Nothing in this Agreement shall be construed as an acknowledgment by ACADEMI LLC and its former affiliates that this Agreement, including the Statement of Facts, is admissible or may be used in any proceeding other than a proceeding brought by the United States in accordance with the terms of this Agreement. ACADEMI LLC and its former affiliates and the USAO EDNC further agree that this Agreement, including the Statement of Facts, is not admissible and may not be used in any proceeding that has been brought or may be brought by the United States against any prior or current individual shareholder.

17. ACADEMI LLC agrees that it will not make, and will direct any parent company and its and their respective present and future attorneys, directors, managers and officers not to make, any public statement (i.e., press release, press conference, response to analysts, press reports, press inquiries, or other similar statements) contradicting any aspect of the Statement of Facts. Any such contradictory public statement may, in the sole discretion of the United States, be deemed a breach of this Agreement. The USAO EDNC will in good faith consider whether to permit a retraction or correction by ACADEMI LLC of such an offending statement or other remedial action to cure such a breach. The USAO EDNC will notify ACADEMI LLC of its decision as to whether it will permit such a cure within thirty (30) days of learning of the breach. For the avoidance of doubt, this paragraph is not intended to apply to any statement made in connection with any subpoena, discovery request, testimony, interview, or other formal questioning in connection with any criminal or civil proceeding.

18. ACADEMI LLC agrees that its continuing cooperation during the term of this Agreement shall include, but shall not be limited to, the following:

- a. Not engaging in or attempting to engage in any felonious criminal conduct;
- b. Providing information to the USAO EDNC relating to relevant compliance matters subsequent to the effective date of this Agreement;
- c. Making available directors, officers, employees, and agents of ACADEMI LLC and imposing no

impediment to the availability of former officers, employees, and agents, to provide information and/or testimony at all reasonable times as requested by the United States, including sworn testimony before a federal grand jury or in federal trials, as well as interviews with federal law enforcement authorities. However, it is understood that the United States will not enforce this clause in such a manner as to interfere with any such individual's right to be represented by counsel;

- d. Providing testimony, certifications, and other information deemed necessary by the United States or a court and, consistent with the knowledge of the Company, to identify or establish the original location, authenticity, or other evidentiary foundation necessary to admit into evidence documents in any criminal proceeding, as requested by the USAO EDNC; and
- e. If requested by the United States during the term of this Agreement, calling a meeting, on a date and place mutually agreed upon by ACADEMI LLC and the United States, of directors, officers, employees, and agents of ACADEMI LLC identified by the USAO EDNC for the purpose of communicating the goals and expected effect of this Agreement.

19. ACADEMI LLC and its former affiliates acknowledges and understands that its prior, ongoing, and future cooperation are important factors in the decision of the USAO EDNC to enter into this Agreement, and ACADEMI LLC agrees to continue to cooperate fully with any request from the USAO EDNC regarding any issue about which ACADEMI LLC has knowledge or information.

20. The United States may continue to investigate and at its discretion prosecute former and current equity holders, employees, officers, consultants, and directors of ACADEMI LLC and its former affiliates.

21. Should the United States determine that, during the term of this Agreement, ACADEMI LLC or its former affiliates knowingly and materially breached this Agreement, including committing any felonious criminal conduct as referenced in Paragraph 18(a), ACADEMI LLC or its former affiliates, in the

discretion of the United States, thereafter may be subject to prosecution for any federal crimes of which the United States has knowledge, including crimes relating to the matters set forth in the Statement of Facts and which are set forth in the Criminal Information filed in conjunction with this Agreement. If such prosecution results in an obligation by ACADEMI LLC to pay any fines, penalties, or other similar payments for conduct taking place prior to the date of this Agreement, then ACADEMI LLC shall receive a credit against such fines, penalties or other similar payments in an amount equal to the aggregate payments made pursuant to this Agreement.

