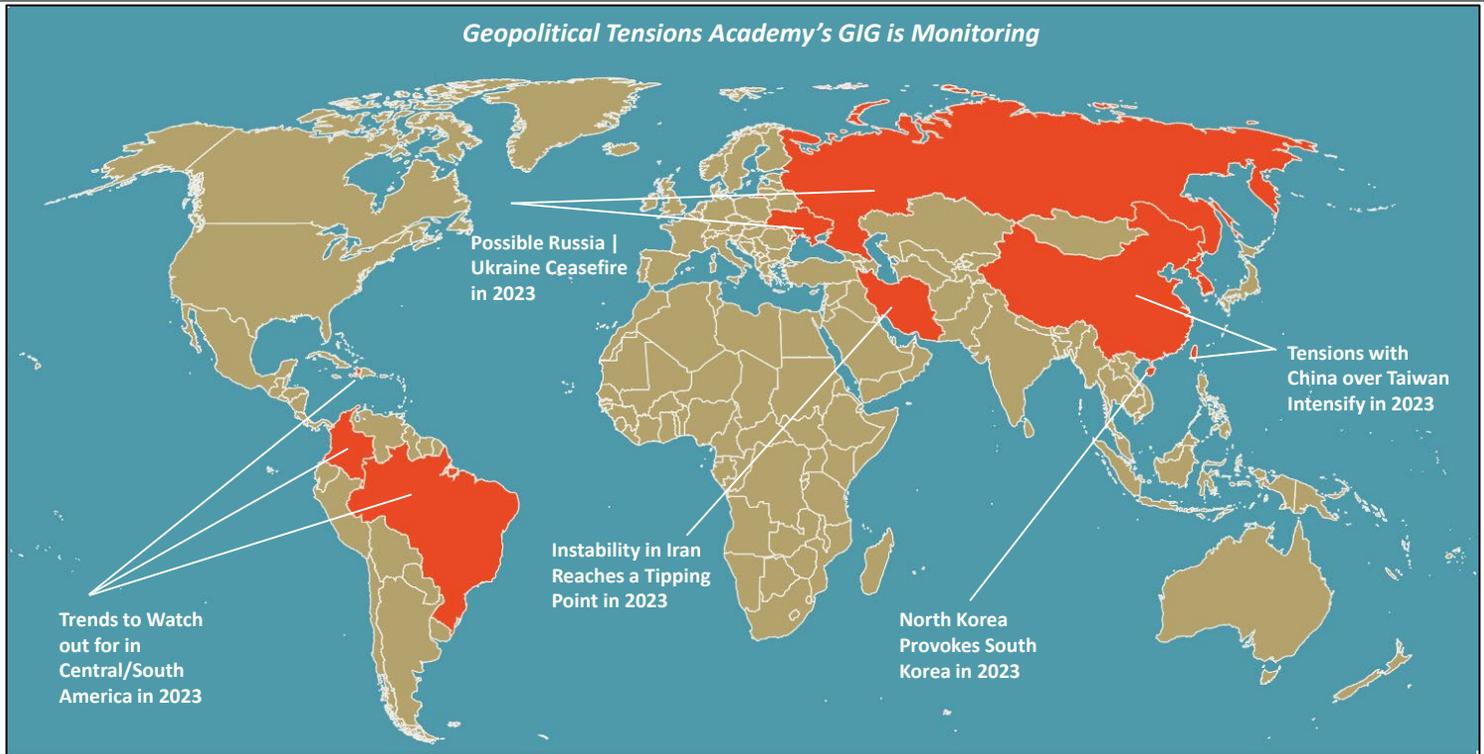


*Around the World with Academy Securities*

In this month's edition of *Around the World with Academy Securities*, our [Geopolitical Intelligence Group](#) (GIG) focuses on the following geopolitical tensions (and possible surprises in 2023) that we are monitoring:

