

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of U.S. Customs and Border Protection, a component of the U.S. Department of Homeland Security (collectively the “United States”), Zephyr Aviation, LLC (“Zephyr”), and owners Frederick Credno Jr. (“Fred Credno”) and Frederick W. Credno III (“Chip Credno”) (collectively “the Parties”), through their authorized representatives.

RECITALS

A. Zephyr is an aircraft charter broker located in Mineral, Virginia. Between November 7, 2022 and May 19, 2025 (the “Relevant Period”), Zephyr chartered flights for the Department of Homeland Security to transport non-citizen migrants in the custody of U.S. Customs and Border Protection. In connection with Zephyr’s contracts with the Department of Homeland Security, Zephyr subcontracts with various aircraft operators to fly the required flights, and Zephyr submits invoices to CBP based on the required hours for the flight segments. Fred and Chip Credno own and operate Zephyr. Fred Credno serves as the Managing Partner at Zephyr, and Chip Credno serves as Senior Contracts Manager at Zephyr.

B. The United States contends that during the Relevant Period, Zephyr and its owners, Fred and Chip Credno (collectively the “Zephyr Defendants”), routinely submitted invoices to the Department of Homeland Security that requested payment for flight hours that exceeded the actual flight times of the aircraft operators with which Zephyr subcontracted. As a consequence of these actions, the United States contends that the Zephyr Defendants knowingly presented, or caused to be presented, false or

fraudulent claims for payment or approval in violation of the False Claims Act, 31 U.S.C. § 3729(a)(1)(A). This conduct is referred to below as the Covered Conduct.

C. This Settlement Agreement is neither an admission of liability by the Zephyr Defendants, nor a concession by the United States that its claims are not well founded.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. The Zephyr Defendants shall collectively pay to the United States \$3,901,000, of which \$1,950,500 is restitution, plus interest at a rate of 5% per annum from November 15, 2025, and continuing until and including the date of payment (the Settlement Amount), in accordance with the payment schedule attached hereto as Exhibit A. The Settlement Amount will be paid by electronic funds transfer pursuant to written instructions provided by the Civil Division of the United States Department of Justice. Zephyr, Fred Credno, and Chip Credno agree that each is jointly and severally liable for the entire Settlement Amount. The entire balance of the Settlement Amount, or any portion thereof, plus any interest accrued on the principal as of the date of any prepayment, may be prepaid without penalty.

2. In the event the Zephyr Defendants fail to pay the Settlement Amount as provided in the payment schedule set forth in Exhibit A, the Zephyr Defendants shall be in Default of their payment obligations (“Default”). The United States will provide a written Notice of Default, and the Zephyr Defendants shall have an opportunity to cure

such Default within seven (7) calendar days from the date of receipt of the Notice of Default by making the payment due under the payment schedule and paying any additional interest accruing under the Settlement Amount up to the date of payment. Notice of Default will be delivered to the Zephyr Defendants, or to such other representative as the Zephyr Defendants shall designate in advance writing. If the Zephyr Defendants fail to cure the Default within seven (7) calendar days of receiving the Notice of Default and in the absence of an agreement with the United States to modify the payment schedule ("Uncured Default"), the remaining unpaid balance of the Settlement Amount (consisting of the outstanding principal and the interest accrued at 5% as of the date of Default) shall become immediately due and payable, and interest on the remaining unpaid balance shall thereafter accrue at the rate of 10% per annum, compounded daily from the date of Default.

3. In the event of Uncured Default, the Zephyr Defendants agree that the United States, at its sole discretion, may (i) retain any payments previously made, rescind this Agreement and pursue any civil and/or administrative claim, action, or proceeding against the Zephyr Defendants for the claims that would otherwise be covered by the releases provided in Paragraph 4, with any recovery reduced by the amount of any payments previously made by the Zephyr Defendants to the United States under this Agreement; (ii) take any action to enforce this Agreement in a new action; (iii) offset the remaining unpaid balance from any amounts due and owing to the Zephyr Defendants and/or affiliated companies by any department, agency, or agent of the United States at the time of Default or subsequently; and/or (iv) exercise any other right granted by law, or under the terms of this Agreement, or recognizable at common law or in equity. The

United States shall be entitled to any other rights granted by law or in equity by reason of Default, including referral of this matter for private collection. In the event the United States pursues a collection action, the Zephyr Defendants agree immediately to pay the United States the greater of (i) a ten-percent (10%) surcharge of the amount collected, as allowed by 28 U.S.C. § 3011(a), or (ii) the United States' reasonable attorneys' fees and expenses incurred in such an action. In the event that the United States opts to rescind this Agreement pursuant to this paragraph, the Zephyr Defendants waive and agree not to plead, argue, or otherwise raise any defenses of statute of limitations, laches, estoppel or similar theories, to any civil or administrative claims that are (i) filed by the United States against the Zephyr Defendants within 120 days of written notification that this Agreement has been rescinded, and (ii) relate to the Covered Conduct, except to the extent these defenses were available on the Effective Date of the Agreement. The Zephyr Defendants agree not to contest any offset, recoupment, and/or collection action undertaken by the United States pursuant to this paragraph, either administratively or in any state or federal court, except on the grounds of actual payment to the United States.