22. Should the United States determine that, during the term of this Agreement, ACADEMI LLC or its former affiliates knowingly and materially breached this Agreement, including committing any felonious criminal conduct as referenced in Paragraph 18(a), the USAO EDNC shall provide written notice to the respective entity of the alleged breach and extend to it a thirty-day window of opportunity within which to make any late payment due hereunder, or, if the breach is not related to the payment of monies, to make a presentation to the United States to demonstrate that no breach occurred, or, to the extent applicable, that the breach was not material or knowingly committed or that the respective entity should for other reasons be permitted to cure such breach with specified remedial action. The parties further understand and agree that the determination whether ACADEMI LLC or its former affiliates has breached this Agreement rests solely in the discretion of the United States, and the exercise of such discretion by the United States under this paragraph is not subject to review in any court or tribunal outside the Department of Justice. In the event of a breach of this Agreement that results in the prosecution of ACADEMI LLC or its former affiliates, such prosecution may be premised upon any information provided by or on behalf of ACADEMI LLC or its former affiliates to the USAO EDNC at any time, unless otherwise agreed when the information was provided.

23. By entry into this Agreement, ACADEMI LLC and its former affiliates expressly waive all rights to a speedy trial pursuant to the Sixth Amendment of the United States Constitution, Title 18, United States Code, Section 3161, Federal Rule of Criminal Procedure 48(b), and any applicable Local Rules of the United States District Court for the Eastern District of North Carolina, for the period that this Agreement is in effect. Such waiver of speedy trial shall extend to all criminal charges

potentially chargeable as of the acceptance of this Agreement by the Court.

24. By entry into this Agreement, ACADEMI LLC and its former affiliates also expressly waive the statute of limitations with respect to any criminal violation of the export control or firearms laws that would otherwise expire during the term of this Agreement. This waiver is knowing and voluntary and in express reliance on the advice of counsel.

25. Absent an early termination as referenced below, this Agreement shall expire thirty-six (36) months after the date of its acceptance by the Court, except that, in the event that the USAO EDNC is conducting an ongoing investigation, prosecution, or proceeding related to the facts set forth in the Statement of Facts, the provisions of Paragraphs 18(b), 18(d) and 18(e) regarding ACADEMI LLC and its former affiliates' cooperation shall remain in effect until such investigation, prosecution or proceeding is concluded.

26. The USAO EDNC agrees that if ACADEMI LLC and its affiliates have complied in all material respects with this Agreement, the United States, within thirty (30) days of the expiration or early termination of this Agreement, will move to dismiss with prejudice the Criminal Information filed pursuant to Paragraph 2. Consistent with paragraph 30 of this Agreement, for purposes of this paragraph, ACADEMI LLC's material compliance with this agreement shall be considered separately from the material compliance of any former affiliate. Except to the extent Paragraph 19 is implicated, upon the conclusion of the term of this Agreement, the United States agrees that it will not prosecute ACADEMI LLC or its former affiliates, criminally or civilly, for any violation of export control laws (including those prohibitions or obligations set forth in the AECA, 22 U.S.C. 2271-2781, IEEPA, 50 U.S.C. 1701-1706, and their corresponding controls authorized thereunder), or for violations of the firearms laws (including those prohibitions or obligations set forth in the Gun Control Act, 18 U.S.C. 922, et seq., and the National Firearms Act, 26 U.S.C. 5841, 5861, et. seq.) or for false statements related to such laws that occurred before the date of this Agreement.

27. The terms of the non-prosecution agreement contained in Paragraphs 5 and 26 above shall apply to the following former affiliates of Xe: EP Aviation LLC; Aviation Worldwide Services LLC; Air Quest, Inc., Presidential Airways, Inc.; and STI Aviation, Inc.

28. ACADEMI LLC agrees that, if all or substantially all of ACADEMI LLC's business operations are sold as they exist as of the date of this Agreement to or into a single purchaser or group of affiliated purchasers during the term of this Agreement, ACADEMI LLC shall include in any contract for sale or merger a provision binding the purchaser/successor to the obligations described in this Agreement. This provision shall not be construed to impose the obligations described in this Agreement on business entities or operations of a purchaser/successor that existed prior to the date of purchase of ACADEMI LLC's business operations to the extent those pre-existing operations or entities remain legally distinct from ACADEMI LLC's business operations. Furthermore, in the event of a sale of all or substantially all of ACADEMI LLC's business operations, the obligations imposed by this Agreement, including the requirements related to the appointment of an Export Control Monitor, shall apply only to the business operations or entities which were acquired from ACADEMI LLC.