1. Possible Russia | Ukraine Ceasefire in 2023
2. Tensions with China over Taiwan Intensify in 2023
3. North Korea Provokes South Korea in 2023
4. Instability in Iran Reaches a Tipping Point in 2023
5. Trends to Watch out for in Central/South America in 2023

We begin with an update on the war in Ukraine as it enters its 11<sup>th</sup> month and discuss a few possible conditions that might have to be in place before any substantial negotiations can begin to end the conflict. While our GIG does not believe that we are there yet (and with multiple ways the war could drag on or even escalate in the coming months), we will be watching for signs that both sides may be ready to start discussions. Next, we address China and while we still do not believe that a move to unify China and Taiwan is imminent, there is always the risk that China looks to manufacture a crisis as a reason to further test its military interoperability and its capability to execute a blockade around Taiwan. We also report on North Korea and the likelihood of a 7<sup>th</sup> nuclear test early next year. We believe that the North will continue to provoke the South until the tension reaches a level where outside parties (the U.S., Japan, China) have to step in to mediate. Additionally, we address Iran and the protests that continue to grow in the country. However, unless the Ayatollah loses the loyalty of the military, the likelihood of a regime change in the near-term is slim. Finally, we revisit Central/South America and identify some of the key trends our GIG sees going into 2023. From the elections in Brazil to the impeachment of Pedro Castillo in Peru (and subsequent threat to dissolve Congress), there was no shortage of political turmoil in the region this year. Next year, with several upcoming elections and the threat of further Chinese influence and investment, there will likely be opportunities for further U.S. engagement.

**Please reach out to your Academy coverage officer with any questions and we would be happy to engage.**

*Around the World with Academy Securities***Front and Center: Possible Russia | Ukraine Ceasefire in 2023**

In our previous [ATWs](#) and our recent [SITREP](#), we have continued to provide updates on the latest developments in the conflict in Ukraine. As Ukraine continues to make progress (with help from the U.S./NATO including the plan to send Patriot missile defense systems) against the Russian forces that invaded 10 months ago, it is time to reflect on the conflict and think about what conditions would be necessary for both sides to come to the negotiating table in order to execute a ceasefire agreement. It is hard to see that happening in the coming weeks/months, but as the war moves into 2023, there will likely be outside pressure exerted on both parties to start discussions. As Ukraine likely fears that this would just give the Russians an opportunity to regroup and launch a new offensive in the spring, there will have to be conditions determined ahead of time to convince Zelensky that it is time to negotiate. The loss of life on both sides has been catastrophic and the damage to Ukraine's infrastructure is in the hundreds of billions of dollars. Ukraine will likely want some kind of security guarantee from the West, which would immediately upset Putin as the threat of Ukraine entering into these kinds of agreements is one of the reasons why he invaded Ukraine in the first place. Ukraine will also likely be looking for the return of territory seized by Russia (TBD on how much they would possibly agree to give up, if any), reconstruction funds from the international community to rebuild, and the understanding that war crimes committed against Ukraine would be addressed. Russia's economy has been hit hard by this war and the subsequent sanctions and is expected to contract by another 4.5% in 2023. Putin will have to be able to sell a "victory" to his people somehow because a "loss" is not an option. However, there are also many things that could escalate the war in the near-term such as Belarus entering the conflict, a "spectacular" attack by Ukraine inside Russia, or Russian cyber/sabotage operations affecting the West/NATO. **Our GIG will continue to monitor the conditions that will be required for both sides to come to the table in 2023.**



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*"Russia and Ukraine are far from negotiating a peace and an end to this brutal war. A year is a long time, but there are no indicators at this time that the war will end in 2023. Negotiations occur when both sides feel stagnated. Neither side is there. 85% of Ukrainians oppose any territorial concessions. Concessions in the east and south will weaken the economic viability of Ukraine. Ukraine remains emboldened by the arms flow from the U.S. and NATO. The challenge is that Zelensky is stating maximalist objectives to take back all the occupied territories while NATO is not in concert. This is an ends and means mismatch. It is the manifestation of a stalemate and sets the stage for a war of attrition that will go on for a long time.*