4. Subject to the exceptions in Paragraph 5 (concerning reserved claims) below, and conditioned upon the United States' receipt of the Settlement Amount, the United States releases the Zephyr Defendants from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Administrative False Claims Act, f/k/a the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

5. Notwithstanding the release given in Paragraph 4 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, or any administrative remedy, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals other than Fred and Chip Credno;
- g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- h. Any liability for failure to deliver goods or services due;
- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

6. The Zephyr Defendants waive and shall not assert any defenses the Zephyr Defendants may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention

that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

7. The Zephyr Defendants fully and finally release the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that the Zephyr Defendants have asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

8. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of the Zephyr Defendants, and their present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) the Zephyr Defendants' investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement;

(5) the payment the Zephyr Defendants make to the United States pursuant to this Agreement, are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by the Zephyr Defendants, and the Zephyr Defendants shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, the Zephyr Defendants shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by the Zephyr Defendants or any of their subsidiaries or affiliates from the United States. The Zephyr Defendants agree that the United States, at a minimum, shall be entitled to recoup from the Zephyr Defendants any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine the Zephyr Defendants' books and records and to disagree with any calculations submitted by the Zephyr Defendants or any of their subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by the Zephyr Defendants, or the effect of any such Unallowable Costs on the amount of such payments.

9. This Agreement is intended to be for the benefit of the Parties only.

10. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

11. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

12. This Agreement is governed by the laws of the United States. The exclusive venue for any dispute relating to this Agreement is the United States District Court for the Western District of Virginia. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

13. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

14. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

15. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

16. This Agreement is binding on the Zephyr Defendants' successors, transferees, heirs, and assigns.

17. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

18. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

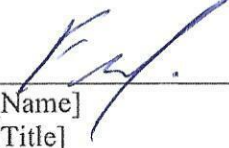
[SIGNATURES PAGES FOLLOW]

THE UNITED STATES OF AMERICA

DATED: 11/4/2025

BY: 
DANIEL W. KASTNER
Trial Attorney
Commercial Litigation Branch
Civil Division
United States Department of Justice

ZEPHYR DEFENDANTS

DATED: 11/3/2025 BY: 
[Name]
[Title]
ZEPHYR AVIATION, LLC

DATED: 11/3/2025 BY: 
FRED CREDNO
Co-owner of Zephyr Aviation, LLC

DATED: 11/4/2025 BY: 
CHIP CREDNO
Co-owner of Zephyr Aviation, LLC

DATED: 11/3/2025 BY: 
DAVID COHEN
Counsel for Zephyr Aviation, LLC

EXHIBIT A**PAYMENT SCHEDULE**

<u>Payment Number</u>	<u>Payment Date</u>	<u>Beginning Principal Balance</u>	<u>Amount Applied to Principal</u>	<u>Accrued Interest (5.0%)</u>	<u>Payment (Principal and Interest)</u>	<u>Ending Principal Balance</u>
1	11/15/2025	\$3,901,000.00	\$2,000,000.00	\$-	\$2,000,000.00	\$1,901,000.00
2	11/30/2025	\$1,901,000.00	\$237,625.00	\$3,906.16	\$241,531.16	\$1,663,375.00
3	12/31/2025	\$1,663,375.00	\$237,625.00	\$7,063.65	\$244,688.65	\$1,425,750.00
4	1/31/2026	\$1,425,750.00	\$237,625.00	\$6,054.55	\$243,679.55	\$1,188,125.00
5	2/28/2026	\$1,188,125.00	\$237,625.00	\$4,557.19	\$242,182.19	\$950,500.00
6	3/31/2026	\$950,500.00	\$237,625.00	\$4,036.37	\$241,661.37	\$712,875.00
7	4/30/2026	\$712,875.00	\$237,625.00	\$2,929.62	\$240,554.62	\$475,250.00
8	5/31/2026	\$475,250.00	\$237,625.00	\$2,018.18	\$239,643.18	\$237,625.00
9	6/30/2026	\$237,625.00	\$237,625.00	\$976.54	\$238,601.54	\$0.00
	<u>TOTAL</u>		<u>\$3,901,000.00</u>	<u>\$31,542.26</u>	<u>\$3,932,542.26</u>	