29. With respect to those entities included in the list of Retained Entities in the Declaration of Erik D. Prince ("Prince Declaration"), attached as Attachment C, the obligations set forth in paragraphs 4 and 18 shall not apply to such Retained Entities. The Retained Entities agree that they shall provide the USAO EDNC with 90 days notice in advance of resuming any business operations that are regulated or implicated by the export control laws or federal firearms laws. During that time, the representatives of any such Retained Entities and the USAO EDNC shall meet and confer in good faith to determine whether, and to what extent, the obligations set forth in this Agreement should be modified to address the particular operations and/or other attendant circumstances of any Retained Entity.

30. ACADEMI LLC shall only be responsible for a breach of this Agreement committed by employees or agents of ACADEMI LLC and a Retained Entity shall only be responsible for any breach of this Agreement committed by employees or agents of that Retained Entity.

31. It is understood that this Agreement is limited to ACADEMI LLC, its successors in interest, and its former affiliates, and the USAO EDNC on behalf of the United States Department of Justice, and does not bind other federal, state or local authorities. However, the USAO EDNC will bring this Agreement, the cooperation of ACADEMI LLC, and its compliance with


its other obligations under this Agreement to the attention of other prosecuting offices and/or regulatory authorities, if requested to do so.

32. This Agreement constitutes the full and complete agreement between ACADEMI LLC and its former affiliates and the USAO EDNC with respect to the resolution of the criminal investigation of this matter. No additional promises, agreements, or conditions have been entered into with respect to the resolution of the criminal investigation other than those set forth in this Agreement, and none will be entered into unless in writing and signed by the USAO EDNC, ACADEMI LLC's and its former affiliates' counsel, and a duly authorized representative of those entities. It is understood that the USAO EDNC may, in its sole discretion, permit exceptions to or excuse particular requirements set forth in this Agreement at the written request of ACADEMI LLC and/or its former affiliates, but any such permission shall be in writing and will not otherwise impact the validity of the Agreement. Nothing in this agreement will supersede or control the provisions of the Consent Agreement entered into between ACADEMI LLC and the United States Department of State, and nothing in the Consent Agreement will supersede or control the provisions of this Agreement.


Notwithstanding anything to the contrary in this Agreement, ACADEMI LLC and/or its former affiliates may from time to time petition the USAO EDNC for an early termination of this Agreement, and/or for a suspension of any remaining fine payments or the application against any remaining fine payments of additional credit compliance-related costs and expenses, in which case, the USAO EDNC will evaluate such request in good faith, taking into consideration compliance as well as any other factors it deems relevant, including the timing of the entry of this Agreement in relation to the Consent Decree, as well as changes in ownership, senior management personnel, and the corporate governance structure that have occurred over the past three years. Upon the request of ACADEMI LLC, the USAO agrees to meet in person with representatives of ACADEMI LLC in connection with any petition for early termination or other relief described in this paragraph. ACADEMI LLC and its former affiliates acknowledge that the USAO EDNC is under no obligation to grant an early termination, suspend any fine payments, or agree to any additional set off for compliance-related costs and expenses, or explain its reasoning thereto.

AGREED TO:

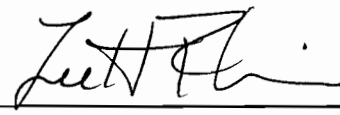
REPRESENTATIVES OF ACADEMI LLC AS WELL AS ITS
PREDECESSOR-IN-INTEREST, SUBSIDIARIES, DIVISIONS, AND AFFILIATES



ACADEMI LLC on its own behalf and on behalf of its predecessors-
in-interest, subsidiaries, divisions and affiliates identified
as ACADEMI.

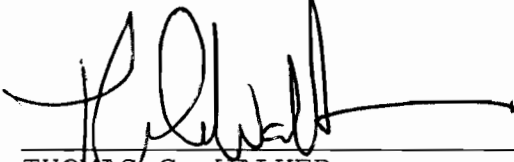


Representative of the Retained Entities identified in
Attachment C

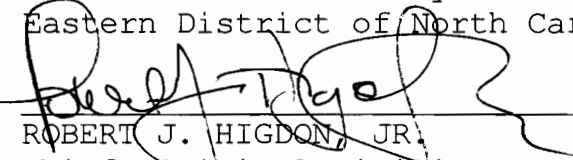


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