*There are two wars ongoing. A ground war where Ukraine has made some territorial gains and an air war where Putin continues his destruction of Ukraine's civilian infrastructure. The Russian military is struggling to regain the offensive on the ground. Putin's objective is to demoralize Ukraine's people and the West's support. Putin also believes that he can take more territory even though Ukraine's military has made significant territorial gains.*

*Biden and NATO want to set the conditions for Ukraine to succeed, but Putin and Zelensky are both strong willed/nationalistic leaders and are showing no signs of giving in. Meanwhile, the cost of the war continues to grow as NATO's stockpile of weapons is being depleted. There will be a point where NATO pressures Zelensky to go to the table to negotiate a peace. We are not there yet, but we are starting to see signs of cracks." – General Robert Walsh*

*"The Ukrainian center of gravity will always be support from the West as Russia continues to destroy the power grid in hopes of weakening the will of the Ukrainian people and exacerbating the humanitarian crisis in Ukraine. In 2023 Ukraine will continue the offensive to capture all territory that Russia has taken in the past (including Crimea). Zelensky will not compromise on recapturing all of Ukraine and the West must continue to support as China is watching and any compromise factors into China's calculus for the future. The will of the people in Ukraine to win*

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*the fight is strong and negotiations will not occur until Ukraine has recaptured all of its territory.” – General K.K. Chinn*

*“Russian forces will never be completely out of Ukraine unless President Putin (or a successor) decides to withdraw. That does not mean that Russia has an infinite number of military options. Russia’s only obvious strategy is to continue to try to exhaust Ukraine’s will to fight through the use of long-range weapons on Ukraine’s infrastructure. Ukraine will stand fast and firm. With confidence in NATO’s continued support, Ukraine can sustain its sovereignty. If NATO falters (there are several scenarios where NATO could tire of a protracted war) President Zelensky must reduce his maximalist objective of the complete removal of Russian forces from Ukraine to an outcome that acknowledges that Russia will remain on Ukrainian soil. The criminality of Putin’s actions is undeniable as is the inevitability that “wars of conquest” like we’re seeing in Ukraine will remain “constant” in the politics among nations.” – General Spider Marks*

*“A potential wild card in 2023 would be a significant Russian cyber-attack of some kind against NATO or another partner nation helping Ukraine. In the last 10 months, we have not seen anything from Russia’s national cyber-forces beyond low-level attacks including denial of service, web page defacement, phishing to gain privileged access, data exfiltration, and taking advantage of software vulnerabilities. Russia continues to try to disrupt critical infrastructure by installing destructive malware on Ukrainian networks and that is likely to continue. However, Russia has also found that kinetic missile attacks against Ukraine’s infrastructure are easier and equally effective.*

*Given the sophisticated capabilities that we suspect the Russians have, western nations were surprised that the Russians were not more aggressive in using these capabilities against Ukraine and their allied partners. We suspect that this can be attributed to a few things. First, Ukraine has made significant investments in their defensive cyber capability since 2015 (with a focus on resiliency in the face of Russian state sponsored attacks). In addition, Russia put much of their cyber-force on defensive operations because they are under constant attacks. There are also no internationally accepted “cyber red lines” on what constitutes an act of war in cyber. Russia likely does not want to escalate the conflict outside of Ukraine. With the significant failures in the ground war, Russia may be holding some of their most significant cyber-tools (which could be compromised if used) in reserve as a “last resort” to use if they get desperate.” – Admiral Danelle Barrett*

