

Academi/Blackwater Charged and Enters Deferred Prosecution Agreement

U.S. Attorney's Office Eastern District of North Carolina
(919) 856-4530
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RALEIGH, NC—U.S. Attorney Thomas G. Walker announced the unsealing of a bill of information and deferred prosecution agreement (DPA) involving Academi LLC, formerly known as Blackwater Worldwide and Xe Services, LLC (Academi/Blackwater). The bill of information and DPA were unsealed today in U.S. District Court in New Bern, North Carolina, during proceedings before the Honorable Louise W. Flanagan, U.S. District Judge. In the agreement, the company admits certain facts set forth in a bill of information and agrees to a \$7.5 million fine. The agreement also acknowledges and references a \$42 million settlement between the company and the Department of State as part of a settlement of violations of the Arms Export Control Act and the International Trafficking in Arms Regulations.

“Today’s proceedings conclude a lengthy and complex investigation into a company which has provided valuable services to the United States government, but which, at times, and in many ways, failed to comply with important laws and regulations concerning how we as a country interact with our international allies and adversaries,” said U.S. Attorney Walker. “Compliance with these laws is critical to the proper conduct of our defense efforts and to international diplomatic relations. This prosecution is an important step to ensuring that our corporate citizens comply with these rules in every circumstance.”

IRS-Criminal Investigation Special Agent in Charge Jeannine A. Hammett stated, “High-ranking corporate officials hold positions of trust not only in their companies but also in the eyes of the public. That trust is broken when such officials abuse their power and commit crimes to line their own pockets. An international fraud of this magnitude requires a coordinated effort among law enforcement agencies to stop those involved from profiting from their wrongdoing.”

“Compliance with the firearms laws of the United States in both domestic and international commerce is essential to maintaining order and accountability,” stated ATF Special Agent in Charge Wayne L. Dixie. “Whether it is an individual or a corporation, we will enforce the provisions of the federal gun laws equally. If violations are discovered, we will move to hold those responsible for the violations accountable for their actions.”

“Blackwater profited substantially from Department of Defense (DoD) contracts in support of overseas contingency operations over the past decade,” commented Special Agent in Charge John F. Khin, Southeast Field Office, Defense Criminal Investigative Service (DCIS). “This investigation showed that no contractor is above the law and that all who do business with the DoD will be held accountable. With this agreement, Blackwater acknowledged their wrongdoing and took steps to remedy and mitigate the damage they caused to the United States and the public trust.”

“For an extended period of time, Academi/Blackwater operated in a manner which demonstrated systemic disregard for U.S. government laws and regulations. Today’s announcement should serve as a warning to others that allegations of wrongdoing will be aggressively investigated,” said Chris Briese, Special Agent in Charge of the Charlotte Division of the FBI.

“This company clearly violated U.S. laws by exporting sensitive technical data and unauthorized defense services to a host of countries around the world,” said Brock D. Nicholson, Special Agent in Charge of U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) Atlanta. “In doing so, company employees were frequently in possession of

illegal firearms and aided other foreign nationals in the acquisition of illegal firearms. HSI is proud to have played a role in assisting the investigation to call this company to account for its actions.” Nicholson oversees HSI activities in Georgia and the Carolinas.

The Bill of Information

The bill of information is the result of a five-year, multi-agency federal investigation that covered an array of criminal allegations including export and International Emergency Economic Powers Act (IEEPA) allegations involving the manufacture and shipment of short-barreled rifles, fully automatic weapons, armored helicopters, armored personnel carriers, Foreign Corrupt Practices Act (FCPA) allegations in both Iraq and Sudan, unlicensed training of foreign nationals and firearms violations. As the result of that investigation, the government has brought 17 criminal charges against the company:

Counts one and two allege violations of IEEPA based upon Academi/Blackwater’s export of Iridium Satellite phones and Crypto Satellite phones to the Sudan in November 2005 without the authorization of the U.S. Secretary of the Treasury, as required by law.

Counts three through six allege violations of the Arms Export Control Act and the International Trafficking in Arms Regulations, based upon several proposed or actual transactions as follows:

- Between October 1, 2006 and November 30, 2006, Academi/Blackwater proposed to provide security services and a threat assessment, which included defense services as defined by U.S. law, to the government of the Sudan, without first having obtained a license from the U.S. Department of State;
- Between October 1, 2006 and June 30, 2008, Academi/Blackwater provided military training related to overseas military operations to military and law enforcement personnel from Canada without first having obtained a license from the U.S. Department of State;
- Between January 1, 2006 and December 30, 2008, Academi/Blackwater provided technical and engineering data relating to the construction of armored personnel carriers to personnel from Sweden and Denmark without authorization from the U.S. Department of State as required by law;
- Between October 2004 and March 2006, the company exported ammunition and body armor to Iraq and Afghanistan without first obtaining a license from the U.S. Department of State as required by law.

Counts seven through 12 allege violations of various federal firearms laws as the result of the company’s possession of the listed automatic weapons without registration or permission.

And finally, counts 13 through 17 allege that the company falsely represented to the Bureau of Alcohol, Tobacco, Firearms, and Explosives that five firearms were owned by certain individuals when the weapons had, in fact, been given as a gift to the King of Jordan and/or his traveling entourage in June 2005.

The Deferred Prosecution Agreement

The entry of the DPA permits the company to resolve the charges under conditions set forth in a contract with the government. Here, the Department of Justice has entered into a DPA with Academi/Blackwater, which acknowledges the company’s efforts to reform its conduct, provides for a period of supervision during which its activities are monitored, and which requires the payment of a \$7.5 million fine. In the agreement the company admits the violations set forth in the bill of information, and the government acknowledges the company’s efforts to reform its conduct and to mitigate the damage caused by that conduct. The agreement also acknowledges

and references a \$42 million settlement between the company and the Department of State as part of a civil administrative settlement of violations of the Arms Export Control Act and the International Trafficking in Arms Regulations.

The investigation was conducted by a task force established by the U.S. Attorney's Office for the Eastern District of North Carolina; the National Security Division of the Department of Justice; the FBI; the IRS; the ATF; the DCIS; and the ICE HSI.

Assistant U.S. Attorneys Robert J. Higdon Jr., John Bowler and Eric Goulian prosecuted the matter for the United States.