**Tensions with China over Taiwan Intensify in 2023**

In our [August ATW](#) we highlighted the tension around Speaker Pelosi’s visit to Taiwan. There have been a record number of incursions into Taiwan’s Air Defense Identification Zone in 2022 (more than 1,500 including 18 nuclear capable bombers on December 13<sup>th</sup> alone, compared to 380 in 2020). In addition to these incursions, the exercises and missile tests reached a level not seen since the 1995-1996 Taiwan Strait Crisis and demonstrated China’s ability to effectively blockade Taiwan on short notice. While our view continues to be that a Chinese move on Taiwan is not imminent, China will continue to look for reasons to “manufacture” the conditions that will allow them to test their systems (at a scale necessary for a possible invasion) in order to demonstrate the full suite of their capabilities from air, sea, and land forces. With this intent, the risk grows for a possible accidental engagement that could spiral into a conflict very quickly.



As the U.S. looks to shore up its alliances in the region, not only will the Quad (India, Australia, Japan, U.S.) be important in deterring a conflict, but other partners in the region such as the Philippines and Indonesia will be critical as well. During the recent visit of Vice President Harris to the Philippines, she emphasized that the U.S. would be “strengthening its economic and investment relationship” and that the “U.S. commitment to the defense

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of the Philippines is ironclad.” The U.S. relationship with Indonesia (which hosted the G20 last month) will also be key in solidifying any unified position opposing China’s influence in the region. China’s relationship with Indonesia has gone in multiple directions over the years. Currently, China is Indonesia’s largest trading partner and there has been significant investment in Indonesia via China’s Belt and Road Initiative. However, China’s mistreatment of the Uyghur population in Xinjiang and its military movements in Indonesia’s territorial waters have led to the mistrust of China’s intentions. While there has been some concern around Indonesia’s new legal code, the U.S. must seize the opportunity to develop a closer relationship with Indonesia and bring it into the U.S. sphere of influence to add to the counterweight against Chinese expansion. **Our GIG will be watching closely for the U.S. to shore up its partnerships in the region in an attempt to deter any action by China against Taiwan in 2023.**

*“President Xi does not plan to invade Taiwan in 2023. He took a more conciliatory tone when he met with President Biden because he is building resilience in his economy and military. The U.S. can’t get too comfortable with these talks. China talks in a conciliatory way and then does the opposite. Meanwhile, the U.S. message is not consistent. President Biden now says that China isn’t an imminent threat and sees Xi as non-confrontational. This is a far cry from Secretary of State Blinken’s recent statements that China is moving the Taiwan timeline to the left and could invade Taiwan by 2027. Xi learned from Putin in Ukraine that he needs overwhelming military force, must control the information space, must prepare his economy for sanctions, and needs to drive a wedge between the U.S. and its allies and partners if he plans to take Taiwan by force. Xi is preparing his military and people for war and is set on resolving the Taiwan question and advancing national reunification. Taiwan’s sovereignty is being challenged as China seeks to slowly strangle Taiwan. Biden needs to say that Xi will force his hand militarily if China invades Taiwan. Xi needs to understand that there is no ambiguity. The U.S. message should be to get Taiwan the help it needs to prevent a conflict from starting. We learned how to do this during the Cold War and prevented war with the Soviet Union. The U.S. and its allies must give Taiwan the assistance needed and make it too costly for China to invade.” –*  
**General Robert Walsh**

General Walsh also comments below regarding the rapidly accelerating technology development programs in China and the steps being taken in 2023 to mitigate this risk.

*“The bi-partisan support in Congress to limit Chinese AI and supercomputing capabilities which are needed to weaponize technology for geopolitical gains will gain strength in 2023. The Biden administration signed the CHIPS and Science Act to boost semiconductor research, development, and production to ensure that the U.S. competes and wins in the future. FBI Director Wray is also expressing concerns with TikTok and its manipulation of content and surveillance. IP theft, forced tech transfers, and state subsidies are causing us to question the value of U.S. manufacturing companies doing business in China. The recent announcement of the delivery of China’s first-ever large homegrown airliner should concern U.S. and EU aircraft manufacturers after they spent many years in joint ventures with China. China expects that the C919 will help it become more technologically self-reliant and will advance its aircraft manufacturing industry.” –*  
**General Robert Walsh**

*“Taiwan remains secure for two reasons: the complete incompetence of the Russian military and the global demand for semi-conductors. Despite years of planning for the military invasion of Taiwan, the Chinese military is in no position now to test the validity of those plans and their readiness to execute them. China needs access to the chip manufacturing in Taiwan and China (whose military has evolved rather rapidly but remains untested) cannot afford a similar outcome to Russia’s. The timing for a Chinese military take-over of Taiwan could not be more out of sync with China’s grand strategy of becoming the world’s sole superpower by 2049, the 100th anniversary of the People’s Republic. Recently elected to a third term, Xi Jinping must solidify and validate his victory while pulling back on China’s expansive and vulnerable economic growth over the past two decades. China is in a period of decline and retrenchment. Executing an amphibious invasion of Taiwan across 100 miles of open ocean is not a foundational pillar of its changed strategy. To be clear, the Chinese will be militarily provocative (they push when they can, not when they must) but are not interested in a costly military operation against Taiwan. They will remain patient.” –*  
**General Spider Marks**

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*“I don’t expect any significant military action by China in 2023 as they focus on their internal challenges. China will continue to set conditions for future years by continuing to build political, economic, and military influence through their Belt and Road Initiative (BRI). This initiative provides loans for key infrastructure such as ports/airfields, roads, railroads, bridges, telecommunications, agriculture cultivation, and mining projects to satisfy their growing domestic demand and pursuit of a continued monopoly on critical minerals. China will continue to use their money to achieve desired outcomes as they did in the recent Taiwanese elections leading to President Tsai stepping down as the DPP party leader (but will remain as the President until her term ends in 2024).*

*The Quad will stand strong against China in 2023 with the use of integrated deterrence and will dissuade China and North Korea from behaving badly by using diplomacy, economic statecraft, and military power. I expect to see increased joint exercises/freedom of navigation exercises with our allies and partners to demonstrate U.S. presence, commitment, and combined capability. I also expect to see a QUAD+ arrangement to include Vietnam, Indonesia, and other non-aligned actors in the region.” – General K.K. Chinn*

In addition, General Chinn comments on the Arctic and Antarctica, two other areas that China will focus on in 2023.

*“In 2023, the Arctic and Antarctica will become centers of economic activity and investment. In Antarctica, China has continued to increase their physical presence with the completion of their 5th research station/base. The Arctic is a shipping hub, a transit point between areas of strategic interest, and a military choke point. The Arctic connects Russia to Asian markets, China’s manufactured goods to European markets, and Russia’s Northern Fleet to the Atlantic. As the Northern Sea route becomes more navigable, a brand-new transpolar route will open. China is not an Arctic nation but has their eye on Siberia if Russia should falter on the global stage.” – General K.K. Chinn*

**North Korea Provokes South Korea in 2023**

In our October 2022 [ATW](#), we addressed the record number of North Korean missile tests in 2022 and the likelihood of a 7<sup>th</sup> nuclear test in the coming months. Of concern is the amount of talk around “pre-emptive” military capabilities. With a change in nuclear doctrine this past September, Kim is now proclaiming that the use of a nuclear weapon in a first strike is permitted. Increased rhetoric and the ramped-up testing of systems capable of delivering a pre-emptive strike makes the U.S. relationship with South Korea and Japan (which is in the process of buying offensive Tomahawk cruise missiles from the U.S. and is doubling its defense budget by 2027) even more important because Kim’s strategy is to try to exploit any “perceived” fractures among the allies. With Russian/Chinese vetoes in the UN, it is clear that little can be done here to contain Kim’s nuclear and long-range missile programs, so the time will soon be upon us when the U.S. and our partners might have to engage directly with Kim once again to calm the tensions and try to head off any conflict. There is always the risk that shelling/short-range missile launches by the North (such as the November 2<sup>nd</sup> incident that saw a missile land very close to South Korean territorial waters) could lead to an exchange of fire and a rapid escalation. As the North continues to increase tensions, there is a chance that they could spiral to a level where there are unintended consequences, which will likely lead to the U.S./its allies and possibly even China weighing in publicly or privately to Kim to diffuse the situation. **Our GIG will be monitoring the situation on the peninsula closely as the North continues to provoke the South in 2023.**



*“2023 will be a year in which Kim Jong Un continues his pattern of escalating threats as he builds his nuclear and missile programs. He now sees his strength in extracting concessions from the U.S. and South Korea by having nuclear weapons instead of just threatening to build them. It will be difficult if not impossible to keep him off this*

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*path. North Korea is using the deteriorating U.S. relations with China and Russia to its advantage. China and Russia are opposing any U.S. and UN initiated actions to respond to North Korea. This follows China's and Russia's "no limit" partnership aimed at checking the U.S. as a global power." – General Robert Walsh*

*"The Kim regime is not at risk. They will continue to be very provocative as they progress toward and conduct a 7th nuclear test early in the first three months of 2023. Each of the previous six nuclear tests increased in explosive power. This was expected. Watch the North continue to modify the existing Hwasong-17 ICBM which was designed to carry nuclear warheads and expand its estimated 20-30 nuclear warheads to 45 to 55. It is believed that the North has sufficient fissile material to make this happen. I expect that the North will push for a solid fuel missile, key to its nuclear delivery aspirations, and one of the regime's stated objectives. The West must watch, monitor, and find new methodologies to engage with the Kim regime to build trust. Past efforts have failed. In 2000-2001, Seoul embraced a strategy of opening with Pyongyang and millions of dollars were wasted on incentives for the North. The previous U.S. administration tried direct contact with the North with no progress. Past strategic efforts to find "an opening" with the North have failed. In contrast, the military alliance with the Republic of Korea remains vibrant but has failed to modify the North's behavior. Something must change. A Democratic People's Republic of Korea with a nuclear weapon is a non-starter, however, it appears inevitable." – General Spider Marks*

*"I believe that North Korea will conduct an underground nuclear detonation in 2023 that will lead to a multilateral dialogue with China, South Korea, the U.S., and Japan. Russia will no longer have a seat at the table for the negotiations. This will bring us back to North Korea's habitual cycle of engagement/behavior: crisis, diplomatic outreach, negotiations, recriminations, breakdown, and return to crisis. The negotiation will focus on dismantling North Korea's nuclear program by providing security guarantees along with the lifting of financial sanctions and trade normalization to include Covid, humanitarian, and food aid." – General K.K. Chinn*

*"North Korea could use their offensive cyber capabilities to provoke South Korea through disruptive attacks. While they likely have the ability to conduct destructive attacks as well and may try to target elements of the South Korean government, military, economy, and critical infrastructure, we would likely see more focused disruptive attacks such as exploiting known vulnerabilities to cause denial of service, chaos, and confusion. Industries targeted by North Korea in their public institution cyber-attacks were related to national security (i.e., the Korea Atomic Energy Research Institute). Commercial industries, particularly those in defense and pharmaceuticals doing business in South Korea, should be mindful of the potential for North Korea to target private companies to steal sensitive information or extort money." – Admiral Danelle Barrett*

### Instability in Iran Reaches a Tipping Point in 2023

As we reported in our [October ATW](#), the prospects for a new nuclear deal with Iran are slim (to none) at this point. Iran has also been stepping up their support for Russia and is continuing to send armed drones that have been used to strike Ukrainian energy infrastructure. However, over the past few months, the protests that started after the death of Mahsa Amini at the hands of the morality police have continued to get much worse. In response, the EU recently announced more sanctions on Iran following the execution of protesters last week. Over 480 people have been killed since the protests began in mid-September (with another 18,200 detained) and they have taken place in over 50 cities across Iran. The question is how far can these protests go in light of the Iranian people calling for the end to the regime? One key item that we are watching closely is the cohesivity of the security apparatus in Iran. In 1979 when the Shah fell, there were mass defections from the army. That is not happening yet as the regime's control over the military remains strong. As the IRGC deals with the protests, Iran will likely try to distract attention from the instability at home by supporting their regional proxy forces (Hezbollah/Hamas in Gaza against Israel and the Houthis in Yemen against Saudi Arabia/UAE). In addition, with no nuclear deal in place, Iran will continue to enrich



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uranium above the acceptable limits and keep driving closer to the development of a nuclear weapon. However, as Netanyahu prepares to return to power as Prime Minister, Israel clearly will not let that happen. **With the internal and external pressure intensifying against the regime, our GIG will be watching Iran closely for any cracks (or ways the regime can act out to deflect international attention) in 2023.**

*“I do not expect a change to the Ayatollah’s regime in 2023. The regime has spent decades perfecting its ability to violently crackdown on dissidents. Though there have been unprecedented protests following the death of Mahsa Amini, they have not achieved any success in threatening the regime. To date, the U.S. has done little to support the protesters or their cause. Regime change is much more difficult in a country with a strong military like Iran than in some of the other previous “revolutions.” – General Robert Walsh*

**Trends to Watch out for in Central/South America in 2023**

Finally, we revisit Latin America and identify trends in 2023 that will continue to drive the instability in the region. The economy there will be under pressure next year with GDP growth falling to 1.7%. The political situation will also be tumultuous as we saw this past year in Peru (where Castillo attempted to dissolve Congress as he was being impeached). In addition, tensions may also increase in Argentina, Paraguay, and Guatemala as they gear up for elections next year with corruption running rampant. In our backyard, Haiti will continue to remain on the radar as the leadership there calls for an international security force to address the humanitarian crisis in the country that has accelerated since President Jovenel Moise’s assassination last year. **Our GIG will be watching Latin America closely in 2023 for signs that political instability could worsen in the region leading to opportunities for the U.S. to expand its cooperation with certain nations to bolster democracy and counter Chinese influence in our hemisphere.**



*“In Latin America in 2022 (as forecasted), Honduras, Chile, Colombia, and Brazil all elected center-left governments through the democratic process with only Ecuador, Paraguay, and Uruguay remaining center-right. We will see a shift to the right in October 2023 when the center-right will likely win the election in Argentina. We can also expect to see presidential elections in Peru in 2023 vice 2024 due to political and social instability. China will continue to seek influence in the region through their Belt and Road Initiative (currently including 21 countries in Latin America and the Caribbean) and they will continue to pressure Guatemala, Honduras, Paraguay, Belize, and Haiti to sever diplomatic ties with Taiwan.*

*In Haiti, at some point in 2023, a multinational security force will reluctantly be sent to assist in alleviating the humanitarian crisis created by gangs controlling the flow of logistics (fuel, food, medical, etc.) into the country. Haiti is a broken country with dysfunctional institutions and rampant political corruption and unfortunately no amount of resources provided will resolve the challenges that they are facing.*

*With respect to Colombia, in 1999, the U.S. government (through Plan Colombia) saved a failing country that today remains democratic with strong institutions. With the election of a center-left president (Gustavo Petro) in 2022, their relationship with China will slowly deepen but will be managed in order to maintain their current friendly U.S. relations and not frighten off Western investors which are needed to insure steady future economic growth.*

*In Brazil, on January 1, 2023, Brazil will inaugurate President Lula (center-left). Brazil is Latin America’s largest economy, and under Lula (similar to when he was the president from 2003-2011) Brazil will work to attract foreign investment. President-elect Lula already has an invite to the White House in 2023 and Brazil will host the G20 and BRICS summits in 2024. I expect that Brazil will continue to rise in stature on the global stage.” – General K.K. Chinn*

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